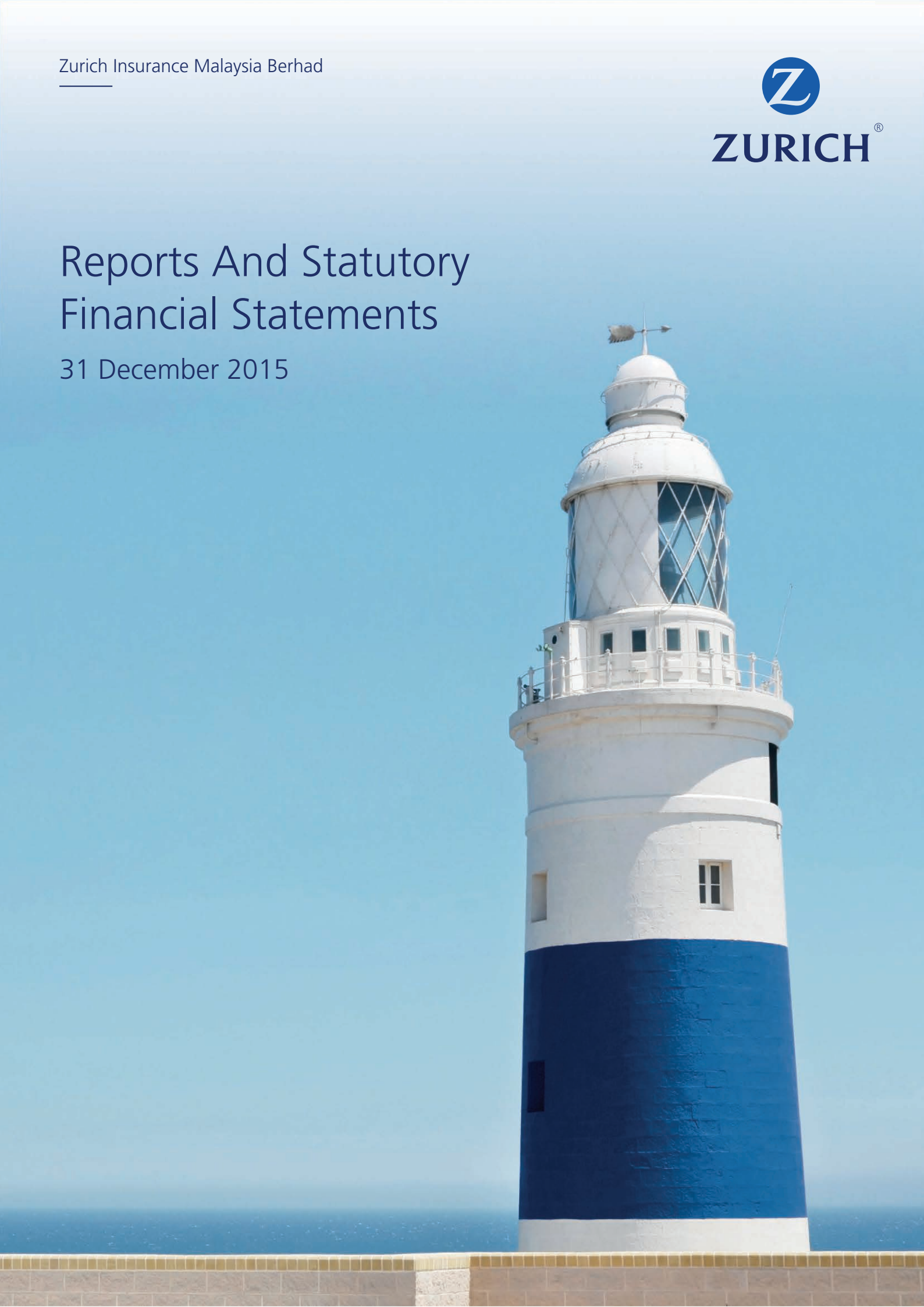
Zurich Insurance Malaysia Berhad

ZURICH®

Reports And Statutory Financial Statements

31 December 2015



ZURICH INSURANCE MALAYSIA BERHAD (8029-A)
(Incorporated in Malaysia)

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ZURICH INSURANCE MALAYSIA BERHAD (8029-A)
(Incorporated in Malaysia)

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 2015.

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	51,243

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 shareholders 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 terms 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 six (6) Directors with skills and experience in a diverse range of business, financial, technical and public service background. The Board is represented by five (5) Non-Executive Directors and one (1) Executive Director. Of the five (5) Non-Executive Directors, four (4) 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 (6) times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2015, the Board met nine (9) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2015.

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)
Philip Wallace Smith	Member (Chief Executive Director/Executive Director)
Geoffrey Martin Riddell	Member (Non-Independent Non-Executive Director)
Steven Choy Khai Choon	Member (Independent Non-Executive Director)
Datin Joan Hoi Lai Ping	Member (Independent Non-Executive Director)
Hasnah binti Omar	Member (Independent Non-Executive Director)

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

The number of meetings attended by each member of the Board during the financial year ended 31 December 2015 is as follows:

Name of Directors	No. of Attendance
Tan Sri Ahmad bin Mohd Don	9/9
Philip Wallace Smith	9/9
Geoffrey Martin Riddell	9/9
Steven Choy Khai Choon	9/9
Datin Joan Hoi Lai Ping	9/9
Hasnah binti Omar	7/9

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

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 Asset Liability Management and Investment Committee ("ALMIC"), the Human Resource Committee (HRC), the Information Technology Steering Committee ("ITSC"), Business Continuity Management ("BCM"), the Risk and Control Committee ("RCC"), the Occupational Safety and Health Committee ("OSHC") and various Senior Management Committees for Life and General Business. The Board Committees are chaired by an Independent Non-Executive Director while the Senior Management Committees are chaired by the Chief Executive Officer or a member of senior management team.
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Audit Committee

The members of the Audit Committee are as follows:

Steven Choy Khai Choon	Chairman (Independent Non-Executive Director)
Tan Sri Ahmad bin Mohd Don	Member (Independent Non-Executive Director)
Geoffrey Martin Riddell	Member (Non-Independent Non-Executive Director)
Datin Joan Hoi Lai Ping	Member (Independent Non-Executive Director)
Hasnah binti Omar	Member (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 the effectiveness of the systems of internal control and compliance.

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

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 of 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 2015, the Audit Committee held eight (8) 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 2015 is as follows:

Name of Directors	No. of Attendance
Steven Choy Khai Choon	8/8
Tan Sri Ahmad bin Mohd Don	8/8
Geoffrey Martin Riddell	8/8
Datin Joan Hoi Lai Ping	8/8
Hasnah binti Omar	7/8

During the financial year ended 31 December 2015, 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.

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

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:

Datin Joan Hoi Lai Ping	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)
Steven Choy Khai Choon	Member (Independent Non-Executive Director)
Hasnah binti Omar	Member (Independent Non-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 Directors 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 2015 is as follows:

Name of Directors	No. of Attendance
Datin Joan Hoi Lai Ping	4/4
Tan Sri Ahmad bin Mohd Don	4/4
Geoffrey Martin Riddell	4/4
Steven Choy Khai Choon	4/4
Hasnah binti Omar	3/4

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:

Datin Joan Hoi Lai Ping	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)
Steven Choy Khai Choon	Member (Independent Non-Executive Director)
Hasnah binti Omar	Member (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, 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 Company are not used to subsidise excessive remuneration packages.

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Remuneration Committee (continued)

(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 Nomination 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 company's culture, objective and strategy.

The number of meetings attended by each member of the Remuneration Committee during the financial year ended 31 December 2015 is as follows:

Name of Directors	No. of Attendance
Datin Joan Hoi Lai Ping	5/5
Tan Sri Ahmad bin Mohd Don	5/5
Geoffrey Martin Riddell	5/5
Steven Choy Khai Choon	5/5
Hasnah binti Omar	4/5

Risk Management Committee

The members of the Risk Management Committee are as follows:

Hasnah binti Omar	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)
Steven Choy Khai Choon	Member (Independent Non-Executive Director)
Datin Joan Hoi Lai Ping	Member (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.

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

Risk Management Committee (continued)

The number of meetings attended by each member of the Risk Management Committee during the financial year ended 31 December 2015 is as follows:

Name of Directors	No. of Attendance
Hasnah binti Omar	5/5
Tan Sri Ahmad bin Mohd Don	5/5
Geoffrey Martin Riddell	5/5
Steven Choy Khai Choon	5/5
Datin Joan Hoi Lai Ping	5/5

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 Part V, Division 2, Corporate Governance, and paragraph 58 of the Financial Services Act, 2013 (“FSA”).

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/GL018-6) 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.

DIRECTORS' REPORT (CONTINUED)

PRUDENTIAL FRAMEWORK OF CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight (continued)

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 the 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 Steering Committee ("IT") 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 (9) 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
Philip Wallace Smith
Geoffrey Martin Riddell
Datin Joan Hoi Lai Ping
Steven Choy Khai Choon
Hasnah binti Omar

Steven Choy Khai Choon and Datin Joan Hoi Lai Ping retire pursuant to Article 103 of the Company's Articles of Association 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 disclosed in the notes 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 1.1.2015	Acquired	Disposed	As at 31.12.2015
Shares in Zurich Insurance Group Ltd				
Direct interest:				
Geoffrey Martin Riddell	19,845	4,506	-	24,351
Philip Wallace Smith	4,636	374	-	5,010

	Number of vested share options on ordinary shares of CHF0.10 each			
	As at 1.1.2015	Granted	Exercised/ Lapsed	As at 31.12.2015
Shares in Zurich Insurance Group Ltd				
Direct interest:				
Geoffrey Martin Riddell	48,548	-	(14,330)	34,218

	Number of unvested target shares allocations of CHF0.10 each			
	As at 1.1.2015	Granted	Lapsed	As at 31.12.2015
Shares in Zurich Insurance Group Ltd				
Direct interest:				
Geoffrey Martin Riddell	9,312	4,793	(3,056)	11,049

Zurich Insurance Group Ltd. ("ZIG"), the immediate holding company of Zurich Insurance Company Ltd. ("ZIC") which 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. 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 allowance 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 allowance 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 ("RBC") Framework for insurers issued by BNM.

DIRECTORS' REPORT (CONTINUED)

ULTIMATE HOLDING CORPORATION

The Directors regard Zurich Insurance Company Ltd. as the immediate holding corporation and Zurich Insurance Group Ltd. as the ultimate holding corporation. Both corporations 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 28 March 2016.

PHILIP WALLACE SMITH
DIRECTOR

TAN SRI AHMAD BIN MOHD DON
DIRECTOR

Kuala Lumpur
28 March 2016

ZURICH INSURANCE MALAYSIA BERHAD (8029-A)
(Incorporated in Malaysia)

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

We, Philip Wallace Smith 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 141 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 2015 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 28 March 2016.

PHILIP WALLACE SMITH
DIRECTOR

TAN SRI AHMAD BIN MOHD DON
DIRECTOR

Kuala Lumpur
28 March 2016

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

I, Tang Loon Khoon, 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 141 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.

TANG LOON KHOON

Subscribed and solemnly declared by the abovenamed Tang Loon Khoon at Kuala Lumpur on 28 March 2016.

Before me,

PESURUHJAYA SUMPAH
W607
GURDEEP SINGH
A/L JAG SINGH
MALAYSIA

5B, JALAN RAKYAT
(JALAN TRAVERS)
BRICKFIELDS
50470 KUALA LUMPUR

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ZURICH INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)
(Company No. 8029 A)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Zurich Insurance Malaysia Berhad on pages 17 to 141 which comprise the statement of financial position as at 31 December 2015 of the Company, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 2 to 42 to the financial statements.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to 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. The Directors are also responsible 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 about 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 judgment, 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

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

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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

This report is made solely to the members 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
(No. AF-1146)
Chartered Accountants

SHIRLEY GOH
(No. 1778/08/16 (J))
Chartered Accountant

Kuala Lumpur
28 March 2016

ZURICH INSURANCE MALAYSIA BERHAD (8029-A)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31.12.2015 RM'000	31.12.2014 RM'000
ASSETS			
Property, plant and equipment	4	23,473	21,517
Intangible assets	5	11,137	12,229
Investment properties	6	330,437	330,108
Investments	7	7,464,970	7,060,574
Available-for-sale financial assets		5,665,938	5,353,025
Financial assets at fair value through profit or loss		1,365,618	1,222,489
Loans and receivables	8	433,414	485,060
Reinsurance assets	9	194,600	164,777
Insurance receivables	10	100,205	113,855
Other receivables	11	98,558	84,033
Tax recoverable		32,706	26,758
Non-current assets held-for-sale	12	143,102	184,027
Deferred tax assets	13	39,916	13,538
Cash and cash equivalents		249,523	384,459
Total assets		8,688,627	8,395,875
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	14	579,000	579,000
Retained earnings	15	663,879	612,636
Other reserves	15	17,084	26,094
Total equity		1,259,963	1,217,730
Insurance contract liabilities	16	5,468,214	5,480,923
Deferred tax liabilities	13	108,903	91,274
Other liabilities	17	181,367	165,736
Insurance payables	18	1,649,759	1,422,447
Provision for life agents' retirement benefits	19	629	639
Current tax liabilities		19,792	17,126
Total liabilities		7,428,664	7,178,145
Total equity, policyholders' funds and liabilities		8,688,627	8,395,875

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

ZURICH INSURANCE MALAYSIA BERHAD (8029-A)
(Incorporated in Malaysia)

