Company No.

149520	U

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

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2013

Company No.

149520	U

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

CONTENTS

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 2013.

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 year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to		
- Owner of the Company	158,100	158,100
- Non-controlling interest	338	-

DIVIDEND

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

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

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the 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.

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.

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 has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under Prudential Framework of Corporate Governance for Insurers and Minimum Standards for Prudential Management of Insurers (Consolidated), issued by Bank Negara Malaysia (“BNM”).

In compliance with Minimum Standards for Prudential Management of Insurers (Consolidated), the Board of Directors (“the Board”) established four sub-committees as set out below.

Risk Management Committee

The main responsibilities of the Committee are to recommend a 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 Committee comprises two independent non-executive directors and one non-independent non-executive director. They are Teh Boon Eng, Tsutomu Terabayashi and Dato’ Ahmad Fuaad bin Mohd Dahalan.

Four Risk Management Committee meetings were held during the year with full attendance by the directors.

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (continued)

The risk management framework of the Group and the Company comprises an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and the Company through designated management functions and internal controls, which cover all levels of personnel and business processes to ensure the Group's and the Company's operations are run in an effective and efficient manner as well as safeguarding the assets of the Group and the Company and stakeholders' interest. This process is supported by the maintenance of a reliable information system that covers all significant activities. Continuous assessment of the effectiveness and adequacy of internal controls, which include independent examination of controls by the internal audit function, ensures corrective action, where necessary, is taken in a timely manner.

Audit Committee

The main responsibility of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and 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:

a) 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;
b) 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;
c) 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;
d) to provide assurance that the financial information presented by management is relevant, reliable and timely;
e) to oversee compliance with relevant laws and regulations and observance of a proper code of conduct and
f) to determine the quality, adequacy and effectiveness of the Group and the Company's internal control environment.

The Committee comprises 4 independent non-executive directors. They are Teh Boon Eng, Emeritus Professor Dato' Dr Lian Chin Boon, Dato' Ahmad Fuaad Bin Mohd Dahalan and Yip Jian Lee.

Six Audit Committee meetings were held during the year, with full attendance by the directors, except for one director who was unable to attend a meeting due to other commitment.

CORPORATE GOVERNANCE (CONTINUED)

Nominating Committee

The main responsibilities of the Committee are to ensure that the Board comprises members with the required technical competency, professionalism, mixture of skills and there is a balance between executive, non-executive and independent directors to ensure the effective discharge of the Board's responsibilities.

The Committee also recommends the appointment, promotion and removal of the directors, Chief Executive Officer, Deputy Chief Executive Officer and Technical Advisors, and provides assessment on their individual performance and contribution to the Group and the Company as a whole.

The Committee comprises two independent non-executive directors, two non-independent non-executive directors and an executive director. They are Teh Boon Eng, Tsutomu Terabayashi, Hajime Tokuda, Dato' Ahmad Fuaad bin Mohd Dahalan and Lee King Chi, Arthur.

Three Nominating Committee meetings were held during the year, with full attendance by the directors.

The Board as at the date of this report, comprises seven members, six of whom are non-executive directors. All Board members possess the required qualifications and experience in all material aspects of an insurance business to effectively ensure that the Group and the Company operates under the highest standard of professionalism.

Six Board meetings were held during the year, in which one director was unable to attend a meeting due to other commitment .

Remuneration Committee

The main responsibilities of the Committee 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, Deputy Chief Executive Officer and Technical Advisors, and to ensure a strong link is maintained between the level of remuneration and individual performance against agreed targets on total remuneration package.

The Committee comprises two independent non-executive directors and a non-independent non-executive director. They are Teh Boon Eng, Tsutomu Terabayashi and Dato' Ahmad Fuaad bin Mohd Dahalan.

Five Remuneration Committee meetings were held during the year, with full attendance by the directors.

DIRECTORS AND THEIR INTERESTS IN SHARES

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

Teh Boon Eng	
Emeritus Professor Dato' Dr Lian Chin Boon	
Dato' Ahmad Fuaad bin Mohd Dahalan	
Hironari Iwakuma	(resigned on 22 July 2013)
Lee King Chi, Arthur	
Shingo Toda	(resigned on 14 August 2013)
Yip Jian Lee	
Hajime Tokuda	(appointed on 11 July 2013)
Tsutomu Terabayashi	(appointed on 14 August 2013)

In accordance with the Company's Articles of Association, Emeritus Professor Dato' Dr Lian Chin Boon and Lee King Chi, Arthur 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 1.1.2013/ date of appointment	Acquired	Disposed	At 31.12.2013
Holdings registered in name of director				
Subsidiaries of ultimate holding corporation - Asia General Holdings Ltd				
Lee King Chi Arthur (as nominee of Tokio Marine & Nichido Fire Insurance Co. Ltd)	1	-	-	1
Shingo Toda (as nominee of Tokio Marine & Nichido Fire Insurance Co. Ltd)	1	-	1	-
Tsutomu Terabayashi (as nominee of Tokio Marine & Nichido Fire Insurance Co. Ltd.)	-	1	-	1

DIRECTORS AND THEIR INTERESTS IN SHARES (CONTINUED)

	Number of ordinary shares of SGD1 each			
	At 1.1.2013/ date of appointment	Acquired	Disposed	At 31.12.2013
- Tokio Marine Life Insurance Singapore Ltd				
Lee King Chi Arthur (as nominee of Tokio Marine & Nichido Fire Insurance Co. Ltd)	1	-	-	1
Shingo Toda (as nominee of Tokio Marine & Nichido Fire Insurance Co. Ltd)	1	-	1	-
Tsutomo Terabayashi (as nominee of Tokio Marine & Nichido Fire Insurance Co. Ltd.)	-	1	-	1

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.

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 27 March 2014.

SIGNED	SIGNED
TEH BOON ENG DIRECTOR	HAJIME TOKUDA DIRECTOR

Kuala Lumpur

Company No.

149520	U

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

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

We, Teh Boon Eng 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 12 to 93 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 2013 and of the results and cash flows of the Group and 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 27 March 2014.

SIGNED

TEH BOON ENG
DIRECTOR

SIGNED

HAJIME TOKUDA
DIRECTOR

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

I, Jayakumar A/L Somasundram, being the 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 12 to 93 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 A/L SOMASUNDRAM

Subscribed and solemnly declared by the abovenamed Jayakumar A/L Somasundram at Kuala Lumpur in Malaysia on 27 March 2014.

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 FINANCIAL STATEMENTS

We have audited the financial statements of Tokio Marine Insurans (Malaysia) Berhad, which comprise the statement of financial position as at 31 December 2013 of the Group and the Company, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 93.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and Company as of 31 December 2013 and of its financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the register 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 an in term 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 acquired by us for those purposes; and

(c) Our audit report on the financial statements of the subsidiaries did not contain any qualification or any advance comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Group and 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

JAYARAJAN A/L U. RATHINASAMY
(No. 2059/06/14 (J))
Chartered Accountant

Kuala Lumpur
27 March 2014

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

				Group			Company
	Note	31.12.2013	31.12.2012 (restated)	1.1.2012	31.12.2013	31.12.2012 (restated)	1.1.2012
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Property, plant and equipment	4	15,675	14,801	14,840	15,675	14,801	14,840
Intangible assets	5	179,943	179,943	26,930	179,943	179,943	26,930
Investments	6	1,196,083	1,001,532	546,606	1,259,376	1,068,988	665,784
Held-to-maturity		15,235	35,568	55,784	15,235	35,568	55,784
Available-for-sale		1,052,635	872,258	413,136	1,115,928	939,714	532,314
Fair value through profit and loss		128,213	93,706	77,686	128,213	93,706	77,686
Tax recoverable		-	10,505	-	-	10,505	-
Reinsurance assets	8	379,848	496,967	158,513	379,848	496,967	158,513
Insurance receivables	9	158,726	176,792	116,707	158,726	176,792	116,707
Loans and receivables (excluding insurance receivables)	10	661,444	718,820	742,249	585,162	639,856	611,939
Cash and bank balances		7,582	4,714	26,120	7,545	4,128	25,829
Total Assets		2,599,301	2,604,074	1,631,965	2,586,275	2,591,980	1,620,542
EQUITY, GENERAL FUNDS AND LIABILITIES							
Share capital	11	403,471	403,471	278,000	403,471	403,471	278,000
Retained earnings	12	603,482	445,381	330,940	599,562	441,462	328,298
Other reserves	13	(2,975)	4,655	7,324	945	8,638	9,966
		1,003,978	853,507	616,264	1,003,978	853,571	616,264
Non-controlling Interests		11,578	11,206	10,855	-	-	-
Total Equity		1,015,556	864,713	627,119	1,003,978	853,571	616,264
Insurance contract liabilities	14	1,367,138	1,476,919	868,758	1,367,138	1,476,919	868,758
Deferred tax liabilities	15	1,160	4,609	6,290	1,160	4,609	6,290
Other financial liabilities	16	13,111	22,989	10,865	13,111	22,989	10,865
Insurance payables	17	137,211	153,404	69,536	137,211	153,404	69,536
Tax payable		2,182	-	9,943	2,182	-	9,943
Other payables	18	62,943	81,440	39,454	61,495	80,488	38,886
Total Liabilities		1,583,745	1,739,361	1,004,846	1,582,297	1,738,409	1,004,278
Total Equity and Liabilities		2,599,301	2,604,074	1,631,965	2,586,275	2,591,980	1,620,542

