Company No.

149520	U

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

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2015

Company No.

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

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Company No.

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

DIRECTORS' REPORT

The directors are pleased to submit their report to the members together with the audited financial statements of the Group and Company for the year ended 31 December 2015.

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	98,970	97,632
- Non-controlling interests	1,003	-

DIVIDEND

The Company paid a final dividend amounting to RM105,546,000 in respect of the previous year on 30 June 2015.

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, Dato’ Ahmad Fuaad bin Mohd Dahalan and Tsutomu Terabayashi.

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

CORPORATE GOVERNANCE (CONTINUED)

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 four 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.

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, Dato' Ahmad Fuaad bin Mohd Dahalan, Tsutomu Terabayashi, Lee King Chi, Arthur and Hajime Tokuda.

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

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 two non-independent non-executive director. They are Teh Boon Eng, Dato' Ahmad Fuaad bin Mohd Dahalan, Tsutomu Terabayashi and Lee King Chi, Arthur.

Seven Remuneration Committee meetings were held during the year, with full attendance by the directors except for two directors who were unable to attend a meeting each due to other commitments and Lee King Chi, Arthur who was only appointed to the Remuneration Committee on 27 May 2015.

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, Dato' Ahmad Fuaad bin Mohd Dahalan and Tsutomu Terabayashi 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 1.1.2015	Acquired	Disposed	At 31.12.2015
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 1.1.2015	Acquired	Disposed	At 31.12.2015
- 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.

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 23 March 2016.

SIGNED

TEH BOON ENG
DIRECTOR

SIGNED

HAJIME TOKUDA
DIRECTOR

Kuala Lumpur

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 95 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 2015 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 23 March 2016.

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 95 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 23 March 2016.

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 2015 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 financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 95.

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.

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 2015 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 registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

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

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the 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. 2682/10/17 (J))
Chartered Accountant

Kuala Lumpur
23 March 2016

Company No.

149520	U

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Property, plant and equipment	4	25,577	19,126	25,577	19,126
Intangible assets	5	179,943	179,943	179,943	179,943
Investments	6	1,388,410	915,135	1,428,914	1,031,868
Available-for-sale		1,388,410	799,055	1,428,914	915,788
Fair value through profit and loss		-	116,080	-	116,080
Tax recoverable		5,768	571	5,768	571
Reinsurance assets	8	528,850	469,727	528,850	469,727
Insurance receivables	9	183,943	175,800	183,943	175,800
Loans and receivables (excluding insurance receivables)	10	540,058	966,063	463,556	835,313
Deferred tax assets	15	3,147	-	3,147	-
Cash and bank balances		17,272	25,221	17,094	25,171
Total Assets		2,872,968	2,751,586	2,836,792	2,737,519
EQUITY, GENERAL FUNDS AND LIABILITIES					
Share capital	11	403,471	403,471	403,471	403,471
Retained earnings	12	631,500	638,076	628,321	636,235
Other reserves	13	825	(1,515)	4,057	326
		1,035,796	1,040,032	1,035,849	1,040,032
Non-controlling interests		33,749	11,855	-	-
Total Equity		1,069,545	1,051,887	1,035,849	1,040,032
Insurance contract liabilities	14	1,597,610	1,469,301	1,597,610	1,469,301
Deferred tax liabilities	15	-	32	-	32
Other financial liabilities	16	2,416	9,473	2,416	9,473
Insurance payables	17	128,954	148,976	128,954	148,976
Other payables	18	74,443	71,917	71,963	69,705
Total Liabilities		1,803,423	1,699,699	1,800,943	1,697,487
Total Equity and Liabilities		2,872,968	2,751,586	2,836,792	2,737,519

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

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Gross earned premiums	19(a)	1,059,339	1,065,675	1,059,339	1,065,675
Premiums ceded to reinsurers	19(b)	(198,548)	(231,201)	(198,548)	(231,201)
NET EARNED PREMIUMS		860,791	834,474	860,791	834,474
Investment income	20	70,212	66,448	64,108	65,671
Realised gains and losses	21	1,200	(3,576)	1,519	(3,089)
Fair value gains and losses		(3,112)	(2,032)	(3,112)	(2,032)
Fee and commission income		37,660	47,838	37,660	47,838
OTHER REVENUE		105,960	108,678	100,175	108,388
TOTAL REVENUE		966,751	943,152	960,966	942,862
Gross claims paid		(595,124)	(580,949)	(595,124)	(580,949)
Claims ceded to reinsurers		109,509	88,049	109,509	88,049
Gross change to insurance contract liabilities		(127,274)	(100,132)	(127,274)	(100,132)
Change in insurance contract liabilities ceded to reinsurers		76,714	105,171	76,714	105,171
NET CLAIMS INCURRED		(536,175)	(487,861)	(536,175)	(487,861)
Other operating income	22	4,167	1,999	4,167	1,999
Fee and commission expense		(125,225)	(125,967)	(125,225)	(125,967)
Management expenses	23	(195,291)	(162,006)	(191,847)	(160,018)
OTHER EXPENSES		(316,349)	(285,974)	(312,905)	(283,986)
PROFIT BEFORE TAXATION		114,227	169,317	111,886	171,015
Taxation	24	(14,254)	(34,659)	(14,254)	(34,659)
PROFIT FOR THE YEAR		99,973	134,658	97,632	136,356
Attributable to:					
- Owner of the Company		98,970	134,277	97,632	136,356
- Non-controlling interests		1,003	381	-	-
		99,973	134,658	97,632	136,356
BASIC EARNINGS PER SHARE (SEN)	25	25	33	24	34

