ANNUAL REPORT 2012

BUILDING CONFIDENCE & TRUST

信心・信任

Great Eastern
A member of the OCBC Group

Overseas Assurance Corporation (Malaysia) Berhad (102249-P)
(A member of Great Eastern Holdings Limited)

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (102249-P)

(Incorporated in Malaysia)

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BOARD OF DIRECTORS

Mrs Fang Ai Lian (Chairman)
Christopher Wei
Y Bhg Dato' Albert Yeoh Beow Tit
Y Bhg Dato' Ooi Sang Kuang
Y Bhg Dato Koh Yaw Hui
Lee Kong Yip

MANAGEMENT TEAM

Chief Executive Officer
Ng Kok Kheng

Chief Operations Officer
Lee Pooi Hor

Chief Distribution Officer
Kevin Choong Wui Teck

Head, General Operations
Chong Kah Lay

Head, Claims Management
Tang Yoke Kuen

Head, Finance & Administration
Khoo Sook Hooi

COMPANY SECRETARY

Liza Hanim Zainal Abidin

REGISTERED OFFICE

Level 20, Menara Great Eastern
303 Jalan Ampang
50450 Kualal Lumpur, Malaysia

AUDITORS

Messrs Ernst & Young

6 4 3 1 2 5

1. Ng Kok Kheng	Chief Executive Officer
2. Lee Pooi Hor	Chief Operations Officer
3. Kevin Choong Wui Teck	Chief Distribution Officer
4. Chong Kah Lay	Head, General Operations
5. Tang Yoke Kuen	Head, Claims Management
6. Khoo Sook Hooi	Head, Finance & Administration

HEAD OFFICE

Level 18, Menara Great Eastern, 303, Jalan Ampang, 50450 Kuala Lumpur
Tel: (03) 4259 7888 | **Fax**: (03) 4813 2737
E-Mail : enquiry@oac.com.my
Website: www.oac.com.my

ALOR SETAR

69 & 70, 1st Floor, Jalan Teluk Wanjah
05200 Alor Setar, Kedah
Tel: (04) 7346 515 | **Fax**: (04) 7346 516
Manager: Lee Kok Heng

IPOH

2nd Floor, Wisma Great Eastern
No. 16, Persiaran Tugu, Greentown Avenue
30450 Ipoh, Perak
Tel: (05) 2536 649 | **Fax**: (05) 2553 066
Assistant Vice President: Yong Kim Meng

JOHOR BAHRU

Suite 13A-1, Level 13A, Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru, Johor
Tel: (07) 3348 988 | **Fax**: (07) 3348 977
Assistant Vice President: Alex Tan Eh Ya

KLANG

3rd Floor, No. 10, Jalan Tiara 2A
Bandar Baru Klang, 41150 Klang, Selangor
Tel: (03) 3345 1027 | **Fax**: (03) 3345 1029
Assistant Vice President: Linda Ho Yen Lai

KOTA BHARU

No. S25/5252-S, Tingkat 1
Jalan Sultan Yahya Petra
15200 Kota Bharu, Kelantan
Tel: (09) 7482 698 | **Fax**: (09) 7448 533
Manager: Oong Eau Hong

KOTA KINABALU

Suite 6.3, Level 6, Wisma Great Eastern Life
No. 65, Jalan Gaya, 88000 Kota Kinabalu, Sabah
Tel: (088) 235 636 | **Fax**: (088) 248 879
Manager: Lim Chee Dean

KUANTAN

1st Floor, No. 25, Jalan Dato' Lim Hoe Lek
25200 Kuantan, Pahang
Tel: (09) 5162 844 | **Fax**: (09) 5162 848
Manager: Kevin Koh Ah Seng

KUALA LUMPUR

Level 18, Menara Great Eastern
303, Jalan Ampang, 50450 Kuala Lumpur
Tel: (03) 4259 7888 | **Fax**: (03) 4813 0088
Assistant Vice President: Chow Chien Keong

KUCHING

No. 51, Level 3, Wisma Great Eastern
Lot 435, Section 54 KTLD
Travilion Commercial Centre
Jalan Padungan, 93100 Kuching, Sarawak
Tel: (082) 420 197 | **Fax**: (082) 248 072
Manager: Richard Tan Tze Jian

MEDAN TUANKU

17-21, Jalan Medan Tuanku Satu
Medan Tuanku
50300 Kuala Lumpur
Tel: (03) 2786 1000 | **Fax**: (03) 2713 3120
Assistant Vice President: Yee Chee Loong

MELAKA

2.23, Jalan PM15
Plaza Mahkota, 75000 Melaka
Tel: (06) 2843 297 | **Fax**: (06) 2835 478
Assistant Vice President: Steven Tai Miow Chong
Manager: Choo Kwee Chin

PENANG

Suite 2-3, Level 2, Wisma Great Eastern
No. 25, Lebuh Light, 10200 Pulau Pinang
Tel: (04) 2619 361 | **Fax**: (04) 2619 058
Assistant Vice President: Andrew Khoo Lay Keong

SEREMBAN

103-2, Jalan Yam Tuan
70000 Seremban, Negeri Sembilan
Tel: (06) 7649 082 | **Fax**: (06) 7616 178
Manager: Choo Kheng Men

SIBU

2nd Floor, No. 10 A-F, Wisma Great Eastern
Persiaran Brooke
96000 Sibu, Sarawak
Tel: (084) 328 392 | **Fax**: (084) 326 392
Manager: Helen Wong Mee Siong

SERVICING OFFICE

Location	Address
Batu Pahat	1st Floor, 109, Jalan Rahmat 83000 Batu Pahat, Johor **Tel**: (07) 4322 357 | **Fax**: (07) 4322 359
Kluang	3rd Floor, No. 22 & 24, Jalan Md Lazim Saim 86000 Kluang, Johor **Tel**: (07) 7711 086 | **Fax** : (07) 7711 084
Miri	3rd Floor, Lots 1260 & 1261, Block 10 M.C.L.D. Jalan Melayu, 98000 Miri, Sarawak **Tel**: (085) 421 299 | **Fax**: (085) 433 276
Seberang Perai	2nd Floor, No. 31, Jalan Todak 2, Pusat Bandar Seberang Jaya 13700 Seberang Jaya, Pulau Pinang **Tel**: (04) 3981 268 | **Fax**: (04) 3983 268
Sandakan	1st Floor, Lot 5 & 6, Block 40, Lorong Indah 15, Bandar Indah Phase 7, Mile 4, North Road, 90000 Sandakan, Sabah **Tel**: (089) 228 769 | **Fax**: (089) 228 372
Tawau	3rd Floor, Wisma Great Eastern, Jalan Billian, 91008 Tawau, Sabah **Tel**: (089) 755 882 | **Fax**: (089) 767 013

	RM million					
	2007	2008	2009	2010	2011	2012
Gross Premium Income	176.80	196.68	223.26	263.89	329.07	372.43
Total Assets At Market Value:						
General Insurance	204.10	196.47	191.28	526.56	728.58	757.54
Shareholders' Fund	207.62	157.85	190.28	87.40	89.97	92.59
Underwriting Profit (before tax)	14.76	17.94	19.26	29.13	42.67	31.79
Operating Profit (after tax)	55.40	5.16	29.91	27.93	53.68	54.04

ABOUT OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD

Overseas Assurance Corporation (Malaysia) Berhad ('OAC Malaysia) started operations in Kuala Lumpur in 1954 as a branch of the Overseas Assurance Corporation Limited, Singapore ('OAC Singapore'). OAC Malaysia's early focus was in general insurance but it expanded its life insurance business in 1963, making it one of the earliest composite insurers in Malaysia.

In 1998, the branch operations were restructured to become a locally incorporated subsidiary of OAC Singapore to comply with the requirements of the Malaysian Insurance Act 1996.

By 2000, OAC Malaysia was one of the largest providers of life, health and general insurance in Malaysia, serving a customer base of more than 500,000 policy owners with total assets exceeding RM2.5 billion. With the merger of OAC Singapore and Great Eastern Holdings Limited, Singapore in December 2000, OAC Malaysia's life insurance business was transferred to Great Eastern Life Assurance (Malaysia) Berhad in September 2001. OAC Malaysia became a pure general insurance outfit to spearhead the Great Eastern Group's development and expansion in the general insurance sector.

OAC Malaysia had officially acquired the general insurance business of Tahan Insurance Malaysia Berhad ('Tahan') with effect from 1 January 2011. Following the acquisition, Tahan's entire general insurance business was transferred to OAC Malaysia.

As at 31 December 2012, OAC Malaysia has total assets in excess of RM850 million with a paid-up capital of RM100 million and a network of 14 branches with more than 3,000 agents.

BUILDING CONFIDENCE AND TRUST

At OAC Malaysia, building confidence and trust has always been the core. We put customers first by treating them as partners, fostering trust and respect through our unwavering commitment and uncompromising quality of service.

We have a proven track record of building confidence and trust that can be traced back to our humble beginnings more than 50 years ago. We have solid and lasting partnerships with some of the biggest names in Malaysian business, who bank on our comprehensive range of general insurance products and excellent customer service.

Trust comes with confidence. Our clients enjoy this confidence through our established corporate reputation and our affiliations with the Great Eastern and OCBC Group ('Group'). With the legacy of integrity and professionalism, as well as the financial security and stability of the Group, OAC Malaysia is well positioned to continue its growth and expansion in years to come.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The principal activity of the Company is the underwriting of all classes of general insurance business.

There has been no significant change in the nature of the principal activity during the financial year.

RESULTS

	RM
Net profit for the year	54,036,601

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

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

DIVIDENDS

The amounts of dividend paid by the Company since 31 December 2011 were as follows:

	RM
In respect of the financial year ended 31 December 2011 as reported in the Directors' Report of that year:	
Final dividend of RM0.405 per ordinary share less 25% tax on 100,000,000 ordinary shares paid on 27 April 2012.	30,375,000

DIVIDENDS (CONT'D.)

At the forthcoming Annual General Meeting of the Company, a final single tier dividend in respect of the financial year ended 31 December 2012 of RM0.45 per ordinary share on 100,000,000 ordinary shares, amounting to a dividend payable of RM45,000,000 will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as appropriation of retained earnings in the next financial year ending 31 December 2013.

DIRECTORS

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

~ Mrs Fang Ai Lian (nee Ho Ai Lian) - Chairman
~ Mr Christopher Brian Wei
~ Y Bhg Dato' Yeoh Beow Tit
~ Y Bhg Dato Koh Yaw Hui
~ Mr Lee Kong Yip
~ Y Bhg Dato' Ooi Sang Kuang (Appointed on 6 April 2012)
~ Y Bhg Datuk Fong Weng Phak (Retired on 27 March 2012)

In accordance with Article 79 of the Company's Articles of Association, Mrs Fang Ai Lian (nee Ho Ai Lian) and Y Bhg Dato Koh Yaw Hui retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options over shares in the Company's ultimate holding company as disclosed in this report.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Notes 24(b) and 31(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any 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 required to be disclosed under Section 169(8) of the Companies Act, 1965.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year in shares and options over shares in the Company's ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") during the financial year were as follows:

	Shareholdings in which Directors have a direct interest			
	1.1.2012	Acquired	Disposed	31.12.2012
a) Ordinary shares of OCBC Bank				
Mrs Fang Ai Lian (nee Ho Ai Lian)	62,671	-	-	62,671
Y Bhg Datuk Fong Weng Phak	84,489	-	-	84,489
Y Bhg Dato' Yeoh Beow Tit	335,749	10,066	-	345,815
Y Bhg Dato Koh Yaw Hui	59,235	18,342	(3,035)	74,542
Mr Lee Kong Yip	124,108	-	-	124,108

	Shareholdings in which Directors are deemed to have an interest			
	1.1.2012	Granted	Vested	31.12.2012
Mr Christopher Brian Wei	-	62,021	-	62,021
Y Bhg Dato' Yeoh Beow Tit	29,960(1)	-	-	29,960 (1)
Y Bhg Dato Koh Yaw Hui	24,690(2)	15,252	(14,303)	25,639 (2)

Notes:

(1) Comprises deemed interest in 29,960 ordinary shares subject to award(s) under the OCBC Deferred Share Plan and subscription rights over one (1) ordinary share granted under the OCBC Employee Share Purchase Plan.

(2) Comprises deemed interest in 25,639 ordinary shares subject to award(s) under the OCBC Deferred Share Plan.

DIRECTORS' INTERESTS (CONT'D.)

	Shareholdings in which Directors have a direct interest			
	1.1.2012	Acquired	Disposed	31.12.2012
b) 4.2% non cumulative non convertible Class G Preference Shares in OCBC Bank				
Y Bhg Datuk Fong Weng Phak	14,891	-	-	14,891
c) 5.1% non cumulative non convertible Class B Preference Shares in OCBC Bank				
Mrs Fang Ai Lian (nee Ho Ai Lian)	1,700	-	-	1,700

	Options held by Directors in their own name					
	Expiry date	Exercise price S$	1.1.2012	Granted	Exercised	31.12.2012
d) Options to subscribe for ordinary shares of OCBC Bank						
Y Bhg Dato' Yeoh Beow Tit	13.3.2017	8.59	50,000	-	-	50,000
	13.3.2018	7.52	50,000	-	-	50,000
Y Bhg Dato Koh Yaw Hui	7.4.2015	5.78	32,000	-	-	32,000
	22.5.2016	6.58	25,000	-	-	25,000
	13.3.2017	8.59	25,000	-	-	25,000
	13.3.2018	7.52	30,000	-	-	30,000
	15.3.2019	4.14	23,224	-	-	23,224
	14.3.2020	8.76	40,000	-	-	40,000
	13.3.2021	9.35	36,773	-	-	36,773
	13.3.2022	8.80	-	84,010	-	84,010
Mr Christopher Brian Wei	13.3.2022	8.80	-	562,441	-	562,441

CORPORATE GOVERNANCE

The Company has taken concerted steps to comply with Bank Negara Malaysia's guidelines BNM/RH/GL 003-2 on "Prudential Framework of Corporate Governance for Insurers" including the best practices referred to in the guideline. The Company is committed to the principles prescribed in this guideline to ensure public accountability at all times. Further details are disclosed on pages 16 to 30 of the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts;

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise; and

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

  (i) the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

  (ii) the values attributed to current assets in the financial statements of the Company misleading.

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

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

OTHER STATUTORY INFORMATION (CONT'D.)

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

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

(ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) 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 will or may affect the ability of the Company to meet its obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(g) Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance contract liabilities in accordance with the valuation method specified in Part D of the Risk-Based Capital ("RBC") Framework for insurers issued by Bank Negara Malaysia ("BNM").

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

SIGNIFICANT EVENTS

There were no significant events during or subsequent events after the financial year.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 4 February 2013.

Lee Kong Yip

Koh Yaw Hui

CORPORATE GOVERNANCE *(as referred to in the Directors' Report)*

Overseas Assurance Corporation (Malaysia) Berhad (the "Company") is committed to uphold good corporate governance practices, in conformity with Bank Negara Malaysia ("BNM") Guidelines, BNM/RH/GL 003-2 on "Prudential Framework of Corporate Governance for Insurers" dated 18 April 2006 (the "Framework") and is continually enhancing standards of the overall governance of the Company. The Framework is divided into six main sections namely, Board Responsibility and Oversight, Management Accountability, Corporate Independence, Internal Controls and Operational Risk Management, Public Accountability and Fair Practices, and Financial Reporting. There are 33 principles in the Framework.

The Company adopts management practices that are consistent with the Framework. It has also complied with the prescriptive applications and most of the best practices principles enshrined in the Framework.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT

Board's Conduct Of Its Affairs, Composition And Balance

The Board of Directors (the "Board") heading the Company comprises 6 members and all are Non-Executive Directors. A majority of the Non-Executive Directors are Independent Directors. The Independent Directors provide unbiased and independent views, advice and judgment on issues for the Board's deliberation. All Directors comply with the prescribed maximum limit of other directorships held.

The Board has overall responsibility for leading the Company and providing strategic directions in terms of corporate objectives, monitoring performance goals, and business strategies for the Company.

