

For Going Above And Beyond



ANNUAL REPORT
2015



MSIG

Insurance
that sees
the heart
in everything



MSIG, the General Insurance Company of The Year award winner.

Our heartfelt appreciation to each and every one in MSIG, for going above and beyond by seeing the heart in everything.

Our sincerity in being truly committed to your needs and our efficiency in making things simpler for you, gave us the confidence in delivering professional services and actively support you wherever and whenever you need us. Achieving this great honour was a humbling moment for all of us at MSIG.

MSIG. Insurance that sees the heart in everything.



Insurance
that sees
the heart
in everything



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CORE VALUES



Our Vision

To create a world-leading insurance and financial services group that consistently seeks sustainable growth and to enhance enterprise value.

Our Mission

To contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and security through the global insurance and financial services business.

Our Values

Customer Focused

We continuously strive to provide security and achieve customer satisfaction.

Integrity

We are sincere, kind, fair and just in our dealings with everyone.

Teamwork

We achieve mutual growth by respecting one another's individuality and opinions, and by sharing knowledge and ideas.

Innovation

We listen to our stakeholders and continuously seek ways to improve our work and business.

Professionalism

We make sustained efforts to improve our skills and proficiency so that we can provide high quality services.

PERSONALITIES

**We are
ACTIVE**



**Be enthusiastic
to Go Above
And Beyond**

We constantly engage our clients and partners, ever ready to support them proactively or responsively just as they need.

**We are
CONFIDENT**



**Be professional
and optimistic
to Go Above
And Beyond**

We show that we take pride in our skills and business fundamentals by being positive, poised and professional.

**We are
EFFICIENT**



**Be clear and
succinct
to Go Above
And Beyond**

We are organised, competent and always seeking ways to make things simpler.

**We are
SINCERE**



**Be warm and
conversational
to Go Above
And Beyond**

We are genuine in all our relationships, and truly committed to the needs of our clients and partners.


MS&AD
INSURANCE GROUP
MS&AD INSURANCE GROUP:

- Largest general insurer in Japan and ASEAN
- One of the largest general insurers in the world
- Total net premium: RM106.70 billion* (FY2014)
- Total asset: RM682.07 billion* (FY2014)

* Based on conversion rate of ¥100 to RM3.62

MITSUI SUMITOMO INSURANCE, JAPAN

Mitsui Sumitomo Insurance Company, Limited (“MSI”) was formed in Japan in October 2001 through a merger between two leading non-life insurance companies with long histories, Mitsui Marine & Fire Insurance Co., Ltd. (“Mitsui Marine”, established in 1918) and The Sumitomo Marine & Fire Insurance Co., Ltd. (“Sumitomo Marine”, established in 1893).

MSI is committed to growing in Asia and, from 2002 onwards, made a series of investments, acquisitions and joint ventures throughout the region. MSI has solid financial strength and received sterling financial ratings from leading credit rating agencies (Standard & Poor’s rating A+ [as of 20 January 2016]).

In 2008, Mitsui Sumitomo Insurance Group Holdings, Inc. (“MSIGH”) was established.

In April 2010, MSIGH changed its name to MS&AD Insurance Group Holdings, Inc., as a result of the completion of the business integration between Mitsui Sumitomo Insurance Group, Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd.

MS&AD Insurance Group, through its subsidiaries and associated companies in both domestic and overseas markets, is active in five business domains: domestic Japanese non-life insurance business, domestic Japanese life insurance business, overseas business, financial services business and risk-related business.

MSIG, ASIA



- MSI Japan Head Office
- Market under MSIG representation
- Market under the purview of MSIG Holdings (Asia) Pte. Ltd.

MSIG Holdings (Asia) Pte. Ltd. ("MSIG Asia") is a regional holding company of MSI within the MS&AD Insurance Group ("MS&AD"), one of the largest general insurers in the world with presence in 46 countries and regions, 18 of which are in Asia.

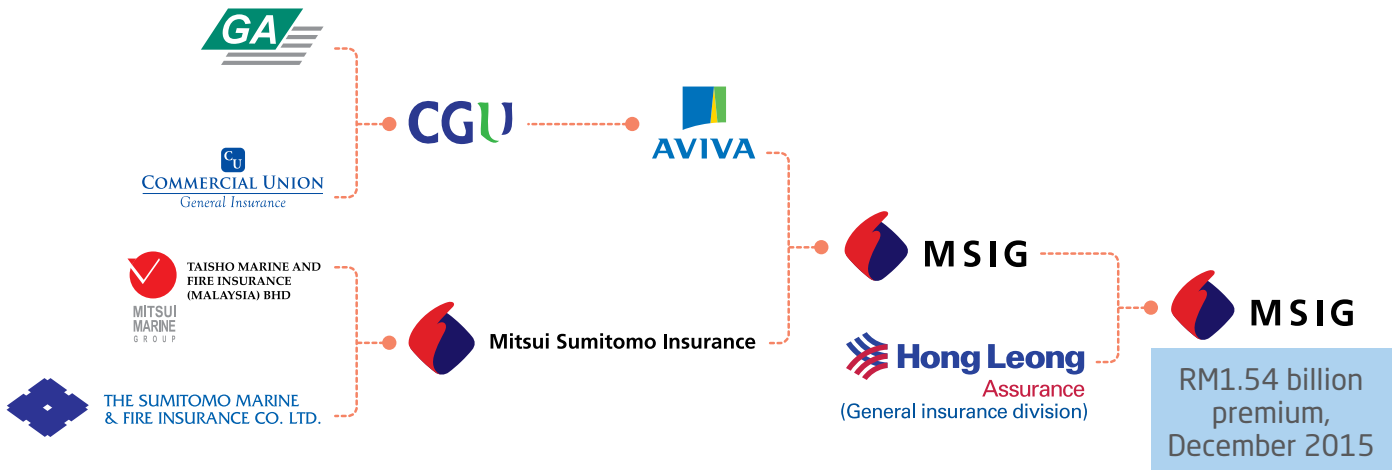
MSIG Asia has been tending to general insurance needs across Asia for more than 100 years.

Combining global and local best practices, we leverage on our multi-channel distribution, strong partnerships with intermediaries and extensive geographical network - which includes representation in every ASEAN country - to offer a wide range of insurance solutions across major personal and commercial lines.

MSIG Asia is now the first and only foreign-based general insurer to have representation in every ASEAN country, a testament to our strength and reach.

MSIG, MALAYSIA

- No. 1 in Marine Cargo and No. 2 in Fire Insurance
- 2nd largest General Insurer in Malaysia
- With a nationwide network of 20 branches
- Total gross written premium of RM1.54 billion (as of 31 December 2015)



MSIG Insurance (Malaysia) Bhd (“MSIG Malaysia”) is a subsidiary of Mitsui Sumitomo Insurance Company, Limited (“MSI”) and a member of MS&AD Insurance Group Holdings, Inc.

MSIG Malaysia was formed through a series of mergers and acquisitions, the most recent events being in:

- 2006: a merger between Mitsui Sumitomo Insurance (Malaysia) Bhd and Aviva Insurance Berhad, each with a long history of strength and stability.
- 2010: a strategic partnership with Hong Leong Assurance Berhad (“HLA”) that further deepened the general insurance market share of MSIG Malaysia.



General Insurance Company Of the Year
Asia Insurance Industry Awards 2015

In November 2015, MSIG Malaysia was named the “General Insurance Company of the Year” at the 2015 Asia Insurance Industry Awards, in recognition of its outstanding efforts to advance the Customer Experience and Industry Leadership in Enterprise Risk Management in the past year.

Keys To Success

Today, MSIG Malaysia is the 2nd largest general insurer in the country - No. 1 in marine cargo & No. 2 in fire insurance categories.

As a group, our strong financial backing, and global expertise with local knowledge assure our customers of our strength and stability, top quality innovative products and related services, and a strong commitment to service.

In Malaysia, we owe our success to four key factors:



Commercial Insurance



BUSINESS

Burglary
 Business Insurance
 Commercial All Risks
 Commercial Motor Vehicles
 Equipment All Risks
 Fidelity Guarantee
 Group Hospitalisation
 Group Personal Accident
 Money
 Office and Shop Insurance
 Scheme (OASIS)
 Plate Glass

ENGINEERING

Boiler & Pressure Vessel
 Contractors' All Risks
 Deterioration of Stock
 Electronic Equipment
 Erection All Risks
 Machinery Breakdown
 Machinery Breakdown
 - Loss of Profits
 Machinery & Equipment
 Storage Tank Installation

FIRE AND BUSINESS INTERRUPTION

Fire Property Damage
 Fire Consequential Loss
 Industrial All Risks
 Property Protection Package

FOREIGN WORKER INSURANCE

Foreign Worker Insurance
 Guarantee
 Foreign Worker Compensation
 Scheme (FWCS)
 Foreign Worker Hospitalisation
 & Surgical Insurance Scheme
 (SKHPPA)

LIABILITY

Comprehensive General Liability
 Directors & Officers Liability
 Products Liability
 Professional Indemnity
 Public Liability
 Warehousemen's Liability

MARINE

Bailee Liability
 Credit Insurance
 Marine Cargo
 Marine Hull
 Marine Inland Transit

WORKMEN

Employers' Liability
 Workmen's Compensation

Personal Insurance

FIRE - DOMESTIC BUILDINGS & CONTENTS

All-In-Home Insurance **NEW**
 Domestic Fire
 Houseowner/Householder Insurance
 Key Plan

LIABILITY

Personal Liability

MEDICAL

Edu MediCare
 FlexiHealth
 Healthcare International Insurance
 Ladies Lifestyle Protection

MOTOR

Motorcycle Insurance
 Private Car Insurance

PERSONAL ACCIDENT

BodyGuard Personal Accident Insurance
 Driver's Personal Accident Insurance
 Family Plus Personal Accident Insurance
 Generations Personal Accident Insurance
 Individual Personal Accident Insurance
 MS Wave Insurance
 MS Wave Premier Insurance
 Out-of-Pocket Expenses Insurance **NEW**
 Overseas Student Insurance
 PremierGuard Personal Accident Insurance
 Prime Personal Accident Insurance **NEW**
 Senior Citizens Personal Accident Insurance
 Sports Personal Accident Insurance

OTHERS

Golfer's Insurance
 TravelRight Plus Insurance



VALUE ADDED SERVICES


With our customers' convenience in mind, MSIG provides supporting services and information technology solutions to complement our insurance products.

INDIVIDUAL CLIENTS


MOTOR ASSIST


1 300 880 833


For motoring assistance in times of need





For Home Services in Times of Need



Accident



Breakdown



Service Status



Profile



Home Service



Service Status



Make a Claim


Claim Status


MSIG About MSIG


Photo



Toll Free


Emergency


HOME ASSIST


1 300 880 863


For Home Services in Times of Need





For Home Services in Times of Need



Home Service



Service Status



Make a Claim


Claim Status


MSIG About MSIG


Photo


Profile


Contact Us

TRAVEL ASSIST

+603 7965 3930

MSIG ANNUAL COVER



MSIG ANNUAL COVER

TravelRight Plus Insurance

NAME: _____

CERTIFICATE NO.: _____

PERIOD OF COVER: FROM _____ TO _____

MSIG SINGLE TRIP



MSIG SINGLE TRIP



TravelRight Plus Insurance

NAME: _____



CERTIFICATE NO.: _____

PERIOD OF COVER: FROM _____ TO _____

This service provides MSIG customers with the resources to get help should they run into an emergency with their vehicle. It covers:

- 24-hour Towing & Emergency Roadside Repair Services
- Workshop Identification
- Alternative Transport Home after a motor accident
- 6-month Repair Warranty by Panel Repairers
- Available in mobile application for  & 

This is a referral service that covers emergency and maintenance, physical works, structural works, water works, restoration works and miscellaneous works. Benefits include:

- Competitive and reasonable charges
- Service is available 24 hours a day, 7 days a week, even during public holidays
- With MSIG Home Assist, you can get it fixed or replaced, depending on the extent of damage
- Available in mobile application for  & 

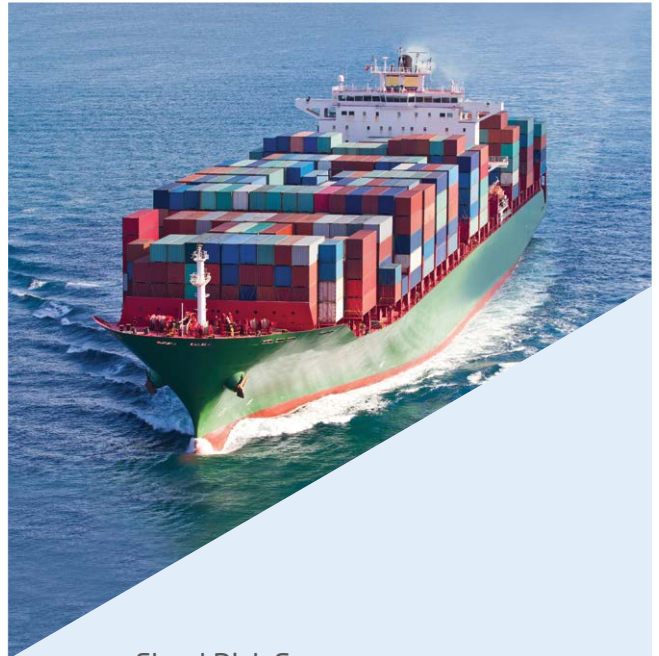
This service provides MSIG customers with the resources to get the help they need - anywhere in the world, anytime of the day, every day of the year. Services include:

- Pre-travel Advice
- Medical Assistance
- Travel Assistance
- Emergency Evacuation
- Arrangement in Emergency Cash Advance Assistance

CORPORATE CLIENTS



- Quality Risk Management Services and Loss Prevention Services are provided via our affiliated professional company, Interisk Asia Pte. Ltd.
- Infrared Thermo Inspection Services - detection of potential electrical hotspots by an advanced Thermo Tracer for preventive maintenance
- Electrical Safety Survey



- Flood Risk Survey
- Crop Insurance Survey
- Construction Risk Survey
- Machinery Breakdown Survey
- Industrial Theft & Burglary Risk
- Workers' Compensation Risk Survey Service
- Marine Loss Prevention and Risk Improvement Survey
- Over 180 survey and settling agents worldwide for Marine Cargo Insurance

E-Services For Business Partners

GenLink™

BUSINESS TO BUSINESS (B2B) LINK

GenLink™ is short for General Insurance Linkage, the business-to-business (B2B) internet link that connects MSIG with business partners and corporate clients. It enables MSIG partners to perform a wide range of business activities online, such as quotations, new business acceptance, policy renewal, account management, and payment via credit card.

GenLink™ is also linked to external parties - JPJ and ISM for Motor Insurance, and ministry approved agencies for Foreign Worker Insurance Scheme - to enable a seamless policy process.

GENPAGE

The screenshot displays the MSIG GenPage interface for ABC Company. The header includes the MSIG Partner logo and a navigation menu with links: Home, About Us, Product Portfolio, Success Stories, Make a Claim, Latest Updates, and Contact Me. The main content area is divided into several sections:

- Welcome!** with a "more >" link.
- Success Story** titled "here is my success story" with a "more >" link.
- Featured Product** section showing a car interior.
- Latest Updates** section featuring "MSIG News Update" with the text "MSIG Malaysia - General Insurance Company of the Year" and a "more >" link.
- 24-Hour Help Lines** section listing contact numbers: Home Assist (1-300-880-863), Motor Assist (1-300-880-833), and MSIG Assist (603-7965-3930).
- News from MSIG** section titled "1 Stop Claims Helpdesk" with a "more >" link.
- Driver's PA** section with the text "Cover yourself, your family, your passengers and your driver from the expenses incurred af..." and a "more >" link.
- Need a Quotation?** section with a "Calculators" link and a "Make a Claim" link.
- LIFE HAS ITS UPS AND DOWNS. LET'S LIVE IN BALANCE.** section with a "more >" link.

BUSINESS TO BUSINESS TO CONSUMER (B2B2C) INTERFACE

GenPage is short for General Insurance Page, a website for MSIG business partners hosted and maintained by MSIG, a fast track to the internet where many of today's IT-savvy insurance prospects are. Complete with tools such as a premium calculator and a claim procedure guide, **GenPage** helps to improve customer service and operational efficiency. While MSIG provides updates on news and products, MSIG business partners can customise their own **GenPage** with pictures, updates and personal success stories.

COMMITMENT TO CLAIMS



OUR CUSTOMERS KNOW US FOR:

- Settling claims promptly and fairly.
- Guaranteeing action on every claim within 24 hours.
- Devoting the same care and attention to processing any claim, from simple and straightforward to large and complex.

BASIC CLAIMS HANDLING:

- We immediately assign Adjusters on notification of claim.
- We treat customers and business partners with respect and sensitivity to encourage cooperation from all parties involved.
- We liaise with Adjusters to expedite the report within 7 working days on Motor Own Damage and 14 working days on Non-Motor claims.
- We approve legitimate claims within 5 working days on receiving fully-completed claim form and relevant documents.
- We support our Marine Cargo Insurance with an extensive network of surveying and settling agents worldwide.
- We offer settlement on theft of motor vehicles within 4 months from date of notification or when police investigations are completed, whichever is earlier.
- We provide full assistance to claimant to make claims a hassle-free affair.
- We are highly pro-active in attending to all claims.
- We monitor the quality of services from our external service providers, such as Adjusters, Surveyors and Lawyers.
- We provide adequate training to ensure competent handling of claims by staff.

OUR BRANCH NETWORK



MSIG

MSIG Insurance (Malaysia) Bhd (46983-w)

Head Office: Customer Service Centre,
Level 15, Menara Hap Seng 2, Plaza Hap Seng,
No. 1, Jalan P. Ramlee,
50250 Kuala Lumpur.