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

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Profit for the year		99,973	134,658	97,632	136,356
Other comprehensive income:					
Items that may be subsequently reclassified to the income statement					
Available-for-sale reserves					
Net (loss)/gain on fair value arising during the year		(750)	2,430	482	(136)
Net realised (loss)/gain transferred to income statement		(217)	(1,317)	102	(830)
		(967)	1,113	584	(966)
Tax effects thereon	15	(212)	347	(212)	347
		(1,179)	1,460	372	(619)
Items that will not be reclassified to the income statement					
Revaluation reserve:					
Surplus arising during the financial year	4	4,380	-	4,380	-
Tax effect thereon	15	(1,021)	-	(1,021)	-
		3,359	-	3,359	-
Total comprehensive income for the year		102,153	136,118	101,363	135,737
Total comprehensive income attributable:					
- Owner of the Company		101,310	135,737	101,363	135,737
- Non-controlling interests		843	381	-	-
		102,153	136,118	101,363	135,737

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

			Non-distributable		Distributable	
	Note	Share capital RM'000	Revaluation reserves RM'000	Available-for-sale reserves RM'000	Retained earnings RM'000	Total RM'000
Company						
At 1 January 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	26	-	-	-	(99,683)	(99,683)
At 31 December 2014		403,471	1,557	(1,231)	636,235	1,040,032
At 1 January 2015		403,471	1,557	(1,231)	636,235	1,040,032
Profit for the year		-	-	-	97,632	97,632
Other comprehensive income for the year		-	3,359	372	-	3,731
Dividend paid during the year	26	-	-	-	(105,546)	(105,546)
At 31 December 2015		403,471	4,916	(859)	628,321	1,035,849

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

Company No.

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

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	99,973	134,658	97,632	136,356
Adjustment of:				
Property, plant and equipment				
- depreciation	7,645	5,704	7,645	5,704
- loss on disposal	65	28	65	28
- write off	288	4	288	4
Fair value loss/(gain) on financial assets at FVTPL	3,112	2,032	3,112	2,032
Amortisation of premium	994	2,433	5	431
(Gain)/loss on disposal of financial assets at FVTPL	(1,186)	2,231	(1,186)	2,231
(Gain)/loss on disposal of AFS financial assets	(79)	1,317	(398)	830
Investment income	(71,206)	(68,881)	(64,113)	(66,102)
(Write-back of)/allowance for doubtful debts	1,771	(7,975)	1,771	(7,975)
Bad debts written off	(2,701)	3,446	(2,701)	3,446
Tax expense	14,254	34,659	14,254	34,659
Profit from operations before changes in operating assets and liabilities	52,930	109,656	56,374	111,644
Purchases of investments	(1,486,540)	(515,488)	(763,913)	(126,412)
Proceeds from disposal of financial investments	992,979	699,678	365,767	309,566
Proceeds from maturity of investments	30,449	83,000	-	35,000
Increase in reinsurance assets	(58,492)	(89,272)	(58,492)	(89,272)
Increase in insurance receivables	(9,029)	(12,714)	(9,029)	(12,714)
Decrease/(increase) in loans and receivables	425,265	(304,277)	371,200	(249,841)
Increase in insurance contract liabilities	128,309	102,163	128,309	102,163
Decrease in other financial liabilities	(7,057)	(3,638)	(7,057)	(3,638)
(Decrease)/increase in insurance payables	(20,242)	12,188	(20,242)	12,188
(Decrease)/increase in other payables	(16,798)	8,975	2,258	8,210
	31,774	90,271	65,175	96,894

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

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Tax paid	(23,863)	(38,193)	(23,863)	(38,193)
Investment income received:				
- Interest	29,812	37,976	17,121	31,236
- Dividend	49,210	36,437	49,210	36,437
- Others	124	122	124	122
Net cash generated from operating activities	87,057	126,613	107,767	126,496
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(10,460)	(9,286)	(10,460)	(9,286)
Proceeds from disposal of property, plant and equipment	162	99	162	99
Net cash used in investing activities	(10,298)	(9,187)	(10,298)	(9,187)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(105,546)	(99,787)	(105,546)	(99,683)
Capital contribution from non-controlling interests	20,838	-	-	-
Net cash used in financing activities	(84,708)	(99,787)	(105,546)	(99,683)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(7,949)	17,639	(8,077)	17,626
CASH AND CASH EQUIVALENTS AT 1 JANUARY	25,221	7,582	25,171	7,545
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17,272	25,221	17,094	25,171
Cash and bank balances	17,272	25,221	17,094	25,171

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

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 23 March 2016.

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 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 2011-2014 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

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 2016

- Amendments to MFRS 116 Property, plant and equipment and MFRS 138 Intangible assets clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the assets.

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 2015.

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	Building	Furniture and fittings	Motor vehicles	Office equipment and computers	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group / Company						
Cost						
At 1 January 2015	2,940	1,680	16,163	2,348	44,510	67,641
Revaluation	3,060	1,320	-	-	-	4,380
Additions	-	-	5,578	578	4,304	10,460
Disposals	-	-	(44)	(460)	(142)	(646)
Write off	-	-	(14,396)	-	(23,269)	(37,665)
At 31 December 2015	6,000	3,000	7,301	2,466	25,403	44,170
Accumulated depreciation						
At 1 January 2015	509	277	14,835	984	31,910	48,515
Charge for year	110	58	2,307	126	5,044	7,645
Disposals	-	-	(35)	(245)	(139)	(419)
Write off	-	-	(14,317)	(15)	(22,816)	(37,148)
At 31 December 2015	619	335	2,790	850	13,999	18,593
Net book value						
At 31 December 2015	5,381	2,665	4,511	1,616	11,404	25,577
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

5 INTANGIBLE ASSETS

	Group / Company	
	2015	2014
	RM'000	RM'000
Cost:		
At 1 January / 31 December	179,943	179,943

Goodwill of the Group and Company arose from the business acquisitions of Amanah General Insurance (M) Bhd ("AGIB"), Asia Insurance (M) Bhd ("AIMB") and MUI Continental Insurance Berhad ("MUI") in 2002, 2007 and 2012 respectively. As at 31 December 2015, the carrying amount of goodwill arising from the business acquisition of AGIB, AIMB and MUI was remain as RM13,666,666 (2014: RM13,666,666), RM13,263,065 (2014: RM13,263,065) and RM153,013,485 (2014: 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 2016 to 2018, 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 5% (2014: 10%) 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% (2014: 59%) per annum have been projected after taking into account management's strategy for premium growth as well as past developments with respect to loss development patterns. The loss ratios are expected to remain at the existing levels.

