ZURICH®

Reports And Statutory Financial Statements
31 December 2012

REPORTS AND STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2012

CONTENTS | PAGES

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of life insurance business, including investment-linked and annuity business, and all classes of general insurance business.

There have been no significant changes in the nature of the principal activities during the financial year.

FINANCIAL RESULTS

	RM'000
Profit for the financial year	53,674

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

DIVIDENDS

No dividend was declared or paid since the end of the previous financial year and the Directors do not recommend the payment of any dividend for the current financial year.

SHARE CAPITAL

There was no issuance of new ordinary shares during the financial year.

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE

The Board is satisfied that, the Company has complied with all prescriptive requirements of, and adopts the Prudential Framework of Corporate Governance for Insurers (BNM/RH/GL/003-2), issued by Bank Negara Malaysia ("BNM"). The Board has continued its commitment in ensuring that the highest principles and best practices in corporate governance are practised as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Company.

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight

The Board has an overall responsibility to lead the Company, including providing directions in term of the Company's corporate objectives and business strategies, overseeing the conduct of business of the Company, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's internal control and reporting procedures.

The Board currently comprises five Directors with skills and experience in a diverse range of business, financial, technical and public service background. The Board is represented by three Non-Executive Directors and two Executive Directors. Of the three Non-Executive Directors, two of them are Independent Non-Executive Directors who participate fully in decision making of key issues regarding the Company. The roles and activities of the Chairman and the Chief Executive Officer are distinct and separate.

The Board meets at least six times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2012, the Board met six (6) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2012.

The appointments to the Board were approved by BNM. All appointments and reappointments of Board members are subject to evaluation and review by the Nomination Committee, and approved by the Board before the applications are submitted to BNM for approval.

The principal responsibilities of the Board include reviewing and approving a strategic plan, overseeing the Company's business, formalising documentation on matters specifically reserved for its decision and ensuring that the Company's internal controls and reporting procedures are adequate.

The composition of the Board during the period since the date of the last report is as follows:

Tan Sri Ahmad bin Mohd Don	Chairman (Independent Non-Executive Director)
Dr. Zaha Rina Zahari	Member (Independent Non-Executive Director)
Geoffrey Martin Riddell	Member (Non-Independent Non-Executive Director)
Cheong Chee Meng	Member (Non-Independent Executive Director/ Chief Executive Officer)
Daniel Andre Reymond	Member (Non-Independent Executive Director)

The number of meetings attended by each member of the Board during the financial year ended 31 December 2012 is as follows:

Name of Directors	No. of Attendance
Tan Sri Ahmad bin Mohd Don	6/6
Dr. Zaha Rina Zahari	6/6
Geoffrey Martin Riddell	5/6
Cheong Chee Meng	5/6
Daniel Andre Reymond	6/6

The Board has established a number of Board Committees and Senior Management Committees.

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Each Committee operates within defined terms of reference. Board Committees are the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Senior Management Committees include the Executive Committee ("EXCO"), the Asset Liability Management and Investment Committee (ALMIC), the Management Committee, the Human Resource Committee, the Information Technology Committee, Product Steering Committee, Risk and Control Committee. The Board Committees are chaired by an Independent Non-Executive Director while the Senior Management Committees are chaired by the Chief Executive Officer.

Audit Committee

The members of the Audit Committee are as follows:

Dr. Zaha Rina Zahari	Chairperson (Independent Non-Executive Director)
Tan Sri Ahmad bin Mohd Don	Member (Independent Non-Executive Director)
Geoffrey Martin Riddell	Member (Non-Independent Non-Executive Director)

The Audit Committee was established as a sub-committee of the Board of Directors with specific terms of reference that have been approved by the Board. The principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. The Audit Committee meets regularly with senior management and internal audit management, and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and effectiveness of the systems of internal control and compliance.

The Audit Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of Audit Committee are:

(i) To approve internal auditors audit plan, review the adequacy of the scope, functions, resources and competency and that it has the necessary authority to carry out its work;
(ii) To review the results internal audit process and ensure that appropriate actions are taken on the recommendations given by the internal auditors;
(iii) To consider the appointment of the External Auditor, the audit fee and any question of resignation or dismissal;
(iv) To discuss with the External Auditor before the audit commences, the nature and scope of audit;
(v) To provide assurance that the financial information presented by management is relevant, reliable and timely;
(vi) To oversee compliance with relevant laws and regulations and observance of a proper code of conduct; and
(vii) To determine the quality, adequacy and effectiveness of the company's internal control environment.

The Company has also instituted a Reporting concern Procedure whereby staff, agents, suppliers, consultants, vendors, or Directors of the Company and/or the member of related companies may raise concerns about possible improprieties which may lead to incorrect or distorted financial reporting or other matter of confidence. The Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

The Audit Committee meets at least three (3) times annually, or more frequently as circumstances dictate. During the financial year ended 31 December 2012, the Audit Committee held four (4) meetings with senior management and internal audit management, and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The number of meetings attended by each member of the Audit Committee during the financial year ended 31 December 2012 is as follows:

Name of Directors	No. of Attendance
Dr. Zaha Rina Zahari	4/4
Tan Sri Ahmad bin Mohd Don	4/4
Geoffrey Martin Riddell	4/4

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Audit Committee (continued)

During the financial year ended 31 December 2012, apart from reviewing the quarterly results and annual financial statements, the Audit Committee also approved the annual internal audit plan. The plan is developed to cover key operational areas, financial activities and information systems and regulatory compliance audit that are significant to the overall performance of the Company on a cyclical basis.

The Internal Audit Department also conducts audits on an ad-hoc basis based on special requests either by the Board of Directors or the Senior Management. It also works closely with the external auditors to resolve any internal control issues raised by them and assists in ensuring appropriate management-based actions are taken. The Audit Committee receives regular reports from the Head of the Internal Audit Department on the audit results.

Nomination Committee

The members of the Nomination Committee are as follows:

Tan Sri Ahmad bin Mohd Don	Chairman (Independent Non-Executive Director)
Dr. Zaha Rina Zahari	Member (Independent Non-Executive Director)
Geoffrey Martin Riddell	Member (Non-Independent Non-Executive Director)
Cheong Chee Meng	Member (Non-Independent Executive Director/ Chief Executive Officer)
Daniel Andre Reymond	Member (Non-Independent Executive Director)

The Nomination Committee is made up of a majority of whom are Non-Executive Directors. In considering the right candidate for appointment to the Board, the Nomination Committee takes into account the required mix of skills, experience and other core competencies that is necessary to enable the Company to achieve its corporate objectives and fulfil its fiduciary responsibilities. The Nomination Committee is also responsible for the annual review of the effectiveness of the Board and individual Directors.

The Nomination Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of Nomination Committee are:

(i) To establish minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively;
(ii) To recommend and assess the nominees for directorship, the Directors to fill Board committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for appointment, before an application for approval is submitted to BNM;
(iii) To oversee the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required, through annual reviews;
(iv) To establish the mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer;
(v) To recommend to the Board on the removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities;
(vi) To ensure all Directors undergo appropriate induction programmes and receive continuous training; and
(vii) To oversee the appointment, management succession planning and performance evaluation of key senior officers and recommending to the Board the removal of key senior officers if they are ineffective, errant and negligent in discharging their responsibilities.

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Nomination Committee (continued)

The number of meetings attended by each member of the Nomination Committee during the financial year ended 31 December 2012 is as follows:

Name of Directors	No. of Attendance
Tan Sri Ahmad bin Mohd Don	2/2
Dr. Zaha Rina Zahari	2/2
Geoffrey Martin Riddell	2/2
Cheong Chee Meng	2/2
Daniel Andre Reymond	2/2

In the opinion of the Nomination Committee, the Board has a balanced mix of skills and experience required for the business of the Company.

Remuneration Committee

The members of the Remuneration Committee are as follows:

Tan Sri Ahmad bin Mohd Don	Chairman (Independent Non-Executive Director)
Dr. Zaha Rina Zahari	Member (Independent Non-Executive Director)
Geoffrey Martin Riddell	Member (Non-Independent Non-Executive Director)

The Remuneration Committee consists of Non-Executive Directors.

It is responsible for developing a remuneration policy that is sufficient to attract and retain Directors and key senior officers of calibre needed to manage the Company successfully.

The Remuneration Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of Remuneration Committee are as follows:

(i) To recommend a framework of remuneration for Directors, Chief Executive Officer and key senior officers. The remuneration policy shall:

- (a) be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
- (b) reflect the experience and level of responsibility borne by individual Directors, the Chief Executive Officer and key senior officers;
- (c) be sufficient to attract and retain Directors, Chief Executive Officer and key senior officers of calibre needed to manage the company successfully; and
- (d) be balanced against the need to ensure that the funds of the insurers are not used to subsidise excessive remuneration packages.

(ii) To recommend specific remuneration packages for Directors, Chief Executive Officer and key senior officers. The remuneration packages shall:

- (a) be based on an objective consideration and approved by the full Board;
- (b) take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Director, Chief Executive Officer or key senior officers concerned;
- (c) not be decided by the exercise of sole discretion of any one individual or restricted individuals; and
- (d) be competitive and is consistent with the insurer's culture, objective and strategy.

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Remuneration Committee (continued)

The number of meetings attended by each member of the Remuneration Committee during the financial year ended 31 December 2012 is as follows:

Name of Directors	No. of Attendance
Tan Sri Ahmad bin Mohd Don	3/3
Geoffrey Martin Riddell	3/3
Dr. Zaha Rina Zahari	3/3

Risk Management Committee

The members of the Risk Management Committee are as follows:

Dr. Zaha Rina Zahari	Chairperson (Independent Non-Executive Director)
Tan Sri Ahmad bin Mohd Don	Member (Independent Non-Executive Director)
Geoffrey Martin Riddell	Member (Non-Independent Non-Executive Director)

The Risk Management Committee is made up of Non-Executive Directors. It reviews the risk factors of the Company to ensure risks at all levels are managed effectively. It also formulates risk management policies, action plans and evaluates the adequacy of overall risk management policies and procedures.

The Risk Management Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of Risk Management Committee are as follows:

(i) To review and recommend risk management strategies, policies and risk tolerance to the Board for approval;
(ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks;
(iii) To ensure that there are adequate infrastructure, resources and systems in place for an effective risk management; and
(iv) To review the management’s periodic reports on risk exposure, risk portfolio composition and risk management activities.

The number of meetings attended by each member of the Risk Management Committee during the financial year ended 31 December 2012 is as follows:

Name of Directors	No. of Attendance
Dr. Zaha Rina Zahari	4/4
Tan Sri Ahmad bin Mohd Don	4/4
Geoffrey Martin Riddell	4/4

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Management accountability

The Company has an organisation structure showing all reporting lines as well as clearly documented job description for all management and executive employees. The officers of the Company have knowledge of their respective authority and operating limits, which are documented in the Company's Internal Control Procedures.

The human resource procedures of the Company provide for the setting of goals and training of each staff. The Company conducts formal appraisals for each staff on an annual basis.

The Company has established procedures to avoid and to deal with any conflict of interest situation. None of the Directors and senior management of the Company have, in any circumstances, conflict of interest referred to in Sections 54 and 55 of the Insurance Act, 1996.

The Board has approved a communication policy that is applicable to all levels of staff of the Company.

Corporate independence

The Company has complied with the requirements of BNM’s guidelines on Related Party Transactions (BNM/RH/GL/003-3) in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, the Board’s prior approval for the transaction has also been obtained. All material related party transactions have been disclosed in the financial statements.

Internal controls

The responsibility of maintaining a system of internal controls rests with the Board. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interest.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action where necessary, is taken in a timely manner. The internal audit function reports directly to the Board through the Audit Committee, and its findings and recommendations are communicated to Senior Management and all levels of staff concerned. The Chief Internal Auditor has unrestricted access to the Chairman and members of the Audit Committee and the internal audit function performs their duties within the ambit of the Audit Charter approved by the Audit Committee and the Board.

The Information Technology (“IT”) Committee is responsible for establishing effective information technology and information systems plans, authorising IT related expenditure based on authority limits, and monitoring the progress of approved projects. The Company has increased the security controls for the IT systems and has in place business resumption and contingency plans to ensure continued operation of mission critical functions. The requirements of BNM’s Guidelines on Management of IT Environment (GPIS-1) and Guidelines on Business Continuity Management (BNM/RH/GL/013-3) have been complied.

Risk management

The Risk Management Committee (“RMC”) meets regularly, at least every quarter in a financial year, to review risk management reports of the Company. The RMC has categorised risks into nine key risk factors affecting the Company namely product risk, human risk, regulatory risk, operational risk, financial risk, external risk, customer risk, integrity risk and supplier risk (“key risk factors”).

The Company has established, within its risk management framework, a structural approach to enterprise-wide risk management. The process involves risk identification and assessment process whereby all department heads of the Company are required to assess their operations and identify risks affecting their operations, identify existing controls in place to mitigate those risks and the probability of the risks occurring and its impact severity.

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Public accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff and agents of the Company are required to comply with the Code of Ethics and Conduct.

Financial reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Company. Reports on the financial condition and performance of the Company are reviewed at the Board, Executive Committee and Management Committee meetings. Financial statements and reports are lodged with the regulatory and supervisory authorities, and annual financial statements prepared in accordance with applicable regulations and approved accounting standards are audited.

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are as follows:

Tan Sri Ahmad bin Mohd Don
Dr. Zaha Rina Zahari
Geoffrey Martin Riddell
Cheong Chee Meng
Daniel Andre Reymond

In accordance with Article 103 of the Company’s Articles of Association, Tan Sri Ahmad bin Mohd Don and Cheong Chee Ming retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in to the financial statements) by reason of a contract made by the Company or a related company with a Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares, share options and rights over ordinary shares of the Company and/or its related corporations during the financial year are as follows:

	Number of ordinary shares of CHF0.10 each			
	As at 1.1.2012	Acquired	Disposed	As at 31.12.2012
Shares in Zurich Insurance Group Ltd				
Direct interest:				
Geoffrey Martin Riddell	22,182	3,327	(507)	25,002
Cheong Chee Meng	208	483	-	691
Daniel Andre Reymond	737	415	(410)	742

	Number of vested share options on ordinary shares of CHF0.10 each			
	As at 1.1.2012	Granted	Exercised/ Lapsed	As at 31.12.2012
Shares in Zurich Insurance Group Ltd				
Direct interest:				
Geoffrey Martin Riddell	62,685	10,451	-	73,136
Cheong Chee Meng	1,866	1,500	-	3,366
Daniel Andre Reymond	668	324	(377)	615

	Number of rights over ordinary shares of CHF0.10 each			
	As at 1.1.2012	Granted	Extinguished	As at 31.12.2012
Shares in Zurich Insurance Group Ltd				
Direct interest:				
Geoffrey Martin Riddell	6,423	4,248	(3,024)	7,647

Zurich Insurance Group Ltd ("ZIG"), the immediate holding company of Zurich Insurance Company Ltd ("ZIC") who in turn is the holding company of Zurich Insurance Malaysia Berhad ("the Company"), has designed a Group Long Term Incentive Plan ("the Plan") for the Group's most senior executives for the accomplishment of key Group performance measures which have now replaced the previous share option program for Senior Management. Participants are granted performance-based target shares under the Plan with the vesting of these target grants subject to specific performance achievements over a three-year period.

These performance-based target shares provide the holders with the right to purchase common stock of ZIG at an exercise price set at the market price of common shares on the Swiss Stock Exchange on the day prior to the date of grant.

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

By virtue of the above Directors' interests in the shares of the immediate holding and ultimate holding company, they are deemed to have an interest in the shares of the Company to the extent that the immediate holding company and the ultimate holding company have interest.

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
   (ii) the values attributed to the current assets in the financial statements of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:

   (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
   (ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e) and (f), contingent and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

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

DIRECTORS' REPORT (CONTINUED)

ULTIMATE HOLDING COMPANY

The Directors regard Zurich Insurance Company Ltd as the immediate holding company, and the ultimate holding company being Zurich Insurance Group Ltd. Both companies are incorporated in Switzerland.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 April 2013.

DANIEL ANDRE REYMOND DIRECTOR	TAN SRI AHMAD BIN MOHD DON DIRECTOR

Kuala Lumpur
30 April 2013

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

We, Daniel Andre Reymond and Tan Sri Ahmad bin Mohd Don, two of the Directors of ZURICH INSURANCE MALAYSIA BERHAD, state that, in the opinion of the Directors, the financial statements set out on pages 17 to 127 are drawn up in accordance with the Malaysian Financial Reporting Standards in Malaysia, International Financial Reporting Standards and comply with the requirements of the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of the financial performance and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 April 2013.

DANIEL ANDRE REYMOND DIRECTOR	TAN SRI AHMAD BIN MOHD DON DIRECTOR

Kuala Lumpur
30 April 2013

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

I, Sophia Ch'ng Sok Heang, being the officer primarily responsible for the financial management of ZURICH INSURANCE MALAYSIA BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 17 to 127 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.

SOPHIA CH'NG SOK HEANG

Subscribed and solemnly declared by the abovenamed Sophia Ch'ng Sok Heang at Kuala Lumpur on 30 April 2013

Before me,

PESURUHJAYA SUMPAH
W 541
ZULKIFLA MOHD DAHLIM
MALAYSIA

COMMISSIONER FOR OATHS

106, BANGUNAN LOKE YEW
ALAN MAHKAMAH PERSEKU
50050 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ZURICH INSURANCE MALAYSIA BERHAD
(Company No. 8029 A)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of ZURICH INSURANCE MALAYSIA BERHAD, which comprise the statement of financial position as at 31 December 2012 of the Company, the statements of income, comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant policies and explanatory notes, as set out on pages 17 to 127.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of the Companies Act, 1965 in Malaysia and for such internal control 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 entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ZURICH INSURANCE MALAYSIA BERHAD
(Company No. 8029 A)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of its financial performance and cash flows for the financial year then ended.

REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

As stated on Note 2(a) to the financial statements, the Company adopted the Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We are not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and financial performance and cash flows for that financial year then ended.