Tel: +603 2050 8228, Fax: +603 2026 8086

Customer Service Hotline: 1-800-88-MSIG (6744)

Email: myMSIG@my.msiga-asia.com

Website: www.msiga.com.my

www.facebook.com/MSIGMalaysia

A Member of **MS&AD** INSURANCE GROUP

KUALA LUMPUR

Customer Service Centre,
Level 15, Menara Hap Seng 2, Plaza Hap Seng,
No. 1, Jalan P. Ramlee, 50250 Kuala Lumpur.
Tel: +603 2050 8228, Fax: +603 2026 8086

ALOR SETAR

1st Floor, No. 169,
Susuran Sultan Abdul Hamid 11,
Kompleks Perniagaan Sultan Abdul
Hamid Fasa 2, 05050 Alor Setar, Kedah.
Tel: +604 772 2266, Fax: +604 772 2255

BATU PAHAT

No. 31A & 32A, Jalan Kundang,
Taman Bukit Pasir, 83000 Batu Pahat, Johor.
Tel: +607 433 6808, Fax: +607 433 7808

IPOH

Lot A-01-10, A-01-12, A-01-14 & A-01-16,
1st Floor, Wisma MFCB,
Greentown Business Centre, No. 1,
Persiaran Greentown 2, 30450 Ipoh, Perak.
Tel: +605 255 1319, Fax: +605 253 7979

JOHOR BAHRU

Suite 12A & 12B, Level 12, Menara Ansar,
No. 65, Jalan Trus, 80000 Johor Bahru, Johor.
Tel: +607 208 7800, Fax: +607 276 3800

KLANG

3rd Floor, No. 1, Lorong Tiara 1B,
Bandar Baru Klang, 41150 Klang, Selangor.
Tel: +603 3343 6691, Fax: +603 3342 2571

KLUANG

1st Floor, No. 7, Bangunan HLA,
Jalan Yayasan, 86000 Kluang, Johor.
Tel: +607 772 6501/774 5701
Fax: +607 774 5702

KOTA BHARU

3826, 1st Floor, Jalan Hamzah,
15050 Kota Bharu, Kelantan.
Tel: +609 748 1280, Fax: +609 748 3509

KUANTAN

No. A-43, A-45 & A-47,
Lorong Tun Ismail 12, Sri Dagangan 2,
25000 Kuantan, Pahang.
Tel: +609 515 7501, Fax: +609 515 7502

MELAKA

No. 42, Jalan KSB 1,
Taman Kota Syahbandar, 75200 Melaka.
Tel: +606 289 4333, Fax: +606 289 4222

PENANG

Level 15, Hunza Tower,
No. 163E, Jalan Kelawei,
10250 Penang.
Tel: +604 219 0800, Fax: +604 219 0999

PETALING JAYA

Unit 9-3 & 11-3, Block A, Jaya One,
No. 72A, Jalan Universiti,
46200 Petaling Jaya, Selangor.
Tel: +603 7954 4208, Fax: +603 7954 4202/3

SEREMBAN

No. 33, Ground Floor, Lorong Haruan 5/2,
Oakland Commerce Square,
70200 Seremban, Negeri Sembilan.
Tel: +606 601 3501, Fax: +606 601 3503

SUNGAI PETANI

1st Floor, 9C, Jalan Kampung Baru,
08000 Sungai Petani, Kedah.
Tel: +604 424 4180, Fax: +604 423 4513

KOTA KINABALU

4th Floor, Wisma Gek Poh,
Jalan Haji Saman,
88000 Kota Kinabalu, Sabah.
Tel: +6088 233 030, Fax: +6088 235 110
(until 31 July 2016)

(from 1 August 2016)

Suite 6.02 & 6.03, Level 6,
Plaza Shell,
No. 29 Jalan Tunku Abdul Rahman,
88000 Kota Kinabalu, Sabah.

KUCHING

22 & 22A, Jalan Rubber,
Lot 344 & 345, Section 9,
93400 Kuching, Sarawak.
Tel: +6082 255 901/259 204
Fax: +6082 427 612

MIRI

Lot 937, 1st Floor, Jalan Asmara,
98000 Miri, Sarawak.
Tel: +6085 434 890, Fax: +6085 419 002

SANDAKAN

1st Floor, Block 18,
Lot 1 & 2, Bandar Indah, Mile 4,
North Road, 90000 Sandakan, Sabah.
Tel: +6089 217 388, Fax: +6089 215 388

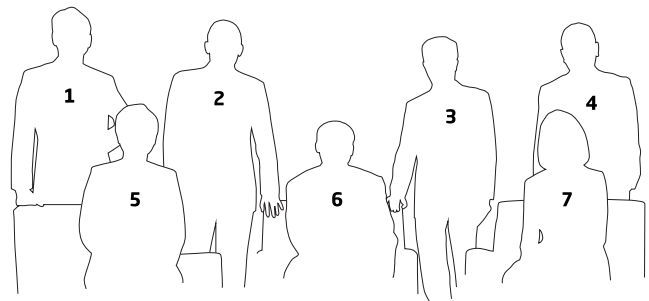
SIBU

1st Floor, No. 65, Jalan Kampong Nyabor,
96000 Sibu, Sarawak.
Tel: +6084 323 890/347 008
Fax: +6084 314 558

TAWAU

1st Floor, Block 42, TB 330A,
Fajar Complex, 91000 Tawau, Sabah.
Tel: +6089 771 051, Fax: +6089 764 079

BOARD OF DIRECTORS



1. Hitoshi Kitagawa **2.** Alan John Wilson **3.** Chua Seck Guan **4.** Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani
5. Loh Guat Lan **6.** Dato' Mohd. Sallehuddin bin Othman **7.** Pearl Chan Siew Cheng

DIRECTORS' PROFILE



Dato' Mohd. Sallehuddin bin Othman

Dato' Mohd. Sallehuddin bin Othman joined MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director in 2005 and was appointed as the Chairman of the Board in March 2014. He holds professional accounting qualifications in Association of Chartered and Certified Accountants (ACCA) and Chartered Institute of Management Accountants (CIMA), United Kingdom. He also graduated with a Master's Degree from City University, London in 1975. He is registered as a Chartered Accountant with Malaysia Institute of Accountants in 1981 and became a Fellow member of ACCA in 1983.

Dato' Mohd. Sallehuddin bin Othman began his career with brief stints in various audit firms in Malaysia and United Kingdom, a statutory body and a major Government linked company in Malaysia before joining the Asian Development Bank based in Manila, Philippines from 1981 to 1986.

Upon return to Malaysia in 1986, he joined Permodalan Nasional Berhad in senior positions doing corporate services and human resource until 1994. From mid 1994 to 2000, Dato' Mohd. Sallehuddin was with UMW Holdings Berhad initially as Executive Director and subsequently as Group Managing Director. From 2001 until his retirement in 2006, he served as Group Managing Director of Malaysian Industrial Finance Berhad.

Post retirement, Dato' Mohd. Sallehuddin has served as an Independent Non-Executive Director of a few companies including a foreign Islamic bank. Currently, apart from MSIG Insurance (Malaysia) Bhd, he is an Independent Director of a number of companies, notably AXA Affin Life Insurance Berhad and Bank of Tokyo-Mitsubishi UFJ (M) Berhad.



Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani

Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani was appointed as a Director of MSIG Insurance (Malaysia) Bhd on 16 March 2009.

He holds a Ph.D in Law from the School of Oriental and African Studies (SOAS), University of London and a Masters in Law from Queen Mary College, University of London. He read law at the University of Buckingham, United Kingdom.

Datuk Dr. Nik also holds a Post-Graduate Diploma in Syariah Law and Practice (with distinction) from the International Islamic University, Malaysia. A Barrister of Lincoln's Inn and an Advocate and Solicitor of the High Court of Malaya, he was called to the Bar of England and Wales in 1985 and to the Malaysian Bar in 1986. He was a Visiting Fulbright Scholar, Harvard Law School from 1996 to 1997, and was formerly the Acting Dean / Deputy Dean of the Faculty of Law, International Islamic University, Malaysia. Datuk Dr. Nik is a Fellow of the Financial Services Institute of Australasia (FINSIA).

Currently, Datuk Dr. Nik is the Chairman and Senior Partner of Zaid Ibrahim & Co. Prior to joining Zaid Ibrahim & Co., Datuk Dr. Nik was with Baker & McKenzie (International Lawyers), Singapore.



Hitoshi Kitagawa

Hitoshi Kitagawa joined the Board of MSIG Insurance (Malaysia) Bhd as an Independent Non-Executive Director on 18 March 2014. Mr. Kitagawa is currently the Managing Director of Toyota Tsusho (Malaysia) Sdn Bhd. Prior to this, he was the Group Leader of Techno Park Management Group of Toyota Tsusho Corporation since 2011.

As a graduate from Meiji University Japan, he joined Toyota Tsusho Corporation, Japan in 1981. Mr. Kitagawa has more than 32 years of working experience in the machinery, global logistics and assisting the auto parts manufacturer's global operation during his tenure in Toyota Tsusho Corporation. He also had an overseas posting where he worked in Thailand Office in Bangkok from 2005 to 2011.



Pearl Chan Siew Cheng

Pearl Chan Siew Cheng joined the Board of MSIG Insurance (Malaysia) Bhd on 18 March 2014 as an Independent Non-Executive Director. She has 31 years of experience in the Malaysian fund management industry, having managed institutional money such as government funds, insurance funds, pension funds, charitable foundations and unit trust funds throughout her career.

Prior to her retirement in January 2008, she was the Deputy Chief Executive Officer of CIMB Principal Asset Management for one year, after a merger between CIMB and the Southern Bank Group. Before that, she pioneered SBB Asset Management, a wholly-owned subsidiary of the Southern Bank Group, which became the first commercial bank in Malaysia to have an asset management arm. She held the position of CEO for 17 years, and CEO / Chief Investment Officer for the first 14 years, leading a team of equity and fixed income fund managers. Before setting up SBB Asset Management, she was General Manager of Rashid Hussain Asset Management and fund manager with Bumiputra Merchant Bankers Berhad for a total of 13 years.

During her career, she also spearheaded two major corporate integration exercises in 2003 & 2007, where she successfully completed the entire integration process, involving organization and governance structures, human resources, administrative and technical systems. She is a graduate in Economics from the University of Nottingham, England.



Loh Guat Lan

Loh Guat Lan joined the Board of MSIG Insurance (Malaysia) Bhd as Non-Independent Non-Executive Director on 1 October 2010. She is currently the Group Managing Director / Chief Executive Officer of Hong Leong Assurance Berhad (HLA), a subsidiary of HLA Holdings Sdn Bhd (HLAH) wholly-owned by Hong Leong Financial Group Berhad (HLFG), the financial services arm of Hong Leong Group Malaysia.

She was appointed to the position on 1 September 2009. She holds a Bachelor's degree in Nutrition Science and is a Fellow member of Life Management Institute (FLMI), Customer Service Management (CSM) and Life Office Management (LOMA). She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP).

Her last role prior to joining HLA as the Chief Operating Officer (Life Division) was Vice President & Senior Director of Agency (Malaysia). She has over 25 years of experience in the insurance industry.



Alan John Wilson

Alan John Wilson joined MSIG Holdings (Asia) Pte. Ltd. in January 2008 and was appointed co-CEO in April 2008 and CEO in April 2011.

He studied Economics and Economic History at the University of Liverpool prior to joining Guardian Royal Exchange Assurance Group in the United Kingdom. In 1982, Mr. Wilson was transferred to Asia and has since lived in Hong Kong, Indonesia, Pakistan and Singapore. He was a Managing Director for GRE in Asia when GRE was acquired by AXA in 1999. During that time, he was recruited by Allianz as CEO for Asia to manage over 20 General, Life and Healthcare subsidiaries across 14 countries in the region. In late 2004, he was appointed as Non-Executive Director sitting on 8 Allianz boards around Asia and as an advisor and Non-Executive Director for the Parkway Group's insurance interests in Singapore.

He became a Fellow of the Chartered Insurance Institute in 1982.



Chua Seck Guan

Chua Seck Guan was appointed as the Chief Executive Officer and Executive Director of MSIG Insurance (Malaysia) Bhd on 1 April 2010. A Senior Associate and Certified Insurance Professional of the Australian and New Zealand Institute of Insurance and Finance, he has vast experience in General Insurance operations having served 33 years with the Company. He provides the leadership and played key strategic and operational roles in charting the company's growth to its current revenue and profit level, and positioned MSIG as one of the leaders in the industry. He was also instrumental in leading MSIG to be the General Insurance Company of The Year 2015, awarded by the Asia Insurance Review.

He is currently serving as the Deputy Chairman of PIAM Management Committee and sits in the Board of Malaysia Rating Corporation Berhad (MARC), Financial Mediation Bureau (FMB) and East Asian Insurance Council Executive Board. He was the Chairman of PIAM Management Committee from October 2012 to April 2016.

CORPORATE INFORMATION

NOMINATING COMMITTEE

Chairman: Dato' Mohd. Sallehuddin bin Othman
 Members: Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani
 Hitoshi Kitagawa
 Pearl Chan Siew Cheng
 Alan John Wilson

COMPLIANCE & RISK MANAGEMENT COMMITTEE

Chairman: Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani
 Members: Dato' Mohd. Sallehuddin bin Othman
 Hitoshi Kitagawa
 Pearl Chan Siew Cheng

INVESTMENT COMMITTEE

Chairman: Pearl Chan Siew Cheng
 Members: Dato' Mohd. Sallehuddin bin Othman
 Loh Guat Lan
 Chua Seck Guan
 Koichi Nagase

COMPANY SECRETARIES

Lee Wai Ngan
 (LS00184)
 Chan Toyee Ying
 (LS00185)

REGISTERED OFFICE

Plaza 138,
 Suite 18.03, 18th Floor,
 138, Jalan Ampang,
 50450 Kuala Lumpur.

TECHNICAL ADVISORS

Tetsunori Shoji
Bachelor of Business Administration

Kensuke Hirai
Bachelor of Laws

Nobuhiro Ojio
BA in Commerce

REMUNERATION COMMITTEE

Chairman: Hitoshi Kitagawa
 Members: Dato' Mohd. Sallehuddin bin Othman
 Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani

AUDIT COMMITTEE

Chairman: Dato' Mohd. Sallehuddin bin Othman
 Members: Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani
 Hitoshi Kitagawa
 Pearl Chan Siew Cheng

SHARE REGISTRAR

Systems Associates Sdn. Bhd.
 Plaza 138,
 Suite 18.03, 18th Floor,
 138, Jalan Ampang,
 50450 Kuala Lumpur.

EXTERNAL AUDITOR

KPMG

Yusuke Takamura
Bachelor of Laws

Yoshinori Ito
Bachelor of Economics

Yu Oi
Bachelor of Economics

MANAGEMENT TEAM

1. CHIEF EXECUTIVE OFFICER**Chua Seck Guan***ANZIIF (Snr Assoc)***2. DEPUTY CHIEF EXECUTIVE OFFICER****Koichi Nagase***Bachelor of Laws***3. TECHNICAL ADVISOR****Tetsunori Shoji***Bachelor of Business Administration***4. EXECUTIVE VICE PRESIDENT****Bancassurance, Marketing,
Business Excellence, Accident
& Health Underwriting****Jennifer Hsu Chin Fen***LLB (Hons)***5. SENIOR VICE PRESIDENT****Broking & Direct Corporate****Kong Sew Ha****6. SENIOR VICE PRESIDENT****Agency & Motor Franchise****Teoh Guan Huat***MBA, ANZIIF (Snr Assoc)**CIP, Dip MII***7. SENIOR VICE PRESIDENT****IT, E-Commerce
& Business Intelligence****Chin Jee Gwan***BSc (Hons), MSc***8. SENIOR VICE PRESIDENT****Compliance & Enterprise
Risk Management****Chin Kong Meng***CA (M), FCPA (Aust), CFP***9. SENIOR VICE PRESIDENT****Underwriting (Commercial Lines),
Claims & Reinsurance****Loke Phaik Poh***FCII, FMII, Chartered Insurer***10. SENIOR VICE PRESIDENT****HR, L&D and Administration****Bernard Ong Chin Soon***BSc (Hons), AMII, ACII, Dip. HR***11. SENIOR VICE PRESIDENT****Finance, Planning & Actuarial****Soh Lai Sim***CA (M), CPA, FCTIM***12. SENIOR VICE PRESIDENT****Branch Operations Support,
PSD & Motor Underwriting****Jessica Teh Siew Kheng**



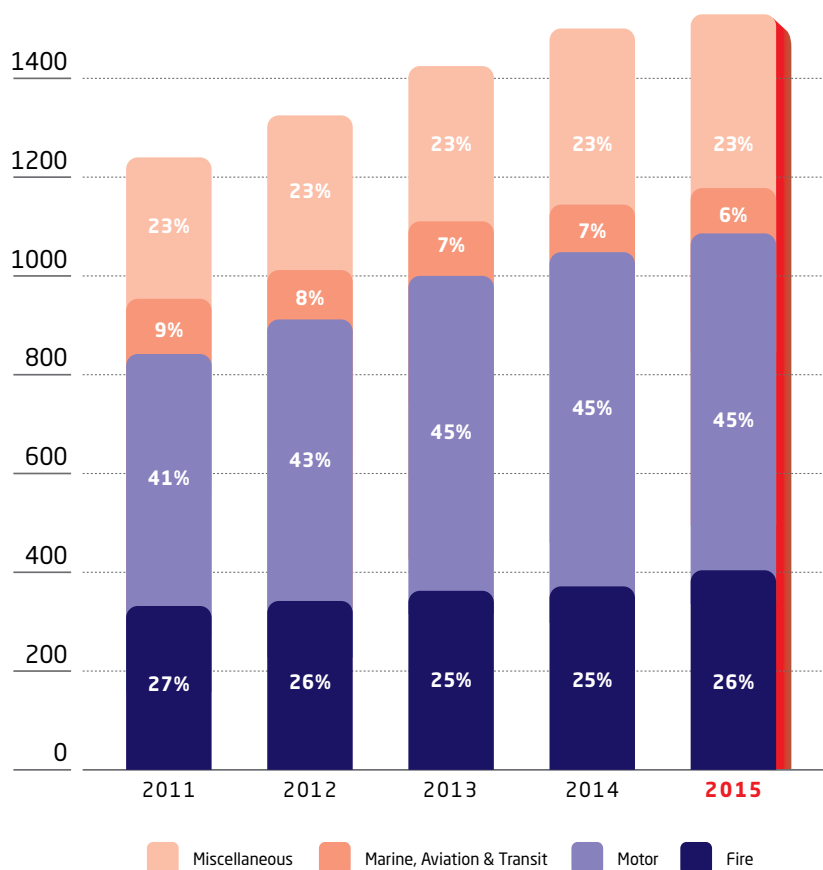
FINANCIAL HIGHLIGHTS

Composition of 2015 Gross Premium Total: RM1.5 Billion

GROSS PREMIUM

RM (million)

