Company No.

149520	U

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

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2014

Company No.

149520	U

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

CONTENTS

Company No.

149520	U

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 2014.

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	134,277	136,356
- Non-controlling interests	381	-

DIVIDEND

The Company paid a final dividend amounting to RM99,683,000 in respect of the previous financial year on 29 May 2014.

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 have 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 two meetings due to conflicting commitments.

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.

Three 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
Lee King Chi, Arthur
Yip Jian Lee
Hajime Tokuda
Tsutomu Terabayashi

In accordance with the Company's Articles of Association, Yip Jian Lee and Hajime Tokuda 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 1.1.2014	Acquired	Disposed	At 31.12.2014
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
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 1.1.2014	Acquired	Disposed	At 31.12.2014
- Tokio Marine Life Insurance Singapore Ltd				
Lee King Chi Arthur (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.

DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 March 2015.

SIGNED

TEH BOON ENG
DIRECTOR

SIGNED

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 94 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 2014 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 25 March 2015.

SIGNED

TEH BOON ENG
DIRECTOR

SIGNED

HAJIME TOKUDA
DIRECTOR

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

I, Saw Teow Yam, being the Chief Executive Officer primarily responsible for the financial management of Tokio Marine Insurans (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 94 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

SAW TEOW YAM

Subscribed and solemnly declared by the abovenamed Saw Teow Yam at Kuala Lumpur in Malaysia on 25 March 2015.

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 2014 of the Group and the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 94.

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 the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible 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.

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

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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the 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

SOO HOO KHOON YEAN
(No. 2682/10/15 (J))
Chartered Accountant

Kuala Lumpur
25 March 2015

Company No.

149520	U

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
ASSETS					
Property, plant and equipment	4	19,126	15,675	19,126	15,675
Intangible assets	5	179,943	179,943	179,943	179,943
Investments	6	915,135	1,196,083	1,031,868	1,259,376
Held-to-maturity		-	15,235	-	15,235
Available-for-sale		799,055	1,052,635	915,788	1,115,928
Fair value through profit and loss		116,080	128,213	116,080	128,213
Tax recoverable		571	-	571	-
Reinsurance assets	8	469,727	379,848	469,727	379,848
Insurance receivables	9	175,800	158,726	175,800	158,726
Loans and receivables (excluding insurance receivables)	10	966,063	661,444	835,313	585,162
Cash and bank balances		25,221	7,582	25,171	7,545
Total Assets		2,751,586	2,599,301	2,737,519	2,586,275
EQUITY, GENERAL FUNDS AND LIABILITIES					
Share capital	11	403,471	403,471	403,471	403,471
Retained earnings	12	638,076	603,482	636,235	599,562
Other reserves	13	(1,515)	(2,975)	326	945
		1,040,032	1,003,978	1,040,032	1,003,978
Non-controlling interests		11,855	11,578	-	-
Total Equity		1,051,887	1,015,556	1,040,032	1,003,978
Insurance contract liabilities	14	1,469,301	1,367,138	1,469,301	1,367,138
Deferred tax liabilities	15	32	1,160	32	1,160
Other financial liabilities	16	9,473	13,111	9,473	13,111
Insurance payables	17	148,976	137,211	148,976	137,211
Tax payable		-	2,182	-	2,182
Other payables	18	71,917	62,943	69,705	61,495
Total Liabilities		1,699,699	1,583,745	1,697,487	1,582,297
Total Equity and Liabilities		2,751,586	2,599,301	2,737,519	2,586,275

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 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Gross earned premiums	19(a)	1,065,675	1,025,845	1,065,675	1,025,845
Premiums ceded to reinsurers	19(b)	(231,201)	(220,461)	(231,201)	(220,461)
NET EARNED PREMIUMS		834,474	805,384	834,474	805,384
Investment income	20	66,448	61,212	65,671	59,736
Realised gains and losses	21	(3,576)	596	(3,089)	4
Fair value gains and losses		(2,032)	18,337	(2,032)	18,337
Fee and commission income		47,838	44,048	47,838	44,048
OTHER REVENUE		108,678	124,193	108,388	122,125
TOTAL REVENUE		943,152	929,577	942,862	927,509
Gross claims paid		(580,949)	(611,158)	(580,949)	(611,158)
Claims ceded to reinsurers		88,049	130,319	88,049	130,319
Gross change to insurance contract liabilities		(100,132)	101,482	(100,132)	101,482
Change in insurance contract liabilities ceded to reinsurers		105,171	(91,471)	105,171	(91,471)
NET CLAIMS INCURRED		(487,861)	(470,828)	(487,861)	(470,828)
Other operating income	22	1,999	2,137	1,999	2,126
Fee and commission expense		(125,967)	(121,071)	(125,967)	(121,071)
Management expenses	23	(162,006)	(146,243)	(160,018)	(144,502)
OTHER EXPENSES		(285,974)	(265,177)	(283,986)	(263,447)
PROFIT BEFORE TAXATION		169,317	193,572	171,015	193,234
Taxation	24	(34,659)	(35,134)	(34,659)	(35,134)
PROFIT FOR THE YEAR		134,658	158,438	136,356	158,100
Attributable to:					
- Owner of the Company		134,277	158,100	136,356	158,100
- Non-controlling interests		381	338	-	-
		134,658	158,438	136,356	158,100
BASIC EARNINGS PER SHARE (SEN)	25	33	39	34	39

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

Company No.

149520	U

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Profit for the year		134,658	158,438	136,356	158,100
Other comprehensive income:					
Items that may be subsequently reclassified to the income statement					
Available-for-sale reserves					
Net gain/(loss) on fair value arising during the year	6	2,430	(10,890)	(136)	(10,361)
Net realised (loss)/gain transferred to income statement	6	(1,317)	738	(830)	146
		1,113	(10,152)	(966)	(10,215)
Tax effects thereon	15	347	2,522	347	2,522
		1,460	(7,630)	(619)	(7,693)
Total comprehensive income for the year		136,118	150,808	135,737	150,407
Total comprehensive income attributable:					
- Owner of the Company		135,737	150,470	135,737	150,407
- Non-controlling interests		381	338	-	-
		136,118	150,808	135,737	150,407

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

Company No.

149520	U

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

		Non-distributable		Distributable			
	Share capital RM'000	Revaluation reserves RM'000	Available-for-sale reserves RM'000	Retained earnings RM'000	Total equity attributable to owner of the parent RM'000	Non-controlling interests RM'000	Total RM'000
Group							
At 1 January 2013	403,471	1,557	3,098	445,382	853,508	11,206	864,714
Capital contribution by non-controlling interests	-	-	-	-	-	34	34
Profit for the year	-	-	-	158,100	158,100	338	158,438
Other comprehensive income for the year	-	-	(7,630)	-	(7,630)	-	(7,630)
At 31 December 2013	403,471	1,557	(4,532)	603,482	1,003,978	11,578	1,015,556
At 1 January 2014	403,471	1,557	(4,532)	603,482	1,003,978	11,578	1,015,556
Profit for the year	-	-	-	134,277	134,277	381	134,658
Other comprehensive income for the year	-	-	1,460	-	1,460	-	1,460
Dividend paid during the year	-	-	-	(99,683)	(99,683)	(104)	(99,787)
At 31 December 2014	403,471	1,557	(3,072)	638,076	1,040,032	11,855	1,051,887

Company No.