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 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Gross earned premiums	19(a)	1,025,845	879,176	1,025,845	879,176
Premiums ceded to reinsurers	19(b)	(220,461)	(184,938)	(220,461)	(184,938)
NET EARNED PREMIUMS		805,384	694,238	805,384	694,238
Investment income	20	61,212	48,631	59,736	48,535
Realised gains and losses	21	596	3,755	4	1,137
Fair value gains and losses		18,337	11,024	18,337	11,024
Fee and commission income		44,048	39,101	44,048	39,101
OTHER REVENUE		124,193	102,511	122,125	99,797
TOTAL REVENUE		929,577	796,749	927,509	794,035
Gross claims paid		(611,158)	(433,833)	(611,158)	(433,833)
Claims ceded to reinsurers		130,319	60,237	130,319	60,237
Gross change to insurance contract liabilities		101,482	(153,224)	101,482	(153,224)
Change in insurance contract liabilities ceded to reinsurers		(91,471)	110,900	(91,471)	110,900
NET CLAIMS INCURRED		(470,828)	(415,920)	(470,828)	(415,920)
Other operating income/(expense)	22	2,137	(522)	2,126	(535)
Fee and commission expense		(121,071)	(105,696)	(121,071)	(105,696)
Management expenses	23	(146,243)	(127,333)	(144,502)	(126,132)
OTHER EXPENSES		(265,177)	(233,551)	(263,447)	(232,363)
PROFIT BEFORE TAXATION		193,572	147,278	193,234	145,752
Taxation	24	(35,134)	(32,588)	(35,134)	(32,588)
PROFIT FOR THE YEAR		158,438	114,690	158,100	113,164
Attributable to:					
- Owner of the Company		158,100	114,442	158,100	113,164
- Non-controlling interests		338	248	-	-
		158,438	114,690	158,100	113,164
BASIC EARNINGS PER SHARE (SEN)	25	39	40	39	39

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 COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit for the year		158,438	114,690	158,100	113,164
Other comprehensive income:					
Items that may be subsequently reclassified to the income statement					
Available-for-sale reserves					
Net loss on fair value arising during the year	6	(10,890)	(6,387)	(10,361)	(2,627)
Net realised gain transferred to income statement	6	738	3,325	146	906
		(10,152)	(3,062)	(10,215)	(1,721)
Tax effects thereon	15	2,522	393	2,522	393
		(7,630)	(2,669)	(7,693)	(1,328)
Total comprehensive income for the year		150,808	112,021	150,407	111,836
Total comprehensive income attributable:					
- Owner of the Company		150,470	111,773	150,407	111,836
- Non-controlling interest		338	248	-	-
		150,808	112,021	150,407	111,836

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 CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

			Non-distributable		Distributable			
	Note	Share capital	Revaluation reserves	Available-for-sale reserves	Retained earnings	Total equity attributable to owner of the parent	Non-controlling interest	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
At 1 January 2012		278,000	1,557	5,767	330,940	616,264	10,855	627,119
Issuance of shares (Note 10)		125,471	-	-	-	125,471	-	125,471
Capital contribution by non-controlling interest		-	-	-	-	-	103	103
Total comprehensive income for the year		-	-	(2,669)	114,442	111,773	248	112,021
At 31 December 2012		403,471	1,557	3,098	445,382	853,508	11,206	864,714
At 1 January 2013								
Capital contribution by non-controlling interest		-	-	-	-	-	34	34
Total comprehensive income for the year		-	-	(7,630)	158,100	150,470	338	150,808
At 31 December 2013		403,471	1,557	(4,532)	603,482	1,003,978	11,578	1,015,556
Company								
At 1 January 2012	10	278,000	1,557	8,409	328,298	-	-	616,264
Issuance of shares		125,471	-	-	-	-	-	125,471
Total comprehensive income for the year		-	-	(1,328)	113,164	-	-	111,836
At 31 December 2012		403,471	1,557	7,081	441,462	-	-	853,571
At 1 January 2013								
Total comprehensive income for the year		-	-	(7,693)	158,100	-	-	150,407
At 31 December 2013		403,471	1,557	(612)	599,562			1,003,978

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 2013

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	158,438	114,690	158,100	113,164
Adjustment of:				
Property, plant and equipment				
- depreciation	5,388	5,712	5,388	5,712
- gain on disposal	(28)	(389)	(28)	(389)
- write off	2	4	2	4
Fair value gain on financial assets at FVTPL	(18,337)	(11,024)	(18,337)	(11,024)
Amortisation of premium	2,472	1,459	432	220
Loss on disposal of financial assets at FVTPL	170	158	170	158
Gain on disposal of AFS financial assets	(738)	(3,524)	(146)	(906)
Investment income	(63,684)	(50,090)	(60,168)	(48,535)
Allowance for doubtful debts	6,211	1,527	6,211	1,527
Bad debts written off	1,716	892	1,716	892
Tax expense	35,134	32,588	35,134	32,588
Profit from operations before changes in operating assets and liabilities	126,744	92,003	128,474	93,411
Purchases of financial investments	(556,758)	(796,045)	(299,950)	(569,773)
Proceeds from disposal of financial investments	288,957	286,730	92,580	137,761
Proceeds from maturity of investments	79,000	61,884	25,000	37,644
Decrease/(increase) in reinsurance assets	112,729	(116,078)	112,729	(116,078)
Decrease/(increase) in insurance receivables	14,127	(23,813)	14,127	(23,813)
Decrease/(increase) in loans and receivables	56,981	29,204	54,694	(22,272)
(Decrease)/increase in insurance contract liabilities	(109,780)	184,158	(109,780)	184,158
Decrease in other financial liabilities	(9,878)	(6,084)	(9,878)	(6,084)
(Decrease)/increase in insurance payables	(16,459)	27,712	(16,193)	27,712
(Decrease)/increase in other payables	(18,436)	22,719	(18,993)	22,531
	(32,773)	(237,610)	(27,190)	(234,803)

Company No.

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

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Tax paid	(23,373)	(36,592)	(23,373)	(36,592)
Investment income received:				
- Interest	34,796	25,667	29,796	22,668
- Dividend	30,306	22,347	30,306	22,347
- Others	114	129	114	129
Net cash generated from/(used in) operating activities	9,070	(226,059)	9,653	(226,251)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of general insurance business	-	83,910	-	83,910
Purchase of property, plant and equipment	(6,379)	(6,156)	(6,379)	(6,156)
Proceeds from disposal of property, plant and equipment	143	1,325	143	1,325
Net cash (used in)/generated from investing activities	(6,236)	79,079	(6,236)	79,079
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	-	125,471	-	125,471
Capital contribution from NCI	34	103	-	-
Net cash generated from financing activities	34	125,574	-	125,471
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	2,868	(21,406)	3,417	(21,701)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	4,714	26,120	4,128	25,829
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7,582	4,714	7,545	4,128
Cash and bank balances	7,582	4,714	7,545	4,128

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

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Group and 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 27 March 2014.

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 financial statements of the Group and Company have been prepared on a historical cost basis, except for those financial instruments which have been measured at their fair values and insurance liabilities which have been measured in accordance with the valuation methods specified in the Risk-Based Capital (“RBC”) Framework for insurers issued by BNM.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 judgement in the process of applying the Group's and 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 judgement 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").

The Group and Company adopted the following standards which are applicable to the Group and Company, and mandatory for financial year beginning on or after 1 January 2013:

- Amendment to MFRS 101, 'Presentation of items of other comprehensive income' requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future.

- MFRS 10, 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

- MFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.

- Amendment to MFRS 7, 'Financial Instruments: Disclosures' requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other than MFRS 10, the initial application of the aforesaid applicable standards or amendments did not have any material financial impacts to the current and prior periods' financial statements upon their adoption other than enhanced disclosures to the financial statements. Refer to Note 7 to the financial statements for the impact of MFRS 10 to the financial statements.

<u>Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Group and Company but not yet effective</u>

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

(i) Financial year beginning on/after 1 January 2014

- Amendment to MFRS 132, 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria. The amendment is not expected to have a material impact on the financial statements of the Company.

(ii) Effective date yet to be determined by the Malaysian Accounting Standards Board ("MASB")

- MFRS 9, 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities' replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. 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.

- The Company has yet to assess the full impact of MFRS 9 onto the Company's accounting policies. The Company will also consider the impact of the remaining phases of MFRS 9 when completed by the Malaysian Accounting Standards Board ("MASB").

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 January 2014 are not relevant to the Group and Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group and Company has control. The Group and Company controls an entity when the Group and 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. 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.

(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 income statement.

(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 income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 income statement.

(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.

(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 Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

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	50 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.

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 income statement during the period in which they incur.

At each date of the statement of financial position, the Group and Company also assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(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 income statement. 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 Company classifies 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 income statement. 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 income statement.

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 Company has 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 income statement 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 income statement.

(h) Impairment of financial assets

The Group and Company assesses 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 income statement.

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 income statement.

(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 income statement.

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 income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Reinsurance

The Group and Company cedes 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 Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. 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 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 Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

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 Company also assumes 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 reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group and Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(h) to the financial statements.

(n) General insurance underwriting results

Product classification

The Group and Company issues 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 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 Company determines 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 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 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, aviation cargo and transit 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

Claims liabilities (continued)

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.

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 income statement.

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 and 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

Valuation of general insurance contract liabilities (continued)

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.

(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 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 income statement.

(p) Foreign currency transactions

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

Foreign currency transactions in the Group and Company are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date 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 income statement.

(q) Income taxes

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income taxes (continued)

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.

(r) Contingent liabilities and contingent assets

The Group and Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and 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 Company does 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 under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the leases.

(u) Provisions

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(w) Financial instruments

<u>Description</u>

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.

<u>Recognition method</u>

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 and 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 Company makes 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 and Company's results and financial position 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 Company according to its 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 and 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 Company.