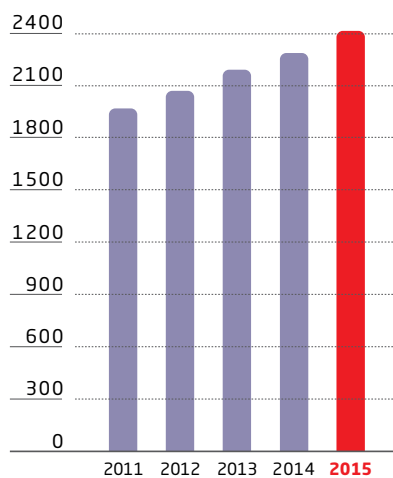
1600



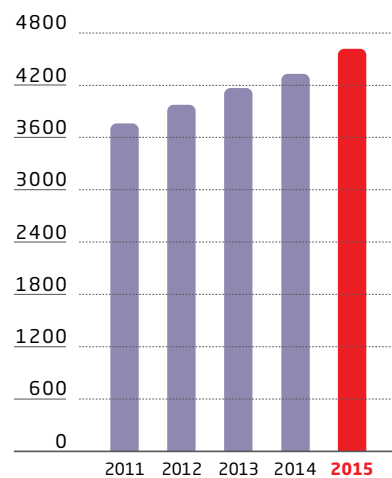
Year Ended 31 December	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Paid-up Share Capital	333,143	333,143	333,143	333,143	333,143
Total Equity	1,969,412	2,071,236	2,189,496	2,298,400	2,401,381
Total Assets	3,812,638	3,960,331	4,194,057	4,344,034	4,632,954
Gross Premium	1,241,821	1,326,297	1,425,924	1,486,662	1,535,370
Net Premium	1,003,438	1,037,183	1,119,674	1,203,263	1,233,630
Underwriting Surplus	147,633	135,709	168,492	193,165	173,536
Investment & Other Income	69,086	96,396	88,325	85,209	88,299
Profit Before Taxation	216,719	232,105	256,817	278,374	261,835
Profit After Taxation	166,618	182,103	203,851	214,960	200,100
Earnings Per Share (RM)	0.50	0.55	0.61	0.65	0.60
NTA Per Share (RM)	2.49	2.79	3.15	3.47	3.78
Total Workforce	1,079	1,115	1,119	1,133	1,149

TOTAL EQUITY

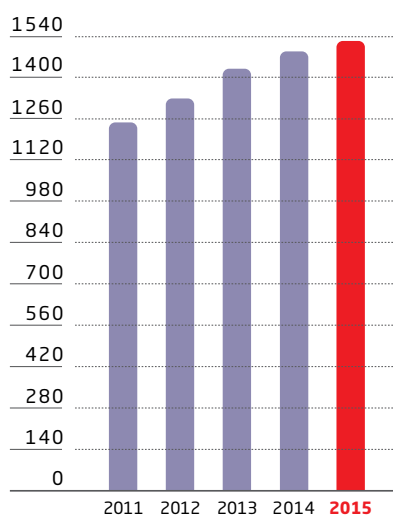
RM (million)

**TOTAL ASSETS**

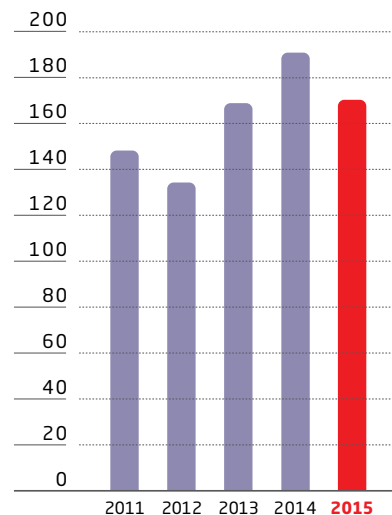
RM (million)

**GROSS PREMIUM**

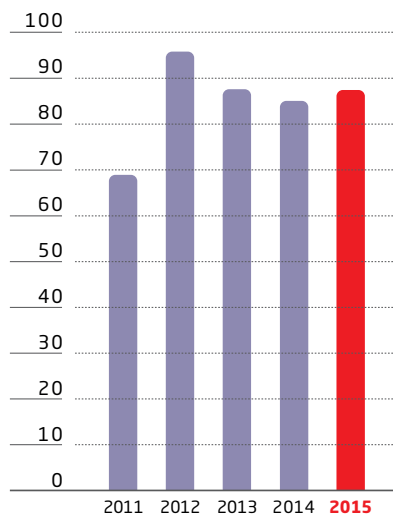
RM (million)

**UNDERWRITING SURPLUS**

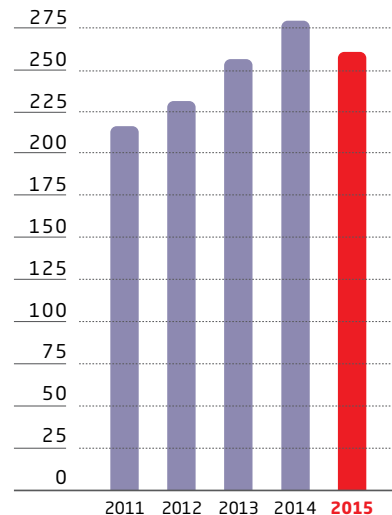
RM (million)

**INVESTMENT & OTHER INCOME**

RM (million)

**PROFIT BEFORE TAXATION**

RM (million)



CHAIRMAN'S STATEMENT



DATO' MOHD. SALLEHUDDIN BIN OTHMAN
CHAIRMAN

On Behalf Of The Board Of Directors, It Is My Pleasure To Present The Annual Report And Financial Statements Of The Company For The Year Ended 31 December 2015.

Bagi Pihak Lembaga Pengarah, Saya Dengan Sukacitanya Mengemukakan Laporan Tahunan Serta Penyata Kewangan Syarikat Bagi Tahun Berakhir 31 Disember 2015.

GENERAL INSURER OF THE YEAR AWARD

Definitely the key highlight for 2015 was being awarded the coveted "General Insurer of the Year" at the 19th Asia Insurance Review annual awards ceremony. We are proud and humbled to receive this honour, as it means we are recognized regionally by our peers for being able to demonstrate leading professional standards and industry leadership via our financial performance, sound management, innovation in products, services and procedures, responsiveness to customers, intermediaries and our active participation in the Insurance fraternity.

All these factors that contributed to the accolade would not have been possible without the dedication of our employees, support and belief of our intermediaries and business partners, the teamwork and professionalism of the Senior Management Team and most importantly the guidance and trust of our Board members and colleagues from Regional office.

ANUGERAH SYARIKAT INSURANS AM 2015

Tidak dapat dinafikan bahawa saat gemilang yang kami nikmati pada tahun 2015 ialah penerimaan "Anugerah Syarikat Insurans Am 2015" di majlis penganugerahan tahunan Asia Insurance Review Ke-19. Kami sangat berbangga dan dengan rendah diri menerima anugerah tersebut. Ini membuktikan betapa kami mendapat pengiktirafan serantau dalam kalangan kumpulan yang setara dengan kami bahawa kami berjaya menunjukkan standard profesional yang tinggi dan kepemimpinan industri yang baik seperti yang diperlihatkan melalui prestasi kewangan, pengurusan yang bijak, inovasi produk, perkhidmatan dan prosedur, responsif terhadap pelanggan, sikap perantaraan yang cekap dan keupayaan menyertai fraterniti Insurans secara aktif.

Kesemua faktor yang menyumbang kepada keupayaan kami menerima anugerah tidak akan menjadi kenyataan tanpa dedikasi para kakitangan, sokongan dan kepercayaan perantara dan rakan-rakan niaga, semangat kerja berpasukan dan profesionalisme Pasukan Pengurusan Kanan kami dan yang terpenting, panduan dan kepercayaan ahli-ahli Lembaga dan rakan sekutu dari pejabat serantau kami.

FINANCIAL REVIEW

The 2015 financial year recorded a Gross Written Premium of RM 1.54 billion, an increase of RM 48.7 million (3.3%) against 2014.

Despite the increase in number of large losses, and the significant increase in Motor and Healthcare claim cost due to impact of GST, the Company achieved an Underwriting Surplus of RM 173.5 million, which was lower than 2014 by RM 19.6 million (10.2%), with a Combined Operating Ratio of 84.4%.

The Company's total investment size grew by RM 198 million (8.4%) to RM 2.6 billion while Investment Income of RM 92 million, was higher by RM 11.2 million which translated to a 13.9% increase from 2014. Realised investment profit amounted to RM 3.8 million; which is significantly lower than last year following a weak market as a result of sharp fall in oil prices and depreciating ringgit. A provision for impairment loss on investments amounting to RM 6.8 million was also recorded.

Profit Before Tax of RM 261.8 million and Profit After Tax of RM 200.1 million reflecting a net earnings per share of 60.1 cents.

The Company's Total Assets, including Goodwill, stood at RM 4.6 billion as at end 2015, an increase of RM 288.9 million over the previous year.

TINJAUAN KEWANGAN

Tahun kewangan 2015 merekodkan Premium Bertulis Kasar sebanyak RM 1.54 bilion, peningkatan sebanyak RM 48.7 juta (3.3%) berbanding 2014.

Biarpun kerugian semakin ketara, dan tuntutan insurans Motor dan Penjagaan Kesihatan bertambah kesan pelaksanaan GST, Syarikat masih mampu mencapai Lebihan Taja Jamin sebanyak RM 173.5 juta iaitu lebih rendah dari 2014 sebanyak RM 19.6 juta (10.2%) dengan Kadar Kendalian Digabungkan sebanyak 84.4%.

Saiz jumlah pelaburan Syarikat berkembang sebanyak RM 198 juta (8.4%) kepada RM 2.6 bilion manakala Pendapatan Pelaburan mencecah sebanyak RM 92 juta iaitu peningkatan sebanyak RM 11.2 juta. Dalam erti kata lain, meningkat 13.9% dari tahun 2014. Untung pelaburan terealis sebanyak RM 3.8 juta; iaitu lebih rendah dari tahun lalu akibat kelemahan pasaran apabila harga minyak merudum dan nilai ringgit menyusut. Peruntukan untuk kerugian kerosakan terhadap pelaburan berjumlah RM 6.8 juta juga direkodkan.

Untung Sebelum Cukai sebanyak RM 261.8 juta dan Untung Selepas Cukai sebanyak RM 200.1 juta mencerminkan perolehan bersih sebanyak 60.1 sen sesaham.

Jumlah Aset Syarikat, termasuk Muhibah berjumlah RM 4.6 bilion pada akhir tahun 2015, iaitu peningkatan sebanyak RM 288.9 juta berbanding tahun sebelumnya.

OPERATIONAL REVIEW

Employee Voice Survey

MSIG Malaysia participated in the 5th MSIG Asia Employee Voice Survey from 21st September to 13th October 2015.

A total of 1101 eligible employees took part, representing a 99% response rate for MSIG Malaysia where 60 questions were asked covering 15 dimensions and 2 open ended questions / comments.

The results were encouragingly positive, with a 13% increase in Employee Engagement of 65% and 11% increase in Performance Enablement of 70%, when compared to the last survey in 2013.

These are two key indicators. "Employee Engagement" is about the extent to which employees are motivated to contribute to organizational success whereas "Performance Enablement" is the extent to which employees view how an organization is strongly committed to high levels of customer service and product quality.

There was also a significant improvement in Behavior Change Index from 2013 (an increase of 19%), meaning employees are satisfied MSIG has taken action since the 2013 Employee Voice Survey.

Key strengths from the recent survey were Customer Orientation, Involvement & Empowerment, and Training & Development.

TINJAUAN OPERASI

Tinjauan Suara Pekerja

MSIG Malaysia telah menyertai Tinjauan Suara Pekerja Asia MSIG ke-5 dari 21 September hingga 13 Oktober 2015.

Seramai 1101 kakitangan yang layak telah mengambil bahagian. Ini mencerminkan kadar maklum balas sebanyak 99% MSIG Malaysia yang diminta menjawab 60 soalan meliputi 15 dimensi dan 2 soalan / komen terbuka.

Hasil tinjauan ini sungguh memberangsangkan, dengan peningkatan sebanyak 13% terhadap Penglibatan Pekerja daripada 65% dan peningkatan 11% dalam Keupayaan Prestasi daripada 70% berbanding dengan hasil tinjauan pada tahun 2013.

Ini merupakan dua indikator utama. "Penglibatan Pekerja" ialah tentang sejauh mana pekerja bermotivasi untuk memberikan sumbangan tenaga demi kejayaan organisasi manakala "Keupayaan Prestasi" ialah tentang pandangan kakitangan terhadap keupayaan organisasi komited untuk meningkatkan tahap perkhidmatan kepada pelanggan dan kualiti produk.

Terdapat juga perubahan yang memberangsangkan dalam Indeks Perubahan Tingkah Laku dari tahun 2013 (peningkatan sebanyak 19%), yang menggambarkan bahawa pekerja berpuas hati dengan MSIG yang telah mengambil tindakan atas permintaan mereka sejak Tinjauan Suara Pekerja 2013.

Kekuatan utama hasil kajian baru-baru ini ialah Orientasi Pelanggan, Penglibatan dan Pemerkasan, serta Latihan dan Perkembangan.

Key Opportunities for Improvements were Communication, Recognition and Work Life Balance.

Going forward, MSIG Malaysia is determined to ensure we push for an upward trend of employee engagement and to focus on the key drivers of engagement, both for organizational success and employee satisfaction.

PRODUCT DEVELOPMENT - PRIME PA

Focusing on the need to create needs based solutions from the customers' perspective, in 2015, two new products were launched in July.

Prime PA was extremely well received. In 25 weeks, the GWP for this product reached RM 2.22 million with 91% of the sales from 862 Agents nationwide - which represents 30% of the Agency Force. More importantly, this product acquired 3,467 new customers to MSIG with 395 sold to existing customers.

Prime PA seems to resonate well with customers as it is designed on needs basis, as an all encompassing PA product - with innovative features such as renewal bonus maintained even after a non Accidental Death / Permanent Disablement claim, Medical Assist, Kidnap Benefit, Terrorism & Hijacking and Dengue cover for medical expenses & additional bereavement allowance.

Peluang utama untuk penambahbaikan ialah Komunikasi, Pengiktirafan dan Keseimbangan Kerja / Hidup.

Untuk terus melangkah ke hadapan, MSIG Malaysia bertekad untuk memastikan pekerja terus komited dengan memberikan penumpuan penuh terhadap pemacu utama penglibatan pekerja, demi kejayaan operasi dan kepuasan pekerja.

PEMBANGUNAN PRODUK - INSURANS KEMALANGAN DIRI PRIME

Dengan memberikan perhatian berdasarkan penyelesaian keperluan daripada perspektif pelanggan, pada tahun 2015, dua produk baharu telah dilancarkan pada bulan Julai.

Insurans Kemalangan Diri Prime (Prime PA) telah diterima dengan sebaiknya. Dalam 25 minggu, PBK untuk produk ini mencapai RM 2.22 juta dengan 91% jualan daripada 862 Ejen di seluruh negara yang merupakan 30% Tenaga Agensi. Produk ini memperoleh 3,467 pelanggan baharu MSIG dengan 395 telah dijual kepada pelanggan sedia ada.

Insurans Kemalangan Diri Prime memang sepadan dengan pelanggan kerana ia dicipta berdasarkan keperluan seperti semua rangkuman produk Insurans Kemalangan Diri yang lain - dengan ciri-ciri inovatif seperti bonus pembaharuan dikekalkan walaupun selepas tuntutan selain Kematian Akibat Kemalangan / Hilang Upaya Kekal, Bantuan Perubatan, Manfaat Penculikan, Keganasan dan Rampasan dan perlindungan demam Denggi untuk perbelanjaan perubatan dan elaun tambahan perkabungan.

All-In-Home a packaged home solution product with Home Assist service, also fared reasonably well with 273 policies sold in 6 months. It is a Home Contents product designed on a first loss basis on a plan basis with 18 extensions including coverage for refurbishment, renovations and maintenance fee protection. This product is designed to meet the apparent gap by the lack of consumer awareness to Home Contents insurance.

New products will continue to be a focus for MSIG, to generate products relevant to today's customers and a strategy to bring in new sales.

FOCUS ON EXCELLENCE

We are also honoured to be awarded by MSIG Regional Office for two Regional awards in 2015.

"Innovation Award" (3rd place) for our online "Take It Easy" platform, which has now been adopted as the online solutions for all our Bancassurance partners in 2015 for Travel, Motor and other personal lines products.

"Star of Inspiration Award" for extraordinary achievement (excluding purely financial performance) in being a forerunner in many aspects of Enterprise Risk Management (ERM), including framework setting and implementation in the MSIG region, as ERM is a key strategy of the Group to ensure sustainability in business and profitability.

We thank Regional Office for their recognition, encouragement and support.

All-In-Home merupakan produk perlindungan kandungan rumah yang digandingkan dengan perkhidmatan "Home Assist" juga diterima baik dengan 273 polisi dapat dijual dalam masa 6 bulan. Ini merupakan produk Kandungan Rumah yang dicipta berasaskan kerugian pertama pada pelan asas dengan 18 perlindungan lanjutan termasuk perlindungan untuk pembersihan, pengubahsuaian dan perlindungan bayaran penyelenggaraan. Produk ini juga dicipta bagi memenuhi perbezaan ketara disebabkan pengguna kurang sedar terhadap insurans Kandungan Rumah.

Produk baharu akan terus menjadi fokus MSIG untuk menjana produk yang relevan kepada pelanggan dan strategi bagi memperolehi jualan baharu.

FOKUS KE ARAH KECEMERLANGAN

Kami juga amat berbesar hati menerima dua Anugerah Serantau 2015 daripada Pejabat Serantau MSIG.

"Anugerah Inovasi" (tempat ke-3) untuk platform dalam talian "Take It Easy" kami yang kini diserap sebagai penyelesaian dalam talian untuk semua rakan perniagaan Bancassurance kami pada tahun 2015 untuk produk insurans Perjalanan, Motor dan produk insurans diri.