149520	U

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

		Non-distributable		Distributable	
	Share capital RM'000	Revaluation reserves RM'000	Available-for-sale reserves RM'000	Retained earnings RM'000	Total RM'000
Company					
At 1 January 2013	403,471	1,557	7,081	441,462	853,571
Profit for the year	-	-	-	158,100	158,100
Other comprehensive income for the year	-	-	(7,693)	-	(7,693)
At 31 December 2013	403,471	1,557	(612)	599,562	1,003,978
At 1 January 2014	403,471	1,557	(612)	599,562	1,003,978
Profit for the year	-	-	-	136,356	136,356
Other comprehensive income for the year	-	-	(619)	-	(619)
Dividend paid during the year	-	-	-	(99,683)	(99,683)
At 31 December 2014	403,471	1,557	(1,231)	636,235	1,040,032

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

Company No.

149520	U

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

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	134,658	158,438	136,356	158,100
Adjustment of:				
Property, plant and equipment				
- depreciation	5,704	5,388	5,704	5,388
- loss/(gain) on disposal	28	(28)	28	(28)
- write off	4	2	4	2
Fair value loss/(gain) on financial assets at FVTPL	2,032	(18,337)	2,032	(18,337)
Amortisation of premium	2,433	2,472	431	432
Loss on disposal of financial assets at FVTPL	2,231	170	2,231	170
Loss/(gain) on disposal of AFS financial assets	1,317	(738)	830	(146)
Investment income	(68,881)	(63,684)	(66,102)	(60,168)
(Write-back of)/allowance for doubtful debts	(7,975)	6,211	(7,975)	6,211
Bad debts written off	3,446	1,716	3,446	1,716
Tax expense	34,659	35,134	34,659	35,134
Profit from operations before changes in operating assets and liabilities	109,656	126,744	111,644	128,474
Purchases of investments	(515,488)	(556,758)	(126,412)	(299,950)
Proceeds from disposal of financial Investments	699,688	288,957	309,576	92,580
Proceeds from maturity of Investments	83,000	79,000	35,000	25,000
(Increase)/decrease in reinsurance assets	(89,272)	112,729	(89,272)	112,729
(Increase)/decrease in insurance receivables	(12,714)	14,127	(12,714)	14,127
(Increase)/decrease in loans and receivables	(304,287)	56,981	(249,851)	54,694
Increase/(decrease) in insurance contract liabilities	102,163	(109,780)	102,163	(109,780)
Decrease in other financial liabilities	(3,638)	(9,878)	(3,638)	(9,878)
Increase/(decrease) in insurance payables	12,188	(16,459)	12,188	(16,193)
Increase/(decrease) in other payables	8,975	(18,436)	8,210	(18,993)
	90,271	(32,773)	96,894	(27,190)

Company No.

149520	U

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

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Tax paid	(38,193)	(23,373)	(38,193)	(23,373)
Investment income received:				
- Interest	37,976	34,796	31,236	29,796
- Dividend	36,437	30,306	36,437	30,306
- Others	122	114	122	114
Net cash generated from operating activities	126,613	9,070	126,496	9,653
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(9,286)	(6,379)	(9,286)	(6,379)
Proceeds from disposal of property, plant and equipment	99	143	99	143
Net cash used in investing activities	(9,187)	(6,236)	(9,187)	(6,236)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(99,787)	-	(99,683)	-
Capital contribution from non-controlling interests	-	34	-	-
Net cash (used in)/generated from financing activities	(99,787)	34	(99,683)	-
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	17,639	2,868	17,626	3,417
CASH AND CASH EQUIVALENTS AT 1 JANUARY	7,582	4,714	7,545	4,128
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25,221	7,582	25,171	7,545
Cash and bank balances	25,221	7,582	25,171	7,545

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 25 March 2015.

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.

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 judgment 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 judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

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

The Group and Company adopted the following standards for the first time for the year beginning on or after 1 January 2014:

- Amendments to MFRS 132 'Financial Instruments Presentation' on offsetting financial assets and financial liabilities.
- Amendments to MFRS 136 'Impairment of Assets' on the recoverable amount disclosures for non-financial assets.
- IC Interpretation 21 'Levies'

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

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

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

(i) Financial year beginning on or after 1 January 2015

- Annual Improvements to MFRSs 2010-2012 Cycle (Amendments to MFRS 2 Share-based Payment, MFRS 3 Business Combinations, MFRS 8 Operating Segments, MFRS 13 Fair Value Measurement, MFRS 116 Property, Plant and Equipment, MFRS 124 Related Party Disclosures & MFRS 138 Intangible Assets)
- Annual Improvements to MFRSs 2011-2013 Cycle (Amendments to MFRS 1 First-time Adoption of Financial Reporting Standards, MFRS 3 Business Combinations, MFRS 13 Fair Value Measurement & MFRS 140 Investment Property)
- Amendments to MFRS 119 Defined Benefits Plans: Employee Contributions

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

MFRS 9 ‘Financial Instruments’ (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

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

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

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Company is currently assessing the impact on the financial statements from the adoption of MFRS 9.

All other new amendments to published standards and interpretation to existing standards issued by MASB effective for periods subsequent to 1 January 2015 are not relevant to the Group and Company.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

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

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

(iii) Disposal of subsidiaries

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

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

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

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

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

(f) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Leasehold land and building are subsequently shown at revalued amount, based on periodic valuation of at least once in every 5 years by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments and other financial assets (continued)

(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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

Acquisition costs and deferred acquisition costs ("DAC")

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Other revenue recognition

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Contingent liabilities and contingent assets

The Group and 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.

(v) Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial instruments

Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

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

Recognition method

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

Fair value estimation

The Group 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.