Significant judgment is required in determining the income and deferred taxes applicable to the Company's business. There are transactions and calculations for which the ultimate tax determination is subject to agreement with the tax authorities. The Company recognises tax liabilities on anticipated issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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 2013	2,940	1,680	15,109	2,270	31,591	53,590
Additions	-	-	239	430	5,710	6,379
Disposals	-	-	-	(285)	(253)	(538)
Write off	-	-	(2)	-	(174)	(176)
At 31 December 2013	2,940	1,680	15,346	2,415	36,874	59,255
Accumulated depreciation						
At 1 January 2013	367	195	13,476	745	24,006	38,789
Charge for year	71	41	726	347	4,203	5,388
Disposals	-	-	-	(170)	(253)	(423)
Write off	-	-	(1)	-	(173)	(174)
At 31 December 2013	438	236	14,201	922	27,783	43,580
Net book value						
At 31 December 2013	2,502	1,444	1,145	1,493	9,091	15,675
Group / Company						
Cost						
At 1 January 2012	3,400	1,870	14,535	2,128	28,180	50,113
Arising from acquisition of business	-	-	-	-	458	458
Additions	-	-	626	956	4,573	6,155
Disposals	(460)	(190)	(52)	(814)	(1,314)	(2,830)
Write off	-	-	-	-	(306)	(306)
At 31 December 2012	2,940	1,680	15,109	2,270	31,591	53,590
Accumulated depreciation						
At 1 January 2012	323	165	12,293	1,021	21,471	35,273
Charge for year	73	42	1,224	314	4,059	5,712
Disposals	(29)	(12)	(41)	(590)	(1,222)	(1,894)
Write off	-	-	-	-	(302)	(302)
At 31 December 2012	367	195	13,476	745	24,006	38,789
Net book value						
At 31 December 2012	2,573	1,485	1,633	1,525	7,585	14,801

5 GOODWILL

	Group / Company	
	2013	2012 (restated)
	RM'000	RM'000
Cost:		
At 1 January		
- As previously reported	182,662	26,930
- Fair value adjustments on completion of initial accounting for business combination (Note 32)	(2,719)	-
- As restated	179,943	26,930
Arising from business combination (Note 32)	-	153,013
At 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 2013 respectively. As at 31 December 2013, the carrying amount of goodwill arising from the business acquisition of AGIB, AIMB and MUI was RM13,666,666 (2012: RM13,666,666), RM13,263,065 (2012: RM13,263,065) and RM153,013,485 (2012: RM153,013,485) respectively.

Goodwill from AGIB and AIMB is allocated within TMIM and assessed for impairment based on the Company's business portfolio as a whole (excluding MUI's acquired portfolio). Goodwill for MUI is allocated as a separate CGU.

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 directors covering a five-year period. Cash flows beyond the five-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 8% 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 55% 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% (2012: 10%) used is pre-tax and reflects the general insurance industry's overall weighted average cost of capital.

(d) Terminal value is determined based on the present value of the net assets at the end of 2013.

5 GOODWILL (CONTINUED)

Based on the assessment of value-in-use for the CGU of AGIB, AIMB and MUI, the Group and 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 and Company's financial investments are summarised by categories as follows:

			Group			Company
	31.12.2013	31.12.2012	1.1.2012	31.12.2013	31.12.2012	1.1.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Held-to-maturity financial assets ("HTM")	15,235	35,568	55,784	15,235	35,568	55,784
Available-for-sale financial assets ("AFS")	1,052,635	872,258	413,136	1,115,928	939,714	532,314
Fair value through profit and loss ("FVTPL")	128,213	93,706	77,686	128,213	93,706	77,686
Loans and receivables ("LAR") (Note 10)	661,444	718,822	742,249	585,162	639,856	611,939
	1,857,527	1,720,354	1,288,855	1,844,538	1,708,844	1,277,723

The following investments mature within 12 months:

			Group			Company
	31.12.2013	31.12.2012	1.1.2012	31.12.2013	31.12.2012	1.1.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
HTM	15,235	20,475	20,562	15,235	20,475	20,562
AFS	174,412	20,630	11,165	237,705	88,086	10,922
LAR	651,643	708,657	731,427	575,361	629,691	601,117
	841,290	749,762	763,154	828,301	738,252	632,601

The following investments mature after 12 months:

			Group			Company
	31.12.2013	31.12.2012	1.1.2012	31.12.2013	31.12.2012	1.1.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
HTM	-	15,093	35,222	-	15,093	35,222
AFS	878,223	851,628	401,971	878,223	851,628	521,392
LAR	9,801	10,165	10,822	9,801	10,165	10,822
	888,024	876,886	448,015	888,024	876,886	567,436

6 INVESTMENTS (CONTINUED)

(a) Held-to-maturity ("HTM")

			Group			Company
	31.12.2013	31.12.2012	1.1.2012	31.12.2013	31.12.2012	1.1.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amortised cost						
Malaysian Government securities	5,023	25,101	45,288	5,023	25,101	45,288
Corporate debt securities - quoted in Malaysia	10,000	10,000	10,000	10,000	10,000	10,000
	15,023	35,101	55,288	15,023	35,101	55,288
Accrued interest income						
Malaysian Government securities	43	298	328	43	298	328
Corporate debt securities - quoted in Malaysia	169	169	168	169	169	168
	212	467	496	212	467	496
	15,235	35,568	55,784	15,235	35,568	55,784
Fair value						
Malaysian Government securities	5,077	25,452	45,830	5,077	25,452	45,830
Corporate debt securities - quoted in Malaysia	10,171	10,214	10,180	10,171	10,214	10,180
	15,248	35,666	56,010	15,248	35,666	56,010

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

			Group			Company
	31.12.2013	31.12.2012	1.1.2012	31.12.2013	31.12.2012	1.1.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fair value						
Malaysian Government Securities	269,090	281,375	151,080	-	-	-
Corporate debt securities:						
Quoted in Malaysia	3,220	3,315	3,285	3,220	3,315	3,285
Unquoted	701,883	581,066	254,817	240,136	193,914	78,413
	974,193	865,756	409,182	243,356	197,229	81,698
Unit trust	71,381	-	-	71,381	-	-
Controlled structured entities (Note 7)	-	-	-	798,590	740,304	449,782
	1,045,574	865,756	409,182	1,113,327	937,533	531,480
Accrued interest income						
Malaysian Government Securities	417	1,073	1,369	-	-	-
Corporate debt securities:						
Quoted in Malaysia	67	68	69	67	68	69
Unquoted	6,577	5,361	2,516	2,534	2,113	765
	7,061	6,502	3,954	2,601	2,181	834
	1,052,635	872,258	413,136	1,115,928	939,714	532,314

6 INVESTMENTS (CONTINUED)

(c) Fair value through profit and loss ("FVTPL")

	Group			Company		
	31.12.2013	31.12.2012	1.1.2012	31.12.2013	31.12.2012	1.1.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fair value						
Held-for-trading:						
Equity securities	126,882	92,597	76,008	126,882	92,597	76,008
Unit and property trust funds	1,331	1,109	1,678	1,331	1,109	1,678
	128,213	93,706	77,686	128,213	93,706	77,686

(d) Carrying values of financial assets

Group	HTM	AFS	FVTPL	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	55,784	413,136	77,686	546,606
Purchases	1,717	776,731	35,125	813,573
Maturities	(22,187)	(58,784)	-	(80,971)
Disposals	-	(254,377)	(30,129)	(284,506)
Fair value gains recorded in:				
Income statement	-	-	11,024	11,024
Other comprehensive income	-	(2,854)	-	(2,854)
(Amortisation)/accretion adjustment	254	(1,594)	-	(1,340)
At 31 December 2012	35,568	872,258	93,706	1,001,532
At 1 January 2013	35,568	872,258	93,706	1,001,532
Purchases	750	494,962	99,339	595,051
Maturities	(21,205)	(96,916)	-	(118,121)
Disposals	-	(206,038)	(83,169)	(289,207)
Fair value gains recorded in:				
Income statement	-	-	18,337	18,337
Other comprehensive income	-	(9,887)	-	(9,887)
(Amortisation)/accretion adjustment	122	(1,744)	-	(1,622)
At 31 December 2013	15,235	1,052,635	128,213	1,196,083

6 INVESTMENTS (CONTINUED)

(d) Carrying values of financial assets (continued)

Company	HTM RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2012	55,784	532,314	77,686	665,784
Purchases	1,717	532,931	35,125	569,773
Maturities	(22,187)	(15,457)	-	(37,644)
Disposals	-	(107,632)	(30,129)	(137,761)
Fair value gains/(losses) recorded in:				
Income statement	-	-	11,024	11,024
Other comprehensive income	-	(1,712)	-	(1,712)
(Amortisation)/accretion adjustment	254	(730)	-	(476)
At 31 December 2012	35,568	939,714	93,706	1,068,988
At 1 January 2012	35,568	939,714	93,706	1,068,988
Purchases	750	210,660	99,339	310,749
Maturities	(21,205)	(14,627)	-	(35,832)
Disposals	-	(9,385)	(83,169)	(92,554)
Fair value gains/(losses) recorded in:				
Income statement	-	-	18,337	18,337
Other comprehensive income	-	(9,950)	-	(9,950)
(Amortisation)/accretion adjustment	122	(484)	-	(362)
At 31 December 2013	15,235	1,115,928	128,213	1,259,376

6 INVESTMENTS (CONTINUED)

(e) 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	AFS	FVTPL	Total
	RM'000	RM'000	RM'000
31 December 2013			
Quoted market price (Level 1)	272,794	127,672	400,466
Valuation techniques (Level 2)			
– market observable inputs	779,841	541	780,382
	1,052,635	128,213	1,180,848
31 December 2012			
Quoted market price (Level 1)	285,831	93,706	379,537
Valuation techniques (Level 2)			
– market observable inputs	586,427	-	586,427
	872,258	93,706	965,964
1 January 2012			
Quoted market price (Level 1)	155,803	77,686	233,489
Valuation techniques (Level 2)			
– market observable inputs	257,333	-	257,333
	413,136	77,686	490,822

Company	AFS	FVTPL	Total
	RM'000	RM'000	RM'000
31 December 2013			
Quoted market price (Level 1)	3,287	127,672	130,959
Valuation techniques (Level 2)			
– market observable inputs	1,112,641	541	1,113,182
	1,115,928	128,213	1,244,141
31 December 2012			
Quoted market price (Level 1)	3,383	93,706	97,089
Valuation techniques (Level 2)			
– market observable inputs	936,331	-	936,331
	939,714	93,706	1,033,420
1 January 2012			
Quoted market price (Level 1)	3,354	77,686	81,040
Valuation techniques (Level 2)			
– market observable inputs	528,960	-	528,960
	532,314	77,686	610,000

6 INVESTMENTS (CONTINUED)

(e) 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 RM798,590,521 (2012: RM740,304,067) 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 HwangDBS Investment Management Berhad, AmInvestment Management Sdn Bhd and CIMB-Principal Asset Management Berhad 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 96.05% of units in the Enhanced Cash Fund, 100.00% of the Amcash Plus and 100.00% of the CIMB-Principal Institutional Bond Fund 4, 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 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.