The composition of the Board as at 31 December 2012 is as follows:

Members	Status of Directorship
Mrs Fang Ai Lian (nee Ho Ai Lian) - Chairman	Independent Non-Executive Director
Mr Christopher Brian Wei	Non-Independent Non-Executive Director
Y Bhg Dato' Yeoh Beow Tit	Independent Non-Executive Director
Y Bhg Dato Koh Yaw Hui	Non-Independent Non-Executive Director
Mr Lee Kong Yip	Independent Non-Executive Director
Y Bhg Dato' Ooi Sang Kuang (Appointed on 6 April 2012)	Independent Non-Executive Director

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Board's Conduct Of Its Affairs, Composition And Balance (cont'd.)

The Directors are professionals from diverse backgrounds and qualifications and collectively, have a wide range of skills and specialised knowledge, capabilities and core competencies in areas that include insurance, banking, financial services, actuarial science, investment, stock-broking, risk management, accounting and auditing. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, given the objectives and strategic direction of the Board Committees to carry out effective oversight of the Company's operations.

The appointment and re-appointment of Directors to the Company's Board has been approved by BNM with a term of not more than three (3) years. Applications for re-appointment of Directors had been submitted to BNM for approval at least three (3) months before the expiry of the BNM term of appointment, in accordance with the provisions of BNM/RH/GL 003-01 on "Minimum Standards for Prudential Management of Insurers (Consolidated)".

The Company's Articles of Association provide for one-third of the remaining directors to retire from office by rotation and if eligible, to be re-elected at the Annual General Meeting ("AGM") of the Company. A Director who is over 70 years old is subject to re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965. For Directors whose term of appointment, as approved by BNM, has not expired at the time of the AGM, but who are required to retire by rotation from office or pursuant to Section 129(6) and are eligible for re-election/re-appointment, BNM's approval is not required to re-elect/re-appoint the Directors concerned at the AGM.

On a quarterly basis, the Directors are subject to an internal declaration to review their status of compliance with Part XII of the Insurance Regulations 1996 on their fulfilment of the minimum criteria of a "fit and proper person". Pursuant to the Fit and Proper Policy for Key Responsible Persons (the "KRP Policy") of the Company which is in line with BNM Guidelines, BNM/RH/GL 018-3 Guidelines on Fit and Proper for Key Responsible Persons, all Directors and the Chief Executive Officer ("CEO"), amongst others, are collectively referred to as Key Responsible Persons ("KRP"). Such KRPs, prior to or on appointment/re-appointment (upon the expiry of their respective term of appointment as approved by BNM) and thereafter on an annual basis, will need to declare that they remain Fit and Proper as defined in the said regulations and the KRP Policy.

The Board meets regularly during the year. The dates are scheduled in advance before the end of the preceding financial year. In addition to the scheduled meeting dates, the Board has agreed that additional meetings would be arranged to discuss any matters which require the Board's consideration. In 2012, the Board held six scheduled Board meetings and one ad-hoc Board meeting, and the attendances of the Directors were as follows:-

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Board's Conduct Of Its Affairs, Composition And Balance (cont'd.)

Name	Number of Board Meetings Attended	Percentage (%)
Mrs Fang Ai Lian (nee Ho Ai Lian) - Chairman	7/7	100
Mr Christopher Brian Wei	7/7	100
Y Bhg Dato' Yeoh Beow Tit	7/7	100
Y Bhg Dato Koh Yaw Hui	7/7	100
Mr Lee Kong Yip	7/7	100
Y Bhg Datuk Ooi Sang Kuang (Appointed on 6 April 2012)	3/4	75*

(* Minimum attendance requirement at Board meeting is 75%.)

(Y Bhg Datuk Fong Weng Phak who retired from the Board on 27 March 2012, attended one out of three Board Meetings prior to his retirement.)

The Board has in place a formal and transparent procedure for the appointment and re-appointment of Directors and the CEO. Proposals for the appointment of new Directors to the Board, the CEO and the Key Senior Officers ("KSOs") are reviewed by the Nominating Committee ("NC"). After considering the nominees proposed by the NC, the Board appoints the Directors, the CEO and the KSOs.

Besides carrying out its fiduciary and statutory responsibilities, the Board approves the annual business and strategic plans of the Company. It oversees the management of the Company's business affairs, and regularly reviews the financial performance of the Company. Matters reserved for the Board's decision include corporate restructuring, major acquisition and disposal of assets by the Company, all material related party transactions, authority levels for the Company's core functions, outsourcing of core business functions and corporate policies on investment, underwriting, reinsurance, claims management and risk management. The Senior Management Team of the Company are invited to attend Board meetings to provide additional insights, views and explanations into the matters being discussed.

The Directors have been issued with a Directors' Handbook on the Company, Code of Ethics for Directors and a full set of the guidelines and circulars issued by BNM since 1997. The Company's Directors have attended the Corporate Directors' Training Programme conducted under the auspices of the Companies Commission of Malaysia.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Board's Conduct Of Its Affairs, Composition And Balance (cont'd.)

A newly appointed Director receives an in-house orientation and education training program which includes presentations by senior management staff of the various functions of the Company. The training serves to familiarise the Directors with the general insurance industry as well as the Company's business practices, accounting by funds, compliance controls, risks overview and corporate governance practices. The Company encourages continuous professional development for the benefit of Directors and, on an on-going basis, Directors are kept abreast of the developments in the market place through attendance of relevant education programmes, seminars, talks on relevant subject fields, as well as circulation of business reading materials on a monthly basis. The ICLIF Leadership and Governance Centre are more flexible in their programmes offering and most Directors have benefited from the Financial Institutions Directors' Education ("FIDE") Programme. They also participate in on-going talks organised by the ICLIF Leadership and Governance Centre.

Directors are also promptly updated with any policy issues, administrative changes and new regulatory developments as appropriate. The Company has made available resources for Directors to receive training in any specific area.

Chairman And Chief Executive Officer

The position and role of the Chairman and the CEO are distinct and separate, with clear division of responsibility between them to ensure an appropriate balance of authority, increased accountability and greater capacity of the Board for independent decision making. For the financial year ended 31 December 2012, the Company's Chairman, Mrs Fang Ai Lian (nee Ho Ai Lian) was an Independent Non-Executive Director; and the CEO of the Company was Mr Ng Kok Kheng. The Chairman and the CEO are not related to each other.

The Company's Chairman principal responsibilities include leading the Board and fostering the Board's effectiveness. The Chairman, with the assistance of the Company Secretary, facilitates the convening of Board meetings. She sets guidelines and monitors the quality and timeliness of the flow of information from Management on matters to be considered at meetings of the Board. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between Directors, as well as between the Board and Management. She promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.

The CEO manages the Company and oversees its business operations in accordance with the Group's strategies, plans and policies to achieve the corporate performance and financial goals, ensuring inter alia, operational and organisational efficiency, profit performance and effective risk management.

The implementation of the Board's decisions is carried out with the assistance of the Senior Management Team of the Company. Collectively they are responsible for the day-to-day operations and administration of the Company.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Access To Information

Board members are provided with adequate and timely information and reports, including background explanatory information relating to matters brought before the Board, forecasts, regular internal financial statements of the Company and explanations of material variances between budgeted and actual results. The Directors have independent access to the advice and services of the Company Secretary and the Senior Management Team.

The Board Members are also provided with access to all information within the Company whether as a full board or in their individual capacity, in furtherance of their duties.

Board Committees

The Board has established specialised Board Committees to assist it in carrying out its oversight responsibilities over the Company's operations and in ensuring good corporate governance practices by the Company. The Board Committees, namely the Audit Committee, Board Risk Committee, Nominating Committee and Remuneration Committee, examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making lies with the Board. Minutes of meetings of these Committees are tabled periodically at the regularly convened Board meetings.

Audit Committee

The Audit Committee ("AC") comprises the following three members, all of whom are Independent Non-Executive Directors:

~ Y Bhg Dato' Yeoh Beow Tit - Chairman
(Appointed as AC Member on 28 March 2012 and Appointed as AC Chairman on 17 April 2012)
~ Mrs Fang Ai Lian (nee Ho Ai Lian)
~ Mr Lee Kong Yip (Stepped down as AC Chairman on 17 April 2012)

The members of the AC are appropriately qualified to discharge their responsibilities as prescribed by the Framework. The AC is authorised by the Board to investigate any matter within its terms of reference and has the co-operation of and has full and independent access to the Company's Senior Management and Internal Auditors. The AC, in performing its functions, has met at least annually with the internal and external auditors, without the presence of Management. Adequate resources are made available to the AC to enable it to discharge its roles and responsibilities. The internal audit function is to provide an independent assurance on the adequacy, integrity, compliance and effectiveness of the Company's overall system of internal control it audits. The Chief Internal Auditor reports functionally to the AC and Group Chief Internal Auditor, and administratively to the CEO.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Audit Committee (cont'd.)

The AC met seven times during the financial year ended 31 December 2012 and these meetings were attended by all members.

(Y Bhg Datuk Fong Weng Phak who retired from the Board on 27 March 2012, attended one out of two meetings prior to his retirement.)

The AC carried out functions as specified in the Companies Act 1965, Insurance Act 1996, Insurance Regulations 1996, BNM Guidelines and other relevant guidelines and regulations.

The AC discharged the following functions:

(a) Reviewed with the internal and external auditors, their audit plans, evaluation of the system of internal accounting controls and audit findings as well as Management's response to those findings;

(b) Reviewed with the internal and external auditors, the effectiveness of the material internal controls including the financial controls of the Company;

(c) Reviewed with the external auditors, the quarterly financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon and thereafter submitted the audited financial statements to the Board for consideration and approval;

(d) Reviewed the assistance given by the officers of the Company, including the internal audit department, to the external auditors;

(e) Reviewed the scope and results of audit procedures and its cost effectiveness and reviewed the independence and objectivity of the external auditors before nominating the external auditors for re-appointment;

(f) Reviewed related party transactions to ascertain that the terms of such transactions were at arm's length basis, on normal commercial terms and not prejudicial to the interests of the Company and its shareholders;

(g) Reviewed with the external auditors and the Senior Management, the impact of new or proposed changes in accounting standards, policies or regulatory requirements on the financial statements; and

(h) Reviewed and approved among others, the appointment, remuneration and performance evaluation of the Chief Internal Auditor.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Board Risk Committee

The Board Risk Committee ("BRC") supports the Board in the overall risk management oversight of the Company and in ensuring the effectiveness and adequacy of the risk management processes and practices put in place by the Company. The BRC comprises the following three members, all of whom are Independent Non-Executive Directors:

~ Mr Lee Kong Yip – Chairman (Appointed as BRC Chairman on 28 March 2012)
~ Y Bhg Dato' Yeoh Beow Tit
~ Y Bhg Dato' Ooi Sang Kuang (Appointed as BRC Member on 6 April 2012)

The BRC meets at least four times a year. The Committee met six times during the financial year ended 31 December 2012 and these meetings were attended by all members.

(Y Bhg Datuk Fong Weng Phak who retired from the Board on 27 March 2012, attended one out of two meetings prior to his retirement.)

The BRC is responsible for the following:

<u>Governance And Oversight</u>

(a) To review the overall risk management philosophy in line with the overall corporate strategy and risk tolerance set and approved by the Board;

(b) To review and endorse frameworks, policies, strategies and limits relating to the Company's risk management, investment management, asset-liability management and liability management activities for the Board's approval;

(c) To endorse the Group Risk Management Charter outlining the fundamental principles, roles, responsibilities, authority and reporting line of the Risk Management and Compliance function for the Board's adoption;

(d) To review the appointment, annual performance evaluation and remuneration of the Head of Risk Management and Compliance, before submission to the Nominating committee/Remuneration committee for endorsement and the Board for approval;

(e) To review and recommend risk tolerance levels (Risk Appetite Statement as well as Regulatory and Economic Capital Limits) for the Board's approval;

(f) To oversee the establishment and implementation of approved frameworks, policies, strategies and limits and, where required, to approve deviations from approved frameworks and policies;

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Board Risk Committee (cont'd.)

Governance And Oversight (cont'd.)

(g) To review the adequacy of risk management practices for material risks, such as market, credit, liquidity, insurance, operational and compliance risks on a regular basis;

(h) To review Management's frameworks and policies that govern the process for identifying, assessing and managing risks and review Management's performance against these frameworks and policies;

(i) To initiate any review and action as appropriate for prudent risk management;

(j) To ensure that the risk management function has adequate infrastructure and resources and that it is staffed by an appropriate number of experienced and qualified employees who are sufficiently independent to perform their duties objectively; and

(k) To review the scope, effectiveness and objectivity of the risk management function.

Risk Management

(l) To review reports to monitor and control the Company's risk exposures; and

(m) To review and endorse the annual Risk Disclosures for the Board's approval.

Investment, Asset-liability And Liability Management

(n) To review and endorse for the Board's approval, the annual strategic asset allocation and tactical asset allocation limits; new asset class and complex structures, investment transactions and new insurance product risks; and

(o) To undertake any other functions as directed/delegated by the Board.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Nominating Committee

The Nominating Committee ("NC") comprises the following five members, four of whom are Independent Non-Executive Directors:

~ Y Bhg Dato' Yeoh Beow Tit - Chairman (Appointed as NC Chairman on 28 March 2012)
~ Mrs Fang Ai Lian (nee Ho Ai Lian)
~ Mr Christopher Brian Wei
~ Mr Lee Kong Yip
~ Y Bhg Dato' Ooi Sang Kuang (Appointed as NC Member on 6 April 2012)

The members of the NC possess the appropriate mix of skills and experience, and are appropriately qualified to discharge their responsibilities.

The NC meets at least once a year. The Committee met five times during the financial year ended 31 December 2012 and these meetings were attended by all members.

(Y Bhg Datuk Fong Weng Phak who retired from the Board on 27 March 2012, attended one out of two meetings prior to his retirement.)

With the endorsement of the Board, the NC has established the minimum requirements for the Board and the CEO to perform their responsibilities effectively following statutory and regulatory requirements.

The NC is entrusted with the responsibility of proposing new nominees for appointment to the Board to ensure that nominations of new Directors are made in the best interest of the Company and its shareholders. It assesses the suitability of the new nominees, by taking into consideration their professional qualifications, integrity, financial and commercial business experience, field of expertise relevant to the Company and potential to complement the skills, knowledge and expertise of the Board.

The NC makes recommendations to the Board on all such nominations of Directors as well as nominations to fill up Board Committees. The NC also recommends the re-appointment and re-election of Directors to the Board. In considering the re-appointment and re-election, the NC will take into account the Directors' attendance and participation at meetings, their expertise and commitment, as well as their contributions to Board discussion and to the effectiveness of the Board.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Nominating Committee (cont'd.)

Apart from nomination/appointment of new Directors or re-appointment of existing Directors, the NC is also responsible for proposing nominees for the positions of CEO and KSOs of the Company.

The procedures for such nominations and appointments, including re-appointments, have been put in place and approved by the Board. These have been drawn up in line with the prescribed regulatory and legal requirements.

On an annual basis, the NC reviews the Board's structure, size and composition and makes recommendations to the Board with regards to any changes that are deemed necessary.

The NC has in place a mechanism to carry out the Board-approved process for assessing the effectiveness of the Board as a whole and of the Board Committees, and presents its findings to the Board. The Board's profile is reviewed on an annual basis, considering the current needs and aspirations of the Company. No Director was involved in the assessment of his own contribution to the effectiveness of the Board.

Whenever applicable and consistent with the prescribed Framework, the NC's recommendations would be made in consultation with the NC of the holding company, taking into consideration the contribution of the Directors and of the CEO and KSOs in discharging their duties for the benefit of the Company and of the Group.

The NC is also responsible to ensure all KRPs fulfil the fit and proper requirements, in line with the KRP Policy.

Remuneration Committee

The Remuneration Committee ("RC") comprises the following four members, all of whom are Independent Non-Executive Directors:

~ Y Bhg Dato' Yeoh Beow Tit – Chairman (Appointed as RC Chairman on 28 March 2012)
~ Mrs Fang Ai Lian (nee Ho Ai Lian)
~ Mr Lee Kong Yip
~ Y Bhg Dato' Ooi Sang Kuang (Appointed as RC Member on 6 April 2012)

The RC meets at least once a year. The Committee met four times during the financial year ended 31 December 2012 and these meetings were attended by all members.

(Y Bhg Datuk Fong Weng Phak who retired from the Board on 27 March 2012, attended one out of two meetings prior to his retirement.)

PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Remuneration Committee (cont'd.)