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Gross earned premiums	20(a)	1,437,050	1,357,989
Premiums ceded to reinsurers	20(b)	(176,579)	(124,716)
Net earned premiums		1,260,471	1,233,273
Investment income	21	335,742	322,829
Realised gains and losses	22	14,010	8,836
Fair value gains and losses	23	(11,612)	(68,897)
Fee and commission income	24	19,248	15,067
Other revenue		357,388	277,835
Total revenue		1,617,859	1,511,108
Gross benefits and claims paid	25(a)	(1,152,521)	(1,073,245)
Claims ceded to reinsurers	25(b)	81,599	24,433
Gross change to contract liabilities	25(c)	(1,473)	41,380
Change in contract liabilities ceded to reinsurers	25(d)	(9,112)	1,229
Net claims		(1,081,507)	(1,006,203)
Fee and commission expenses		(184,710)	(177,108)
Management expenses	26	(277,198)	(233,877)
Other operating income - net	27	5,353	5,618
Other expenses		(456,555)	(405,367)
Profit before taxation		79,797	99,538
Taxation	28	(28,554)	(25,356)
Net profit for the financial year		51,243	74,182
Basic/diluted earnings per share (cents)	30	8.85	12.81

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

ZURICH INSURANCE MALAYSIA BERHAD (8029-A)
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Profit for the financial year		51,243	74,182
Other comprehensive income/(loss):			
Item that will not be reclassified to profit or loss			
Fair value gain on asset revaluation reserve arising during the financial year			
- Gross fair value change		-	-
- Deferred tax	13	78	-
Net gains		78	-
Item that may be subsequently reclassified to profit or loss			
Fair value change on available-for-sale financial assets, net of deferred tax:			
- Gross fair value change	7(c)	(21,510)	3,554
- Deferred tax	13	1,239	664
Net (losses)/gains		(20,271)	4,218
Change in insurance contract liabilities arising from net fair value changes	16(a)	11,183	(6,274)
Other comprehensive loss for the year, net of tax		(9,088)	(2,056)
Total comprehensive income for the financial year		42,233	72,126

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 2015

	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Retained earnings			
	Numbers of shares	Nominal value	Available-for-sale fair value reserve	Asset revaluation reserve	Non-Par unallocated surplus[1]	Distributable retained earnings	Total retained earnings	Total
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	579,000	579,000	15,044	11,050	286,877	325,759	612,636	1,217,730
Profit/(loss) for the financial year	-	-	-	-	56,692	(5,449)	51,243	51,243
Other comprehensive (loss)/income for the financial year	-	-	(9,088)	78	-	-	-	(9,010)
At 31 December 2015	579,000	579,000	5,956	11,128	343,569	320,310	663,879	1,259,963
At 1 January 2014	579,000	579,000	17,100	11,050	281,700	256,754	538,454	1,145,604
Profit for the financial year	-	-	-	-	5,177	69,005	74,182	74,182
Other comprehensive loss for the financial year	-	-	(2,056)	-	-	-	-	(2,056)
At 31 December 2014	579,000	579,000	15,044	11,050	286,877	325,759	612,636	1,217,730

[1] In accordance with the FSA, the unallocated surplus of the Non-Participating ("Non-Par") fund is only available for distribution to the shareholders upon approval by the Appointed Actuary. There was no transfer from Non-Par fund unallocated surplus for the financial year ended 31 December 2015 (2014: Nil).

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

ZURICH INSURANCE MALAYSIA BERHAD (8029-A)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 RM'000	2014 RM'000
OPERATING ACTIVITIES		
Cash utilised in operating activities (Note 31)	(408,052)	(257,023)
Dividend/distribution income received	49,266	47,109
Interest/profit income received	258,458	250,649
Rental income on investment properties received	14,316	11,733
Income tax paid	(39,267)	(53,375)
Net cash outflows from operating activities	(125,279)	(907)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	96	4,053
Purchase of property, plant and equipment	(6,165)	(5,571)
Purchase of intangible assets	(3,588)	(3,581)
Net cash outflows from investing activities	(9,657)	(5,099)
Net decrease in cash and cash equivalents	(134,936)	(6,006)
Cash and cash equivalents at the beginning of the financial year	384,459	390,465
Cash and cash equivalents at the end of the financial year	249,523	384,459
Cash and cash equivalents comprise:		
Cash and bank balances	249,523	384,459
	249,523	384,459

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2015

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 Zurich Insurance Group Ltd. as the ultimate holding company. 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 28 March 2016.

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 have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”), and the requirements of the Companies Act, 1965 in Malaysia.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework (“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) Standards, amendments to published standards and interpretations

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable and effective to the Company

The new accounting standards, amendments to published standards and interpretations that are applicable and effective for the Company's current financial year beginning on 1 January 2015 are as follows:

- Annual Improvements to MFRSs 2010 - 2012 Cycle
- Annual Improvements to MFRSs 2011 - 2013 Cycle
- Amendments to MFRS 119, 'Defined Benefit Plans: Employees Contributions'

The adoption of the Annual Improvements to MFRSs 2010 – 2012 Cycle has required additional disclosures about the aggregation of segments. Other than that, the adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards effective for which annual periods beginning after 1 January 2015

(a) Effective from financial year beginning on or after 1 January 2016

- Amendments to MFRS 11 'Accounting for Acquisitions of Interest in Joint Operations'
- Amendments to MFRS 116 and MFRS 138 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- Amendments to MFRS 10 and MFRS 128 "Sale or Contribution of Assets between Investor and its Associates or Joint Venture"
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements"
- Annual Improvements to MFRSs 2012 – 2014 Cycle (Amendments to MFRS 5 "Non-current Assets Held for sale and Discontinued Operations", MFRS 7 "Financial Instruments: Disclosures", MFRS 119 "Employee Benefits", MFRS 134 "Interim Financial Reporting")
- Amendments to MFRS 10, 12 and 128 "Investment Entities – Applying the Consolidation Exception"
- Amendments to MFRS 101 "Presentation of Financial Statements – Disclosure Initiative"

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations (continued)

(b) Effective from financial year beginning on or after 1 January 2018

- MFRS 9 'Financial Instruments' will replace MFRS 139 'Financial Instruments: Recognition and Measurement'

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

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

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

None of the standards listed above were expected to have a significant effect on the financial statements of the Company upon initial application, except for MFRS 9. The Company has yet to assess the full impact of MFRS 9 onto the Company's accounting policies. The Company will also consider the impact of the remaining phases of MFRS 9 when completed by the MASB.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements.

(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 statement of income during the financial period in which they are incurred.

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 to 10 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) to the financial statements on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(i) Accounting by lessee

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

(ii) Accounting by lessor

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(c) Investment properties

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both. Such properties are measured initially at its cost, including related transaction costs and borrowing costs if the investment properties meet the definition of qualifying asset.

After initial recognition, investment properties are 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 monthly, and a formal valuation by an independent professional valuer is carried out once in every three years. All gains or losses arising from a change in fair value of investment properties are recognised in the income statement.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the financial year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Investment properties (continued)

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.

If a self-occupied property becomes an investment property, the fair value changes of the property upon the reclassification are recognised in an equity reserve. Increases are recognised directly in equity, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss. Decreases are recognised in profit or loss for any decrease in excess of the amount included in the revaluation surplus for that property.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Investments and other financial assets (continued)

(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 statement of income. Subsequent to initial recognition, these assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the statement of income.

(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 statement of income 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Investments and other financial assets (continued)

(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 of 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 the statement of income; 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 statement of income.

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. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. 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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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 statement of income 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 statement of income immediately.

(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.

(i) 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 statement of income.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment of financial assets (continued)

(i) Financial assets carried at amortised cost (continued)

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 statement of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) 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 statement of income, is transferred from equity through the statement of comprehensive income or from insurance contract liabilities to the statement of income. Reversals in respect of equity instruments classified as AFS are not recognised in the statement of income. Reversals of impairment losses on debt instruments classified as AFS are reversed through the statement of income 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 statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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.

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 the recovery process which 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 statement of income.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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 statement of income. 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 instrument - 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Product classification (continued)

Under the RBC 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 statement of income.

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.

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 statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(n) Reinsurance (continued)

Gains or losses on buying reinsurance are recognised in the statement of income 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 statement of income is based on the surplus determined by an annual actuarial valuation of the long-term insurance contract liabilities to the policyholders.

<u>Premium income</u>

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Life insurance underwriting results (continued)

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 statement of income in the financial period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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 risk's inception date.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) General insurance underwriting results (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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 liabilities shall be the higher of the current accumulated amount (as declared to the policy owners), or the sum of the current accumulated amount and liabilities 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 statement of income. Profits that originate from margins of adverse deviations on run-off contracts are recognised in the statement of income over the life of the contract, whereas losses are fully recognised in the statement of income during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

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 with the DPF fund are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The Company, however, has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders which are determined by an actuarial valuation of the long term liabilities to the policyholders at the date of the statements of financial position and is made in accordance with the provision of the FSA 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 is equal to the effect that the realisation of those gains or losses at the end of the reporting periods would have on those liabilities which is recognised directly in the other comprehensive income.

(iv) Net asset value attributable to unitholders

The unit liability of investment-linked 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.

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

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 refer to the reserves related to 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.

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 and premium 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 and Expected Loss Ratio 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 percent confidence level as required by BNM.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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 lessee 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 statement of income 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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 statement of income.

(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 statement of income.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(t) Income taxes (continued)

Deferred tax is recognised as income or an expense and included in the statement of income 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.

(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 statement of income 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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.

(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 statement of income.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(z) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, and 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

Description

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

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

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

Recognition method

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

(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) Valuation of life insurance contract liabilities

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 collaterals 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. Valuations of collaterals are reviewed by an independent valuer every three years and the impairment assessment is done monthly.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold and leasehold land	Freehold and leasehold buildings	Furniture, fittings and office equipment	Motor vehicles	Renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost						
At 1 January 2014	3,648	7,106	63,727	2,591	55,933	133,005
Additions	-	-	3,658	577	1,336	5,571
Disposals	(1,075)	(2,925)	(119)	(483)	(45)	(4,647)
At 31 December 2014	2,573	4,181	67,266	2,685	57,224	133,929
Additions	-	-	4,724	432	1,009	6,165
Written off	-	-	-	-	(679)	(679)
Disposals	-	-	(60)	(899)	-	(959)
At 31 December 2015	2,573	4,181	71,930	2,218	57,554	138,456
Accumulated depreciation and impairment loss						
At 1 January 2014	94	426	58,966	1,954	48,605	110,045
Charge for the year	27	161	1,436	124	1,548	3,296
Disposals	(68)	(214)	(119)	(483)	(45)	(929)
At 31 December 2014	53	373	60,283	1,595	50,108	112,412
Charge for the year	15	124	2,106	182	1,702	4,129
Write off	-	-	-	-	(679)	(679)
Disposals	-	-	(42)	(837)	-	(879)
At 31 December 2015	68	497	62,347	940	51,131	114,983
Net carrying amount						
At 31 December 2014	2,520	3,808	6,983	1,090	7,116	21,517
At 31 December 2015	2,505	3,684	9,583	1,278	6,423	23,473

5. INTANGIBLE ASSETS

	Computer software	Work-in-progress	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2014	30,485	-	30,485
Additions	3,581	-	3,581
At 31 December 2014	34,066	-	34,066
Additions	2,083	1,505	3,588
Write off	(1,537)	-	(1,537)
At 31 December 2015	34,612	1,505	36,117
Accumulated amortisation			
At 1 January 2014	18,565	-	18,565
Amortisation	3,272	-	3,272
At 31 December 2014	21,837	-	21,837
Amortisation	3,726	-	3,726
Write off	(583)	-	(583)
At 31 December 2015	24,980	-	24,980
Net carrying amount			
At 31 December 2014	12,229	-	12,229
At 31 December 2015	9,632	1,505	11,137

6. INVESTMENT PROPERTIES

	2015	2014
	RM'000	RM'000
At 1 January	330,108	372,345
Fair value changes		
- Credited to statement of income	(218)	856
Disposals	(220)	(7,840)
Reclassification from/(to) assets held-for-sale (Note 12)	767	(35,253)
At 31 December	330,437	330,108

6. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the investment properties as at 31 December 2015 were revalued by external independent valuers while the fair values of the investment properties as at 31 December 2014 were estimated in-house based on the properties' fair market value using the direct value comparison and income approach. Fair value changes are recorded in the income statement.

Rental income and the rates and maintenance expenses in respect of investment properties are disclosed in Note 21 to the financial statements.

The titles to certain investment properties amounting to RM66,368,800 (2014: RM67,053,800) 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.

The fair value hierarchy of investment properties is disclosed in Note 37 to the financial statements.