	2013 RM	2012 RM
Number of wholesale unit trust fund	3	3
Average net asset value per unit of wholesale unit trust funds:		
Enhanced Cash Fund	1.0303	1.0319
Amcash Plus	0.9818	0.9993
CIMB-Principal Institutional Bond Fund 4	1.0175	1.0238
Fair value of underlying net assets:		
Corporate bonds	735,297,225	672,848,152
Deposits with licensed financial institutions	76,282,086	78,966,049
Cash equivalents	37,287	586,167
Payables	(1,493,485)	(1,049,439)
	810,123,113	751,350,929
Total fair loss incurred for the financial year	6,714,916	1,370,262

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	
	2013	2012
	RM'000	RM'000
Reinsurance of insurance contracts (Note 14)	384,928	497,657
Allowance for impairment (Note 30)	(5,080)	(690)
	379,848	496,967

9 INSURANCE RECEIVABLES

	Group / Company	
	2013	2012
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	130,838	152,605
Due from reinsurers and cedants	52,157	46,233
	182,995	198,838
Allowance for impairment (Note 30)	(24,269)	(22,046)
	158,726	176,792

10 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Fixed and call deposits with licensed financial institutions	578,504	667,337	502,386	588,554
Staff loans	6,688	6,731	6,688	6,731
Allowance for impairment	(177)	(168)	(177)	(168)
	6,511	6,563	6,511	6,563
	585,015	673,900	508,897	595,117
Interest income receivable				
Fixed and call deposits with licensed financial institutions	3,327	4,352	3,164	4,169
Other receivables				
Knock-for-knock claims recoveries	2,573	4,375	2,573	4,375
Assets held under the Malaysian Motor Insurance Pool (MMIP)*	52,385	23,444	52,385	23,444
Other receivables, deposits and prepayments	19,009	14,027	19,008	14,027
	73,967	41,846	73,966	41,846
Allowance for impairment	(865)	(1,276)	(865)	(1,276)
	73,102	40,570	73,101	40,570
	661,444	718,822	585,162	639,856
Fair value				
Fixed and call deposits with licensed financial institutions	582,090	671,689	505,809	592,723
Staff loans [net of impairment allowance of RM176,845 (2012: RM168,039)]	6,510	6,560	6,510	6,560
Other receivables	73,102	40,571	73,101	40,570
	661,702	718,820	585,420	639,853

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

The fair values of deposits approximate their carrying amounts due to their relatively short maturity period, except for negotiable instruments of deposits (“NID”) for which their fair values are based on the average indicative mid market prices obtained from three brokers/dealers.

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.

* Assets held under MMIP includes cash contribution made to MMIP during the current financial year of RM17,989,134. The remaining balances represent assets held under MMIP recognised by the Company based on quarterly statements received from MMIP of RM34,396,057 (2012: RM23,444,024). MMIP as at 31 December 2013 is a net payable of RM9,551,314 (2012: RM18,827,849) 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	
	2013	2012
	RM'000	RM'000
Authorised ordinary shares of RM1 each		
At beginning of year	500,000	300,000
Created during the year	-	200,000
At end of year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each		
At beginning of year	403,471	278,000
Issued and fully paid during the year	-	125,471
At end of year	403,471	403,471

On 17 July 2012, the Company increased its authorised share capital from RM300,000,000 to RM500,000,000. On 26 November 2012, the Company issued 125,471,000 ordinary shares of RM1 each per share for cash at par, to fund the further expansion of the Company’s operations. The new ordinary shares issued in the previous year ranked pari passu in all respects with the existing ordinary shares of the Company.

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.

Companies with Section 108 credits as at 31 December 2013 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is the earlier. Companies may opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2008. Upon expiry of the transitional period as at 31 December 2013, the accumulated tax credit under Section 108 of the Income Tax Act, 1967 will be disregarded. Any future dividend payment made by the Company will be governed under the single-tier system.

Subject to agreement by the Inland Revenue Board, the Group and Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 of approximately RM23.3 million (2012: RM23.3 million) of its retained earnings as at 31 December 2013 if paid out as dividends.

13 OTHER RESERVES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Revaluation reserves				
At 1 January / 31 December	1,557	1,557	1,557	1,557
Available-for-sale reserves				
At 1 January	3,098	5,767	7,081	8,409
Fair value loss arising during the year	(7,630)	(2,669)	(7,693)	(1,328)
At 31 December	(4,532)	3,098	(612)	7,081
Total	(2,975)	4,655	945	8,638

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14 INSURANCE CONTRACT LIABILITIES

Group / Company	31.12.2013 Gross RM'000	31.12.2013 Reinsurance RM'000	31.12.2013 Net RM'000	31.12.2012 (restated) Gross RM'000	31.12.2012 (restated) Reinsurance RM'000	31.12.2012 (restated) Net RM'000
Provision for outstanding claims	698,937	(243,232)	455,705	787,813	(322,871)	464,942
Provision for incurred but not reported claims ("IBNR")	206,239	(58,266)	147,973	214,070	(67,374)	146,696
Claims liabilities (i)	905,176	(301,498)	603,678	1,001,883	(390,245)	611,638
Premium liabilities (ii)	461,962	(83,430)	378,532	475,036	(107,412)	367,624
	1,367,138	(384,928)	982,210	1,476,919	(497,657)	979,262

(i) Claims liabilities

	31.12.2013 Gross RM'000	31.12.2013 Reinsurance RM'000	31.12.2013 Net RM'000	31.12.2012 (restated) Gross RM'000	31.12.2012 (restated) Reinsurance RM'000	31.12.2012 (restated) Net RM'000
At 1 January						
As previously reported	1,004,602	(390,245)	614,357	531,299	(101,677)	429,622
Fair value adjustments on completion of accounting for business combination (Note 32)	(2,719)	-	(2,719)	-	-	-
As previously reported	1,001,883	(390,245)	611,638	531,299	(101,677)	429,622
Arising from acquisition of business (Note 32)	-	-	-	317,359	(177,668)	139,691
Claims incurred in the current accident year	531,530	(95,469)	436,061	559,557	(163,732)	395,825
Other movements in claims incurred in prior accident years	(11,967)	44,789	32,822	21,115	(3,717)	17,398
Movement of IBNR at 75% confidence level	(5,112)	9,108	3,996	6,386	(3,688)	2,698
Claims paid during the year	(611,158)	130,319	(480,839)	(433,833)	60,237	(373,596)
At 31 December	905,176	(301,498)	603,678	1,001,883	(390,245)	611,638

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14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Group / Company	31.12.2013 Gross RM'000	31.12.2013 Reinsurance RM'000	31.12.2013 Net RM'000	31.12.2012 Gross RM'000	31.12.2012 Reinsurance RM'000	31.12.2012 Net RM'000
(ii) Premium liabilities						
At 1 January	475,036	(107,412)	367,624	337,459	(57,706)	279,753
Arising from acquisition of business (Note 32)	-	-	-	106,645	(44,708)	61,937
Premiums written in the year (Note 19)	1,012,771	(196,479)	816,292	910,108	(189,936)	720,172
Premiums earned during the year (Note 19)	(1,025,845)	220,461	(805,384)	(879,176)	184,938	(694,238)
At 31 December	461,962	(83,430)	378,532	475,036	(107,412)	367,624

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 Company after appropriate offsetting are as follows:

	Group / Company	
	2013	2012
	RM'000	RM'000
Deferred tax liabilities	(1,160)	(4,609)
Subject to income tax:		
Deferred tax assets (before offsetting)		
- Insurance receivables	7,337	5,684
- Other receivables	248	394
- Other payables	665	1,109
- Financial assets at HTM	100	131
- Financial assets at AFS	136	-
	8,486	7,318
Offsetting	(8,486)	(7,318)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	2,987	2,492
- Premium liabilities	600	1,181
- Financial assets at AFS	-	2,386
- Financial assets at FVTPL	6,059	5,868
	9,646	11,927
Offsetting	(8,486)	(7,318)
Deferred tax liabilities (after offsetting)	1,160	4,609
Deferred tax liabilities		
- Current	(828)	(4,177)
- Non current	(332)	(432)
	(1,160)	(4,609)

15 DEFERRED TAXATION (CONTINUED)

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

	Group / Company	
	2013	2012
	RM'000	RM'000
At 1 January	(4,609)	(6,290)
Arising from acquisition of business		
- Insurance receivables	-	2,248
- Premium liabilities	-	15,484
Credited/(charged) to income statement (Note 24)		
- Insurance receivables	1,653	254
- Other receivables	(146)	272
- Other payables	(444)	462
- Property, plant and equipment	(495)	(321)
- Premium liabilities	581	(15,575)
- Financial assets at FVTPL	(191)	(1,473)
- Financial assets at HTM	(31)	(63)
	927	(16,444)
Charged to equity:		
- Financial assets at AFS	2,522	393
Total movement for the year	3,449	(16,051)
At 31 December	(1,160)	(4,609)

16 OTHER FINANCIAL LIABILITIES

	Group / Company	
	2013	2012
	RM'000	RM'000
Deposits received from reinsurers	13,111	22,989

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	
	2013	2012
	RM'000	RM'000
Due to agents and intermediaries	67,346	72,951
Due to reinsurers and cedants	69,865	80,453
	137,211	153,404
Fair value	135,095	151,976

18 OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash collaterals held on contract bonds	18,190	21,574	18,190	21,574
Payroll liabilities	19,506	15,442	19,506	15,442
Amount due to MMIP	-	15,247	-	15,247
Other payables and accrued expenses	25,247	29,177	23,799	28,225
	62,943	81,440	61,495	80,488

The amount due to MMIP amounting to RM15,247,000 in 2012 relates to the portfolio held by MUI and subsequently acquired by the Company as at 1 September 2012. The amount was settled during the current financial year.