A Board-approved Framework on Remuneration for Directors, the CEO and KSOs is in place. The RC is charged with the overall responsibility of reviewing and recommending to the Board, the remuneration packages of Directors, the CEO and KSOs. This will ensure that the Company remains competitive in terms of compensation and is able to attract, retain and motivate the calibre needed to manage the Company successfully, while at the same time satisfying itself that the compensation packages are consistent with the prudent management of the Company's affairs and not excessive.

Non-Executive Directors are paid Directors' fees which are recommended by the Board for approval at the Company's AGM.

The RC reviews the Directors' fees on an annual basis and makes recommendations to the Board for any changes. No Director was involved in deciding his own remuneration.

Whenever applicable and consistent with the Framework, the RC's recommendations will be made in consultation with the RC of the holding company, taking into consideration the contributions of the Directors and of the CEO and KSOs in discharging their duties for the benefit of the Company and of the Group.

PART B. MANAGEMENT ACCOUNTABILITY

Whilst the Board is responsible for establishing appropriate framework and policies within which the Company should operate, the Management is accountable for effecting such policies and responsible for accomplishing the Company's strategic objectives. All framework/policies/charters including the Authority Grid, are annually reviewed by the BRC and approved by the Board.

There is a clear division of responsibilities between top management positions. The Company has an organisation structure that is well documented and clearly establishes the job description and authority limits of the senior management, line management and executive employees. Significant changes to the organisation structure are communicated to the staff.

PART B. MANAGEMENT ACCOUNTABILITY (CONT'D.)

The Authority Grid of the Company, which essentially is a culmination of the various authority limits delegated to the Board as well as the Chief Executive Officer, is in place. The Grid covers business strategy and growth, including capital requirements and investment vehicles, people, risk, donations, appointment of consultants and operational matters such as balance sheet management, transaction approvals and write-offs.

All disclosures of interests in credit facilities and property under Sections 54 and 55 of the Insurance Act 1996, were made by the Directors and relevant officers of the Company. All Tender, Investment activities and related-party transactions of the Company were conducted at arm's length and on commercial terms.

All policies relating to underwriting, claims, reinsurance, corporate communications and outsourcing were approved by the Board. The results of surveys on the Company's communications and outsourcing policies are reviewed annually.

The Company's annual budget, business plans and goals setting are reviewed by the CEO with the Senior Management Team annually and shared with the employees. The same information is also made available via the staff portal.

PART C. CORPORATE INDEPENDENCE

The Company has met all the requirements of BNM/RH/GL 003-3 (Consolidated) in respect of related party transactions of a material nature. All material related party transactions are disclosed in the audited financial statements in accordance with MFRS 124. Please refer to Note 31 in the Company's financial statements. The Board has set a more stringent requirement, in that all related party transactions irrespective of materiality must be submitted to the Audit Committee for review prior to their submission to the Board for approval/notation.

PART D. INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT

The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and that the Company has effective and efficient operations, risk management and internal controls, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard the assets of the Company and stakeholders' interests.

PART D. INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT (CONT'D.)

The Compliance Matrix and Compliance Requirements Self-Assessment ("CRSA") are tools to assist the respective Head of Departments in conducting self-assessment on the effectiveness of the compliance procedures and identification of compliance gaps. The Risk and Control Self Assessment ("RCSA") process that is in place enables the various functions to identify and self-assess the management of risks and effectiveness of internal controls of the Company. Further, the Company has recently established its risk appetite statement, which would be reviewed annually.

The Investment authority limits for exposure are set at various levels with limits which are more stringent than the statutory/regulatory limits as set out in the Authority Grid. The Company has complied with the limits pursuant to BNM's Risk-Based Capital Framework for Insurers.

A Reinsurance Management Strategy ("RMS") for the insurance risks covered by the Company is in place. The RMS defines the responsibility of the Board/Management in managing and operating the reinsurance programme.

All new general insurance products are governed by the Company's Product Development Policy ("Policy"). All products launched by the Company will require the necessary approvals in line with the approved Policy. A product risk assessment also forms part of the process for new product approvals which includes considerations on risks relating to pricing, investment, marketability and support for the product.

Half-yearly stress tests are conducted to ascertain the Company's financial condition under various risk scenarios.

The Directors, CEO and Senior Management of the Company are committed to maintaining a risk-conscious culture in the Company. The GEH Enterprise Risk Management Framework and other supplementary risk management frameworks have been adopted and they provide broad guiding principles and the minimum standards on risk management. The Framework also affirms the role and responsibilities for risk management and establishes the monitoring and reporting requirements, which are all aimed at embedding sound risk management practices and culture within the business and ensuring that the Company continues to expand its business with the right risk management discipline, practices and processes in place. The Company has also established an Information Security Policy and Information Security Standards to protect the confidentiality, integrity and availability of the Company's data.

The disclosures of the Company's risk management policies are set out under Note 32 to the Company's financial statements.

The Company has in place robust Business Continuity Management practices, with adequate facility for business resumptions. Disaster Recovery and Business Continuity testing are carried out twice and once annually, respectively.

PART D. INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT (CONT'D.)

Internal Audit

The Company utilises the outsourced services of the Internal Audit Department of Great Eastern Life Assurance (Malaysia) Berhad, which assists the Audit Committee in discharging its duties and responsibilities. The requirements of the BNM Guidelines on Internal Audit Function of Licensed Institutions (BNM/RH/GL 013-4) have been met. The Audit Committee reviews the yearly internal audit plan and the audit reports as well as the follow-up actions on audit observations made by the Internal Auditors.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective actions, where necessary, are taken in a timely manner. All audit reports are submitted to the Audit Committee, CEO and Management of the unit being audited within one month of completion of field work. Audit findings and recommendations are communicated to Senior Management and closely monitored for resolution. The activities of the Audit Committee are submitted annually to BNM.

In terms of segregation of duties, procedures are in place to ensure that staff are not assigned with potential conflicting responsibilities, relating to amongst others, approval, disbursements and administration of policies, premium or investment matters.

PART E. PUBLIC ACCOUNTABILITY AND FAIR PRACTICES

The Company recognises that it is responsible for maintaining a strong public accountability and promotion of fair practices. It has complied with the provisions relating to policies under Parts XII and XV of the Insurance Act 1996. The Company's employees and members of the field force are required to comply with the Company's internal policy and with the Code of Ethics and Conduct issued by the General Insurance Association of Malaysia as well as the circulars of BNM, where applicable. The Company practices a block leave policy amongst its employees as part of its risk management approach to curb potential conflict of interests.

Members of the public are made aware of avenues for which they can appeal against the Company's practices or decisions by alerting them via the policy contracts to the existence of the Financial Mediation Bureau and BNM's Customer Services Bureau. This is in compliance with the requirements of BNM/RH/GL 000-4 on Claims Settlement Practices. The Company has in place a Treating Customer Fairly ("TCF") Policy that defines the responsibilities of the Board and Management in ensuring that customers are treated fairly when dealing with the Company.

PART E. PUBLIC ACCOUNTABILITY AND FAIR PRACTICES (CONT'D.)

The BNM Guidelines on Unfair Practices in Insurance Business, BNM/RH/GL 003-6 was issued as part of a cohesive effort to promote higher standards of transparency, professionalism, greater market discipline and accountability in the conduct of insurance business and protection of policy owners. The Company has implemented measures to enhance compliance of requirements prescribed in BNM/RH/GL 003-6. As part of its commitment to provide effective and fair services, a Complaint Handling Unit has been established in accordance with BNM's Guideline on Complaints Handling where the unit acts as a single point of contact for customers to lodge a complaint as well as to ensure that complaints are resolved in a fair and consistent manner.

With the establishment of an Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Framework by the Company in ensuring compliance with relevant AML/CFT national laws, regulations and guidelines, the Company is constantly enhancing its AML/CFT measures, focusing on areas relating to Know Your Customer/Customer Due Diligence ("KYC/CDD") at the stage of acceptance of new business. The robust KYC/CDD standards and processes in place act as a barrier in safeguarding the Company's interest by minimising the risk of the Company being used as a platform for money laundering or terrorist financing activities.

A Whistle Blowing Policy is also in place to encourage staff and external parties to raise concerns or report on irregularities and yet be assured of protection from reprisals for making such disclosures in good faith.

PART F. FINANCIAL REPORTING

The Board has overall oversight responsibility, and exercises due care and diligence in ensuring that the Company's accounting records are properly kept. It also ensures that the Company's financial statements are prepared and audited in accordance with approved accounting standards and in compliance with the regulatory and statutory requirements in Malaysia so as to give a true and fair view of the Company's financial position.

The Board and the Audit Committee are provided with regular comprehensive information on the financial reports, any variances and analyses of the financial data of the Company.

On a monthly basis, the business and operational performance reports are submitted to the Senior Management Team for review so that necessary remedial actions can be taken on any shortfall or variances against budgets. The Board notes the decisions and salient matters deliberated by the Board or Management Committees through the minutes of their meetings which are tabled to the Board.

The abridged financial statements of the Company are published in the national press and copies are also displayed at all branch offices and posted on the Company's website.

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

We, Lee Kong Yip and Koh Yaw Hui, being two of the Directors of Overseas Assurance Corporation (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 34 to 132 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of its financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 4 February 2013.

Lee Kong Yip

Koh Yaw Hui

STATUTORY DECLARATION

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

I, Ng Kok Kheng, being the officer primarily responsible for the financial management of Overseas Assurance Corporation (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 132 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Ng Kok Kheng at
Kuala Lumpur in the Federal Territory
on 4 February 2013

Ng Kok Kheng

Before me,

PESURUHJAYA SUMPAH
W 541
ZULKIFLA MOHD DAHLIM
MALAYSIA

106, BANGUNAN LOKE YEW
JALAN MAHKAMAH PERSEKUTUAN
50050 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

Report On The Financial Statements

We have audited the financial statements of Overseas Assurance Corporation (Malaysia) Berhad, which comprise the balance sheet as at 31 December 2012, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 132.

Directors' Responsibility For The Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)(CONT'D.)

Opinion

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

Emphasis Of Matter

We draw attention to Note 34 to the financial statements which describes the development in respect to the determination of Incurred But Not Reported ("IBNR") claims, and the resultant goodwill, relating to the acquisition of certain assets and liabilities of Tahan Insurance Malaysia Berhad (now known as Tahan Malaysia Berhad), the value of which is pending the outcome of arbitration proceedings. Our opinion is not qualified in respect of this matter.

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

Ernst + Young

Ernst & Young
AF: 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 2937/09/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
4 February 2013

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	31.12.12 RM	31.12.11 RM	1.1.11 RM
Assets				
Property and equipment	3	17,731,924	17,290,907	1,356,111
Investment properties	4	-	12,251,528	-
Goodwill	5	18,182,598	18,182,598	-
Investments	6	565,587,458	519,268,488	426,702,544
Malaysian government securities		179,155,238	138,214,848	139,204,207
Debt securities		337,485,665	313,532,200	216,724,249
Equity securities		13,467,774	15,958,904	16,822,189
Unit and property trust funds		5,048,285	3,534,633	2,212,363
Financial instruments with embedded derivatives		20,246,786	440,533	53,560
Loans		1,833,710	9,857,370	10,527,976
Deposits with financial institutions		8,350,000	37,730,000	41,158,000
Reinsurance assets	7	134,762,150	130,747,758	115,296,216
Insurance receivables	8	36,710,971	37,639,215	22,433,692
Other receivables	9	41,618,821	40,434,206	35,223,541
Cash and bank balances		27,934,457	31,832,888	12,956,464
Assets held for sale	10	7,601,528	10,900,000	-
Total Assets		850,129,907	818,547,588	613,968,568
Equity				
Share capital	11	100,000,000	100,000,000	100,000,000
Retained earnings	12	194,289,137	170,627,536	116,946,236
Available-for-sale fair value reserves		11,373,424	11,908,441	11,513,888
Total Equity		305,662,561	282,535,977	228,460,124
Liabilities				
Insurance contract liabilities	13	444,479,048	439,243,287	280,422,514
Deferred tax liabilities	14	4,064,027	3,078,560	3,613,105
Deposits from reinsurers	15	1,088,922	1,266,066	898,431
Insurance payables	16	35,951,937	31,579,768	22,571,806
Provision for taxation		13,893,162	15,892,105	10,332,801
Other payables	17	44,990,250	44,951,825	67,669,787
Total Liabilities		544,467,346	536,011,611	385,508,444
Total Equity and Liabilities		**850,129,907**	**818,547,588**	**613,968,568**

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Gross earned premiums	18(a)	356,176,547	317,664,530
Premiums ceded to reinsurers	18(b)	(109,813,857)	(100,955,078)
Net Earned Premiums		246,362,690	216,709,452
Investment income	19	24,413,831	23,869,837
Realised gains and losses	20	11,108,081	4,584,531
Fair value (losses) / gains	21	(43,136)	3,666,986
Fee and commission income		32,654,170	30,347,611
Other operating revenue	22	6,364,662	979,456
Other Revenue		74,497,608	63,448,421
Gross claims paid	23(a)	(176,859,083)	(179,638,209)
Claims ceded to reinsurers	23(b)	37,902,138	50,064,850
Gross change to contract liabilities	23(c)	11,014,340	43,659,753
Change in contract liabilities ceded to reinsurers	23(d)	(3,725,978)	(13,121,316)
Net Claims		(131,668,583)	(99,034,922)
Fee and commission expense		(58,511,850)	(50,682,499)
Management expenses	24	(57,487,125)	(55,175,116)
Other operating expenses	22	(20,061)	(2,354,448)
Other Expenses		(116,019,036)	(108,212,063)
Profit Before Taxation		73,172,679	72,910,888
Taxation	25	(19,136,078)	(19,229,588)
Net Profit For The Year		**54,036,601**	**53,681,300**
Earnings Per Share (sen)			
Basic and diluted	26	54.04	53.68

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 RM	2011 RM
Net Profit For The Year	54,036,601	53,681,300
Other Comprehensive (Loss) / Income:		
Available-for-sale fair value reserves:		
Gain on fair value changes	10,659,320	8,056,799
Realised gain transferred to income statement	(11,322,474)	(7,415,375)
	(663,154)	641,424
Tax effect	128,137	(246,871)
	(535,017)	394,553
Total Comprehensive Income For The Year	**53,501,584**	**54,075,853**

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

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

	Non - distributable		Distributable	
	Share capital RM	Available-for-sale fair value reserves RM	Retained earnings RM	Total equity RM
At 1 January 2011	100,000,000	11,513,888	116,946,236	228,460,124
Total comprehensive income for the year	-	394,553	53,681,300	54,075,853
At 31 December 2011	100,000,000	11,908,441	170,627,536	282,535,977
Total comprehensive (loss) / income for the year	-	(535,017)	54,036,601	53,501,584
Dividend paid during the period (Note 27)	-	-	(30,375,000)	(30,375,000)
At 31 December 2012	100,000,000	11,373,424	194,289,137	305,662,561

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Operating Activities			
Cash generated from/(used in) operating activities	28	25,655,903	(9,678,595)
Dividend income received		816,380	1,278,951
Interest income received		22,226,204	21,065,286
Rental income received		313,113	599,130
Income tax paid		(20,021,417)	(14,451,700)
Net Cash Flows Generated From / (Used In) Operating Activities		28,990,183	(1,186,928)
Investing Activities			
Acquisition of assets and liabilities of Tahan, net of cash acquired		-	24,278,848
Proceeds from disposal of property and equipment		715	6,740
Purchase of property and equipment		(2,514,329)	(4,222,236)
Net Cash Flows (Used In) / Generated From Investing Activities		(2,513,614)	20,063,352
Financing Activity			
Dividend paid		(30,375,000)	-
Net Cash Flows Used In Financing Activity		(30,375,000)	-
Net (Decrease) / Increase In Cash And Cash Equivalents		(3,898,431)	18,876,424
Cash And Cash Equivalents At Beginning Of Year		31,832,888	12,956,464
Cash And Cash Equivalents At End Of Year		**27,934,457**	**31,832,888**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 20, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur.

The principal activity of the Company is the underwriting of all classes of general insurance business.

There has been no significant change in the nature of the principal activity during the financial year.

The immediate holding company is Overseas Assurance Corporation (Holdings) Berhad, which is incorporated in Malaysia. The intermediate holding company is Overseas Assurance Corporation Limited, a company incorporated in the Republic of Singapore. The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public-listed company incorporated in the Republic of Singapore.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 4 February 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis Of Preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act 1965 in Malaysia. These are the Company's first annual financial statements prepared in accordance with MFRS and MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis Of Preparation (cont'd.)