(c) A discount rate of 10% (2014: 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 2015.

5 INTANGIBLE ASSETS (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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets ("AFS")	1,388,410	799,055	1,428,914	915,788
Fair value through profit and loss ("FVTPL")	-	116,080	-	116,080
Loans and receivables ("LAR") (Note 10)	540,058	966,063	463,556	835,313
	1,928,468	1,881,198	1,892,470	1,867,181

The following investments mature within 12 months:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
AFS	29,395	91,471	-	371
LAR	460,423	897,252	383,921	766,502
	489,818	988,723	383,921	766,873

The following investments mature after 12 months:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
AFS	1,359,015	707,584	1,428,914	915,417
LAR	79,635	68,811	79,635	68,811
	1,438,650	776,395	1,508,549	984,228

6 INVESTMENTS (CONTINUED)

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fair value				
Malaysian Government Securities	64,912	160,872	-	-
Government Investment Issues	136,935	154,105	-	-
Corporate debt securities:				
Unquoted	862,523	406,102	-	30,268
	1,064,370	721,079	-	30,268
Unit trust	314,987	71,451	314,987	71,451
Controlled structured entities (Note 7)	-	-	1,113,927	813,698
	1,379,357	792,530	1,428,914	915,417
Accrued interest income				
Malaysian Government Securities	594	1,585	-	-
Government Investment Issues	1,582	1,631	-	-
Corporate debt securities:				
Unquoted	6,877	3,309	-	371
	9,053	6,525	-	371
	1,388,410	799,055	1,428,914	915,788

6 INVESTMENTS (CONTINUED)

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fair value				
Held-for-trading:				
Equity securities	-	116,080	-	116,080

(c) Carrying values of financial assets

Group	HTM	AFS	FVTPL	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2014	15,235	1,052,635	128,213	1,196,083
Purchases	-	421,619	93,869	515,488
Maturities	(15,000)	(68,000)	-	(83,000)
Disposals	-	(599,256)	(103,970)	(703,226)
Fair value (losses)/gains recorded in:				
Income statement	-	-	(2,032)	(2,032)
Other comprehensive income	-	691	-	691
Accretion of discounts, net of amortisation of premium	(23)	(2,410)	-	(2,433)
Movement in interest income due and accrued	(212)	(6,224)	-	(6,436)
At 31 December 2014	-	799,055	116,080	915,135
At 1 January 2015	-	799,055	116,080	915,135
Purchases	-	1,425,577	80,498	1,506,075
Maturities	-	(30,449)	-	(30,449)
Disposals	-	(798,248)	(193,466)	(991,714)
Fair value losses recorded in:				
Income statement	-	-	(3,112)	(3,112)
Other comprehensive income	-	(747)	-	(747)
Accretion of discounts, net of amortisation of premium	-	(994)	-	(994)
Movement in interest income due and accrued	-	(5,784)	-	(5,784)
At 31 December 2015	-	1,388,410	-	1,388,410

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 2014	15,235	1,115,928	128,213	1,259,376
Purchases	-	32,543	93,869	126,412
Maturities	(15,000)	(20,000)	-	(35,000)
Disposals	-	(208,657)	(103,970)	(312,627)
Fair value losses recorded in:				
Income statement	-	-	(2,032)	(2,032)
Other comprehensive income	-	(1,389)	-	(1,389)
Accretion of discounts, net of amortisation of premium	(23)	(408)	-	(431)
Movement in interest income due and accrued	(212)	(2,229)	-	(2,441)
At 31 December 2014	-	915,788	116,080	1,031,868
At 1 January 2015	-	915,788	116,080	1,031,868
Purchases	-	683,415	80,498	763,913
Disposals	-	(170,717)	(193,466)	(364,183)
Fair value gains/(losses) recorded in:				
Income statement	-	-	(3,112)	(3,112)
Other comprehensive income	-	804	-	804
Accretion of discounts, net of amortisation of premium	-	(5)	-	(5)
Movement in interest income due and accrued	-	(371)	-	(371)
At 31 December 2015	-	1,428,914	-	1,428,914

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	Level 2	Total
	RM'000	RM'000	RM'000
31 December 2015			
Financial Assets			
Available-for-sale financial assets:			
- Malaysian Government Securities	65,506	-	65,506
- Government Investment Issues	138,517	-	138,517
- Corporate debt securities	-	869,400	869,400
- Unit trusts	-	314,987	314,987
	204,023	1,184,387	1,388,410
31 December 2014			
Financial Assets			
Available-for-sale financial assets:			
- Malaysian Government Securities	162,457		162,457
- Government Investment Issues	155,736	-	155,736
- Corporate debt securities	-	409,411	409,411
- Unit trusts	-	71,451	71,451
	318,193	480,862	799,055
Financial assets at fair value through profit or loss			
- Equity securities	116,080	-	116,080

6 INVESTMENTS (CONTINUED)

(e) Fair values of financial assets (continued)

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

There were no investments held by the Group and Company that were classified under Level 3 as at 31 December 2015 (2014: 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 RM1,113,926,596 (2014: RM813,697,764) 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 Affin Hwang Asset Management Berhad, Amfunds Management Berhad, CIMB-Principal Asset Management Berhad and Opus Asset Management Sdn Bhd and apply various investment strategies to accomplish their respective investment objectives. The investee funds finance their operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the respective investee fund's net assets.