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	
		2013	2012
		RM'000	RM'000
(a)	Gross earned premiums		
	Insurance contracts	1,012,771	910,108
	Change in gross premium liabilities	13,074	(30,932)
		1,025,845	879,176
(b)	Premiums ceded		
	Insurance contracts	(196,479)	(189,936)
	Change in gross premium liabilities	(23,982)	4,998
		(220,461)	(184,938)
	Net earned premiums	805,384	694,238

20 INVESTMENT INCOME

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
FVTPL financial assets:				
Dividend income				
- equity securities quoted in Malaysia	4,012	3,179	4,012	3,179
HTM financial assets - interest income	672	1,530	672	1,530
AFS financial assets:				
Interest income	35,211	22,538	9,695	5,869
Dividend income				
- Controlled structured entity	(164)	(216)	26,294	19,167
LAR financial assets – interest income	21,481	21,600	19,063	18,790
	61,212	48,631	59,736	48,535

21 REALISED GAINS AND LOSSES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Property and equipment:				
Realised gains	28	389	28	389
Financial assets at FVTPL – held-for-trading:				
Realised loss	(170)	(158)	(170)	(158)
AFS financial assets:				
Realised gains:				
Corporate debt securities – quoted in Malaysia	738	3,524	146	428
Unit trust funds	-	-	-	478
	596	3,755	4	1,137

22 OTHER OPERATING INCOME/(EXPENSE)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Agency fees received	573	655	573	655
Other income	1,634	1,405	1,623	1,392
Write back of stamp duty payable	-	2,305	-	2,305
Professional fees	(70)	(4,887)	(70)	(4,887)
	2,137	(522)	2,126	(535)

23 MANAGEMENT EXPENSES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Employee benefits expense (Note 23(a))	79,668	69,775	79,668	69,775
Directors' remuneration (Note 23(b))	837	725	837	725
Auditors' remuneration:				
- statutory audits	248	253	248	253
- other services	47	45	47	45
Depreciation of property, plant and equipment	5,388	5,712	5,388	5,712
Allowance for impairment of insurance receivables	6,211	1,527	6,211	1,527
Bad debts written off	1,716	892	1,716	892
Rental of office premises	8,183	7,949	8,183	7,949
PIDM levies	(78)	1,794	(78)	1,794
Entertainment	4,928	4,582	4,928	4,582
Training expenses	1,863	1,334	1,863	1,334
Management fees	2,678	2,320	2,678	2,320
Repairs and maintenance	1,154	1,234	1,154	1,234
Motor vehicle expenses	3,379	3,281	3,379	3,281
Travelling	859	713	859	713
Advertising	65	70	65	70
Printing and stationery	4,290	3,149	4,290	3,149
Postage and telephone	1,876	1,867	1,876	1,867
Electronic data processing expenses	6,521	6,172	6,521	6,172
Bank collection charges	8,817	7,246	8,817	7,246
Other expenses	7,593	6,693	5,852	5,492
	146,243	127,333	144,502	126,132

23 MANAGEMENT EXPENSES (CONTINUED)

(a) Employee benefits expense

	Group / Company	
	2013	2012
	RM'000	RM'000
Staff salary and bonus	67,056	58,831
Social security contributions	510	457
Contributions to Employees' Provident Fund	9,456	8,017
Other benefits	2,646	2,470
	79,668	69,775

(b) Directors' remuneration

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

	Group / Company	
	2013	2012
	RM'000	RM'000
Executive:		
Salaries and other emoluments	414	361
Bonus	135	112
	549	473
Non-executive:		
Fees	269	237
Other benefits	19	15
	288	252
	837	725
Represented by:		
Directors' fees	269	237
Amount included in employee benefits expense	568	488

The estimated cash value of benefits-in-kind provided to the directors of the Company amounted to RM144,194 (2012: RM155,378).

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the year amounted to RM838,028 (2012: RM724,991).

24 TAXATION

	Group / Company	
	2013	2012
	RM'000	RM'000
Current income tax:		
Current financial year	(39,099)	(16,934)
Overprovision in prior financial years	3,038	790
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 15)	927	(16,444)
	(35,134)	(32,588)

The income tax for the Company is calculated based on the tax rate of 25% (2012: 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	
	2013	2012
	RM'000	RM'000
Profit before tax	193,234	145,752
Taxation at Malaysian statutory tax rate of 25%	48,309	36,438
Income not subject to tax	(6,465)	(6,073)
Expenses not deductible for tax purposes	888	4,184
Overprovision in prior financial years	(3,038)	(790)
Income taxed at a lower tax rate	(980)	(1,171)
Tax credit from MMIP cash calls *	(3,580)	-
Tax expense for the year	35,134	32,588

* The tax credit from MMIP cash calls for the financial year of RM3,580,000 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 2012.

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 Company by the weighted average number of ordinary shares in issue during the financial year.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit attributable to ordinary equity holders	158,438	114,690	158,100	113,164
Weighted average number of shares in issue	403,471	290,031	403,471	290,031
Basic earnings per share (sen)	39	40	39	39

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

26 OPERATING LEASE ARRANGEMENTS

The Group and Company has rental commitments under non-cancellable operating leases and the future minimum lease payments as at 31 December 2013 are as follows:

	Group / Company	
	2013 RM'000	2012 RM'000
Not later than 1 year	4,831	7,255
Later than 1 year and not later than 5 years	1,594	4,654
	6,425	11,909

27 CAPITAL COMMITMENTS

	Group / Company	
	2013 RM'000	2012 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	394	2,042
	394	2,042

28 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Group and Company as at 31 December 2013, are as follows:

Related parties	Country of incorporation	Relationship
Tokio Marine Holding Inc. ("TMH")	Japan	Ultimate holding corporation
Tokio Marine Life Insurance (M) Berhad	Malaysia	Common ultimate holding company
Tokio Marine Asia Pte. Ltd. ("TM Asia")	Singapore	Holding corporation
Tokio Marine and Nichido Fire Insurance Company Limited ("TMNF")	Japan	Subsidiary of TMH
Tokio Marine Global Re Limited	Labuan	Subsidiary of TMNF

(a) In the normal course of business, the Group and Company undertakes at agreed terms and prices, various transactions with its 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 Company and its related parties are set out below:

Significant related party transactions

Income/(expenses):

	Group / Company	
	2013 RM'000	2012 RM'000
Transactions with holding corporations:		
Underwriting risk survey fees paid	(294)	(174)
Transactions with related corporations:		
Premium ceded	(41,800)	(60,221)
Commission received	9,977	10,487
Agency fees received	573	655
Underwriting risk survey fees paid	-	(112)
Rental paid	(229)	(194)
Claims paid on behalf of a related corporation	(2,180)	(2,118)
Claims recoveries and paid	17,317	11,719
Fund management fees paid	(653)	(265)

28 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 Company and its related parties are set out below (continued):

	Group / Company	
	2013	2012
	RM'000	RM'000
Insurance receivables		
Advances made on behalf of related corporations	905	405
Claim recoveries due from related corporations	2,913	2,519
Insurance payables		
Reinsurance premiums due to related corporations	(18,138)	(30,635)
Other payable	(190)	(82)

(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	
	2013	2012
	RM'000	RM'000
Salary	4,610	3,767
Bonus	1,578	1,015
Defined contribution plan	858	657
Other benefits	435	364
	7,481	5,803
Included in the total key management personnel are directors' remuneration (Note 23(b))	549	473

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 Company include the Executive Director, Chief Executive Officer, Deputy Chief Executive Officer, General Managers and other senior management personnel of the Group and Company.

29 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 Company seeks 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:

	31 December 2013			31 December 2012 (restated)		
Group / Company	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	504,790	(44,750)	460,040	607,716	(144,165)	463,551
Fire	135,326	(101,538)	33,788	213,753	(172,216)	41,537
Marine, Aviation and Transit	69,763	(50,919)	18,844	72,012	(53,969)	18,043
Miscellaneous	195,297	(104,291)	91,006	108,402	(19,895)	88,507
	905,176	(301,498)	603,678	1,001,883	(390,245)	611,638

29 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 average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

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

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 2013					
Average claim cost	+10%	82,882	55,510	(55,510)	(41,633)
Average number of claims	+10%	60,767	46,575	(46,575)	(34,931)
Average claim settlement period	Increased by 6 months	32,410	21,672	(21,672)	(16,254)
31 December 2012					
Average claim cost	+10%	94,885	57,738	(57,738)	(43,303)
Average number of claims	+10%	79,654	52,493	(52,493)	(39,370)
Average claim settlement period	Increased by 6 months	37,091	22,521	(22,521)	(16,891)

29 INSURANCE RISK (CONTINUED)

Sensitivity analysis (continued)

Claims development table

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

In setting provisions for claims, the Group and Company gives 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.