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

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM'000	Building RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment and computers RM'000	Total RM'000
Group / Company						
Cost						
At 1 January 2014	2,940	1,680	15,346	2,415	36,874	59,255
Additions	-	-	1,060	319	7,907	9,286
Disposals	-	-	(176)	(386)	(180)	(742)
Write off	-	-	(67)	-	(91)	(158)
At 31 December 2014	2,940	1,680	16,163	2,348	44,510	67,641
Accumulated depreciation						
At 1 January 2014	438	236	14,201	922	27,783	43,580
Charge for year	71	41	863	336	4,393	5,704
Disposals	-	-	(162)	(274)	(179)	(615)
Write off	-	-	(67)	-	(87)	(154)
At 31 December 2014	509	277	14,835	984	31,910	48,515
Net book value						
At 31 December 2014	2,431	1,403	1,328	1,364	12,600	19,126
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

5 GOODWILL

	Group / Company	
	2014	2013
	RM'000	RM'000
Cost:		
At 1 January / 31 December	179,943	179,943

Goodwill of the Group and Company arose from the business acquisitions of Amanah General Insurance (M) Bhd ("AGIB"), Asia Insurance (M) Bhd ("AIMB") and MUI Continental Insurance Berhad ("MUI") in 2002, 2007 and 2013 respectively. As at 31 December 2014, the carrying amount of goodwill arising from the business acquisition of AGIB, AIMB and MUI was remain as RM13,666,666 (2013: RM13,666,666), RM13,263,065 (2013: RM13,263,065) and RM153,013,485 (2013: RM153,013,485) respectively.

Goodwill has been allocated to the cash generating unit, being the combined general insurance business as a whole. The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the regional office covering a three-year period for 2015 to 2017, determined by budgeted profitability based on management's past performance and management's expectation of market developments. Cash flows beyond the three-year period are extrapolated using estimated perpetual growth rates.

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

(a) Average premium growth rate of 10% (2013: 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 59% (2013: 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% (2013: 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 2014.

5 GOODWILL (CONTINUED)

Based on the assessment of value-in-use for the cash generating unit, 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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Held-to-maturity financial assets ("HTM")	-	15,235	-	15,235
Available-for-sale financial assets ("AFS")	799,055	1,052,635	915,788	1,115,928
Fair value through profit and loss ("FVTPL")	116,080	128,213	116,080	128,213
Loans and receivables ("LAR") (Note 10)	966,063	661,444	835,313	585,162
	1,881,198	1,857,527	1,867,181	1,844,538

The following investments mature within 12 months:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
HTM	-	15,235	-	15,235
AFS	91,471	174,412	371	237,705
LAR	897,252	651,643	766,502	575,361
	988,723	841,290	766,873	828,301

The following investments mature after 12 months:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
AFS	707,584	878,223	915,417	878,223
LAR	68,811	9,801	68,811	9,801
	776,395	888,024	984,228	888,024

6 INVESTMENTS (CONTINUED)

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Malaysian Government securities	-	5,023	-	5,023
Corporate debt securities				
- quoted in Malaysia	-	10,000	-	10,000
	-	15,023	-	15,023
Accrued interest income				
Malaysian Government securities	-	43	-	43
Corporate debt securities				
- quoted in Malaysia	-	169	-	169
	-	212	-	212
	-	15,235	-	15,235
Fair value				
Malaysian Government securities	-	5,077	-	5,077
Corporate debt securities				
- quoted in Malaysia	-	10,171	-	10,171
	-	15,248	-	15,248

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Fair value				
Malaysian Government Securities	229,235	269,090	-	-
Corporate debt securities:				
Quoted in Malaysia	-	3,220	-	3,220
Unquoted	491,844	701,883	30,268	240,136
	721,079	974,193	30,268	243,356
Unit trust	71,451	71,381	71,451	71,381
Controlled structured entities				
(Note 7)	-	-	813,698	798,590
	792,530	1,045,574	915,417	1,113,327
Accrued interest income				
Malaysian Government Securities	2,205	417	-	-
Corporate debt securities:				
Quoted in Malaysia	-	67	-	67
Unquoted	4,320	6,577	371	2,534
	6,525	7,061	371	2,601
	799,055	1,052,635	915,788	1,115,928

6 INVESTMENTS (CONTINUED)

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Fair value				
Held-for-trading:				
Equity securities	116,080	126,882	116,080	126,882
Unit and property trust funds	-	1,331	-	1,331
	116,080	128,213	116,080	128,213

(d) Carrying values of financial assets

Group	HTM	AFS	FVTPL	Total
	RM'000	RM'000	RM'000	RM'000
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/(losses) recorded in:				
Income statement	-	-	18,337	18,337
Other comprehensive income	-	(9,887)	-	(9,887)
Accretion/(amortisation) adjustment	122	(1,744)	-	(1,622)
At 31 December 2013	15,235	1,052,635	128,213	1,196,083
At 1 January 2014	15,235	1,052,635	128,213	1,196,083
Purchases	-	449,314	93,869	543,183
Maturities	(212)	(291,908)	-	(292,120)
Disposals	(15,424)	(410,998)	(89,160)	(515,582)
Fair value gains recorded in:				
Income statement	-	-	(16,842)	(16,842)
Other comprehensive income	-	691	-	691
Accretion /(amortisation) adjustment	401	(679)	-	(278)
At 31 December 2014	-	799,055	116,080	915,135

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 2013	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)
Accretion/(amortisation) adjustment	122	(484)	-	(362)
At 31 December 2013	15,235	1,115,928	128,213	1,259,376
At 1 January 2014	15,235	1,115,928	128,213	1,259,376
Purchases	-	30,314	93,869	124,183
Maturities	(212)	(209,345)	-	(209,557)
Disposals	(15,424)	(20,035)	(89,160)	(124,619)
Fair value gains/(losses) recorded in:				
Income statement	-	-	(16,842)	(16,842)
Other comprehensive income	-	(1,389)	-	(1,389)
Accretion adjustment	401	315	-	716
At 31 December 2014	-	915,788	116,080	1,031,868

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	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2014			
Financial Assets			
Available-for-sale financial assets:			
- Malaysian Government Securities/ Government Investment Issues	231,440	-	231,440
- Corporate debt securities	-	496,164	496,164
- Unit Trusts	-	71,451	71,451
	231,440	567,615	799,055
Financial assets at fair value through profit or loss			
- Equity securities	116,080	-	116,080
31 December 2013			
Financial Assets			
Available-for-sale financial assets:			
- Malaysian Government Securities/ Government Investment Issues	269,507	-	269,507
- Corporate debt securities	3,287	708,460	711,747
- Unit Trusts	-	71,381	71,381
	272,794	779,841	1,052,635
Financial assets at fair value through profit or loss			
- Equity securities	126,882	-	126,882
- Unit Trusts	790	541	1,331
	127,672	541	128,213

6 INVESTMENTS (CONTINUED)

(e) Fair values of financial assets (continued)

Company	Level 1 RM'000	Level 2 RM'000	Total RM'000
31 December 2014			
Financial Assets			
Available-for-sale financial assets:			
- Corporate debt securities	-	30,639	30,639
- Unit Trusts	-	885,149	885,149
	-	915,788	915,788
Financial assets at fair value through profit or loss			
- Equity securities	116,080	-	116,080
31 December 2013			
Financial Assets			
Available-for-sale financial assets:			
- Corporate debt securities	3,287	242,670	245,957
- Unit Trusts	-	869,971	869,971
	3,287	1,112,641	1,115,928
Financial assets at fair value through profit or loss			
- Equity securities	126,882	-	126,882
- Unit Trusts	790	541	1,331
	127,672	541	128,213

There were no investments held by the Group and Company that were classified under Level 3 as at 31 December 2014 (2013: Nil).