In previous financial years, the financial statements of the Company were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia. As disclosed in Note 2.3, there was no financial impact arising from transition to MFRS.

The financial statements of the Company have been prepared under the historical cost convention, unless stated otherwise in the accounting policies. The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

As at the reporting date, the Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework issued by Bank Negara Malaysia ("BNM").

2.2 Summary Of Significant Accounting Policies

(a) Property And Equipment And Depreciation

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

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Capital work-in-progress is not depreciated as these assets are not available for use. When capital work-in-progress is completed and the asset is available for use, it is reclassifed to the relevant category of property and equipment and depreciation on the asset commences.

Depreciation of property and equipment is provided on a straight-line basis, to write-off the cost of each asset to its residual value over its estimated useful life. No depreciation is provided for freehold land and capital work in progress. The annual depreciation rates are:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(a) Property And Equipment And Depreciation (cont'd.)

Buildings - Owner occupied properties	2%
Office equipment	12.50%
Office renovation	20%
Furniture and fittings	10%
Motor vehicles	20%
Computer equipment	33%

The residual values, useful lives and depreciation methods are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

(b) Investments And Financial Assets

The Company classifies its financial assets as fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale ("AFS") financial assets. The classification depends on the purpose for which the financial assets were acquired or originated.

Financial assets classified as fair value through profit or loss include financial instruments with derivatives and financial instrument with embedded derivatives.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Investments And Financial Assets (cont'd.)

(i) Fair Value Through Profit Or Loss (FVTPL)

Assets classified as FVTPL include financial assets held for trading ("HFT") and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as HFT. For investments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment, such as asset liability mismatch, that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit and loss.

Derivatives are financial instruments or contracts where its values vary according to changes in interest rates, foreign exchange rates, credit spreads or other variables. Embedded derivatives are hybrid financial instruments that include a non-derivative host contract.

(ii) Loans And Receivables (LAR)

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less any accumulated impairment losses. Gains and losses are recognised in the income statement when the assets are derecognised or impaired, as well as through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Investments And Financial Assets (cont'd.)

(iii) Available-For-Sale (AFS) Financial Assets

AFS are non-derivative financial assets not classified as LAR or FVTPL.

After initial recognition, AFS are remeasured at fair value. Any gains or losses from changes in fair value of AFS financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method which are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

(c) Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual obligations of the financial instruments.

Financial liabilities are recognised when due and measured on initial recognition at the fair value of the consideration received plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method, except for derivatives which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains and losses are recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(d) Impairment Of Financial Assets

At each balance sheet date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events such as significant financial difficulty of the issuer or obligor, significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that financial asset because of financial difficulties which indicate that there is measurable decrease in the estimated future cash flows. However, it may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an asset is impaired.

Assets Carried At Amortised Cost

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(d) Impairment Of Financial Assets (cont'd.)

Assets Carried At Amortised Cost (cont'd.)

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

Assets Carried At Cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

AFS Financial Assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income to the income statement.

When assessing the impairment of an equity instrument, the Company considers, in addition to observable data about loss events, whether there is a significant or prolonged decline in the fair value of the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in the equity instrument may not be recovered, an impairment loss is recognised.

Impairment losses on AFS equity investments are not reversed in the income statement in subsequent periods. Increases in fair value, if any, subsequent to impairment is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(e) Financial Instruments: Derecognition Of Financial Assets And Liabilities

A financial asset is derecognised when:

- The contractual right to receive cash flows from the financial asset has expired;
- The Company retains the contractual right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party; or
- The Company has transferred its rights to receive cash flows from the asset and either:

  (a) has transferred substantially all the risks and rewards of the asset; or

  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(e) Financial Instruments: Derecognition Of Financial Assets And Liabilities (cont'd.)

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(f) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(g) Assets Held For Sale

Non-current assets are classified as assets held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the non-current assets are measured in accordance with applicable MFRSs. On Initial classification as held for sale, non-current assets are then measured at the lower of its carrying amount and fair value less costs to sell. Any differences is included in the income statement. Non-current assets held for sale are not depreciated.

(h) Business Combination And Goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets and liabilities including contingent liabilities but excluding future restructuring liabilities of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets (net fair value of identifiable assets, liabilities and contingent liabilities) acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement in the year of acquisition.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(h) Business Combination And Goodwill (cont'd.)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operations disposed and the portion of the cash-generating unit retained.

(i) Impairment Of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(i) Impairment Of Non-Financial Assets (cont'd.)

Impairment losses are recognised in the income statement except for assets that are previously revalued and where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income to the extent of the previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(j) Equity Instruments

Ordinary Share Capital

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

Dividend On Ordinary Share Capital

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

Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(k) Product Classification

The Company currently only 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 policyholder) 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 claims paid with claims 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.

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

(l) Reinsurance

The Company cedes insurance risk in the normal course of business for all its businesses. Reinsurance assets represent amounts recoverable from reinsurers for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(l) Reinsurance (cont'd.)

Ceded reinsurance arrangements do not relieve the Company from the obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

The Company also assumes reinsurance risk 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 assets or liabilities are derecognised when the contractual rights are extinguished or expired when the contract is transferred to another party.

(m) General Insurance Underwriting Results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, premium liabilities and claim liabilities.

Gross Premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(m) General Insurance Underwriting Results (cont'd.)

Reinsurance Premiums

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

Inwards proportional treaty reinsurance premium is recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for.

Premium Liabilities

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium is used, as described in Note 2.2(o)(ii).

Claim Liabilities

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

The amount of claim liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the balance sheet date.

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

Acquisition Costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(n) Insurance Receivables

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

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

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

(o) General Insurance Contract Liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. The valuation of general insurance contract liabilities is in accordance with the Risk-Based Capital Framework for Insurers issued by BNM.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(o) General Insurance Contract Liabilities (cont'd.)

General insurance contract liabilities comprise claim liabilities and premium liabilities.

(i) Claim Liabilities

Claim liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, 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 type of claims; therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation as required by the RBC Framework. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

(ii) 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 as required by the RBC Framework.

a) Unearned Premium Reserves (UPR)

UPR represents the portion of net premiums of insurance policies written, less the related net acquisition costs, that remains unearned at the balance sheet date. UPR is computed with reference to the month of accounting for the premium reduced by the percentage of accounted gross direct business commissions to the corresponding premiums but not exceeding such limits as specified by BNM on the following basis:

- 25% method for marine and aviation cargo, and transit business;
- 1/24th method for all other classes of general business in respect of Malaysian policies; and
- Non-annual policies are time apportioned over the period of the risks.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(o) General Insurance Contract Liabilities (cont'd.)

(ii) Premium Liabilities (cont'd.)

b) Unexpired Risk Reserves (URR)

The best estimate value of URR is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

(p) Other Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest Income

Interest income is recognised using the effective interest method.

Dividend Income

Dividend income is recognised when the right to receive payment is established.

Rental Income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(p) Other Revenue Recognition (cont'd.)

Fee And Commission Income

Commission income derived from reinsurers in the course of ceding of premiums to reinsurers are charged to income statement in the period in which they are incurred.

(q) Income Tax

Income tax on the income statement for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

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

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

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(r) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(s) Employee Benefits

Short-Term Benefits

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

Defined Contribution Plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(t) Foreign Currencies

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

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in foreign currency are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to income statement, except for differences relating to items where gains or losses are recognised directly in equity, in which case, the gain or loss is recognised net of the exchange component in equity.

(u) Cash And Cash Equivalents

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

(v) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(v) Leases (cont'd.)

(ii) Finance Leases - The Company As Lessee

Useful lives of all leasehold buildings are shorter than the lease term of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Company at the end of their useful lives. All leasehold buildings are therefore classified as being held under finance leases in the financial statements.

Buildings held under finance leases are recognised as assets in the Balance Sheet of the Company and measured in accordance with MFRS 116 Property, Plant and Equipment and MFRS 140 Investment Properties.

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as described in Note 2.2(a) and investment properties as described in Note 2.2(f).

(iii) Operating Leases - The Company As Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Long term prepaid lease payments refer to leases with an unexpired period of fifty years or more.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(v) Leases (cont'd.)

(iv) Operating Leases - The Company As Lessor

Assets leased out under operating leases are presented on the balance sheet according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(p)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis on the lease term.

2.3 Transition To MFRS And Application Of MFRS 1

These are the Company's first annual financial statements prepared in accordance with MFRS. In previous financial years, the financial statements of the Company were prepared in accordance with FRS in Malaysia.

The accounting policies set out in Note 2.2 have been applied in preparing the financial statements of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening statement of financial position at 1 January 2011 (which is also the Company's date of transition).

Upon the Company's transition to MFRS, there was no significant impact to the financial statement of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening balance sheet at 1 January 2011.

As at the date of authorisation of these financial statements, the following Standards, Amendments and Issues Committee ("IC") Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards Issued But Not Yet Effective

Effective For Financial Periods Beginning On Or After 1 January 2013

MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 Employee Benefits (revised)
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2004)
MFRS 128 Investments in Associates (revised)
Amendments to MFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10 Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11 Joint Arrangements: Transition Guidance
Amendments to MFRS 12 Disclosure of Interests in Other Entities: Transition Guidance
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Effective For Financial Periods Beginning On Or After 1 January 2014

Amendments to MFRS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards Issued But Not Yet Effective (cont'd.)

Effective For Financial Periods Beginning On Or After 1 January 2015

MFRS 9 Financial Instruments

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

(a) MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

(b) MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances. The Company and its subsidiaries are currently assessing the impact that this Standard will have on the financial statements of the Company but based on preliminary analyses performed, no material impact is expected.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards Issued But Not Yet Effective (cont'd.)

(c) MFRS 11 Joint Arrangements

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method. The Company and its subsidiaries are currently assessing the impact that this Standard will have on the financial statements of the Company but based on preliminary analyses performed, no material impact is expected.

(d) MFRS 12 Disclosure Of Interests In Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Company's financial position or performance.

(e) MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards Issued But Not Yet Effective (cont'd.)

(e) MFRS 13 Fair Value Measurement (cont'd.)

Upon adoption of MFRS 13, the Company will take into consideration the highest and best use of certain properties in measuring the fair value of such properties. The adoption of MFRS 13 is expected to result in higher fair value of certain properties of the Company.

(f) MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

(g) Amendments To MFRS 101 Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Company's financial position and performance.

2.5 Significant Accounting Judgments, Estimates And Assumptions

(a) Critical Judgments Made In Applying Accounting Policies

The following are judgments made by management in the process of applying the Company's accounting policies that have significant effect on the amounts recognised in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant Accounting Judgments, Estimates And Assumptions (cont'd.)

(a) Critical Judgments Made In Applying Accounting Policies (cont'd.)

(i) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ii) Income Taxes

The Company is subject to income taxes in Malaysia. Significant judgment is required in determining the allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

(iii) Impairment Of AFS Financial Assets

Significant judgment is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than cost, the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

These factors are inherently subjective and management is required to exercise judgment to determine if an AFS financial asset is impaired as well as the estimation of the recoverable value of AFS financial assets against which the carrying value is compared to determine the impairment loss to be recognised in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant Accounting Judgments, Estimates And Assumptions (cont'd.)

(a) Critical Judgments Made In Applying Accounting Policies (cont'd.)

(iv) Impairment Of Receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting for Insurers (BNM/RH/GL 003-28). In line with the requirements of the Guidelines, where receivables that are individually assessed for impairment is past due for more than 90 days or 3 months, objective evidence of impairment is deemed to exist. Accordingly, management will assess such receivables to determine if an impairment event has occurred. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where evidence exists that a receivable is impaired, the Company will recognised the impairment loss in the income statement.

(b) Key Sources Of Estimation Uncertainty And Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Valuation Of General Insurance Contract Liabilities

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include premium and claim liabilities. Premium liabilities are recorded as the higher of UPR or URR while claim liabilities are mainly comprise of provision for outstanding claims notified and outstanding claims incurred but not reported.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not exactly develop as projected and may vary from the Company's projections.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant Accounting Judgments, Estimates and Assumptions (cont'd.)

(b) Key Sources Of Estimation Uncertainty And Assumptions (cont'd.)

(i) Valuation Of General Insurance Contract Liabilities (cont'd.)

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, the estimates of premium and claim liabilities are reassessed for adequacy by an appointed actuary and changes will be reflected as adjustments to these liabilities. The appointment of the actuary is approved by BNM.

(ii) Pipeline Premium

The Company has recognised pipeline premium amounting to approximately RM9,796,276 during the current financial year (2011: RM8,028,335). The estimation of pipeline premiums made by management is based on average actual pipeline premium booked in during the year. As estimations are inherently uncertain, actual premium may differ from the estimated premiums. Management revises its monthly estimates of pipeline premium based on average monthly trends for policy issuance turnaround time.

(iii) Impairment Of Goodwill

The Company assesses goodwill annually to determine if any impairment exists by measuring the recoverable amount of the goodwill based on the value-in-use method, which requires the use of estimates of cash flow projections, growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment. The assumptions applied to estimate the value-in-use computations are as described in Note 5 to the financial statements.

3. PROPERTY AND EQUIPMENT

	Freehold land RM	Buildings - Owner occupied properties RM	Office equipment, renovation, furniture & fittings RM	Motor vehicles RM	Computer equipment RM	Capital work-in-progress RM	Total RM
Cost							
At 1 January 2010	-	-	3,825,393	481,987	3,963,899	-	8,271,279
Additions	-	-	188,483	-	58,269	-	246,752
Disposals	-	-	(295,131)	-	(523,979)	-	(819,110)
At 31 December 2010 / 1 January 2011	-	-	3,718,745	481,987	3,498,189	-	7,698,921
Arising from acquisition of business (Note 34)	9,800,000	2,200,000	760,759	-	366,055	-	13,126,814
Additions	-	-	469,589	-	121,744	3,630,903	4,222,236
Disposals	-	-	(32,592)	-	(15,490)	-	(48,082)
At 31 December 2011	9,800,000	2,200,000	4,916,501	481,987	3,970,498	3,630,903	24,999,889
Additions	-	-	225,342	-	460,258	1,828,729	2,514,329
Reclassification	-	-	231,610	-	3,697,497	(3,929,107)	-
Disposals	-	-	(132,433)	-	(32,827)	-	(165,260)
At 31 December 2012	**9,800,000**	**2,200,000**	**5,241,020**	**481,987**	**8,095,426**	**1,530,525**	**27,348,958**
Accumulated Depreciation							
At 1 January 2010	-	-	2,433,513	345,817	3,727,050	-	6,506,380
Depreciation charge for year	-	-	381,941	68,082	183,226	-	633,249
Disposals		-	(273,101)	-	(523,718)	-	(796,819)
At 31 December 2010 / 1 January 2011	-	-	2,542,353	413,899	3,386,558	-	6,342,810
Depreciation charge for year	-	44,000	823,781	68,084	466,941	-	1,402,806
Disposals	-	-	(21,155)	-	(15,479)	-	(36,634)
At 31 December 2011	-	44,000	3,344,979	481,983	3,838,020	-	7,708,982
Depreciation charge for year	-	44,000	503,739	-	1,461,076	-	2,008,815
Disposals	-	-	(67,943)	-	(32,820)	-	(100,763)
At 31 December 2012	-	88,000	3,780,775	481,983	5,266,276	-	9,617,034
Net carrying amount							
At 31 December 2010 / 1 January 2011	**-**	**-**	**1,176,392**	**68,088**	**111,631**	**-**	**1,356,111**
At 31 December 2011	**9,800,000**	**2,156,000**	**1,571,522**	**4**	**132,478**	**3,630,903**	**17,290,907**
At 31 December 2012	**9,800,000**	**2,112,000**	**1,460,245**	**4**	**2,829,150**	**1,530,525**	**17,731,924**

Included in the cost of property and equipment of the Company are the costs of fully depreciated assets which are still in use amounting to RM6,857,521 (2011: RM5,539,573).