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

PRICEWATERHOUSECOOPERS	SRIDHARAN NAIR
(No. AF: 1146)	(No. 2656/05/14 (J))
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
30 April 2013

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31.12.2012	31.12.2011	1.1.2011
			(restated)	(restated)
		RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	4	253,908	259,537	290,560
Intangible assets	5	3,704	3,023	4,595
Investment properties	6	355,055	363,108	512,287
Investments	7	6,560,777	5,462,026	5,791,497
Available-for-sale financial assets		5,055,677	3,947,003	3,979,190
Financial assets at fair value through profit or loss		915,332	897,594	912,429
Loans and receivables	8	589,768	617,429	899,878
Reinsurance assets	9	151,891	213,845	222,343
Insurance receivables	10	67,958	79,707	77,151
Other receivables	11	58,233	60,853	43,990
Tax recoverable		48,500	51,353	26,936
Deferred tax assets	12	28,365	22,702	1,278
Cash and cash equivalents		349,579	1,404,373	619,275
Total assets		**7,877,970**	**7,920,527**	**7,589,912**
Equity, policyholders' funds and liabilities				
Share capital	13	579,000	579,000	150,000
Retained earnings	14	339,979	286,305	460,253
Other reserves	14	51,485	61,451	52,864
Total equity		**970,464**	**926,756**	**663,117**
Insurance contract liabilities	15	5,577,866	5,827,983	5,797,418
Deferred tax liabilities	12	41,414	28,303	15,933
Other liabilities	16	207,878	167,468	232,610
Insurance payables	17	1,031,752	934,556	843,991
Provision for life agents' retirement benefits	18	1,111	1,096	2,703
Current tax liabilities		47,485	34,365	34,140
Total liabilities		**6,907,506**	**6,993,771**	**6,926,795**
Total equity, policyholders' funds and liabilities		**7,877,970**	**7,920,527**	**7,589,912**

The accompanying notes form an integral part of the financial statements

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
Operating revenue	19	**1,649,212**	**1,757,021**
Gross earned premiums	20(a)	1,328,303	1,427,721
Premiums ceded to reinsurers	20(b)	(119,659)	(88,397)
Net earned premiums		**1,208,644**	**1,339,324**
Investment income	21	320,909	329,300
Realised gains	22	66,441	71,383
Fair value gains and losses	23	69,073	(169,986)
Fee and commission income	24	18,215	35,870
Other revenue		**474,638**	**266,567**
Gross benefits and claims paid	25(a)	(1,428,746)	(1,554,168)
Claims ceded to reinsurers	25(b)	49,347	109,581
Gross change in contract liabilities	25(c)	216,733	12,629
Change in contract liabilities ceded to reinsurers	25(d)	(27,054)	(30,582)
Net claims		**(1,189,720)**	**(1,462,540)**
Fee and commission expenses		(160,253)	(164,726)
Management expenses	26	(196,787)	(184,835)
Other operating (expenses)/income - net	27	(22,591)	38,528
Other expenses		**(379,631)**	**(311,033)**
Profit/(loss) before taxation		**113,931**	**(167,682)**
Taxation	28	(60,257)	(6,266)
Profit/(loss) for the financial year		**53,674**	**(173,948)**
Earnings/(loss) per share (sen)	**30**	**9.27**	**(110.3)**

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
Profit/(loss) for the financial year		**53,674**	**(173,948)**
Other comprehensive income:			
Fair value change on available-for-sale financial assets, net of deferred tax:			
- Gross fair value change	7(c)	(31,114)	35,615
- Deferred tax	12	1,858	97
- Net (losses)/gains		(29,256)	35,712
Change in insurance contract liabilities arising from unrealised net fair value losses/(gains)	15(a)	19,290	(27,125)
Other comprehensive (loss)/income for the year, net of tax		(9,966)	8,587
Total comprehensive income/(loss) for the financial year		**43,708**	**(165,361)**

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

Zurich Insurance Malaysia Berhad (8029-A)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Issued and fully paid Ordinary shares of RM1 each: Number of shares	Nominal value	Available-for-sale fair value reserve	Revaluation reserve	Retained earnings: Non-Par unallocated surplus[1]	Distributable retained earnings	Sub-total Retained earnings	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012									
- as previously reported		579,000	579,000	10,254	442	-	88,429	88,429	678,125
- changes in accounting policies	34	-	-	51,197	(442)	198,476	(600)	197,876	248,631
- as restated		579,000	579,000	61,451	-	198,476	87,829	286,305	926,756
Total comprehensive income for the financial year		-	-	(9,966)	-	(829)	54,503	53,674	43,708
At 31 December 2012		579,000	579,000	51,485	-	197,647	142,332	339,979	970,464
At 1 January 2011									
- as previously reported		150,000	150,000	12,334	-	-	102,540	102,540	264,874
- changes in accounting policies	34	-	-	40,530	-	355,852	1,861	357,713	398,243
- as restated		150,000	150,000	52,864	-	355,852	104,401	460,253	663,117
Issuance of shares	13	429,000	429,000	-	-	-	-	-	429,000
Total comprehensive loss for the financial year		-	-	8,587	-	(3,151)	(170,797)	(173,948)	(165,361)
Transfer from non-Par unallocated surplus		-	-	-	-	(154,225)	154,225	-	-
At 31 December 2011 (as restated)		579,000	579,000	61,451	-	198,476	87,829	286,305	926,756

[1]In accordance with the Insurance Act, 1996, the unallocated surplus of the Non-participating ("Non-Par") fund is only available for distribution to the shareholder upon approval by the Appointed Actuary. There was no transfer from Non-par fund unallocated surplus for the financial year ended 31 December 2012. The approved transfer for the financial period ended 31 December 2011 was RM154,225,000.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
Operating Activities			
Cash (utilised)/from in operating activities	31	(1,316,823)	89,287
Dividend/distribution income received		31,045	40,001
Interest/profit income received		255,436	238,496
Rental income on investment properties received		18,053	18,120
Income tax paid		(38,076)	(37,735)
Net cash (outflows)/ inflows from operating activities		**(1,050,365)**	**348,169**
Investing Activities			
Proceeds from disposal of property, plant and equipment		169	13,281
Proceeds from disposal of intangible assets		8	1,445
Purchase of property, plant and equipment		(2,230)	(4,382)
Purchase of intangible assets		(2,376)	(2,415)
Net cash (outflows)/inflows from investing activities		**(4,429)**	**7,929**
Financing Activities			
Issuance of shares	13	-	429,000
Net cash inflows from financing activities		**-**	**429,000**
Net (decrease)/increase in cash and cash equivalents		(1,054,794)	785,098
Cash and cash equivalents at the beginning of the financial year		1,404,373	619,275
Cash and cash equivalents at the end of the financial year		**349,579**	**1,404,373**

Cash and cash equivalents comprise:

	2012 RM'000	2011 RM'000
Call deposits (with maturity of less than three months):		
Licensed financial institutions	199,335	753,235
Cash and bank balances	150,244	651,138
	349,579	**1,404,373**

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

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is an unquoted public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company are as follows:

Registered office
9th Floor, Menara Zurich
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

Principal place of business
11th Floor, Menara Zurich
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

The Company is engaged principally in the underwriting of life insurance business, including investment-linked and annuity business, and all classes of general insurance business. There have been no significant changes in the nature of these activities during the financial year.

The Directors regard Zurich Insurance Company Ltd as the immediate holding company, and the ultimate holding company being Zurich Insurance Group Ltd. Both companies are incorporated in Switzerland.

Zurich Insurance Group Ltd is listed on the SIX Swiss Exchange and produces financial statements available for public use.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 April 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of the Company has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and comply with the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 'First-time adoption of MFRS'. Subject to certain transition elections disclosed in Note 2.1(a) (i) and (ii), and the transition from FRS to MFRS as disclosed in Note 2.1(a) (iii) to the financial statements, the Company has consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 January 2011 (transition date) and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. The restated comparative statement of financial position as at 31 December 2011, comparative statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended have been audited under the previous financial reporting framework, Financial Reporting Standards ("FRS") in Malaysia. Note 34 to the financial statements discloses the impact of the transition to MFRS on the Company's reported financial statements.

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

The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the date of the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

(a) Transition from FRS to MFRS

The Company has elected to apply certain exemptions allowed under MFRS 1 as discussed below:

(i) Exemption for previously revaluation as deemed cost for Property, Plant and Equipment ("PPE")

Prior to 1 January 2012, the Company applied the revaluation model for its self-occupied properties, comprising land and buildings. With the adoption of MFRS 1, the Company elected to apply the exemption allowed under MFRS 1 to re-measure its land and buildings using the cost model, using the fair value of those land and buildings as its deemed cost as at the date of transition.

As a result, at the date of transition, the cumulative asset revaluation reserves were adjusted to retained earnings except for the life insurance business with discretionary participating features, where the asset revaluation reserves were adjusted to unallocated surplus/(deficit); of which both are components of insurance contract liabilities.

(ii) Designation of previously recognised financial instruments

Prior to 1 January 2012, the Company classified its financial assets into the following categories: financial assets measured at fair value through profit or loss, loans and other receivables and available-for-sale financial assets.

MFRS 1 permits a previously recognised financial instrument to be designated as available-for-sale or fair value through profit or loss on transition date provided the criteria in MFRS 139 - Financial Instruments: Recognition and Measurement are met. The Company elected to re-designate certain portfolio of financial instruments other than Life Participating Fund previously classified as 'fair value through profit or loss' to 'available-for-sale'.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Transition from FRS to MFRS (continued)

(iii) Unallocated surplus and available-for-sale ("AFS") reserves on non-participating funds

Prior to 1 January 2012, the Company recognised unallocated surplus and AFS reserves of the life non-participating funds as part of actuarial insurance contract liabilities as required under Guideline BNM_GL_003-28 Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") on 22 July 2010.

Following the transition from FRS to MFRS and in accordance with MFRS 4 Insurance Contracts, the Company has reclassified the unallocated surplus and AFS reserves of the life non-participating funds from insurance contract liabilities to equity. This change in accounting policy is adopted retrospectively.

The impact of applying these accounting policies and exemptions is as disclosed in Note 34 to the financial statements.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but are not yet effective

The new accounting standards, amendments to standards and interpretations to existing standards that are relevant and applicable to the Company's following financial periods are as follows:

i) Financial years beginning on/after 1 January 2013

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones. The Company will apply this standard from financial period beginning on 1 January 2013.

- Amendments to MFRS 101 "Financial statement presentation"

    - (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

    - (effective from 1 January 2013) clarifies that an entity is required to present a third statement of financial position only if a retrospective application, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding financial period. Nevertheless, an entity may present comparative information in addition to the minimum comparative financial statements as long as that information is prepared in accordance with MFRSs.

  The Company will apply this standard from financial period beginning on 1 January 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but are not yet effective (continued)

(i) Financial years beginning on/after 1 January 2013 (continued)

- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment. The Company will apply this standard from financial period beginning on 1 January 2013.

- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset. The Company will apply this standard from financial period beginning on 1 January 2013.

- Amendment to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. The Company will apply this standard from financial period beginning on 1 January 2013.

- Amendment to MFRS 132 clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 Income Taxes. The Company will apply this standard from financial period beginning on 1 January 2013.

ii) Financial years beginning on/after 1 January 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but are not yet effective (continued)

iii) Financial years beginning on/after 1 January 2015

- MFRS 9 "Financial instruments - Classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

  The Company will apply this standard from financial period beginning on 1 January 2015.

  The Company is in the process of assessing the implication of adopting MFRS 9 onto the prevailing accounting policies.

Unless otherwise disclosed, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Company in the year of initial application.

2.2 Summary of significant accounting policies

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

a) Property, plant and equipment and depreciation

Property, plant and equipment are initially stated at cost less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributed to the acquisition of the asset. Land and buildings are shown as deemed cost, less subsequent depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in income statement during the financial period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

a) Property, plant and equipment and depreciation (continued)

Freehold land is not depreciated as it has an infinite life. Leasehold land is amortised in equal instalments over the period of their respective leases or earlier if the expected useful life is lower than the leasehold period. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives. The expected useful lives of the assets are as follows:

Leasehold land	Over the remaining leasehold period
Freehold and leasehold buildings	50 years
Furniture, fittings and office equipment	5 to10 years
Motor vehicles	10 years
Renovation	10 years

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

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

b) Leases

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

c) Investment properties

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

Investment properties are initially stated at cost including related and incidental expenditure incurred and are subsequently carried at fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially higher than the fair values.

Gains or losses arising from changes in fair values of investment properties are recognised in the income statement in the financial year in which they arise.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term yields and is not occupied by the Company. The initial cost of the property is the lower of the fair value of the property and the present value of the maximum lease payments. The property is carried at fair value after initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

c) Investment properties (continued)

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

d) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable software systems controlled by the Company, which do not form an integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of five years.

e) Investments and other financial assets

The Company classifies its financial assets into the following categories: financial assets measured at fair value through profit or loss (“FVTPL”), loans and other receivables (“LAR”) and available-for-sale (“AFS”) financial assets. The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) Financial assets measured at FVTPL

The Company classifies investments acquired for the purpose of selling in the short-term as held-for-trading, as FVTPL. Derivatives are also classified as held-for-trading unless they are designated as hedges.

Investments held by investment-linked funds are designated at FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

e) Investments and other financial assets (continued)

(ii) LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market but do not include insurance receivables. These assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the asset. All transaction costs directly attributable to the acquisition are also included in the cost of the asset. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less allowance for impairment.

Gains and losses are recognised in the income statement when the assets are derecognised or impaired, as well as through the amortisation process.

Refer to Note 2.2(i) to the financial statements for further details on the accounting policy on loans.

(iii) AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other assets categories. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, AFS financial assets are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary financial assets are reported in the statement of comprehensive income and reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired, except for the life insurance contracts with discretionary participating features, where such fair value gains or losses are reported as a separate component insurance contract liabilities. Fair value gains and losses of monetary instruments denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the instrument and other changes in the carrying amount of the instrument. The translation differences on monetary instruments are recognised in income statement; translation differences on non-monetary instruments are reported in the statement of comprehensive income and shown as a separate component of equity except for the life insurance contract with discretionary participating features, where such fair value gains or losses are reported as a separate component of insurance contract liabilities until the investment is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred through the statement of comprehensive income or from insurance contract liabilities to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

f) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published (closing price) on the date of the statement of financial position.

For investments in unit and real estate investment trusts, fair value is determined by reference to published (closing price).

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

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

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

g) 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 recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

h) Impairment of financial assets

The Company assesses at each date of the statement of financial position, whether a financial asset or group of financial assets is impaired.

(a) Financial assets carried at amortised cost

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

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

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(b) AFS financial assets

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

i) Loans

Loans are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method, less allowance for impairment. An allowance for impairment of loan is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amounts and the present value of estimated future cash flows discounted at the effective interest rates. This includes interest that is suspended and/or recognised to the extent of the recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

i) Loans (continued)

The amount of specific allowance also takes into account the collateral value and recoverable amount of interest due, which may be discounted to reflect the impact of recovery process. The recovery process is estimated to be between one to five years, depending on default condition of the loan, type of collateral and whether under litigation. The amount of the allowance is recognised in the income statement.

Where the collateral is property, the net realisable value of the property is determined by using its fair value which is based on open market value by independent property valuers, adjusted if necessary, for any difference in the nature, location or condition of the specific asset, while for shares, it is based on the last transacted price. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets, adjusted if necessary, for any difference in nature, location or condition of specific asset or discounted cash flow projections. The sensitivity analysis is described in the Note 8 to the financial statements.

Consistent with previous years, loans are classified as non-performing when repayments or interests are in arrears for more than six months from the first day of default or after maturity date.

j) Insurance receivables

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

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

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

k) Financial instruments- 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.

l) Equity instruments

Ordinary Share Capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributed to the issue of these shares are recognised in equity, net of tax.

Dividends on Ordinary Share Capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

m) Product classification

The Company issues contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

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

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed on a 90/10 basis to the policyholders and the shareholders respectively. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

Under the Risk Based Capital Framework for Insurers, statutory liabilities are calculated based on the Gross Premium Valuation ("GPV") method which takes into consideration not only the guaranteed but also the discretionary benefits in the case of Participating products and the underlying assumptions are based on the Company's actual experience.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through the income statement.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

m) Product classification (continued)

The Company defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by the Company are considered insurance contracts as at the date of this statement of financial position.

n) Reinsurance

The Company cedes insurance risk in the normal course of business for most 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 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 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 Company will receive from the reinsurers. The impairment loss is recorded in the income statement.

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

The Company also assumes reinsurance risk in the normal course of business for life insurance and general (non-life) 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.

o) Life insurance underwriting results

The surplus transferable from the life participating fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long-term insurance contract liabilities to the policyholders.

Premium income

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

o) Life insurance underwriting results (continued)

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

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

Reinsurance premiums

Gross reinsurance premiums are recognised as an expense when payable or on the date on which the policy is effective.

Benefits, claims and expenses

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

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose; the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Commission and agency expenses

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

p) General insurance underwriting results

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

Gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period**.** Premiums from direct business are recognised during the financial period upon the issuance of insurance policies. Premiums in respect of risks incepted for which insurance policies have not been raised as of the date of the statement of financial position are accrued at that date.

Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

p) General insurance underwriting results (continued)

Reinsurance premiums (continued)

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inceptions dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

Premium liabilities

Premium liabilities refer to the higher of:

(i) the aggregate of the unearned premium reserves ("UPR");
or
(ii) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the provision of risk margin for adverse deviation ("PRAD") calculated at the overall 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 also includes allowance for the insurer's expense 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 represents the portion of the net premiums of general insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

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:

- 25% method for marine and aviation cargo, and transit business;
- 1/24th method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and
- time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

Claims and expenses

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

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the date of the statement of financial position.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at date of the statement of financial position, using a mathematical method of estimation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

p) General insurance underwriting results (continued)

Commission expenses and acquisition costs

The gross costs of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the financial periods in which it is probable they give rise to income.

q) Insurance contract liabilities

(i) Life actuarial liabilities

Life actuarial liabilities are recognised when contracts are entered into and premiums are charged.

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

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities loaded with provision of risk margin for adverse deviation or the total benefit liabilities at the contract level derived as stated above.

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

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

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

Adjustments to the liabilities at each reporting date are recorded in the income statement. Profits that originate from margins of adverse deviations on run-off contracts are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

As the valuation methods used to value liabilities is in accordance with the RBC Framework for Insurers, the Company is deemed to have complied with the requirements of a liability adequacy test under MFRS 4 Insurance Contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

q) Insurance contract liabilities (continued)

(ii) Surplus in the life insurance contracts

Surpluses in DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the Insurance Act, 1996. The Company, however, has the discretion over the amount and timing of these surpluses to policyholders and shareholders which are determined by an actuarial valuation of the long term liabilities to the policyholders at the balance sheet date and is made in accordance with the provision of the Insurance Act, 1996 and related regulations by the Company's Appointed Actuary.

Unallocated surplus of DPF insurance contracts where the amounts of surplus are yet to be allocated or distributed by the Company's Appointed Actuary to either policyholders or shareholders by the end of the financial year, are classified as part of life insurance contract liabilities.

(iii) Fair value adjustment on AFS financial assets

Where unrealised gains or losses arise on AFS financial assets of the life participating fund, the adjustment to the insurance contract liabilities equal to the effect that the realisation of those gains or losses at the end of the reporting periods would have on those liabilities that is recognised directly in the other comprehensive income.

(iv) Net asset value attributable to unitholders

The unit liability of investment-link contract is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality and morbidity costs and expense charges.

(v) General (Non-life) insurance contract liabilities

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

These liabilities comprise outstanding claims provision and premium liabilities.

Outstanding claims provision which includes a margin for adverse deviation is based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of the statement of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques on empirical data. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Premium liabilities represent premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

q) Insurance contract liabilities (continued)

(v) General (Non-life) insurance contract liabilities (continued)

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned premiums. The Company engages an independent external actuary to perform the claims liabilities estimation. A number of methods are employed initially in the estimation of ultimate claims reserves using the Company's own historical experience and other relevant market quantitative and qualitative information. The valuation methods used include the Incurred Claim Development method, the Paid Claim Development method, the Bornhuetter-Ferguson Method, the Mack's Method and Stanard-Buhlmann's Method. The final estimates are selected after due consideration is given to the strengths and weaknesses of the various methods used and the information available at hand. To mitigate the potential effect of uncertainty, a risk margin is also incorporated into the ultimate claims estimates. The provision for adverse deviation is set at 75 per cent confidence level as required by BNM.

r) Other revenue recognition

Interest income

Interest income is recognised on an accrual basis using the effective yield method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the investment and continues unwinding the discount as interest income.

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

Dividend income

Dividend income is recognised as investment income when the Company's right to receive payment is established.

Rental income

Rental income on self-occupied and investment properties is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Lease rental income net of payment of lease rental expenses made under operating lease of the same properties is recognised on straight line basis over the lease term.

Realised gains and losses on investments

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost, and are recorded on occurrence of the sale transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

r) Other revenue recognition (continued)

Fees and commission income

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

Management fee income earned from the investment-linked business is recognised on an accrued basis based on the net asset value of the investment-linked funds.

s) Foreign currencies

The financial statements are presented in Ringgit Malaysia which is also the functional currency of the Company.

Foreign currency transactions in the Company are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated to Ringgit Malaysia at exchange rates prevailing at the date of the statement of financial position. 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.

t) Income taxes

Income taxes on the profit or loss for the financial year comprises current and deferred tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates used to compute the amount are those that are enacted or substantively enacted at the date of the statement of financial position. Current tax is recognised in the profit and loss.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each date of the statement of financial position and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax is recognised as income or an expense and included in the income statement for the financial period, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity or directly in the insurance contract liabilities, in which case the deferred tax is also recognised in other comprehensive income or directly in equity or directly in the insurance contract liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

u) Provisions

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

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost expense.

v) Employee benefits

Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions or variable contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to the employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund (“EPF”). Once the contributions have been paid, the Company has no further payment obligations.

w) Provision for life agents’ retirement benefits

The Company operates a retirement benefits scheme for its eligible life agents, calculated in accordance with the terms and conditions as per the respective Agent Retirement Plan Arrangement.

The retirement benefits earned by the eligible life agents on and subsequent to 2001 were funded through investments in an investment-linked fund managed by the Company.

The retirement benefits earned by the eligible life agents who opted to remain in the scheme prior to 2001 were unfunded and have been recorded as provision for life agents’ retirement benefits.

In accordance with the requirements of the MFRS 119 Employee Benefits, the scheme is treated as a funded defined benefit scheme or an unfunded defined benefit scheme as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

x) Other financial liabilities and insurance payables

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

A financial liability and an insurance payable are derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

y) Contingent liabilities and contingent assets

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

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

z) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held at call with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

aa) Financial instruments

<u>Description</u>

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

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

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

<u>Recognition method</u>

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

ab) Segment reporting

For management purposes, the Company is organised into operating segments based on their products and services. The management regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would be available to an unrelated third party. Segment revenue, expenses and results include transfers between business segments.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) <u>Valuation of life insurance contract liabilities</u>

The liability for life insurance contracts is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

Discount rate for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian Government Security ("MGS"). In the case of the total benefits liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(ii) Valuation of general insurance contract liabilities

The estimation of claims liabilities or equivalently, the ultimate claims liability arising from claims made under an insurance contract, is the Company's most critical accounting estimate.