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29 INSURANCE RISK (CONTINUED)

Gross General Insurance Claims Liabilities for 2013:

Group / Company	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
Accident year									
At end of accident year			361,368	446,393	431,330	441,993	691,396	614,352	
One year later		302,525	402,290	452,366	395,948	575,752	630,129		
Two years later	285,266	356,743	401,036	453,901	595,325	559,441			
Three years later	356,455	357,909	392,799	543,432	575,219				
Four years later	355,886	351,870	510,914	531,397					
Five years later	353,386	455,012	505,083						
Six years later	405,189	449,254							
Seven years later	418,761								
Current estimate of cumulative claims incurred	418,761	449,254	505,083	531,397	575,219	559,441	630,129	614,352	4,283,636
At end of accident year	173,244	174,168	204,549	204,794	249,052	227,531	223,573	240,974	
One year later	332,017	326,175	391,548	407,927	452,605	415,500	488,463		
Two years later	363,683	364,499	442,167	473,717	500,827	462,440			
Three years later	381,049	389,583	465,832	490,844	521,480				
Four years later	391,649	398,338	478,811	504,191					
Five years later	395,844	405,189	484,626						
Six years later	397,391	408,092							
Seven years later	403,771								
Current payments to-date	403,771	408,092	484,626	504,191	521,480	462,440	488,463	240,974	3,514,037
Direct and facultative inwards	14,990	41,162	20,457	27,206	53,739	97,001	141,666	373,378	769,599
Treaty Inwards									9,712
MMIP									50,757
Best estimate of claim liabilities									830,068
Claim handling expenses									4,996
Fund PRAD at 75% Confidence Interval									70,112
Gross general insurance claim liabilities									905,176

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29 INSURANCE RISK (CONTINUED)

Gross General Insurance Claims Liabilities for 2012 (restated):

Group / Company	2005	2006	2007	2008	2009	2010	2011	2012	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				361,368	446,393	431,330	441,993	691,396	
One year later			302,525	402,290	452,366	395,948	575,751		
Two years later		285,266	356,743	401,036	453,901	595,324			
Three years later	232,755	356,455	357,909	392,799	543,432				
Four years later	313,645	355,886	351,870	510,914					
Five years later	314,487	353,386	455,012						
Six years later	312,991	405,190							
Seven years later	392,577								
Current estimate of cumulative claims incurred	392,577	405,190	455,012	510,914	543,432	595,324	575,751	691,396	4,169,596
At end of accident year	156,738	173,244	174,168	204,567	204,826	249,052	227,531	223,572	
One year later	295,967	332,017	326,213	391,722	408,296	452,824	416,120		
Two years later	327,355	363,683	364,739	442,895	474,328	501,265			
Three years later	340,775	381,049	389,870	466,857	491,571				
Four years later	356,076	391,649	398,645	479,836					
Five years later	366,010	395,844	405,496						
Six years later	369,309	397,391							
Seven years later	374,981								
Current payments to-date	374,981	397,391	405,496	479,836	491,571	501,265	416,120	223,572	3,290,232
Direct and facultative inwards	17,596	7,799	49,516	31,078	51,861	94,059	159,631	467,824	879,364
Treaty Inwards									4,096
MMIP									32,811
	Best estimate of claim liabilities								916,271
	Claim handling expenses								5,101
	Fund PRAD at 75% Confidence Interval								80,511
	Gross general insurance claim liabilities								1,001,883

Company No.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

29 INSURANCE RISK (CONTINUED)

Net General Insurance Claims Liabilities for 2013:

Group / Company	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
Accident year									
At end of accident year	218,302	252,853	301,578	396,603	376,339	379,532	481,635	498,891	
One year later	237,002	238,128	343,260	389,840	358,844	452,588	469,924		
Two years later	220,062	290,858	345,339	381,842	443,267	439,986			
Three years later	290,413	291,218	338,489	440,333	432,849				
Four years later	289,190	287,192	386,390	429,679					
Five years later	285,962	330,764	382,555						
Six years later	320,855	325,508							
Seven years later	324,434								
Current estimate of cumulative claims incurred	324,434	325,508	382,555	429,679	432,849	439,986	469,924	498,891	3,303,826
At end of accident year	144,208	145,639	171,000	184,478	187,938	192,763	191,034	216,314	
One year later	266,728	265,439	308,201	344,435	350,446	350,002	377,333		
Two years later	288,932	289,967	345,154	388,010	388,049	385,947			
Three years later	302,670	309,130	364,679	403,187	405,734				
Four years later	311,763	315,996	370,995	411,754					
Five years later	314,946	319,862	374,108						
Six years later	315,999	321,650							
Seven years later	318,296								
Current payments to-date	318,296	321,650	374,108	411,754	405,734	385,947	377,333	216,314	2,811,136
Direct and facultative inward	6,138	3,858	8,447	17,925	27,115	54,039	92,591	282,577	492,690
Treaty Inwards									9,712
MMIP									50,757
Best estimate of claim liabilities									553,159
Claim handling expenses									4,996
Fund PRAD at 75% Confidence Interval									45,523
Net general insurance claim liabilities									603,678

29 INSURANCE RISK (CONTINUED)

Net General Insurance Claims Liabilities for 2012 (restated):

Group / Company	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Accident year									
At end of accident year	154,713	218,302	252,853	301,578	396,603	376,339	379,532	481,634	
One year later	148,721	237,002	238,128	343,260	389,840	358,844	452,588		
Two years later	172,632	220,062	290,858	345,339	381,842	443,267			
Three years later	167,838	290,413	291,218	338,489	440,333				
Four years later	234,543	289,190	287,192	386,390					
Five years later	234,232	285,962	330,764						
Six years later	232,205	320,854							
Seven years later	273,171								
Current estimate of cumulative claims incurred	273,171	320,854	330,764	386,390	440,333	443,267	452,588	481,634	3,129,001
At end of accident year	121,427	144,208	145,639	171,018	184,509	187,938	192,764	191,034	
One year later	213,963	266,728	265,477	308,376	344,805	350,664	350,622		
Two years later	230,796	288,932	290,207	345,881	388,620	388,486			
Three years later	242,330	302,670	309,417	365,704	403,914				
Four years later	250,259	311,763	316,303	372,020					
Five years later	258,538	314,946	320,169						
Six years later	261,589	315,999							
Seven years later	264,291								
Current payments to-date	264,291	315,999	320,169	372,020	403,914	388,486	350,622	191,034	2,606,535
Direct and facultative inward	8,880	4,855	10,595	14,370	36,419	54,781	101,966	290,600	522,466
Treaty Inwards									4,096
MMIP									32,811
Best estimate of claim liabilities									559,373
Claim handling expenses									5,101
Fund PRAD at 75% Confidence Interval									47,164
Net general insurance claim liabilities									611,638

30 FINANCIAL RISK

The Group and Company is exposed to financial risks including credit, interest rate, currency risks and market risk during the normal course of its business. The Company has, 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	2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
HTM financial assets	6(a)				
- Malaysian Government Securities		5,066	25,399	5,066	25,399
- Corporate debt Securities		10,169	10,169	10,169	10,169
LAR (excluding insurance receivables)	10				
- Staff loans		6,511	6,563	6,511	6,563
- Fixed and call deposits		581,831	671,689	505,550	592,723
AFS financial assets	6(b)				
- Malaysian Government Securities		269,507	282,448	-	-
- Corporate debt securities		711,747	589,810	245,957	199,410
- Unit trust funds		71,381	-	869,971	740,304
Financial assets at FVTPL	6(c)				
- Equity securities		126,882	92,597	126,882	92,597
- Unit trust funds		1,331	1,109	1,331	1,109
Reinsurance assets-claim liabilities	8	296,418	389,555	296,418	389,555
Insurance receivables	9	158,726	176,792	158,726	176,792
Cash and bank balances		7,582	4,714	7,545	4,128
		2,247,151	2,250,845	2,234,126	2,238,749

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating

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

Group	Neither past-due nor impaired: Investment grade RM'000	Neither past-due nor impaired: Non-investment grade: satisfactory RM'000	Past-due but not impaired RM'000	Total RM'000
31 December 2013				
HTM financial assets				
- Malaysian Government Securities	5,066	-	-	5,066
- Corporate debt securities	10,169	-	-	10,169
LAR				
- Staff loans	-	6,511	-	6,511
- Fixed and call deposits	566,828	15,003		581,831
AFS financial assets				
- Malaysian Government Securities	269,507	-	-	269,507
- Corporate debt securities	650,942	60,805	-	711,747
- Unit trust funds	-	-	-	71,381
Financial assets at FVTPL				
- Equity securities	-	126,882	-	126,882
- Unit trust funds	1,331	-	-	1,331
Reinsurance assets-claim liabilities	-	296,418	-	296,418
Insurance receivables	-	62,253	96,473	158,726
Cash and bank balances	-	7,582	-	7,582
	1,600,596	575,569	96,473	2,247,151
31 December 2012				
HTM financial assets				
- Malaysian Government Securities	25,399	-	-	25,399
- Corporate debt securities	10,169	-	-	10,169
LAR				
- Staff loans	-	6,563	-	6,563
- Fixed and call deposits	668,650	3,039	-	671,689
AFS financial assets				
- Malaysian Government Securities	282,448	-	-	282,448
- Corporate debt securities	544,679	45,131	-	589,810
- Unit trust funds	-	-	-	-
Financial assets at FVTPL				
- Equity securities	-	92,597	-	92,597
- Unit trust funds	1,109	-	-	1,109
Reinsurance assets-claim liabilities	-	389,555	-	389,555
Insurance receivables	-	64,895	111,897	176,792
Cash and bank balances	-	4,714	-	4,714
	1,532,454	606,494	111,897	2,250,845

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

Company	Neither past-due nor impaired: Investment grade	Non-investment grade: satisfactory	Past-due but not impaired	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2013				
HTM financial assets				
- Malaysian Government Securities	5,066	-	-	5,066
- Corporate debt securities	10,169	-	-	10,169
LAR				
- Staff loans	-	6,511	-	6,511
- Fixed and call deposits	490,547	15,003	-	505,550
AFS financial assets				
- Corporate debt securities	245,957	-	-	245,957
- Unit trust funds	811,205	58,766	-	869,971
Financial assets at FVTPL				
- Equity securities	-	126,882	-	126,882
- Unit trust funds	1,331	-	-	1,331
Reinsurance assets-claim liabilities	-	296,418	-	296,418
Insurance receivables	-	62,253	96,473	158,726
Cash and bank balances	-	7,545	-	7,545
	1,564,275	573,378	96,473	2,234,126
31 December 2012				
HTM financial assets				
- Malaysian Government Securities	25,399	-	-	25,399
- Corporate debt securities	10,169	-	-	10,169
LAR				
- Staff loans	-	6,563	-	6,563
- Fixed and call deposits	589,684	3,039	-	592,723
AFS financial assets				
- Corporate debt securities	199,410	-	-	199,410
- Unit trust funds	740,304	-	-	740,304
Financial assets at FVTPL				
- Equity securities	-	92,597	-	92,597
- Unit trust funds	1,109	-	-	1,109
Reinsurance assets-claim liabilities	-	389,555	-	389,555
Insurance receivables	-	64,895	111,897	176,792
Cash and bank balances	-	4,128	-	4,128
	1,566,075	560,777	111,897	2,238,749

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.