4. INVESTMENT PROPERTIES

	31.12.12 RM	31.12.11 RM
At beginning of year	**12,251,528**	**-**
Arising from acquisition of business (Note 34)	-	22,470,000
Fair value gains (Note 21)	-	681,528
Transfer to assets held for sale (Note 10)	(7,601,528)	(10,900,000)
Disposal	(4,650,000)	-
At end of year	**-**	**12,251,528**

5. GOODWILL

	31.12.12 RM	31.12.11 RM
At beginning of year	**18,182,598**	**-**
Arising from acquisition of business (Note 34)	-	18,182,598
At end of year	**18,182,598**	**18,182,598**

The goodwill above arose from the acquisition of certain assets and liabilities of the general insurance business of Tahan Insurance Malaysia Berhad (now known as Tahan Malaysia Berhad) on 1 January 2011 ("Tahan").

Goodwill is allocated to the Company's Cash Generating Unit ("CGU") which is expected to benefit from the synergies of the acquisition. The recoverable amount of the CGU is assessed based on its value-in-use and compared to the carrying value of the CGU to determine whether any impairment exists. Impairment is recognised in the income statement if the carrying amount of the CGU exceeds its recoverable amount.

Goodwill is allocated to the Company's business as a whole, which is defined as a single CGU.

The value-in-use calculations apply discounted cash flow projections prepared and approved by management, covering a five-year period.

5. GOODWILL (CONT'D.)

The other key assumptions for the computation of value-in-use are as follows:

(i) The growth in business volume is expected to be equivalent to the current growth rate of the Company of 17% per annum;

(ii) The discount rate applied is the internal weighted average cost of capital of the Company at the time of the assessment, which is estimated to be 9.77% per annum (pre-tax discount rate of 11.15% per annum); and

(iii) Terminal value cash flow growth rate of 5%, which is consistent with the Gross Domestic Product rate.

The management of the Company believes that reasonably possible changes in any of the above key assumptions would not cause the carrying value of the CGU to exceed its recoverable amount. Accordingly, there is no evidence of impairment of goodwill as at the financial year-end.

6. INVESTMENTS

	31.12.12 RM	31.12.11 RM	1.1.11 RM
Malaysian government securities	179,155,238	138,214,848	139,204,207
Debt securities	337,485,665	313,532,200	216,724,249
Equity securities	13,467,774	15,958,904	16,822,189
Unit and property trust funds	5,048,285	3,534,633	2,212,363
Financial instruments with embedded derivatives	20,246,786	440,533	53,560
Loans	1,833,710	9,857,370	10,527,976
Deposits with financial institutions	8,350,000	37,730,000	41,158,000
	565,587,458	519,268,488	426,702,544

The Company's investments are summarised by categories as follows:

	31.12.12 RM	31.12.11 RM	1.1.11 RM
LAR	10,183,710	47,587,370	51,685,976
AFS financial assets	535,156,962	471,240,585	374,963,008
FVTPL financial assets	20,246,786	440,533	53,560
	565,587,458	519,268,488	426,702,544

6. INVESTMENTS (CONT'D.)

The following investments mature after 12 months:

	31.12.12 RM	31.12.11 RM	1.1.11 RM
LAR	1,694,935	9,177,846	10,509,106
AFS financial assets	483,239,626	422,768,295	304,977,468
FVTPL financial assets	19,794,584	-	-
	504,729,145	**431,946,141**	**315,486,574**

(a) LAR

	31.12.12 RM	31.12.11 RM	1.1.11 RM
<u>At Amortised Cost / Cost:</u>			
Fixed and call deposits with licensed financial institutions	8,350,000	37,730,000	41,158,000
<u>Loans:</u>	1,833,710	9,857,370	10,527,976
Mortgage loans	267,660	584,470	797,787
Secured loans	-	7,792,000	8,428,000
Other loans	1,566,050	1,480,900	1,302,189
	10,183,710	**47,587,370**	**51,685,976**
<u>At Fair Value:</u>			
Fixed and call deposits with licensed financial institutions	8,350,000	37,730,000	41,158,000
<u>Loans:</u>	1,833,710	9,907,696	10,707,029
Mortgage loans	267,660	584,470	797,787
Secured loans	-	7,842,326	8,607,053
Other loans	1,566,050	1,480,900	1,302,189
	10,183,710	**47,637,696**	**51,865,029**

The carrying value of the fixed and call deposits approximate their fair values due to the relatively short term maturities.

The carrying value of the mortgage loans and other loans are reasonable approximations of fair values due to the insignificant impact of discounting.

6. INVESTMENTS (CONT'D.)

(b) AFS Financial Assets

	31.12.12 RM	31.12.11 RM	1.1.11 RM
At Fair Value:			
Malaysian government securities	179,155,238	138,214,848	139,204,207
Debt securities:			
Quoted in Malaysia	162,789	140,591	458,290
Unquoted in Malaysia	337,322,876	313,391,609	216,265,959
Equity securities:			
Quoted in Malaysia	13,467,774	10,556,151	11,351,897
Quoted outside Malaysia	-	5,402,753	5,470,292
Unit and property trust funds:			
Quoted in Malaysia	5,048,285	3,534,633	2,212,363
	535,156,962	**471,240,585**	**374,963,008**

(c) FVTPL

	31.12.12 RM	31.12.11 RM	1.1.11 RM
Held For Trading At Fair Value:			
Financial instruments with embedded derivatives	20,246,786	440,533	53,560
	20,246,786	**440,533**	**53,560**

Financial instruments with embedded derivatives primarily comprise of warrants and structured deposits which are held for investment purposes. In accordance with MFRS 139 Financial Instruments: Recognition and Measurement, these have been designated as at FVTPL upon initial recognition.

6. INVESTMENTS (CONT'D.)

(d) Carrying Values Of Investments

	LAR RM	AFS RM	FVTPL RM	TOTAL RM
At 1 January 2010	118,485,803	214,148,384	-	332,634,187
Purchases	542,104,369	215,117,574	-	757,221,943
Maturities / disposals	(608,904,196)	(59,873,042)	-	(668,777,238)
Fair value gains recorded in other comprehensive income	-	3,567,387	-	3,567,387
Realised gains recorded in income statement	-	2,458,622	53,560	2,512,182
Impairment loss on AFS financial assets	-	(154,612)	-	(154,612)
Net amortisation of premiums	-	(301,305)	-	(301,305)
At 31 December 2010 / 1 January 2011	51,685,976	374,963,008	53,560	426,702,544
Arising from acquisition of business (Note 34)	95,712	84,901,100	-	84,996,812
Purchases	2,629,778,037	304,766,250	382,263	2,934,926,550
Maturities / disposals	(2,633,972,355)	(297,195,045)	-	(2,931,167,400)
Fair value gains recorded in other comprehensive income	-	641,424	-	641,424
Unrealised gains recorded in income statement	-	2,980,748	4,710	2,985,458
Net accretion of discount	-	183,100	-	183,100
At 31 December 2011 / At 1 January 2012	47,587,370	471,240,585	440,533	519,268,488
Purchases	2,647,812,448	346,673,791	20,000,000	3,014,486,239
Maturities / disposals	(2,685,216,108)	(282,353,252)	-	(2,967,569,360)
Fair value losses recorded in other comprehensive income	-	(663,154)	-	(663,154)
Fair value gains / (losses) recorded in income statement	-	150,611	(193,747)	(43,136)
Net accretion of discount	-	108,381	-	108,381
At 31 December 2012	**10,183,710**	**535,156,962**	**20,246,786**	**565,587,458**

7. REINSURANCE ASSETS

	31.12.12 RM	31.12.11 RM	1.1.11 RM
Reinsurers' share of claim liabilities (Note 13)	86,008,295	89,734,273	79,513,719
Reinsurers' share of premium liabilities (Note 13)	48,753,855	41,013,485	35,782,497
	134,762,150	**130,747,758**	**115,296,216**

8. INSURANCE RECEIVABLES

	31.12.12 RM	31.12.11 RM	1.1.11 RM
Due premiums including agents/brokers, co-insurers and insured balances	43,804,106	40,071,460	20,391,854
Due from reinsurers and cedants	18,437,157	23,958,555	2,544,037
	62,241,263	64,030,015	22,935,891
Accumulated impairment losses	(25,530,292)	(26,390,800)	(502,199)
	36,710,971	**37,639,215**	**22,433,692**
Movement in allowance account:			
At beginning of year	26,390,800	502,199	1,051,104
Arising from acquisition of business	-	28,895,182	-
Reversal of allowance for impairment losses (Note 24)	(860,508)	(3,006,581)	(548,905)
At end of year	**25,530,292**	**26,390,800**	**502,199**

9. OTHER RECEIVABLES

	31.12.12 RM	31.12.11 RM	1.1.11 RM
Income due and accrued	5,096,961	4,485,859	2,779,495
Net assets held under the Malaysian Motor Insurance Pool ("MMIP")	19,198,159	22,217,852	6,808,991
Collateral fixed deposits	10,292,485	11,352,466	9,133,450
Deposits and prepayment	1,110,629	877,888	689,870
Advance payment for Tahan's acquisition	-	-	15,000,000
Due from Tahan	6,721,890	6,721,890	-
Other receivables	5,920,587	1,500,141	811,735
	48,340,711	47,156,096	35,223,541
Accumulated impairment losses (Note 24)	(6,721,890)	(6,721,890)	-
	41,618,821	**40,434,206**	**35,223,541**

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

10. ASSETS HELD FOR SALE

	31.12.12 RM	31.12.11 RM
At beginning of year	10,900,000	-
Reclassified from investment properties (Note 4)	7,601,528	10,900,000
Disposal during the year	(10,900,000)	-
At end of year	**7,601,528**	**10,900,000**

The Company has entered into Sale and Purchase Agreements to dispose certain investment properties which were acquired from Tahan. The disposals have not been completed as at 31 December 2012. Details of the properties are as follows:

Location of property	Date of Sale and Purchase Agreement	Sale consideration RM	Carrying value at 31 December 2012 RM
Ipoh	12-Nov-12	2,280,000	2,060,000
Petaling Jaya	1-Jul-11	2,300,000	2,341,528
Kuala Lumpur	31-May-12	3,700,000	3,200,000
		8,280,000	**7,601,528**

11. SHARE CAPITAL

	31.12.12		31.12.11	
	No. of Shares	RM	No. of Shares	RM
Authorised:				
Ordinary shares of RM1 each				
At beginning and end of year	**100,000,000**	**100,000,000**	**100,000,000**	**100,000,000**
Issued and Paid-up:				
Ordinary shares of RM1 each				
At beginning and end of year	**100,000,000**	**100,000,000**	**100,000,000**	**100,000,000**

11. SHARE CAPITAL (CONT'D.)

	1.1.11	
	No. of Shares	RM
Authorised:		
Ordinary shares of RM1 each		
At beginning and end of year	100,000,000	100,000,000
Issued and Paid-up:		
Ordinary shares of RM1 each		
At beginning and end of year	100,000,000	100,000,000

12. RETAINED EARNINGS

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007, which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders ("single-tier system"). However, there is a transitional period of six years expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credits under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balance to be locked in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company has elected for the irrevocable option under the Finance Act, 2007 to disregard the Section 108 balance as at 31 December 2012. Hence, the Company will be able distribute dividends out of its entire retained earnings under the single tier system.

13. INSURANCE CONTRACT LIABILITIES

	31.12.12 Gross RM	31.12.12 Reinsurance RM	31.12.12 Net RM	31.12.11 Gross RM	31.12.11 Reinsurance RM	31.12.11 Net RM	1.1.11 Gross RM	1.1.11 Reinsurance RM	1.1.11 Net RM
Provision for claims reported by policyholders	234,428,567	(78,478,221)	155,950,346	245,954,786	(87,786,365)	158,168,421	150,754,514	(70,785,771)	79,968,743
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	48,976,899	(7,530,074)	41,446,825	48,465,020	(1,947,908)	46,517,112	20,307,910	(8,727,948)	11,579,962
Claim liabilities (i)	283,405,466	(86,008,295)	197,397,171	294,419,806	(89,734,273)	204,685,533	171,062,424	(79,513,719)	91,548,705
Premium liabilities (ii)	161,073,582	(48,753,855)	112,319,727	144,823,481	(41,013,485)	103,809,996	109,360,090	(35,782,497)	73,577,593
	444,479,048	**(134,762,150)**	**309,716,898**	**439,243,287**	**(130,747,758)**	**308,495,529**	**280,422,514**	**(115,296,216)**	**165,126,298**
(i) **Claim Liabilities**									
At beginning of year	294,419,806	(89,734,273)	204,685,533	171,062,424	(79,513,719)	91,548,705	165,515,199	(83,461,651)	82,053,548
Arising from acquisition of business (Note 34)	-	-	-	167,017,135	(23,341,870)	143,675,265	-	-	-
Claims incurred in the current accident year (direct and facultative)	172,191,587	(38,477,463)	133,714,124	168,475,775	(47,136,153)	121,339,622	127,106,703	(35,985,688)	91,121,015
Adjustment to claims incurred in prior accident year due to changes in assumption									
- change in link ratios used in the IBNR estimation	(21,728,691)	3,330,181	(18,398,510)	(33,884,105)	10,162,198	(23,721,907)	2,246,454	(6,276,997)	(4,030,543)
- change in case reserve method	(5,485,296)	2,333,238	(3,152,058)	-	-	-	-	-	-
Movement in PRAD of claim liabilities	(5,856,467)	1,520,409	(4,336,058)	(6,433,037)	2,514,397	(3,918,640)	(5,258,924)	1,495,433	(3,763,491)
Movement in claims handling expenses (i.e. ULAE)	(543,055)	-	(543,055)	(1,867,770)	-	(1,867,770)	(350,848)	-	(350,848)
Other movement in claims incurred in prior accident years (direct and facultative)	5,312,880	(3,097,401)	2,215,479	(4,679,440)	(2,458,096)	(7,137,536)	(10,002,666)	8,668,990	(1,333,676)
Movement in claims incurred (treaty inwards claims)	21,953,785	214,876	22,168,661	14,367,033	(25,880)	14,341,153	2,818,137	(3,644)	2,814,493
Claims paid during the year (Note 23(a))	(176,859,083)	37,902,138	(138,956,945)	(179,638,209)	50,064,850	(129,573,359)	(111,011,631)	36,049,838	(74,961,793)
At end of year	**283,405,466**	**(86,008,295)**	**197,397,171**	**294,419,806**	**(89,734,273)**	**204,685,533**	**171,062,424**	**(79,513,719)**	**91,548,705**
(ii) **Premium Liabilities**									
At beginning of year	144,823,481	(41,013,485)	103,809,996	109,360,090	(35,782,497)	73,577,593	89,527,348	(23,052,032)	66,475,316
Arising from acquisition of business (Note 34)	-	-	-	24,055,944	(4,378,089)	19,677,855	-	-	-
Premiums written in the year (Note 18)	372,426,648	(117,554,227)	254,872,421	329,071,977	(101,807,977)	227,264,000	263,890,944	(93,455,192)	170,435,752
Premiums earned during the year (Note 18)	(356,176,547)	109,813,857	(246,362,690)	(317,664,530)	100,955,078	(216,709,452)	(244,058,202)	80,724,727	(163,333,475)
At end of year	**161,073,582**	**(48,753,855)**	**112,319,727**	**144,823,481**	**(41,013,485)**	**103,809,996**	**109,360,090**	**(35,782,497)**	**73,577,593**

14. DEFERRED TAXATION

	31.12.12 RM	31.12.11 RM	1.1.11 RM
At beginning of year	3,078,560	3,613,105	4,403,632
Recognised in:			
Income statement (Note 25)	1,113,604	(781,416)	(4,101,119)
Other comprehensive income	(128,137)	246,871	3,310,592
At end of the year	**4,064,027**	**3,078,560**	**3,613,105**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

	31.12.12 RM	31.12.11 RM	1.1.11 RM
Presented after appropriate offsetting as follows:			
Deferred tax liabilities	4,621,178	4,156,737	3,744,591
Deferred tax assets	(557,151)	(1,078,177)	(131,486)
	4,064,027	**3,078,560**	**3,613,105**

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities:

	Fair value of investments properties RM	Investments RM	Accelerated capital allowance on property and equipment RM	Total RM
At 1 January 2012	68,153	3,837,846	250,738	4,156,737
Recognised in:				
Income statement	(54,000)	(78,753)	725,331	592,578
Other comprehensive income	-	(128,137)	-	(128,137)
At 31 December 2012	**14,153**	**3,630,956**	**976,069**	**4,621,178**

14. DEFERRED TAXATION (CONT'D.)

Deferred Tax Liabilities: (cont'd.)