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 RM813,697,764 (2013: RM798,590,521) 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 95.98% 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.

	2014 RM	2013 RM
Number of wholesale unit trust fund	3	3
Average net asset value per unit of wholesale unit trust funds:		
Enhanced Cash Fund	1.0187	1.0303
Amcash Plus	0.9867	0.9818
CIMB-Principal Institutional Bond Fund 4	1.0152	1.0175
Fair value of underlying net assets:		
Corporate bonds	696,964,366	735,297,225
Deposits with licensed financial institutions	130,750,237	76,282,086
Cash equivalents	50,604	37,287
Payables	(2,215,592)	(1,493,485)
	825,549,615	810,123,113
Total fair loss incurred for the financial year	2,393,031	6,714,916

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	
	2014 RM'000	2013 RM'000
Reinsurance of insurance contracts (Note 14)	474,200	384,928
Allowance for impairment (Note 30)	(4,473)	(5,080)
	469,727	379,848

9 INSURANCE RECEIVABLES

	Group / Company	
	2014 RM'000	2013 RM'000
Due premiums including agents/brokers and co-insurers balances	131,847	130,838
Due from reinsurers and cedants	60,415	52,157
	192,262	182,995
Allowance for impairment (Note 30)	(16,462)	(24,269)
	175,800	158,726

The Company offsets the gross amount of required insurance receivables against the gross amount of insurance payables in the statement of financial position as detailed in Note 31 to the financial statements.

There are no financial assets that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received (2013: Nil).

10 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Fixed and call deposits with licensed financial institutions	878,428	578,504	748,245	502,386
Staff loans	5,649	6,688	5,649	6,688
Allowance for impairment	(177)	(177)	(177)	(177)
	5,472	6,511	5,472	6,511
	883,900	585,015	753,717	508,897
Interest income receivable				
Fixed and call deposits with licensed financial institutions	4,603	3,327	4,036	3,164
Other receivables				
Knock-for-knock claims Recoveries	2,245	2,573	2,245	2,573
Assets held under the Malaysian Motor Insurance Pool (MMIP)*	63,240	52,385	63,240	52,385
Other receivables, deposits and Prepayments	13,379	19,009	13,379	19,008
	78,864	73,967	78,864	73,966
Allowance for impairment	(1,304)	(865)	(1,304)	(865)
	77,560	73,102	77,560	73,101
	966,063	661,444	835,313	585,162
Fair value				
Fixed and call deposits with licensed financial institutions	883,031	582,090	752,281	505,809
Staff loans [net of impairment allowance of RM176,845 (2013: RM176,845)]	5,472	6,510	5,472	6,510
Other receivables	77,560	73,102	77,560	73,101
	966,063	661,702	835,313	585,420

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

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

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

The fair values of other receivables approximate their carrying amount.

* Assets held under MMIP includes cash contribution made to MMIP during the current year of RM9,358,767 (2013: RM17,989,134). The remaining balances represent assets held under MMIP recognised by the Company based on quarterly statements received from MMIP of RM35,891,590 (2013: RM34,396,057). MMIP as at 31 December 2014 is a net payable of RM7,551,453 (2013: RM9,551,314) 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	
	2014	2013
	RM'000	RM'000
Authorised ordinary shares of RM1 each		
At beginning of year / end of year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each		
At beginning of year / end of year	403,471	403,471

12 RETAINED EARNINGS

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

As at 31 December 2014, the Company is already under the single-tier tax system. The Company may distribute single-tier tax exempt dividend to its shareholder out of its retained earnings. Pursuant to Section 51(1) of the Financial Services Act, 2013, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend. Pursuant to the RBC framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividends would impair its Capital Adequacy Ratio position to below its internal target.

13 OTHER RESERVES

	Group		Company	
	2014	2013	2014	2013
	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	(4,532)	3,098	(612)	7,081
Fair value loss arising during the year	1,460	(7,630)	(619)	(7,693)
At 31 December	(3,072)	(4,532)	(1,231)	(612)
Total	(1,515)	(2,975)	326	945

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES

Group / Company	31.12.2014 Gross RM'000	31.12.2014 Reinsurance RM'000	31.12.2014 Net RM'000	31.12.2013 Gross RM'000	31.12.2013 Reinsurance RM'000	31.12.2013 Net RM'000
Provision for outstanding claims	758,487	(318,537)	439,950	698,937	(243,232)	455,705
Provision for incurred but not reported claims ("IBNR")	246,822	(88,133)	158,689	206,239	(58,266)	147,973
Claims liabilities (i)	1,005,309	(406,670)	598,639	905,176	(301,498)	603,678
Premium liabilities (ii)	463,992	(67,530)	396,462	461,962	(83,430)	378,532
	1,469,301	(474,200)	995,101	1,367,138	(384,928)	982,210

(i) Claims liabilities

	31.12.2014 Gross RM'000	31.12.2014 Reinsurance RM'000	31.12.2014 Net RM'000	31.12.2013 Gross RM'000	31.12.2013 Reinsurance RM'000	31.12.2013 Net RM'000
At 1 January	905,176	(301,498)	603,678	1,001,883	(390,245)	611,638
Claims incurred in the current accident year	693,784	(172,016)	521,768	531,530	(95,469)	436,061
Other movements in claims incurred in prior accident years	(53,284)	8,662	(44,622)	(11,967)	44,789	32,822
Movement of IBNR at 75% confidence level	40,582	(29,867)	10,715	(5,112)	9,108	3,996
Claims paid during the year	(580,949)	88,049	(492,900)	(611,158)	130,319	(480,839)
At 31 December	1,005,309	(406,670)	598,639	905,176	(301,498)	603,678

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Group / Company	31.12.2014			31.12.2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(ii) Premium liabilities						
At 1 January	461,962	(83,430)	378,532	475,036	(107,412)	367,624
Premiums written in the year (Note 19)	1,067,705	(215,301)	852,404	1,012,771	(196,479)	816,292
Premiums earned during the year (Note 19)	(1,065,675)	231,201	(834,474)	(1,025,845)	220,461	(805,384)
At 31 December	463,992	(67,530)	396,462	461,962	(83,430)	378,532

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	
	2014	2013
	RM'000	RM'000
Deferred tax liabilities	(32)	(1,160)
Subject to income tax:		
Deferred tax assets (before offsetting)		
- Insurance receivables	5,234	7,337
- Other receivables	333	248
- Other payables	322	665
- Financial assets at HTM	-	100
- Financial assets at AFS	483	136
	6,372	8,486
Offsetting	(6,372)	(8,486)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	3,793	2,987
- Premium liabilities	682	600
- Financial assets at FVTPL	1,929	6,059
	6,404	9,646
Offsetting	(6,372)	(8,486)
Deferred tax liabilities (after offsetting)	32	1,160
Deferred tax liabilities		
- Current	(28)	(828)
- Non current	(4)	(332)
	(32)	(1,160)