7. INVESTMENTS

	31.12.2015 RM'000	31.12.2014 RM'000
Malaysian Government Securities/ Government Investment Issues	1,105,907	825,159
Corporate debt securities	4,297,930	4,331,168
Equity securities	1,214,667	1,141,016
Unit trusts	413,052	278,171
Loans	433,414	424,829
Fixed and call deposits	-	60,231
	7,464,970	7,060,574
The Company's financial investments are summarised by measurement categories as follows:		
Available-for-sale ("AFS") financial assets	5,665,938	5,353,025
Fair value through profit or loss ("FVTPL") financial assets	1,365,618	1,222,489
Loans and receivables ("LAR") (Note 8)	433,414	485,060
	7,464,970	7,060,574
Investments that mature after 12 months:		
AFS financial assets	5,007,697	4,604,653
FVTPL financial assets	220,352	180,464
LAR (Note 8)	7,811	7,738
	5,235,860	4,792,855

7. INVESTMENTS (CONTINUED)

	31.12.2015 RM'000	31.12.2014 RM'000
(a) AFS financial assets		
Malaysian Government Securities/Government Investment Issues	1,090,191	814,180
Corporate debt securities		
- Unquoted in Malaysia	4,090,193	4,153,774
Equity securities		
- Quoted in Malaysia	233,853	154,035
- Unquoted in Malaysia	8,895	8,849
Unit trusts		
- Quoted in Malaysia	5,613	23,889
- Unquoted in Malaysia	237,193	198,298
	5,665,938	5,353,025
(b) FVTPL financial assets		
Held-for-trading:		
Equity securities		
- Quoted in Malaysia	414,570	348,647
Unit trusts		
- Quoted in Malaysia	65,624	50,985
	480,194	399,632
Designated at FVTPL:		
Malaysian Government Securities/Government Investment Issues	15,716	10,979
Corporate debt securities		
- Unquoted in Malaysia	207,737	177,394
Equity securities		
- Quoted in Malaysia	557,349	629,485
Unit trusts		
- Quoted in Malaysia	10,085	4,999
- Unquoted outside Malaysia	94,537	-
	885,424	822,857
	1,365,618	1,222,489

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.

	AFS	FVTPL	Total
	RM'000	RM'000	RM'000
At 1 January 2014	5,040,515	1,210,884	6,251,399
Purchases	1,650,983	299,522	1,950,505
Disposals (sale and redemptions)	(1,352,446)	(204,957)	(1,557,403)
Fair value gains/(losses) recorded in:			
Statement of income	-	(82,478)	(82,478)
Other comprehensive income	3,554	-	3,554
Movement in impairment allowance	(3,405)	-	(3,405)
Amortisation/interest adjustment	13,824	(482)	13,342
At 31 December 2014	5,353,025	1,222,489	6,575,514
Purchases	1,424,168	793,311	2,217,479
Disposals (sale and redemptions)	(1,103,741)	(636,484)	(1,740,225)
Fair value losses recorded in:			
Statement of income	-	(13,390)	(13,390)
Other comprehensive income	(21,510)	-	(21,510)
Movement in impairment allowance	(12)	-	(12)
Amortisation/interest adjustment	14,008	(308)	13,700
At 31 December 2015	5,665,938	1,365,618	7,031,556

The fair value hierarchy of investments is disclosed in Note 37 to the financial statements.

8. LOANS AND RECEIVABLES

	31.12.2015 RM'000	31.12.2014 RM'000
Loans arising from:		
Policy loans	251,312	242,339
Mortgage loans	123,094	125,531
Other secured loans	145,783	145,782
Unsecured loans	10,677	10,637
	530,866	524,289
Allowance for impairment	(97,452)	(99,460)
Net loans	433,414	424,829
Fixed and call deposits with:		
Licensed banks	-	60,231
	433,414	485,060

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 recoverable 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:

	31.12.2015 RM'000	31.12.2014 RM'000
Receivables within 12 months:		
Net loans	425,603	417,091
Fixed and call deposits	-	60,231
	425,603	477,322
Receivables after 12 months:		
Net loans (Note 7)	7,811	7,738
	433,414	485,060

8. LOANS AND RECEIVABLES (CONTINUED)

Included in the total loans portfolio net of allowance for impairment as at 31 December 2015, are several NPL amounting to approximately RM172,630,000 (2014: RM172,432,000). 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 in the net recoverable value of approximately RM15,285,351 (2014: RM3,835,409) for the NPL.

The net loans can be analysed as follows:

	31.12.2015 RM'000	31.12.2014 RM'000
(i) Outstanding loans before allowance for impairment analysed by loan type are as follows:		
Policy loans	251,312	242,339
Other term loans	268,118	269,174
Housing loans	11,354	12,640
Staff loans	82	136
	530,866	524,289
(ii) Outstanding loans before allowance for impairment analysed by type of customers are as follows:		
Policyholders	254,563	246,255
Business enterprises	268,096	269,152
Staff	464	619
Agents	496	509
Individuals	7,247	7,754
	530,866	524,289
(iii) Outstanding loans before allowance for impairment analysed by economic purpose are as follows:		
Policy loans	251,312	242,339
Construction	52,912	52,359
Purchase of landed properties/securities	214,973	223,640
Fixed assets other than land and building	65	99
Personal use	39	59
Working capital	11,565	5,793
	530,866	524,289

8. LOANS AND RECEIVABLES (CONTINUED)

	31.12.2015 RM'000	31.12.2014 RM'000
(iv) Movements of NPL before allowance for impairment are as follows:		
Outstanding loans before allowance for impairment at the beginning of the year	271,892	308,911
Classified as non-performing	693	513
Transferred to performing	(1,049)	(211)
Amount written back in respect of recoveries	(1,446)	(21,241)
Amount written off	(8)	(16,080)
Outstanding loans before allowance for impairment at the end of the year	270,082	271,892
(v) Movements in the allowance for impairment for NPL are as follows:		
Balance at the beginning of year	99,460	115,589
Allowance for the year	94	50
Amount written back in respect of recoveries	(2,094)	(99)
Amount written off	(8)	(16,080)
Balance at the end of the year	97,452	99,460
(vi) NPL before allowance for impairment analysed by loan type are as follows:		
Other term loans	268,123	269,176
Housing loans	1,959	2,716
	270,082	271,892
(vii) NPL before allowance for impairment analysed by type of customers are as follows:		
Policyholders	523	883
Business enterprises	268,101	269,154
Agents	454	454
Individuals	1,004	1,401
	270,082	271,892

8. LOANS AND RECEIVABLES (CONTINUED)

	31.12.2015 RM'000	31.12.2014 RM'000
(viii) NPL before allowance for impairment analysed by economic purpose are as follows:		
Construction	52,912	52,359
Purchase of landed properties/securities	205,583	213,718
Personal use	22	22
Working capital	11,565	5,793
	270,082	271,892
(ix) Aging of NPL before allowance for impairment is as follows:		
Up to 1 year	931	935
1 to 5 years	403	1,108
More than 5 years	268,748	269,849
	270,082	271,892

The fair value of the collaterals held as at the date of the statement of financial position was RM569,332,952 (2014: RM560,809,063).

The fair value hierarchy of loans and receivable is disclosed in Note 37 to the financial statements.

9. REINSURANCE ASSETS

	31.12.2015 RM'000	31.12.2014 RM'000
Reinsurers' share of insurance contract liabilities (Note 16)	194,600	164,777

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

	31.12.2015 RM'000	31.12.2014 RM'000
Due premiums including agents/brokers and co-insurers balances	98,006	114,800
Due from reinsurers and cedants	11,416	6,478
	109,422	121,278
Allowance for impairment	(9,217)	(7,423)
	100,205	113,855

11. OTHER RECEIVABLES

	31.12.2015 RM'000	31.12.2014 RM'000
Outstanding proceeds from disposal of investments	4,549	2,195
Assets held under Malaysian Motor Insurance Pool ("MMIP")*	73,032	63,340
Deposits, prepayment and other receivables	20,977	18,498
	98,558	84,033

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

* Assets held under MMIP include cash contribution made to MMIP of RM34,359,477 (2014: RM27,347,901). The remaining balances represent assets held under MMIP recognised by the Company based on quarterly statements received from MMIP of RM38,672,606 (2014: RM35,991,918). There is a net payable as at 31 December 2015 of RM4,099,682 (2014: RM9,370,104) to MMIP after setting off the assets held under MMIP against the Company's share of MMIP's claims and premium liabilities amounting to RM7,648,923 (2014: RM10,471,457) included in Note 16 to the financial statements.

12. NON-CURRENT ASSETS HELD-FOR-SALE

Non-current assets held-for-sale comprise of investment properties identified for disposal with earnest deposits paid by the interested parties and the Company is currently finalising the details of the sale and purchase agreements with the respective buyers.

	2015 RM'000	2014 RM'000
Carrying value		
At 1 January	184,027	285,974
Disposed during the year	(40,158)	(137,200)
Reclassification (to)/from investment properties (Note 6)	(767)	35,253
At 31 December	143,102	184,027

13. 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:

	31.12.2015			31.12.2014		
	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
Deferred tax assets						
- Recoverable within 12 months	-	-	-	-	317	317
- Recoverable after 12 months	-	39,916	39,916	-	13,221	13,221
	-	39,916	39,916	-	13,538	13,538
Deferred tax liabilities						
- Recoverable within 12 months	-	-	-	(1,134)	-	(1,134)
- Recoverable after 12 months	(106,610)	(2,293)	(108,903)	(88,398)	(1,742)	(90,140)
	(106,610)	(2,293)	(108,903)	(89,532)	(1,742)	(91,274)
Deferred tax (liabilities)/assets (net)	(106,610)	37,623	(68,987)	(89,532)	11,796	(77,736)

13. DEFERRED TAXATION (CONTINUED)

	2015			2014		
	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
At 1 January	(89,532)	11,796	(77,736)	(101,729)	12,511	(89,218)
Credited/(charged) to statement of income (note 28)						
- property, plant and equipment	(1,335)	(682)	(2,017)	631	(444)	187
- investments and loans	1,282	(198)	1,084	4,806	(1,173)	3,633
- investment properties	(3,496)	(311)	(3,807)	1,959	(32)	1,927
- others	28	-	28	(11)	-	(11)
- non-DPF unallocated life surplus	(15,269)	-	(15,269)	5,082	-	5,082
- temporary funding to Par fund	-	27,413	27,413	-	-	-
	(18,790)	26,222	7,432	12,467	(1,649)	10,818
Credited/(charged) to comprehensive income:						
- asset revaluation reserve	-	78	78	-	-	-
- available-for-sale fair value reserves	1,712	(473)	1,239	(270)	934	664
	1,712	(395)	1,317	(270)	934	664
At 31 December	(106,610)	37,623	(68,987)	(89,532)	11,796	(77,736)

13. DEFERRED TAXATION (CONTINUED)

	31.12.2015			31.12.2014		
	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
Subject to income tax:						
Deferred tax assets (before offsetting)						
- investments and loans	1,247	7,536	8,783	-	7,734	7,734
- investment properties	4,136	8,338	12,474	7,632	8,686	16,318
- others	28	-	28	-	-	-
- temporary funding to Par fund	-	27,413	27,413	-	-	-
	5,411	43,287	48,698	7,632	16,420	24,052
Offsetting	(5,411)	(3,371)	(8,782)	(7,632)	(2,882)	(10,514)
Deferred tax assets after offsetting	-	39,916	39,916	-	13,538	13,538
Deferred tax liabilities (before offsetting)						
- asset revaluation reserve	(1,644)	(1,890)	(3,534)	(1,644)	(1,968)	(3,612)
- available-for-sale reserve	(4,047)	(1,321)	(5,368)	(5,759)	(848)	(6,607)
- property, plant and equipment	(1,335)	(1,596)	(2,931)	-	(914)	(914)
- investments and loans	(13,999)	-	(13,999)	(14,034)	-	(14,034)
- investment properties	-	(857)	(857)	-	(894)	(894)
- unallocated surplus	(90,996)	-	(90,996)	(75,727)	-	(75,727)
	(112,021)	(5,664)	(117,685)	(97,164)	(4,624)	(101,788)
Offsetting	5,411	3,371	8,782	7,632	2,882	10,514
Deferred tax liabilities after offsetting	(106,610)	(2,293)	(108,903)	(89,532)	(1,742)	(91,274)

14. SHARE CAPITAL

	2015		2014	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000	RM'000	'000	RM'000
Authorised				
Ordinary shares of RM1 each:				
- At beginning/end of the financial year	750,000	750,000	750,000	750,000
Issued and fully paid				
Ordinary shares of RM1 each:				
- At beginning/end of the financial year	579,000	579,000	579,000	579,000

15. RESERVES

(a) Retained earnings

In accordance with Section 83 of the FSA, the unallocated surplus is only available for distribution to the shareholders upon approval/recommendation by the Appointed Actuary.

Pursuant to the single tier system, any dividends distributed by the Company from the distributable retained earnings will be exempted from tax in the hand of shareholders. The Company shall not be required to deduct tax on dividend paid, credited or distributed to shareholders.

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

15. RESERVES (CONTINUED)

(b) Other reserves

Other reserves consist of available-for-sale reserves and asset revaluation reserve.

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.

The assets revaluation reserve represents the fair value difference arising upon the reclassification of self-occupied properties which are carried at cost less accumulated depreciation and accumulated impairment loss, to investment properties during the current financial year.