Provision is made for the estimated cost of claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with a risk margin for adverse deviation ("PRAD"). PRAD is an additional component to the liability value aimed at ensuring that the value of the insurance 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 estimated cost of claims also includes both direct and indirect expenses that are expected to be incurred in settling those claims.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, incurred but not reported claims form the majority of the liability in the statement of financial position.

The Company engaged an independent external actuary to perform the claims liabilities estimation. A number of methods were employed initially in the estimation of ultimate claims reserves using the Company's own historical experience and other relevant market quantitative and qualitative information. The final estimates were selected after due consideration was given to the strengths and weaknesses of the various methods used and the information available at hand. To mitigate the potential effect of uncertainty, a risk margin was also incorporated into the ultimate claims estimates.

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 that actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

(iii) Impairment assessment on non-performing loans

Judgement is applied in determining the amount that may be recovered from long outstanding non-performing loans via the disposal of collateral pledged to those loans.

The actual amounts that will be recovered from these non-performing loans are largely dependent on the values that those collaterals can fetch should foreclosure take place or if the borrowers agree to settlements with the Company, and lastly the time taken to complete the recovery of these loans. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain that the actual results as explained above may not develop exactly as projected and may vary significantly from the projections.

(b) Critical judgement in applying the entity's accounting policies

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

The Directors are of the view that there are no accounting policies which require significant judgement to be exercised.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold and leasehold land RM'000	Freehold and leasehold buildings RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost						
At 1 January 2011						
- as previously stated	62,812	251,589	73,478	4,671	56,541	449,091
- change in accounting policies (Note 34)	785	(45,295)	-	-	-	(44,510)
- as restated	63,597	206,294	73,478	4,671	56,541	404,581
Additions	-	-	1,736	17	802	2,555
Transfer to investment property (Note 6)	(2,745)	(2,726)	-	-	-	(5,471)
Disposals	(7,256)	(4,607)	(13,822)	(1,806)	(3,066)	(30,557)
At 31 December 2011	53,596	198,961	61,392	2,882	54,277	371,108
Additions	-	-	936	420	874	2,230
Disposals	-	-	(86)	(475)	-	(561)
At 31 December 2012	53,596	198,961	62,242	2,827	55,151	372,777
Accumulated depreciation and impairment loss						
At 1 January 2011						
- as previously stated	833	54,653	64,742	3,356	45,923	169,507
- changes in accounting policies (Note 34)	(833)	(54,653)	-	-	-	(55,486)
- as restated	-	-	64,742	3,356	45,923	114,021
Charge for the financial year	32	4,955	2,755	281	2,298	10,321
Disposals	(11)	(152)	(8,979)	(1,336)	(2,293)	(12,771)
At 31 December 2011	21	4,803	58,518	2,301	45,928	111,571
Charge for year	29	5,029	861	136	1,732	7,787
Disposals	-	-	(85)	(404)	-	(489)
At 31 December 2012	50	9,832	59,294	2,033	47,660	118,869
Net carrying amount:						
At 1 January 2011 (restated)	63,597	206,294	8,736	1,315	10,618	290,560
At 31 December 2011 (restated)	53,575	194,158	2,874	581	8,349	259,537
At 31 December 2012	53,546	189,129	2,948	794	7,491	253,908

As at 31 December 2012, the titles to certain properties amounting to RM26,396,000 (31.12.2011: RM27,000,000; 1.1.2011: RM24,905,000), are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the authorities for transfer of legal titles and is awaiting the process and finalisation to be completed.

5. INTANGIBLE ASSETS

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Cost			
At 1 January	18,346	18,645	11,477
Additions from internal developments	2,376	2,415	2,151
Transferred from non-current assets held for sale	-	-	5,017
Disposals	(54)	(2,713)	-
At 31 December	20,668	18,347	18,645
Accumulated amortisation and impairment loss			
At 1 January	15,322	14,050	7,654
Amortisation	1,688	2,500	2,901
Transferred from non-current assets held-for-sale	-	-	3,495
Disposals	(46)	(1,226)	-
At 31 December	16,964	15,324	14,050
	3,704	3,023	4,595

The intangible assets consist mainly of development costs and costs that are directly associated with identifiable software systems controlled by the Company, that do not form the integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year.

6. INVESTMENT PROPERTIES

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At 1 January	363,108	512,287	577,342
Additions from acquisitions	-	-	2,935
Additions from subsequent expenditure	-	-	2,007
Transferred from property, plant and equipment (Note 4)	-	5,471	-
Disposals	(11,563)	(34,564)	(45,289)
Fair value changes	3,510	(120,086)	(24,708)
At 31 December	355,055	363,108	512,287
Comprising:			
Freehold land and buildings	277,235	279,372	374,234
Leasehold land and buildings	77,820	83,736	138,053
	355,055	363,108	512,287

6. INVESTMENT PROPERTIES (CONTINUED)

Investment properties are stated at fair value, which are determined based on valuations performed by external independent valuers at the date of the statement of financial position. Valuations are performed annually based on the fair market values of the properties, using the direct sale comparison and income approach. The fair value changes (gains/losses) are recorded in the income statement.

The titles to certain investment properties amounting to RM37,444,000 (31.12.2011: RM44,847,000; 1.1.2011: RM80,157,000) are in the process of being transferred to the Company. Risks, rewards and effective titles to these investment properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the authorities for transfer of legal titles and is awaiting the process and finalisation of these transfers to be completed.

7. INVESTMENTS

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Malaysian Government Securities/ Government Investment Issues	809,359	390,528	247,813
Corporate debt securities	4,221,746	3,542,563	3,718,589
Equity securities	787,069	774,298	876,304
Unit trusts	152,835	137,208	37,956
Investment-linked units	-	-	10,957
Loans	504,868	592,947	650,254
Fixed and call deposits	84,900	24,482	249,624
	6,560,777	5,462,026	5,791,497
The Company's financial investments are summarised by measurement category as follows:			
Available-for-sale financial assets	5,055,677	3,947,003	3,979,190
Financial assets at fair value through profit or loss	915,332	897,594	912,429
Loans and receivables (Note 8)	589,768	617,429	899,878
	6,560,777	5,462,026	5,791,497
The above investments mature after 12 months:			
Available-for-sale financial assets	4,481,341	3,561,179	3,512,610
Financial assets at fair value through profit or loss	182,536	177,962	167,316
Loans and receivables (Note 8)	10,010	19,881	23,091
	4,673,887	3,759,022	3,703,017

7. INVESTMENTS (CONTINUED)

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(a) Available-for-sale financial assets			
Quoted:			
Equity securities	87,642	102,769	178,348
Unit trusts	-	-	5,204
Unquoted:			
Equity securities	2,563	3,365	3,364
Corporate debt securities	4,039,373	3,349,703	3,551,424
Unit trusts	127,242	111,081	4,725
Malaysian Government Securities/Government Investment Issues	798,857	380,085	236,125
	5,055,677	3,947,003	3,979,190
(b) Financial assets at fair value through profit or loss			
Held-for-trading:			
Quoted:			
Equity securities	254,545	246,980	305,584
Unit trusts	10,367	12,502	19,252
Corporate debt securities	-	24,318	21,802
Unquoted:			
Investment-linked units	-	-	1,520
	264,912	283,800	348,158
Designated at fair value through profit or loss:			
Quoted:			
Equity securities	442,319	421,184	389,008
Unit trusts	14,046	12,696	12,521
Unquoted:			
Corporate debt securities	182,373	168,542	145,363
Investment-linked units	-	-	4,712
Unit trusts	1,180	929	979
Malaysian Government Securities/ Government Investment Issues	10,502	10,443	11,688
	650,420	613,794	564,271
	915,332	897,594	912,429

7. INVESTMENTS (CONTINUED)

(c) Carrying value of financial instruments

The movements in the Company's financial assets (excluding loans and receivables) are summarised in the table below by measurement category:

	Available-for-sale	Fair value through profit/loss	Total
	RM'000	RM'000	RM'000
At 1 January 2011			
- as previously stated	3,790,913	1,100,706	4,891,619
- changes in accounting policies (Note 34)	188,277	(188,277)	-
- as restated	3,979,190	912,429	4,891,619
Purchases	1,315,340	387,656	1,702,996
Disposals (sale and redemptions)	(1,361,284)	(410,080)	(1,771,364)
Fair value gains recorded in:			
Income statement	-	6,699	6,699
Other comprehensive income	35,615	-	35,615
Movement in impairment allowance	(56,353)	-	(56,353)
Amortisation/interest adjustment	34,495	890	35,385
At 31 December 2011/1 January 2012	3,947,003	897,594	4,844,597
Purchases	2,554,078	326,203	2,880,281
Disposals (sale and redemptions)	(1,440,529)	(370,235)	(1,810,765)
Fair value gains recorded in:			
Income statement	-	61,832	61,832
Other comprehensive income	(31,114)	-	(31,114)
Movement in impairment allowance	(802)	-	(802)
Amortisation/interest adjustment	27,041	(62)	26,979
At 31 December 2012	5,055,677	915,332	5,971,009

7. INVESTMENTS (CONTINUED)

(d) Fair values of financial investments

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

	Available-for-sale	Fair value through profit/loss	Total
	RM'000	RM'000	RM'000
31 December 2012			
Quoted market price (Level 1)	87,642	722,457	810,099
Valuation techniques - market observable inputs (Level 2)	4,948,767	192,746	5,141,513
Valuation techniques - non-market observable inputs (Level 3)	19,268	129	19,397
	5,055,677	915,332	5,971,009
31 December 2011			
Quoted market price (Level 1)	102,769	829,690	932,459
Valuation techniques - market observable inputs (Level 2)	3,801,191	67,775	3,868,966
Valuation techniques - non-market observable inputs (Level 3)	43,043	129	43,172
	3,947,003	897,594	4,844,597
1 January 2011 (restated)			
Quoted market price (Level 1)	183,552	749,145	932,697
Valuation techniques - market observable inputs (Level 2)	3,758,965	151,262	3,910,227
Valuation techniques - non-market observable inputs (Level 3)	36,673	12,022	48,695
	3,979,190	912,429	4,891,619

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 Level 1 inputs.

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 and discounted cash flows, and investment in structured products with fair values obtained via investment bankers and/or fund managers are categorised as Level 2 financial instruments.

Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data. These are categorised as Level 3 financial instruments.

8. LOANS AND RECEIVABLES

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Loans arising from:			
Policy loans	264,974	325,596	351,849
Mortgage loans	218,663	225,360	246,745
Other secured loans	146,807	171,740	183,629
Unsecured loans	773	970	1,144
	631,217	723,666	783,367
Allowance for impairment	(126,349)	(130,718)	(133,113)
Net loans	504,868	592,948	650,254
Fixed and call deposits with:			
Licensed banks	84,389	18,197	28,227
Other	511	6,284	221,397
	84,900	24,481	249,624
	589,768	617,429	899,878

The estimated fair values of the loans and receivables have been established by comparing current market interest rates for similar financial instruments to the rates offered when the loans and receivables were first recognised together with appropriate market credit adjustments except for loans which are non-performing ("NPL"), where the estimated fair value is the discounted amount of estimated future cash flows expected to be received.

The maturity structure of the loans and receivables is as follows:

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Receivables within 12 months:			
Net loans	494,858	579,351	633,981
Fixed and call deposits	84,900	18,197	242,806
Net loans	579,758	597,548	876,787
Receivables after 12 months:			
Net loans	10,010	13,597	16,273
Fixed and call deposits	-	6,284	6,818
	10,010	19,881	23,091
	589,768	617,429	899,878

Included in the total loans portfolio net of allowance for impairment as at 31 December 2012, are several NPL amounting to approximately RM225,699,000 (31.12.2011: RM251,381,000; 1.1.2011: RM279,377,000). These NPL were collateralised by properties and/or shares as pledged by the borrowers. The Company has assessed the value of the collaterals or agreed settlement plans and has made appropriate allowances for impairment where appropriate. Should the market value or adjusted value of the collateral deviate by 10% or the recovery process be delayed by a year, particularly those loans with properties as collateral, there may be a potential shortfall of approximately RM16 million (31.12.2011: RM16 million; 1.1.2011: RM21 million) for the NPL.

8. LOANS AND RECEIVABLES (CONTINUED)

The net loans can be analysed as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(i) Outstanding loans before allowance for impairment analysed by loan type are as follows:			
Policy loans	264,974	325,596	351,849
Other term loans	345,515	375,803	406,331
Housing loans	20,350	21,094	23,717
Staff loans	378	1,173	1,470
	631,217	723,666	783,367
(ii) Outstanding loans before allowance for impairment analysed by type of customers are as follows:			
Policyholders	272,798	333,830	361,240
Business enterprises	344,469	349,760	369,285
Staff	1,279	2,027	2,504
Agents	592	637	941
Individuals	12,079	37,412	49,397
	631,217	723,666	783,367
(iii) Outstanding loans before allowance for impairment analysed by economic purpose are as follows:			
Policy loans	264,974	325,596	351,849
Construction	65,836	68,198	68,770
Purchase of landed properties/securities	232,806	259,965	296,604
Fixed assets other than land & building	354	558	688
Personal use	46	39	79
Working capital	67,201	69,310	65,377
	631,217	723,666	783,367
(iv) Movements of NPL before allowance for impairment are as follows:			
Outstanding loans before allowance for impairment at the beginning of the financial year	382,099	412,490	485,400
Classified as non-performing during the financial year	775	1,403	13,943
Recovered during the financial year	(27,918)	(48,027)	(86,746)
Bad debts written off	-	(499)	(4,351)
Interest movement	(2,906)	16,732	4,244
	352,050	382,099	412,490

8. LOANS AND RECEIVABLES (CONTINUED)

The net loans can be analysed as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(v) Movements in the allowance for impairment for NPL are as follows:			
Balance at the beginning of financial year	130,718	133,113	139,268
Classified from to performing loans	-	-	4,369
Write back of impairment allowance during the financial year	(4,369)	(2,395)	(10,524)
	126,349	130,718	133,113
(vi) NPL before allowance for impairment analysed by loan type are as follows:			
Other term loans	345,515	375,803	406,331
Housing loans	6,535	6,296	6,159
	352,050	382,099	412,490
(vii) NPL before allowance for impairment analysed by type of customers are as follows:			
Policyholders	4,072	3,935	3,981
Business enterprises	344,470	349,760	369,285
Agents	454	454	631
Individuals	3,054	27,950	38,593
	352,050	382,099	412,490
(viii) NPL before allowance for impairment analysed by economic purpose are as follows:			
Construction	65,836	68,198	68,770
Purchase of landed properties/securities	218,991	244,569	278,320
Personal use	22	22	22
Working capital	67,201	69,310	65,378
	352,050	382,099	412,490
(ix) Aging of NPL before allowance for impairment is as follows:			
Up to 1 year	2,085	3,015	10,265
1 to 5 years	18,500	71,049	172,166
More than 5 years	331,465	308,035	230,059
	352,050	382,099	412,490

The fair value of the collaterals held as at the date of the statement of financial position was RM647 million (31.12.2011: RM736 million; 1.1.2011: RM813 million).

9. REINSURANCE ASSETS

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Reinsurers' share of insurance contract liabilities (Note 15)	151,891	213,845	222,343

The carrying amounts disclosed above in respect of the reinsurance of insurance contracts approximate fair value at the date of the statement of financial position.

10. INSURANCE RECEIVABLES

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Due premiums including agents/brokers and co-insurers balances	62,479	76,585	74,679
Due from reinsurers and cedants	12,693	11,545	11,182
	75,172	88,130	85,861
Allowance for impairment	(7,214)	(8,423)	(8,710)
	67,958	79,707	77,151

11. OTHER RECEIVABLES

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Outstanding proceeds from disposal of investments	21,257	19,795	3,153
Assets held under Malaysian Motor Insurance Pool	24,117	23,314	6,868
Deposits, repayment and other receivables	12,859	17,744	33,969
	58,233	60,853	43,990

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances.

12. 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 following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	31.12.2012			31.12.2011			1.1.2011		
	Life fund	General and share-holders' funds	Total	Life fund	General and share-holders' funds	Total	Life fund	General and share-holders' funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	5,129	23,236	28,365	-	22,702	22,702	-	1,278	1,278
Deferred tax liabilities	(36,380)	(5,034)	(41,414)	(22,689)	(5,614)	(28,303)	(14,057)	(1,876)	(15,933)
	(31,251)	18,202	(13,049)	(22,689)	17,088	(5,601)	(14,057)	(598)	(14,655)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

12. DEFERRED TAXATION (CONTINUED)

	Note	31.12.2012 Life fund RM'000	31.12.2012 General and share-holders' funds RM'000	31.12.2012 Total RM'000	31.12.2011 Life fund RM'000	31.12.2011 General and share-holders' funds RM'000	31.12.2011 Total RM'000
At 1 January							
- as previousy reported		(22,689)	17,088	(5,601)	(13,601)	24	(13,577)
- changes in accounting policies	34	-	-	-	(456)	(622)	(1,078)
- At 1 January/as restated		(22,689)	17,088	(5,601)	(14,057)	(598)	(14,655)
Credited/(charged) to income statement	28						
- property, plant and equipment		124	(194)	(70)	(1,287)	1,541	254
- investments and loans		1,678	1,454	3,132	871	11,317	12,188
- investment properties		(463)	(350)	(813)	2,352	4,956	7,308
- others		-	82	82	-	(474)	(474)
- non-DPF unallocated life surplus		(11,637)	-	(11,637)	(10,319)	-	(10,319)
		(10,298)	992	(9,306)	(8,383)	17,340	8,957
Credited/(charged) to comprehensive income:							
-available-for-sale fair value reserves		1,736	122	1,858	(249)	346	(97)
At 31 December (as restated)		(31,251)	18,202	(13,049)	(22,689)	17,088	(5,601)

12. DEFERRED TAXATION (CONTINUED)

	31.12.2012			31.12.2011			1.1.2011		
	Life fund	General and share-holders' funds	Total	Life fund	General and share-holders' funds	Total	Life fund	General and share-holders' funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Subject to income tax:									
Deferred tax assets (before offsetting)									
- property, plant and equipment	2,093	3,094	5,187	1,963	3,246	5,209	3,251	1,481	4,732
- investment and loans	9,366	15,561	24,927	9,333	14,596	23,929	13,800	4,091	17,891
- investment properties	6,557	5,085	11,642	7,019	5,195	12,214	4,666	-	4,666
- others	-	-	-	-	-	-	-	474	474
	18,016	23,740	41,756	18,315	23,037	41,352	21,717	6,046	27,763
Offsetting	(12,887)	(504)	(13,391)	(18,315)	(335)	(18,650)	(21,717)	(4,768)	(26,485)
Deferred tax assets after offsetting	5,129	23,236	28,365	-	22,702	22,702	-	1,278	1,278
Deferred tax liabilities (before offsetting)									
- available-for-sale reserve	(14,433)	(3,643)	(18,076)	(15,796)	(3,766)	(19,562)	(15,918)	(4,112)	(20,030)
- property, plant and equipment	-	(267)	(267)	-	(225)	(225)	-	-	-
- investment and loans	(12,878)	(767)	(13,645)	(14,889)	(1,347)	(16,236)	(19,856)	(2,160)	(22,016)
- investment properties	-	(861)	(861)	-	(611)	(611)	-	(372)	(372)
- unallocated surplus	(21,956)	-	(21,956)	(10,319)	-	(10,319)	-	-	-
	(49,267)	(5,538)	(54,805)	(41,004)	(5,949)	(46,953)	(35,774)	(6,644)	(42,418)
Offsetting	12,887	504	13,391	18,315	335	18,605	21,717	4,768	26,485
Deferred tax liabilities after offsetting	(36,380)	(5,034)	(41,414)	(22,689)	(5,614)	(28,303)	(14,057)	(1,876)	(15,933)

13. SHARE CAPITAL

	31.12.2012		31.12.2011		1.1.2011	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Authorised						
Ordinary shares of RM1 each:						
- At beginning/end of the financial year	750,000	750,000	500,000	500,000	500,000	500,000
- Created during the financial year	-	-	250,000	250,000	-	-
At end of the financial year	750,000	750,000	750,000	750,000	500,000	500,000
Issued and fully paid						
Ordinary shares of RM1 each:						
- At beginning/end of the financial year	579,000	579,000	150,000	150,000	150,000	150,000
- Issued during the financial year	-	-	429,000	429,000	-	-
At end of the financial year	579,000	579,000	579,000	579,000	150,000	150,000

On 20 December 2011, the Company increased its authorised share capital from RM500,000,000 to RM750,000,000 with the creation of 250,000,000 new ordinary shares of RM1.00 each. On 22 December 2011, the Company issued 429,000,000 ordinary shares for cash at par to meet the minimum capital adequacy ratio specified by Bank Negara Malaysia. The new ordinary shares issued during the financial year ranked pari passu in all respect with the existing ordinary shares of the Company.