15 DEFERRED TAXATION (CONTINUED)

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

	Group / Company	
	2014	2013
	RM'000	RM'000
At 1 January	(1,160)	(4,609)
Credited to income statement (Note 24)		
- Insurance receivables	(2,103)	1,653
- Other receivables	85	(146)
- Other payables	(343)	(444)
- Property, plant and equipment	(806)	(495)
- Premium liabilities	(82)	581
- Financial assets at FVTPL	4,130	(191)
- Financial assets at HTM	(100)	(31)
	781	927
Charged to equity:		
- Financial assets at AFS	347	2,522
Total movement for the year	1,128	3,449
At 31 December	(32)	(1,160)

16 OTHER FINANCIAL LIABILITIES

	Group / Company	
	2014	2013
	RM'000	RM'000
Deposits received from reinsurers	9,473	13,111

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	
	2014	2013
	RM'000	RM'000
Due to agents and intermediaries	55,962	67,346
Due to reinsurers and cedants	93,014	69,865
	148,976	137,211

The Company offsets the gross amount of required insurance receivables against the gross amount of insurance payables in the statement of financial position as detailed in Note 31 to the financial statements.

There are no financial assets that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received (2013: Nil).

18 OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash collaterals held on contract bonds	15,223	18,190	15,223	18,190
Payroll liabilities	22,404	19,506	22,404	19,506
Other payables and accrued expenses	34,290	25,247	32,078	23,799
	71,917	62,943	69,705	61,495

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 2014 RM'000	Group / Company 2013 RM'000
(a)	Gross earned premiums		
	Insurance contracts	1,067,705	1,012,771
	Change in gross premium liabilities	(2,030)	13,074
		1,065,675	1,025,845
(b)	Premiums ceded		
	Insurance contracts	(215,301)	(196,479)
	Change in gross premium liabilities	(15,900)	(23,982)
		(231,201)	(220,461)
	Net earned premiums	834,474	805,384

20 INVESTMENT INCOME

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
FVTPL financial assets:				
Dividend income				
- equity securities quoted in Malaysia	6,061	3,848	3,828	4,012
HTM financial assets - interest income	82	672	82	672
AFS financial assets:				
Interest income	37,623	35,211	9,701	9,695
Dividend income				
- Controlled structured entity	-	-	32,609	26,294
LAR financial assets – interest income	22,682	21,481	19,451	19,063
	66,448	61,212	65,671	59,736

21 REALISED GAINS AND LOSSES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Property and equipment:				
Realised (loss)/gains	(28)	28	(28)	28
Financial assets at FVTPL – held-for-trading:				
Realised loss	(2,231)	(170)	(2,231)	(170)
AFS financial assets:				
Realised (loss)/gains:				
Corporate debt securities – quoted in Malaysia	(1,317)	738	(830)	146
	(3,576)	596	(3,089)	4

22 OTHER OPERATING INCOME

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Agency fees received	802	573	802	573
Other income	1,197	1,634	1,197	1,623
Professional fees	-	(70)	-	(70)
	1,999	2,137	1,999	2,126

23 MANAGEMENT EXPENSES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 23(a))	95,555	79,668	95,555	79,668
Directors' remuneration (Note 23(b))	838	837	838	837
Auditors' remuneration:				
- statutory audits	260	248	260	248
- other services	57	55	57	55
Depreciation of property, plant and Equipment	5,704	5,388	5,704	5,388
(Write-back of)/allowance for impairment of insurance receivables	(7,975)	6,211	(7,975)	6,211
Bad debts written off	3,446	1,716	3,446	1,716
Rental of office premises	8,124	8,183	8,124	8,183
Entertainment	7,149	4,928	7,149	4,928
Training expenses	1,694	1,863	1,694	1,863
Management fees	6,413	2,678	6,413	2,678
Repairs and maintenance	1,659	1,154	1,659	1,154
Motor vehicle expenses	3,726	3,379	3,726	3,379
Travelling	989	859	989	859
Advertising	3,355	65	3,355	65
Printing and stationery	4,863	4,290	4,863	4,290
Postage and telephone	2,520	1,876	2,520	1,876
Electronic data processing expenses	7,503	6,521	7,503	6,521
Bank collection charges	9,189	8,817	9,189	8,817
Other expenses	6,937	7,507	4,949	5,766
	162,006	146,243	160,018	144,502

23 MANAGEMENT EXPENSES (CONTINUED)

(a) Employee benefits expense

	Group / Company	
	2014	2013
	RM'000	RM'000
Staff salary and bonus	80,672	67,056
Social security contributions	548	510
Contributions to Employees' Provident Fund	11,094	9,456
Other benefits	3,241	2,646
	95,555	79,668

(b) Directors' remuneration

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

	Group / Company	
	2014	2013
	RM'000	RM'000
Executive:		
Salaries and other emoluments	449	414
Bonus	95	135
	544	549
Non-executive:		
Fees	276	269
Other benefits	18	19
	294	288
	838	837
Represented by:		
Directors' fees	276	269
Amount included in employee benefits expense	562	568

The estimated cash value of benefits-in-kind provided to the directors of the Company amounted to RM146,231 (2013: RM144,194).

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the year amounted to RM2,421,129 (2013: RM838,028).

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

	Number of Directors	
	2014	2013
Group/Company		
Non-executive Directors		
Below RM50,000	4	5

24 TAXATION

	Group / Company	
	2014	2013
	RM'000	RM'000
Current income tax:		
Current financial year	37,073	39,099
Overprovision in prior financial years	(1,633)	(3,038)
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 15)	(781)	(927)
	34,659	35,134

The income tax for the Company is calculated based on the tax rate of 25% (2013: 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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit before tax	169,317	193,572	171,015	193,234
Taxation at Malaysian statutory tax rate of 25%	42,329	48,393	42,754	48,309
Income not subject to tax	(7,642)	(6,549)	(8,067)	(6,465)
Expenses not deductible for tax purposes	4,697	888	4,697	888
Overprovision in prior years	(1,633)	(3,038)	(1,633)	(3,038)
Income taxed at a lower tax rate	(752)	(980)	(752)	(980)
Tax credit from MMIP cash calls *	(2,340)	(3,580)	(2,340)	(3,580)
Tax expense for the year	34,659	35,134	34,659	35,134

* The tax credit from MMIP cash calls for the current year 2014 of RM2,340,000 (2013 : 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 2013.