16. INSURANCE CONTRACT LIABILITIES

		31.12.2015			31.12.2014		
		Gross	Re-insurance	Net	Gross	Re-insurance	Net
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Life insurance	16(a)	4,672,409	(51,985)	4,620,424	4,722,442	(34,419)	4,688,023
General insurance	16(b)	795,805	(142,615)	653,190	758,481	(130,358)	628,123
		5,468,214	(194,600)	5,273,614	5,480,923	(164,777)	5,316,146

	31.12.2015			31.12.2014		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(a) Life Insurance:						
Liability for future Policyholders' benefits	3,622,009	(23,167)	3,598,842	3,757,740	(22,143)	3,735,597
Net asset value attributable to unitholders	965,185	-	965,185	887,966	-	887,966
Actuarial liabilities	4,587,194	(23,167)	4,564,027	4,645,706	(22,143)	4,623,563
Claims liabilities	63,598	(28,818)	34,780	57,152	(12,276)	44,876
	4,650,792	(51,985)	4,598,807	4,702,858	(34,419)	4,668,439
Life Participating Fund:						
- Unallocated deficit	(46,479)	-	(46,479)	(59,695)	-	(59,695)
- Available-for-sale reserves	47,106	-	47,106	58,289	-	58,289
- Asset revaluation reserve	20,990	-	20,990	20,990	-	20,990
	4,672,409	(51,985)	4,620,424	4,722,442	(34,419)	4,688,023

16. 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
Actuarial liabilities							
At 1 January 2014	3,157,677	1,540,605	4,698,282	(5,052)	(17,943)	(22,995)	4,675,287
Benefit and claims experience variation	(101,738)	7,506	(94,232)	41	811	852	(93,380)
Change due to valuation basis:							
Model enhancement	(2,351)	(143)	(2,494)	-	-	-	(2,494)
Yield movement	-	12,901	12,901	-	-	-	12,901
Assumption changes	(15,607)	22,407	6,800	-	-	-	6,800
Net asset value attributable to unitholders	-	24,449	24,449	-	-	-	24,449
At 31 December 2014	3,037,981	1,607,725	4,645,706	(5,011)	(17,132)	(22,143)	4,623,563
Benefit and claims experience variation	(146,093)	19,664	(126,429)	(1,454)	430	(1,024)	(127,453)
Change due to valuation basis:							
Model enhancement	7,976	(4,253)	3,723	-	-	-	3,723
Yield movement	-	(20,768)	(20,768)	-	-	-	(20,768)
Assumption changes	11,912	(4,169)	7,743	-	-	-	7,743
Net asset value attributable to unitholders	-	77,219	77,219	-	-	-	77,219
At 31 December 2015	2,911,776	1,675,418	4,587,194	(6,465)	(16,702)	(23,167)	4,564,027

16. 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 2014	31,411	21,487	52,898	(2,395)	(3,434)	(5,829)	47,069
Movement in claim provisions	(651)	4,905	4,254	(946)	(5,501)	(6,447)	(2,193)
At 31 December 2014	30,760	26,392	57,152	(3,341)	(8,935)	(12,276)	44,876
Movement in claim provisions	518	5,928	6,446	(2,272)	(14,270)	(16,542)	(10,096)
At 31 December 2015	31,278	32,320	63,598	(5,613)	(23,205)	(28,818)	34,780

16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life Insurance (continued)

	2015			2014		
	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	(59,695)	286,877	227,182	(39,276)	281,700	242,424
Premium received	201,685	530,836	732,521	213,225	533,426	746,651
Payment due to death, surrenders, benefits and claims	(552,718)	(270,145)	(822,863)	(482,478)	(332,876)	(815,354)
Net investment income	180,153	90,492	270,645	170,601	31,100	201,701
Management expenses and commissions	(44,373)	(184,944)	(229,317)	(43,266)	(164,695)	(207,961)
Change in life insurance fund actuarial liabilities	125,687	(73,621)	52,066	120,347	(72,025)	48,322
Change in claims liabilities	(819)	(14,701)	(15,520)	904	4,691	5,595
Tax expense	(10,618)	(21,225)	(31,843)	(9,752)	5,556	(4,196)
Transfer from Shareholders' fund	-	-	-	10,000	-	10,000
Temporary funding from Shareholders' Fund	114,219	-	114,219	-	-	-
Net surplus/(deficit) for the financial year	13,216	56,692	69,908	(20,419)	5,177	(15,242)
At 31 December	(46,479)	343,569	297,090	(59,695)	286,877	227,182

*The unallocated surplus of the Life Non-Participating fund is reported under non-distributable retained earnings in the statement of changes in equity.

16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life Insurance (continued)

Reserves movement for the Life Participating fund is as follows:

	2015 RM'000	2014 RM'000
Available-for-sale reserves		
At 1 January	58,289	52,015
Fair value change on available-for-sale financial assets, net of tax:		
- Gross fair value change	(11,962)	6,361
- Deferred taxation	779	(87)
	(11,183)	6,274
At 31 December	47,106	58,289
Asset revaluation reserves	20,990	20,990

16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General Insurance

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

		31.12.2015			31.12.2014		
		Gross	Re-insurance	Net	Gross	Re-insurance	Net
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims		330,313	(61,268)	269,045	331,836	(60,818)	271,018
Provision for incurred but not reported claims ("IBNR")		156,631	(11,720)	144,911	114,785	(5,762)	109,023
Claim liabilities		486,944	(72,988)	413,956	446,621	(66,580)	380,041
Premium liabilities		308,861	(69,627)	239,234	311,860	(63,778)	248,082
		795,805	(142,615)	653,190	758,481	(130,358)	628,123

16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General Insurance (continued)

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

		2015			2014		
		Gross	Re-insurance	Net	Gross	Re-insurance	Net
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Claims liabilities							
At 1 January		446,621	(66,580)	380,041	419,260	(70,946)	348,314
Claims incurred in the current accident year		245,678	(18,501)	227,177	113,487	(7,209)	106,278
Other movements in claims incurred in prior accident years		25,398	(6,489)	18,909	157,402	(8,037)	149,365
Claims paid during the financial year	25	(272,599)	24,540	(248,059)	(247,998)	14,540	(233,458)
Movement in IBNR reserves		41,846	(5,958)	35,888	4,470	5,072	9,542
At 31 December		486,944	(72,988)	413,956	446,621	(66,580)	380,041

		2015			2014		
		Gross	Re-insurance	Net	Gross	Re-insurance	Net
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Premium liabilities							
At 1 January		311,860	(63,778)	248,082	258,907	(42,234)	216,673
Premium written in the financial year	20	639,540	(120,438)	519,102	643,381	(125,351)	518,030
Premium earned during the financial year		(642,539)	114,589	(527,950)	(590,428)	103,807	(486,621)
At 31 December		308,861	(69,627)	239,234	311,860	(63,778)	248,082

17. OTHER LIABILITIES

	31.12.2015 RM'000	31.12.2014 RM'000
Investment creditors	16,458	19,235
Cash collaterals held for performance bond underwritten	34,438	34,932
Unclaimed monies	4,634	10,541
Rental deposits	2,463	1,930
Accrued for unutilised staff leave	1,693	1,517
Accrued expenses	58,775	46,872
Other payables	62,906	50,709
	181,367	165,736
Repayable within 12 months	172,313	148,787
Repayable after 12 months	9,054	16,949
	181,367	165,736

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

18. INSURANCE PAYABLES

	31.12.2015 RM'000	31.12.2014 RM'000
Due to agents and intermediaries	1,446,328	1,268,539
Due to reinsurers and cedants	75,371	54,105
Accrued interest on cash payments/cash dividends payable to life policyholders	80,923	68,938
Reinsurer's deposits withheld	34,693	21,795
Premium deposits	12,444	9,070
	1,649,759	1,422,447

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.

19. PROVISION FOR LIFE AGENTS' RETIREMENT BENEFITS

	2015 RM'000	2014 RM'000
At 1 January	639	967
Additional provision	74	37
Utilisation of provision	(84)	(365)
At 31 December	629	639
Repayable within 12 months	104	85
Repayable after 12 months	525	554
	629	639

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

	31.12.2015 RM'000	31.12.2014 RM'000
Present value of funded obligations	26,242	26,927
Fair value of plan assets	(26,242)	(26,927)
Status of funded plan	-	-
Present value of unfunded obligations	629	639
Liability in the statement of financial position	629	639

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

	2015 RM'000	2014 RM'000
Current service cost	52	10
Interest cost	22	27
	74	37

The actual return on plan asset was RM1,359,000 (2014: RM3,615,000).

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.

20. NET EARNED PREMIUMS

	2015 RM'000	2014 RM'000
(a) Gross Premiums		
Insurance contracts:		
Life	794,511	767,560
General (Note 16(b))	639,540	643,381
	1,434,051	1,410,941
Change in premium liabilities	2,999	(52,952)
	1,437,050	1,357,989
(b) Premium Ceded		
Insurance contracts:		
Life	(61,990)	(20,909)
General (Note 16(b))	(120,438)	(125,351)
	(182,428)	(146,260)
Change in premium liabilities	5,849	21,544
	(176,579)	(124,716)
Net earned premiums	**1,260,471**	**1,233,273**

21. INVESTMENT INCOME

	2015 RM'000	2014 RM'000
FVTPL financial assets		
Interest/profit income:		
- Malaysian Government Securities/ Government Investment Issues	936	417
- corporate debt securities unquoted in Malaysia	10,615	9,279
Dividend/distribution income:		
- equity securities quoted in Malaysia	30,425	31,510
- unit trusts quoted in Malaysia	3,656	3,052
Accretion of discounts/(amortisation of premiums):		
- Malaysian Government Securities/ Government Investment Issues	(1)	16
- corporate debt securities unquoted in Malaysia	(645)	(584)
	44,986	43,690
AFS financial assets		
Interest/profit income:		
- Malaysian Government Securities/ Government Investment Issues	37,102	34,837
- corporate debt securities unquoted in Malaysia	184,923	177,785
Dividend/distribution income:		
- equity securities quoted in Malaysia	6,635	4,358
- equity securities unquoted in Malaysia	299	362
- unit trusts	8,251	7,826
Accretion of discounts/(amortisation of premiums):		
- Malaysian Government Securities/ Government Investment Issues	(649)	(1,143)
- corporate debt securities unquoted in Malaysia	13,334	11,944
	249,895	235,969
Loans and receivables		
Interest/profit income:		
- policy loans	16,149	17,655
- mortgage loans	800	2,675
- other secured and unsecured loans	4	11
- fixed and call deposits	9,592	11,096
	26,545	31,437
Properties		
Gross rental income	23,752	21,740
Less: Rates and maintenance	(9,436)	(10,007)
	14,316	11,733
	335,742	322,829

22. REALISED GAINS AND LOSSES

	2015 RM'000	2014 RM'000
FVTPL financial assets		
Realised gains:		
- Malaysian Government Securities/Government Investment Issues	143	-
- corporate debt securities unquoted in Malaysia	298	55
- equity securities quoted in Malaysia	33,637	10,122
- unit trusts quoted in Malaysia	95	740
Realised losses:		
- Malaysian Government Securities/Government Investment Issues	(214)	-
- corporate debt securities unquoted in Malaysia	(38)	(159)
- equity securities quoted in Malaysia	(31,340)	(2,878)
- unit trusts quoted in Malaysia	(418)	(12)
	2,163	7,868
AFS financial assets		
Realised gains:		
- Malaysian Government Securities/Government Investment Issues	520	582
- corporate debts securities unquoted in Malaysia	17,517	16,216
- equity securities quoted in Malaysia	8,077	9,766
- unit trusts quoted in Malaysia	977	124
Realised losses:		
- Malaysian Government Securities/Government Investment Issues	(677)	(3,049)
- corporate debt securities unquoted in Malaysia	(4,118)	(5,216)
- equity securities quoted in Malaysia	(11,356)	(5,544)
- unit trusts quoted in Malaysia	(5)	(1,311)
	10,935	11,568
Loans and receivables		
Realised losses	(8)	(16,080)
Non-financial assets		
Realised gains:		
- properties	918	5,707
- property, plant and equipment	32	335
Realised losses:		
- properties	(14)	(562)
- property, plant and equipment	(16)	-
	920	5,480
	14,010	8,836

23. FAIR VALUE GAINS AND LOSSES

	2015 RM'000	2014 RM'000
FVTPL financial assets:		
Net fair value gains/(losses):		
- Malaysian Government Securities/ Government Investment Issues	174	(12)
- corporate debt securities unquoted in Malaysia	(777)	(591)
- equity securities quoted in Malaysia	(16,081)	(87,599)
- unit trusts quoted in Malaysia	454	5,724
- unit trusts unquoted outside Malaysia	2,840	-
	(13,390)	(82,478)
Net fair value (losses)/gains :		
- investment properties	(218)	856
Impairment losses:		
- AFS financial assets	(12)	(3,405)
Loans and receivables:		
- write back of allowance	2,008	16,130
	(11,612)	(68,897)

24. FEES AND COMMISSION INCOME

	2015 RM'000	2014 RM'000
Policy administration and investment management services	377	143
Surrender charges and other contract fees	48	47
Reinsurance commission income	18,823	14,877
	19,248	15,067

25. NET BENEFITS AND CLAIMS

			2015 RM'000	2014 RM'000
(a)	Gross Benefits and Claims Paid			
	Insurance contracts:	Life	(879,922)	(825,247)
		General (Note 16(b))	(272,599)	(247,998)
			(1,152,521)	(1,073,245)
(b)	Claims Ceded to Reinsurers			
	Insurance contracts:	Life	57,059	9,893
		General (Note 16(b))	24,540	14,540
			81,599	24,433
(c)	Gross Change in Contract Liabilities			
	Insurance contracts:	Life	38,850	68,741
		General	(40,323)	(27,361)
			(1,473)	41,380
(d)	Change in Contract Liabilities ceded to Reinsurers			
	Insurance contracts:	Life	(15,520)	5,595
		General	6,408	(4,366)
			(9,112)	1,229

26. MANAGEMENT EXPENSES

	2015 RM'000	2014 RM'000
Staff costs (including Executive Directors):		
- salaries and bonus	118,295	107,408
- staff and retirement benefits contributions	21,403	20,624
	139,698	128,032
Directors' remuneration	970	475
Auditors' remuneration:		
- statutory audit	997	1,044
- others	10	110
Office rental	13,685	13,524
Equipment rental	1,207	757
Depreciation of property, plant and equipment	4,129	3,296
Amortisation of intangible assets	3,726	3,272
Allowance for impairment of insurance receivables	1,794	175
Training expenses	2,652	1,747
Repairs and maintenance expenses	6,267	5,614
Information technology expenses	21,798	15,936
Advertising, promotional and entertainment expenses	16,180	9,130
Motor club expenses	2,315	1,267
Motor vehicle and travelling expenses	5,356	5,961
Printing and stationery expenses	10,120	8,417
Postage, courier and telephone charges	3,890	3,077
Management fees	7,650	6,118
Other expenses	34,754	25,925
	137,500	105,845
	277,198	233,877

26. MANAGEMENT EXPENSES (CONTINUED)

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

	2015 RM'000	2014 RM'000
Executive Directors:		
- salaries	-	1,881
- contribution to defined contribution plan	-	178
- other emoluments	2,625*	1,203*
- benefits in kind	219	56
	2,844	3,318
Non-Executive Directors:		
- fees	819	326
- allowances	151	149
	970	475
Total	3,814	3,793
Represented by:		
Directors' fees	819	326
Directors' emoluments	2,776	3,411
Benefits in kind	219	56
Total	3,814	3,793

*included are other emolument benefits payable to Zurich Services (Hong Kong) Limited.