14. RESERVES

(a) Retained earnings

The non-distributable retained earnings represent the unallocated surplus from the non-Par fund. In accordance with Section 43(2) of the Insurance Act, 1996, the unallocated surplus is only available for distribution to the shareholder upon approval/recommendation by the Appointed Actuary.

Under the single tier tax system which came into effect from the year of assessment 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 the shareholders. Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or on 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

The Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank all of its retained earnings at 31 December 2012, if paid out as dividends.

(b) Other reserves

Other reserves consist of available-for-sale reserves.

The available-for-sale reserves of the Company represent the fair value gains or losses of the available-for-sale financial assets, net of deferred tax, of the Life Non-Participating, General and Shareholders' funds.

15. INSURANCE CONTRACT LIABILITIES

	Note	31.12.2012 Gross RM'000	31.12.2012 Re-insurance RM'000	31.12.2012 Net RM'000	31.12.2011 Gross RM'000	31.12.2011 Re-insurance RM'000	31.12.2011 Net RM'000	1.1.2011 Gross RM'000	1.1.2011 Re-insurance RM'000	1.1.2011 Net RM'000
Life insurance	15(a)	4,857,718	(29,424)	4,828,294	5,027,561	(31,726)	4,995,835	5,070,116	(28,920)	5,041,196
General insurance	15(b)	720,148	(122,467)	597,681	800,422	(182,119)	618,303	727,302	(193,423)	533,879
		5,577,866	(151,891)	5,425,975	5,827,983	(213,845)	5,614,138	5,797,418	(222,343)	5,575,075
Actuarial liabilities:										
Liability for future policyholders' benefits		4,051,693	(22,717)	4,028,976	4,275,736	(23,088)	4,252,648	4,494,277	(18,196)	4,476,081
Net asset value attributable to unitholders		736,709	-	736,709	725,596	-	725,596	747,175	-	747,175
		4,788,402	(22,717)	4,765,685	5,001,332	(23,088)	4,978,244	5,241,452	(18,196)	5,223,256
Claim liabilities		50,421	(6,707)	43,714	26,229	(8,638)	17,591	45,561	(10,724)	34,837
		4,838,823	(29,424)	4,809,399	5,027,561	(31,726)	4,995,835	5,287,013	(28,920)	5,258,093
Participating fund:										
- Unallocated deficit		(131,756)	-	(131,756)	(169,941)	-	(169,941)	(359,713)	-	(359,713)
- Available-for-sale reserves		150,651	-	150,651	169,941	-	169,941	142,816	-	142,816
		4,857,718	(29,424)	4,828,294	5,027,561	(31,726)	4,995,835	5,070,116	(28,920)	5,041,196

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life Insurance

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities							
At 1 January 2010	3,758,572	1,669,257	5,427,829	(3,956)	(15,640)	(19,596)	5,408,233
Benefit and claims experience variation	(151,037)	(173,129)	(324,166)	934	466	1,400	(322,766)
Change due to valuation basis:							
Model enhancement	5,622	33	5,655	-	-	-	5,655
Yield movement	-	13,354	13,354	-	-	-	13,354
Assumption changes	2,671	10,743	13,414	-	-	-	13,414
Net asset value attributable to unitholders	-	105,366	105,366	-	-	-	105,366
At 31 December 2010/ At 1 January 2011	3,615,828	1,625,624	5,241,452	(3,022)	(15,174)	(18,196)	5,223,256
Benefit and claims experience variation	(128,659)	(83,402)	(212,061)	(1,391)	(3,501)	(4,892)	(216,953)
Change due to valuation basis:							
Model enhancement	(358)	9,948	9,590	-	-	-	9,590
Yield movement	-	24,652	24,652	-	-	-	24,652
Assumption changes	(53,945)	13,223	(40,722)	-	-	-	(40,722)
Net asset value attributable to unitholders	-	(21,579)	(21,579)	-	-	-	(21,579)
At 31 December 2011	3,432,866	1,568,466	5,001,332	(4,413)	(18,675)	(23,088)	4,978,244
Benefit and claims experience variation	(173,712)	(45,069)	(218,781)	(250)	621	371	(218,410)
Change due to valuation basis:							
Model enhancement	21,618	9,650	31,268	-	-	-	31,268
Yield movement	-	30,491	30,491	-	-	-	30,491
Assumption changes	(64,071)	(2,950)	(67,021)	-	-	-	(67,021)
Net asset value attributable to unitholders	-	11,113	11,113	-	-	-	11,113
At 31 December 2012	3,216,701	1,571,701	4,788,402	(4,663)	(18,054)	(22,717)	4,765,685

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life Insurance (continued)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Claims liabilities							
At 1 January 2010	16,332	25,130	41,462	(2,687)	(2,603)	(5,290)	36,172
Movement in claim provisions	4,756	(657)	4,099	(2,182)	(3,252)	(5,434)	(1,335)
At 31 December 2010/ At 1 January 2011	21,088	24,473	45,561	(4,869)	(5,855)	(10,724)	34,837
Movement in claim provisions	(16,619)	(2,713)	(19,332)	646	1,440	2,086	(17,246)
At 31 December 2011	4,469	21,760	26,229	(4,223)	(4,415)	(8,638)	17,591
Movement in claim provisions	27,724	(3,532)	24,192	2,165	(234)	1,931	26,123
At 31 December 2012	32,193	18,228	50,421	(2,058)	(4,649)	(6,707)	43,714

	31.12.2012			31.12.2011		
	With DPF	Without DPF	Total	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unallocated surplus/(deficit)						
At 1 January						
- as previously reported	(169,941)	198,476	28,535	(367,623)	354,132	(13,491)
- change in accounting policies	-	-	-	7,910	1,720	9,630
- as restated	(169,941)	198,476	28,535	(359,713)	355,852	(3,861)
Premium received	237,000	574,365	811,365	248,912	672,887	921,799
Payment due to death, surrenders, benefits and claims	(618,537)	(550,312)	(1,168,849)	(560,290)	(691,603)	(1,251,893)
Net investment income	251,701	151,266	402,967	139,866	101,021	240,887
Management expenses and commissions	(45,005)	(151,975)	(196,980)	(6,793)	(131,163)	(137,956)
Change in life insurance fund actuarial liabilities	216,417	(3,858)	212,559	184,352	60,660	245,012
Change in claims liabilities	(29,888)	3,765	(26,123)	15,974	1,272	17,246
Tax expense	(14,737)	(24,080)	(38,817)	13,526	(16,225)	(2,699)
Transfer from shareholders fund	41,234	-	41,234	154,225	-	154,225
Net surplus/(deficit) for the financial year	38,185	(829)	37,356	189,772	(3,151)	186,621
Approved transfer to distributable retained earnings during the financial year	-	-	-	-	(154,225)	(154,225)
At 31 December	(131,756)	197,647	65,891	(169,941)	198,476*	28,535

*The unallocated surplus of the life non-participating is reported under non-distributable retained earnings in the statement of changes equity.

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life Insurance (continued)

Available-for-sale reserves

The available-for-sale reserves movement for the life participating fund is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At 1 January	169,941	142,816	74,071
Fair value change on available-for-sale financial assets, net of tax:			
- Gross fair value change	(20,197)	26,518	74,771
- Deferred taxation	907	607	(6,026)
	(19,290)	27,125	68,745
At 31 December	150,651	169,941	142,816

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General Insurance

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

	Note	31.12.2012 Gross RM'000	31.12.2012 Re-insurance RM'000	31.12.2012 Net RM'000	31.12.2011 Gross RM'000	31.12.2011 Re-insurance RM'000	31.12.2011 Net RM'000	1.1.2011 Gross RM'000	1.1.2011 Re-insurance RM'000	1.1.2011 Net RM'000
Provision for claims		312,910	(77,423)	235,487	351,938	(99,190)	252,748	342,888	(123,329)	219,559
Provision for incurred but not reported claims ("IBNR")		193,833	(18,953)	174,880	220,985	(21,938)	199,047	172,985	(31,188)	141,797
Claim liabilities		506,743	(96,376)	410,367	572,923	(121,128)	451,795	515,873	(154,517)	361,356
Premium liabilities		213,405	(26,091)	187,314	227,499	(60,991)	166,508	211,429	(38,906)	172,523
		720,148	(122,467)	597,681	800,422	(182,119)	618,303	727,302	(193,423)	533,879
Claims liabilities										
At 1 January		572,923	(121,128)	451,795	515,873	(154,517)	361,356	476,601	(169,495)	307,106
Claims incurred in the current accident year		80,997	6,879	87,876	83,189	(7,158)	76,031	239,735	(69,148)	170,587
Other movements in claims incurred in prior accident years		131,156	(25,743)	105,413	216,213	(66,361)	149,852	43,073	10,544	53,617
Claims paid during the financial year	25	(251,181)	40,631	(210,550)	(290,352)	97,658	(192,694)	(268,504)	74,098	(194,406)
Movement in IBNR reserves		(27,152)	2,985	(24,167)	48,000	9,250	57,250	24,968	(516)	24,452
At 31 December		506,743	(96,376)	410,367	572,923	(121,128)	451,795	515,873	(154,517)	361,356

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General Insurance (continued)

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

	Note	31.12.2012			31.12.2011			1.1.2011		
		Gross	Re-insurance	Net	Gross	Re-insurance	Net	Gross	Re-insurance	Net
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Premium liabilities										
At 1 January		227,499	(60,991)	166,508	211,429	(38,906)	172,523	222,218	(59,574)	162,644
Premium written in the financial year	20(a)&(b)	481,120	(63,035)	418,085	492,951	(81,441)	411,510	510,943	(112,594)	398,349
Premium earned during the financial year		(495,214)	97,935	(397,279)	(476,881)	59,356	(417,525)	(521,732)	133,262	(388,470)
At 31 December		213,405	(26,091)	187,314	227,499	(60,991)	166,508	211,429	(38,906)	172,523

16. OTHER LIABILITIES

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Investment creditors	28,747	20,118	33,477
Cash collaterals held for performance bond underwritten	36,370	41,174	45,489
Unclaimed monies	14,563	15,390	15,334
Rental deposits	3,625	5,108	5,265
Accrued interest on cash payments/cash dividends payable to life policyholders	45,416	31,105	38,330
Accrued for unutilised staff leave	581	1,386	1,666
Other payables and accruals	78,576	53,187	93,049
	207,878	167,468	232,610
Repayable within 12 months	193,240	146,193	207,818
Repayable after 12 months	14,638	21,275	24,792
	207,878	167,468	232,610

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

17. INSURANCE PAYABLES

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Due to agents and intermediaries	986,784	880,174	777,919
Due to reinsurers and cedants	30,670	42,000	39,806
Reinsurer's deposits withheld	3,839	2,005	12,593
Premium deposits	10,459	10,377	13,673
	1,031,752	934,556	843,991

The carrying amounts disclosed above approximate the fair value at the date of the statement of financial position. All amounts are payable within one year.

18. PROVISION FOR LIFE AGENTS' RETIREMENT BENEFITS

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At 1 January	1,096	2,703	2,780
Additional/(reversal of) provision	82	(1,266)	100
Utilisation of provision	(67)	(341)	(177)
At 31 December	1,111	1,096	2,703
Repayable within 12 months	166	64	478
Repayable after 12 months	945	1,032	2,225
	1,111	1,096	2,703

The amount recognised in the Company's statement of financial position is analysed as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Present value of funded obligations	31,120	30,498	29,146
Fair value of plan assets	(31,120)	(30,498)	(29,146)
Status of funded plan	-	-	-
Present value of unfunded obligations	1,111	1,096	2,703
Liability in the statement of financial position	1,111	1,096	2,703

The expense recognised in the Life Insurance revenue account under commission and agency expenses is analysed as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Current service cost	33	(1,417)	(39)
Interest cost	49	151	139
	82	(1,266)	100

The actual return on plan asset was RM460,000 (31.12.2011: RM392,000; 1.1.2011: RM2,884,000).

The present value of funded obligations is always equal to the fair value of plan assets of the funded retirement benefit scheme as the actual payment to agents is based on actual fair value of plan assets at the time of retirement. The Company assumes that all agents who have served the Company for more than 10 years would continue to serve the Company until their age of retirement and will be eligible for the retirement benefit.

19. OPERATING REVENUE

	31.12.2012 RM'000	31.12.2011 RM'000
Gross earned premiums (Note 20(a))	1,328,303	1,427,721
Investment income (Note 21)	320,909	329,300
	1,649,212	1,757,021

20. NET EARNED PREMIUMS

	31.12.2012 RM'000	31.12.2011 RM'000
(a) Gross Premiums		
Insurance contracts:		
Life (Note 15(a))	833,089	950,840
General (Note 15(b))	481,120	492,951
	1,314,209	1,443,791
Change in premium liabilities	14,094	(16,070)
	1,328,303	1,427,721
(b) Premiums Ceded		
Insurance contracts:		
Life (Note 15(a))	(21,724)	(29,041)
General (Note 15(b))	(63,035)	(81,441)
	(84,759)	(110,482)
Change in premium liabilities	(34,900)	22,085
	(119,659)	(88,397)
Net earned premiums	1,208,644	1,339,324

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

21. INVESTMENT INCOME

	31.12.2012 RM'000	31.12.2011 RM'000
Financial assets at fair value through profit or loss		
Interest/profit income:		
- Malaysian Government Securities/ Government Investment Issues	423	470
- corporate debt securities	10,023	7,957
Dividend/distribution income:		
- equity securities quoted in Malaysia	25,983	36,717
Accretion of discounts/(amortisation of premiums):		
- Malaysian Government Securities/ Government Investment Issues	(13)	(17)
- corporate debt securities	(557)	675
	35,859	45,802
Available-for-sale financial assets		
Interest/profit income:		
- Malaysian Government Securities/ Government Investment Issues	28,759	11,735
- corporate debt securities	169,420	158,111
Dividend/distribution income:		
- equity securities quoted in Malaysia	3,208	350
- unit trusts	3,012	3,179
Accretion of discounts/(amortisation of premiums):		
- Malaysian Government Securities/ Government Investment Issues	(2,431)	(1,417)
- corporate debt securities	14,576	32,554
	216,544	204,512
Loans and receivables		
Interest/profit income:		
- policy loans	2,121	11,847
- mortgage loans	24,018	23,732
- other secured and unsecured loans	5,452	3,546
- fixed and call deposits	19,168	21,408
	50,759	60,533
Properties		
Gross rental income	30,868	34,603
Less: Rates and maintenance	(13,121)	(16,150)
	17,747	18,453
	320,909	329,300

22. REALISED GAINS AND LOSSES

	31.12.2012 RM'000	31.12.2011 RM'000
Financial assets at fair value through profit or loss		
Realised gains:		
- Malaysian Government Securities/ Government Investment Issues	-	1
- corporate debt securities	267	4,506
- equity securities quoted in Malaysia	1,882	4,295
- unit trusts	47	68
Realised losses:		
- corporate debt securities	(3)	(621)
- equity securities quoted in Malaysia	(739)	(941)
- unit trusts	-	(20)
- investment-linked units	(8)	(160)
	1,446	7,128
Available-for-sale financial assets		
Realised gains:		
- Malaysian Government Securities/ Government Investment Issues	1,082	84
- corporate debts securities	51,371	66,641
- equity securities quoted in Malaysia	14,069	3,433
- unit trusts	19	4,087
Realised losses:		
- Malaysian Government Securities/ Government Investment Issues	(101)	(78)
- corporate debt securities	(668)	(4,502)
- equity securities quoted in Malaysia	(3,084)	(6,292)
- unit trusts	(21)	(7)
- investment-linked units	-	(389)
	62,667	62,977
Loans and receivables		
Realised gains:		
- fixed and call deposits	167	2,650
Realised gains:		
- investment properties	2,106	281
- property, plant and equipment	121	2,942
Realised losses:		
- investment properties	(42)	-
- property, plant and equipment	(24)	(4,595)
	2,161	(1,372)
	66,441	71,383

23. FAIR VALUE GAINS AND LOSSES

	31.12.2012 RM'000	31.12.2011 RM'000
Financial assets at fair value through profit or loss:		
Net fair value gains/(losses):		
- Malaysian Government Securities/ Government Investment Issues	73	210
- corporate debt securities	2,440	2,837
- equity securities quoted in Malaysia	55,344	(90)
- Investment-linked units	-	(523)
- unit trusts	3,975	4,265
	61,832	6,699
Loans and receivables		
Net fair value gains/(losses):		
- fixed and call deposits	164	(2,641)
Net fair value gains/(losses):		
- investment properties	3,510	(120,086)
Impairment losses:		
- available-for-sale financial assets	(802)	(56,353)
Loans and receivables		
- write back of allowance for impairment on loans	4,369	2,395
	69,073	(169,986)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

24. FEES AND COMMISSION INCOME

	31.12.2012 RM'000	31.12.2011 RM'000
Policy administration and investment management services	10,159	10,124
Surrender charges and other contract fees	349	1,132
Reinsurance commission income	7,707	24,614
	18,215	35,870

25. NET BENEFITS AND CLAIMS

		31.12.2012 RM'000	31.12.2011 RM'000
(a) Gross Benefits and Claims Paid			
Insurance contracts:	Life	(1,177,565)	(1,263,816)
	General (Note 15(b))	(251,181)	(290,352)
		(1,428,746)	(1,554,168)
(b) Claims Ceded to Reinsurers			
Insurance contracts:	Life	8,716	11,923
	General (Note 15(b))	40,631	97,658
		49,347	109,581
(c) Gross Change in Contract Liabilities			
Insurance contracts:	Life	150,553	69,679
	General (Note 15(b))	66,180	(57,050)
		216,733	12,629
(d) Change in Contract Liabilities ceded to Reinsurers			
Insurance contracts:	Life	(2,302)	2,807
	General (Note 15(b))	(24,752)	(33,389)
		(27,054)	(30,582)

26. MANAGEMENT EXPENSES

	31.12.2012	31.12.2011
	RM'000	RM'000
Staff costs (including executive directors):		
- salaries and bonus	82,309	67,087
- staff and retirement benefits contributions	15,763	12,422
	98,072	79,509
Directors' remuneration	227	293
Auditors' remuneration:		
- statutory audit	694	545
- under accrual/(over provision) of prior financial year	27	(55)
Fees paid to a company in which certain Directors have an interest	-	197
Office rental	13,417	12,924
Equipment rental	1,085	1,451
Depreciation of property and equipment	7,787	10,321
Amortisation of intangible assets	1,688	2,500
Write back of allowance for impairment of insurance receivables	(1,209)	(287)
Training expenses	2,630	1,804
Repairs and maintenance expenses	8,113	7,223
Information technology expenses	14,805	15,215
Advertising, promotional and entertainment expenses	7,663	10,857
Motor club expenses	2,871	2,928
Motor vehicle and travelling expenses	3,526	2,948
Printing and stationery expenses	7,538	5,450
Postage, courier and telephone charges	3,869	3,900
Management fees	2,970	6,561
Other expenses	21,014	20,551
	98,715	105,326
	196,787	184,835

26. MANAGEMENT EXPENSES (CONTINUED)

Included in management expenses were emoluments received by Directors of the Company during the financial year:

	31.12.2012 RM'000	31.12.2011 RM'000
Executive Directors:		
- salaries	658	-
- contribution to defined contribution plan	89	-
- other emoluments	429	-
- benefits in kind	57	-
	1,233	-
Non-Executive Directors:		
- fees	189	223
- allowances	38	70
	227	293
Total	1,460	293
Represented by:		
Directors' fees	189	223
Directors' emoluments	1,214	70
Benefits in kind	57	-
Total	1,460	293

The number of Executive and Non-Executive Directors whose total remuneration received or receivable during the financial year are analysed by the following bands:

	Number of Directors	
	31.12.2012	31.12.2011
Executive Directors:		
RM10,001 – RM100,000	1	-
RM100,001 – RM1,250,000	1	-
Non-Executive Directors:		
RM10,001 – RM100,000	1	3
RM100,001 – RM170,000	1	1

There was no remuneration attributable to the Chief Executive Officer ("CEO") of the Company during the financial year ended 31 December 2012 (2011 and 2010: Nil).

The estimated monetary value of benefits provided to CEO during the financial year by way of usage of the Company's assets was RM25,500 (2011 and 2010: Nil).

26. MANAGEMENT EXPENSES (CONTINUED)

The Directors of the Company in office during the financial year were as follows:

Tan Sri Ahmad bin Mohd Don
Dr. Zaha Rina Zahari
Geoffrey Martin Riddell
Cheong Chee Meng
Daniel Andre Reymond

27. OTHER OPERATING (EXPENSES)/INCOME - NET

	31.12.2012 RM'000	31.12.2011 RM'000
Loans and receivables		
- bad debts written off	-	(499)
Finance costs	(39)	(40)
Gain on commutation from termination of quota share reinsurance agreement with MAA International Assurance Ltd	-	37,708
Integration cost	(27,772)	(3,932)
Other miscellaneous revenue	5,220	5,291
	(22,591)	38,528

The unsecured bank overdraft facilities of the Company have limits of RM6.0 million. During the financial year, the interest rate charged was 8.10% (2011: 7.80%) per annum. There were no overdrawn facilities utilised at the date of the statement of financial position.