The Company holds 95.97% of units in the Enhanced Cash Fund, 100.00% of the Amcash Plus, 100.00% of the CIMB-Principal Institutional Bond Fund 4, 99.90% of the Affin Hwang Flexi III, 100.00% of the AmIncome Select Fund and 82.16% of the Opus Shariah Income Fund, all funds being established in Malaysia, and thus has control over these investee funds. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

7 CONTROLLED STRUCTURED ENTITIES (CONTINUED)

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

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

	2015 RM	2014 RM
Number of wholesale unit trust fund	6	3
Average net asset value per unit of wholesale unit trust funds:		
Enhanced Cash Fund	1.0233	1.0187
Amcash Plus	0.9858	0.9867
CIMB-Principal Institutional Bond Fund 4	1.0099	1.0152
Affin Hwang Flexi III	0.5048	-
AmIncome Select	0.9950	-
Opus Shariah Income Fund	1.0498	-
Fair value of underlying net assets:		
Corporate bonds	1,073,422,765	696,964,366
Deposits with licensed financial institutions	76,501,362	130,750,237
Cash equivalents	178,264	50,604
Payables	(2,480,656)	(2,215,592)
	1,147,621,735	825,549,615
Total fair gain/(loss) incurred for the financial year	188,029	(2,393,031)

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.

The investee funds for Amcash Plus, AmIncome Select and Opus Shariah Income Fund are not audited by PricewaterhouseCoopers.

8 REINSURANCE ASSETS

	Group / Company	
	2015	2014
	RM'000	RM'000
Reinsurance of insurance contracts (Note 14)	532,692	474,200
Allowance for impairment (Note 31)	(3,842)	(4,473)
	528,850	469,727

9 INSURANCE RECEIVABLES

	Group / Company	
	2015	2014
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	143,258	131,847
Due from reinsurers and cedants	60,734	60,415
	203,992	192,262
Allowance for impairment (Note 31)	(20,049)	(16,462)
	183,943	175,800

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 32 to the financial statements.

There are no financial assets that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received (2014: Nil).

10 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Fixed and call deposits with licensed financial institutions	446,508	878,428	370,006	748,245
Staff loans	4,087	5,649	4,087	5,649
Allowance for impairment	(177)	(177)	(177)	(177)
	3,910	5,472	3,910	5,472
	450,418	883,900	373,916	753,717
Interest income receivable				
Fixed and call deposits with licensed financial institutions	2,189	4,603	2,189	4,036
Other receivables				
Knock-for-knock claims recoveries	984	2,245	984	2,245
Assets held under the Malaysian Motor Insurance Pool (MMIP)*	73,185	63,240	73,185	63,240
Other receivables, deposits and prepayments	13,400	13,379	13,400	13,379
	87,569	78,864	87,569	78,864
Allowance for impairment	(118)	(1,304)	(118)	(1,304)
	87,451	77,560	87,451	77,560
	540,058	966,063	463,556	835,313
Fair value				
Fixed and call deposits with licensed financial institutions	448,697	883,031	372,195	752,281
Staff loans [net of impairment allowance of RM176,865 (2014: RM176,845)]	3,910	5,472	3,910	5,472
Other receivables	87,451	77,560	87,451	77,560
	540,058	966,063	463,556	835,313

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 RM7,011,576 (2014: RM9,358,767). The remaining balances represent assets held under MMIP recognised by the Company based on quarterly statements received from MMIP of RM38,825,091 (2014: RM35,891,590). MMIP as at 31 December 2015 is a net payable of RM13,613,789 (2014: RM16,065,434) 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	
	2015	2014
	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 2015, 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, 2014, 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revaluation reserves				
At 1 January	1,557	1,557	1,557	1,557
Surplus arising during the year	3,359	-	3,359	-
At 31 December	4,916	1,557	4,916	1,557
Available-for-sale reserves				
At 1 January	(3,072)	(4,532)	(1,231)	(612)
Fair value loss arising during the year	(1,019)	1,460	372	(619)
At 31 December	(4,091)	(3,072)	(859)	(1,231)
Total	825	(1,515)	4,057	326

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES

Group / Company	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000	2014 Gross RM'000	2014 Reinsurance RM'000	2014 Net RM'000
Provision for outstanding claims	830,343	(360,864)	469,479	758,487	(318,537)	439,950
Provision for incurred but not reported claims ("IBNR")	302,240	(122,520)	179,720	246,822	(88,133)	158,689
Claims liabilities (i)	1,132,583	(483,384)	649,199	1,005,309	(406,670)	598,639
Premium liabilities (ii)	465,027	(49,308)	415,719	463,992	(67,530)	396,462
	1,597,610	(532,692)	1,064,918	1,469,301	(474,200)	995,101

(i) Claims liabilities

	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000	2014 Gross RM'000	2014 Reinsurance RM'000	2014 Net RM'000
At 1 January	1,005,309	(406,670)	598,639	905,176	(301,498)	603,678
Claims incurred in the current accident year	671,014	(189,437)	481,577	693,784	(172,016)	521,768
Other movements in claims incurred in prior accident years	(4,034)	37,600	33,566	(53,284)	8,662	(44,622)
Movement of IBNR at 75% confidence level	55,418	(34,386)	21,032	40,582	(29,867)	10,715
Claims paid during the year	(595,124)	109,509	(485,615)	(580,949)	88,049	(492,900)
At 31 December	1,132,583	(483,384)	649,199	1,005,309	(406,670)	598,639

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	2015			2014		
Group / Company	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(ii) Premium liabilities						
At 1 January	463,992	(67,530)	396,462	461,962	(83,430)	378,532
Premiums written in the year (Note 19)	1,060,374	(180,326)	880,048	1,067,705	(215,301)	852,404
Premiums earned during the year (Note 19)	(1,059,339)	198,548	(860,791)	(1,065,675)	231,201	(834,474)
At 31 December	465,027	(49,308)	415,719	463,992	(67,530)	396,462

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	
	2015	2014
	RM'000	RM'000
Deferred tax assets/(liabilities)	3,147	(32)
Subject to income tax:		
Deferred tax assets (before offsetting)		
- Insurance receivables	5,734	5,234
- Other receivables	42	333
- Other payables	1,380	322
- Financial assets at AFS	271	483
	7,427	6,372
Offsetting	(4,280)	(6,372)
Deferred tax assets (after offsetting)	3,147	-
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	3,820	3,793
- Premium liabilities	460	682
- Financial assets at FVTPL	-	1,929
	4,280	6,404
Offsetting	(4,280)	(6,372)
Deferred tax liabilities (after offsetting)	-	32
Deferred tax assets/(liabilities)		
- Current	1,470	(28)
- Non current	1,677	(4)
	3,147	(32)