26. MANAGEMENT EXPENSES (CONTINUED)

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	
	2015	**2014**
Executive Directors:		
RM100,001 – RM1,000,000	-	2
RM1,000,001 – RM2,000,000	-	1
RM2,000,001 – RM3,000,000	1	-
Non-Executive Directors:		
RM10,001 – RM100,000	-	2
RM100,001 – RM200,000	-	2
RM200,001 – RM300,000	3	-
RM300,001 – RM400,000	1	-

Included in the remuneration of the Executive Directors is the remuneration attributable to the Chief Executive Officer ("CEO") of the Company during the financial year amounting to RM2,843,226 (2014: RM1,497,000).

The estimated monetary value of benefits provided to CEO during the financial year by way of usage of the Company's assets was RM31,150 (2014: RM25,000).

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

Tan Sri Ahmad bin Mohd Don
Philip Wallace Smith
Geoffrey Martin Riddell
Steven Choy Khai Choon
Datin Joan Hoi Lai Ping
Hasnah binti Omar

27. OTHER OPERATING INCOME/(EXPENSES) – NET

	2015	**2014**
	RM'000	**RM'000**
Finance costs	(17)	(20)
Other miscellaneous income	5,370	5,638
	5,353	5,618

The unsecured bank overdraft facilities of the Company have limits of RM4.0 million (2014: RM4.0 million). During the financial year, the interest rate charged was 8.35% (2014: 8.66%) per annum. There were no overdraft facilities utilised at the date of the statement of financial position.

28. TAXATION

			2015
	Life fund	**General and Shareholders' funds**	**Total**
	RM'000	**RM'000**	**RM'000**
Current tax	13,053	22,933	35,986
Deferred tax (Note 13)	18,790	(26,222)	(7,432)
Tax expense	31,843	(3,289)	28,554
Current tax			
Current financial year	17,135	24,245	41,380
Over provision in prior financial years	(4,082)	(1,312)	(5,394)
	13,053	22,933	35,986
Deferred tax			
Origination and reversal of temporary differences	18,790	(26,222)	(7,432)
	31,843	(3,289)	28,554

			2014
	Life fund	**General and Shareholders' funds**	**Total**
	RM'000	**RM'000**	**RM'000**
Current tax	16,663	19,511	36,174
Deferred tax (Note 13)	(12,467)	1,649	(10,818)
Tax expense	4,196	21,160	25,356
Current tax			
Current financial year	21,990	19,426	41,416
(Over)/under provision in prior financial years	(5,327)	85	(5,242)
	16,663	19,511	36,174
Deferred tax			
Origination and reversal of temporary differences	(12,467)	1,649	(10,818)
	4,196	21,160	25,356

28. TAXATION (CONTINUED)

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:

	2015 RM'000	2014 RM'000
Profit before taxation	79,797	99,538
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	19,949	24,885
Deduction of cash contribution to MMIP during the financial year*	(1,753)	(2,340)
Effect due to different tax rates	(8,300)	(12,193)
Income not subject to tax	(3,271)	(2,918)
Expenses not deductible for tax purposes	16,104	12,991
Tax impact on investment income attributable to policyholders and unitholders	8,950	6,434
	31,679	26,859
Over provision of taxation in prior financial years	(3,125)	(1,503)
Tax expense	28,554	25,356

*The deduction of cash contribution to MMIP during the financial year RM7,011,576 (2014: RM9,358,767) relates to the double tax deduction allowed on MMIP cash contribution made, pursuant to the Gazette Order issued by the Attorney General Chambers of Malaysia on 28 November 2012.

The income tax for the Shareholders' and General funds are calculated based on the corporate tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year. The income tax for the Life fund is calculated based on the tax rate of 8% (2014: 8%) of the assessable investment income net of allowable deductions for the financial year.

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 PER SHARE

The basic earnings per ordinary share has been calculated by dividing the Company's net profit for the financial year of RM23,830,000 (2014: RM74,182,000) over the weighted average number of shares of the Company in issue of 579,000,000 (2014: 579,000,000) 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	2015 RM'000	2014 RM'000
Profit after tax		51,243	74,182
Investment income	21	(335,742)	(322,829)
Realised gains recorded in profit or loss	22	(14,010)	(8,836)
Fair value losses recorded in profit or loss	23	11,612	68,897
Proceeds from sale of investment properties		41,282	150,185
Purchases of financial assets at fair value through profit or loss	7(c)	(793,311)	(299,522)
Proceeds from sale of financial assets at fair value through profit or loss		638,647	212,825
Purchases of available-for-sale financial assets	7(c)	(1,424,168)	(1,650,983)
Proceeds from sale and redemption of available-for-sale financial assets		1,114,676	1,364,014
Decrease/(increase) in loans and receivables		53,646	(9,156)
Non-cash items:			
Depreciation of property, plant and equipment	4	4,129	3,296
Amortisation of intangible assets	5	3,726	3,272
Increase in provision for agents' retirement benefits	19	74	37
Utilisation of agents' retirement benefits	19	(84)	(365)
Increase in allowance for impairment on insurance receivables	26	1,794	175
Tax expense	28	28,554	25,356
Changes in working capital:			
Increase in reinsurance assets		(29,823)	(22,773)
Decrease/(increase) in insurance receivables		11,856	(13,905)
Increase in other receivables		(14,525)	(10,559)
(Decrease)/increase in insurance contract liabilities		(1,525)	11,573
Increase/(decrease) in other liabilities		16,585	(3,071)
Increase in insurance payables		227,312	171,164
Cash utilised in operating activities		(408,052)	(257,023)

31. CASH FLOWS (CONTINUED)

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:

	31.12.2015 RM'000	31.12.2014 RM'000
Authorised and contracted for:		
- investment properties	409	427

33. LEASE COMMITMENTS

The lease commitments are in respect of rented premises and hired equipment, all of which are reclassified as operating leases. A summary of the non-cancellable long-term commitments is as follows:

	31.12.2015 RM'000	31.12.2014 RM'000
Within one year	3,980	957
One year to less than four years	4,607	7,638
	8,587	8,595

34. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties

The related party and their relationship with the Company as at 31 December 2015 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 Services Malaysia Sdn. Bhd.	Subsidiary of ZICL
Zurich Financial Services Australia Limited	Subsidiary of ZICL
Zurich Services (Hong Kong) Limited	Subsidiary of ZICL
Zurich American Insurance Company	Subsidiary of ZICL
Zurich Insurance Company Ltd., Labuan Branch	Branch office of ZICL
Zurich Insurance Company Ltd., Singapore 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, at agreed terms and prices.

	2015 RM'000	**2014 RM'000**
Reinsurance transactions with:		
Zurich Insurance Company Ltd.:		
- Reinsurance premiums paid	80,535	59,758
- Reinsurance commissions received	(8,691)	(5,710)
- Reinsurance claims recovered	(9,436)	(1,054)
Zurich Insurance Company Ltd., Labuan Branch:		
- Reinsurance premiums paid	22,572	24,472
- Reinsurance commissions received	(3,264)	(2,783)
- Reinsurance claims recovered	(2,361)	(1,947)
Zurich Insurance Company Ltd., Singapore Branch:		
- Reinsurance premiums paid	702	8,157
- Reinsurance commissions received	(92)	(326)

34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related parties (continued)

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

	2015 RM'000	2014 RM'000
Rental income received/receivable from:		
- Zurich Property Services Malaysia Sdn. Bhd.	(13)	(72)
- Zurich Roadside Assistance Malaysia Sdn. Bhd.	(100)	(103)
- Zurich Services Malaysia Sdn. Bhd.	(489)	(706)
- Zurich Shared Services Malaysia Sdn. Bhd.	(520)	-
Other transactions:		
Accounting, payroll and administration fees received/receivable from:		
- Zurich Property Services Malaysia Sdn. Bhd.	(20)	(78)
- Zurich Services Malaysia Sdn. Bhd.	(96)	(77)
Property management and services paid/payable to:		
- Zurich Property Services Malaysia Sdn. Bhd.	-	268
Breakdown services assistance charges paid/ payable to:		
- Zurich Roadside Assistance Malaysia Sdn. Bhd.	2,019	1,267
Software development, system support, purchase of computer equipment and maintenance fees paid/payable to:		
- Zurich Services Malaysia Sdn. Bhd.	12,453	11,492
FSCM Investment management fees:		
- Zurich Services (Hong Kong) Limited	1,232	214
Actuarial support fees:		
- Zurich Shared Services Malaysia Sdn. Bhd.	621	-
Reimbursement costs to:		
- Zurich Insurance Company Ltd.	12,362	2,529
- Zurich Financial Services Australia Limited	586	28
- Zurich American Insurance Company	2,729	820
- Zurich Services (Hong Kong) Limited	3,998	710

34. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party balances

	2015 RM'000	2014 RM'000
Included in reinsurance receivable/(payables):		
Zurich Insurance Company Ltd.	(42,476)	(27,363)
Zurich Insurance Company Ltd., Labuan Branch	(9,425)	(8,694)
Zurich Insurance Company Ltd., Singapore Branch	(5,557)	(6,823)
Included in other receivable/(payables):		
Zurich Roadside Assistance Malaysia Sdn. Bhd.	(1,182)	59
Zurich Insurance Company Ltd.	(4,064)	-
Zurich American Insurance Company	234	(108)
Zurich Services (Hong Kong) Limited	3,230	(710)
Zurich Services Malaysia Sdn. Bhd.	80	-
Zurich Shared Services Malaysia Sdn. Bhd.	(133)	-

(c) Key management personnel

Executive 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 Executive Directors were as follows:

	2015 RM'000	2014 RM'000
Salaries and other short-term employee benefits	16,767	10,298
Defined contribution retirement benefits	1,957	1,160
	18,724	11,458

The remuneration attributable to the Chief Executive Officer ("CEO") of the Company during the financial year ended 31 December 2015 was RM2,843,226 (2014: RM1,497,000).

The estimated monetary value of benefits provided to CEO during the financial year by way of usage of the Company's assets was RM31,150 (2014: RM25,000).

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, analysing, 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 delegated 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 ALMIC, HRC, ITSC, BCM, RCC, OSHC and the various Senior Management Committees for Life and General Business. All these committees are chaired by the Chief Executive Officer or a member of senior management team.

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

The Company is required to comply with the FSA and BNM Regulations, as applicable.

The Company is also required to comply with all Zurich Group's policies and standards. If there is any conflict with the local laws or regulations, the stricter will apply.

35. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Capital Management

The Company's capital management policy is to create shareholders 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 RBC Framework regulated by BNM is 130% for each insurance entity. The Company complied with the minimum CAR as at 31 December 2015.

The regulated capital of the Company as at 31 December 2015 comprised Available Capital of RM2,148,519,326 (2014: RM2,198,871,145).