"Anugerah Bintang Inspirasi" untuk pencapaian luar biasa (kecuali prestasi kewangan sebenar) kerana menjadi perintis dalam pelbagai aspek Pengurusan Risiko Perusahaan (Enterprise Risk Management) termasuk pengesetan rangka kerja dan pelaksanaannya di dalam wilayah MSIG memandangkan Pengurusan Risiko Perusahaan merupakan strategi utama Kumpulan bagi memastikan kelestarian dalam perniagaan dan keuntungan.

Kami mengucapkan ribuan terima kasih kepada Pejabat Serantau kami di atas pengiktirafan, galakan dan sokongan yang diberi.

OUTLOOK

For 2016, MSIG will face fairly similar trends as in 2015. Faced with many headwinds, we will continue to see slowdown in Personal Lines in particular Motor class. Healthcare class will however remain unaffected and will continue to chart its inflationary growth path. Government efforts to pump prime the economy and continued spending in infrastructure projects augurs well for the commercial Fire and Engineering sectors. The weakened ringgit also favours Marine exports. On the whole, we will achieve growth organically and also by deepening our distributions. There will also be acquisition of new business and distributions and at the same time generate sales via new products.

Outlook on Underwriting Profit is expected to be challenging as the Company continues to feel the impact of the GST Input Tax Credits paid on its motor repair costs which is not claimable. Acquisition cost of doing business is also expected to increase as competitors grab for market shares prior to market liberalisation. There are also signs of increased severity and frequency of large claims due to increased value of assets insured. Notwithstanding the not-so-positive trend, MSIG plans to achieve a better set of Underwriting Profit for 2016 via disciplined underwriting and various identified action plans.

MELANGKAH KE HADAPAN

Pada tahun 2016, MSIG dijangka menghadapi trend yang sama seperti 2015. Di samping berhadapan dengan keadaan luar jangkaan, kami akan terus mengalami kelembapan Insurans Diri terutamanya dalam kelas Motor. Insurans penjagaan kesihatan dijangka kekal seperti biasa dan akan terus mencatat pertumbuhan inflasi. Usaha kerajaan untuk meningkatkan ekonomi dan menambah perbelanjaan projek infrastruktur merupakan petanda baik untuk sektor Kebakaran dan Kejuruteraan. Kelemahan ringgit juga memihak kepada eksport Marin. Secara keseluruhannya, kami akan dapat mencapai pertumbuhan secara organik dan mendalami pengagihan kami. Kami juga akan melakukan pengambilalihan perniagaan dan pengagihan baharu dan pada masa yang sama menjana jualan melalui produk baharu.

Harapan terhadap Keuntungan Taja Jamin dijangka mencabar apabila Syarikat terus mengalami tekanan Kredit Cukai Input GST yang dibayar untuk kos pembaikan motor yang tidak boleh dituntut. Kos pengambilalihan untuk menjalankan perniagaan dijangka meningkat apabila pesaing cuba mendapatkan perkongsian pasaran sebelum berlakunya liberalisasi pasaran. Juga terdapat tanda-tanda peningkatan bencana dan kekerapan tuntutan besar akibat peningkatan nilai aset yang diinsuranskan. Walaupun wujud trend tidak positif, MSIG merancang untuk mendapatkan Keuntungan Taja Jamin yang lebih baik bagi tahun 2016 melalui taja jamin berdisiplin dan pelbagai pelan tindakan yang dikenal pasti.

To ensure continued sustainability of its business model, there will be significant investment in IT with increased digitization of business processes to improve on operational efficiency and service excellence. We will also invest in acquiring specialists to enhance on our Enterprise Risk Management (ERM) and pricing capability. Training will be given priority, particularly in elevating competencies and professionalism of our Intermediaries and Staff when the market liberalizes on 1st July 2017.

BOARD OF DIRECTORS

On behalf of the Board, I would like to express my gratitude to Mr Noriaki Hamanaka, who resigned as Director on 4th July 2015.

Bagi memastikan model perniagaan terus berkekalan, pelaburan ketara untuk Teknologi Maklumat perlu dilakukan. Meningkatkan penukaran maklumat dalam format digital untuk memproses perniagaan mampu memperbaiki kecekapan operasi dan kecemerlangan perkhidmatan. Kami juga melabur untuk mendapatkan pakar bagi meningkatkan tahap Pengurusan Risiko Perusahaan kami dan keupayaan menetapkan harga. Latihan pekerja akan diutamakan terutamanya dalam usaha untuk meningkatkan kecekapan dan profesionalisme Perantara dan Pekerja apabila pasaran diliberasikan pada 1 Julai 2016.

BOARD OF DIRECTORS

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada Encik Noriaki Hamanaka yang meletak jawatan sebagai Pengarah pada 4 Julai 2015.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my gratitude and appreciation to our valued intermediaries, clients and business partners for their strong support in making 2015 yet another outstanding year.

We also wish to extend our appreciation to the Senior Management Team and staff for their dedication and commitment to continuous improvements in line with the Company's core values.

The Board would also like to thank Bank Negara Malaysia and the relevant Regulatory Authorities for their guidance and advice.

Lastly, I would like to thank my fellow Directors for their valuable inputs and contributions.

DATO' MOHD. SALLEHUDDIN BIN OTHMAN
CHAIRMAN

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih dan menyampaikan penghargaan kepada para perantara, pelanggan dan rakan niaga kami yang amat dihargai atas sokongan padu mereka menjadikan tahun 2015 satu lagi tahun yang cemerlang.

Kami juga ingin menyampaikan penghargaan kepada Kumpulan Pengurusan Kanan dan pekerja atas dedikasi dan komitmen mereka yang berterusan seiring dengan nilai-nilai teras syarikat.

Lembaga Pengarah juga ingin mengucapkan terima kasih kepada Bank Negara Malaysia dan Pihak Berkuasa yang berkenaan atas panduan dan nasihat mereka.

Akhir kata, saya ingin mengucapkan ribuan terima kasih kepada rakan-rakan Pengarah saya di atas nasihat dan sumbangan yang berharga mereka.

DATO' MOHD. SALLEHUDDIN BIN OTHMAN
PENGERUSI

Financial Statements

The Directors have pleasure in submitting their report together with the annual audited financial statements of the Company for the financial year ended 31 December 2015.

Principal activities

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of these activities during the financial year.

Financial results

	RM'000
Profit for the year	<u>200,100</u>

Dividends

Since the end of the previous financial year, the Company paid a final dividend of 30 sen per ordinary share totalling RM99,943,000 in respect of the year ended 31 December 2014 on 1 June 2015.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2015 is 30 sen per ordinary share totalling RM99,943,000. Such dividend, if approved, will be accounted for in the shareholders' equity as an appropriation of retained earnings in financial year ending 31 December 2016.

Directors of the Company

Directors who served since the date of the last report are:

Dato' Mohd. Sallehuddin bin Othman
 Datuk Dr. Nik Norzrul Thani bin N Hassan Thani
 Mr. Hitoshi Kitagawa
 Ms. Pearl Chan Siew Cheng
 Ms. Loh Guat Lan
 Mr. Alan John Wilson
 Mr. Chua Seck Guan
 Mr. Noriaki Hamanaka (Resigned on 04.07.2015)

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At 31.12.2015
	At 1.1.2015	Bought	Sold	
Shareholdings in which Director has direct interest				
Related companies:				
BPI/MS Insurance Corporation				
Mr. Alan John Wilson	1	-	-	1
Ueang Mai Co Ltd				
Mr. Alan John Wilson	1	-	-	1
Yardhimar Company Ltd				
Mr. Alan John Wilson	1	-	-	1

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the 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.

There were no arrangements during and at the end of the financial year which had the object 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.

Issue of shares

There was no change in the authorised, issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares and debentures

No options were granted to any person to take up unissued shares or debentures of the Company during the financial year.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Provision for insurance liabilities

Before the statement of profit or loss and other comprehensive income and statement of financial position 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 basis specified in Part D of the Risk-Based Capital Framework for Insurers.

Impaired debts

Before the statement of profit or loss and other comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of impaired debts and the making of impairment allowance for impaired debts and satisfied themselves that all known impaired debts had been written off and adequate impairment allowance had been made for impaired debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for impaired debts or the amount of the impairment of allowance for impaired debts in the financial statements of the Company inadequate to any substantial extent.

Current assets

Before the statement of profit or loss and other comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, at their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

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

Contingent and other liabilities

At the date of this report, there does not exist:

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

No contingent liability 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, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent liability or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

Change of circumstances

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

Items of an unusual nature

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the year in which this report is made.

Ultimate holding company

The Directors regard MS&AD Insurance Group Holdings, Inc., a company incorporated in Japan, as the Company's ultimate holding company.

Corporate governance

The Board of Directors is committed to ensure that the principles and best practices in corporate governance as set out in the Bank Negara Malaysia BNM/RH/GL/003-2 on Prudential Framework of Corporate Governance for Insurers are observed and applied in the Company.

Audit, Nominating, Remuneration and Compliance & Risk Management Committees

1. Membership and meetings of the Committees

The composition of the Board Committees, number of meetings held during the financial year ended 31 December 2015, including Board meetings, and the number of meetings attended by each member are as follows:

	Board of Directors Meeting	Audit Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting	Compliance & Risk Management Committee Meeting	Investment Committee Meeting
	← (Attendance / Number of Meetings) →					
Dato' Mohd. Sallehuddin bin Othman (Independent Non-Executive Director)	6/6	4/4	3/3	2/2	4/4	6/6
Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani (Independent Non-Executive Director)	5/6	4/4	2/3	N/A	3/4	N/A
Mr. Hitoshi Kitagawa (Independent Non-Executive Director)	5/6	3/4	1/3	1/2	3/4	N/A
Ms. Pearl Chan Siew Cheng (Independent Non-Executive Director)	6/6	3/3	3/3	N/A	3/3	6/6
Ms. Loh Guat Lan (Non-Independent Non-Executive Director)	6/6	N/A	N/A	N/A	N/A	4/6
Mr. Alan John Wilson (Executive Director)	6/6	N/A	3/3	2/2	4/4	N/A
Mr. Chua Seck Guan (Chief Executive Officer/ Executive Director)	6/6	N/A	N/A	N/A	N/A	6/6
Mr. Noriaki Hamanaka (Non-Independent Non-Executive Director) (Resigned on 04.07.2015)	1/2	N/A	N/A	N/A	N/A	N/A
Mr. Koichi Nagase (Deputy Chief Executive Officer)	N/A	N/A	N/A	N/A	N/A	6/6

2. Responsibilities and activities of the Committees

Audit Committee

The Audit Committee comprises 4 Non-Executive Directors and is chaired by an Independent Non-Executive Director. The principal objective is to assist the Board of Directors in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

The principal duties and responsibilities are:

- (i) To review the audit plan, audit charter and budget of the Internal Audit Department as well as the scope of internal audit and to ensure that the Internal Audit Department is distinct and has the appropriate status within the overall organisation structure for the internal auditors to achieve their audit objectives.
- (ii) To review the overall internal management system, in particular, financial status of the Company, its internal controls in critical areas of operations, risks and implications of the internal audit findings and recommendations.
- (iii) To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the Chief Internal Auditor and senior officers of the internal audit functions.
- (iv) To review with the external auditor, the scope of their audit and audit report, including their findings, issues or reservations arising from the financial audit and any action to be taken by management.
- (v) To review and assess the objectivity, performance and independence of the external auditor and to recommend the appointment or re-appointment of external auditor and to review and assess fees paid to the external auditor for their audit and non-audit services.
- (vi) To review the Chairman's Statement, corporate governance disclosures in the Directors' Report, interim financial reports and all representation letters by management in relation to the financial audit of the Company.
- (vii) To review related party transactions and conflict of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of management integrity.
- (viii) Other functions as may be determined by the Board of Directors.

The Audit Committee held 4 meetings in year 2015 and the following is the summary of main activities:

- (i) Reviewed the financial statements for the year ended 31 December 2014 and the Chairman's Statement, prior to approval by the Board of Directors.
- (ii) Reviewed and approved the audit on Self Assessment of Assets for financial year ended 31 December 2014.
- (iii) Met with external auditor without the presence of management to discuss any concerns, problems and reservations arising from financial audit.
- (iv) Reviewed and approved the following matters pertaining to the internal audit function:
 - a. Internal audit charter;
 - b. Internal audit reports on the audit findings and the management's remedial actions;
 - c. Progress reports on outstanding audit issues;
 - d. Internal audit assessment report on 1st and 2nd test of Disaster Recovery Plan for year 2015;
 - e. Appointment of Chief Internal Auditor and his Key Performance Indicators ("KPI"); and
 - f. Three Year Audit Plan (2016-2018) and Annual Audit Plan for Year 2016.
- (v) Reviewed and approved the following matters pertaining to the external auditor's (Messrs KPMG) function:
 - a. Management letter prepared by the external auditor for the financial year ended 31 December 2014; and
 - b. Audit plan of Messrs KPMG prior to the commencement of the 2015 annual audit.

2. Responsibilities and activities of the Committees (continued)

Nominating Committee

The Nominating Committee comprises 4 Non-Executive Directors and 1 Executive Director; and is chaired by an Independent Non-Executive Director.

The Nominating Committee's primary responsibilities are:

- (i) To establish minimum requirements for the Board of Directors and the Chief Executive Officer to perform their responsibilities effectively as well as to oversee the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between Executive, Non-Executive and Independent Directors and other core competencies required.
- (ii) To assess and recommend the nominees for Board of Directors and Board Committees, as well as nominees for the position of Chief Executive Officer. This includes assessing Directors and the Chief Executive Officer proposed for re-appointment, before an application for approval is submitted to Bank Negara Malaysia.
- (iii) To establish a mechanism for formal assessment on 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. The assessments should also include ascertaining that the Director is not disqualified under the relevant law and fulfill the "fit and proper" criteria.
- (iv) 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.
- (v) To ensure that all Directors undergo appropriate induction programmes and receive continuous training.
- (vi) To oversee the appointment, management succession planning and performance evaluation of Key Senior Officers and recommend to the Board the removal of Key Senior Officers if they are ineffective, errant or negligent in discharging their responsibilities.
- (vii) To ensure that processes are in place to facilitate and monitor the effective transfer of knowledge and expertise from expatriates employed in Senior Management and specialist positions to the staff of the Company as well as the industry generally.
- (viii) To ensure all key responsible persons fulfill the "fit and proper" criteria and conducting assessment of the fitness and propriety of Key Responsible Persons and the Company Secretary.

The Nominating Committee held 3 meetings in 2015 and conducted the following activities:

- (i) In accordance with the established mechanism, conducted formal assessments on the effectiveness of the Board, Board Committees and Individual Directors for the year 2014. The results of the assessments were deliberated by the Nominating Committee and tabled to the full Board in March 2015.
- (ii) Assessed Directors' appointments and re-appointments.
- (iii) Conducted assessments on the independence status and compliance with the qualification requirements as well as "fit and proper" criteria.
- (iv) Reviewed the assessment on the transfer of knowledge and expertise from expatriates employed in Senior Management and specialist positions to the staff of the Company as well as the industry generally.

Remuneration Committee

The Remuneration Committee comprises of 2 Non-Executive Directors and 1 Executive Director; and is chaired by an Independent Non-Executive Director.

The Remuneration Committee's primary responsibilities are:

- (i) To recommend a framework for the remuneration of Directors, Chief Executive Officer and Key Senior Officers.
- (ii) To recommend specific remuneration packages for Directors, Chief Executive Officer and Key Senior Officers.
- (iii) To ensure compliance with BNM Risk Governance Policy Document (Principle 10) which states that the Executive remuneration must be aligned with prudent risk-taking and appropriately adjusted for risks.

The Remuneration Committee held 2 meetings in 2015 and has reviewed the specific remuneration packages for Directors, Chief Executive Officer and Key Senior Officers.

2. Responsibilities and activities of the Committees (continued)

Compliance & Risk Management Committee

The Compliance & Risk Management Committee is made up of 5 Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The Compliance & Risk Management Committee's primary responsibilities are:

Compliance

- (i) To review and recommend the Company's Compliance Policy, Compliance Program and Compliance Manual for the Board of Directors' approval.
- (ii) To review and assess the adequacy and effectiveness of the Compliance policies and processes through an appropriate and clear framework of accountability, reporting and controls, including ensuring adequate infrastructure, resources and systems are in place.
- (iii) To promote a positive, pragmatic and consistent Compliance culture and to monitor the overall compliance with applicable laws, rules and regulations as well as operational manuals.
- (iv) To review and assess compliance with Bank Negara Malaysia ("BNM") Policy Documents in pursuant to Financial Services Act ("FSA") requirements.
- (v) To review the Management's periodic Compliance reports and checklists including Risk Treatment Plan ("RTP") and eCHECK.

Risk Management

- (i) To ensure effective Risk Management Framework implementation pursuant to the BNM Policies of Risk Governance.
- (ii) To review and approve the Risk Appetite Framework that sets out the risk appetite for the Company in pursuit of Corporate Objectives.
- (iii) To review and recommend Risk Management strategies, policies and risk tolerance levels for the Board of Directors' approval.
- (iv) To review and assess the adequacy of Risk Management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.
- (v) To ensure adequate infrastructure, resources and systems are in place for an effective risk management i.e. ensuring that the staff responsible for implementing Risk Management systems perform those duties independently of the Company's risk taking activities.
- (vi) To review the Management's periodic reports on the risk exposure, risk portfolio composition and Risk Management activities, including internal controls and outsourcing activities.
- (vii) To review the Stress Testing results, Individual Target Capital Level ("ITCL") and Capital Management Plan of the Company under the Internal Capital Adequacy Assessment Process ("ICAAP") requirement.
- (viii) To review Risk Management Independent Risk Assessment.

The Compliance & Risk Management Committee held 4 meetings in 2015 and has carried out reviews on the Compliance Program, Regulations & Policy Document Review, Risk Management Manual, Company Risk Profile, Internal Control Program on Company Level Controls as well as Process Level Controls, Outsourcing Management, Stress Testing Report, Risk Management Independent Assessment, ICAAP activities including Risk Appetite Framework and Capital Management Plan.

The Compliance & Risk Management Committee is supported by the Compliance & Risk Management Working Committee comprising the Chief Executive Officer, Deputy Chief Executive Officer and Senior Management Team.