28. TAXATION

	31.12.2012		
	Life fund	General and shareholders' funds	Total
	RM'000	RM'000	RM'000
Current tax	28,519	22,432	50,951
Deferred tax (Note 12)	10,298	(992)	9,306
Tax expense	38,817	21,440	60,257
Current tax			
Current financial year	29,594	22,406	52,000
(Over)/under provision in prior financial years	(1,075)	26	(1,049)
	28,519	22,432	50,951
Deferred tax			
Origination and reversal of temporary differences	10,298	(992)	9,306
	38,817	21,440	60,257

	31.12.2011		
	Life fund	General and shareholders' funds	Total
	RM'000	RM'000	RM'000
Current tax	(5,684)	20,907	15,223
Deferred tax (Note 12)	8,383	(17,340)	(8,957)
Tax expense	2,699	3,567	6,266
Current tax			
Current financial year	26,556	14,907	41,463
(Over)/under provision in prior financial years	(32,240)	6,000	(26,240)
	(5,684)	20,907	15,223
Deferred tax			
Origination and reversal of temporary differences	8,383	(17,340)	(8,957)
	2,699	3,567	6,266

28. TAXATION

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

	31.12.2012 RM'000	31.12.2011 RM'000
Profit/(loss) before taxation	113,931	(167,682)
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	28,484	(41,921)
Income not subject to tax	(4,473)	(5,701)
Deficit in life participating funds transferred to income statement	-	38,556
Expenses not deductible for tax purposes	37,295	41,572
	61,306	32,506
Over provision of taxation in prior financial years	(1,049)	(26,240)
Tax expense	60,257	6,266

The income tax for the shareholders' and general funds are calculated based on the corporate tax rate of 25% (2011: 25%) of the estimated assessable profit for the financial year.

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

The income tax for the investment income on the life fund is calculated based on the statutory tax rate of 8% (2011: 8%) of the estimated assessable investment income net of allowable deductions for the financial year. The taxes of the respective funds are disclosed in Note 40 to the financial statements.

29. DIVIDENDS

There were no dividends paid in respect of the previous financial year and the Directors do not recommend the payment of any dividend for the current financial year.

30. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per ordinary share has been calculated by dividing the Company's net profit for the financial year of RM53,764,000 (2011: net loss of RM173,948,000) over the weighted average number of shares of the Company in issue of 579,000,000 (2011: 157,644,000) shares.

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

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

31. CASH FLOWS

	Note	31.12.2012 RM'000	31.12.2011 RM'000
Profit/(loss) after tax		53,674	(173,948)
Investment income	21	(320,909)	(329,300)
Realised gains recorded in profit or loss	22	(66,441)	(71,383)
Fair value (gains)/losses recorded in profit or loss	23	(69,073)	169,986
Purchases of investment properties	6	-	-
Proceeds from sale of investment properties		13,626	37,737
Purchases of financial assets at fair value through profit or loss	7(c)	(326,203)	(387,656)
Proceeds from sale of financial assets at fair value through profit or loss		371,149	415,441
Purchases of available-for-sale financial assets	7(c)	(2,554,078)	(1,311,478)
Proceeds from sale and redemption of available-for-sale financial assets		1,526,500	1,386,644
Decrease in loans and receivables		32,332	284,853
Non-cash items:			
Depreciation of property, plant and equipment	4	7,787	10,321
Amortisation of intangible assets	5	1,688	2,500
Increase/(decrease) in provision for agents' retirement benefits	18	82	(1,266)
Utilisation of agents' retirement benefits	18	(67)	(341)
Decrease in allowance for impairment on insurance receivables	26	(1,209)	(287)
Bad debts written off	26	29	-
Tax expense	28	60,257	6,266
Changes in working capital:			
Decrease in reinsurance assets		70,595	8,499
Decrease/(increase) in insurance receivables		4,317	(2,269)
Increase in other receivables		(74,254)	(12,783)
Decrease in insurance contract liabilities		(261,450)	37,483
Increase/(decrease) in other liabilities		117,626	(70,294)
Increase in insurance payables		97,199	90,562
Cash (utilised)/from in operating activities		(1,316,823)	89,287

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of benefits and claims incurred for insurance contracts, which are classified under operating activities.

32. CAPITAL AND OTHER COMMITMENTS

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

	31.12.2012 RM'000	31.12.2011 RM'000
Authorised and contracted for:		
- investment properties	505	13,134

33. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties

The related party and their relationship with the Company as at 31 December 2012 are as follows:

Name of company	Relationship
Zurich Insurance Group Limited ("ZIGL")	Ultimate holding company
Zurich Insurance Company Ltd ("ZICL")	Immediate holding company
Zurich Property Services Malaysia Sdn Bhd	Subsidiary of ZICL
Zurich Roadside Assistance Malaysia Sdn Bhd	Subsidiary of ZICL
Zurich Technology Services Malaysia Sdn Bhd	Subsidiary of ZICL
MCIS Zurich Insurance Berhad	Joint venture company of ZIGL
Zurich Insurance Company Ltd, Labuan Branch	Branch office of ZICL

In the normal course of business, the Company undertakes various transactions with other companies deemed related by virtue of being subsidiary and associated companies of ZIGL, collectively known as ZIGL Group. The Directors are of the opinion that the reinsurance premiums ceded to related companies and related parties are contracted on the terms and conditions no more favourable than those available with other reinsurance counterparties. Other related party transactions were also carried out on terms and conditions no more favourable than those available on similar transactions with unrelated parties, unless otherwise stated.

The significant related party transactions during the financial year with related parties are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
Reinsurance transactions with:		
Zurich Insurance Company Ltd:		
- Reinsurance premiums paid	10,903	-
- Reinsurance commissions received	(798)	-
- Reinsurance claims recovered	(69)	-
Zurich Insurance Company Ltd, Labuan Branch:		
- Reinsurance premiums paid	5,537	-
- Reinsurance commissions received	(802)	-
MCIS Zurich Insurance Berhad:		
- Co-insurance premiums received	117	-

33. SIGNIFICANT RELATED PARTY DISCLOSURES (Continued)

(a) Related parties (continued)

	31.12.2012 RM'000	31.12.2011 RM'000
Rental income received/receivable from:		
Zurich Property Services Malaysia Sdn Bhd	(56)	-
Zurich Roadside Assistance Malaysia Sdn Bhd	(82)	-
Zurich Technology Services Malaysia Sdn Bhd	(552)	(454)
Other transactions:		
Accounting, payroll and administration fees received/ receivable from:		
- Zurich Property Services Malaysia Sdn Bhd	(96)	-
- Zurich Technology Services Malaysia Sdn Bhd	(110)	-
Property management and services paid to:		
- Zurich Property Services Malaysia Sdn Bhd	3,099	2,944
Breakdown services assistance charges paid to:		
- Zurich Roadside Assistance Malaysia Sdn Bhd	2,621	2,889
Software development, system support and maintenance fees paid to:		
- Zurich Technology Services Malaysia Sdn Bhd	8,555	7,662
Purchase of computer equipments from:		
- Zurich Technology Services Malaysia Sdn Bhd	1,624	758
Reimbursement costs to:		
- Zurich Insurance Company Ltd, Switzerland	376	-

In the previous financial year, the significant related party transactions held with the related parties of the former holding company of the Company, MAA Group Berhad, were as follows:

	31.12.2011 RM'000
Rental income received/receivable from:	
MAA Group Berhad	(254)
MAAKL Mutual Bhd	(633)
MAA Takaful Berhad	(675)
MAA Corporate Advisory Sdn Bhd	(111)
MAA Corporation Sdn Bhd	(436)
Menang Bernas Sdn Bhd	(80)
Meridian Asset Management Sdn Bhd	(129)
Trace Management Services Sdn Bhd	(105)
Melewar Integrated Engineering Sdn Bhd	(98)
Melewar Industrial Group Berhad	(207)
Melewar Equities Sdn Bhd	(75)
Other transactions:	
Security service charges paid to:	
- MAA Group Berhad	419
- Wira Security Services Sdn Bhd	3,237

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

33. SIGNIFICANT RELATED PARTY DISCLOSURES (Continued)

(a) Related parties (continued)

In the previous financial year, the significant related party transactions held with the related parties of the former holding company of the Company, MAA Group Berhad, were as follows: (continued)

	31.12.2011 RM'000
Other transactions: (continued)	
Payment of remuneration for the provision of CEO to the Company to:	
- MAA Group Berhad	470
Company secretarial and related fees paid to:	
- Trace Management Services Sdn Bhd	197
Advisory fees paid to:	
- MAA Corporate Advisory Sdn Bhd	1,020
Car park management fees paid to:	
- Chelsea Parking Services Sdn Bhd	162
Parking charges paid to:	
- Chelsea Parking Services Sdn Bhd	257
Purchase of air tickets and travel packages from:	
- Mitra Malaysia Sdn Bhd	789
Purchase of food and beverage vouchers paid to:	
- Menang Bernas Sdn Bhd	254
Outsourcing fees received from:	
- MAA Takaful Berhad	(3,381)
Sale of shares in:	
- Mycron Steel Bhd	1,461
- M3nergy Bhd	5,811
Gain on commutation from termination of quota share reinsurance agreement with MAA International Assurance Ltd.	(37,708)

(b) Related party balances

	31.12.2012 RM'000	31.12.2011 RM'000
Included in reinsurance payables:		
Zurich Insurance Company Ltd	(3,362)	-
Zurich Insurance Company Ltd, Labuan Branch	(3,504)	-
Included in other payables:		
Zurich Roadside Assistance Malaysia Sdn Bhd	(1,892)	(1,449)
Zurich Insurance Company Ltd	(54)	-

33. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

Directors and key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Company's key management personnel as well as fees and allowances paid to Directors were as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
Salaries and other short-term employee benefits	5,575	6,751
Defined contribution retirement benefits	33	761
	5,608	7,512

The financial year end balances with key management personnel were as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
Amount receivable from mortgage loans	123	169

The amount receivable from mortgage loans is secured against properties pledged with fixed terms and bearing interest at the rates ranging from 5% to 8.5% per annum (2011: 5% to 8.5% per annum).

There was no remuneration attributable to the Chief Executive Officer ("CEO") of the Company during the financial year ended 31 December 2012 (2011 and 2010: Nil).

The estimated monetary value of benefits provided to CEO during the financial year by way of usage of the Company's assets was RM25,500 (2011 and 2010: Nil).

34. CHANGES IN ACCOUNTING POLICIES

The effects of the Company's transition to MFRS, described in Note 2.1(a) to the financial statements is summarised as follows:

(a) MFRS mandatory exception

MFRS estimates – MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for the prior financial periods. The following tables represent the reconciliation from FRS to MFRS for the respective period notes for equity and total comprehensive income.

The transition from FRS to MFRS has no effect on the reported cash flows generated by the Company.

34. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Reconciliation of equity

	Note	1 January 2011 (date of transition) RM'000	31 December 2011 RM'000
Equity as reported under FRS		264,874	678,125
Add/(less): Transitioning adjustments			
(i) Derecognition of property, plant and equipment	a	4,352	336
(ii) Recognition of cumulative surplus and reserves from life non-participating fund	c	398,162	262,633
(iii) Deferred tax arising from transitioning adjustments	e	(4,271)	(14,338)
		663,117	926,756

(ii) Reconciliation of total comprehensive income

	Note	31 December 2011 RM'000
Total comprehensive income as reported under FRS		(15,749)
Add/(less): Transitioning adjustments		
(i) Designation of property, plant and equipment	a	(2,482)
(ii) Designation of financial assets	b	4,648
(iii) Recognition of surplus and reserve non-participating fund	c	13,010
(iv) Transfer to life participating and annuity funds	d	(154,225)
(v) Deferred tax arising from transitioning adjustments	e	(10,563)
Total comprehensive income as reported under MFRS		(165,361)

The adoption of the new MFRS Framework and the change of accounting policy resulted in the following restatements:

(a) Re-measurement of land and buildings using the cost model.
(b) Re-designation of certain portfolio of financial instruments other than life participating fund previously classified as 'fair value through profit or loss' to 'available-for-sale'.
(c) Reclassification of unallocated surplus and reserves of life non-participating funds previously held within insurance contract liabilities.
(d) Reclassification of deficit arising from life participating and annuity funds during the financial year.
(e) Recognition of corresponding deferred tax arising from transitioning adjustments in respect of the above items (a), (b) and (c). On date of transition, 1 January 2011, deferred tax liabilities were not computed on the unallocated surplus of the life non-participating funds as the life insurance fund had reported a total net deficit of RM13,491,000 as at 31 December 2010.

34. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Effects of changes in accounting policies on the Company's statement of financial positions at 1 January 2011 and 31 December 2011

(b) Financial Impact of Adoption of MFRS Framework

In preparation of the Company's opening MFRS statements of financial position, the amounts previously reported in accordance with the previous FRS framework have been adjusted for the financial effects of the adoption of the MFRS framework. A reconciliation of these changes is summarised in the following tables:

			1.1.2011
	As previously reported under the FRS Framework	Effect of MFRS transition	As restated MFRS
	RM'000	RM'000	RM'000
Assets			
Property, plant and equipment	279,584	10,976	290,560
Intangible assets	4,595	-	4,595
Investment properties	512,287	-	512,287
Investments	5,791,497	-	5,791,497
Available-for-sale financial assets	3,790,913	188,277	3,979,190
Financial assets at fair value through profit or loss	1,100,706	(188,277)	912,429
Loans and receivables	899,878	-	899,878
Reinsurance assets	222,343	-	222,343
Insurance receivables	77,151	-	77,151
Other receivables	43,990	-	43,990
Tax recoverable	26,936	-	26,936
Deferred tax assets	1,900	(622)	1,278
Cash and cash equivalents	619,275	-	619,275
Total assets	**7,579,558**	**10,354**	**7,589,912**
Equity, policyholders' funds and liabilities			
Share capital	150,000	-	150,000
Retained earnings	102,540	357,713	460,253
Other reserves	12,334	40,530	52,864
Total equity	**264,874**	**398,243**	**663,117**
Insurance contract liabilities	6,185,763	(388,345)	5,797,418
Deferred tax liabilities	15,477	456	15,933
Other liabilities	232,610	-	232,610
Insurance payables	843,991	-	843,991
Provision for life agents' retirement benefits	2,703	-	2,703
Current tax liabilities	34,140	-	34,140
Total liabilities	**7,314,684**	**(387,889)**	**6,926,795**
Total equity, policyholders' funds and liabilities	**7,579,558**	**10,354**	**7,589,912**

34. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Effects of changes in accounting policies on the Company's statement of financial positions at 1 January 2011 and 31 December 2011 (continued)

	31.12.2011		
	As previously reported under the FRS Framework	Effect of MFRS transition	As restated MFRS
	RM'000	RM'000	RM'000
Assets			
Property, plant and equipment	259,537	-	259,537
Intangible assets	3,023	-	3,023
Investment properties	363,108	-	363,108
Investments	5,462,026	-	5,462,026
Available-for-sale financial assets	3,733,153	213,850	3,947,003
Financial assets at fair value through profit or loss	1,111,444	(213,850)	897,594
Loans and receivables	617,429	-	617,429
Reinsurance assets	213,845	-	213,845
Insurance receivables	79,707	-	79,707
Other receivables	60,853	-	60,853
Tax recoverable	51,353	-	51,353
Deferred tax assets	22,702	-	22,702
Cash and cash equivalents	1,404,373	-	1,404,373
Total assets	**7,920,527**	**-**	**7,920,527**
Equity, policyholders' funds and liabilities			
Share capital	579,000	-	579,000
Retained earnings	88,429	197,876	286,305
Other reserves	10,696	50,755	61,451
Total equity	**678,125**	**248,631**	**926,756**
Insurance contract liabilities	6,076,614	(248,631)	5,827,983
Deferred tax liabilities	28,303	-	28,303
Other liabilities	167,468	-	167,468
Insurance payables	934,556	-	934,556
Provision for life agents' retirement benefits	1,096	-	1,096
Current tax liabilities	34,365	-	34,365
Total liabilities	**7,242,402**	**(248,631)**	**6,993,771**
Total equity, policyholders' funds and liabilities	**7,920,527**	**-**	**7,920,527**

34. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Effects of changes in accounting policies on the Company's income statement and statement of comprehensive income for the financial year ended 31 December 2011

Income statement

	31.12.2011		
	As previously reported under the FRS Framework	Effect of MFRS transition	As restated MFRS
	RM'000	RM'000	RM'000
Operating revenue	1,757,021	-	1,757,021
Gross earned premiums	1,427,721	-	1,427,721
Premiums ceded to reinsurers	(88,397)	-	(88,397)
Net earned premiums	1,339,324	-	1,339,324
Investment income	329,300	-	329,300
Realised gains and losses	67,878	3,505	71,383
Fair value gains and losses	(151,788)	(18,198)	(169,986)
Fee and commission income	35,870	-	35,870
Other revenue	281,260	(14,693)	266,567
Gross benefits and claims paid	(1,554,168)	-	(1,554,168)
Claims ceded to reinsurers	109,581	-	109,581
Gross change to contract liabilities	159,414	(146,785)	12,629
Change in contract liabilities ceded to reinsurers	(30,582)	-	(30,582)
Net claims	(1,315,755)	(146,785)	(1,462,540)
Fee and commission expense	(164,726)	-	(164,726)
Management expenses	(184,835)	-	(184,835)
Other operating income - net	38,528	-	38,528
Other expenses	(311,033)	-	(311,033)
Loss before taxation	(6,204)	(161,478)	(167,682)
Taxation	(7,907)	1,641	(6,266)
Loss for the financial year	(14,111)	(159,837)	(173,948)
Loss per share (sen)	(0.1)		(110.3)

34. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Effects of changes in accounting policies on the Company's income statement and statement of comprehensive income for the financial year ended 31 December 2011

Statement of comprehensive income

	31.12.2011		
	As previously reported under the FRS Framework	Effect of MFRS transition	As restated MFRS
	RM'000	RM'000	RM'000
Loss for the financial year	(14,111)	(159,837)	(173,948)
Other comprehensive income:			
Fair value change on available-for-sale financial assets	(2,773)	38,388	35,615
Change in asset revaluation reserves	589	(589)	-
Deferred taxation	546	(449)	97
Net (losses)/gains	(1,638)	37,350	35,712
Change in insurance contract liabilities arising from unrealised net fair value - gains	-	(27,125)	(27,125)
Other comprehensive (loss)/income for the year, net of tax	(1,638)	10,225	8,587
Total comprehensive loss for the financial year	(15,749)	(149,612)	(165,361)

35. RISK MANAGEMENT FRAMEWORK

Risk Governance Structure

The Company's risk governance structure and risk reporting requirement is incorporated in the Company's Risk Management Framework. The Framework explains the underlying approach and defines an on-going and consistent process for identifying, analyzing, evaluating, treating, monitoring and reporting significant risks faced by the business units, divisions, the stakeholders and ultimately, the Company. It also outlines the key aspects of the risks management process and identifies the main reporting procedures.

The adoption of the framework is the responsibility of the Board with some of the responsibilities delegate to the Risk Management Committee. The Company has established senior management committees which act as platform for two-way communication between the Management and the Board. The Committees are the Executive Committee, Management Committee, IT Steering Committee, HR Committee, Occupational Safety Health Committee, Investment Committee (dissolved on October 2011), Risk Based Committee (dissolved on February 2012) and Asset Liability Management and Investment Committee (formed on October 2011). All these committees are chaired by the Chief Executive Officer.

To address the investment and Risk Based Capital issues effectively, the management had decided to dissolve the Investment Committee and the Risk Based Committee and form a new committee. The Investment Committee was dissolved in October 2011 and all matters related to investment, assets and liability were subsequently tabled at the Asset Liability Management and Investment Committee. On February 2012, the Risk Based Capital Committee was dissolved and a new Life and General Product Steering Committee was formed. Matters related to product development that were previously tabled at the Risk Based Capital Committee will subsequently table at the Product Steering Committee.

They are responsible to oversee the development and assess the effectiveness of risk management policies, review risk exposure and portfolio composition and ensure that infrastructure, resources and systems are put in place for effective risk management activities.

Regulatory Framework

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the investment guidelines rests with the respective Board. The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital Management

The Company's capital management policy is to create shareholder value, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

The minimum Capital Adequacy Ratio ("CAR") under the Risk-based Capital Framework regulated by Bank Negara Malaysia is 130% for each insurance entity. The Company complied with the minimum CAR as at 31 December 2012.