15 DEFERRED TAXATION (CONTINUED)

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

	Group / Company	
	2015	2014
	RM'000	RM'000
At 1 January	(32)	(1,160)
Credited to income statement (Note 24)		
- Insurance receivables	500	(2,103)
- Other receivables	(291)	85
- Other payables	1,058	(343)
- Property, plant and equipment	994	(806)
- Premium liabilities	222	(82)
- Financial assets at FVTPL	1,929	4,130
- Financial assets at HTM	-	(100)
	4,412	781
Charged to equity:		
- Financial assets at AFS	(212)	347
- Property, plant and equipment	(1,021)	-
Total movement for the year	3,179	1,128
At 31 December	3,147	(32)

16 OTHER FINANCIAL LIABILITIES

	Group / Company	
	2015	2014
	RM'000	RM'000
Deposits received from reinsurers	2,416	9,473

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	
	2015	2014
	RM'000	RM'000
Due to agents and intermediaries	50,730	55,962
Due to reinsurers and cedants	78,224	93,014
	128,954	148,976

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 32 to the financial statements.

There are no financial assets that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received (2014: Nil).

18 OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash collaterals held on contract bonds	13,137	15,223	13,137	15,223
Payroll liabilities	26,735	22,404	26,735	22,404
Other payables and accrued expenses	34,571	34,290	32,091	32,078
	74,443	71,917	71,963	69,705

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	
		2015	2014
		RM'000	RM'000
(a)	Gross earned premiums		
	Insurance contracts	1,060,374	1,067,705
	Change in gross premium liabilities	(1,035)	(2,030)
		1,059,339	1,065,675
(b)	Premiums ceded		
	Insurance contracts	(180,326)	(215,301)
	Change in gross premium liabilities	(18,222)	(15,900)
		(198,548)	(231,201)
	Net earned premiums	860,791	834,474

20 INVESTMENT INCOME

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
FVTPL financial assets:				
Dividend income				
- equity securities quoted in Malaysia	2,313	6,061	2,313	3,828
HTM financial assets				
- interest income	-	82	-	82
AFS financial assets:				
Interest income	51,002	40,056	182	10,132
Amortisation of premium	(994)	(2,433)	(5)	(431)
Dividend income				
- Controlled structured entity	-	-	46,897	32,609
LAR financial assets – interest income	17,891	22,682	14,721	19,451
	70,212	66,448	64,108	65,671

21 REALISED GAINS AND LOSSES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Property and equipment:				
Realised loss	(65)	(28)	(65)	(28)
Financial assets at FVTPL – held-for-trading:				
Realised gains/(loss)	1,186	(2,231)	1,186	(2,231)
AFS financial assets:				
Realised (loss)/gain:				
Corporate debt securities – quoted in Malaysia	(217)	(1,317)	102	(830)
Unit trust	296	-	296	-
	1,200	(3,576)	1,519	(3,089)

22 OTHER OPERATING INCOME

	Group / Company	
	2015	2014
	RM'000	RM'000
Agency fees received	1,054	802
Other income	3,113	1,197
	4,167	1,999

23 MANAGEMENT EXPENSES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 23(a))	109,768	95,555	109,768	95,555
Directors' remuneration (Note 23(b))	849	838	849	838
Auditors' remuneration:				
- statutory audits	275	260	275	260
- other services	57	57	57	57
Depreciation of property, plant and equipment	7,645	5,704	7,645	5,704
Allowance for impairment of/(write-back of) insurance receivables	1,771	(7,975)	1,771	(7,975)
Bad debts written (back)/off	(2,701)	3,446	(2,701)	3,446
Rental of office premises	8,268	8,124	8,268	8,124
Entertainment	8,530	7,149	8,530	7,149
Training expenses	1,994	1,694	1,994	1,694
Management fees	10,310	6,413	10,310	6,413
Repairs and maintenance	1,313	1,659	1,313	1,659
Motor vehicle expenses	4,262	3,726	4,262	3,726
Travelling	1,195	989	1,195	989
Advertising	711	3,355	711	3,355
Printing and stationery	7,071	4,863	7,071	4,863
Postage and telephone	2,567	2,520	2,567	2,520
Electronic data processing expenses	8,309	7,503	8,309	7,503
Bank collection charges	8,760	9,189	8,760	9,189
Other expenses	14,337	6,937	10,893	4,949
	195,291	162,006	191,847	160,018

23 MANAGEMENT EXPENSES (CONTINUED)

(a) Employee benefits expense

	Group / Company	
	2015	2014
	RM'000	RM'000
Staff salary and bonus	91,572	80,672
Social security contributions	568	548
Contributions to Employees' Provident Fund	12,983	11,094
Other benefits	4,645	3,241
	109,768	95,555

(b) Directors' remuneration

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

	Group / Company	
	2015	2014
	RM'000	RM'000
Executive:		
Salaries and other emoluments	470	449
Bonus	84	95
	554	544
Non-executive:		
Fees	276	276
Other benefits	19	18
	295	294
	849	838
Represented by:		
Directors' fees	276	276
Amount included in employee benefits expense	573	562

The estimated cash value of benefits-in-kind provided to the directors of the Company amounted to RM147,481 (2014: RM146,231).

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company included in employee benefits expense during the year amounted to RM3,146,157 (2014: RM2,421,129).