	Fair value of investments properties RM	Investments RM	Accelerated capital allowance on property and equipment RM	Others RM	Total RM
At 1 January 2011	-	3,546,090	198,501	-	3,744,591
Recognised in:					
Income statement	68,153	44,885	52,237	-	165,275
Other comprehensive income	-	246,871	-	-	246,871
At 31 December 2011	**68,153**	**3,837,846**	**250,738**	**-**	**4,156,737**
At 1 January 2010	-	235,498	245,434	4,168,257	4,649,189
Recognised in:					
Income statement	-	-	(46,933)	(4,168,257)	(4,215,190)
Other comprehensive income	-	3,310,592	-	-	3,310,592
At 31 December 2010	**-**	**3,546,090**	**198,501**	**-**	**3,744,591**

14. DEFERRED TAXATION (CONT'D.)

Deferred Tax Assets:

	Receivables RM	Premium liabilities RM	Total RM
At 1 January 2012	(1,054,377)	(23,800)	(1,078,177)
Recognised in income statement	503,646	17,380	521,026
At 31 December 2012	**(550,731)**	**(6,420)**	**(557,151)**
At 1 January 2011	(125,550)	(5,936)	(131,486)
Recognised in income statement	(928,827)	(17,864)	(946,691)
At 31 December 2011	**(1,054,377)**	**(23,800)**	**(1,078,177)**
At 1 January 2010	(266,130)	20,573	(245,557)
Recognised in income statement	140,580	(26,509)	114,071
At 31 December 2010	**(125,550)**	**(5,936)**	**(131,486)**

15. DEPOSITS FROM REINSURERS

The carrying amount of deposits from reinsurers approximates fair value at the balance sheet date.

All deposits are repayable within one year.

16. INSURANCE PAYABLES

	31.12.12 RM	31.12.11 RM	1.1.11 RM
Due to agents, intermediaries and insured	15,149,650	13,179,759	6,745,111
Due to reinsurers and cedants	20,802,287	18,400,009	15,826,695
	35,951,937	**31,579,768**	**22,571,806**

The carrying amounts disclosed above approximate fair value at the balance sheet date.

All amounts are payable within one year.

17. OTHER PAYABLES

	31.12.12 RM	31.12.11 RM	1.1.11 RM
Amounts due to related companies (Note 31(a))	484,105	1,466,632	786,429
Amount due to immediate holding company (Note 31(a))	624,494	266,849	270,759
Cash collateral held on behalf of insureds	10,844,257	11,867,139	10,178,100
Provision for Takaful and Insurance Benefits Protection System ("TIPS") (1.1.11: Insurance Guarantee Scheme Fund ("IGSF")) levy	750,301	893,624	643,437
Accrual for staff bonus	4,318,617	4,144,000	3,441,272
Other accrued expenses	1,852,228	1,852,375	2,197,842
Cash advance received for Tahan acquisition	-	-	39,278,848
Other payables	26,116,248	24,461,206	10,873,100
	44,990,250	**44,951,825**	**67,669,787**

The carrying amounts disclosed above approximate fair values at the balance sheet date.

All amounts are payable within one year.

The amounts due to related companies are trade in nature, unsecured, interest free and are repayable on demand.

18. NET EARNED PREMIUMS

	2012 RM	2011 RM
(a) <u>Gross Earned Premiums:</u>		
General insurance contract (Note 13(ii))	372,426,648	329,071,977
Change in premium liabilities	(16,250,101)	(11,407,447)
	356,176,547	317,664,530
(b) <u>Premiums Ceded:</u>		
General insurance contract (Note 13(ii))	(117,554,227)	(101,807,977)
Change in premium liabilities	7,740,370	852,899
	(109,813,857)	(100,955,078)
Net earned premiums (Note 13(ii))	**246,362,690**	**216,709,452**

19. INVESTMENT INCOME

	2012 RM	2011 RM
Net rental income from properties	670,552	903,717
Interest/profit income from AFS financial assets	21,287,911	19,461,944
Interest income from financial instruments with embedded derivatives	367,432	-
<u>Dividend/distribution income:</u>		
- quoted equity securities in Malaysia	677,799	1,079,064
- quoted equity securities outside Malaysia	154,306	154,032
LAR interest income	1,155,018	2,096,787
Net accretion of discount	108,381	183,100
Investment expenses	(7,568)	(8,807)
	24,413,831	**23,869,837**

20. REALISED GAINS AND LOSSES

	2012 RM	2011 RM
Property and equipment:		
Loss on disposal of property and equipment	(63,782)	(4,708)
AFS Financial Assets:		
Realised gains:		
- quoted equity securities in Malaysia	628,899	1,937,569
- quoted equity securities in Singapore	6,813,779	-
- unquoted debt securities in Malaysia	2,226,881	1,882,206
- Malaysian government securities	1,058,597	1,223,584
Realised losses:		
- quoted equity securities in Malaysia	(554,860)	(577,441)
- unquoted debt securities in Malaysia	(8,433)	(1,692)
- Malaysian government securities	-	(29,599)
Reversal of impairment losses on debt securities	-	154,612
Total net realised gains for AFS financial assets	10,164,863	4,589,239
Investment Property:		
Net gain on disposal of investment property	1,007,000	-
Total Realised Gains	**11,108,081**	**4,584,531**

21. FAIR VALUE (LOSSES)/GAINS

	2012 RM	2011 RM
Fair value gains on investment properties (Note 4)	-	681,528
Unrealised gains on unquoted bond	-	1,844,844
Unrealised gains on equity securities	150,611	1,135,904
Unrealised gains on financial instruments with embedded derivatives	61,700	132,930
Unrealised losses on financial instruments with embedded derivatives	(255,447)	(128,220)
	(43,136)	**3,666,986**

22. OTHER OPERATING REVENUE/(EXPENSES)

	2012 RM	2011 RM
Other Operating Revenue:		
Sundry income	6,364,662	979,456
Other Operating Expenses:		
Acquisition cost	-	(140,341)
Provision for Tahan integration expenses	-	(2,181,290)
Sundry expense	(20,061)	(32,817)
	(20,061)	**(2,354,448)**

23. NET CLAIMS

	2012 RM	2011 RM
(i) Gross Claims Paid		
General insurance contracts (Note 13(i))	(176,859,083)	(179,638,209)
(ii) Claims Ceded To Reinsurers		
General insurance contracts (Note 13(i))	37,902,138	50,064,850
Net Claims Paid (a)	(138,956,945)	(129,573,359)
(iii) Gross Change In Contract Liabilities		
General insurance contracts	11,014,340	43,659,753
(iv) Change In Contract Liabilities Ceded To Reinsurers		
General insurance contracts	(3,725,978)	(13,121,316)
Net Change In Contract Liabilities (b)	7,288,362	30,538,437
Net Claims (a) + (b)	**(131,668,583)**	**(99,034,922)**

24. MANAGEMENT EXPENSES

	2012 RM	2011 RM
Employee benefits expense (Note 24(a))	31,642,780	26,652,811
Directors' remuneration (Note 24(b))	182,400	180,400
Auditors' remuneration:		
- statutory audits	211,458	211,458
- other services	25,261	25,261
Depreciation of property and equipment	2,008,815	1,402,806
Bad debts written off	1,266,771	1,076,942
Provision of impairment losses on other receivables	-	6,721,890
TIPS (2010: IGSF) levy	412,993	672,380
Office rental	2,734,021	2,719,261
Rental of equipment, software and services	732,587	463,755
Administration and general expenses	19,130,547	18,054,733
Reversal of impairment losses on insurance receivables (Note 8)	(860,508)	(3,006,581)
	57,487,125	**55,175,116**

24. MANAGEMENT EXPENSES (CONT'D.)

(a) Employee Benefits Expense

	2012 RM	2011 RM
Wages and salaries	26,610,895	22,693,866
Social security contributions	198,191	180,142
Contributions to defined contribution plan - EPF	3,996,291	2,903,950
Other benefits	749,034	674,880
Share based payments	88,369	199,973
	31,642,780	26,652,811

Included in employees benefits expense is CEO's remuneration of RM841,973 (2011: RM659,935) as detailed in Note 24(c).

(b) Directors' Remuneration

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

	2012 RM	2011 RM
Non-executive directors' fees	182,400	180,400

The Directors' fees are subject to the recommendation of the Remuneration Committee to the Board for endorsement and approval by the shareholder at the Annual General Meeting ("AGM") of the Company.

The number of Directors whose total remuneration received from the Company during the year that fell within the following bands is analysed below:

	Number of Directors	
	2012 RM	2011 RM
Non-Executive Directors		
Below RM50,000	2	4
RM50,000 - RM100,000	2	-

24. MANAGEMENT EXPENSES (CONT'D.)

(c) CEO's Remuneration

The details of remuneration received by the CEO during the year are as follows:

	2012 RM	2011 RM
Salaries and other remuneration	644,573	471,474
Bonus	172,800	162,000
Total remuneration excluding benefits in kind	817,373	633,474
Estimated money value of benefits in kind	24,600	26,461
Total Remuneration (Note 24(a))	841,973	659,935
Share-Based Payment (in units)	**9,588**	**6,603**

25. TAXATION

	2012 RM	2011 RM
Current income tax:	18,022,474	20,011,004
Malaysian income tax		
Deferred tax (Note 14):		
Relating to origination and reversal of temporary differences	1,076,028	(779,576)
Over / (under) provision in prior year	37,576	(1,840)
	1,113,604	(781,416)
	19,136,078	**19,229,588**

The income tax is based on the tax rate of 25% (2011: 25%) of the estimated assessable profit for the financial year.

25. TAXATION (CONT'D.)

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

	2012 RM	2011 RM
Profit before taxation	73,172,679	72,910,888
Taxation at Malaysian statutory tax rate of 25%	18,293,170	18,227,722
Income not subject to tax	(422,841)	(1,012,682)
Expenses not deductible for tax purposes	152,145	2,795,964
Transfer from / (to) deferred tax	1,113,604	(781,416)
Tax expense for the year	**19,136,078**	**19,229,588**

26. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the number of Ordinary Shares in issue during the financial year.

	2012 RM	2011 RM
Profit attributable to ordinary equity holder	54,036,601	53,681,300
Number of shares in issue during the year	100,000,000	100,000,000
Basic earnings per share (sen)	**54.04**	**53.68**

There were no dilutive potential ordinary shares as at the reporting date. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of the financial statements.

27. DIVIDENDS

The amounts of dividend paid by the Company as at 31 December 2012 were as follows:

	RM
In respect of the financial year ended 31 December 2011 as reported in the Directors' report of that year:	
Final dividend of RM0.405 per ordinary share less 25% tax on 100,000,000 ordinary shares paid on 27 April 2012.	**30,375,000**

At the forthcoming AGM of the Company, a final single tier dividend in respect of the financial year ended 31 December 2012 of RM0.45 per ordinary share on 100,000,000 ordinary shares, amounting to a dividend payable of RM45,000,000 will be proposed for shareholder's approval.

27. DIVIDENDS (CONT'D.)

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as appropriation of retained earnings in the next financial year ending 31 December 2013.

28. CASH FLOWS

	Note	2012 RM	2011 RM
Profit before taxation		73,172,679	72,910,888
Investment income	*19*	(24,313,018)	(23,695,544)
Realised gains on AFS financial assets	*20*	(10,164,863)	(4,589,239)
Realised gains on disposal of investment properties		(1,007,000)	-
Fair value losses/(gains) recorded in income statement	*21*	43,136	(3,666,986)
Purchases of FVTPL financial assets	*6(c)*	(20,000,000)	(382,263)
Purchases of AFS financial assets	*6(c)*	(346,673,791)	(304,766,250)
Proceeds from maturities/disposals of AFS financial assets		292,518,115	301,784,285
Proceeds from disposal of investment properties		16,557,000	-
Decrease in LAR	*6(c)*	37,403,660	4,194,318
Non-cash items:			
Depreciation of property and equipment	*24*	2,008,815	1,402,806
Loss on disposal of property and equipment	*20*	63,782	4,708
Reversal of impairment losses on insurance receivables	*24*	(860,508)	(3,006,581)
Bad debts written off	*24*	1,266,771	1,076,942
Provision for impairment losses on other receivables	*24*	-	6,721,890
Net accretion of discounts	*19*	(108,381)	(183,100)
Changes in working capital:			
Reinsurance assets		(4,014,392)	12,268,417
Insurance receivables		521,981	(4,806,616)
Other receivables		(227,294)	7,939,536
Insurance contract liabilities		5,235,761	(32,252,306)
Deposits from reinsurers		(177,144)	367,635
Insurance payables		4,372,169	1,765,082
Other payables		38,425	(42,766,217)
Cash generated from/(used in) operating activities		**25,655,903**	**(9,678,595)**

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

29. CAPITAL COMMITMENTS

The capital commitments of the Company as at the financial year-end are as follows:

	2012 RM	2011 RM
Capital Expenditure:		
Approved and contracted for:		
Property and equipment	4,744,074	-
Approved but not contracted for:		
Property and equipment	8,225,987	2,566,086
	12,970,061	**2,566,086**

30. OPERATING LEASE ARRANGEMENTS

(a) The Company As Lessee

The Company has entered into a lease agreement for rental of equipment, software and services and office premises.

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

Future Minimum Rental Payments:

	2012 RM	2011 RM
Rental Of Equipment, Software And Services:		
Not later than 1 year	329,235	292,704
Later than 1 year and not later than 5 years	298,078	256,310
	627,313	**549,014**
Rental Of Office Premises:		
Not later than 1 year	1,851,923	2,358,327
Later than 1 year and not later than 5 years	1,024,676	2,078,121
	2,876,599	**4,436,448**

30. OPERATING LEASE ARRANGEMENTS (CONT'D.)

(b) The Company As Lessor

The Company has entered into operating lease agreements on its investment properties portfolio. These leases have remaining lease term of between 1 and 2 years.

The future minimum lease receivables under the operating lease contracted for as at the balance sheet date but not recognised as receivables, are as follow:

	2012 RM	2011 RM
Not later than 1 year	-	1,148,745
Later than 1 year and not later than 5 years	-	58,200
	-	**1,206,945**

Rental income on investment properties recognised in income statement during the financial year is disclosed in Note 19.

31. RELATED PARTY DISCLOSURES

(a) Related Party Transactions And Balances

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year:

Significant Transactions With Related Parties During The Year:

	2012 RM	2011 RM
Expense / (Income):		
Property rentals paid (ii)		
- Great Eastern Life Assurance (Malaysia) Berhad	1,728,528	1,603,545
Service charges paid (iii), (iv)		
- Great Eastern Life Assurance (Malaysia) Berhad	3,382,942	3,977,395
- Great Eastern Life Assurance (Singapore) Co Ltd	1,331,880	929,774

31. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related Party Transactions And Balances (cont'd.)

Significant Transactions With Related Parties During The Year (cont'd.):

	2012 RM	2011 RM
Expense / (Income) (cont'd.):		
Premium paid (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	221,132	163,645
Commission fees paid (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	375,509	358,773
- OCBC Bank (Malaysia) Berhad	3,791,719	4,543,476
Bank charges and custodian fee paid (iii)		
- OCBC Bank (Malaysia) Berhad	1,454,559	1,266,096
Premium received (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	(2,456,736)	(2,355,503)
- OCBC Bank (Malaysia) Berhad	(2,581,619)	(2,427,992)
Interest received (iv)		
- OCBC Bank (Malaysia) Berhad	(447,000)	(1,242,991)
Balances With Related Parties At Year-End:		
Amount due to subsidiaries of penultimate holding company (Note 17):		
- Great Eastern Life Assurance (Malaysia) Berhad	279,391	993,725
- Great Eastern Life Assurance (Singapore) Co Ltd	143,661	313,600
- OCBC Bank (Malaysia) Berhad	61,053	159,307
	484,105	**1,466,632**
Amount due to immediate holding company (Note 17):		
- Overseas Assurance Corporation (Holding) Berhad	624,494	266,849

* related companies are companies within the OCBC group.

31. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related Party Transactions And Balances (cont'd.)

The related companies disclosed above are companies within the OCBC group. Notes on transactions with related parties:

(i) The sale and purchase of insurance policies to related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees.

(ii) Rental of property from related parties are made according to normal market prices, terms and conditions.

(iii) Payment of service charges to related parties are made according to normal market prices.