The regulated capital of the Company as at 31 December 2012 comprised Available Capital of RM2,066 million (31.12.2011: RM 2,075 million; 1.1.2011: RM411 million).

35. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Capital Management (continued)

The capital structure of the Company as at 31 December 2012, as prescribed under the RBC Framework, is shown below:

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Tier 1 Capital			
Paid-up share capital	579,000	579,000	150,000
Reserves, including retained earnings	1,338,914	1,331,147	460,253
	1,917,914	1,910,147	610,253
Tier 2 Capital			
Available-for-sale reserves	176,887	192,409	52,864
Less:			
Deferred tax assets	(28,338)	(27,227)	(4,585)
Assignment of assets to support life participating and annuity funds	-	-	(247,776)
Total Capital Available	2,066,463	2,075,329	410,756

36. INSURANCE RISK

The risk underlying any insurance contract is the likelihood of the insured event occurring and the uncertainty in the amount of the resulting claims. This risk is random and therefore unpredictable.

For a portfolio of insurance contracts, the principal risk that the Company faces is that claims and benefit payments exceed the amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits will vary from year to year from the level established using statistical estimation techniques.

Life Insurance Contracts

Life insurance contracts offered by the Company include whole life, term assurance, endowments, annuity contracts, investment link contracts and medical and health riders. The Company currently does not offer any investment contracts with DPF.

The main risks that the Company is exposed to are the following:-

- Mortality risk – risk of loss arising due to policyholders' death experience being worse than expected
- Morbidity risk – risk of loss arising due to policyholders' health experience being worse than expected
- Longevity risk – risk of loss arising due to annuitants living longer than expected
- Investment return/Interest rate risk – risk of loss arising from actual returns being lower than expected
- Expense risk – risk of loss arising from expense experience being higher than expected
- Lapse risk – risk of loss arising due to policyholder surrender experience deviate from that expected

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is broadly achieved through diversification across industry sectors and geography, use of medical screening to ensure that pricing reflects policyholders' health condition and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims procedures.

36. INSURANCE RISK (CONTINUED)

Life Insurance Contracts (continued)

The table below shows the concentration of the liabilities for future policyholders' benefits by type of contract:

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012							
Life Contracts:							
Whole life	1,843,922	57,028	1,900,950	(3,342)	(1,167)	(4,509)	1,896,441
Endowment	386,243	533,085	919,328	(852)	(1,913)	(2,765)	916,563
Term-Mortgage	287	107,370	107,657	-	(8,863)	(8,863)	98,794
Term-Others	202,716	81,311	284,027	(469)	(6,090)	(6,559)	277,468
Term-Medical & Health	-	31,112	31,112	-	-	-	31,112
Term- Other plans	-	170	170	-	(21)	(21)	149
Term-Other provision	-	25,000	25,000	-	-	-	25,000
Annuity Contracts:							
Immediate annuities	501	-	501	-	-	-	501
Deferred annuities	783,032	-	783,032	-	-	-	783,032
Total life insurance	3,216,701	835,076	4,051,777	(4,663)	(18,054)	(22,717)	4,029,060
31 December 2011							
Life Contracts:							
Whole life	1,838,988	50,019	1,889,007	(2,979)	(943)	(3,922)	1,885,085
Endowment	382,965	559,623	942,588	(756)	(1,754)	(2,510)	940,078
Term-Mortgage	364	104,763	105,127	-	(9,475)	(9,475)	95,652
Term-Others	369,883	76,350	446,233	(678)	(6,483)	(7,161)	439,072
Term-Medical & Health	-	26,813	26,813	-	-	-	26,813
Term- Other plans	-	302	302	-	(20)	(20)	282
Term-Other provision	-	25,000	25,000	-	-	-	25,000
Annuity Contracts:							
Immediate annuities	527	-	527	-	-	-	527
Deferred annuities	840,139	-	840,139	-	-	-	840,139
Total life insurance	3,432,866	842,870	4,275,736	(4,413)	(18,675)	(23,088)	4,252,648
1January 2011							
Life Contracts:							
Whole life	1,676,334	66,393	1,742,727	(1,947)	(723)	(2,670)	1,740,057
Endowment	469,230	603,585	1,072,815	(495)	(1,250)	(1,745)	1,071,070
Term-Mortgage	522	133,763	134,285	-	(8,219)	(8,219)	126,066
Term-Others	439,664	51,754	491,418	(580)	(4,971)	(5,551)	485,867
Term-Medical & Health	-	22,460	22,460	-	-	-	22,460
Term - Other plans	-	494	494	-	(11)	(11)	483
Annuity Contracts:							
Immediate annuities	525	-	525	-	-	-	525
Deferred annuities	1,029,553	-	1,029,553	-	-	-	1,029,553
Total life insurance	3,615,828	878,449	4,494,277	(3,022)	(15,174)	(18,196)	4,476,081

As all of the business is derived from Malaysia, and the entire life liabilities are in Malaysia.

36. INSURANCE RISK (CONTINUED)

Life Insurance Contracts (continued)

Key Assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The table below shows the key underlying assumptions used for valuation of life insurance contract liabilities:

Assumptions	Description
Valuation Method	Gross Premium Valuation For Participating Fund, the method that produces the higher reserves of: (i) Fund based yield for total benefits (i.e. guaranteed and non-guaranteed cash flows), and (ii) For guaranteed cash flows, Malaysia Government Bond zero coupon spot yields (as outlined below). For Ordinary Life Non-Participating business, only (ii) is applicable.
Interest Rate	Malaysia Government bond yields determined based on the following: (i) For cash flows with duration less than 15 years, Malaysia Government Bond zero coupon spot yields of matching duration. (ii) For cash flows with duration 15 years or more, Malaysia Government Bond zero coupon spot yields of 15 years to maturity. Data source: Malaysia Government Bond zero coupon spot yield from Bondweb, a bond pricing agency.
Mortality, Disability, Dread disease, Expense, Lapse and Surrenders	Participating Fund, the method that produces the higher reserves of: (i) Best estimates for total benefits (i.e. guaranteed and non-guaranteed cash flows), and (ii) Best estimates plus provision for risk of adverse deviation (PRADs) for guaranteed cash flows only. Non-Participating fund and unit reserves of Investment Linked Funds: Best estimates plus provision for risk of adverse deviation (PRADs). Data source: Internal experience studies.

36. INSURANCE RISK (CONTINUED)

Life Insurance Contracts (continued)

Sensitivities

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. 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. Sensitivity information will also vary according to the current economic assumptions.

		Impact on life insurance contract liabilities	
	Change in assumptions	Gross	Net
	%	RM'000	RM'000
31 December 2012			
Mortality/morbidity	+10	67,186	66,810
Longevity	-10	(68,838)	(68,452)
Expenses	+10	30,162	29,993
Lapse and surrender rates	+10	(41,699)	(41,466)
Investment return	+1	(181,341)	(180,324)
Investment return	-1	268,162	266,659
Discount rate	+1	(123,707)	(123,014)
Discount rate	-1	202,355	201,221
31 December 2011			
Mortality/morbidity	+10	66,746	66,351
Longevity	-10	(68,399)	(67,995)
Expenses	+10	31,192	31,008
Lapse and surrender rates	+10	(69,802)	(69,389)
Investment return	+1	(194,826)	(193,674)
Investment return	-1	299,713	297,942
Discount rate	+1	(104,090)	(103,475)
Discount rate	-1	193,707	192,562
31 December 2010			
Mortality/morbidity	+10	58,408	58,150
Longevity	-10	(59,211)	(58,949)
Expenses	+10	31,572	31,432
Lapse and surrender rates	+10	(76,555)	(76,217)
Investment return	+1	(278,704)	(277,472)
Investment return	-1	340,687	339,181
Discount rate	+1	(83,915)	(83,544)
Discount rate	-1	121,676	121,138

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

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts

The risk inherent in general insurance contracts are reflected in the insurance contract liabilities which include premium and claims liabilities, as set out under Note 15(b) to the financial statements. Premium liabilities comprise reserves for unexpired risks, whilst claims liabilities comprise loss reserves which include provisions for both outstanding claims notified and outstanding claims incurred but not reported.

The Company sets to manage its insurance risks for general insurance policies by having a clearly defined framework as follows:

- Writing a balanced mix and spread of business, geographically and between classes of business;
- Underwriting strategies focused on profitable lines of business are clearly articulated to stakeholders;
- Underwriting authority limits for capacity are in place according to individuals' capacity in the underwriting process;
- Mitigating insurance risks through purchase of both proportional and non-proportional reinsurance treaties; and
- Regular monitoring of claims experience and comparing actual experience against that implied in pricing.

The concentration of the general insurance claims liabilities in relation to the type of insurance contracts accepted is as summarised below:

	31.12.2012			31.12.2011		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fire	27,686	(15,026)	12,660	26,076	(15,609)	10,467
Motor Vehicle	273,679	(10,122)	263,557	305,932	(17,919)	288,013
Motor Cycle	79,623	(3,939)	75,684	93,071	(5,980)	87,091
Marine, Aviation and Transit	34,766	(25,944)	8,822	35,864	(23,925)	11,939
Miscellaneous	90,989	(41,345)	49,644	111,980	(57,695)	54,285
At 31 December	506,743	(96,376)	410,367	572,923	(121,128)	451,795

	1.1.2011		
	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000
Fire	45,080	(33,584)	11,496
Motor Vehicle	264,231	(37,987)	226,244
Motor Cycle	90,401	(13,592)	76,809
Marine, Aviation and Transit	23,691	(17,034)	6,657
Miscellaneous	92,470	(52,320)	40,150
At 1 January	515,873	(154,517)	361,356

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Key Assumptions

Outstanding claims provisions are usually established by skilled claims personnel based upon their experience and knowledge, and known facts of individual claims at hand. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson (BF) methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses based upon past development patterns including the implicit underlying trends. The BF methods which tend to be more stable and the more preferred methods also require the input of initial expected loss ratios ("IELRs") which usually are based upon past claims experience.

Thus, general insurance contract liabilities are normally determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislation changes, judicial decisions, economic conditions and claims handling procedure.

However, additional qualitative judgements are also 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. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties and the actual future premium and claims liabilities may not develop exactly as projected and could vary significantly from initial estimates. To increase the probability that the estimates would ultimately be adequate, provisions for adverse deviations are also included in the estimates.

The Company further reduced its risk exposure through strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims. In addition, the Company enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Sensitivities

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.

Motor Third Party Bodily Injury ("TPBI") claims is one of the main components contributing to the Company's general insurance claims liabilities. TPBI has a longer risk exposure compared to other classes which will result in volatile impact to the change in key assumptions.

The analysis below is performed on the Company's TPBI portfolio 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 among assumptions could 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.

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Sensitivities (continued)

	Impact on change in assumptions	Impact on gross claim liabilities	Impact on net claim liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2012					
Average claim cost	+10%	3,938	3,780	(200)	(147)
Average number of claims	+10%	8,651	8,305	(4,725)	(3,461)
Average claim settlement period	24 months to 18 months	8,305	7,973	(4,393)	(3,218)
31 December 2011					
Average claim cost	+10%	8,444	8,107	(430)	(318)
Average number of claims	+10%	8,133	7,807	(131)	(97)
Average claim settlement period	24 months to 18 months	7,807	7,495	182	134
31 December 2010					
Average claim cost	+10%	9,707	9,319	(494)	(372)
Average number of claims	+10%	11,373	10,918	(2,094)	(1,572)
Average claim settlement period	24 months to 18 months	8,118	7,794	1,031	776

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

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 the statement of financial position, together with cumulative payments to-date.

In setting provisions for claims, the 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Gross General Insurance Contract Liabilities for 2012:

	Before 2006	2006	2007	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident years:									
At end of the accident year	236,775	257,019	273,029	234,016	358,517	346,181	386,460	314,506	
One year later	237,631	261,888	267,676	256,206	296,855	353,401	313,350	-	
Two years later	243,177	263,908	284,567	240,947	294,546	317,113	-	-	
Three years later	246,593	275,929	275,609	229,234	283,926	-	-	-	
Four years later	249,302	262,577	265,199	225,419	-	-	-	-	
Five years later	242,524	253,298	264,052	-	-	-	-	-	
Six years later	235,663	253,191	-	-	-	-	-	-	
Seven years later	252,215	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	252,215	253,191	264,052	225,419	283,926	317,113	313,350	314,506	
At end of the accident year	(89,022)	(94,155)	(111,328)	(72,173)	(103,716)	(96,008)	(100,689)	(93,384)	
One year later	(168,590)	(184,335)	(191,449)	(165,041)	(191,071)	(205,820)	(183,396)	-	
Two years later	(188,137)	(209,285)	(218,928)	(190,511)	(231,237)	(246,716)	-	-	
Three years later	(199,765)	(226,481)	(235,000)	(204,103)	(250,617)	-	-	-	
Four years later	(220,015)	(240,628)	(246,689)	(208,645)	-	-	-	-	
Five years later	(229,512)	(245,386)	(248,937)	-	-	-	-	-	
Six years later	(231,925)	(247,163)	-	-	-	-	-	-	
Seven years later	(238,171)	-	-	-	-	-	-	-	
Cumulative payments to-date	(238,171)	(247,163)	(248,937)	(208,645)	(250,617)	(246,716)	(183,396)	(93,384)	
Gross General insurance contract liabilities per statement of financial position (Note 15(b))	14,044	6,028	15,115	16,774	33,309	70,397	129,954	221,122	506,743

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net General Insurance Contract Liabilities for 2012:

	Before 2006	2006	2007	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident years:									
At end of the accident year	176,998	203,769	191,473	174,407	269,392	258,314	314,369	280,195	
One year later	173,523	196,601	183,003	188,067	213,494	264,749	250,314	-	
Two years later	177,273	196,984	198,617	169,068	210,580	232,527	-	-	
Three years later	180,423	205,200	187,615	159,515	198,684	-	-	-	
Four years later	185,333	190,182	177,761	156,838	-	-	-	-	
Five years later	176,288	183,461	176,653	-	-	-	-	-	
Six years later	172,046	184,401	-	-	-	-	-	-	
Seven years later	179,425	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	179,425	184,401	176,653	156,838	198,684	232,527	250,314	280,195	
At end of the accident year	(71,213)	(75,635)	(68,300)	(57,092)	(80,659)	(75,253)	(77,608)	(87,123)	
One year later	(127,463)	(137,375)	(126,332)	(115,754)	(138,503)	(143,783)	(146,049)	-	
Two years later	(141,975)	(154,955)	(146,512)	(134,074)	(162,221)	(176,545)	-	-	
Three years later	(151,621)	(166,712)	(159,394)	(141,929)	(174,892)	-	-	-	
Four years later	(160,870)	(174,024)	(165,688)	(145,304)	-	-	-	-	
Five years later	(168,133)	(177,192)	(167,499)	-	-	-	-	-	
Six years later	(169,701)	(178,974)	-	-	-	-	-	-	
Seven years later	(172,284)	-	-	-	-	-	-	-	
Cumulative payments to-date	(172,284)	(178,974)	(167,499)	(145,304)	(174,892)	(176,545)	(146,049)	(87,123)	
Net General insurance contract liabilities per statement of financial position (Note 15(b))	7,141	5,427	9,154	11,534	23,792	55,982	104,265	193,072	410,367

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Gross General Insurance Contract Liabilities for 2011:

	Before 2005	2005	2006	2007	2008	2009	2010	2011	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident years:									
At end of the accident year	244,493	236,775	257,019	273,029	234,016	358,517	346,181	386,461	
One year later	244,253	237,631	261,888	267,676	256,206	296,855	353,400	-	
Two years later	240,751	243,177	263,908	284,567	240,947	294,546	-	-	
Three years later	245,556	246,593	275,929	275,609	229,235	-	-	-	
Four years later	248,780	249,302	262,577	265,200	-	-	-	-	
Five years later	251,580	242,524	253,298	-	-	-	-	-	
Six years later	249,342	235,663	-	-	-	-	-	-	
Seven years later	264,689	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	264,689	235,663	253,298	265,200	229,235	294,546	353,400	386,461	
At end of the accident year	(99,405)	(89,022)	(94,155)	(111,328)	(72,173)	(103,716)	(96,008)	(100,689)	
One year later	(172,982)	(168,590)	(184,335)	(191,449)	(165,041)	(191,071)	(205,820)	-	
Two years later	(194,941)	(188,137)	(209,285)	(218,928)	(190,511)	(231,237)	-	-	
Three years later	(211,412)	(199,765)	(226,481)	(235,000)	(204,105)	-	-	-	
Four years later	(220,291)	(220,015)	(240,628)	(246,690)	-	-	-	-	
Five years later	(229,046)	(229,512)	(245,386)	-	-	-	-	-	
Six years later	(236,485)	(231,925)	-	-	-	-	-	-	
Seven years later	(243,717)	-	-	-	-	-	-	-	
Cumulative payments to-date	(243,717)	(231,925)	(245,386)	(246,690)	(204,105)	(231,237)	(205,820)	(100,689)	
Gross General insurance contract liabilities per statement of financial position (Note 15 (b))	20,972	3,738	7,912	18,510	25,130	63,309	147,580	285,772	572,923

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net General Insurance Contract Liabilities for 2011:

	Before 2005	2005	2006	2007	2008	2009	2010	2011	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident years:									
At end of the accident year	190,111	176,998	203,769	191,473	174,407	269,392	258,314	314,369	
One year later	182,123	173,523	196,601	183,003	188,067	213,494	264,749	-	
Two years later	182,576	177,273	196,984	198,617	169,068	210,580	-	-	
Three years later	186,360	180,423	205,200	187,615	159,515	-	-	-	
Four years later	188,018	185,333	190,182	177,761	-	-	-	-	
Five years later	191,410	176,288	183,461	-	-	-	-	-	
Six years later	188,181	172,046	-	-	-	-	-	-	
Seven years later	193,802	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	193,802	172,046	183,461	177,761	159,515	210,580	264,749	314,369	
At end of the accident year	(75,349)	(71,213)	(75,635)	(68,300)	(57,092)	(80,659)	(75,253)	(77,608)	
One year later	(131,133)	(127,463)	(137,375)	(126,332)	(115,754)	(138,503)	(143,783)	-	
Two years later	(148,187)	(141,975)	(154,955)	(146,512)	(134,074)	(162,221)	-	-	
Three years later	(161,752)	(151,621)	(166,712)	(159,394)	(141,929)	-	-	-	
Four years later	(168,812)	(160,870)	(174,024)	(165,688)	-	-	-	-	
Five years later	(176,154)	(168,133)	(177,192)	-	-	-	-	-	
Six years later	(182,413)	(169,701)	-	-	-	-	-	-	
Seven years later	(186,366)	-	-	-	-	-	-	-	
Cumulative payments to-date	(186,366)	(169,701)	(177,192)	(165,688)	(141,929)	(162,221)	(143,783)	(77,608)	
Net General insurance contract liabilities per statement of financial position (Note 15(b))	7,436	2,345	6,269	12,073	17,586	48,359	120,966	236,761	451,795

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Gross General Insurance Contract Liabilities for 2010:

	Before 2004	2004	2005	2006	2007	2008	2009	2010	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident years:									
At end of accident year	266,123	244,493	236,775	257,019	273,029	234,016	358,517	346,182	
One year later	274,404	244,253	237,631	261,888	267,676	256,206	296,855	-	
Two years later	277,792	240,751	243,177	263,908	284,567	240,947	-	-	
Three years later	283,354	245,556	246,593	275,929	275,610	-	-	-	
Four years later	289,293	248,780	249,302	262,578	-	-	-	-	
Five years later	292,275	251,580	242,524	-	-	-	-	-	
Six years later	289,486	249,342	-	-	-	-	-	-	
Seven years later	312,051	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	312,051	249,342	242,524	262,578	275,610	240,947	296,855	346,182	
At end of accident year	(102,092)	(99,405)	(89,022)	(94,155)	(111,328)	(72,173)	(103,716)	(96,008)	
One year later	(194,335)	(172,982)	(168,590)	(184,335)	(191,449)	(165,041)	(191,071)	-	
Two years later	(225,481)	(194,941)	(188,137)	(209,285)	(218,928)	(190,511)	-	-	
Three years later	(246,709)	(211,412)	(199,765)	(226,481)	(235,000)	-	-	-	
Four years later	(262,584)	(220,291)	(220,015)	(240,628)	-	-	-	-	
Five years later	(271,948)	(229,046)	(229,512)	-	-	-	-	-	
Six years later	(278,483)	(236,485)	-	-	-	-	-	-	
Seven years later	(291,001)	-	-	-	-	-	-		
Cumulative payments to-date	(291,001)	(236,485)	(229,512)	(240,628)	(235,000)	(190,511)	(191,071)	(96,008)	
Gross General insurance contract liabilities per statement of financial position (Note 15 (b))	21,050	12,857	13,012	21,950	40,610	50,436	105,784	250,174	515,873

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net General Insurance Contract Liabilities for 2010:

	Before 2004	2004	2005	2006	2007	2008	2009	2010	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident years:									
At end of accident year	215,004	190,111	176,998	203,769	191,473	174,407	269,392	258,314	
One year later	214,795	182,123	173,523	196,601	183,003	188,067	213,495	-	
Two years later	217,745	182,576	177,273	196,984	198,617	169,068	-	-	
Three years later	222,018	186,360	180,423	205,200	187,615	-	-	-	
Four years later	226,128	188,018	185,333	190,182	-	-	-	-	
Five years later	228,352	191,410	176,289	-	-	-	-	-	
Six years later	225,754	188,181	-	-	-	-	-	-	
Seven years later	236,313	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	236,313	188,181	176,289	190,182	187,615	169,068	213,495	258,314	
At end of accident year	(78,453)	(75,349)	(71,213)	(75,635)	(68,300)	(57,092)	(80,659)	(75,253)	
One year later	(151,335)	(131,133)	(127,463)	(137,375)	(126,332)	(115,754)	(138,503)	-	
Two years later	(176,126)	(148,187)	(141,975)	(154,955)	(146,512)	(134,074)	-	-	
Three years later	(192,422)	(161,752)	(151,621)	(166,712)	(159,394)	-	-	-	
Four years later	(204,927)	(168,812)	(160,870)	(174,024)	-	-	-	-	
Five years later	(212,153)	(176,154)	(168,133)	-	-	-	-	-	
Six years later	(217,033)	(182,413)	-	-	-	-	-		
Seven years later	(226,307)	-	-	-	-	-	-		
Cumulative payments to-date	(226,307)	(182,413)	(168,133)	(174,024)	(159,394)	(134,074)	(138,503)	(75,253)	
Net General insurance contract liabilities per statement of financial position (Note 15(b))	10,006	5,768	8,156	16,158	28,221	34,994	74,992	183,061	361,356

37. FINANCIAL RISK

The Company is exposed to a range of financial risks through its assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that in the long term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk, market risk which comprise of currency risk, interest rate/profit yield risk and price risk.