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

	Number of Directors	
	2015	2014
Group/Company		
Non-executive Directors		
Below RM50,000	4	4

24 TAXATION

	Group / Company	
	2015	2014
	RM'000	RM'000
Current income tax:		
Current financial year	18,666	37,073
Overprovision in prior financial years	-	(1,633)
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 15)	(4,412)	(781)
	14,254	34,659

The income tax for the Company is calculated based on the tax rate of 25% (2014: 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit before tax	114,227	169,317	111,886	171,015
Taxation at Malaysian statutory tax rate of 25%	28,557	42,329	27,971	42,754
Income not subject to tax	(12,338)	(7,642)	(11,752)	(8,067)
Expenses not deductible for tax purposes	288	4,697	288	4,697
Overprovision in prior years	-	(1,633)	-	(1,633)
Income taxed at a lower tax rate	(500)	(752)	(500)	(752)
Tax credit from MMIP cash calls *	(1,753)	(2,340)	(1,753)	(2,340)
Tax expense for the year	14,254	34,659	14,254	34,659

* The tax credit from MMIP cash calls for the current year 2015 of RM1,753,000 (2014 : RM2,340,000) relates to the deduction allowed on MMIP contributions during year, pursuant to the Gazette Order issued by the Attorney Chambers of Malaysia on 28 November 2014.

25 EARNINGS PER SHARE

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit attributable to ordinary equity holders	99,973	134,658	97,632	136,356
Weighted average number of shares in issue	403,471	403,471	403,471	403,471
Basic earnings per share (sen)	25	33	24	34

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

26 DIVIDENDS

	Group / Company	
	2015 RM'000	2014 RM'000
Final single-tier dividend	105,546	99,683
Dividend rate (%)	26.16	24.71
Dividend per share (sen)	0.2616	0.2471

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

27 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 2015 are as follows:

	Group / Company	
	2015 RM'000	2014 RM'000
Not later than 1 year	8,915	6,862
Later than 1 year and not later than 5 years	9,924	8,264
	18,839	15,126

28 CAPITAL COMMITMENTS

	Group / Company	
	2015 RM'000	2014 RM'000
Capital expenditure		
Approved and contracted for:		
Renovation	379	2,740
Property, plant and equipment	607	517
Corporate vehicle	-	417
	986	3,674

29 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Group and Company as at 31 December 2015, are as follows:

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

(a) In the normal course of business, the Group and 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	
	2015 RM'000	2014 RM'000
Transactions with holding corporations:		
Expenses recharge	(2,736)	(3,156)
Underwriting risk survey fees paid	(728)	(862)
Risk management fees	(51)	-
Valuation fees	(180)	-
Transactions with related corporations:		
Premium ceded	(19,240)	(58,745)
Commission received	3,593	12,339
Agency fees received	1,054	802
Interest expenses on treaty withheld	(137)	-
Rental paid	(326)	(325)
Claims paid on behalf of a related corporation	(3,608)	(2,552)
Claims recoveries and paid	21,426	13,893
Fund management fees paid	(69)	(376)

29 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group / Company	
	2015	2014
	RM'000	RM'000
Insurance receivables		
Advances made on behalf of related corporations	660	1,060
Claim recoveries due from related corporations	1,757	3,862
Insurance payables		
Reinsurance premiums due to related corporations	(7,215)	(16,713)
Other payable	(2,309)	(3,156)

(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	
	2015	2014
	RM'000	RM'000
Salary	7,752	5,981
Bonus	2,593	1,334
Defined contribution plan	1,142	880
Other benefits	394	1,465
	11,881	9,660
Included in the total key management personnel are directors' remuneration (Note 23(b))	554	544

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.

30 INSURANCE RISK

Insurance risk includes the risk of incurring higher claims costs than expected owing to the unpredictable nature of claims, especially in terms of frequency, severity and the risk of change in economic and legal conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer receiving too little or insufficient premium for the risks it underwrites and insufficient liquidity to pay claims, which are higher than expected. The Group and 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 2015			31 December 2014		
Group / Company	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	550,550	(37,584)	512,966	494,927	(32,580)	462,347
Fire	197,372	(153,550)	43,822	230,494	(187,981)	42,513
Marine, Aviation and Transit	108,848	(90,813)	18,035	46,602	(30,132)	16,470
Miscellaneous	275,813	(201,437)	74,376	233,286	(155,977)	77,309
	1,132,583	(483,384)	649,199	1,005,309	(406,670)	598,639

30 INSURANCE RISK (CONTINUED)

Key assumptions

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

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

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

Sensitivity analysis

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

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

Group / Company	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2015					
Claim Liability					
IELR in the last	+10%	41,854	7,916	(7,916)	(5,937)
accident year	-10%	(41,854)	(7,916)	7,916	5,937
First incurred	+10%	16,366	34,773	(34,773)	(26,080)
development factor	-10%	(17,258)	(35,287)	35,287	26,465
Claim handling	+1%	5,762	5,701	(5,701)	(4,276)
Expenses	-1%	(5,762)	(5,701)	5,701	4,276
Provision for	+5%	35,410	19,802	(19,802)	(14,852)
Adverse Deviation	-5%	(35,410)	(19,802)	19,802	14,852

30 INSURANCE RISK (CONTINUED)

Sensitivity analysis (continued)

Group / Company	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
Premium Liability					
URR Loss Ratio	+10%	34,910	25,291	(25,291)	(18,968)
	-10%	-	-	-	-
Maintenance	+3%	-	6,627	(6,627)	(4,970)
Expense Ratio	-3%	-	-	-	-
Provision for	+5%	-	3,949	(3,949)	(2,962)
Adverse Deviation	-5%	-	-	-	-
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
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%	-	-	-	-

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.