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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders	134,658	158,438	136,356	158,100
Weighted average number of shares in issue	403,471	403,471	403,471	403,471
Basic earnings per share (sen)	33	39	34	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 2014 are as follows:

	Group / Company	
	2014	2013
	RM'000	RM'000
Not later than 1 year	6,862	4,831
Later than 1 year and not later than 5 years	8,264	1,594
	15,126	6,425

27 CAPITAL COMMITMENTS

	Group / Company	
	2014	2013
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Renovation	2,740	-
Property, plant and equipment	517	394
Corporate vehicle	417	-
	3,674	394

28 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Group and Company as at 31 December 2014, 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	
	2014	2013
	RM'000	RM'000
Transactions with holding corporations:		
IT expenses recharge	(3,156)	-
Underwriting risk survey fees paid	(862)	(294)
Transactions with related corporations:		
Premium ceded	(58,745)	(41,800)
Commission received	12,339	9,977
Agency fees received	802	573
Rental paid	(325)	(229)
Claims paid on behalf of a related corporation	(2,552)	(2,180)
Claims recoveries and paid	13,893	17,317
Fund management fees paid	(376)	(653)

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	
	2014	2013
	RM'000	RM'000
Insurance receivables		
Advances made on behalf of related corporations	1,060	905
Claim recoveries due from related corporations	3,862	2,913
Insurance payables		
Reinsurance premiums due to related corporations	(16,713)	(18,138)
Other payable	(3,156)	(190)

(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	
	2014	2013
	RM'000	RM'000
Salary	5,981	4,610
Bonus	1,334	1,578
Defined contribution plan	880	858
Other benefits	1,465	435
	9,660	7,481
Included in the total key management personnel are directors' remuneration (Note 23(b))	544	549

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 by class of business:

	31 December 2014			31 December 2013		
Group / Company	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	494,927	(32,580)	462,347	504,790	(44,750)	460,040
Fire	230,494	(187,981)	42,513	135,326	(101,538)	33,788
Marine, Aviation and Transit	46,602	(30,132)	16,470	69,763	(50,919)	18,844
Miscellaneous	233,286	(155,977)	77,309	195,297	(104,291)	91,006
	1,005,309	(406,670)	598,639	905,176	(301,498)	603,678

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 initial expected loss ratio ("IELR") in the last accident year, first incurred development factor, claim handling expenses, provision for adverse deviation, unexpired risk reserve("URR") loss ratio and maintenance expense ratio.

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

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

Sensitivity analysis

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

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

Group / Company	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2014					
Claim Liability					
IELR in the last	+10%	39,428	21,584	(21,584)	(16,188)
accident year	-10%	(39,428)	(21,584)	21,584	16,188
First incurred	+10%	27,897	35,062	(35,062)	(26,296)
development factor	-10%	(29,285)	(38,465)	38,465	28,849
Claim handling	+1%	5,270	5,270	(5,270)	(3,952)
Expenses	-1%	(5,270)	(5,270)	5,270	3,952
Provision for	+5%	32,279	18,390	(18,390)	(13,793)
Adverse Deviation	-5%	(32,279)	(18,390)	18,390	13,793

29 INSURANCE RISK (CONTINUED)

Sensitivity analysis (continued)

Group / Company	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Premium Liability					
URR Loss Ratio	+10%	-	17,256	(17,256)	(12,942)
	-10%	-	-	-	-
Maintenance	+3%	-	1,108	(1,108)	(831)
Expense Ratio	-3%	-	-	-	-
Provision for	+5%	-	-	-	-
Adverse Deviation	-5%	-	-	-	-
31 December 2013					
Claim Liability					
IELR in the last	+10%	43,643	31,572	(31,572)	(23,679)
accident year	-10%	(43,632)	(31,561)	31,561	23,671
First incurred	+10%	4,639	5,169	(5,169)	(3,876)
development factor	-10%	(5,594)	(6,070)	6,070	4,553
Claim handling	+1%	3,141	3,143	(3,143)	(2,357)
expenses	-1%	(3,141)	(3,143)	3,143	2,357
Provision for	+5%	29,413	19,027	(19,027)	(14,271)
Adverse Deviation	-5%	(29,413)	(19,027)	19,027	14,271
Premium Liability					
URR Loss Ratio	+10%	-	-	-	-
	-10%	-	-	-	-
Maintenance	+3%	-	-	-	-
Expense Ratio	-3%	-	-	-	-
Provision for	+5%	-	-	-	-
Adverse Deviation	-5%	-	-	-	-

Claims development table

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

In setting provisions for claims, the Group and 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.

29 INSURANCE RISK (CONTINUED)

Gross General Insurance Claims Liabilities for 2014:

Group / Company	Prior 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
Accident year									
At end of accident year		361,368	446,393	431,330	441,993	691,396	614,352	712,405	
One year later		402,290	452,366	395,948	575,752	630,129	631,204		
Two years later		401,036	453,901	595,325	559,441	612,212			
Three years later		392,799	543,432	575,219	543,047				
Four years later		510,914	531,397	565,337					
Five years later		505,083	529,752						
Six years later		498,107							
Current estimate of cumulative claims incurred		498,107	529,752	565,337	543,047	612,212	631,204	712,405	4,092,064
At end of accident year		204,549	204,794	249,052	227,531	223,573	240,974	253,193	
One year later		391,548	407,927	452,605	415,500	488,463	450,282		
Two years later		442,167	473,717	500,827	462,440	547,135			
Three years later		465,832	490,844	521,480	489,955				
Four years later		478,811	504,191	528,114					
Five years later		484,626	509,719						
Six years later		486,456							
Current payments to-date		486,456	509,719	528,114	489,955	547,135	450,282	253,193	3,264,854
Direct and facultative inwards	18,822	11,651	20,033	37,223	53,092	65,077	180,922	459,212	846,032
Treaty Inwards									5,127
MMIP									61,143
		Best estimate of claim liabilities							912,302
		Claim handling expenses							9,616
		Fund PRAD at 75% Confidence Interval							83,391
		Gross general insurance claim liabilities							1,005,309

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

Company No.

149520	U

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

29 INSURANCE RISK (CONTINUED)

Net General Insurance Claims Liabilities for 2014:

Group / Company	Prior 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
Accident year									
At end of accident year		301,578	396,603	376,339	379,532	481,635	498,891	521,767	
One year later		343,260	389,840	358,844	452,588	469,924	478,019		
Two years later		345,339	381,842	443,267	439,986	461,108			
Three years later		338,489	440,333	432,849	425,180				
Four years later		386,390	429,679	424,001					
Five years later		382,555	428,961						
Six years later		380,349							
Current estimate of cumulative claims incurred		380,349	428,961	424,001	425,180	461,108	478,019	521,767	3,119,385
At end of accident year		171,000	184,478	187,938	192,763	191,034	216,314	234,572	
One year later		308,201	344,435	350,446	350,002	377,333	388,826		
Two years later		345,154	388,010	388,049	385,947	419,781			
Three years later		364,679	403,187	405,734	403,202				
Four years later		370,995	411,754	411,398					
Five years later		374,108	415,722						
Six years later		375,561							
Current payments to-date		375,561	415,722	411,398	403,202	419,781	388,826	234,572	2,649,062
Direct and facultative inward	4,909	4,788	13,239	12,603	21,978	41,327	89,193	287,195	475,232
Treaty Inwards									5,553
MMIP									61,143
		Best estimate of claim liabilities							541,928
		Claim handling expenses							9,616
		Fund PRAD at 75% Confidence Interval							47,095
		Net general insurance claim liabilities							598,639