2. Responsibilities and activities of the Committees (continued)

Investment Committee

The Investment Committee comprises 3 Non-Executive Directors, 1 Executive Director/Chief Executive Officer and the Deputy Chief Executive Officer; and is chaired by an Independent Non-Executive Director. The Committee held 6 meetings in 2015.

The primary function of the Committee is to assist the Board in the oversight of Company's investment management with the objective of improving investment returns and shareholders' value in line with the risk appetite set by the Board.

The key responsibilities include review of investment strategies and policies, monitoring of asset allocation, determining exposure limits for counter-parties, investment risk assessment and approving the Company's investment plan.

The Committee is also responsible for the appointment of external fund managers, including setting benchmarks and assessing the performance of the fund managers on a regular basis.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Dato' Mohd. Sallehuddin bin Othman

.....
Chua Seck Guan

Kuala Lumpur,
Date: 22 March 2016

STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Note	2015 RM'000	2014 RM'000
Assets			
Property and equipment	3	18,036	21,442
Investment property	4	146	150
Goodwill	5	1,141,224	1,141,224
Available-for-sale financial assets	6	1,277,800	958,826
Deferred tax assets	7	9,664	9,024
Reinsurance assets	8	547,902	489,318
Loans and receivables, excluding insurance receivables	9	1,205,228	1,322,194
Insurance receivables	10	217,613	187,997
Deferred acquisition costs	11	77,191	71,376
Assets classified as held for sale	12	-	77
Cash and cash equivalents	13	138,150	142,406
Total assets		4,632,954	4,344,034
Equity and liabilities			
Share capital	14	333,143	333,143
Reserves		2,068,238	1,965,257
Total equity		2,401,381	2,298,400
Insurance contract liabilities	16	1,975,730	1,822,389
Other financial liabilities	17	30,281	27,439
Insurance payables	18	152,525	119,000
Other payables	19	61,098	68,447
Tax payables		11,939	8,359
Total liabilities		2,231,573	2,045,634
Total equity and liabilities		4,632,954	4,344,034

The notes on pages 52 to 109 are an integral part of the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Note	2015 RM'000	2014 RM'000
Operating revenue	20	1,566,567	1,525,059
Gross written premiums	16.2	1,535,370	1,486,662
Change in unearned premiums provision		(54,088)	(38,293)
Gross earned premiums		1,481,282	1,448,369
Gross written premiums ceded to reinsurers	16.2	(301,740)	(283,399)
Change in unearned premiums provision		8,874	(11,727)
Premiums ceded to reinsurers		(292,866)	(295,126)
Net earned premiums		1,188,416	1,153,243
Investment income	21	85,285	76,690
Realised gains and losses	22	3,494	7,707
Commission income	23	50,926	52,721
Other operating (expenses)/income	24	(480)	812
Other income		139,225	137,930
Gross claims paid	16.1	(781,019)	(765,267)
Claims ceded to reinsurers	16.1	147,929	137,523
Gross change in contract liabilities		(99,253)	11,767
Change in contract liabilities ceded to reinsurers		49,710	(29,938)
Net claims incurred	25	(682,633)	(645,915)
Commission expense	23	(175,915)	(173,211)
Management expenses	26	(207,258)	(193,673)
Other expenses		(383,173)	(366,884)
Profit before tax		261,835	278,374
Tax expense	28	(61,735)	(63,414)
Profit for the year		200,100	214,960

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015 (continued)

	Note	2015 RM'000	2014 RM'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net gain/(loss) on fair value of available-for-sale financial assets		3,764	(8,149)
Tax effect	7	(940)	2,036
		<u>2,824</u>	<u>(6,113)</u>
Other comprehensive income for the year, net of tax		2,824	(6,113)
Total comprehensive income for the year		202,924	208,847
Basic earnings per share (sen)	29	60.1	64.5

The notes on pages 52 to 109 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Share capital RM'000	Share premium RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
	← Non-distributable →			Distributable	
At 1 January 2014	333,143	1,178,403	3,878	674,072	2,189,496
Fair value of available-for-sale financial assets	-	-	(6,113)	-	(6,113)
Total other comprehensive income/(loss) for the year	-	-	(6,113)	-	(6,113)
Profit for the year	-	-	-	214,960	214,960
Total comprehensive income/(loss) for the year	-	-	(6,113)	214,960	208,847
Dividends paid during the year	-	-	-	(99,943)	(99,943)
At 31 December 2014/1 January 2015	333,143	1,178,403	(2,235)	789,089	2,298,400
Fair value of available-for-sale financial assets	-	-	2,824	-	2,824
Total other comprehensive income for the year	-	-	2,824	-	2,824
Profit for the year	-	-	-	200,100	200,100
Total comprehensive income for the year	-	-	2,824	200,100	202,924
Dividends paid during the year	-	-	-	(99,943)	(99,943)
At 31 December 2015	333,143	1,178,403	589	889,246	2,401,381
	Note 14		Note 15.1	Note 15.2	

The notes on pages 52 to 109 are an integral part of the financial statements.

STATEMENT OF CASH FLOW

for the year ended 31 December 2015

	Note	2015 RM'000	2014 RM'000
Cash flows from operating activities			
Profit before tax		261,835	278,374
Adjustments for:			
Depreciation of property and equipment		6,599	5,756
Depreciation of investment property		4	25
Investment income	21	(85,285)	(76,690)
Realised gains recorded in profit or loss	22	(3,494)	(7,707)
Purchase of available-for-sale financial assets		(1,413,142)	(1,202,923)
Proceeds from disposal of available-for-sale financial assets		1,095,032	1,133,594
Retirement gratuities charged		755	1,326
Unrealised foreign exchange loss		63	12
		<hr/>	<hr/>
Operating (loss)/profit before changes in working capital		(137,633)	131,767
Change in reinsurance assets		(58,584)	41,665
Change in insurance receivables		(29,616)	(25,426)
Change in deferred acquisition costs		(5,815)	(5,984)
Change in loans and receivables		118,268	(47,114)
Change in insurance contract liabilities		153,341	26,526
Change in other financial liabilities		2,779	10,873
Change in insurance payables		33,525	7,400
Change in other payables		(8,068)	1,695
		<hr/>	<hr/>
Cash generated from operating activities		68,197	141,402
Dividend income received		16,672	11,920
Interest income received		73,996	66,004
Income tax paid		(59,733)	(71,587)
		<hr/>	<hr/>
Net cash flows from operating activities		99,132	147,739
Cash flows from investing activities			
Proceeds from disposal of property and equipment		716	5,940
Proceeds from disposal of assets classified as held for sale		77	-
Purchase of property and equipment		(4,202)	(13,230)
		<hr/>	<hr/>
Net cash flows used in investing activities		(3,409)	(7,290)

STATEMENT OF CASH FLOW

for the year ended 31 December 2015 (continued)

	Note	2015 RM'000	2014 RM'000
Cash flows from financing activities			
Dividend paid	30	(99,943)	(99,943)
Repayment of finance lease	19.1	(36)	(36)
		<hr/>	<hr/>
Net cash flows used in financing activities		(99,979)	(99,979)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(4,256)	40,470
Cash and cash equivalents at beginning of year		142,406	101,936
		<hr/>	<hr/>
Cash and cash equivalents at end of year	13	138,150	142,406
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 52 to 109 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

MSIG Insurance (Malaysia) Bhd is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of its registered office and principal place of business are as follows:

Registered office

Plaza 138, Suite 18.03
18th Floor, 138 Jalan Ampang,
50450 Kuala Lumpur.

Principal place of business

Level 15, Menara Hap Seng 2, Plaza Hap Seng,
No. 1, Jalan P. Ramlee,
50250 Kuala Lumpur.

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of these activities during the financial year.

The immediate holding company is MSIG Holdings (Asia) Pte. Ltd., a company incorporated in Singapore. The penultimate and ultimate holding companies are Mitsui Sumitomo Insurance Co., Ltd. and MS&AD Insurance Group Holdings, Inc., respectively. Both companies were incorporated in Japan.

The financial statements were authorised for issue by the Board of Directors on 22 March 2016.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, the requirements of the Companies Act, 1965 and the Financial Services Act, 2013 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, Amendments to MFRS 5, 10, 11, 12, 119, 127, 128 and 141 which are not applicable to the Company.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company except as mentioned below:

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The adoption of MFRS 15 may result in a change in accounting policy. The Company is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(b) Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis except as disclosed in the financial statements.

1. Basis of preparation (continued)

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Notes 2(g)(iii) and 5 - Valuation of goodwill
- Note 2(l), 2(m) and 2(q) - Valuation of insurance contract liabilities

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on retranslation are recognised in the profit or loss.

(b) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gains or losses on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and is recognised within "realised gains and losses" in the profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

• Office equipment	5 years
• Furniture and fittings	6 - 7 years
• Computers	5 years
• Motor vehicles	5 years
• Building	50 years

Depreciable amount is determined after deducting the residual value.

Depreciation method, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (continued)

(c) Investment property

Investment property carried at cost

Investment property is property which is owned or held under a leasehold interest to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes.

Investment property is initially and subsequently measured at cost and is accounted for similarly to property and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(d) Assets classified as held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. The assets are measured at the lower of their carrying amount and fair value less cost to sell.

(e) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. The goodwill arose from the acquisition of general insurance businesses in 2006 and 2010.

Goodwill represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the business purchased.

Goodwill is measured at cost and is not amortised. Goodwill is allocated to cash-generating units or a group of cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired (see Note 2(g)(iii)).

(f) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Company categorises and measures financial instruments as follows:

Financial assets

(a) Loans and receivables, excluding insurance receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market and other receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

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

Available-for-sale category comprises investment in equity and debt instruments that are not held for trading.

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(c) Insurance receivables

Insurance receivables are recognised when due and measured on 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 interest 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 profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised costs. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(g)(ii). Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(f)(iii), have been met.

All financial assets, are subject to review for impairment (see Note 2(g)).

Financial liabilities

All financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all risks and rewards of the financial asset is transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(g) Impairment

(i) Financial assets, excluding insurance receivables

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2(g)(ii) below) is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(g) Impairment (continued)

(i) Financial assets, excluding insurance receivables (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia.

Insurance receivables that are individually significant shall be tested for impairment individually. Insurance receivables that are not individually significant shall be tested for impairment collectively as a member of portfolio of assets with similar credit risk characteristics collective assessment.

If it is determined that no objective evidence of impairment exists for an insurance receivable that has been individually assessed (whether individually significant or not), insurance receivable should subsequently be included within a group of financial assets with similar credit risk characteristics and assessed collectively for impairment as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

2. Significant accounting policies (continued)

(g) Impairment (continued)

(iii) Other assets

The carrying amounts of other assets (except for deferred tax asset, investment property and non-current assets or disposal groups classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Company in the arrangement of their short term commitments.

(i) Product classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the 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.

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.

2. Significant accounting policies (continued)

(j) Reinsurance

Reinsurance enables an insurer to evaluate and transfer exposures to risks that cannot be successfully managed within insurers resources.

The Company may cede insurance risk in the normal course of business for some of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers on ceded business 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.

The risk transfer (ceded reinsurance) does not relieve the Company from its obligations to policyholders. The primary direct contract is between Company and 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 reinsurer. The impairment loss is recorded in profit or loss.

The Company also assumes reinsurance risk from other insurers in the normal course of business 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 contracts.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired 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.

(k) Commission expense

Gross commission expense, which are cost 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 profit or loss in the period in which they are incurred or deferred where appropriate as set out in Note 2(l).

(l) General insurance underwriting results

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

Premium income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period except for inward treaty reinsurance premiums which are recognised on the basis of periodic advices/accounts received from ceding insurers.

Insurance contract liabilities

These liabilities comprise premium liabilities and claims liabilities.

2. Significant accounting policies (continued)

(I) General insurance underwriting results (continued)

Premium liabilities

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserves ("UPR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR") at the required risk margin for adverse deviation ("PRAD").

Unearned Premium Reserves

The UPR represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the UPR at the end of the reporting date, the method that most accurately reflects the actual unearned premium is used and is as follows:

Annual policies

- (i) 25% method for marine cargo, aviation cargo and transit business.
- (ii) 1/24th method for all other classes of Malaysian general policies and overseas inward business.

The UPR calculation is adjusted for additional UPR in respect of premiums ceded to overseas reinsurers as required under the guidelines issued by Bank Negara Malaysia.

Non annual policies

Premiums are apportioned evenly over the period the policy is on risk.

Unexpired Risk Reserves

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 and expenses over unearned premiums. The best estimate of URR is calculated based on the projected claims cost from the unexpired period, indirect claims handling expenses, future maintenance expenses in handling the run-off of unexpired policies and a provision for risk margin.

If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the financial statements by setting up a provision for liability adequacy.

Claims liabilities

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the end of reporting period, 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 end of reporting period. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that included a regulatory risk margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognized when the contract expires, is discharged or is cancelled.

2. Significant accounting policies (continued)

(l) General insurance underwriting results (continued)

Acquisition costs and deferred acquisition cost ("DAC")

The gross cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Acquisition costs or ceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

Those costs are deferred to the extent that they are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised/allocated to the periods according to the original policies which give rise to income. DAC is incorporated as part of the computation to derive at UPR which is subject to liability adequacy test for each accounting period. Guidelines are prescribed in the RBC Framework.

(m) General 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 provision for unearned premiums.

Estimating the outstanding claims provision involves projection of the Company's future claims experience based on current claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions.

The provision for unearned premiums represents 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 and DAC over unearned premiums. The best estimate of URR is calculated based on the projected claims cost from the unexpired period, indirect claims handling expenses, future maintenance expenses in handling the run-off of unexpired policies and a provision for risk margin. If this estimate shows that the carrying amount of the unearned premiums less related DAC is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

(n) Tax expense

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

2. Significant accounting policies (continued)

(n) Tax expense (continued)

Deferred tax liability is recognised for all taxable temporary differences. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Other income recognition

(i) Interest income

Interest income from securities with fixed or determinable payment and fixed maturity are recognised using the effective interest rate method.

Interest income on loans and other interest-bearing investments are recognised on an accrual basis except where a loan is considered non-performing i.e. where repayments are in arrears for more than six (6) months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

(ii) Rental income

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six (6) months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

(iii) Dividend income

Dividend income represents gross dividends from quoted and unquoted investments and is recognised in profit or loss when the Company's right to receive payment is established, which in the case of quoted securities, is the ex-dividend date.

(p) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company's contributions to statutory pension funds are charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(q) Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the end of reporting period and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Expected Claims Ratio, Chain Ladder, Payment Per Claim Incurred and Bornhuetter-Ferguson methods.

2. Significant accounting policies (continued)

(q) Valuation of general insurance contract liabilities (continued)

For older accident periods, the Company has mainly used the incurred Chain Ladder method in establishing the best estimate of the claim liability. This method calculates the ratios of claim development using historical data, and these ratios are then used to project further development in the data. Since this approach takes into account the actual claim information, they are generally simple to apply.

For more recent accident periods where there is little credible data, more reliance is placed on the Expected Claims Ratio method and the Bornhuetter-Ferguson method. The Expected Claims Ratio method is simply the product of the initial expected loss ratio assumption and premium exposure (i.e. net earned premium) across each accident period. The ultimate cost of claims based on this method places no reliance on the emergence of actual claims data. The projected liabilities using the Bornhuetter-Ferguson method is essentially a blending of the estimates from the Chain Ladder method and the Expected Claims Ratio method, where the credibility for blending is based on the expected development.

Following the recent changes in claims practice, the Company has also relied on payments based method as the payments experience is least affected by the changes.

Historical claims development is analysed by homogeneous business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Indirect claims handling expense ("CHE") allowance is included as a part of best estimate of claims liability. CHE is intended to cover the indirect costs of administering outstanding claims until all claims are fully settled.

(r) Earnings per share ("EPS")

The Company presents basic EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(s) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event of change in circumstances that caused the transfers.

3. Property and equipment

	Office equipment RM'000	Furniture and fittings RM'000	Computers RM'000	Motor vehicles RM'000	Building RM'000	Land RM'000	Total RM'000
Cost							
At 1 January 2014	3,875	19,023	21,231	7,750	1,840	2,685	56,404
Additions	1,633	7,575	2,887	1,135	-	-	13,230
Disposals	(793)	(1,206)	(992)	(605)	(1,840)	(2,685)	(8,121)
At 31 December 2014/1 January 2015	4,715	25,392	23,126	8,280	-	-	61,513
Additions	351	1,040	1,221	1,590	-	-	4,202
Disposals	(487)	(11,884)	(2,199)	(2,111)	-	-	(16,681)
At 31 December 2015	4,579	14,548	22,148	7,759	-	-	49,034
Accumulated depreciation							
At 1 January 2014	2,804	14,176	16,490	4,375	120	-	37,965
Charge for the year	431	2,087	1,907	1,300	31	-	5,756
Disposals	(792)	(1,141)	(961)	(605)	(151)	-	(3,650)
At 31 December 2014/1 January 2015	2,443	15,122	17,436	5,070	-	-	40,071
Charge for the year	716	2,358	2,100	1,425	-	-	6,599
Disposals	(461)	(11,035)	(2,103)	(2,073)	-	-	(15,672)
At 31 December 2015	2,698	6,445	17,433	4,422	-	-	30,998
Carrying amount							
At 1 January 2014	1,071	4,847	4,741	3,375	1,720	2,685	18,439
At 31 December 2014/1 January 2015	2,272	10,270	5,690	3,210	-	-	21,442
At 31 December 2015	1,881	8,103	4,715	3,337	-	-	18,036

3. Property and equipment (continued)

Included in property and equipment are the following fully depreciated assets which are still in use:

	2015 RM'000	2014 RM'000
At cost:		
Office equipment	1,302	1,336
Furniture and fittings	2,957	10,958
Computers	12,879	12,824
Motor vehicles	830	1,542
	<u> </u>	<u> </u>

4. Investment property

	2015 RM'000	2014 RM'000
Cost		
At 1 January/31 December	233	233
	<u> </u>	<u> </u>
Accumulated depreciation		
At 1 January	76	51
Charge for the year	4	25
At 31 December	80	76
	<u> </u>	<u> </u>
Accumulated impairment		
At 1 January/31 December	7	7
	<u> </u>	<u> </u>
Carrying amount		
At 1 January	150	175
At 31 December	146	150
	<u> </u>	<u> </u>

Included in the above is:

	2015		2014	
	Cost RM'000	Fair value RM'000	Cost RM'000	Fair value RM'000
Leasehold building	146	260	150	260
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The following are recognised in profit or loss in respect of investment property:

	2015 RM'000	2014 RM'000
Direct operating expenses	5	5
	<u> </u>	<u> </u>

4. Investment property (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of building have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

Fair value information

Fair value of investment property is categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Leasehold building	-	260	-	260
2014				
Leasehold building	-	260	-	260

5. Goodwill

	2015 RM'000	2014 RM'000
At 1 January/31 December	1,141,224	1,141,224

For the purpose of annual impairment testing, goodwill has been allocated to the general insurance business of the Company as one cash-generating unit which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes.