30 INSURANCE RISK (CONTINUED)

Gross General Insurance Claims Liabilities for 2015:

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

30 INSURANCE RISK (CONTINUED)

Gross General Insurance Claims Liabilities for 2014:

Group / Company	Prior 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

30 INSURANCE RISK (CONTINUED)

Net General Insurance Claims Liabilities for 2015:

Group / Company	Prior RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Accident year									
At end of accident year		396,603	376,339	379,532	481,635	498,891	521,767	551,103	
One year later		389,840	358,844	452,588	469,924	478,019	501,450		
Two years later		381,842	443,267	439,986	461,108	471,779			
Three years later		440,333	432,849	425,180	461,634				
Four years later		429,679	424,001	425,326					
Five years later		428,961	422,797						
Six years later		422,925							
Current estimate of cumulative claims incurred		422,925	422,797	425,326	461,634	471,779	501,450	551,103	3,257,014
At end of accident year		184,478	187,938	192,763	191,034	216,314	234,572	250,395	
One year later		344,435	350,446	350,002	377,333	388,826	398,828		
Two years later		388,010	388,049	385,947	419,781	425,513			
Three years later		403,187	405,734	403,202	434,301				
Four years later		411,754	411,398	408,306					
Five years later		415,722	412,847						
Six years later		417,184							
Current payments to-date		417,184	412,847	408,306	434,301	425,513	398,828	250,394	2,747,373
Direct and facultative inward	4,071	5,741	9,950	17,020	27,333	46,266	102,622	300,709	513,712
Treaty Inwards									3,999
MMIP									67,673
		Best estimate of claim liabilities							585,384
		Claim handling expenses							10,354
		Fund PRAD at 75% Confidence Interval							53,461
		Net general insurance claim liabilities							649,199

30 INSURANCE RISK (CONTINUED)

Net General Insurance Claims Liabilities for 2014:

Group / Company	Prior 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

31 FINANCIAL RISK

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

Credit risk

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

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

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

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
LAR (excluding insurance receivables)	10				
- Staff loans		3,910	5,472	3,910	5,472
- Fixed and call deposits		448,697	883,031	372,195	752,281
- Other receivables		81,542	74,015	81,542	74,015
AFS financial assets	6(a)				
- Malaysian Government Securities		65,506	162,457	-	-
- Government Investment Issues		138,517	155,736	-	-
- Corporate debt securities		869,400	409,411	-	30,639
- Unit trust funds		314,987	71,451	1,428,914	885,149
Financial assets at FVTPL	6(b)				
- Equity securities		-	116,080	-	116,080
Reinsurance assets-claim liabilities		479,542	402,197	479,542	402,197
Insurance receivables	9	183,943	175,800	183,943	175,800
Cash and bank balances		17,272	25,221	17,094	25,171
		2,603,316	2,480,871	2,567,140	2,466,804

31 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	Neither past-due nor impaired: Non-investment grade: satisfactory	Past-due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2015					
LAR					
- Staff loans	-	3,910	-	177	4,087
- Fixed and call deposits	430,693	18,004	-	-	448,697
- Other receivables	-	81,542	-	118	81,660
AFS financial assets					
- Malaysian Government Securities	-	65,506	-	-	65,506
- Government Investment Issues	-	138,517	-	-	138,517
- Corporate debt securities	511,375	358,025	-	-	869,400
- Unit trust funds	-	314,987	-	-	314,987
Reinsurance assets-claim liabilities	-	479,542	-	3,842	483,384
Insurance receivables	-	82,377	101,566	20,049	203,992
Cash and bank balances	-	17,272	-	-	17,272
Allowance for impairment	-	-	-	(24,186)	(24,186)
	942,068	1,559,682	101,566	-	2,603,316
31 December 2014					
LAR					
- Staff loans	-	5,472	-	177	5,649
- Fixed and call deposits	859,610	23,421	-	-	883,031
- Other receivables	-	74,015	-	1,304	75,319
AFS financial assets					
- Malaysian Government Securities	-	162,457	-	-	162,457
- Government Investment Issues	-	155,736			155,736
- Corporate debt securities	298,779	110,632	-	-	409,411
- 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
Cash and bank balances	-	25,221	-	-	25,221
Allowance for impairment	-	-	-	(22,416)	(22,416)
	1,158,389	1,212,304	110,178	-	2,480,871

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

Company	Neither past-due nor impaired: Investment grade	Neither past-due nor impaired: Non-investment grade: satisfactory	Past-due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2015					
LAR					
- Staff loans	-	3,910	-	177	4,087
- Fixed and call deposits	354,191	18,004	-	-	372,195
- Other receivables	-	81,542	-	118	81,660
AFS financial assets					
- Unit trust funds	511,375	917,539	-	-	1,428,914
Reinsurance assets-claim liabilities	-	479,542	-	3,842	483,384
Insurance receivables	-	82,377	101,566	20,049	203,992
Cash and bank balances	-	17,094	-	-	17,094
Allowance for impairment	-	-	-	(24,186)	(24,186)
	865,566	1,600,008	101,566	-	2,567,140
31 December 2014					
LAR					
- Staff loans	-	5,472	-	177	5,649
- Fixed and call deposits	728,860	23,421	-	-	752,281
- Other receivables	-	74,015	-	1,304	75,319
AFS financial assets					
- Corporate debt securities	30,639	-	-	-	30,639
- Unit trust funds	268,140	617,009	-	-	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
Cash and bank balances	-	25,171	-	-	25,171
Allowance for impairment	-	-	-	(22,416)	(22,416)
	1,027,639	1,328,987	110,178	-	2,466,804

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

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

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

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and 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 2014						
LAR						
Staff loans	-	-	-	-	5,472	5,472
Fixed and call deposits	527,824	254,148	37,192	40,446	23,421	883,031
Other receivables	-	-	-	-	74,015	74,015
AFS financial assets						
Malaysian Government Securities	-	-	-	-	162,457	162,457
Government Investment Issues	-	-	-	-	155,736	155,736
Corporate debt securities	63,368	199,406	36,005	-	110,632	409,411
Unit trust funds	-	-	-	-	71,451	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
	591,192	589,663	232,093	40,446	1,027,477	2,480,871

31 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 2015						
LAR						
Staff loans	-	-	-	-	3,910	3,910
Fixed and call deposits	218,451	123,467	-	12,273	18,004	372,195
Other receivables	-	-	-	-	81,542	81,542
AFS financial assets						
Unit trust funds	69,259	425,531	16,585	-	917,539	1,428,914
Reinsurance assets-claims liabilities	-	100,592	188,257	-	190,693	479,542
Insurance receivables	-	8,461	26,671	-	148,811	183,943
Cash and bank balances	-	-	-	-	17,094	17,094
	287,710	658,051	231,513	12,273	1,377,593	2,567,140