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and 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 2013						
HTM financial assets						
Malaysian Government Securities	5,066	-	-	-	-	5,066
Corporate debt securities	10,169	-	-	-	-	10,169
LAR						
Staff loans	-	-	-	-	6,511	6,511
Fixed and call deposits	363,190	97,013	76,502	126,876	15,003	581,831
AFS financial assets						
Malaysian Government Securities	269,507	-	-	-	-	269,507
Corporate debt securities	303,457	324,300	23,185	-	60,805	711,747
Unit trust funds		-	-	-	-	71,381
Financial assets at FVTPL						
Equity securities	-	-	-	-	126,882	126,882
Unit trust funds	1,331	-	-	-	-	1,331
Reinsurance assets-claims liabilities	-	52,002	109,995	923	133,498	296,418
Insurance receivables	-	9,371	21,683	195	127,477	158,726
Cash and bank balances	-	-	-	-	7,582	7,582
	952,720	482,686	231,365	127,994	477,873	2,247,151

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC"). 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 2012						
HTM financial assets						
Malaysian Government Securities	25,399	-	-	-	-	25,399
Corporate debt securities	-	10,169	-	-	-	10,169
LAR						
Staff loans	-	-	-	-	6,563	6,563
Fixed and call deposits	327,886	130,359	37,367	173,038	3,039	671,689
AFS financial assets						
Malaysian Government Securities	282,448	-	-	-	-	282,448
Corporate debt securities	218,299	279,225	47,155	-	45,131	589,810
Financial assets at FVTPL						
Equity securities	-	-	-	-	92,597	92,597
Unit trust funds	1,109	-	-	-	-	1,109
Reinsurance assets-claims liabilities	-	49,849	147,348	2,195	190,163	389,555
Insurance receivables	-	6,470	22,284	81	147,957	176,792
Cash and bank balances	-	-	-	-	4,714	4,714
	855,141	476,072	254,154	175,314	490,164	2,250,845

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and 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.

Company	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013						
HTM financial assets						
Malaysian Government Securities	5,066	-	-	-	-	5,066
Corporate debt securities	10,169	-	-	-	-	10,169
LAR						
Staff loans	-	-	-	-	6,511	6,511
Fixed and call deposits	295,714	13,174	54,783	126,876	15,003	505,550
AFS financial assets						
Corporate debt securities	71,033	174,924	-	-	-	245,957
Unit trust funds	547,032	219,688	44,485	-	58,766	869,971
Financial assets at FVTPL						
Equity securities	-	-	-	-	126,882	126,882
Unit trust funds	1,331	-	-	-	-	1,331
Reinsurance assets-claims liabilities	-	52,002	109,995	923	133,498	296,418
Insurance receivables	-	9,371	21,683	195	127,477	158,726
Cash and bank balances	-	-	-	-	7,545	7,545
	930,345	469,159	230,946	127,994	475,682	2,234,126

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

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

Company	AAA	AA	A	BBB	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012						
HTM financial assets						
Malaysian Government Securities	25,399	-	-	-	-	25,399
Corporate debt securities	-	10,169	-	-	-	10,169
LAR						
Staff loans	-	-	-	-	6,563	6,563
Fixed and call deposits	270,239	119,372	27,035	173,038	3,039	592,723
AFS financial assets						
Corporate debt securities	57,624	131,568	10,218	-	-	199,410
Unit trust funds	535,492	158,338	46,474	-	-	740,304
Financial assets at FVTPL						
Equity securities	-	-	-	-	92,597	92,597
Unit trust funds	1,109	-	-	-	-	1,109
Reinsurance assets-claims liabilities	-	49,849	147,348	2,195	190,163	389,555
Insurance receivables	-	6,470	22,284	81	147,957	176,792
Cash and bank balances	-	-	-	-	4,128	4,128
	889,863	475,766	253,359	175,314	444,447	2,238,749

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and 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 2013						
Investment grade	952,720	421,313	99,687	126,876	-	1,600,596
Non-investment grade						
Satisfactory	-	60,623	124,783	991	389,172	575,569
Past-due but not impaired	-	750	6,895	127	88,701	96,473
	952,720	482,686	231,365	127,994	477,873	2,247,151
31 December 2012						
Investment grade	855,141	419,753	84,522	173,038	-	1,532,454
Non-investment grade						
Satisfactory	-	55,163	165,157	2,251	383,923	606,494
Past-due but not impaired	-	1,156	4,475	25	106,241	111,897
	855,141	476,072	254,154	175,314	490,164	2,250,845

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and Company according to the Group's and 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 2013						
Investment grade	930,345	407,786	99,268	126,876	-	1,564,275
Non-investment grade						
Satisfactory	-	60,623	124,783	991	386,981	573,378
Past-due but not impaired	-	750	6,895	127	88,701	96,473
	930,345	469,159	230,946	127,994	475,682	2,234,126
31 December 2012						
Investment grade	889,863	419,447	84,068	172,697	-	1,566,075
Non-investment grade						
Satisfactory	-	55,163	164,816	2,592	338,206	560,777
Past-due but not impaired	-	1,156	4,475	25	106,241	111,897
	889,863	475,766	253,359	175,314	444,447	2,238,749

It is the Group and 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 and Company's rating policy. The attributable risk ratings are assessed and updated regularly.

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

During the year, no credit exposure limits were exceeded.

The Group and Company actively manages its 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 2013						
Insurance receivables (RM'000)	26,677	8,759	19,306	22,129	19,602	96,473
	26,677	8,759	19,306	22,129	19,602	96,473
31 December 2012						
Insurance receivables (RM'000)	28,542	6,307	19,216	21,919	35,913	111,897
	28,542	6,307	19,216	21,919	35,913	111,897

* 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.

30 FINANCIAL RISK (CONTINUED)

Impaired financial assets

At 31 December 2013, based on individual and collective assessment of receivables, there are impaired insurance receivables of RM30,391,000 (2012: RM24,180,000). 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 Company records 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	
	2013	2012
	RM'000	RM'000
At 1 January	24,180	13,479
Arising from acquisition of business	-	9,174
Charge for the year	14,412	8,999
Recoveries	(8,201)	(7,472)
At 31 December	30,391	24,180

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.

30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Group	Carrying value RM'000	No maturity date RM'000	Contractual Cash Flow (undiscounted) 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 2013							
Financial investments:							
HTM	15,235	-	15,552	-	-	-	15,552
AFS	1,052,635	71,381	137,636	279,881	424,275	316,460	1,229,633
FVTPL	128,213	128,213	-	-	-	-	128,213
Reinsurance assets – claims liabilities	296,418	-	124,823	107,123	36,285	28,187	296,418
Insurance receivables	158,726	-	158,726	-	-	-	158,726
LAR (excluding insurance receivables)	588,342	-	579,042	2,889	6,885	1,610	590,426
Cash and bank balances	7,582	7,582	-	-	-	-	7,582
Total financial assets	2,247,151	207,176	1,015,779	389,893	467,445	346,257	2,426,550
General insurance claims liabilities	905,176	-	488,353	272,799	90,110	53,914	905,176
Other financial liabilities	13,111	-	13,111	-	-	-	13,111
Insurance payables	137,211	-	137,211	-	-	-	137,211
Other payables	62,943	-	62,943	-	-	-	62,943
Total financial liabilities	1,118,441	-	701,618	272,799	90,110	53,914	1,118,441

30 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 2012 (restated)							
Financial investments:							
HTM	35,568	-	21,366	15,283	-	-	36,649
AFS	872,258	-	55,979	325,486	351,868	319,679	1,053,012
FVTPL	93,706	93,706	-	-	-	-	93,706
Reinsurance assets – claims liabilities	389,555	-	232,522	105,492	12,884	38,657	389,555
Insurance receivables	176,792	-	176,792	-	-	-	176,792
LAR (excluding insurance receivables)	678,252	-	589,719	2,807	6,941	1,839	601,306
Cash and bank balances	4,714	4,714	-	-	-	-	4,714
Total financial assets	2,250,845	98,420	1,076,378	449,068	371,693	360,175	2,355,734
General insurance claims liabilities	1,001,883	-	584,582	266,555	80,485	70,261	1,001,883
Other financial liabilities	22,989	-	22,989	-	-	-	22,989
Insurance payables	153,404	-	153,404	-	-	-	153,404
Other payables	81,440	-	81,440	-	-	-	81,440
Total financial liabilities	1,259,716	-	842,415	266,555	80,485	70,261	1,259,716