The recoverable amount of the general insurance business was based on its value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and estimated operating results which was projected to perpetuity using the Company's business plan for financial year 2016 to 2018.

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

	2015	2014
Perpetual growth rate (for terminal value)	3.0%	3.0%
Discount rate	9.2%	8.7%

The values assigned to the key assumptions represent management's assessment of future trends in the general insurance industry and are based on both external sources and internal sources (historical data).

The carrying amount of the unit was determined to be lower than its recoverable amount and thus no impairment loss is recognised.

The Board of Directors has reviewed the goodwill impairment assessment for the financial year 2015.

6. Available-for-sale (“AFS”) financial assets

	2015 RM'000	2014 RM'000
At fair value		
Equity securities in corporations		
Quoted in Malaysia	168,350	147,010
Unquoted in Malaysia	602	602
Unit Trust	492,495	244,436
Malaysian Government Securities	98,646	98,894
Government Investment Issues	186,318	105,579
Government Guaranteed Bonds	19,710	14,594
BNM Paper/Sukuk	-	49,891
Corporate debt securities:		
Unquoted in Malaysia	311,679	297,820
Total AFS financial assets	1,277,800	958,826

Estimation of fair value

The fair values of quoted equity securities and unit trusts are their quoted closing bid prices at the end of reporting period.

The fair value of the unquoted equity securities in corporations is determined to approximate the carrying amounts as these are immaterial in the context of the financial statements.

The fair values for Malaysian Government Securities, Government Investment Issues, Government Guaranteed Bonds and BNM Paper are their indicative mid market prices quoted by regulatory agencies at the end of the reporting period.

The estimated fair value of unquoted corporate debt securities is based on the indicative mid market prices obtained from a bond pricing agency.

Carrying value of AFS financial assets

	AFS RM'000
At 1 January 2014	895,235
Addition	1,202,923
Disposal	(1,127,356)
Fair value loss recorded in other comprehensive income	(8,149)
Amortisation	323
Provision for impairment loss	(4,150)
At 31 December 2014/1 January 2015	958,826
Addition	1,413,142
Disposal	(1,091,246)
Fair value gains recorded in other comprehensive income	3,764
Amortisation	66
Provision for impairment loss	(6,752)
At 31 December 2015	1,277,800

7. Deferred tax (assets)/liabilities Recognised deferred tax (assets)/liabilities

Recognised deferred tax (assets)/liabilities are attributable to the following:

	2015 RM'000	2014 RM'000	At 1.1.2014 RM'000	Recognised in profit or loss (Note 28) RM'000	Recognised in other comprehensive income RM'000	At 31.12.2014/ 1.1.2015 RM'000	Recognised in profit or loss (Note 28) RM'000	Recognised in other comprehensive income RM'000	At 31.12.2015 RM'000
Available-for-sale financial assets	196	(744)				1,719	(592)	-	1,127
Property and equipment	1,127	1,719				(9,996)	(976)	-	(10,972)
Provisions	(10,972)	(9,996)				(3)	(12)	-	(15)
Other items	(15)	(3)				(744)	-	940	196
Deferred tax assets	(9,664)	(9,024)				(9,024)	(1,580)	940	(9,664)

Movement in temporary differences during the year:

	At 1.1.2014 RM'000	Recognised in profit or loss (Note 28) RM'000	Recognised in other comprehensive income RM'000	At 31.12.2014/ 1.1.2015 RM'000
Plant and equipment	1,872	(153)	-	1,719
Provisions	(8,695)	(1,301)	-	(9,996)
Other items	(7)	4	-	(3)
Available-for-sale financial assets	1,292	-	(2,036)	(744)
Deferred tax (assets)/liabilities	(5,538)	(1,450)	(2,036)	(9,024)

8. Reinsurance assets

	Note	2015 RM'000	2014 RM'000
Reinsurance of insurance contracts			
Claims liabilities	16.1	419,426	369,716
Premium liabilities	16.2	128,476	119,602
		547,902	489,318

9. Loans and receivables, excluding insurance receivables

		2015 RM'000	2014 RM'000
Staff loans:			
Receivable within twelve months		54	77
Receivable after twelve months		284	338
		338	415
Fixed and call deposits with maturity > 3 months with licensed financial institutions:			
- Licensed banks in Malaysia		1,164,784	1,279,220
Other receivables:			
Other receivables, deposits and prepayments		11,317	15,176
Income due and accrued		28,514	27,212
Amount due from holding companies		294	140
Amount due from related companies		-	50
		40,125	42,578
Less: Impairment allowance		(19)	(19)
		40,106	42,559
Total loans and receivables, excluding insurance receivables		1,205,228	1,322,194

The amounts due from holding companies and related companies are non-trade in nature, interest free, unsecured and repayable on demand.

The following loans and receivables mature after 12 months:

	2015 RM'000	2014 RM'000
Loans and receivables	284	338

Estimation of fair value

The fair value of staff loans and other receivables were determined to approximate the carrying amounts as these are immaterial in the context of the financial statements. The carrying amounts of the fixed and call deposits approximate their fair values.

10. Insurance receivables

	Note	2015 RM'000	2014 RM'000
Due premiums including agents/ brokers and co-insurers balances		205,907	171,637
Due from reinsurers and cedants		12,263	15,971
Amount due from holding companies		16	-
Amount due from related companies		24	1,067
Amount due from affiliated companies		2,547	1,435
		<hr/>	<hr/>
		220,757	190,110
Less: Impairment allowance	10.1	(3,144)	(2,113)
		<hr/>	<hr/>
		217,613	187,997
		<hr/> <hr/>	<hr/> <hr/>

10.1 During the year, impairment written off against allowance for impairment made previously amounted to RM68,000 (2014: RM29,000).

11. Deferred acquisition costs

	Note	2015 RM'000	2014 RM'000
Gross			
At 1 January		85,327	80,510
Movement during the year	23	6,597	4,817
		<hr/>	<hr/>
At 31 December		91,924	85,327
		<hr/> <hr/>	<hr/> <hr/>
Reinsurance			
At 1 January		(13,951)	(15,118)
Movement during the year	23	(782)	1,167
		<hr/>	<hr/>
At 31 December		(14,733)	(13,951)
		<hr/> <hr/>	<hr/> <hr/>
Net			
At 1 January		71,376	65,392
Movement during the year		5,815	5,984
		<hr/>	<hr/>
At 31 December		77,191	71,376
		<hr/> <hr/>	<hr/> <hr/>

12. Assets classified as held for sale

In the previous year, the Company is committed to a plan to dispose off its buildings and has initiated an active programme to sell. The Board has approved the Company to dispose the buildings at prevailing market prices.

	RM'000
Cost	
At 1 January 2014/31 December 2014/1 January 2015	120
Disposal	(120)
	<hr/>
At 31 December 2015	-
	<hr/> <hr/>
Accumulated depreciation	
At 1 January 2014/31 December 2014/1 January 2015	43
Disposal	(43)
	<hr/>
At 31 December 2015	-
	<hr/> <hr/>
Carrying amount	
At 1 January 2014/31 December 2014/1 January 2015	77
	<hr/>
At 31 December 2015	-
	<hr/> <hr/>

13. Cash and cash equivalents

	2015 RM'000	2014 RM'000
Fixed and call deposits with licensed banks in Malaysia	120,445	127,114
Cash and bank balances	17,705	15,292
	<hr/>	<hr/>
	138,150	142,406
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts approximate their fair values due to the relatively short term nature of these financial instruments.

14. Share capital

	2015		2014	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Authorised:				
Ordinary shares of RM1.00 each	500,000	500,000	500,000	500,000
Issued and fully paid:				
Ordinary shares of RM1.00 each	333,143	333,143	333,143	333,143

15. Reserves**15.1 Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired. The fair value reserve is in respect of unrealised gains on securities available-for-sale, net of deferred taxation.

15.2 Retained earnings

The company may distribute single tier exempt to its shareholders out of its retained earnings. Pursuant to section 51(1) of the Financial Services Act 2013, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend.

Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio is less than its internal target or if the payment of dividend would impair its Capital Adequacy Ratio to below its internal target.

16. Insurance contract liabilities

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

	Note	2015			2014		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		1,025,780	(377,587)	648,193	921,063	(320,731)	600,332
Provision for IBNR		140,786	(41,839)	98,947	146,250	(48,985)	97,265
Provision for outstanding claims	16.1	1,166,566	(419,426)	747,140	1,067,313	(369,716)	697,597
Provision for unearned premiums	16.2	809,164	(128,476)	680,688	755,076	(119,602)	635,474
		1,975,730	(547,902)	1,427,828	1,822,389	(489,318)	1,333,071

Note 8

Note 8

16. Insurance contract liabilities (continued)

16.1 Provision for outstanding claims

	Note	2015			2014		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		1,067,313	(369,716)	697,597	1,079,080	(399,654)	679,426
Claims incurred in the current accident year		1,052,072	(321,908)	730,164	985,708	(280,871)	704,837
Adjustment to claims incurred in prior accident years		(142,749)	103,474	(39,275)	(176,290)	128,994	(47,296)
Adjustment to claims incurred in the ex-HLA run-off portfolio		(38,613)	27,988	(10,625)	(55,631)	40,707	(14,924)
Movement in PRAD of claims liabilities at 75% confidence level		8,195	(6,310)	1,885	(1,041)	2,031	990
Movement in claims handling expenses		1,367	-	1,367	754	-	754
Claims paid during the year	25	(781,019)	147,929	(633,090)	(765,267)	137,523	(627,744)
Movement in reinsurance default provision		-	(883)	(883)	-	1,554	1,554
At 31 December		1,166,566	(419,426)	747,140	1,067,313	(369,716)	697,597

16.2 Provision for unearned premiums

	Note	2015			2014		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		755,076	(119,602)	635,474	716,783	(131,329)	585,454
Premiums written in the year		1,535,370	(301,740)	1,233,630	1,486,662	(283,399)	1,203,263
Premiums earned during the year	20	(1,481,282)	292,866	(1,188,416)	(1,448,369)	295,126	(1,153,243)
At 31 December		809,164	(128,476)	680,688	755,076	(119,602)	635,474

17. Other financial liabilities

	Note	2015 RM'000	2014 RM'000
Cash collateral deposit received from policyholders	17.1	19,615	18,672
Deposit received from reinsurers		10,666	8,767
		30,281	27,439

17.1 Fixed deposits held as cash collateral for guarantees issued on behalf of policyholders are included in loans and receivables and fixed and call deposits with licensed financial institutions.

The carrying amount disclosed above approximate their fair value at the end of the reporting period. All amounts are payable within one year except for cash collateral deposit which has no maturity date.

18. Insurance payables

	2015 RM'000	2014 RM'000
Due to reinsurers and cedants	105,314	88,907
Due to agents/brokers, co-insurers and insureds	37,075	19,477
Amount due to holding companies	7,420	9,781
Amount due to related companies	1,904	270
Amount due to affiliated companies	812	565
	152,525	119,000

The carrying amount disclosed above approximate fair value at the end of the reporting period. All amounts are payable within one year.

19. Other payables

	Note	2015 RM'000	2014 RM'000
Non-current			
Finance lease liabilities	19.1	-	8
Current			
Finance lease liabilities	19.1	8	36
Other payables		18,582	28,339
Accrued expenses		42,486	39,711
Amount due to holding companies		22	353
		61,098	68,447

19.1 Finance lease liabilities are payable as follows:

	2015 RM'000	2014 RM'000
Less than one year	8	36
Between one and five years	-	8
	8	44

The Company has finance lease for motor vehicles as disclosed in Note 3 and the lease of tenure is 5 years. At the end of the lease term, the Company has option to buy back with the guaranteed lease end value of RM48,000.

The carrying amount disclosed above approximate fair value at the end of the reporting period. All amounts are payable within one year.

20. Operating revenue

	Note	Shareholders fund RM'000	General business RM'000	Total RM'000
2015				
Gross earned premiums		-	1,481,282	1,481,282
Investment income	21	595	84,690	85,285
		595	1,565,972	1,566,567
2014				
Gross earned premiums		-	1,448,369	1,448,369
Investment income	21	517	76,173	76,690
		517	1,524,542	1,525,059

21. Investment income

	2015 RM'000	2014 RM'000
AFS financial assets		
Dividend income:		
- Equity securities quoted in Malaysia	4,925	4,398
- Unquoted equity securities in Malaysia	127	147
- Unit Trust	11,546	7,326
Interest/profit income:		
- Malaysian Government Securities	3,021	3,758
- Government Investment Issues	5,712	4,994
- Government Guaranteed Bonds	836	101
- Corporate debt securities	13,766	11,058
Amortisation of premiums, net of accretion of discounts	66	323
Impairment loss on investment	(6,752)	(4,150)
Loans and receivables and cash and cash equivalents:		
Interest/profit income	52,038	48,735
	85,285	76,690

22. Realised gains and losses

	2015 RM'000	2014 RM'000
Realised gains/(losses) for:		
Property and equipment	(292)	1,469
AFS financial assets		
Quoted equity securities in Malaysia	2,834	8,889
Unit trust	(105)	-
Malaysian Government Securities	340	(942)
Government Investment Issues	500	(722)
Government Guarantee Bonds	105	-
Corporate debt securities	115	(985)
BNM Paper/Sukuk	(1)	(2)
Treasury Bills	(2)	-
	3,494	7,707

23. Commission income/(expense)

	Note	2015 RM'000	2014 RM'000
Commission income			
Commission income		51,708	51,554
Movement in deferred acquisition cost	11	(782)	1,167
		50,926	52,721
Commission expense			
Commission expense		(182,512)	(178,028)
Movement in deferred acquisition cost	11	6,597	4,817
		(175,915)	(173,211)

24. Other operating (expenses)/income

	2015 RM'000	2014 RM'000
Interest on staff housing loans	15	18
Sundry (expenses)/income	(495)	794
	(480)	812

25. Net claims incurred

	2015 RM'000	2014 RM'000
Gross claims paid less salvage	781,019	765,267
Reinsurance recoveries	(147,929)	(137,523)
Net claims paid	633,090	627,744
Net claims liabilities:		
At 31 December	747,140	697,597
At 1 January	(697,597)	(679,426)
	682,633	645,915

26. Management expenses

	Note	2015 RM'000	2014 RM'000
Allowance for impairment		2,092	288
Auditors' remuneration			
- Statutory audit			
- current year		383	355
- prior year		7	-
- Other services			
- current year		29	29
- prior year		-	20
Bad debts recovered		-	(44)
Bad debts written off		1,296	3
Depreciation of investment property		4	25
Depreciation of property and equipment		6,599	5,756
Directors' remuneration			
- fees	27	383	298
- emoluments	27	1,642	1,582
Employee benefits expenses	26.1	99,531	96,975
Rental expense on office premises		11,102	10,101
Other expenses		84,190	78,285
		207,258	193,673

26.1 Employee benefits expenses

	2015 RM'000	2014 RM'000
Wages, salaries and others	85,889	83,440
Social security contributions	664	650
Contribution to Employees' Provident Fund	12,223	11,559
Contribution to retirement gratuities	755	1,326
	99,531	96,975

27. Key management personnel compensation

Details of the Director's remuneration (including benefits-in-kind) of each Director during the financial year 2015 are as follows:

2015	Fees	Salary	Bonus	EPF	Other	Benefits- in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer and Executive Director - Mr. Chua Seck Guan	-	1,093	323	226	-	34	1,676
Non-Executive Directors							
- Dato' Mohd. Sallehuddin bin Othman	128	-	-	-	20	-	148
- Datuk Dr. Nik Norzrul Thani bin N Hassan Thani	90	-	-	-	10	-	100
- Mr. Hitoshi Kitagawa*	95	-	-	-	9	-	104
- Ms. Pearl Chan Siew Cheng	70	-	-	-	16	-	86
- Ms. Loh Guat Lan	-	-	-	-	-	-	-
- Mr. Alan John Wilson	-	-	-	-	-	-	-
- Mr. Noriaki Hamanaka (Resigned on 04.07.2015)	-	-	-	-	-	-	-
Total Directors' Remuneration (including benefits-in-kind)	383	-	-	-	55	-	438
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	383	1,093	323	226	55	34	2,114

* The Director's fee and Meeting fee were paid to Toyota Tsusho (Malaysia) Sdn Bhd, as represented by Hitoshi Kitagawa.

2014	Fees	Salary	Bonus	EPF	Other	Benefits- in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer and Executive Director - Mr. Chua Seck Guan	-	993	301	207	-	34	1,535
Executive Director - Mr. Toshiyuki Tsukada	-	81	-	-	-	40	121
Non-Executive Directors							
- Dato' Mohd. Sallehuddin bin Othman	76	-	-	-	19	-	95
- Datuk Dr. Nik Norzrul Thani bin N Hassan Thani	64	-	-	-	10	-	74
- Mr. Hitoshi Kitagawa*	76	-	-	-	11	-	87
- Ms. Pearl Chan Siew Cheng	-	-	-	-	10	-	10
- Dr. Adli Ariff	82	-	-	-	-	-	82
- Mr. Noriaki Hamanaka	-	-	-	-	-	-	-
- Ms. Loh Guat Lan	-	-	-	-	-	-	-
- Mr. Alan John Wilson	-	-	-	-	-	-	-
Total Directors' Remuneration (including benefits-in-kind)	298	81	-	-	50	40	469
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	298	1,074	301	207	50	74	2,004

* The Director's fee and Meeting fee were paid to Toyota Tsusho (Malaysia) Sdn Bhd, as represented by Hitoshi Kitagawa.