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

	31.12.2015 RM'000	31.12.2014 RM'000
Tier 1 Capital		
Paid-up share capital	579,000	579,000
Reserves, including retained earnings	1,535,943	1,539,856
	2,114,943	2,118,856
Tier 2 Capital		
Assets revaluation reserves	24,910	24,831
Available-for-sale reserves	48,582	68,722
Less:		
Deferred tax assets	(39,916)	(13,538)
Total Capital Available	2,148,519	2,198,871

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-linked 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
- 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 2015							
Life Contracts:							
Whole life	1,602,497	57,744	1,660,241	-	-	-	1,660,241
Endowment	409,023	406,897	815,920	-	-	-	815,920
Term-Mortgage	384	79,979	80,363	-	-	-	80,363
Term-Others	148,074	101,595	249,669	-	-	-	249,669
Term-Medical & Health	-	44,325	44,325	-	-	-	44,325
Term- Other plans	-	693	693	-	-	-	693
Term-Other provision	6,200	19,000	25,200	(6,465)	(16,702)	(23,167)	2,033
Annuity Contracts:							
Immediate annuities	478	-	478	-	-	-	478
Deferred annuities	745,120	-	745,120	-	-	-	745,120
Total Life Insurance	2,911,776	710,233	3,622,009	(6,465)	(16,702)	(23,167)	3,598,842

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

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 2014							
Life Contracts:							
Whole life	1,740,602	61,772	1,802,374	-	-	-	1,802,374
Endowment	409,723	408,920	818,643	-	-	-	818,643
Term-Mortgage	348	96,715	97,063	-	-	-	97,063
Term-Others	133,041	92,979	226,020	-	-	-	226,020
Term-Medical & Health	-	40,269	40,269	-	-	-	40,269
Term- Other plans	-	104	104	-	-	-	104
Term-Other provision	-	19,000	19,000	(5,011)	(17,132)	(22,143)	(3,143)
Annuity Contracts:							
Immediate annuities	492	-	492	-	-	-	492
Deferred annuities	753,775	-	753,775	-	-	-	753,775
Total Life Insurance	3,037,981	719,759	3,757,740	(5,011)	(17,132)	(22,143)	3,735,597

As all of the business is derived from Malaysia 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 Life 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 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 Bond Pricing Agency Malaysia Sdn. Bhd.
Mortality, Disability, Dread disease, Expense, Lapse and Surrenders	For Life 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 (“PRAD”) for guaranteed cash flows only. For Life Non-Participating fund and unit reserves of Investment-Linked funds: Best estimates plus provision for risk of adverse deviation (“PRAD”). 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	Impact on profit before tax	Impact on equity
	%	RM'000	RM'000	RM'000	RM'000
31 December 2015					
Mortality/morbidity	+10	68,436	67,997	(67,997)	(56,493)
Mortality/morbidity	-10	(69,816)	(69,369)	69,369	58,022
Expenses	+10	42,981	42,706	(42,706)	(30,586)
Lapse and surrender rates	+10	(30,674)	(30,478)	30,478	9,006
Investment return	+1	(196,326)	(195,068)	195,068	112,182
Investment return	-1	252,180	250,565	(250,565)	(132,636)
Discount rate	+1	(92,261)	(91,670)	91,670	69,669
Discount rate	-1	128,211	127,390	(127,390)	(83,370)
31 December 2014					
Mortality/morbidity	+10	72,130	71,705	(71,705)	(58,907)
Mortality/morbidity	-10	(73,820)	(73,385)	73,385	60,634
Expenses	+10	38,995	38,765	(38,765)	(27,485)
Lapse and surrender rates	+10	(33,915)	(33,716)	33,716	11,658
Investment return	+1	(195,864)	(194,709)	194,709	118,422
Investment return	-1	260,867	259,330	(259,330)	(137,894)
Discount rate	+1	(97,144)	(96,571)	96,571	73,394
Discount rate	-1	145,985	145,125	(145,125)	(85,879)

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 16(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:

	2015			2014		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fire	31,443	(9,046)	22,397	32,542	(8,340)	24,202
Motor Vehicle	289,077	(5,737)	283,340	259,521	(5,448)	254,073
Motor Cycle	69,433	(1,370)	68,063	56,880	(1,430)	55,450
Marine, Aviation and Transit	18,148	(13,450)	4,698	21,704	(14,998)	6,706
Miscellaneous	78,843	(43,385)	35,458	75,974	(36,364)	39,610
At 31 December	486,944	(72,988)	413,956	446,621	(66,580)	380,041

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.

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Key Assumptions (continued)

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

The analysis below is performed on the total 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)

	Change in assumptions	Impact on gross claims liabilities	Impact on net claims liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2015					
Average claim cost	+10%	40,373	34,816	(34,816)	(26,112)
Average number of claims	+10%	69,344	48,759	(48,759)	(36,569)
Average claim settlement period	Increased by 6 months	10,362	9,934	(9,934)	(7,451)
31 December 2014					
Average claim cost	+10%	36,782	31,866	(31,866)	(23,899)
Average number of claims	+10%	63,882	44,621	(44,621)	(33,466)
Average claim settlement period	Increased by 6 months	8,899	8,541	(8,541)	(6,405)

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.

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Gross General Insurance Contract Liabilities for 2015:

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Ultimate Claims Incurred:									
At end of the accident year						261,232	288,266	295,848	
One year later					232,759	253,808	290,744		
Two years later				246,729	227,345	253,611			
Three years later			275,130	245,610	227,867				
Four years later		237,962	274,422	243,426					
Five years later	209,399	236,282	272,469						
Six years later	206,998	233,358							
Seven years later	205,999								
Current estimate of cumulative claims incurred	205,999	233,358	272,469	243,426	227,867	253,611	290,744	295,848	2,023,322
Cumulative Claims Paid									
At end of accident year	68,670	77,026	93,598	96,475	87,840	85,438	91,962	106,374	
One year later	158,211	164,381	197,953	179,182	173,198	185,422	200,905		
Two years later	183,681	200,042	238,849	215,146	200,515	215,056			
Three years later	195,686	219,422	252,287	224,262	210,860				
Four years later	200,227	224,727	257,643	227,874					
Five years later	202,406	227,223	259,703						
Six years later	202,993	227,868							
Seven years later	203,770								
Cumulative payments to-date	203,770	227,868	259,703	227,874	210,860	215,056	200,905	106,374	1,652,410

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Gross General Insurance Contract Liabilities for 2015:

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Direct & Fac. Inwards	2,229	5,490	12,766	15,552	17,007	38,555	89,839	189,474	370,912
Direct & Fac. Inwards prior to AY 2008 & late claims adjustment									3,177
Treaty Inwards									1,015
MMIP									69,483
Best Estimate of Claim Liabilities									444,587
Claim Handling Expenses									8,602
Fund PRAD at 75% Confidence Interval									33,755
Gross General Insurance Claim Liabilities									486,944

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net General Insurance Contract Liabilities for 2015:

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Ultimate Claims Incurred:									
At end of the accident year					235,651	239,314	265,253	273,974	
One year later				225,930	206,028	236,089	258,963		
Two years later			217,453	193,252	203,174	234,080			
Three years later		169,803	200,255	192,493	204,328				
Four years later	147,371	163,138	200,829	191,647					
Five years later	144,551	163,077	199,854						
Six years later	143,570	161,678							
Seven years later	143,114								
Current estimate of									
Current estimate of cumulative claims incurred	143,114	161,678	199,854	191,647	204,328	234,080	258,963	273,974	1,667,638
Cumulative Claims Paid									
At end of accident year	53,589	58,265	72,886	77,832	81,687	82,300	89,042	102,869	
One year later	109,678	116,109	147,061	145,499	157,482	176,527	184,144		
Two years later	127,998	141,484	177,128	174,003	182,494	201,761			
Three years later	136,494	152,889	187,628	180,962	191,805				
Four years later	139,563	157,412	192,257	183,725					
Five years later	140,780	158,513	194,477						
Six years later	141,346	159,043							
Seven years later	141,773								
Cumulative payments to-date	141,773	159,043	194,477	183,725	191,805	201,761	184,144	102,869	1,359,597

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net General Insurance Contract Liabilities for 2015:

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Direct & Fac. Inwards	1,341	2,635	5,377	7,922	12,523	32,319	74,819	171,105	308,041
Direct & Fac. Inwards prior to AY 2008 & late claims adjustment									1,810
Treaty Inwards									1,015
MMIP									69,483
		Best Estimate of Claim Liabilities							380,349
		Claim Handling Expenses							8,602
		Fund PRAD at 75% Confidence Interval							25,005
		Gross General Insurance Claim Liabilities							413,956

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Gross General Insurance Contract Liabilities for 2014:

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
Ultimate Claims Incurred:								
At end of the accident year						261,232	288,266	
One year later					232,759	253,808		
Two years later				246,729	227,345			
Three years later			275,130	245,610				
Four years later		237,962	274,422					
Five years later	209,399	236,282						
Six years later	206,998							
Seven years later								
Current estimate of cumulative claims incurred	206,998	236,282	274,422	245,610	227,345	253,808	288,266	1,732,731
Cumulative Claims Paid								
At end of accident year	68,670	77,026	93,598	96,475	87,840	85,438	91,962	
One year later	158,211	164,381	197,953	179,182	173,198	185,422		
Two years later	183,681	200,042	238,849	215,146	200,515			
Three years later	195,686	219,422	252,287	224,262				
Four years later	200,227	224,727	257,643					
Five years later	202,406	227,223						
Six years later	202,993							
Seven years later								
Cumulative payments to-date	202,993	227,223	257,643	224,262	200,515	185,422	91,962	1,390,020

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Gross General Insurance Contract Liabilities for 2014:

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
Direct & Fac. Inwards	4,005	9,059	16,779	21,348	26,830	68,386	196,304	342,711
Direct & Fac. Inwards prior to AY 2008 & late claims adjustment								8,036
Treaty Inwards								2,669
MMIP								62,227
		Best Estimate of Claim Liabilities						415,643
		Claim Handling Expenses						10,076
		Fund PRAD at 75% Confidence Interval						20,902
		Gross General Insurance Claim Liabilities						446,621

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net General Insurance Contract Liabilities for 2014:

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
Accident years:								
At end of the accident year					235,651	239,314	265,253	
One year later				225,930	206,028	236,089		
Two years later			217,453	193,252	203,174			
Three years later		169,803	200,255	192,493				
Four years later	147,371	163,138	200,829					
Five years later	144,551	163,077						
Six years later	143,570							
Seven years later								
Current estimate of cumulative claims incurred	143,570	163,077	200,829	192,493	203,174	236,089	265,253	1,404,485
At end of the accident year								
At end of accident year	53,589	58,265	72,886	77,832	81,687	82,300	89,042	
One year later	109,678	116,109	147,061	145,499	157,482	176,527		
Two years later	127,998	141,484	177,128	174,003	182,494			
Three years later	136,494	152,889	187,628	180,962				
Four years later	139,563	157,412	192,257					
Five years later	140,780	158,513						
Six years later	141,346							
Seven years later								
Cumulative payments to-date	141,346	158,513	192,257	180,962	182,494	176,527	89,042	1,121,141

36. INSURANCE RISK (CONTINUED)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net General Insurance Contract Liabilities for 2014:

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
Direct & Fac. Inwards	2,224	4,564	8,572	11,531	20,680	59,562	176,211	283,344
Direct & Fac. Inwards prior to AY 2008 & late claims adjustment								4,773
Treaty Inwards								2,669
MMIP								62,227
		Best Estimate of Claim Liabilities						353,013
		Claim Handling Expenses						8,464
		Fund PRAD at 75% Confidence Interval						18,564
		Gross General Insurance Claim Liabilities						380,041

37. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and fair value hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted market price

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.

Level 2 - Valuation Techniques - Market Observable Input

Financial instruments and non-financial instruments are 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, agency asset backed securities and non-agency asset backed securities with Bloomberg composite rating correspond AAA and investment in structured products with fair values obtained via investment bankers and/or fund managers.

Non-financial instruments which its assets class is investment properties are also measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions as well as the discounted cash flows (at the discount rates ranged from 5% to 6.25%) of the current rental income based on usual tenancy term in open market value.

Level 3 - Valuation Techniques - Unobservable input

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 are unquoted equity securities, non-agency asset backed securities with Bloomberg composite rating does not correspond AAA, non-performing loans and debt securities from organisations in default. Valuation techniques of these portfolios 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 and judgments. The judgment applied in valuing the non-performing loans is explained in Note 3 (a)(iii) to the financial statements.

37. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value

The following tables show the Company's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2015				
AFS financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	1,090,191	-	1,090,191
- Corporate debt securities	-	4,085,653	4,540	4,090,193
- Equity securities	233,853	-	8,895	242,748
- Unit trusts	5,613	237,193	-	242,806
FVTPL financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	15,716	-	15,716
- Corporate debt securities	-	207,737	-	207,737
- Equity securities	971,919	-	-	971,919
- Unit trusts	75,709	94,537	-	170,246
Non-financial assets				
Investment properties	-	330,437	-	330,437
Non-current assets held-for-sale	-	143,102	-	143,102
	1,287,094	6,204,566	13,435	7,505,095

37. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Company's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2014				
AFS financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	814,180	-	814,180
- Corporate debt securities	-	4,148,849	4,925	4,153,774
- Equity securities	154,035	-	8,849	162,884
- Unit trusts	23,889	198,298	-	222,187
FVTPL financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	10,979	-	10,979
- Corporate debt securities	-	177,138	256	177,394
- Equity securities	978,132	-	-	978,132
- Unit trusts	55,984	-	-	55,984
Non-financial assets				
Investment properties	-	330,108	-	330,108
Non-current assets held-for-sale	-	184,027	-	184,027
	1,212,040	5,863,579	14,030	7,089,649

37. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Financial instruments not measured at fair value but for which fair value is disclosed

The following tables show the Company's financial instruments which are not measured at fair value at the reporting date but for which fair value is disclosed, analysed by the various levels within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2015				
Financial assets				
Loans and receivables				
- Policy loans	-	251,312	-	251,312
- Mortgage loans	-	9,396	98,032	107,428
- Other secured loans	-	82	74,592	74,674
- Fixed and call deposits	-	-	-	-
Non-Financial assets				
Property, plant and equipment	-	6,189	-	6,189
	-	266,979	172,624	439,603
31 December 2014				
Financial assets				
Loans and receivables				
- Policy loans	-	242,339	-	242,339
- Mortgage loans	-	9,923	97,840	107,763
- Other secured loans	-	136	74,591	74,727
- Fixed and call deposits	-	60,231	-	60,231
Non-Financial assets				
Property, plant and equipment	-	6,328	-	6,328
	-	318,957	172,431	491,388

37. FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Fair value measurements using valuation techniques based on unobservable input (level 3)

The following table show the changes in level 3 items for the periods ended 31 December 2015 and 2014 for recurring fair value measurements:

	AFS	FVTPL	LAR
	RM'000	RM'000	RM'000
At 1 January 2014	44,091	5,700	193,321
Additions	4,026	-	301
Disposals	(38,151)	(5,273)	(21,241)
Interest adjustment	(288)	(119)	-
Fair value changes			
- Credited to statement of income	-	(52)	50
- Credited to other comprehensive income	4,096	-	-
At 31 December 2014	13,774	256	172,431
Additions	-	-	752
Disposals	(9,959)	(517)	(559)
Interest adjustment	(1)	(1)	-
Fair value changes			
- Credited to statement of income	-	262	-
- Credited to other comprehensive income	9,621	-	-
At 31 December 2015	13,435	-	172,624

38. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangement and similar arrangement are as follows:

	Gross amount recognised as financial assets/ liabilities	Gross amount offset in the statement of financial position	Amount presented in the statement of financial position
	RM'000	RM'000	RM'000
31 December 2015			
Financial assets:			
Insurance receivables	105,603	(5,398)	100,205
Financial liabilities:			
Insurance payables	1,655,157	(5,398)	1,649,759
31 December 2014			
Financial assets:			
Insurance receivables	114,204	(349)	113,855
Financial liabilities:			
Insurance payables	1,422,796	(349)	1,422,447

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2015 (2014: RM Nil).