30 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 2013							
Financial investments:							
HTM	15,235	-	15,552	-	-	-	15,552
AFS	1,115,928	869,971	33,804	43,743	53,617	175,587	1,176,722
FVTPL	128,213	128,213	-	-	-	-	128,213
Reinsurance assets – claims liabilities	296,418	-	124,823	107,123	36,285	28,187	296,418
Insurance receivables	158,726	-	158,726	-	-	-	158,726
LAR (excluding insurance receivables)	512,061	-	502,761	2,889	6,885	1,610	514,145
Cash and bank balances	7,545	7,545	-	-	-	-	7,545
Total financial assets	2,234,126	1,005,729	835,666	153,755	96,787	205,384	2,297,321
General insurance claims liabilities	905,176	-	488,353	272,799	90,110	53,914	905,176
Other financial liabilities	13,111	-	13,111	-	-	-	13,111
Insurance payables	137,211	-	137,211	-	-	-	137,211
Other payables	61,495	-	61,495	-	-	-	61,495
Total financial liabilities	1,116,993	-	700,170	272,799	90,110	53,914	1,116,993

Company No.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013 (CONTINUED)

30 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 2012 (restated)							
Financial investments:							
HTM	35,568	-	21,366	15,283	-	-	36,649
AFS	939,714	740,304	10,982	51,111	33,788	156,100	992,285
FVTPL	93,706	93,706	-	-	-	-	93,706
Reinsurance assets – claims liabilities	389,555	-	232,522	105,492	12,884	38,657	389,555
Insurance receivables	176,792	-	176,792	-	-	-	176,792
LAR (excluding insurance receivables)	599,286	-	589,719	2,807	6,941	1,839	601,306
Cash and bank balances	4,128	4,128	-	-	-	-	4,128
Total financial assets	2,238,749	838,138	1,031,381	174,693	53,613	196,596	2,294,421
General insurance claims liabilities	1,001,883	-	584,582	266,555	80,485	70,261	1,001,883
Other financial liabilities	22,989	-	22,989	-	-	-	22,989
Insurance payables	153,404	-	153,404	-	-	-	153,404
Other payables	80,488	-	80,488	-	-	-	80,488
Total financial liabilities	1,258,764	-	841,463	266,555	80,485	70,261	1,258,764

30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

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

Group	Current*	Non-current	Total
	RM'000	RM'000	RM'000
31 December 2013			
Property, plant and equipment	-	15,675	15,675
Intangible assets	-	179,943	179,943
Investments:	1,196,083	-	1,196,083
- HTM	15,235	-	15,235
- AFS	174,412	878,223	1,052,635
- FVTPL	128,213	-	128,213
Reinsurance assets	358,962	20,886	379,848
Insurance receivables	158,726	-	158,726
Loans and receivables (excluding insurance receivables)	661,444	-	661,444
Cash and bank balances	7,582	-	7,582
Total assets	2,382,797	216,504	2,599,301
Insurance contract liabilities	1,167,876	199,262	1,367,138
Deferred tax liabilities	1,160	-	1,160
Other financial liabilities	13,111	-	13,111
Insurance payables	137,211	-	137,211
Other payables	62,943	-	62,943
Tax payables	2,182	-	2,182
Total liabilities	1,384,483	199,262	1,583,745

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

30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

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

Group	Current*	Non-current	Total
	RM'000	RM'000	RM'000
31 December 2012 (restated)			
Property, plant and equipment	-	14,801	14,801
Intangible assets	-	179,943	179,943
Investments:	1,001,532	-	1,001,532
- HTM	20,475	15,093	35,568
- AFS	20,630	851,628	872,258
- FVTPL	93,706	-	93,706
Tax recoverable	10,505	-	10,505
Reinsurance assets	482,086	14,881	496,967
Insurance receivables	176,792	-	176,792
Loans and receivables (excluding insurance receivables)	718,822	-	718,822
Cash and bank balances	4,714	-	4,714
Total assets	2,394,451	209,625	2,604,076
Insurance contract liabilities	1,276,798	200,121	1,476,919
Deferred tax liabilities	4,609	-	4,609
Other financial liabilities	22,989	-	22,989
Insurance payables	153,404	-	153,404
Other payables	81,440	-	81,440
Total liabilities	1,539,240	200,121	1,739,361

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

30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

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

Company	Current*	Non-current	Total
	RM'000	RM'000	RM'000
31 December 2013			
Property, plant and equipment	-	15,675	15,675
Intangible assets	-	179,943	179,943
Investments:	1,259,376		1,259,376
- HTM	15,235		15,235
- AFS	237,705	878,223	1,115,928
- FVTPL	128,213	-	128,213
Tax recoverable	-	-	-
Reinsurance assets	358,962	20,886	379,848
Insurance receivables	158,726	-	158,726
Loans and receivables (excluding insurance receivables)	585,162	-	585,162
Cash and bank balances	7,545	-	7,545
Total assets	2,369,771	216,504	2,586,275
Insurance contract liabilities	1,167,876	199,262	1,367,138
Deferred tax liabilities	1,160	-	1,160
Other financial liabilities	13,111	-	13,111
Insurance payables	137,211	-	137,211
Other payables	61,495	-	61,495
Tax payables	2,182	-	2,182
Total liabilities	1,383,035	199,262	1,582,297

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

30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

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

Company	Current*	Non-current	Total
	RM'000	RM'000	RM'000
31 December 2012 (restated)			
Property, plant and equipment	-	14,801	14,801
Intangible assets	-	179,943	179,943
Investments:	1,068,988		1,068,988
- HTM	20,475	15,093	35,568
- AFS	88,086	851,628	939,714
- FVTPL	93,706	-	93,706
Tax recoverable	10,505		10,505
Reinsurance assets	482,086	14,881	496,967
Insurance receivables	176,792	-	176,792
Loans and receivables (excluding insurance receivables)	639,856	-	639,856
Cash and bank balances	4,128	-	4,128
Total assets	2,382,355	209,625	2,591,980
Insurance contract liabilities	1,276,798	200,121	1,476,919
Deferred tax liabilities	4,609	-	4,609
Other financial liabilities	22,989	-	22,989
Insurance payables	153,404	-	153,404
Other payables	80,488	-	80,488
Total liabilities	1,538,288	200,121	1,738,409

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

30 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 Company invest in equities, 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 Company to fair value interest.

Changes in the market interest rates will affect the Group's and Company's investment earnings as the Group and Company places part of its excess funds in interest bearing instruments and bank deposits. The Group and Company therefore has 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 Company:

Group	Impact on profit before tax	Impact on equity*
31 December 2013		
Change in interest rates		
+ 50 basis points	7,643	5,732
- 50 basis points	(7,643)	(5,732)
31 December 2012		
Change in interest rates		
+ 50 basis points	6,352	4,764
- 50 basis points	(6,352)	(4,764)

30 FINANCIAL RISK (CONTINUED)

Interest rate risk (continued)

Company	Impact on profit before tax	Impact on equity*
31 December 2013		
Change in interest rates		
+ 50 basis points	3,751	2,813
- 50 basis points	(3,751)	(2,813)
31 December 2012		
Change in interest rates		
+ 50 basis points	3,615	2,711
- 50 basis points	(3,615)	(2,711)

*Impact on equity reflects adjustments for tax, when applicable

Foreign currency risk

The Group and Company is 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 Company's exposure is minimal.

The Group and Company does not hedge its foreign currency risk.

30 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 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 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 Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the 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). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

		31 December 2013		31 December 2012	
Group / Company	Change in variables	Impact on profit before tax	Impact on equity*	Impact on profit before tax	Impact on equity*
Market indices					
FBM KLCI	+ 10%	12,760	9,570	9,371	7,028
FBM KLCI	- 10%	(12,760)	(9,570)	(9,371)	(7,028)

The potential impact arising from other market indices are deemed insignificant as the Group's and Company's holdings in equity securities listed in other bourses are not material.

* Impact on equity reflects adjustments for tax, when applicable

30 FINANCIAL RISK (CONTINUED)

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 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 Company is 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 Company's strategic planning and budgeting process.

31 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets

The following financial assets are subject to offsetting.

	Group / Company	
	2013	2012
	RM'000	RM'000
Gross amounts of recognised - insurance receivables	164,323	184,595
Less: Gross amounts of recognised insurance payables set off in the statement of financial position	(5,597)	(7,803)
Net amounts of insurance receivables presented in the statement of financial position	158,726	176,792

31 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(b) Financial liabilities

The following financial liabilities are subject to offsetting.

	Group / Company	
	2013	2012
	RM'000	RM'000
Gross amounts of recognised - insurance payables	142,808	161,207
Less: Gross amounts of recognised insurance receivables set off in the statement of financial position	(5,597)	(7,803)
Net amounts of insurance payables presented in the statement of financial position	137,211	153,404

32 COMPLETION OF INITIAL ACCOUNTING FOR THE ACQUISITION OF MUI CONTINENTAL INSURANCE BERHAD

On 1 September 2012, the Company completed the acquisition of certain assets and liabilities of the general insurance business of MUI Continental Insurance Berhad ("MUI") for a cash consideration of RM180,228,000.

The Group and Company had previously accounted for the acquisition of the assets and liabilities of MUI by using a provisional fair value for the financial year ended 31 December 2012.

During the current year, the Group and Company had completed its allocation of cost of business combination to the assets acquired and the liabilities and contingent liabilities assumed in accordance with MFRS 3 'Business Combination'. There are no adjustments to the provisional fair values except for claims liability arising from the acquisition of MUI amounting RM2.7 million. Accordingly, goodwill as at the date of acquisition has been adjusted by the same amount.

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 2013, as prescribed under the Framework, is provided below:

		Group / Company	
	Note	2013	2012
		RM'000	RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	11	403,471	403,471
Retained earnings		599,562	441,462
		1,003,033	844,933
Tier 2 Capital			
Available-for-sale reserves		(612)	7,081
Revaluation reserves		1,557	1,557
		945	8,638
Amounts deducted from Capital		(179,943)	(182,662)
Total Capital Available		824,035	670,909

The Company has met the minimum capital requirements specified in the Framework for the years ended 2013 and 2012.