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (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

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:

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
HTM financial assets	6(a)				
- Malaysian Government Securities		-	5,066	-	5,066
- Corporate debt Securities		-	10,169	-	10,169
LAR (excluding insurance receivables)	10				
- Staff loans		5,472	6,511	5,472	6,511
- Fixed and call deposits		883,031	581,831	752,281	505,550
AFS financial assets	6(b)				
- Malaysian Government Securities		231,440	269,507	-	-
- Corporate debt securities		496,164	711,747	30,639	245,957
- Unit trust funds		71,451	71,381	885,149	869,971
Financial assets at FVTPL	6(c)				
- Equity securities		116,080	126,882	116,080	126,882
- Unit trust funds		-	1,331	-	1,331
Reinsurance assets-claim liabilities	8	402,197	296,418	402,197	296,418
Insurance receivables	9	175,800	158,726	175,800	158,726
Cash and bank balances		25,221	7,582	25,171	7,545
		2,406,856	2,247,151	2,392,789	2,234,126

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	 Non-investment grade: satisfactory	Past-due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2014					
LAR					
- Staff loans	-	5,472	-	177	5,649
- Fixed and call deposits	859,610	23,421	-	-	883,031
AFS financial assets					
- Malaysian Government Securities	231,440	-	-	-	231,440
- Corporate debt securities	298,779	197,385	-	-	496,164
- Unit trust funds	71,451	-	-	-	71,451
Financial assets at FVTPL					
- Equity securities	-	116,080	-	-	116,080
Reinsurance assets-claim liabilities	-	402,197	-	4,473	406,670
Insurance receivables	-	65,622	110,178	16,462	192,262
Other receivables	-	77,560	-	1,304	78,864
Cash and bank balances	-	25,221	-	-	25,221
Allowance for impairment	-	-	-	(22,416)	(22,416)
	1,461,280	912,958	110,178	-	2,484,416
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	-	177	6,688
- 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	-	-	-	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	-	5,080	301,498
Insurance receivables	-	62,253	96,473	24,269	182,995
Other receivables	-	73,102	-	865	73,967
Cash and bank balances	-	7,582	-	-	7,582
Allowance for impairment	-	-	-	(30,391)	(30,391)
	1,575,224	648,556	96,473	-	2,320,253

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

Company	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	Impaired RM'000	Total RM'000
31 December 2014					
LAR					
- Staff loans	-	5,472	-	177	5,649
- Fixed and call deposits	728,859	23,422	-	-	752,281
AFS financial assets				-	
- Corporate debt securities	30,639	-	-	-	30,639
- Unit trust funds	692,597	192,552	-	-	885,149
Financial assets at FVTPL				-	
- Equity securities	-	116,080	-	-	116,080
Reinsurance assets-claim liabilities	-	402,197	-	4,473	406,670
Insurance receivables	-	65,622	110,178	16,462	192,262
Other receivables	-	77,560	-	1,304	78,864
Cash and bank balances	-	25,171	-	-	25,171
Allowance for impairment	-	-	-	(22,416)	(22,416)
	1,452,095	908,076	110,178	-	2,470,349
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	-	177	6,688
- 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	-	5,080	301,498
Insurance receivables	-	62,253	96,473	24,269	182,995
Other receivables	-	73,101	-	865	73,966
Cash and bank balances	-	7,545	-	-	7,545
Allowance for impairment	-	-	-	(30,391)	(30,391)
	1,564,275	646,479	96,473	-	2,307,227

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 2014						
LAR						
Staff loans	-	-	-	-	5,472	5,472
Fixed and call deposits	527,824	254,148	37,192	40,446	23,421	883,031
AFS financial assets						
Malaysian Government Securities	70,119	-	161,321	-	-	231,440
Corporate debt securities	63,368	199,406	36,005	-	197,385	496,164
Unit trust funds	14,329	57,122	-	-	-	71,451
Financial assets at FVTPL						
Equity securities	-	-	-	-	116,080	116,080
Reinsurance assets-claims liabilities	-	126,050	130,538	-	145,609	402,197
Insurance receivables	-	10,059	28,358	-	137,383	175,800
Cash and bank balances	-	-	-	-	25,221	25,221
	675,640	646,785	393,414	40,446	650,571	2,406,856

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 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	316,328	47,122	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	34,545	36,779	-	-	57	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
	940,403	469,574	231,365	127,994	477,815	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") 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 2014						
LAR						
Staff loans	-	-	-	-	5,472	5,472
Fixed and call deposits	448,256	202,966	37,192	40,446	23,421	752,281
AFS financial assets						
Corporate debt securities	-	30,639	-	-	-	30,639
Unit trust funds	380,776	276,627	35,194	-	192,552	885,149
Financial assets at FVTPL						
Equity securities	-	-	-	-	116,080	116,080
Reinsurance assets-claims liabilities	-	126,050	130,538	-	145,609	402,197
Insurance receivables	-	10,059	28,358	-	137,383	175,800
Cash and bank balances	-	-	-	-	25,171	25,171
	829,032	646,341	231,282	40,446	645,688	2,392,789

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 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

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 2014						
Investment grade	675,640	510,676	234,518	40,446	-	1,461,280
Non-investment grade						
Satisfactory	-	132,459	146,928	-	556,011	835,398
Past-due but not impaired	-	3,650	11,968	-	94,560	110,178
	675,640	646,785	393,414	40,446	650,571	2,406,856
31 December 2013						
Investment grade	940,403	408,258	99,687	126,876	-	1,575,224
Non-investment grade						
Satisfactory	-	60,566	124,783	991	389,114	575,454
Past-due but not impaired	-	750	6,895	127	88,701	96,473
	940,403	469,574	231,365	127,994	477,815	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 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 2014						
Investment grade	829,032	510,232	72,385	40,446	-	1,452,095
Non-investment grade						
Satisfactory	-	132,459	146,929	-	551,128	830,516
Past-due but not impaired	-	3,650	11,968	-	94,560	110,178
	829,032	646,341	231,282	40,446	645,688	2,392,789
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

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 2014						
Insurance receivables (RM'000)	21,102	17,226	18,695	29,779	23,376	110,178
31 December 2013						
Insurance receivables (RM'000)	26,677	8,759	19,306	22,129	19,602	96,473

* 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 2014, based on individual and collective assessment of receivables, there are impaired insurance receivables of RM22,416,000 (2013: RM30,391,000). 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	
	2014 RM'000	2013 RM'000
At 1 January	30,391	24,180
Charge for the year	9,959	14,412
Recoveries	(17,934)	(8,201)
At 31 December	22,416	30,391