39. 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, and 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 exposed 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 Berhad ("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.

39. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

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 to the financial statements for more details on assessment and disclosure of credit risk on loan borrowers.

Credit Exposure

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.

	Note	Insurance and Shareholders' Funds	Unit-Linked	Total
		RM'000	RM'000	RM'000
31 December 2015				
AFS financial assets:	7(a)			
- Malaysian Government Securities/Government Investment Issues		1,090,191	-	1,090,191
- Corporate debt securities		4,090,193	-	4,090,193
- Equity securities		8,895	-	8,895
FVTPL financial assets:	7(b)			
- Malaysian Government Securities/Government Investment Issues		-	15,716	15,716
- Corporate debt securities		-	207,737	207,737
Loans and receivables:	8			
- Loans		433,414	-	433,414
Reinsurance assets	9	194,600	-	194,600
Insurance receivables	10	100,205	-	100,205
Cash and cash equivalents		171,053	78,470	249,523
		6,088,551	301,923	6,390,474

39. 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 2014				
AFS financial assets:	7(a)			
- Malaysian Government Securities/Government Investment Issues		814,180	-	814,180
- Corporate debt securities		4,153,774	-	4,153,774
- Equity securities		8,849	-	8,849
FVTPL financial assets:	7(b)			
- Malaysian Government Securities/Government Investment Issues		-	10,979	10,979
- Corporate debt securities		-	177,394	177,394
Loans and receivables:	8			
- Loans		424,829	-	424,829
- Fixed and call deposits		60,231	-	60,231
Reinsurance assets	9	164,777	-	164,777
Insurance receivables	10	113,855	-	113,855
Cash and cash equivalents		306,860	77,599	384,459
		6,047,355	265,972	6,313,327

39. 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	Not rated	Unit linked	Past due but not impaired	Impaired	Total
	Government Guarantee	(AAA to BBB)	(BB to C)					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2015								
AFS financial assets:								
- Malaysian Government Securities/ Government Investment Issues	1,090,191	-	-	-	-	-	-	1,090,191
- Corporate debt securities	972,756	3,111,847	1,050	-	-	-	4,540	4,090,193
- Equity securities	-	-	-	8,895	-	-	-	8,895
FVTPL financial assets:								
- Malaysian Government Securities/ Government Investment Issues	-	-	-	-	15,716	-	-	15,716
- Corporate debt securities	-	-	-	-	207,737	-	-	207,737
Loans and receivables:								
- Loans	-	-	-	260,789	-	51,593	121,032	433,414
- Fixed and call deposits	-	-	-	-	-	-	-	-
Reinsurance assets	-	190,902	93	3,605	-	-	-	194,600
Insurance receivables	-	-	-	204	-	39,542	60,459	100,205
Cash and cash equivalents	-	171,053	-	-	78,470	-	-	249,523
	2,062,947	3,473,802	1,143	273,493	301,923	91,135	186,031	6,390,474

39. 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 Company's credit rating of counterparties.

	Neither past-due nor impaired							
	Investment grade		Non-investment grade	Not rated	Unit linked	Past due but not impaired	Impaired	Total
	Government Guarantee	(AAA to BBB)	(BB to C)					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2014								
AFS financial assets:								
- Malaysian Government Securities/ Government Investment Issues	814,180	-	-	-	-	-	-	814,180
- Corporate debt securities	1,035,705	3,112,560	969	-	-	-	4,540	4,153,774
- Equity securities	-	-	-	8,849	-	-	-	8,849
FVTPL financial assets:								
- Malaysian Government Securities/ Government Investment Issues	-	-	-	-	10,979	-	-	10,979
- Corporate debt securities	-	-	-	-	177,394	-	-	177,394
Loans and receivables:								
- Loans	-	-	-	252,398	-	4,314	168,117	424,829
- Fixed and call deposits	-	60,231	-	-	-	-	-	60,231
Reinsurance assets	-	153,661	116	11,000	-	-	-	164,777
Insurance receivables	-	-	-	-	-	42,042	71,813	113,855
Cash and cash equivalents	-	306,860	-	-	77,599	-	-	384,459
	1,849,885	3,633,312	1,085	272,247	265,972	46,356	244,470	6,313,327

39. 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 Guarantee	AAA to AA	A1 to A3	BBB1 to BBB3	BB and 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 2015									
AFS financial assets:									
- Malaysian Government Securities/ Government Investment Issues	1,090,191	-	-	-	-	-	-	-	1,090,191
- Corporate debt securities	972,756	2,973,379	138,468	-	1,050	-	-	4,540	4,090,193
- Equity securities	-	-	-	-	-	8,895	-	-	8,895
FVTPL financial assets:									
- Malaysian Government Securities/ Government Investment Issues	-	-	-	-	-	-	15,716	-	15,716
- Corporate debt securities	-	-	-	-	-	-	207,737	-	207,737
Loans and receivables:									
- Loans	-	-	-	-	-	312,382	-	121,032	433,414
- Fixed and call deposits	-	-	-	-	-	-	-	-	-
Reinsurance assets	-	105,922	84,980	-	93	3,605	-	-	194,600
Insurance receivables	-	-	-	-	-	39,746	-	60,459	100,205
Cash and cash equivalents	-	171,053	-	-	-	-	78,470	-	249,523
	2,062,947	3,250,354	223,448	-	1,143	364,628	301,923	186,031	6,390,474

39. 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 Guarantee	AAA to AA	A1 to A3	BBB1 to BBB3	BB and 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 2014									
AFS financial assets:									
- Malaysian Government Securities/ Government Investment Issues	814,180	-	-	-	-	-	-	-	814,180
- Corporate debt securities	1,035,705	2,957,062	155,498	-	969	-	-	4,540	4,153,774
- Equity securities	-	-	-	-	-	8,849	-	-	8,849
FVTPL financial assets:									
- Malaysian Government Securities/ Government Investment Issues	-	-	-	-	-	-	10,979	-	10,979
- Corporate debt securities	-	-	-	-	-	-	177,394	-	177,394
Loans and receivables:									
- Loans	-	-	-	-	-	256,712	-	168,117	424,829
- Fixed and call deposits	-	60,231	-	-	-	-	-	-	60,231
Reinsurance assets	-	96,669	56,080	912	116	11,000	-	-	164,777
Insurance receivables	-	-	-	-	-	42,042	-	71,813	113,855
Cash and cash equivalents	-	306,860	-	-	-	-	77,599	-	384,459
	1,849,885	3,420,822	211,578	912	1,085	318,603	265,972	244,470	6,313,327

39. 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.

In total, there are seven (7) remaining occurrence of rating default events to date since the financial year ended 2005. During the year, we had recoveries from two of the defaulted bonds for RM9,840,000. No credit exposure limits were exceeded during the financial year.

Subsequent to the financial year end, a Federal Court's order allowed the Company to bring closure to a defaulted corporate debt securities of which the Company had made full impairment charge in the financial year ended 2010. Following this, the Company will be recognising RM6,134,000 as income in the financial year ending 31 December 2016. As for the other six (6) corporate debt securities, the bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers.

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 2015					
Loans and receivables	-	-	931	50,662	51,593
Insurance receivables	39,746	-	-	-	39,746
	39,746	-	931	50,662	91,339
31 December 2014					
Loans and receivables	-	-	583	3,731	4,314
Insurance receivables	42,042	-	-	-	42,042
	42,042	-	583	3,731	46,356

39. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impaired Financial Assets

At 31 December 2015, based on a individual assessment of receivables, there are impaired insurance receivables of RM9,216,776 (2014: RM7,423,000). 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	
	2015	**2014**
	RM'000	**RM'000**
At 1 January	7,423	7,248
Provision for impairment of insurance receivable	1,794	175
At 31 December	9,217	7,423

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 or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination 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.

39. 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. For insurance contract liabilities, maturity profiles are determined based on estimated timing of discounted net cash outflows from the recognised insurance liabilities. 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.

	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 2015								
Financial Assets:								
AFS financial assets	5,665,938	389,511	1,028,784	971,335	4,062,891	1,089,456	485,554	8,027,531
FVTPL financial assets	1,365,618	14,851	33,626	44,136	204,193	67,820	1,142,165	1,506,791
Loans and receivables	433,414	425,603	1,788	1,505	4,465	53	-	433,414
Reinsurance assets	194,600	194,600	-	-	-	-	-	194,600
Insurance receivables	100,205	100,205	-	-	-	-	-	100,205
Other receivables	98,558	98,558	-	-	-	-	-	98,558
Cash and cash equivalent	249,523	249,523	-	-	-	-	-	249,523
	8,107,856	1,472,851	1,064,198	1,016,976	4,271,549	1,157,329	1,627,719	10,610,622

39. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (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 2015								
Financial Liabilities:								
Insurance contract liabilities:								
- Life insurance	4,284,743	1,145,845	78,770	142,761	244,243	276,462	2,396,662	4,284,743
- General insurance	486,944	270,685	159,137	35,520	21,602	-	-	486,944
Other liabilities	181,367	172,313	8,498	556	-	-	-	181,367
Insurance payables	1,649,759	1,649,759	-	-	-	-	-	1,649,759
Provision for agents' retirement benefit	629	104	177	179	169	-	-	629
	6,603,442	3,238,706	246,582	179,016	266,014	276,462	2,396,662	6,603,442

39. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (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 2014								
Financial Assets:								
AFS financial assets	5,353,025	567,856	935,135	994,637	3,638,344	1,118,589	385,071	7,639,632
FVTPL financial assets	1,222,489	17,604	28,456	40,687	146,231	75,537	1,034,116	1,342,631
Loans and receivables	485,060	477,322	1,964	1,747	3,678	349	-	485,060
Reinsurance assets	164,777	164,777	-	-	-	-	-	164,777
Insurance receivables	113,855	113,855	-	-	-	-	-	113,855
Other receivables	84,033	84,033	-	-	-	-	-	84,033
Cash and cash equivalents	384,459	384,459	-	-	-	-	-	384,459
	7,807,698	1,809,906	965,555	1,037,071	3,788,253	1,194,475	1,419,187	10,214,447

39. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (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 2014								
Financial Liabilities:								
Insurance contract liabilities:								
- Life insurance	4,369,650	1,051,163	92,825	115,826	268,062	272,309	2,569,465	4,369,650
- General insurance	446,621	244,369	126,577	33,434	42,241	-	-	446,621
Other liabilities	165,736	148,787	16,011	938	-	-	-	165,736
Insurance payables	1,422,447	1,422,447	-	-	-	-	-	1,422,447
Provision for agents' retirement benefits	639	85	250	175	129	-	-	639
	6,405,093	2,866,851	235,663	150,373	310,432	272,309	2,569,465	6,405,093

39. 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 2015				
Property, plant and equipment	-	23,473	-	23,473
Intangible assets	-	11,137	-	11,137
Investment properties	-	330,437	-	330,437
Financial assets:				
- AFS	658,241	5,007,697		5,665,938
- FVTPL	480,194	-	885,424	1,365,618
- LAR	425,603	7,811	-	433,414
Reinsurance assets	194,600	-	-	194,600
Insurance receivables	100,205	-	-	100,205
Other receivables	94,890	-	3,668	98,558
Tax recoverable	32,706	-	-	32,706
Non-current assets held-for-sale	-	143,102	-	143,102
Deferred tax assets	39,916	-	-	39,916
Cash and cash equivalents	171,053	-	78,470	249,523
	2,197,408	5,523,657	967,562	8,688,627
31 December 2014				
Property, plant and equipment	-	21,517	-	21,517
Intangible assets	-	12,229	-	12,229
Investment properties	-	330,108	-	330,108
Financial assets:				
- AFS	748,372	4,604,653	-	5,353,025
- FVTPL	399,632	-	822,857	1,222,489
- LAR	477,322	7,738	-	485,060
Reinsurance assets	164,777	-	-	164,777
Insurance receivables	113,855	-	-	113,855
Other receivables	83,910	-	123	84,033
Tax recoverable	26,758	-	-	26,758
Non-current assets held-for-sale	-	184,027	-	184,027
Deferred tax assets	13,538	-	-	13,538
Cash and cash equivalents	306,860	-	77,599	384,459
	2,335,024	5,160,272	900,579	8,395,875

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

39. FINANCIAL RISK (CONTINUED)

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.

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 FSA 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. 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.

39. FINANCIAL RISK (CONTINUED)

Market Risk (continued)

Interest Rates/Profit Yield Risks (continued)

	Impact on Equity	
	2015	**2014**
	RM'000	**RM'000**
Change in variables:		
Interest rate		
+ 100 basis point – loss	(90,166)	(80,473)
- 100 basis point – gain	101,287	90,724

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

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

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 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 statement of income) 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.