The Company manages these positions within an Asset Liability Management ("ALM") framework that has been developed to achieve long term investment returns in excess its obligations under insurance contracts. The key principle of the framework is to match assets to the liabilities by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained and monitored.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other classes of financial assets and liabilities not directly associated with insurance liabilities. The note below explains how financial risks are managed using the categories utilised in the Company's ALM framework. In particular, the ALM framework requires the management of interest rate risk, equity price risk, credit risk and liquidity risk at both business line level and company-wide basis. The following notes are in relation to the Company's management disclosure with respect to credit risk, liquidity risk, interest rate risk, and price risk.

Credit Risk

The Company has exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company is mainly exposure to credit risk through (i) investment in cash and private debt securities, (ii) corporate/individuals and mortgage lending activities and (iii) exposure to counterparty's reinsurance contracts. For investments in private debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss.

Minimum credit quality applies to investments in private debt securities/bonds with a minimum rating of A-/ A2 (at the date of investment) provided by Malaysian Rating Corporation Bhd ("MARC") and Rating Agency Malaysia Berhad ("RAM"), respectively. The Company however intends to maintain an average rating of AA in the overall bond portfolio under current investment strategy and objectives. The Company does not solely depend on the rating report provided but as in all credit assessments/reviews are based on publicly available issuer information together with in-house analysis based on information provided by the borrower/issuer, peer group comparisons, industry comparisons and other quantitative tools.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company issues unit-linked investment policies. In the unit-linked business, the holders of these contract bear the investment risks on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on unit-linked financial assets.

Debtor recoverability and risk concentration monitoring are part of credit risk management which is reviewed regularly. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation. Allowance of impairment/specific provision is made on those securities/loans (or part of remaining amount) where the level of security has been impaired. Refer to Note 8 - Loans and Receivables to the financial statements for more details on assessment and disclosure of credit risk on loan borrowers.

<u>Credit Exposure</u>

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

37. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure (continued)

	Note	Insurance and Shareholders' Funds	Unit-Linked	Total
		RM'000	RM'000	RM'000
31 December 2012				
Available-for-sale financial assets:	7(a)			
- Corporate debt securities		4,039,373	-	4,039,373
- Equity securities		2,563	-	2,563
Financial assets at fair value through profit or loss:	7(b)			
- Corporate debt securities		-	182,373	182,373
Loans and receivables:	8			
- Loans		504,868	-	504,868
- Fixed and call deposits		84,900	-	84,900
Reinsurance assets	9	151,891	-	151,891
Insurance receivables	10	67,958	-	67,958
Cash and bank balances		260,595	88,984	349,579
		5,112,148	271,357	5,383,505
31 December 2011				
Available-for-sale financial assets:	7(a)			
- Corporate debt securities		3,349,703	-	3,349,703
- Equity securities		3,365	-	3,365
Financial assets at fair value through profit or loss:	7(b)			
- Corporate debt securities		24,318	168,542	192,860
Loans and receivables:	8			
- Loans		592,948	-	592,948
- Fixed and call deposits		18,197	6,284	24,481
Reinsurance assets	9	213,845	-	213,845
Insurance receivables	10	79,707	-	79,707
Cash and bank balances		1,296,940	107,433	1,404,373
		5,579,023	282,259	5,861,282
1 January 2011				
Available-for-sale financial assets:	7(a)			
- Corporate debt securities		3,551,424	-	3,551,424
- Equity securities		3,364	-	3,364
Financial assets at fair value through profit or loss:	7(b)			
- Corporate debt securities		21,802	145,363	167,165
Loans and receivables:	8			
- Loans		650,254	-	650,254
- Fixed and call deposits		199,424	50,200	249,624
Reinsurance assets	9	222,343	-	222,343
Insurance receivables	10	77,151	-	77,151
Cash and bank balances		480,188	139,087	619,275
		5,205,950	334,650	5,540,600

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating

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

	Neither past-due nor impaired							
	Investment grade		Non-investment grade	Non rated	Unit linked	Past due but not impaired	Impaired	Total
	Government Guaranteed RM'000	(AAA to BBB) RM'000	(BB to C) RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012								
Available-for-sale financial assets:								
- Corporate debt securities	1,168,807	2,731,481	567	-	-	-	138,518	4,039,373
- Equity securities	-	-	-	2,563	-	-	-	2,563
Financial assets at fair value through profit or loss:								
- Corporate debt securities	-	-	-	-	182,373	-	-	182,373
Loans and receivables:								
- Loans	-	-	-	279,168	-	7,423	218,277	504,868
- Fixed and call deposits	-	84,390	-	510	-	-	-	84,900
Reinsurance assets	-	80,702	-	71,189	-	-	-	151,891
Insurance receivables	-	1,688	-	-	-	31,489	34,781	67,958
Cash and bank balances	-	260,595	-	-	88,984	-	-	349,579
	1,168,807	3,158,856	567	353,430	271,357	38,912	391,576	5,383,505

37. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

	Neither past-due nor impaired							
	Investment grade		Non-investment grade	Non rated	Unit linked	Past due but not impaired	Impaired	Total
	Government Guaranteed RM'000	(AAA to BBB) RM'000	(BB to C) RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2011								
Available-for-sale financial assets:								
- Corporate debt securities	659,904	2,649,490	631	-	-	-	39,678	3,349,703
- Equity securities	-	-	-	3,365	-	-	-	3,365
Financial assets at fair value through profit or loss:								
- Corporate debt securities	-	24,318	-	-	168,542	-	-	192,860
Loans and receivables:								
- Loans	-	-	-	341,567	-	86,616	164,765	592,948
- Fixed and call deposits	-	18,197	-	-	6,284	-	-	24,481
Reinsurance assets	-	102,169	-	111,676	-	-	-	213,845
Insurance receivables	-	2,610	-	-	-	35,806	41,291	79,707
Cash and bank balances	-	1,296,940	-	-	107,433	-	-	1,404,373
	659,904	4,093,724	631	456,608	282,259	122,422	245,734	5,861,282

37. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

	Neither past-due nor impaired							
	Investment grade		Non-investment grade	Non rated	Unit linked	Past due but not impaired	Impaired	Total
	Government Guaranteed RM'000	(AAA to BBB) RM'000	(BB to C) RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 January 2011								
Available-for-sale financial assets								
- Corporate debt securities	676,075	2,841,345	694	-	-	-	33,310	3,551,424
- Equity securities	-	-	-	3,364	-	-	-	3,364
Financial assets at fair value through profit or loss:								
- Corporate debt securities	-	21,802	-	-	145,363	-	-	167,165
Loans and receivables:								
- Loans	-	-	-	370,877	-	4,529	274,848	650,254
- Fixed and call deposits	-	199,424	-	-	50,200	-	-	249,624
Reinsurance assets	-	99,741	-	122,602	-	-	-	222,343
Insurance receivables	-	1,365	-	33,230	-	42,556	-	77,151
Cash and bank balances	-	480,188	-	-	139,087	-	-	619,275
	676,075	3,643,865	694	530,073	334,650	47,085	308,158	5,540,600

37. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the RAM and 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.

	Government Guaranteed	AAA to AA	A1 to A3	BBB1 to BBB3	BB & below	Not Rated	Unit -linked	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012									
Available-for-sale financial assets:									
- Corporate debt securities	1,168,807	2,597,963	133,518	-	567	-	-	138,518	4,039,373
- Equity securities	-	-	-	-	-	2,563	-	-	2,563
Financial assets at fair value through profit or loss:									
- Corporate debt securities	-	-	-	-	-	-	182,373	-	182,373
Loans and receivables:									
- Loans	-	-	-	-	-	286,591	-	218,277	504,868
- Fixed and call deposits	-	83,122	1,268	-	-	510	-	-	84,900
Reinsurance assets	-	80,702	-	-	-	71,189	-	-	151,891
Insurance receivables	-	1,688	-	-	-	31,489	-	34,781	67,958
Cash and bank balances	-	260,595	-	-	-	-	88,984	-	349,579
	1,168,807	3,024,070	134,786	-	567	392,342	271,357	391,576	5,383,505

37. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

	Government Guaranteed RM'000	AAA to AA RM'000	A1 to A3 RM'000	BBB1 to BBB3 RM'000	BB & below RM'000	Not Rated RM'000	Unit -linked RM'000	Impaired RM'000	Total RM'000
31 December 2011									
Available-for-sale financial assets:									
- Corporate debt securities	659,904	2,249,346	400,144	-	631	-	-	39,678	3,349,703
- Equity securities	-	-	-	-	-	3,365	-	-	3,365
Financial assets at fair value through profit or loss:									
- Corporate debt securities	-	-	24,318	-	-	-	168,542	-	192,860
Loans and receivables:									
- Loans	-	-	-	-	-	428,183	-	164,765	592,948
- Fixed and call deposits	-	18,197	-	-	-	-	6,284	-	24,481
Reinsurance assets	-	101,154	-	1,015	-	111,676	-	-	213,845
Insurance receivables	-	2,316	-	294	-	35,806	-	41,291	79,707
Cash and bank balances	-	1,296,940	-	-	-	-	107,433	-	1,404,373
	659,904	3,667,953	424,462	1,309	631	579,030	282,259	245,734	5,861,282

37. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

	Government Guaranteed RM'000	AAA to AA RM'000	A1 to A3 RM'000	BBB1 to BBB3 RM'000	BB & below RM'000	Not Rated RM'000	Unit -linked RM'000	Impaired RM'000	Total RM'000
1 January 2011									
Available-for-sale financial assets:									
- Corporate debt securities	676,075	2,293,363	547,982	-	694	-	-	33,310	3,551,424
- Equity securities	-	-	-	-	-	3,364	-	-	3,364
Financial assets at fair value through profit or loss:									
- Corporate debt securities	-	-	21,802	-	-	-	145,363	-	167,165
Loans and receivables:									
- Loans	-	-	-	-	-	375,406	-	274,848	650,254
- Fixed and call deposits	-	199,424	-	-	-	-	50,200	-	249,624
Reinsurance assets	-	99,355	-	386	-	122,602	-	-	222,343
Insurance receivables	-	2,369	-	-	-	74,782	-	-	77,151
Cash and bank balances	-	480,188	-	-	-	-	139,087	-	619,275
	676,075	3,074,699	569,784	386	694	576,154	334,650	308,158	5,540,600

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The credit risk analysis for the unit-linked business was not provided as the Company has no direct exposure to any credit risk in those assets.

The ratings shown for fixed and call deposits are based on the rating assigned to the respective financial institutions issuing the financial instruments.

No credit default was encountered by the Company during the financial year.

In total, there are seven remaining occurrence of rating default events to date since the financial year ended 2005. The Company received court judgement sum at approximately RM10.7 million for one of its defaulted corporate debt securities of which the Company has made full impairment charge in the financial year ended 2010. However, as there is an open appeal by the parties concerned, this amount has not been recognised as a reversal of prior impairment charges in the financial statements. As for the other six corporate debts securities, the bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers.

During the financial year, no credit exposure limits were exceeded.

The 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

	Up to 3 Months	3 Months to 6 Months	7 Months to 12 Months	> 12 Months	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012					
Loans and receivables	-	793	500	6,130	7,423
Insurance receivables	31,489	-	-	-	31,489
	31,489	793	500	6,130	38,912
31 December 2011					
Loans and receivables	-	853	1,305	84,458	86,616
Insurance receivables	35,806	-	-	-	35,806
	35,806	853	1,305	84,458	122,422
1 January 2011					
Loans and receivables	-	736	41	3,752	4,529
Insurance receivables	24,879	13,995	3,682	-	42,556
	24,879	14,731	3,723	3,752	47,085

37. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impaired Financial Assets

At 31 December 2012, based on a individual assessment of receivables, there are impaired insurance receivables of RM7,214,000 (31.12.2011: RM8,423,000; 1.1.2011: RM8,710,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than three (3) months for insurance receivables and more than six (6) months for loans and receivables. In addition, full impairment were made on outstanding debts exceeding twelve months, outstanding debts with terminated status, closed accounts, commuted, winding-up under legal action, accounts written or those served letter of demand. This applies similarly to reinsurance assets, particularly reinsurance recoverable on outstanding claims. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for loans and receivables and insurance receivables in separate allowance for impairment loss accounts.

A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	Insurance Receivables		
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
At 1 January	8,423	8,710	21,929
Write back of impairment of insurance receivables	(1,209)	(287)	(13,219)
At 31 December	7,214	8,423	8,710

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations when due. This situation arises when the Company is unable to convert its financial assets into cash when needed. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings through committed credit facilities from bankers. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same of similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combined of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and an adequate cushion in the form of cash and very liquid investments are maintained at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in life insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

In addition, for general insurance contracts, the Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate drawdown of funds to meet claims payments should claims events exceed a certain amount.

37. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile

The table below summarises the maturity profile of the Company's financial assets and financial liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable.

The insurance contract liabilities below are gross of reinsurance (no reinsurance credit is taken into account). Unit-linked liabilities are repayable or transferrable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately. Products which have no maturity benefits such as term assurance and yearly renewable plans are excluded as these carry no maturity values. Products with no maturity dates are annuity and whole life plans. Unearned premiums have been excluded from the analysis as they are not contractual obligations.

31 December 2012	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial Assets:								
- Available-for-sale financial assets	5,055,677	528,767	1,414,033	909,535	2,905,858	617,916	217,447	6,593,556
- Financial assets at fair value through profit or loss	915,332	19,737	49,449	45,350	115,653	11,448	422,457	664,094
Loans and receivables	589,768	580,189	2,508	2,074	5,178	250	-	590,199
Reinsurance assets	151,891	151,891	-	-	-	-	-	151,891
Insurance receivables	67,958	67,958	-	-	-	-	-	67,958
Other receivables	58,233	58,233	-	-	-	-	-	58,233
Cash and bank balances	349,579	349,579	-	-	-	-	-	349,579
	7,188,438	1,756,354	1,465,990	956,959	3,026,689	629,614	639,904	8,475,510
Financial Liabilities:								
Insurance contract liabilities:								
- Life insurance	3,715,859	267,830	82,648	79,678	314,515	252,782	2,718,406	3,715,859
- General insurance	506,743	231,852	175,111	51,524	48,256	-	-	506,743
Provision for agents' retirement	1,111	166	511	277	157	-	-	1,111
Insurance payables	1,031,752	1,031,752	-	-	-	-	-	1,031,752
Other liabilities	207,878	193,241	13,869	768	-	-	-	207,878
	5,463,343	1,724,841	272,139	132,247	362,928	252,782	2,718,406	5,463,343

37. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2011								
Financial Assets:								
- Available-for-sale financial assets	3,947,003	296,521	948,951	830,605	2,674,404	277,583	217,215	5,245,279
- Financial assets at fair value through profit or loss	897,594	9,772	51,175	57,780	108,636	-	694,291	921,654
Loans and receivables	617,429	597,734	9,366	2,638	7,394	483	-	617,615
Reinsurance assets	213,845	143,759	39,344	21,202	9,540	-	-	213,845
Insurance receivables	79,707	79,707	-	-	-	-	-	79,707
Other receivables	60,853	60,853	-	-	-	-	-	60,853
Cash and bank balances	1,404,373	1,404,373	-	-	-	-	-	1,404,373
	7,220,804	2,592,719	1,048,836	912,225	2,799,974	278,066	911,506	8,543,326
Financial Liabilities:								
Insurance contract liabilities:								
- Life insurance	4,550,572	1,060,707	84,291	81,783	340,055	222,143	2,761,593	4,550,572
- General insurance	572,923	219,425	192,766	108,863	51,869	-	-	572,923
Provision for agents' retirement	1,096	64	563	319	150	-	-	1,096
Insurance payables	934,556	934,556	-	-	-	-	-	934,556
Other liabilities	167,469	146,192	20,652	625	-	-	-	167,469
	6,226,616	2,360,944	298,272	191,590	392,074	222,143	2,761,593	6,226,616

37. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 January 2011								
Financial Assets:								
- Available-for-sale financial assets	3,790,913	366,845	771,700	839,951	2,956,640	237,841	3,365	5,176,342
- Financial assets at fair value through profit or loss	1,100,706	20,699	29,162	46,914	116,167	-	921,853	1,134,795
Loans and receivables	899,878	877,005	8,746	1,788	3,174	9,383	-	900,096
Reinsurance assets	222,343	136,275	49,867	24,793	11,408	-	-	222,343
Insurance receivables	77,151	77,151	-	-	-	-	-	77,151
Other receivables	43,990	43,990	-	-	-	-	-	43,990
Cash and bank balances	619,275	619,275	-	-	-	-	-	619,275
	6,754,256	2,141,240	859,475	913,446	3,087,389	247,224	925,218	8,173,992
Insurance contract liabilities:								
- Life insurance	4,678,347	1,166,257	91,542	69,862	396,819	141,497	2,812,370	4,678,347
- General insurance	515,873	214,231	171,826	88,366	41,450	-	-	515,873
Provision for agents' retirement	2,703	478	508	666	948	103	-	2,703
Insurance payables	843,991	843,991	-	-	-	-	-	843,991
Other liabilities	232,610	207,818	23,315	1,477	-	-	-	232,610
	6,273,524	2,432,775	287,191	160,371	439,217	141,600	2,812,370	6,273,524

37. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

The table below summarises the current/non-current classification of assets:

	Current*	Non-current	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2012				
Property, plant and equipment	-	253,908	-	253,908
Intangible assets	-	3,704	-	3,704
Investment properties	-	355,055	-	355,055
Financial assets:				
- Available-for-sale	569,783	4,485,894	-	5,055,677
- At fair value through profit or loss	264,912	-	650,420	915,332
- Loans and receivables	579,758	10,010	-	589,768
Reinsurance assets	-	151,891	-	151,891
Insurance receivables	67,958	-	-	67,958
Other receivables	58,056	-	177	58,233
Tax recoverable	47,360	-	1,140	48,500
Deferred tax assets	28,338	-	27	28,365
Cash and bank balances	260,595	-	88,984	349,579
	1,876,760	5,260,462	740,748	7,877,970
31 December 2011				
Property, plant and equipment	-	259,537	-	259,537
Intangible assets	-	3,023	-	3,023
Investment properties	-	363,108	-	363,108
Financial assets:				
- Available-for-sale	385,824	3,561,179	-	3,947,003
- At fair value through profit or loss	283,800	-	613,794	897,594
- Loans and receivables	597,548	13,597	6,284	617,429
Reinsurance assets	-	213,845	-	213,845
Insurance receivables	79,707	-	-	79,707
Other receivables	59,612	-	1,241	60,853
Tax recoverable	49,847	-	1,506	51,353
Deferred tax assets	22,702	-	-	22,702
Cash and bank balances	1,296,940	-	107,433	1,404,373
	2,775,980	4,414,289	730,258	7,920,527

37. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

	Current*	Non-current	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000
1 January 2011				
Property, plant and equipment	-	279,584	-	279,584
Intangible assets	-	4,595	-	4,595
Investment properties	-	512,287	-	512,287
Financial assets:				
- Available-for-sale	278,303	3,512,610	-	3,790,913
- At fair value through profit or loss	536,435	-	564,271	1,100,706
- Loans and receivables	833,405	16,273	50,200	899,878
Reinsurance assets	136,274	86,069	-	222,343
Insurance receivables	77,151	-	-	77,151
Other receivables	39,611	-	4,379	43,990
Tax recoverable	25,134	-	1,802	26,936
Deferred tax assets	1,900	-	-	1,900
Cash and bank balances	480,188	-	139,087	619,275
	2,408,401	4,411,418	759,739	7,579,558

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

Market Risk

Market risk is the risk of loss in the Company investment's valuation due to adverse changes or volatility of prices in economic and financial markets. Market risk comprises three (3) types of risk i.e. currency risk, market interest rates/profit yields and price risk.