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	No maturity date	Contractual Cash Flow (undiscounted) Up to a year	1 – 3 years	3 – 5 years	5 – 15 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2014							
Financial investments:							
AFS	799,055	71,451	85,923	358,780	300,194	102,771	919,119
FVTPL	116,080	116,080	-	-	-	-	116,080
Reinsurance assets – claims liabilities	402,197	-	305,710	85,044	10,736	707	402,197
Insurance receivables	175,800	-	175,800	-	-	-	175,800
LAR (excluding insurance receivables)	888,503	-	884,560	2,349	1,599	1,734	890,242
Cash and bank balances	25,221	25,221	-	-	-	-	25,221
Total financial assets	2,406,856	212,752	1,451,993	446,173	312,529	105,212	2,528,659
General insurance claims liabilities	1,005,309	-	694,851	270,628	38,007	1,823	1,005,309
Other financial liabilities	9,473	-	9,473	-	-	-	9,473
Insurance payables	148,976	-	148,976	-	-	-	148,976
Other payables	71,917	-	71,917	-	-	-	71,917
Total financial liabilities	1,235,675	-	925,217	270,628	38,007	1,823	1,235,675

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 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)				
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 2014							
Financial investments:							
AFS	915,788	885,149	1,802	12,759	11,484	10,555	921,749
FVTPL	116,080	116,080	-	-	-	-	116,080
Reinsurance assets – claims liabilities	402,197	-	305,710	85,044	10,736	707	402,197
Insurance receivables	175,800	-	175,800	-	-	-	175,800
LAR (excluding insurance receivables)	757,753	-	753,810	2,349	1,599	1,734	759,492
Cash and bank balances	25,171	25,171	-	-	-	-	25,171
Total financial assets	2,392,789	1,026,400	1,237,122	100,152	23,819	12,996	2,400,489
General insurance claims liabilities	1,005,309	-	694,851	270,628	38,007	1,823	1,005,309
Other financial liabilities	9,473	-	9,473	-	-	-	9,473
Insurance payables	148,976	-	148,976	-	-	-	148,976
Other payables	69,705	-	69,705	-	-	-	69,705
Total financial liabilities	1,233,463	-	923,005	270,628	38,007	1,823	1,233,463

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

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 2014			
Property, plant and equipment	-	19,126	19,126
Intangible assets	-	179,943	179,943
Investments:			
- AFS	727,604	71,451	799,055
- FVTPL	116,080	-	116,080
Tax recoverable	571	-	571
Reinsurance assets	365,162	104,565	469,727
Insurance receivables	175,800	-	175,800
Loans and receivables (excluding insurance receivables)	966,063	-	966,063
Cash and bank balances	25,221	-	25,221
Total assets	2,376,501	375,085	2,751,586
Insurance contract liabilities	1,035,212	434,089	1,469,301
Deferred tax liabilities	32	-	32
Other financial liabilities	9,473	-	9,473
Insurance payables	148,976	-	148,976
Other payables	71,917	-	71,917
Total liabilities	1,265,610	434,089	1,699,699

* 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* RM'000	Non-current RM'000	Total RM'000
31 December 2013			
Property, plant and equipment	-	15,675	15,675
Intangible assets	-	179,943	179,943
Investments:			
- 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	1,507,574	1,094,727	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.

Company	Current*	Non-current	Total
	RM'000	RM'000	RM'000
31 December 2014			
Property, plant and equipment	-	19,126	19,126
Intangible assets	-	179,943	179,943
Investments:			
- AFS	30,639	885,149	915,788
- FVTPL	116,080	-	116,080
Tax recoverable	571	-	571
Reinsurance assets	365,162	104,565	469,727
Insurance receivables	175,800	-	175,800
Loans and receivables (excluding insurance receivables)	835,313	-	835,313
Cash and bank balances	25,171	-	25,171
Total assets	1,548,736	1,188,783	2,737,519
Insurance contract liabilities	1,035,212	434,089	1,469,301
Deferred tax liabilities	32	-	32
Other financial liabilities	9,473	-	9,473
Insurance payables	148,976	-	148,976
Other payables	69,705	-	69,705
Total liabilities	1,263,398	434,089	1,697,487

* 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.

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:			
- HTM	15,235	-	15,235
- AFS	237,705	878,223	1,115,928
- 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)	585,162	-	585,162
Cash and bank balances	7,545	-	7,545
Total assets	1,491,548	1,094,727	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 position

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*
	RM'000	RM'000
31 December 2014		
Change in interest rates		
+ 50 basis points	7,880	5,910
- 50 basis points	(7,880)	(5,910)
31 December 2013		
Change in interest rates		
+ 50 basis points	7,643	5,732
- 50 basis points	(7,643)	(5,732)

30 FINANCIAL RISK (CONTINUED)

Interest rate risk (continued)

Company	Impact on profit before tax	Impact on equity*
	RM'000	RM'000
31 December 2014		
Change in interest rates		
+ 50 basis points	3,777	2,833
- 50 basis points	(3,777)	(2,833)
31 December 2013		
Change in interest rates		
+ 50 basis points	3,751	2,813
- 50 basis points	(3,751)	(2,813)

*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 2014		31 December 2013	
Group / Company	Change in variables	Impact on profit before tax	Impact on equity*	Impact on profit before tax	Impact on equity*
		RM'000	RM'000	RM'000	RM'000
Market indices					
FBM KLCI	+ 10%	11,574	8,681	12,760	9,570
FBM KLCI	- 10%	(11,574)	(8,681)	(12,760)	(9,570)

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	
	2014	2013
	RM'000	RM'000
Gross amounts of recognised - insurance receivables	182,605	164,323
Less: Gross amounts of recognised insurance payables set off in the statement of financial position	(6,805)	(5,597)
Net amounts of insurance receivables presented in the statement of financial position	175,800	158,726

(b) Financial liabilities

The following financial liabilities are subject to offsetting.

	Group / Company	
	2014	2013
	RM'000	RM'000
Gross amounts of recognised - insurance payables	155,781	142,808
Less: Gross amounts of recognised insurance receivables set off in the statement of financial position	(6,805)	(5,597)
Net amounts of insurance payables presented in the statement of financial position	148,976	137,211

32 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 2014, as prescribed under the Framework, is provided below:

	Note	Company 2014	Company 2013
		RM'000	RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	11	403,471	403,471
Retained earnings		636,235	599,562
		1,039,706	1,003,033
Tier 2 Capital			
Available-for-sale reserves		(1,231)	(612)
Revaluation reserves		1,557	1,557
		326	945
Amounts deducted from Capital		(179,943)	(179,943)
Total Capital Available		860,089	824,035

The Company has met the minimum capital requirements specified in the Framework for the years ended 2014 and 2013.