31 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and 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 2014						
LAR						
Staff loans	-	-	-	-	5,472	5,472
Fixed and call deposits	448,256	202,966	37,192	40,446	23,421	752,281
Other receivables	-	-	-	-	74,015	74,015
AFS financial assets						
Corporate debt securities	-	30,639	-	-	-	30,639
Unit trust funds	63,368	168,767	36,005	-	617,009	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
	511,624	538,481	232,093	40,446	1,144,160	2,466,804

31 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 2015						
Investment grade	323,908	589,302	16,585	12,273	-	942,068
Non-investment grade:						
Satisfactory	-	104,564	194,258	-	1,260,860	1,559,682
Past-due but not impaired	-	4,489	20,670	-	76,407	101,566
	323,908	698,355	231,513	12,273	1,337,267	2,603,316
31 December 2014						
Investment grade	591,192	453,554	73,197	40,446	-	1,158,389
Non-investment grade:						
Satisfactory	-	132,459	146,928	-	932,917	1,212,304
Past-due but not impaired	-	3,650	11,968	-	94,560	110,178
	591,192	589,663	232,093	40,446	1,027,477	2,480,871

31 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 2015						
Investment grade	287,710	548,998	16,585	12,273	-	865,566
Non-investment grade						
Satisfactory	-	104,564	194,258	-	1,301,186	1,600,008
Past-due but not impaired	-	4,489	20,670	-	76,407	101,566
	287,710	658,051	231,513	12,273	1,337,593	2,567,140
31 December 2014						
Investment grade	511,624	402,372	73,197	40,446	-	1,027,639
Non-investment grade						
Satisfactory	-	132,459	146,928	-	1,049,600	1,328,987
Past-due but not impaired	-	3,650	11,968	-	94,560	110,178
	511,624	538,481	232,093	40,446	1,144,160	2,466,804

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.

31 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 2015						
Insurance receivables (RM'000)	3,520	16,111	9,696	39,763	32,476	101,566
31 December 2014						
Insurance receivables (RM'000)	21,102	17,226	18,695	29,779	23,376	110,178

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

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

31 FINANCIAL RISK (CONTINUED)

Impaired financial assets

At 31 December 2015, based on individual and collective assessment of receivables, there are impaired insurance receivables of RM24,153,079 (2014: RM22,416,000). 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	
	2015	2014
	RM'000	RM'000
At 1 January	22,416	30,391
Charge for the year	14,007	9,959
Recoveries	(12,237)	(17,934)
At 31 December	24,186	22,416

Liquidity risk

Liquidity risk is the risk that the Group and Company will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Group's and Company's policy is to maintain adequate liquidity to meet its liquidity needs under all conditions.

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

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

Maturity profiles

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

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

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

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

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

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Group	Carrying value RM'000	No maturity date RM'000	Contractual Cash Flow (undiscounted) Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Total RM'000
31 December 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)	962,518	-	958,575	2,349	1,599	1,734	964,257
Cash and bank balances	25,221	25,221	-	-	-	-	25,221
Total financial assets	2,480,871	212,752	1,526,008	446,173	312,529	105,212	2,602,674
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

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

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

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

			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)	831,768	-	827,825	2,349	1,599	1,734	833,507
Cash and bank balances	25,171	25,171	-	-	-	-	25,171
Total financial assets	2,466,804	1,026,400	1,311,137	100,152	23,819	12,996	2,474,504
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

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

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

31 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

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

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

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

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

31 FINANCIAL RISK (CONTINUED)

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

31 FINANCIAL RISK (CONTINUED)

Market risk

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

The Group and 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 2015		
Change in interest rates		
+ 50 basis points	7,778	5,833
- 50 basis points	(7,778)	(5,833)
31 December 2014		
Change in interest rates		
+ 50 basis points	7,880	5,910
- 50 basis points	(7,880)	(5,910)

31 FINANCIAL RISK (CONTINUED)

Interest rate risk (continued)

Company	Impact on profit before tax	Impact on equity*
	RM'000	RM'000
31 December 2015		
Change in interest rates		
+ 50 basis points	2,837	2,128
- 50 basis points	(2,837)	(2,128)
31 December 2014		
Change in interest rates		
+ 50 basis points	3,777	2,833
- 50 basis points	(3,777)	(2,833)

*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.

31 FINANCIAL RISK (CONTINUED)

Price risk

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

The Group's and 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 2015		31 December 2014	
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
FBM KLCI	- 10%	-	-	(11,574)	(8,681)

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

31 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.

32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets

The following financial assets are subject to offsetting.

	Group / Company	
	2015	2014
	RM'000	RM'000
Gross amounts of recognised		
- insurance receivables	186,336	182,605
Less: Gross amounts of recognised insurance payables set off in the statement of financial position	(2,393)	(6,805)
Net amounts of insurance receivables presented in the statement of financial position	183,943	175,800

(b) Financial liabilities

The following financial liabilities are subject to offsetting.

	Group / Company	
	2015	2014
	RM'000	RM'000
Gross amounts of recognised		
- insurance payables	131,347	155,781
Less: Gross amounts of recognised insurance receivables set off in the statement of financial position	(2,393)	(6,805)
Net amounts of insurance payables presented in the statement of financial position	128,954	148,976

33 REGULATORY CAPITAL REQUIREMENTS

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

The capital structure of the Company as at 31 December 2015, as prescribed under the Framework, is provided below:

		Company	
	Note	2015	2014
		RM'000	RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	11	403,471	403,471
Retained earnings		628,321	636,235
		1,031,792	1,039,706
Tier 2 Capital			
Available-for-sale reserves		(860)	(1,231)
Revaluation reserves		4,917	1,557
		4,057	326
Amounts deducted from Capital		(183,090)	(179,943)
Total Capital Available		852,759	860,089

The Company has met the minimum capital requirements specified in the Framework for the years ended 2015 and 2014.