28. Tax expense

	Note	2015 RM'000	2014 RM'000
Current tax expense			
Malaysian - current		63,231	63,581
- prior years		84	1,283
		<hr/> 63,315	<hr/> 64,864
Deferred tax expense			
Malaysian - current		(1,633)	(1,428)
- prior years		(53)	(22)
		<hr/> (1,580)	<hr/> (1,450)
Total deferred tax	7		
Total tax expense		<hr/>61,735	<hr/>63,414
Reconciliation of tax expense			
Profit for the year		200,100	214,960
Tax expense		61,735	63,414
		<hr/> 261,835	<hr/> 278,374
Income tax using Malaysian tax rate of 25% (2014: 25%)		65,459	69,594
Effect of lower tax rates for offshore business and business outside Malaysia		(3,126)	(5,111)
Effect of change in tax rate		413	-
Non-deductible expenses		2,726	623
Tax exempt income		(3,928)	(2,833)
Other items		54	(120)
		<hr/> 61,598	<hr/> 62,153
Overprovision in prior years			
- Current tax		84	1,283
- Deferred tax		53	(22)
		<hr/> 61,735	<hr/> 63,414
Income tax recognised directly in equity			
Available-for-sale financial assets	7	(940)	2,036

29. Earnings per share**Basic earnings per share**

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders of RM200,100,000 (2014: RM214,960,000) and the weighted average number of ordinary shares outstanding during the year of 333,143,000 (2014: 333,143,000).

30. Dividends

Dividends recognised by the Company are:

	Sen per share net of tax	Total amount RM'000	Date of payment
2015			
Final 2014 - tax-exempt	30.00	<u>99,943</u>	1 June 2015
2014			
Final 2013 - tax-exempt	30.00	<u>99,943</u>	7 July 2014

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2015 is 30 sen per ordinary share totalling RM99,943,000. These dividends will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2016 upon approval by Bank Negara Malaysia and the shareholders of the Company.

31. Operating leases

Leases as lessee

The future minimum lease payments under the non-cancellable operating lease are as follows:

	2015 RM'000	2014 RM'000
Less than one year	10,206	10,767
Between one and five years	8,796	17,406
	<u>19,002</u>	<u>28,173</u>

The Company leases office premises under operating lease, the leases typically run for a period of 3 years, with an option to renew the lease after that date. Lease payments are increased every 3 years to reflect market rentals. None of the leases includes contingent rentals.

32. Capital expenditure commitments

	2015 RM'000	2014 RM'000
Plant and equipment		
Authorised but not contracted for	3,730	-
Contracted but not provided for	2,000	-
	<u>5,730</u>	<u>-</u>

33. Significant related party disclosures

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operational decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The related parties of the Company are:

(i) Holding companies

The immediate holding company is MSIG Holdings (Asia) Pte. Ltd, a company incorporated in Singapore. The penultimate and ultimate holding companies are Mitsui Sumitomo Insurance Co., Ltd and MS&AD Insurance Group Holdings, Inc., respectively. Both companies were incorporated in Japan.

(ii) Fellow subsidiaries

These are entities which are under common control of the ultimate, penultimate and immediate holding companies.

(iii) Affiliated companies

Affiliated companies comprised of companies having equity interest of between 20% to 50% in the Company and including other corporations related to the first mentioned corporation.

33. Significant related party disclosures (continued)

(iv) Key management personnel

Key management personnel include the Company's Executive and Non-Executive Directors and are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Executive and Non-Executive Directors compensation is disclosed in Note 27.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company, other than key management personnel remuneration are shown below. The balances related to the below transactions are as shown in notes 9, 10, 18 and 19.

	2015	2014
	RM'000	RM'000
Ultimate/Penultimate holding company		
Premium ceded	50,213	57,599
Commission received	(11,592)	(13,558)
Claims recoveries	(30,352)	(17,654)
Claims settling fee received	(553)	(467)
Immediate holding company		
Service fee	1,692	1,449
IT Project cost	1,390	1,983
Fellow subsidiary companies		
Premium ceded	6,108	2,638
Commission received	(1,209)	(597)
Claims recoveries	(3,217)	(5,073)
Affiliated companies		
Premium received	(80,777)	(69,412)
Commission paid	8,094	7,065
Claims paid	11,622	11,742
Bank merchant fees	2,402	2,329
Surveying fee	764	475
Interest income	(13,054)	(11,559)
Fixed deposits	148,616	135,152
Bank balances	2,188	(82)
Unit trust	194,025	193,986

34. Risk Management Framework

The Company recognises the importance of effective risk management to realise the Company's corporate objectives and responsibilities to achieve financial soundness and capital efficiency.

In this regard, the Board has set out the overall risk management strategies, policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.

The major areas of risk that the Company is exposed to are insurance risks, financial risks and operational risks.

The Company's risk management framework is as follows:

- A Compliance and Risk Management Committee ("CRMC") has been established at the Board Committee level to set the direction and to oversee the overall risk management framework as well as to ensure that resources, infrastructure and systems are in place for risk management activities. The CRMC is supported by Compliance & Risk Management Working Committee ("CRMWC").
- The CRMWC which comprises the Senior Management Team, supports the CRMC in the process of risk identification, risk assessment and risk mitigation as well as promoting risk management culture and governance across all levels of staff through an effective organisation structure, communication, training as well as clear policies and procedures.
- The Company has an Enterprise Risk Management Department and also makes references to the risk management functions at the Head Office and Regional Office in Japan and Singapore for advice and guidance on risk management approach and best practices.
- The Internal Audit function which is independent from the business operations also provides support in identifying and highlighting key risk areas for improvement.
- The Company has in place a Risk Management Manual and maintains a Risk Register to record details of the various risks faced by the Company. The Company has also developed a Company Risk Profile which is subject to periodic review.
- The Company has established an Internal Control Programme comprising Company Level and Process Level Control Documentation with regular Testing of Design and Testing of Operating Effectiveness; as well as further Evaluation on Internal Controls Over Financial Reporting ("ICOFR") on annual basis.

Stress Testing

The risk management framework also includes a Stress Testing Policy and Stress Testing Methodology. The Stress Testing exercise is conducted twice a year to identify potential threats due to exceptional but adverse plausible events and to evaluate the sustainability of the Company's capital to withstand the impact.

Internal Capital Adequacy Assessment Process ("ICAAP")

Bank Negara Malaysia ("BNM") has issued a Guideline on ICAAP for Insurers on 24 February 2012 with effective date from 1 September 2012.

Among the key elements under ICAAP, insurers are required to put in place:

- (i) A Capital Management Framework which includes setting of risk appetite or risk tolerance level as well as determine Individual Target Capital Level ("ITCL") that commensurate with own risk profile and control environment through comprehensive Stress Testing. As at to date, the Company has established a Risk Appetite Statement and performed the comprehensive Stress Testing for ITCL Review required under ICAAP; and
- (ii) To maintain a sound Capital Management to ensure insurers operate at a level above ITCL all the time.

34. Risk Management Framework (continued)

Internal Capital Adequacy Assessment Process (ICAAP) Report

Driven by the BNM requirements on Capital Management as well as Risk Governance, the Company has addressed the necessary performance and issued a report covering the following areas:

Risk Appetite

The Risk Appetite Framework has been established to address the major types of risks that the Company needs to manage in executing its business strategies through the Business Plan.

Individual Target Capital Level ("ITCL") Review

Under the RBC Framework, BNM has set a supervisory target capital level of 130% (Supervisory Capital Adequacy Ratio) and insurer should establish an ITCL which is higher against Supervisory Capital Adequacy Ratio.

The Company has performed a series of Scenario Stress Tests to review and determine appropriate ITCL from actuarial technical stand point which is required to be maintained by the Company in order to withstand the exceptional and adverse plausible events.

Capital Management Plan ("CMP")

The CMP has been established to be in line with the requirements set out in the RBC Framework and formed an integral part of ICAAP. The CMP sets out procedures to implement and maintain an appropriate level of capital which commensurate with risk profile at all times as required under regulatory requirements.

35. Insurance risk

The Company underwrites various classes of general insurance contracts, with a portfolio mix comprising mainly of Motor, Fire and Marine Cargo policies.

The risk under insurance contracts is the possibility of occurrence of an insured event and uncertainty of the amount and timing of resulting claim. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

- Occurrence risk - the possibility that the number of insured events will differ from those expected.
- Severity risk - the possibility that the cost of the events will differ from those expected.
- Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risk events can be managed by writing a large diversified portfolio of insurance contracts, because a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio. The variability of risk events can also be managed by careful selection of risks and implementation of underwriting strategy and guidelines as well as claims management and control systems.

The objective of the Company is to control and manage insurance risk to reduce volatility of operating profits. The Company manages insurance risk through the following:

- The Company's underwriting approach is governed by an underwriting policy and guidelines which sets out a control framework for risk acceptance and referrals, underwriting capacity and authority limits granted to the various operations.
- The Company's claims philosophy which provides the framework for claims management, regular claims review and claims handling procedures with the objectives to minimise the uncertainty of claims development and inflationary costs as well as to mitigate dubious or fraudulent claims whilst ensuring fair claims settlement.
- Reinsurance is used to limit the Company's exposure to large claims and catastrophes by placing risk with reinsurers providing high security.

35. Insurance risk (continued)

The table below sets out the concentration of the Company's insurance business by type of product based on gross and net written premiums.

	Gross RM'000	Reinsurance RM'000	Net RM'000
2015			
Motor	685,415	(22,597)	662,818
Fire	402,599	(151,759)	250,840
Marine Cargo, Aviation Cargo, and Transit	90,791	(16,289)	74,502
Miscellaneous	356,565	(111,095)	245,470
	<hr/> 1,535,370	<hr/> (301,740)	<hr/> 1,233,630 <hr/>
2014			
Motor	674,022	(22,301)	651,721
Fire	378,163	(145,876)	232,287
Marine Cargo, Aviation Cargo, and Transit	97,585	(22,464)	75,121
Miscellaneous	336,892	(92,758)	244,134
	<hr/> 1,486,662	<hr/> (283,399)	<hr/> 1,203,263 <hr/>

The table below sets out the concentration of the Company's insurance contracts liabilities by type of product.

	Gross RM'000	Reinsurance RM'000	Net RM'000
2015			
Motor	947,098	(41,446)	905,652
Fire	434,784	(234,798)	199,986
Marine Cargo, Aviation Cargo, and Transit	89,764	(41,511)	48,253
Miscellaneous	504,084	(230,147)	273,937
	<hr/> 1,975,730	<hr/> (547,902)	<hr/> 1,427,828 <hr/>
2014			
Motor	922,132	(52,717)	869,415
Fire	397,618	(219,871)	177,747
Marine Cargo, Aviation Cargo, and Transit	63,531	(20,482)	43,049
Miscellaneous	439,108	(196,248)	242,860
	<hr/> 1,822,389	<hr/> (489,318)	<hr/> 1,333,071 <hr/>

35. Insurance risk (continued)

Key assumptions

The principal assumption underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claims costs, claims handling cost and claims numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example isolated occurrence of large claims as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

No discounting is made to the recommended claims and premium liability provisions. In addition, no explicit inflation adjustment has been made to claims amounts payable in the future. However, implicit inflation is allowed for future claims to the extent evident in past claims development.

The Company has based the provisions for unexpired risks and insurance claims at a minimum 75% of sufficiency, according to the requirement set by Bank Negara Malaysia under the RBC Framework.

Sensitivity analysis of insurance liabilities

Estimates of an insurance company's claim and premium liabilities may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience such that the actual liability may vary considerably from the best estimates.

The Company re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect of its insurance contracts. The analysis presented in page 88 demonstrates the sensitivity of insurance liability estimates to particular movements in assumptions used in the estimation process. Certain assumptions can be expected to impact the liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

The analysis below is performed to assess movements in key assumptions with all other assumptions held constant and ignores changes in values of the related assets. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

The key assumptions considered in the sensitivity analysis are as follows:

- Initial Expected Loss Ratio ("IELR") for accident year 2015
- Selected Ultimate Loss Ratio ("ULR")

The IELR is a parameter used in the Expected Claims Ratio and Bornhuetter-Ferguson methods. These methods are usually used by actuaries to estimate the claim liability for more recent accident periods where there is little credible data. The sensitivity test is performed by changing the IELR by -15% multiplicatively to +15% multiplicatively to derive the claim liabilities and the net impact is disclosed in the following table.

The selected ULR is derived from the best estimation of claims reserve, and is a major factor to determine the actuarial unexpired risk reserve which is a component of premium liability. A change in the expected ULR also affects the claim liability as it is a function of ultimate losses. To show the sensitivity of this assumption, the impact of changing ULR by -15% multiplicatively and +15% multiplicatively is shown in the table below. For claims liabilities, 2015 accident year ULRs were changed only. For premium liabilities, the expected ULRs were changed.

35. Insurance risk (continued)**Sensitivity analysis of insurance liabilities (continued)**

The results of the sensitivity analysis (net of reinsurance) showing the impact on the claim and premium liabilities are as follows:

	IELR		ULR	
	+15% RM'000	-15% RM'000	+15% RM'000	-15% RM'000
2015				
Premium liabilities	-	-	-	-
Claim liabilities	3,585	(3,585)	107,157	(107,157)
Total	3,585	(3,585)	107,157	(107,157)
Impact on profit before tax	3,585	(3,585)	107,157	(107,157)
Impact on equity *	2,689	(2,689)	80,368	(80,368)
2014				
Premium liabilities	-	-	7,448	-
Claim liabilities	13,370	(13,370)	104,032	(104,032)
Total	13,370	(13,370)	111,480	(104,032)
Impact on profit before tax	13,370	(13,370)	111,480	(104,032)
Impact on equity *	10,028	(10,028)	83,610	(78,024)

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

Claims Development Table

The following tables show the estimated cumulative incurred claims, including both claims notified and IBNR for each successive accident year at end of each reporting period, together with cumulative payments to date.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

35. Insurance risk (continued)

Gross general insurance contract liabilities for 2015:

Accident year	Before 2008 RM'000	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
At end of accident year		431,537	450,803	768,476	895,625	921,140	946,043	985,708	1,052,072	
One year later		391,367	639,963	720,479	863,630	784,388	802,475	866,421		
Two years later		635,737	645,771	682,096	840,811	750,668	779,716			
Three years later		633,110	620,397	659,622	837,006	737,419				
Four years later		622,648	615,152	650,820	841,641					
Five years later		614,061	608,478	653,808						
Six years later		591,924	591,614							
Seven years later		588,266								
Current estimate of cumulative claims incurred		588,266	591,614	653,808	841,641	737,419	779,716	866,421	1,052,072	6,110,957
At end of accident year		181,784	222,609	304,260	343,655	350,298	352,882	388,474	411,604	
One year later		310,090	498,126	553,400	693,618	620,046	632,151	654,121		
Two years later		549,249	554,274	597,595	753,356	673,309	690,446			
Three years later		572,213	572,047	612,699	789,324	699,668				
Four years later		578,822	577,706	616,977	797,854					
Five years later		580,655	579,219	623,046						
Six years later		582,844	583,825							
Seven years later		585,950								
Cumulative payments to-date		585,950	583,825	623,046	797,854	699,668	690,446	654,121	411,604	5,046,514

35. Insurance risk (continued)

Gross general insurance contract liabilities for 2014:

Accident year	Before										Total RM'000
	2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000		
At end of accident year			431,537	450,803	768,476	895,625	921,140	946,043	985,708		
One year later	365,611		391,367	639,963	720,479	863,630	784,388	802,475			
Two years later	349,302		635,737	645,771	682,096	840,811	750,668				
Three years later	628,490		633,110	620,397	659,622	837,006					
Four years later	629,605		622,648	615,152	650,820						
Five years later	621,596		614,061	608,478							
Six years later	600,001		591,924								
Seven years later	594,647										
Current estimate of cumulative claims incurred	594,647	591,924	608,478	650,820	837,006	750,668	802,475	985,708	5,821,726		
At end of accident year			181,784	222,609	304,260	343,655	350,298	352,882	388,474		
One year later	284,375		310,090	498,126	553,400	693,618	620,046	632,151			
Two years later	297,003		549,249	554,274	597,595	753,356	673,309				
Three years later	568,814		572,213	572,047	612,699	789,324					
Four years later	582,675		578,822	577,706	616,977						
Five years later	585,956		580,655	579,219							
Six years later	587,239		582,844								
Seven years later	587,525										
Cumulative payments to-date	587,525	582,844	579,219	616,977	789,324	673,309	632,151	388,474	4,849,823		

35. Insurance risk (continued)**Gross general insurance contract liabilities for 2014:**

	Before 2007	2007	2008	2009	2010	2011	2012	2013	2014	Total
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross general insurance liabilities (direct, facultative and treaty inward)	12,787	7,122	9,080	29,259	33,843	47,682	77,359	170,324	597,234	984,690
Claims handling expenses										29,059
PRAD at 75% confidence level										53,564
Gross general insurance contract liabilities per statement of financial position										1,067,313

Historically, actuarial reserve reviews have been carried out on a net of reinsurance basis only; hence the gross of reinsurance ultimate claim costs by accident years are not available for periods prior to 2008. As such, gross estimates are only shown for the last six years.

35. Insurance risk (continued)

Net general insurance contract liabilities for 2015:

Accident year	Before 2008 RM'000	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
At end of accident year		339,512	369,134	555,770	611,593	642,619	687,177	725,556	754,510	
One year later		331,635	490,624	541,720	597,015	609,305	647,924	695,209		
Two years later		482,670	490,287	529,730	583,286	595,233	629,521			
Three years later		476,907	477,777	517,702	590,141	581,867				
Four years later		473,486	475,467	501,745	591,265					
Five years later		468,876	472,853	501,454						
Six years later		454,243	459,818							
Seven years later		450,245								
Current estimate of cumulative claims incurred		450,245	459,818	501,454	591,265	581,867	629,521	695,209	754,510	4,663,889
At end of accident year		151,890	193,019	259,277	295,855	296,611	319,751	346,145	349,673	
One year later		268,907	400,033	446,147	493,965	507,506	536,915	561,016		
Two years later		427,431	437,949	478,510	529,113	544,814	573,094			
Three years later		442,073	448,471	488,636	559,064	558,005				
Four years later		446,922	452,272	479,688	563,587					
Five years later		448,184	453,783	482,010						
Six years later		448,326	454,895							
Seven years later		448,781								
Cumulative payments to-date		448,781	454,895	482,010	563,587	558,005	573,094	561,016	349,673	3,991,061

35. Insurance risk (continued)**Net general insurance contract liabilities for 2015:**

	Before 2008	2008	2009	2010	2011	2012	2013	2014	2015	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net general insurance liabilities (direct, facultative and treaty inward)	6,281	1,464	4,923	19,444	27,678	23,862	56,427	134,193	404,837	679,109
Claims handling expenses										30,426
PRAD at 75% confidence level										36,935
Reinsurance default provision										670
Net general insurance contract liabilities per statement of financial position										747,140
										16.1

The diagonals for 2010 onwards shown above reflect the impact of additional claims costs arising from the business combination of Hong Leong Assurance Berhad's portfolio on 1 October 2010.