39. FINANCIAL RISK (CONTINUED)

Market Risk (continued)

Price Risk (continued)

	Impact on Equity	
	2015	**2014**
	RM'000	**RM'000**
Change in variables:		
FTSE Bursa Malaysia		
FBM KLCI + 15% - gain	22,183	22,832
FBM KLCI – 15% - loss	(22,183)	(22,832)

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, where applicable.

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

40. 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.

41. 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"), Perbadanan Insurans Deposit Malaysia ("PIDM")) 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 Legal & Compliance Department is assigned to look into all compliance aspects in observing the regulatory requirements (i.e. BNM, PIAM, LIAM, PIDM). It has developed internal policies and procedures (i.e. Anti-Money Laundering Framework, Introduction of New Products Framework, Outsourcing Framework) to align with the law and guidelines issued by the authority.

42. 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.

42. INSURANCE FUNDS (CONTINUED)

STATEMENT OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2015

	Life Fund	General Fund	Share-holders' fund	Total
	RM'000	RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	19,042	4,431	-	23,473
Intangible assets	6,219	4,918	-	11,137
Investment properties	219,269	11,928	99,240	330,437
Investments	6,054,975	720,464	689,531	7,464,970
AFS	4,268,487	720,257	677,194	5,665,938
FVTPL	1,365,618	-	-	1,365,618
LAR	420,870	207	12,337	433,414
Reinsurance assets	51,985	142,615	-	194,600
Insurance receivables	39,747	60,458	-	100,205
Other receivables	21,198	76,947	413	98,558
Tax recoverable	20,540	3,011	9,155	32,706
Non-current assets held-for-sale	142,882	220	-	143,102
Deferred tax assets	-	-	39,916	39,916
Cash and cash equivalents	210,986	22,900	15,637	249,523
Total assets	6,786,843	1,047,892	853,892	8,688,627
Equity, policyholders' funds and liabilities				
Share capital	-	-	579,000	579,000
Retained earnings	343,569	-	320,310	663,879
Other reserves	6,916	2,743	7,425	17,084
Total equity	350,485	2,743	906,735	1,259,963
Insurance contract liabilities	4,672,409	795,805	-	5,468,214
Deferred tax liabilities	106,610	2,293	-	108,903
Other liabilities	96,153	80,185	5,029	181,367
Insurance payables	1,553,092	96,667	-	1,649,759
Provision for life agents' retirement benefits	629	-	-	629
Current tax liabilities	6,450	7,360	5,982	19,792
Total liabilities	6,435,343	982,310	11,011	7,428,664
Total equity, policyholders' funds and liabilities	6,785,828	985,053	917,746	8,688,627
Inter-fund balances	1,015	62,839	(63,854)	-

42. INSURANCE FUNDS (CONTINUED)

STATEMENT OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2014

	Life fund	General fund	Share-holders' fund	Total
	RM'000	RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	19,168	2,349	-	21,517
Intangible assets	8,138	4,091	-	12,229
Investment properties	219,940	10,928	99,240	330,108
Investments	5,738,563	654,323	667,688	7,060,574
AFS	4,056,672	649,032	647,321	5,353,025
FVTPL	1,222,489	-	-	1,222,489
LAR	459,402	5,291	20,367	485,060
Reinsurance assets	34,419	130,358	-	164,777
Insurance receivables	42,042	71,813	-	113,855
Other receivables	17,007	66,785	241	84,033
Tax recoverable	14,636	975	11,147	26,758
Non-current assets held-for-sale	182,807	1,220	-	184,027
Deferred tax assets	-	-	13,538	13,538
Cash and cash equivalents	330,410	49,385	4,664	384,459
Total assets	6,607,130	992,227	796,518	8,395,875
Equity, policyholders' funds and liabilities				
Share capital	-	-	579,000	579,000
Retained earnings	286,877	-	325,759	612,636
Other reserves	17,650	3,000	5,444	26,094
Total equity	304,527	3,000	910,203	1,217,730
Insurance contract liabilities	4,722,442	758,481	-	5,480,923
Deferred tax liabilities	89,532	1,742	-	91,274
Other liabilities	90,452	74,515	769	165,736
Insurance payables	1,329,167	93,280	-	1,422,447
Provision for life agents' retirement benefits	639	-	-	639
Current tax liabilities	11,040	1,848	4,238	17,126
Total liabilities	6,243,272	929,866	5,007	7,178,145
Total equity, policyholders' funds and liabilities	6,547,799	932,866	915,210	8,395,875
Inter-fund balances	59,331	59,361	(118,692)	-

42. INSURANCE FUNDS (CONTINUED)

STATEMENT OF INCOME BY FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Life fund	General fund	Share-holders' fund	Total
	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	794,511	642,539	-	1,437,050
Premiums ceded to reinsurers	(61,990)	(114,589)	-	(176,579)
Net earned premiums	732,521	527,950	-	1,260,471
Investment income	278,134	28,953	28,655	335,742
Realised gains and losses	4,111	547	9,352	14,010
Fair value gains and losses	(11,600)	-	(12)	(11,612)
Fee and commission income	4,430	14,818	-	19,248
Other revenue	275,075	44,318	37,995	357,388
Total revenue	1,007,596	572,268	37,995	1,617,859
Gross benefits and claims paid	(879,922)	(272,599)	-	(1,152,521)
Claims ceded to reinsurers	57,059	24,540	-	81,599
Gross change to contract liabilities	38,850	(40,323)	-	(1,473)
Change in contract liabilities ceded to reinsurers	(15,520)	6,408	-	(9,112)
Net claims	(799,533)	(281,974)	-	(1,081,507)
Fee and commission expenses	(108,451)	(76,259)	-	(184,710)
Management expenses	(125,261)	(141,820)	(10,117)	(277,198)
Other operating (expenses)/income – net	(35)	6,288	(900)	5,353
Other expenses	(233,747)	(211,791)	(11,017)	(456,555)
(Loss)/Profit before taxation	(25,684)	78,503	26,978	79,797
Transfer from/(to):				
- General insurance	-	(62,049)	62,049	-
- Life insurance	-	-	-	-
Temporary funding from/(to)	114,219	-	(114,219)	-
Taxation	(31,843)	(16,454)	19,743	(28,554)
Net profit for the financial year	56,692	-	(5,449)	51,243

42. INSURANCE FUNDS (CONTINUED)

STATEMENT OF INCOME BY FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Life fund	General fund	Share-holders' fund	Total
	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	767,560	590,429	-	1,357,989
Premiums ceded to reinsurers	(20,909)	(103,807)	-	(124,716)
Net earned premiums	746,651	486,622	-	1,233,273
Investment income	269,026	28,397	25,406	322,829
Realised gains and losses	1,344	1,298	6,194	8,836
Fair value gains and losses	(68,669)	(1,327)	1,099	(68,897)
Fee and commission income	742	14,325	-	15,067
Other revenue	202,443	42,693	32,699	277,835
Total revenue	949,094	529,315	32,699	1,511,108
Gross benefits and claims paid	(825,247)	(247,998)	-	(1,073,245)
Claims ceded to reinsurers	9,893	14,540	-	24,433
Gross change to contract liabilities	68,741	(27,361)	-	41,380
Change in contract liabilities ceded to reinsurers	5,595	(4,366)	-	1,229
Net claims	(741,018)	(265,185)	-	(1,006,203)
Fee and commission expense	(100,789)	(76,319)	-	(177,108)
Management expenses	(108,345)	(120,444)	(5,088)	(233,877)
Other operating income/(expenses) – net	431	6,106	(919)	5,618
Other expenses	(208,703)	(190,657)	(6,007)	(405,367)
(Loss)/Profit before taxation	(627)	73,473	26,692	99,538
Transfer from/(to):				
- General insurance	-	(58,991)	58,991	-
- Life insurance	10,000	-	(10,000)	-
Temporary funding from/(to)	-	-	-	-
Taxation	(4,196)	(14,482)	6,678	(25,356)
Net profit for the financial year	5,177	-	69,005	74,182

42. INSURANCE FUNDS (CONTINUED)

GENERAL INSURANCE FUND REVENUE ACCOUNT BY CLASSES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	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	90,793	328,034	60,110	13,043	150,559	642,539
Premiums ceded to reinsurers	(56,704)	(9,569)	3,357	(9,356)	(42,317)	(114,589)
Net earned premiums	34,089	318,465	63,467	3,687	108,242	527,950
Gross commission paid	(7,230)	(33,795)	(10,783)	(1,069)	(23,382)	(76,259)
Commission received from reinsurers	5,408	1,167	384	751	7,108	14,818
Net commissions	(1,822)	(32,628)	(10,399)	(318)	(16,274)	(61,441)
Gross benefits and claims paid	(17,670)	(177,532)	(31,217)	(5,384)	(40,796)	(272,599)
Claims ceded to reinsurers	2,090	4,267	782	3,320	14,081	24,540
Gross change to contract liabilities	1,100	(29,558)	(12,552)	3,555	(2,868)	(40,323)
Change in contract liabilities ceded to reinsurers	705	290	(61)	(1,548)	7,022	6,408
Net claims	(13,775)	(202,533)	(43,048)	(57)	(22,561)	(281,974)
Underwriting surplus before management expenses	18,492	83,304	10,020	3,312	69,407	184,535
Management expenses						(141,820)
Underwriting surplus						42,715
Investment income						28,953
Realised gains						547
Other operating income - net						6,288
Profit before taxation						78,503
Taxation						(16,454)
Net profit for the financial year						62,049

42. INSURANCE FUNDS (CONTINUED)

GENERAL INSURANCE FUND REVENUE ACCOUNT BY CLASSES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	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	73,447	269,719	82,629	11,025	153,609	590,429
Premiums ceded to reinsurers	(46,609)	(7,492)	(2,197)	(6,126)	(41,383)	(103,807)
Net earned premiums	26,838	262,227	80,432	4,899	112,226	486,622
Gross commission paid	(7,364)	(32,202)	(9,844)	(1,261)	(25,648)	(76,319)
Commission received from reinsurers	5,496	1,034	186	694	6,915	14,325
Net commissions	(1,868)	(31,168)	(9,658)	(567)	(18,733)	(61,994)
Gross benefits and claims paid	(18,293)	(166,272)	(26,970)	(5,295)	(31,168)	(247,998)
Claims ceded to reinsurers	1,883	4,012	686	2,853	5,106	14,540
Gross change to contract liabilities	2,620	(33,082)	(6,733)	2,957	6,877	(27,361)
Change in contract liabilities ceded to reinsurers	(1,806)	(1,830)	(62)	(3,152)	2,484	(4,366)
Net claims	(15,596)	(197,172)	(33,079)	(2,637)	(16,701)	(265,185)
Underwriting surplus before management expenses	9,374	33,887	37,695	1,695	76,792	159,443
Management expenses						(120,444)
Underwriting surplus						38,999
Investment income						28,397
Realised gains						1,298
Fair value gains						(1,327)
Other operating income - net						6,106
Profit before taxation						73,473
Taxation						(14,482)
Net profit for the financial year						58,991

42. INSURANCE FUNDS (CONTINUED)

INVESTMENT-LINKED FUND
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	2015 RM'000	2014 RM'000
Assets		
Investments		
FVTPL	885,424	822,857
Other receivables	3,668	123
Cash and cash equivalents	78,470	77,599
Total assets	967,562	900,579
Liabilities		
Insurance contract liabilities	965,185	887,966
Deferred tax liabilities	2,298	3,549
Other liabilities	1,104	1,098
Current tax liabilities	3,474	4,409
Total liabilities	972,061	897,022
Inter-fund balances	(4,499)	3,557
Net asset value of funds	967,562	900,579

INVESTMENT-LINKED FUND STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

	2015 RM'000	2014 RM'000
Investment income	32,135	30,931
Realised gains	8,277	6,483
Fair value losses	(10,117)	(62,110)
	30,295	(24,696)
Fee and commission expenses	(14,052)	(13,406)
Management expenses	(35)	(37)
Other operating income – net	198	-
Surplus/(deficit) before taxation	16,406	(38,139)
Taxation	(1,315)	4,508
Surplus/(deficit) after taxation for the financial year	15,091	(33,631)

42. INSURANCE FUNDS (CONTINUED)

INFORMATION ON CASH FLOWS BY FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

	Life Fund	General Fund	Share-holders' fund	Total
	RM'000	RM'000	RM'000	RM'000
2015				
Cash flows from:				
Operating activities	(114,962)	(21,290)	10,973	(125,279)
Investing activities	(4,462)	(5,195)	-	(9,657)
Net increase in cash and cash equivalents	(119,424)	(26,485)	10,973	(134,936)
Cash and cash equivalents:				
At beginning of financial year	330,410	49,385	4,664	384,459
At end of financial year	210,986	22,900	15,637	249,523
2014				
Cash flows from:				
Operating activities	14,312	9,552	(24,771)	(907)
Investing activities	(2,476)	(2,623)	-	(5,099)
Net increase in cash and cash equivalents	11,836	6,929	(24,771)	(6,006)
Cash and cash equivalents:				
At beginning of financial year	318,574	42,456	29,435	390,465
At end of financial year	330,410	49,385	4,664	384,459

Zurich Insurance Malaysia Berhad (8029-A)
11th Floor, Menara Zurich, No. 12, Jalan Dewan Bahasa, 50460 Kuala Lumpur, Malaysia
Tel: 03-2146 8000 Fax: 03-2142 5863 Call Centre: 1-300-888-622
www.zurich.com.my

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