The Company manages market risk through setting of investment policy and asset allocation, approving portfolio limit structure and risk management methodologies, approving hedging and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

The Company also issues unit-linked investment policies in a number of its products. In unit-linked business, the policyholders bear the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Company's exposure to market risk on this business is limited to the extent of income arising from asset management charges based on the value of the assets in the funds.

37. FINANCIAL RISK (CONTINUED)

Market Risk (continued)

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

The Company's main exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. The impact arising from sensitivity in exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

Interest Rates/Profit Yield Risks

Interest rate risk is part of market risk as any adverse movements in interest rates may affect the Company investment's fair valuation and reinvestment issues to the Company. The Asset Liability Management and Investment Committee (ALMIC) actively monitors such developments as well as discuss changes in maturity profiles of the assets and liabilities to minimise overall mismatch as given the long duration of policy liabilities and the uncertainty of cash flows, it is not possible to hold assets that will perfectly match the policy liabilities.

The Company has no significant concentration of interest rate/profit yield risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact of equity (that reflects adjustments to profit before tax and re-valuing fixed rate/yield AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed in an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on Equity		
	31.12.2012	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000
Change in variables:			
Interest Rate			
+ 100 basis points - loss	(65,580)	(54,142)	(62,075)
- 100 basis points - gain	72,801	59,075	67,886

* Impact on Equity reflects adjustments for tax, when applicable.

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

37. FINANCIAL RISK (CONTINUED)

Market 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 equity investment portfolio of the Company is exposed to movements in equity markets. The Company monitors its equity price risk through regular stress testing. In addition, the Company monitors and manages the equity exposure against investment guidelines set and agreed by the Asset Liability Management and Investment Committee (ALMIC). These investment guidelines include monitoring the equity exposure against benchmark set and single security exposure of the portfolio against the limits set. The Company uses historical stock betas, index levels and equity prices and estimates the volatility and correlation of each of these share prices and index levels to calculate the gains and losses that could occur over a period of time, given a certain index level.

The Company may use derivative financial instruments as a means of hedging against the impact of negative market movements on the value of assets in the portfolio so as to reduce and eliminate risks. The Company's policy is to trade in derivatives only to hedge existing financial market risk and not for the purpose of speculation.

In respect of risk associated with the use of derivative financial instruments, price risk is controlled through the settling of exposure limits, which are subjected to detailed monitoring and review.

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.

	Impact on Equity		
	31.12.2012	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000
Change in variables:			
FTSE Bursa Malaysia			
- FBM KLCI + 15% - gain	33,418	13,992	21,033
- FBM KLCI – 15% - loss	(33,418)	(13,992)	(21,033)

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

* Impact on Equity reflects adjustments for tax, when applicable.

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

38. OPERATIONS RISK

Operational risk arises from inadequate or failed performance of business functions or internal processes. Exposure to this risk can cause deficiencies or breakdowns in internal controls or processes, technology and external events such as interruption of business operations due to a breakdown of IT systems, landslide or flood.

The Company has developed comprehensive Standard Operating Procedures ("SOP") to enable all relevant departments to implement measures, monitor and control the risk in order to avoid or reduce future losses. The Risk Management Department is assigned to facilitate the relevant departments in identifying and evaluating their operational risks and control weaknesses via structured risk assessment process.

39. COMPLIANCE RISK

Compliance risk is the risk arising from violations of, or non conformance with business principles, internal policies and procedures, related laws, rules and regulations (i.e. BNM, Persatuan Insurans Am Malaysia ("PIAM"), Life Insurance Association of Malaysia ("LIAM")) governing the insurance industry, products and activities.

Consequently, the exposure to this risk can damage the Company's reputation, lead to legal or regulatory sanctions and /or financial loss.

The Governance and Quality Department is assigned to look into all compliance aspects in observing the regulatory requirements (i.e. BNM, PIAM, LIAM). It has developed internal policies and procedures (i.e. Anti-Money Laundering Framework, Whistle-blowing Framework, Introduction of New Products Framework, Outsourcing Framework) to align with the law and guidelines issued by the authority.

40. INSURANCE FUNDS

The Company's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products for different markets. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company's principal operations are organised into Life insurance, General insurance and Shareholders' segments.

The Life insurance business offers a wide range of participating and non-participating whole life, term assurance, endowments, medical and health riders, annuity products as well as investment-linked products.

The General insurance business offers general insurance products which include motor, fire, marine, aviation and transit ("MAT"), health and surgical and miscellaneous products.

The businesses written for both Life insurance and General insurance are all Malaysian businesses.

40. INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds
As at 31 December 2012

	Life Fund	General Fund	Shareholders' Fund	Total
	RM'000	RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	191,031	472	62,405	253,908
Intangible assets	2,406	1,298	-	3,704
Investment properties	311,855	12,020	31,180	355,055
Investments	5,420,201	680,153	460,423	6,560,777
Available-for-sale financial assets	3,959,782	660,347	435,548	5,055,677
Financial assets at fair value through profit or loss	915,332	-	-	915,332
Loans and receivables	545,087	19,806	24,875	589,768
Reinsurance assets	29,424	122,467	-	151,891
Insurance receivables	31,489	36,469	-	67,958
Other receivables	32,968	25,034	231	58,233
Tax recoverable	25,565	2,800	20,135	48,500
Deferred tax assets	5,129	-	23,236	28,365
Cash and cash equivalents	288,419	54,605	6,555	349,579
Total assets	**6,338,487**	**935,318**	**604,165**	**7,877,970**
Equity, policyholders' funds and liabilities				
Share capital	-	-	579,000	579,000
Retained earnings	197,647	-	142,332	339,979
Other reserves	40,558	9,418	1,509	51,485
Total equity	**238,205**	**9,418**	**722,841**	**970,464**
Insurance contract liabilities	4,857,718	720,148	-	5,577,866
Deferred tax liabilities	36,380	5,034	-	41,414
Other liabilities	138,486	68,967	425	207,878
Insurance payables	993,044	38,708	-	1,031,752
Provision for life agents' retirement benefits	1,111	-	-	1,111
Current tax liabilities	12,809	22,743	11,933	47,485
Total liabilities	**6,039,548**	**855,600**	**12,358**	**6,907,506**
Total equity, policyholders' funds and liabilities	**6,277,753**	**865,018**	**735,199**	**7,877,970**
Inter-fund balances	**60,734**	**70,300**	**(131,034)**	**-**

40. INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds
As at 31 December 2011 (Restated)

	Life Fund RM'000	General Fund RM'000	Shareholders' Fund RM'000	Total RM'000
Assets				
Property, plant and equipment	195,113	741	63,683	259,537
Intangible assets	2,160	863	-	3,023
Investment properties	319,686	11,020	32,402	363,108
Investments	4,731,490	559,028	171,508	5,462,026
Available-for-sale financial assets	3,242,706	546,903	157,394	3,947,003
Financial assets at fair value through profit or loss	890,535	7,059	-	897,594
Loans and receivables	598,249	5,066	14,114	617,429
Reinsurance assets	31,726	182,119	-	213,845
Insurance receivables	35,806	43,901	-	79,707
Other receivables	36,160	24,335	358	60,853
Tax recoverable	36,942	2,800	11,611	51,353
Deferred tax assets	-	-	22,702	22,702
Cash and cash equivalents	1,145,735	144,688	113,950	1,404,373
Total assets	**6,534,818**	**969,495**	**416,214**	**7,920,527**
Equity, policyholders' funds and liabilities				
Share capital	-	-	579,000	579,000
Retained earnings	198,476	-	87,829	286,305
Other reserves	50,155	10,292	1,004	61,451
Total equity	**248,631**	**10,292**	**667,833**	**926,756**
Insurance contract liabilities	5,027,561	800,422	-	5,827,983
Deferred tax liabilities	22,689	5,614	-	28,303
Other liabilities	102,554	64,219	695	167,468
Insurance payables	883,003	51,553	-	934,556
Provision for life agents' retirement benefits	1,096	-	-	1,096
Current tax liabilities	11,299	10,123	12,943	34,365
Total liabilities	**6,048,202**	**931,931**	**13,638**	**6,993,771**
Total equity, policyholders' funds and liabilities	**6,296,833**	**942,223**	**681,471**	**7,920,527**
Inter-fund balances	**237,985**	**27,272**	**(265,257)**	**-**

40. INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds
As at 1 January 2011 (Restated)

	Life Fund	General Fund	Shareholders' Fund	Total
	RM'000	RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	222,600	3,048	64,912	290,560
Intangible assets	3,283	1,312	-	4,595
Investment properties	492,409	16,943	2,935	512,287
Investments	5,132,248	554,626	104,623	5,791,497
Available-for-sale financial assets	3,364,332	526,107	88,751	3,979,190
Financial assets at fair value through profit or loss	906,475	5,954	-	912,429
Loans and receivables	861,441	22,565	15,872	899,878
Reinsurance assets	28,920	193,423	-	222,343
Insurance receivables	33,178	43,973	-	77,151
Other receivables	34,269	9,456	265	43,990
Tax recoverable	12,081	2,999	11,856	26,936
Deferred tax assets	-	-	1,278	1,278
Cash and cash equivalents	475,490	107,928	35,857	619,275
Total assets	**6,434,478**	**933,708**	**221,726**	**7,589,912**
Equity, policyholders' funds and liabilities				
Share capital	-	-	150,000	150,000
Retained earnings	355,851	-	104,402	460,253
Other reserves	40,530	12,275	59	52,864
Total equity	**396,381**	**12,275**	**254,461**	**663,117**
Insurance contract liabilities	5,070,116	727,302	-	5,797,418
Deferred tax liabilities	14,057	1,876	-	15,933
Other liabilities	147,492	84,450	668	232,610
Insurance payables	789,233	54,758	-	843,991
Provision for life agents' retirement benefits	2,703	-	-	2,703
Current tax liabilities	13,069	10,942	10,129	34,140
Total liabilities	**6,036,670**	**879,328**	**10,797**	**6,926,795**
Total equity, policyholders' funds and liabilities	**6,433,051**	**891,603**	**265,258**	**7,589,912**
Inter-fund balances	**1,427**	**42,105**	**(43,532)**	**-**

40. INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2012

	Life Fund RM'000	General Fund RM'000	Shareholders' Fund RM'000	Total RM'000
Operating revenue	**1,105,628**	**523,000**	**20,584**	**1,649,212**
Gross earned premiums	833,089	495,214	-	1,328,303
Premiums ceded to reinsurers	(21,724)	(97,935)	-	(119,659)
Net earned premiums	**811,365**	**397,279**	**-**	**1,208,644**
Investment income	272,539	27,786	20,584	320,909
Realised gains and losses	62,028	4,322	91	66,441
Fair value gains and losses	68,400	1,433	(760)	69,073
Fee and commission income	10,965	7,250	-	18,215
Other revenue	**413,932**	**40,791**	**19,915**	**474,638**
Gross benefits and claims paid	(1,177,565)	(251,181)	-	(1,428,746)
Claims ceded to reinsurers	8,716	40,631	-	49,347
Gross change to contract liabilities	150,553	66,180	-	216,733
Change in contract liabilities ceded to reinsurers	(2,302)	(24,752)	-	(27,054)
Net claims	**(1,020,598)**	**(169,122)**	**-**	**(1,189,720)**
Fee and commission expense	(94,835)	(65,418)	-	(160,253)
Management expenses	(97,948)	(97,042)	(1,797)	(196,787)
Other operating expenses - net	(15,162)	(7,421)	(8)	(22,591)
Other expenses	**(207,945)**	**(169,881)**	**(1,805)**	**(379,631)**
(Loss)/profit before taxation	**(3,246)**	**99,067**	**18,110**	**113,931**
Transfer from/(to):				
- General insurance	-	(72,370)	72,370	-
- Life insurance	41,234	-	(41,234)	-
Taxation	(38,817)	(26,697)	5,257	(60,257)
(Loss)/profit for the financial year	**(829)**	**-**	**54,503**	**53,674**

40. INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2011 (Restated)

	Life Fund RM'000	General Fund RM'000	Shareholders' Fund RM'000	Total RM'000
Operating revenue	**1,241,309**	**504,777**	**10,935**	**1,757,021**
Gross earned premiums	950,840	476,881	-	1,427,721
Premiums ceded to reinsurers	(29,041)	(59,356)	-	(88,397)
Net earned premiums	**921,799**	**417,525**	**-**	**1,339,324**
Investment income	290,469	27,896	10,935	329,300
Realised gains and losses	61,098	10,142	143	71,383
Fair value gains and losses	(110,680)	1,553	(60,859)	(169,986)
Fee and commission income	17,137	18,733	-	35,870
Other revenue	**258,024**	**58,324**	**(49,781)**	**266,567**
Gross benefits and claims paid	(1,263,816)	(290,352)	-	(1,554,168)
Claims ceded to reinsurers	11,923	97,658	-	109,581
Gross change to contract liabilities	69,679	(57,050)	-	12,629
Change in contract liabilities ceded to reinsurers	2,807	(33,389)	-	(30,582)
Net claims	**(1,179,407)**	**(283,133)**	**-**	**(1,462,540)**
Fee and commission expense	(96,431)	(68,295)	-	(164,726)
Management expenses	(94,879)	(86,915)	(3,041)	(184,835)
Other operating revenue/(expenses) - net	36,217	2,969	(658)	38,528
Other expenses	**(155,093)**	**(152,241)**	**(3,699)**	**(311,033)**
(Loss)/profit before taxation	**(154,677)**	**40,475**	**(53,480)**	**(167,682)**
Transfer from/(to):				
- General insurance	-	(27,048)	27,048	-
- Life insurance	154,225	-	(154,225)	-
Taxation	(2,699)	(13,427)	9,860	(6,266)
Loss for the financial year	**(3,151)**	**-**	**(170,797)**	**(173,948)**

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (CONTINUED)

40. INSURANCE FUNDS (CONTINUED)

General Insurance Fund Revenue Account by Classes
For the financial year ended 31 December 2012

	Fire	Motor vehicles	Motor cycles	Marine, Aviation & transit	Misce-llaneous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	40,715	202,447	63,858	31,261	156,933	495,214
Premiums ceded to reinsurers	(24,823)	(13,215)	(4,383)	(22,647)	(32,867)	(97,935)
Net earned premiums	**15,892**	**189,232**	**59,475**	**8,614**	**124,066**	**397,279**
Gross commission paid	(6,688)	(26,516)	(7,090)	(1,878)	(23,149)	(65,321)
Commission received from reinsurers	1,522	765	241	1,077	3,645	7,250
Net Commissions	(5,166)	(25,751)	(6,849)	(801)	(19,504)	(58,071)
Gross benefits and claims paid	(19,423)	(147,075)	(25,779)	(6,314)	(52,590)	(251,181)
Claims ceded to reinsurers	9,496	5,881	876	5,538	18,840	40,631
Gross change to contract liabilities	(1,611)	32,253	13,449	1,098	20,991	66,180
Change in contract liabilities ceded to reinsurers	(583)	(7,797)	(2,040)	2,019	(16,351)	(24,752)
Net Claims	**(12,121)**	**(116,738)**	**(13,494)**	**2,341**	**(29,110)**	**(169,122)**
Underwriting surplus/(deficit) before management expenses	**(1,395)**	**46,743**	**39,132**	**10,154**	**75,452**	**170,086**
Management expenses						(97,042)
Underwriting surplus						**73,044**
Investment income						27,786
Realised gains						4,322
Fair value gains						1,433
Other operating expenses – net						(7,518)
Profit before taxation						**99,067**
Taxation						(26,697)
Profit for the financial year						**72,370**

40. INSURANCE FUNDS (CONTINUED)

General Insurance Fund Revenue Account by Classes
For the financial year ended 31 December 2011 (Restated)

	Fire	Motor vehicles	Motor cycles	Marine, Aviation & transit	Misce-llaneous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	49,113	236,235	57,179	(2,558)	136,912	476,881
Premiums ceded to reinsurers	(27,903)	(10,894)	(227)	2,935	(23,267)	(59,356)
Net earned premiums	**21,210**	**225,341**	**56,952**	**377**	**113,645**	**417,525**
Gross commission paid	(7,621)	(23,485)	(6,468)	(2,900)	(27,079)	(67,553)
Commission received from reinsurers	7,467	872	250	2,724	7,420	18,733
Net Commissions	(154)	(22,613)	(6,218)	(176)	(19,659)	(48,820)
Gross benefits and claims paid	(32,085)	(159,186)	(38,602)	(11,566)	(48,913)	(290,352)
Claims ceded to reinsurers	24,490	32,734	12,766	9,184	18,484	97,658
Gross change to contract liabilities	19,004	(41,701)	(2,670)	(12,173)	(19,510)	(57,050)
Change in contract liabilities ceded to reinsurers	(17,975)	(20,068)	(7,612)	6,891	5,375	(33,389)
Net Claims	**(6,566)**	**(188,221)**	**(36,118)**	**(7,664)**	**(44,564)**	**(283,133)**
Underwriting surplus/(deficit) before management expenses	**14,490**	**14,507**	**14,616**	**(7,463)**	**49,422**	**85,572**
Management expenses						(86,915)
Underwriting deficit						**(1,343)**
Investment income						27,896
Realised gains						10,142
Fair value gains						1,553
Other operating revenue – net						2,227
Profit before taxation						**40,475**
Taxation						(13,427)
Profit for the financial year						**27,048**

40. INSURANCE FUNDS (CONTINUED)

Investment-linked Fund
Statement of Financial Position as at 31 December

	2012	2011
	RM'000	RM'000
Assets		
Investments	650,420	620,078
Financial assets at fair value through profit or loss	650,420	613,794
Loans and receivables	-	6,284
Other receivables	177	1,241
Tax recoverable	1,140	1,506
Deferred tax assets	27	-
Cash and bank balances	88,984	107,433
Total assets	**740,748**	**730,258**
Liabilities		
Insurance contract liabilities	736,710	725,596
Deferred tax liabilities	4,700	5,410
Other liabilities	932	3,779
Current tax liabilities	3,397	3,062
Total liabilities	**745,739**	**737,847**
Inter-fund balances	(4,991)	(7,589)
Net asset value of funds	**740,748**	**730,258**

Investment-linked Fund Income Statement
For the financial year ended 31 December

	2012	2011
	RM'000	RM'000
Investment income	30,379	29,252
Realised gains and losses	1,293	7,668
Fair value gains and losses	40,590	(1,911)
	72,262	35,009
Fees and commission expenses	(10,765)	(10,888)
Management expenses	(34)	(33)
Other operating revenue – net	(108)	983
Surplus before taxation	**61,355**	**25,071**
Taxation	(4,756)	(2,249)
Surplus after taxation for the financial year	**56,599**	**22,822**

40. INSURANCE FUNDS (CONTINUED)

Information on Cash Flow by Funds
As at 31 December

	Life Fund RM'000	General Fund RM'000	Shareholders' Fund RM'000	Total RM'000
2012				
Cash flows from:				
Operating activities	(853,835)	(89,135)	(107,395)	(1,050,365)
Investing activities	(3,481)	(948)	-	(4,429)
Financing activities	-	-	-	-
Net increase in cash and cash equivalents	(857,316)	(90,083)	(107,395)	(1,054,794)
Cash and cash equivalents:				
At beginning of financial year	1,145,735	144,688	113,950	1,404,373
At end of financial year	**288,419**	**54,605**	**6,555**	**349,579**
2011				
Cash flows from:				
Operating activities	663,644	35,432	(350,907)	348,169
Investing activities	6,601	1,328	-	7,929
Financing activities	-	-	429,000	429,000
Net increase in cash and cash equivalents	670,245	36,760	78,093	785,098
Cash and cash equivalents:				
At beginning of financial year	475,490	107,928	35,857	619,275
At end of financial year	**1,145,735**	**144,688**	**113,950**	**1,404,373**

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