35. Insurance risk (continued)

Net general insurance contract liabilities for 2014:

Accident year	Before 2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
At end of accident year		310,571	339,512	369,134	555,770	611,593	642,619	687,177	725,556	
One year later		299,065	331,635	490,624	541,720	597,015	609,305	647,924		
Two years later		298,104	482,670	490,287	529,730	583,286	595,233			
Three years later		459,117	476,907	477,777	517,702	590,141				
Four years later		455,476	473,486	475,467	501,745					
Five years later		452,717	468,876	472,853						
Six years later		439,934	454,243							
Seven years later		434,354								
Current estimate of cumulative claims incurred		434,354	454,243	472,853	501,745	590,141	595,233	647,924	725,556	4,422,049
At end of accident year		136,392	151,890	193,019	259,277	295,855	296,611	319,751	346,145	
One year later		237,936	268,907	400,033	446,147	493,965	507,506	536,915		
Two years later		257,689	427,431	437,949	478,510	529,113	544,814			
Three years later		421,002	442,073	448,471	488,636	559,064				
Four years later		428,631	446,922	452,272	479,688					
Five years later		431,114	448,184	453,783						
Six years later		432,028	448,326							
Seven years later		429,712								
Cumulative payments to-date		429,712	448,326	453,783	479,688	559,064	544,814	536,915	346,145	3,798,447

35. Insurance risk (continued)**Net general insurance contract liabilities for 2014:**

	Before 2007	2007	2008	2009	2010	2011	2012	2013	2014	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net general insurance liabilities (direct, facultative and treaty inward)	8,334	4,642	5,917	19,070	22,057	31,077	50,419	111,009	379,411	631,936
Claims handling expenses										29,059
PRAD at 75% confidence level										35,048
Reinsurance default provision										1,554
Net general insurance contract liabilities per statement of financial position										697,597
									16.1	

The diagonals for 2010 onwards shown above reflect the impact of additional claims costs arising from the business combination of Hong Leong Assurance Berhad's portfolio on 1 October 2010.

36. Financial risks

In addition to insurance risks, the Company is also subjected to financial risks namely credit risk, liquidity risk, market risk (comprising currency risk, interest rate risk and price risk) as well as operational risk arising from its exposure in financial instruments.

In this regard, the Company is guided by a framework of policies and procedures governing credit control and investments as well as general risk management policies in order to mitigate such financial risks. The Company has established robust processes to monitor and address these risks on an ongoing basis.

The policies and measures undertaken by the Company to manage these risks are as set out below:

Credit risk

Credit risk is the risk of a financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

The Company monitors and manages credit risk exposures with the objective to ensure that it is able to meet policyholder obligations when they are due and maintain adequate capital and solvency requirements.

The Company's primary exposure to credit risk arises through its receivables from sales of insurance policies, obligations of reinsurers through reinsurance contracts and its investment in fixed income securities and deposits. The Company has put in place a credit control policy and investment policy as part of its overall credit risk management framework.

The task of monitoring receivables arising from insurance and reinsurance contracts is undertaken by the Credit Control Division of the Finance Department with oversight from the Credit Control Committee to ensure adherence to the Company's credit control policy and procedures. These policies and procedures entail approval requirements for credit period extension for overdue receivables and cancellation processes. The Company also has guidelines to evaluate intermediaries before their appointment.

The Company manages the credit risk of its reinsurers by monitoring the credit quality and financial conditions of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company cedes business to reinsurers that satisfy the minimum credit rating requirements of the Company.

In relation to its credit risk exposure from fixed income securities, the Company evaluates and assesses an issuer's credit risk by using the ratings assigned by external rating agencies. Proper monitoring and control of credit and concentration risks are carried out by the Investment Division of the Finance Department and regularly reviewed by the Investment Committee and Board of Directors. The Company manages individual exposures as well as concentration of credit risks in its fixed income portfolio through a prescribed framework of asset allocation, minimum credit rating, maximum duration as well as setting maximum permitted exposure to a single counterparty or group of counterparties.

Cash and deposits are placed with financial institutions licensed under the Financial Services Act 2013 which are regulated by Bank Negara Malaysia, guided by the Company's approved exposure limits and minimum credit rating requirements for each financial institution.

At the end of the reporting period, there was no significant concentration of credit risks.

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

	2015 RM'000	2014 RM'000
AFS financial assets - Debt instruments	616,353	566,778
Reinsurance assets	547,902	489,318
Loans and receivables, excluding insurance receivables and prepayments	1,203,065	1,319,572
Insurance receivables	217,613	187,997
Cash and cash equivalents	138,150	142,406
	2,723,083	2,706,071

36. Financial risks (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 ratings of counterparties.

	Not past due/ Investment grade RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
2015				
AFS financial assets				
- Debt instruments	616,353	-	-	616,353
Reinsurance assets	547,902	-	-	547,902
Loans and receivables, excluding insurance receivables and prepayments	1,203,065	-	19	1,203,084
Insurance receivables	197,230	20,664	2,863	220,757
Cash and cash equivalents	138,150	-	-	138,150
	2,702,700	20,664	2,882	2,726,246
Impairment allowance	(281)	-	(2,882)	(3,163)
	2,702,419	20,664	-	2,723,083
2014				
AFS financial assets				
- Debt instruments	566,778	-	-	566,778
Reinsurance assets	489,318	-	-	489,318
Loans and receivables, excluding insurance receivables and prepayments	1,319,572	-	19	1,319,591
Insurance receivables	171,145	16,852	2,113	190,110
Cash and cash equivalents	142,406	-	-	142,406
	2,689,219	16,852	2,132	2,708,203
Impairment allowance	-	-	(2,132)	(2,132)
	2,689,219	16,852	-	2,706,071

36. Financial risks (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia's, Malaysian Rating Corporation Berhad's, A.M. Best Company Rating Services' or Standard and Poor's Rating Services' (where applicable) credit ratings of counterparties. AAA is the highest possible rating.

2015

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	BB RM'000	B RM'000	Not-rated RM'000	Total RM'000
AFS financial assets - Debt instruments	77,724	221,857	9,981	-	-	-	306,791	616,353
Reinsurance assets	-	22,777	144,308	-	-	-	380,817	547,902
Loans and receivables, excluding insurance receivables and prepayments	712,007	392,314	60,463	-	-	-	38,281	1,203,065
Insurance receivables	-	24	291	-	3,060	-	214,238	217,613
Cash and cash equivalents	108,359	27,904	1,858	-	-	-	29	138,150
	898,090	664,876	216,901	-	3,060	-	940,156	2,723,083

2014

AFS financial assets - Debt instruments	88,615	207,089	-	-	-	-	271,074	566,778
Reinsurance assets	-	7,226	126,098	-	-	7	355,987	489,318
Loans and receivables, excluding insurance receivables and prepayments	862,369	356,393	60,459	-	-	-	40,351	1,319,572
Insurance receivables	-	-	1,809	-	4,681	-	181,507	187,997
Cash and cash equivalents	125,928	13,974	2,475	-	-	-	29	142,406
	1,076,912	584,682	190,841	-	4,681	7	848,948	2,706,071

36. Financial risks (continued)**Age analysis of financial assets past-due but not impaired**

	1 - 30 days RM'000	31 - 60 days RM'000	61 - 90 days RM'000	>90 days RM'000	Total RM'000
2015					
Insurance receivables	8,962	3,555	3,034	5,113	20,664
2014					
Insurance receivables	8,489	4,111	1,698	2,554	16,852

Impaired financial assets

At 31 December 2015, based on a collective and individual assessment of receivables, there are impaired insurance receivables of RM3,144,000 (2014: RM2,113,000). The Company records impairment allowance for loans and receivables and insurance receivables in separate "Allowance for impairment" accounts. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	Insurance receivables	
	2015 RM'000	2014 RM'000
At 1 January	2,113	1,873
Movement during the year	1,031	240
At 31 December	3,144	2,113

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations due to insufficient liquid resources, or would have to incur excessive cost in meeting the obligations. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Company manages this risk by monitoring daily cash inflows and outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Company also observes principles on asset-liability management and ensures that the average investment duration and maturity profiles match the Company's liabilities.

The Company's treaty reinsurance contracts contains a "cash call" clause which enables the Company to call for advance payment from reinsurers in the event of a large claim exceeding an agreed amount.

36. Financial risks (continued)

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest/profit payable.

For insurance contract liabilities, maturity profiles are determined based on the estimated timing of cash outflows from recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	4 - 5 years RM'000	6 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2015								
Insurance contract liabilities	1,166,566	810,677	314,203	36,581	5,105	-	-	1,166,566
Other financial liabilities	30,281	30,281	-	-	-	-	-	30,281
Insurance payables	152,525	152,525	-	-	-	-	-	152,525
Other payables	61,098	61,098	-	-	-	-	-	61,098
Tax payable	11,939	11,939	-	-	-	-	-	11,939
Total liabilities	1,422,409	1,066,520	314,203	36,581	5,105	-	-	1,422,409
2014								
Insurance contract liabilities	1,067,313	674,781	281,345	75,256	35,931	-	-	1,067,313
Other financial liabilities	27,439	27,439	-	-	-	-	-	27,439
Insurance payables	119,000	119,000	-	-	-	-	-	119,000
Other payables	68,447	68,438	9	-	-	-	-	68,447
Tax payable	8,359	8,359	-	-	-	-	-	8,359
Total liabilities	1,290,558	898,017	281,354	75,256	35,931	-	-	1,290,558

36. Financial risks (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, i.e. foreign exchange rates (currency risk), market interest rates/profit yields (interest rate/profit yield risk) and market prices (price risk).

The Company manages its market risk by setting policies on asset allocation, investment limits and diversification benchmarks. These policies have been set in line with the Company's investment and risk management policies and in compliance with regulatory requirements in respect of maintenance of assets and solvency.

Investment in derivatives is prohibited, unless specifically approved.

Currency risk

Currency risk is the risk that the fair value or 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 Financial Services Act 2013 and denominated in the same currency as its insurance and investment contract liabilities.

The Company's primary transactions are carried out in Ringgit Malaysia ("RM"), with limited exposure to foreign currency risks.

The Company's exposure to foreign currency risk arises from current account deposits maintained in Brunei in relation to the run-off branch operations and several foreign currency current accounts maintained to facilitate payments.

The Company's exposure to foreign currency risk based on carrying amounts as at the end of the reporting period was:

	2015 RM'000	2014 RM'000
Cash and cash equivalents		
Brunei Dollar	43	40
United States Dollar	34	3
	<u> </u>	<u> </u>

As the total foreign currency risk exposure is not significant, the Company does not hedge its position. In addition, no sensitivity analysis is performed as the impact from foreign currency risk is deemed minimal.

Interest rate/profit yield risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates/profit yields.

Floating rate instruments expose the Company to cash flow interest/profit risk, whereas fixed rates/yield instruments expose the Company to fair value interest/profit risk.

The Company's exposure to interest rate risk arises primarily from investments in fixed income securities and deposits with licensed institutions.

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

As the Company mainly invests in fixed rate instruments, the impact on profit before tax and equity arising from exposure to interest rate/profit yield risk is insignificant.

36. Financial risks (continued)

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2015 RM'000	2014 RM'000
Fixed rate instruments		
AFS financial assets - Debt instruments	616,353	566,778
Fixed and call deposits	1,285,229	1,406,334
	1,901,582	1,973,112

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Price risk

Equity price risk is the risk that the fair value or 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 instruments or its issuer or factors affecting similar financial instruments traded in the market.

The Company's exposure to price risk arises from its investment in quoted equities traded on Bursa Malaysia.

The Company manages its exposure to price risk by setting policies and investment parameters governing asset allocation and investment limits as well as specific review by the Investment Committee for equity investments falling by 20% or more of its cost.

The Company has no significant concentration of price risk.

The analysis below is performed for reasonable possible movements in equity market price with all other variables held constant, showing the impact of statement of comprehensive income and equity (due to changes in fair value of AFS financial assets).

	Change in variables	2015		2014	
		Impact on income statement RM'000	Impact on equity* RM'000	Impact on income statement RM'000	Impact on equity* RM'000
Market price	+10%	-	12,626	-	11,026
Market price	-10%	-	(12,626)	-	(11,026)

* Impact on equity reflects adjustments for tax effect, where applicable.

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

36. Financial risks (continued)

Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks.

The Company mitigates operational risks by putting in place a framework for controls and procedures, which includes the establishment of a Company Risk Profile, an Internal Control Programme, as well as Business Process Management (“BPM”) documenting procedures as well as work instructions, encapsulating effective segregation of duties, access controls, authorisation and reconciliation procedures. Regional and internal audits also play a role in ensuring that operational risks are mitigated.

External events such as interruption of business operation due to disasters may disrupt working environment, facilities and personnel. The Company has developed a Business Continuity Management Framework (“BCM”) in line with Bank Negara Malaysia requirements (BNM/RH/GL 013-3 Guidelines on Business Continuity Management (Revised)) with the objectives of protecting the business, customers and all stakeholders by addressing and minimising serious interruption to the business through a structured framework of business and systems recovery plans in the event of a disaster.

Fair value information

It was not practicable to estimate the fair value of the Company’s investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

36. Financial risks (continued)

Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amount shown in the statement of financial position.

2015	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
Financial assets								
AFS Financial assets								
Equity securities in corporation								
Quoted in Malaysia	168,350	-	-	-	-	-	168,350	168,350
Unit Trust	492,495	-	-	-	-	-	492,495	492,495
Malaysian Government Securities		98,646	-	-	-	-	98,646	98,646
Government Investment Issues	-	186,318	-	-	-	-	186,318	186,318
Government Guaranteed Bonds	-	19,710	-	-	-	-	19,710	19,710
Corporate debt securities								
Unquoted in Malaysia	-	309,563	2,116	-	-	-	311,679	311,679
	660,845	614,237	2,116	-	-	-	1,277,198	1,277,198

36. Financial risks (continued)**Fair value information (continued)**

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amount shown in the statement of financial position.

	Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1	Level 2	Level 1	Level 2	Level 3		
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets							
AFS Financial assets							
Equity securities in corporation							
Quoted in Malaysia	147,010	-	-	-	-	147,010	147,010
Unit Trust	244,436	-	-	-	-	244,436	244,436
Malaysian Government Securities		98,894				98,894	98,894
Government Investment Issues		105,579				105,579	105,579
Government Guaranteed Bonds		14,594				14,594	14,594
BNM Paper/Sukuk		49,891				49,891	49,891
Corporate debt securities							
Unquoted in Malaysia	-	295,704	-	-	-	297,820	297,820
	391,446	564,662	2,116	-	-	958,224	958,224

36. Financial risks (continued)

Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2014: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows a reconciliation of Level 3 fair values:

	2015 RM'000	2014 RM'000
Balance at 1 January	2,116	2,116
Gains and losses recognised in profit or loss		
Realised gains and losses	-	-
Gains and losses recognised in other comprehensive income		
Net loss on fair value of available-for-sale financial assets	-	-
Balance at 31 December	2,116	2,116

36. Financial risks (continued)

Fair value information (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unquoted debt securities	Discounted cash flows	Effective interest rates (2015: 9-10%)	The estimated fair value would increase (decrease) if the effective interest rate were lower (higher)

Sensitivity analysis for Level 3

	Profit or loss		Other comprehensive income, net of tax	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
2015				
Interest rate (1% movement)	-	-	35	33
2014				
Interest rate (1% movement)	-	-	44	41

Valuation processes applied by the Company for Level 3 fair value

The Company has an established control framework in respect to measurement of fair values of financial instruments. This includes a valuation team that has overall responsibility of overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

37. Regulatory capital requirements

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the RBC Framework which is imposed by the Ministry of Finance. Under the RBC Framework guidelines issued by Bank Negara Malaysia, insurance companies are required to satisfy a minimum Capital Adequacy Ratio of 130%. As at year end, the Company has a Capital Adequacy Ratio in excess of the minimum requirement.

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

	Note	2015 RM'000	2014 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	14	333,143	333,143
Reserves, including retained earnings		2,067,649	1,967,492
		<u>2,400,792</u>	<u>2,300,635</u>
Tier 2 Capital			
Eligible reserves		589	(2,235)
		<u>589</u>	<u>(2,235)</u>
Amount deducted from capital		(1,151,951)	(1,151,146)
		<u>(1,151,951)</u>	<u>(1,151,146)</u>
Total capital available		<u>1,249,430</u>	<u>1,147,254</u>

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 46 to 109 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and 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 its financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dato' Mohd. Sallehuddin bin Othman

Chua Seck Guan

Kuala Lumpur,
Date: 22 March 2016



STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, **Soh Lai Sim**, the Officer primarily responsible for the financial management of MSIG Insurance (Malaysia) Bhd, do solemnly and sincerely declare that the financial statements set out on pages 46 to 109 are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 22 March 2016.

.....
Soh Lai Sim

Before me:

INDEPENDENT AUDITORS' REPORT

to the members of MSIG Insurance (Malaysia) Bhd (Company No. 46983-W) (Incorporated in Malaysia)



KPMG (Firm No. AF 0758)
Chartered Accountants
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Report on the Financial Statements

We have audited the financial statements of MSIG Insurance (Malaysia) Bhd, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 109.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal controls as the Directors determine is 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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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.



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.

KPMG

Firm Number: AF 0758
Chartered Accountants

Khaw Hock Hoe

Approval Number: 2229/04/18(J)
Chartered Accountant

Petaling Jaya, Selangor
Date: 22 March 2016



MSIG Insurance (Malaysia) Bhd (46983-W)

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