(iv) The interest income arose mainly from investment in fixed deposits and repurchase agreements which are made according to prevailing market rates, terms and conditions.

(v) General terms for balances with related companies are as disclosed in Note 17.

(b) Compensation Of Key Management Personnel

The remuneration of key management personnel during the year was as follows:

	2012 RM	2011 RM
CEO and Executive Vice Presidents:		
Short-term employee benefits	1,452,092	1,303,356
Post-employment benefits	206,316	196,403
Other long-term benefits	4,500	-
Share based payment ("DSP")	213,449	-
	1,876,357	1,499,759
Non Executive Directors' remuneration (Note 24(b))	182,400	180,400
	2,058,757	1,680,159
Share-Based Payment (in units)	**9,588**	**12,966**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel of the Company includes the Directors, CEO and Executive Vice Presidents.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES

Governance Framework

Managing risk is an integral part of the Company's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Company shall not shy away from taking risk, but shall:

- Always operate within the risk appetite set by the Board; and
- Ensure commensurate reward for any risk taken.

The Risk Management Department spearheads the development and implementation of the ERM Framework for the Company.

The Board Risk Committee ("BRC"), constituted in 2003, provides oversight on the risk management initiatives. Detailed risk management activities are undertaken by the following Management Committees comprising the CEO and key Senior Management Executives:

- Senior Management Team ("SMT")
- Asset Liability Committee ("ALC")
- Product Development Committee ("PDC")
- IT Steering Committee ("ITSC")

The SMT is responsible for providing leadership, direction and oversight with regards to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines.

The ALC is responsible for assisting the SMT in balance sheet management. Specifically, the ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. The ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines.

The PDC oversees the product development and launch process. In addition, the PDC regularly reviews and monitors the performance of new and existing products.

The ITSC is responsible for the oversight of technology and information risks and any relevant regulatory and compliance risks relating to technology and information risks within the Company.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Regulatory Framework

Insurers have to comply with the Malaysian Insurance Act and Regulations 1996, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the Company's investment policies rests with the Board. The Board exercises oversight on the investments to safeguard the interests of the policyholders and the shareholder.

Capital Management Framework

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

Under the RBC Framework, the insurer has to maintain a capital adequacy level that is commensurate with its risk profiles. The minimum capital requirement under the RBC Framework regulated by BNM is 130%.

The Internal Capital Adequacy Assessment Process ("ICAAP") Framework came into effect on 1 September 2012. Under this Framework, the Company has to ensure adequate capital to meet its capital requirements on an ongoing basis. The key elements supporting the Framework include Board and Senior Management oversight, comprehensive risk assessment, individual target capital level and stress testing, sound capital management as well as ongoing monitoring, reporting and review. Capital Management and planning policies were further developed and refined under the Framework to outline the approaches and principles under which the Company's capital will be monitored and managed, as well as the corrective actions to be implemented at various critical capital levels. In addition, a risk appetite statement was established to outline the Company's capacity to take on risks to achieve its business objectives while managing the expectations of key stakeholders.

The principal activity of the Company is to provide general insurance services for protection against the risks of property losses, casualty and third party liabilities, personal accident and medical claims.

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Capital Management Framework (cont'd.)

The following sections provide details regarding the Company's exposure to the risks and the objective, policies and processes for the management of these risks.

Risk inherent in the insurance business include, but are not limited to the following:

Insurance Risk

Insurance risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of insurance contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions which include premium and claim liabilities. Sources of risk include policy cancellations and policy claims.

The Company works closely with reinsurers to put in place a prudent underwriting policy to ensure appropriate risk classification and premium levels. The Company's reinsurance management strategy and policy are reviewed annually by the ALC and BRC, and approved by the Board. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses.

Only reinsurers meeting a minimum credit rating of S&P "A-" are considered when deciding on which reinsurers to reinsure the Company's risk. The Company limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

The SMT reviews the trends and claims experience, as well as expenses to ensure that appropriate policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

Stress Testing ("ST") is performed twice a year. The purpose of the ST is to test the solvency of the general fund under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment, expense patterns and operational loss.

Risks under general insurance policies usually cover a twelve-month duration. The risk inherent in general insurance contracts is reflected in the insurance contract liabilities which include the premium and claim liabilities, as set out in Note 13 to the financial statements. The premium liabilities comprise the higher of UPR or URR, while the claim liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 32(A1): The Table below shows the concentration of premium liabilities by class of business:

	Gross premium liabilities RM	Reinsurance premium liabilities RM	Net premium liabilities RM
31 December 2012			
Fire	47,526,812	(30,577,746)	16,949,066
Motor	49,047,982	7,554,004	56,601,986
Marine and Aviation	4,006,264	(3,177,347)	828,917
Workmen's Compensation	1,038,428	(607,869)	430,559
Personal Accident and Health	26,598,270	(843,231)	25,755,039
Others	32,855,826	(21,101,666)	11,754,160
	161,073,582	**(48,753,855)**	**112,319,727**
31 December 2011			
Fire	36,695,212	(20,542,259)	16,152,953
Motor	50,950,082	(1,905,702)	49,044,380
Marine and Aviation	3,171,170	(2,026,602)	1,144,568
Workmen's Compensation	1,059,592	(66,608)	992,984
Personal Accident and Health	26,119,032	(1,914,132)	24,204,900
Others	26,828,393	(14,558,182)	12,270,211
	144,823,481	**(41,013,485)**	**103,809,996**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 32(A1): The Table below shows the concentration of premium liabilities by class of business (cont'd.):

	Gross premium liabilities RM	Reinsurance premium liabilities RM	Net premium liabilities RM
1 January 2011			
Fire	28,833,961	(21,101,728)	7,732,233
Motor	37,590,266	(1,224,327)	36,365,939
Marine and Aviation	1,356,669	(912,720)	443,949
Workmen's Compensation	303,497	38,542	342,039
Personal Accident and Health	22,342,329	(1,074,089)	21,268,240
Others	18,933,368	(11,508,175)	7,425,193
	109,360,090	**(35,782,497)**	**73,577,593**

Table 32(A2): The Table below shows the concentration of claim liabilities by class of business:

	Gross claim liabilities RM	Reinsurance claim liabilities RM	Net claim liabilities RM
31 December 2012			
Fire	34,943,996	(26,142,319)	8,801,677
Motor	156,125,993	(10,472,436)	145,653,557
Marine and Aviation	6,836,432	(4,301,413)	2,535,019
Workmen's Compensation	257,606	(2,179)	255,427
Personal Accident and Health	24,211,889	(4,324,337)	19,887,552
Others	61,029,550	(40,765,611)	20,263,939
	283,405,466	**(86,008,295)**	**197,397,171**
31 December 2011			
Fire	43,667,676	(32,000,363)	11,667,313
Motor	162,329,382	(6,199,105)	156,130,277
Marine and Aviation	8,477,308	(5,939,952)	2,537,356
Workmen's Compensation	236,115	(11,556)	224,559
Personal Accident and Health	19,402,114	(2,883,611)	16,518,503
Others	60,307,211	(42,699,686)	17,607,525
	294,419,806	**(89,734,273)**	**204,685,533**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 32(A2): The Table below shows the concentration of claim liabilities by class of business (cont'd.):

	Gross claim liabilities RM	Reinsurance claim liabilities RM	Net claim liabilities RM
1 January 2011			
Fire	44,529,158	(37,541,595)	6,987,563
Motor	67,469,714	(5,861,200)	61,608,514
Marine and Aviation	2,430,082	(1,428,756)	1,001,326
Workmen's Compensation	415,685	(25,866)	389,819
Personal Accident and Health	19,736,560	(7,235,692)	12,500,868
Others	36,481,225	(27,420,610)	9,060,615
	171,062,424	(79,513,719)	91,548,705

The general insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claim liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of general insurance contracts is mitigated by emphasising diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before taxation and equity.

Table 32(A3): The table below shows the insurance risk sensitivity analysis:

	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
31 December 2012					
Increase / (Decrease):					
Claim liabilities	+20%	56,681	39,479	(39,479)	(29,610)
	-20%	(56,681)	(39,479)	39,479	29,610
Premium liabilities	+20%	32,215	22,464	(22,464)	(16,848)
	-20%	(32,215)	(22,464)	22,464	16,848
PRAD margin	+20%	1,184	1,100	(1,100)	(825)
	-20%	(1,184)	(747)	747	560
Selected loss ratio (for latest year)	+20%	254,302	197,856	(197,856)	(148,392)
	-20%	(53,716)	(37,333)	37,333	28,000
Claims handling expenses	+20%	514	4,953	(4,953)	(3,715)
	-20%	(514)	(510)	510	382

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 32(A3): The table below shows the insurance risk sensitivity analysis: (cont'd.)

	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
31 December 2011					
Increase / (Decrease):					
Claim liabilities	+20%	58,884	40,937	(40,937)	(30,703)
	-20%	(58,884)	(40,937)	40,937	30,703
Premium liabilities	+20%	28,965	20,762	(20,762)	(15,571)
	-20%	(28,965)	(20,762)	20,762	15,571
PRAD margin	+20%	1,148	1,135	(1,135)	(851)
	-20%	(1,148)	(649)	649	487
Selected loss ratio (for latest year)	+20%	266,696	196,241	(196,241)	(147,180)
	-20%	(68,793)	(52,445)	52,445	39,333
Claims handling expenses	+20%	455	4,361	(4,361)	(3,271)
	-20%	(455)	(434)	434	325

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 32(A3): The table below shows the insurance risk sensitivity analysis: (cont'd.)

	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
1 January 2011					
Increase / (Decrease):					
Claim liabilities	+20%	34,212	18,310	(18,310)	(13,732)
	-20%	(34,212)	(18,310)	18,310	13,732
Premium liabilities	+20%	21,872	14,716	(14,716)	(11,037)
	-20%	(21,872)	(14,716)	14,716	11,037
PRAD margin	+20%	1,255	1,962	(1,962)	(1,472)
	-20%	(1,255)	(1,710)	1,710	1,283
Selected loss ratio (for latest year)	+20%	177,616	106,742	(106,742)	(80,056)
	-20%	(18,566)	(11,540)	11,540	8,655
Claims handling expenses	+20%	93	4,205	(4,205)	(3,153)
	-20%	(93)	(1,140)	1,140	855

** The impact on equity reflects the after tax impact.*

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

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table

Table 32(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date:

Gross General Insurance Contract Liabilities For 2012:

Accident year	Note	Before 2004 RM	2004 RM	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM	2010 RM	2011 RM	2012 RM	Total RM
At the end of accident year		137,899,440	100,271,803	102,872,711	87,970,693	96,119,627	84,319,887	127,455,539	113,500,585	207,936,334	162,618,716	
One year later		132,333,049	98,230,516	121,001,931	95,703,643	105,389,251	89,851,605	134,536,325	158,805,737	230,182,139		
Two years later		131,188,455	104,250,252	117,105,470	93,555,762	97,435,731	89,296,407	197,590,558	155,353,123			
Three years later		129,740,091	102,872,027	115,422,359	92,069,771	96,701,967	152,032,387	194,022,082				
Four years later		127,665,288	101,202,830	112,851,670	92,415,228	165,585,034	149,543,488					
Five years later		125,578,913	99,879,740	112,481,954	191,242,840	164,601,304						
Six years later		145,272,338	99,082,709	192,391,111	185,614,272							
Seven years later		143,360,078	215,869,213	189,539,282								
Eight years later		278,850,034	214,637,608									
Nine years later		280,035,977										
Current estimate of cumulative claims incurred		280,035,977	214,637,608	189,539,282	185,614,272	164,601,304	149,543,488	194,022,082	155,353,123	230,182,139	162,618,716	1,926,147,991
At the end of accident year		74,932,061	29,204,527	37,503,253	36,323,467	37,847,447	35,273,501	55,111,531	53,860,911	76,681,802	84,564,888	
One year later		101,697,298	66,590,980	94,485,424	70,367,252	70,186,313	70,726,209	96,821,183	114,628,952	132,395,382		
Two years later		108,724,095	88,050,963	98,684,155	78,851,737	77,835,611	77,849,031	162,261,600	128,883,888			
Three years later		112,194,838	91,448,395	100,514,618	82,081,863	79,388,324	133,152,428	168,059,179				
Four years later		113,888,917	92,548,332	103,902,072	83,330,591	143,820,702	135,511,034					
Five years later		116,014,376	93,761,936	104,454,239	179,730,371	151,780,501						
Six years later		115,881,977	95,121,021	184,905,765	181,540,355							
Seven years later		119,487,530	214,148,598	184,829,520								
Eight years later		256,553,224	215,304,108									
Nine years later		259,873,671										
Cumulative payments to-date		259,873,671	215,304,108	184,829,520	181,540,355	151,780,501	135,511,034	168,059,179	128,883,888	132,395,382	84,564,888	1,642,742,526
Gross general insurance contract liabilities per Balance Sheet	13(i)	**20,162,306**	**(666,500)**	**4,709,761**	**4,073,917**	**12,820,803**	**14,032,454**	**25,962,902**	**26,469,235**	**97,786,758**	**78,053,829**	**283,405,466**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 32(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date (cont'd.):

<u>Net General Insurance Contract Liabilities For 2012:</u>

Accident year	Note	Before 2004 RM	2004 RM	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM	2010 RM	2011 RM	2012 RM	Total RM
At the end of accident year		88,268,662	44,316,239	42,950,455	52,870,341	56,538,998	59,617,554	75,515,734	81,247,277	158,310,475	123,588,391	
One year later		106,744,348	45,009,099	46,405,849	54,456,732	59,095,799	63,222,472	80,520,772	119,859,290	177,713,437		
Two years later		108,085,931	44,977,799	45,443,866	53,163,771	58,090,638	62,359,163	131,677,937	118,685,939			
Three years later		108,925,791	44,087,297	44,633,876	52,561,513	57,686,697	111,099,506	129,038,909				
Four years later		108,146,048	43,169,650	43,492,872	52,135,355	116,803,691	110,276,199					
Five years later		106,822,487	42,128,886	43,115,162	136,509,165	116,000,958						
Six years later		91,717,043	35,916,000	108,616,209	132,979,768							
Seven years later		98,205,684	124,543,527	107,801,908								
Eight years later		186,567,669	124,439,792									
Nine years later		185,130,750										
Current estimate of cumulative claims incurred		185,130,750	124,439,792	107,801,908	132,979,768	116,000,958	110,276,199	129,038,909	118,685,939	177,713,437	123,588,391	1,325,656,051
At the end of accident year		50,371,121	18,238,913	19,456,409	24,010,481	26,172,894	29,149,191	40,625,670	44,156,291	58,187,492	77,160,971	
One year later		65,853,848	31,983,506	34,995,320	41,808,971	46,788,541	50,786,581	63,790,870	91,629,441	97,624,197		
Two years later		69,841,880	35,938,921	38,052,449	45,304,496	50,849,633	54,923,512	107,046,237	101,284,277			
Three years later		73,056,401	37,985,671	39,397,249	47,123,639	51,980,807	95,781,935	112,073,024				
Four years later		74,243,959	38,937,796	40,425,824	47,822,258	104,487,328	97,564,250					
Five years later		74,801,112	39,725,973	40,670,337	126,479,206	105,462,908						
Six years later		75,138,288	40,126,537	105,103,241	127,778,244							
Seven years later		76,166,789	132,080,723	105,902,131								
Eight years later		168,506,334	132,687,283									
Nine years later		170,721,595										
Cumulate payments to - date		170,721,595	132,687,283	105,902,131	127,778,244	105,462,908	97,564,250	112,073,024	101,284,277	97,624,197	77,160,971	1,128,258,880
Net general insurance contract liabilities per Balance Sheet	13(i)	**14,409,155**	**(8,247,491)**	**1,899,778**	**5,201,524**	**10,538,050**	**12,711,950**	**16,965,884**	**17,401,661**	**80,089,240**	**46,427,420**	**197,397,171**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 32(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date (cont'd.):

Gross General Insurance Contract Liabilities For 2011:

Accident year	Note	Before 2004 RM	2004 RM	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM	2010 RM	2011 RM	Total RM
At the end of accident year		137,899,440	100,271,803	102,872,711	87,970,693	96,119,627	84,319,887	127,455,539	113,500,585	207,936,334	
One year later		132,333,049	98,230,516	121,001,931	95,703,643	105,389,251	89,851,605	134,536,325	158,805,737	-	
Two years later		131,188,455	104,250,252	117,105,470	93,555,762	97,435,731	89,296,407	197,590,558	-	-	
Three years later		129,740,091	102,872,027	115,422,359	92,069,771	96,701,967	152,032,387	-	-	-	
Four years later		127,665,288	101,202,830	112,851,670	92,415,228	165,585,034	-	-	-	-	
Five years later		125,578,913	99,879,740	112,481,954	191,242,840	-	-	-	-	-	
Six years later		121,342,756	99,082,709	192,391,111	-	-	-	-	-	-	
Seven years later		122,495,093	114,430,873	-	-	-	-	-	-	-	
Eight years later		121,766,901	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		121,766,901	114,430,873	192,391,111	191,242,840	165,585,034	152,032,387	197,590,558	158,805,737	207,936,334	1,501,781,775
At the end of accident year		45,784,764	29,204,527	37,503,253	36,323,467	37,847,447	35,273,501	55,111,531	53,484,789	74,700,044	
One year later		98,452,673	66,590,980	94,485,424	70,367,252	70,186,313	70,726,209	96,821,183	114,628,952	-	
Two years later		106,803,417	88,050,963	98,684,155	78,851,737	77,835,611	77,849,031	162,261,601	-	-	
Three years later		111,110,198	91,448,395	100,514,618	82,081,863	79,388,324	133,152,428	-	-	-	
Four years later		113,428,560	92,548,332	103,902,072	83,330,591	143,820,702	-	-	-	-	
Five years later		115,723,437	93,761,936	104,454,239	179,730,371	-	-	-	-	-	
Six years later		116,319,456	95,121,021	184,905,765	-	-	-	-	-	-	
Seven years later		117,756,250	95,300,282	-	-	-	-	-	-	-	
Eight years later		118,861,824	-	-	-	-	-	-	-	-	
Cumulative payments to-date		118,861,824	95,300,282	184,905,765	179,730,371	143,820,702	133,152,428	162,261,601	114,628,952	74,700,044	1,207,361,969
Gross general insurance contract liabilities per Balance Sheet	*13(i)*	**2,905,077**	**19,130,591**	**7,485,346**	**11,512,469**	**21,764,332**	**18,879,959**	**35,328,957**	**44,176,785**	**133,236,290**	**294,419,806**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 32(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date (cont'd.):

Net General Insurance Contract Liabilities For 2011:

Accident year	Note	Before 2004 RM	2004 RM	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM	2010 RM	2011 RM	Total RM
At the end of accident year		88,268,662	44,316,239	42,950,455	52,870,341	56,538,998	59,617,554	75,515,734	81,247,277	158,310,475	
One year later		106,744,348	45,009,099	46,405,849	54,456,732	59,095,799	63,222,472	80,520,772	119,859,290	-	
Two years later		108,085,931	44,977,799	45,443,866	53,163,771	58,090,638	62,359,163	131,677,937	-	-	
Three years later		108,925,791	44,087,297	44,633,876	52,561,513	57,686,697	111,099,506	-	-	-	
Four years later		108,146,048	43,169,650	43,492,872	52,135,355	116,803,691	-	-	-	-	
Five years later		106,822,487	42,128,886	43,115,162	136,509,165	-	-	-	-	-	
Six years later		103,834,492	41,309,973	108,616,209	-	-	-	-	-	-	
Seven years later		103,599,653	47,959,583	-	-	-	-	-	-	-	
Eight years later		103,417,493	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		103,417,493	47,959,583	108,616,209	136,509,165	116,803,691	111,099,506	131,677,937	119,859,290	158,310,475	1,034,253,349
At the end of accident year		28,884,348	18,238,913	19,456,409	24,010,481	26,172,894	29,149,191	40,625,670	43,780,170	56,205,736	
One year later		53,131,119	31,983,506	34,995,320	41,808,971	46,788,541	50,786,581	63,790,870	91,629,441	-	
Two years later		57,471,202	35,938,921	38,052,449	45,304,496	50,849,633	54,923,512	107,046,237	-	-	
Three years later		60,225,790	37,985,671	39,397,249	47,123,639	51,980,807	95,781,935	-	-	-	
Four years later		61,950,724	38,937,796	40,425,824	47,822,258	104,487,328	-	-	-	-	
Five years later		62,601,372	39,725,973	40,670,337	126,479,206	-	-	-	-	-	
Six years later		62,924,918	40,126,537	105,103,241	-	-	-	-	-	-	
Seven years later		63,756,161	40,181,523	-	-	-	-	-	-	-	
Eight years later		102,653,169	-	-	-	-	-	-	-	-	
Cumulative payments to-date		102,653,169	40,181,523	105,103,241	126,479,206	104,487,328	95,781,935	107,046,237	91,629,441	56,205,736	829,567,816
Net general insurance contract liabilities per Balance Sheet	*13(i)*	**764,324**	**7,778,060**	**3,512,968**	**10,029,959**	**12,316,363**	**15,317,571**	**24,631,700**	**28,229,849**	**102,104,739**	**204,685,533**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 32(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date (cont'd.):

Gross General Insurance Contract Liabilities For 2010:

Accident year	Note	Before 2004 RM	2004 RM	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM	2010 RM	Total RM
At the end of accident year		137,899,440	100,271,803	102,872,711	87,970,693	96,119,627	84,319,887	127,455,539	134,592,196	
One year later		132,333,049	98,230,516	121,001,931	95,703,643	105,389,251	89,851,605	134,536,325	-	
Two years later		131,188,455	104,250,252	117,105,470	93,555,762	97,435,731	89,296,407	-	-	
Three years later		129,740,091	102,872,027	115,422,359	92,069,771	96,701,967	-	-	-	
Four years later		127,665,288	101,202,830	112,851,670	92,415,228	-	-	-	-	
Five years later		125,578,913	99,879,740	112,481,954	-	-	-	-	-	
Six years later		121,342,756	99,082,709	-	-	-	-	-	-	
Seven years later		121,987,389	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		121,987,389	99,082,709	112,481,954	92,415,228	96,701,967	89,296,407	134,536,325	134,592,196	881,094,175
At the end of accident year		45,784,764	29,204,527	37,503,253	36,323,467	37,847,447	35,273,501	55,111,531	53,484,789	
One year later		98,452,673	66,590,980	94,485,424	70,367,252	70,186,313	70,726,209	96,821,183	-	
Two years later		106,803,417	88,050,963	98,684,155	78,851,737	77,835,611	77,849,031	-	-	
Three years later		111,110,198	91,448,395	100,514,618	82,081,863	79,388,324	-	-	-	
Four years later		113,428,560	92,548,332	103,902,072	83,330,591	-	-	-	-	
Five years later		115,723,437	93,761,936	104,454,239	-	-	-	-	-	
Six years later		116,319,456	95,121,021	-	-	-	-	-	-	
Seven years later		119,582,573	-	-	-	-	-	-	-	
Cumulative payments to-date		119,582,573	95,121,021	104,454,239	83,330,591	79,388,324	77,849,031	96,821,183	53,484,789	710,031,751
Gross general insurance contract liabilities per Balance Sheet	13(i)	2,404,816	3,961,688	8,027,715	9,084,637	17,313,643	11,447,376	37,715,142	81,107,407	171,062,424

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 32(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date (cont'd.):

Net General Insurance Contract Liabilities For 2010:

Accident year	Note	Before 2004 RM	2004 RM	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM	2010 RM	Total RM
At the end of accident year		132,726,232	44,316,239	42,950,455	52,870,341	56,538,998	59,617,554	75,515,734	96,102,037	
One year later		139,312,745	45,009,099	46,405,849	54,456,732	59,095,799	63,222,472	80,520,772	-	
Two years later		137,336,607	44,977,799	45,443,866	53,163,771	58,090,638	62,359,163	-	-	
Three years later		135,702,585	44,087,297	44,633,876	52,561,513	57,686,697	-	-	-	
Four years later		133,456,747	43,169,650	43,492,872	52,135,355	-	-	-	-	
Five years later		129,690,660	42,128,886	43,115,162	-	-	-	-	-	
Six years later		122,277,458	41,309,973	-	-	-	-	-	-	
Seven years later		119,911,230	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		119,911,230	41,309,973	43,115,162	52,135,355	57,686,697	62,359,163	80,520,772	96,102,037	553,140,389
At the end of accident year		53,607,208	18,238,913	19,456,409	24,010,481	26,172,894	29,149,191	40,625,670	43,780,170	
One year later		100,232,678	31,983,506	34,995,320	41,808,971	46,788,541	50,786,581	63,790,870	-	
Two years later		107,638,227	35,938,921	38,052,449	45,304,496	50,849,633	54,923,512	-	-	
Three years later		112,099,839	37,985,671	39,397,249	47,123,639	51,980,807	-	-	-	
Four years later		114,708,937	38,937,796	40,425,824	47,822,258	-	-	-	-	
Five years later		116,197,463	39,725,973	40,670,337	-	-	-	-	-	
Six years later		116,782,385	40,126,537	-	-	-	-	-	-	
Seven years later		118,497,193	-	-	-	-	-	-	-	
Cumulative payments to-date		118,497,193	40,126,537	40,670,337	47,822,258	51,980,807	54,923,512	63,790,870	43,780,170	461,591,684
Net general insurance contract liabilities per Balance Sheet	13(i)	1,414,037	1,183,436	2,444,825	4,313,097	5,705,890	7,435,651	16,729,902	52,321,867	91,548,705

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk

Market risk arises when the market value of assets fluctuates according to market conditions. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future investment earnings of the insurance operations as well as shareholder's equity.

The Company is exposed to market risk in the Shareholder's Fund and the General Insurance Fund. The ALC actively manages market risk through monitoring of the investment policy, asset allocation, portfolio construction and risk measurement. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risks resulting from changes in interest rates and currency exchange rates, volatility in equity price, as well as other risks like credit and liquidity risks are briefly described as follows:

(i) Interest Rate Risk

The Company is exposed to interest rate risk through investments in fixed income instruments in both the Shareholder's Fund and the General Insurance Fund. Since the Shareholder's Fund has exposure to investments in fixed income instruments but no exposure to insurance policies liabilities, it will incur an economic loss when interest rates rise.

(ii) Foreign Currency Risk

Investments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. Most of the foreign currency risk comes from the Company's investments in Singapore, which are long-term in nature with good dividends on purchase cost. The percentage exposure is small.

The table on the following page summarises the assets and liabilities position by major currency as at the reporting date, which are mainly in Ringgit Malaysia and Singapore Dollars.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(ii) Foreign Currency Risk (cont'd.)

Table 32(B1): The table below shows the foreign exchange position of the Company's assets and liabilities by major currencies:

	RM RM	Total RM
31 December 2012		
Assets		
Property and equipment	17,731,924	17,731,924
Goodwill	18,182,598	18,182,598
Investments	565,587,458	565,587,458
Malaysian government securities	179,155,238	179,155,238
Debt securities	337,485,665	337,485,665
Equity securities	13,467,774	13,467,774
Unit and property trust funds	5,048,285	5,048,285
Financial instruments with embedded derivative	20,246,786	20,246,786
Loans	1,833,710	1,833,710
Deposits with financial institutions	8,350,000	8,350,000
Reinsurance assets	134,762,150	134,762,150
Insurance receivables	36,710,971	36,710,971
Other receivables	41,618,821	41,618,821
Cash and bank balances	27,934,457	27,934,457
Assets held for sale	7,601,528	7,601,528
Total Assets	**850,129,907**	**850,129,907**
Liabilities		
Insurance contract liabilities	444,479,048	444,479,048
Deferred tax liabilities	4,064,027	4,064,027
Deposits from reinsurers	1,088,922	1,088,922
Insurance payables	35,951,937	35,951,937
Provision for taxation	13,893,162	13,893,162
Other payables	44,990,250	44,990,250
Total Liabilities	**544,467,346**	**544,467,346**

There is no foreign exchange exposure for the Company at the end of the current financial year.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(ii) Foreign Currency Risk (cont'd.)

Table 32(B1): The table below shows the foreign exchange position of the Company's financial assets and liabilities by major currencies (cont'd.):

	RM RM	SGD RM	Total RM
31 December 2011			
Assets			
Property and equipment	17,290,907		17,290,907
Investment properties	12,251,528	-	12,251,528
Goodwill	18,182,598	-	18,182,598
Investments	513,865,735	5,402,753	519,268,488
Malaysian government securities	138,214,848	-	138,214,848
Debt securities	313,532,200	-	313,532,200
Equity securities	10,556,151	5,402,753	15,958,904
Unit and property trust funds	3,534,633	-	3,534,633
Financial instruments with embedded derivative	440,533	-	440,533
Loans	9,857,370	-	9,857,370
Deposits with financial institutions	37,730,000	-	37,730,000
Reinsurance assets	130,747,758	-	130,747,758
Insurance receivables	37,639,215	-	37,639,215
Other receivables	40,434,206	-	40,434,206
Cash and bank balances	31,832,888	-	31,832,888
Assets held for sale	10,900,000	-	10,900,000
Total Assets	**813,144,835**	**5,402,753**	**818,547,588**
Liabilities			
Insurance contract liabilities	439,243,287	-	439,243,287
Deferred tax liabilities	3,078,560	-	3,078,560
Deposits from reinsurers	1,266,066	-	1,266,066
Insurance payables	31,579,768	-	31,579,768
Provision for taxation	15,892,105	-	15,892,105
Other payables	44,951,825	-	44,951,825
Total Liabilities	**536,011,611**	**-**	**536,011,611**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(ii) Foreign Currency Risk (cont'd.)

Table 32(B1): The table below shows the foreign exchange position of the Company's financial assets and liabilities by major currencies (cont'd.):

	RM RM	SGD RM	Total RM
1 January 2011			
Assets			
Property and equipment	1,356,111	-	1,356,111
Investments	421,232,252	5,470,292	426,702,544
Malaysian government securities	139,204,207	-	139,204,207
Debt securities	216,724,249	-	216,724,249
Equity securities	11,351,897	5,470,292	16,822,189
Unit and property trust funds	2,212,363	-	2,212,363
Financial instruments with embedded derivative	53,560	-	53,560
Loans	10,527,976	-	10,527,976
Deposits with financial institutions	41,158,000	-	41,158,000
Reinsurance assets	115,296,216	-	115,296,216
Insurance receivables	22,433,692	-	22,433,692
Other receivables	35,223,541	-	35,223,541
Cash and bank balances	12,956,464	-	12,956,464
Total Assets	**608,498,276**	**5,470,292**	**613,968,568**
Liabilities			
Insurance contract liabilities	280,422,514	-	280,422,514
Deferred tax liabilities	3,613,105	-	3,613,105
Deposits from reinsurers	898,431	-	898,431
Insurance payables	22,571,806	-	22,571,806
Provision for taxation	10,332,801	-	10,332,801
Other payables	67,669,787	-	67,669,787
Total Liabilities	**385,508,444**	**-**	**385,508,444**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(iii) Equity Price Risk

The Company is exposed to equity price risk. Asset exposure exists through direct equity investment, where the Company through its investments in the Shareholder's Fund and General Insurance Fund, bears all or most of the volatility in returns and investment performance risk.

(iv) Credit Spread Risk

Exposure to credit spread risk exists in the Company's investments in bonds. Credit spread is the difference between the corporate yields against risk-free rate of the same tenure. When spreads widen, it generally implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in values of the Company's bond portfolio.

(v) Alternative Investment Risk

The Company is exposed to alternative investment risk through the investments in direct real estate that it owns through real estate and infrastructure. Due to the special nature of this risk, every property deal is reviewed by the BRC regardless of its value, but subject to the approval by the Board. The ALC assists in deliberating matters relating to property, including real estate guidelines, risk management, performance, expenditure, operations and facilities management.

(vi) Commodity Risk

The Company does not have any direct exposure to commodity risk.

(vii) Cash Flow And Liquidity Risk

Cash flow and liquidity risk arises when a company is unable to meet its obligations at reasonable cost when required to do so. This typically happens when the investments in the portfolio are illiquid. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times.

The Company is exposed to liquidity risk from its insurance contract liabilities when actual claims development deviates from estimated claim liabilities. This is mitigated to some extent through the Company's periodic liability adequacy tests.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(vii) Cash Flow And Liquidity Risk (cont'd.)

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring.

Maturity Profiles

Table 32(C1): The following tables show the maturity profile of the company's financial and insurance liabilities and the expected recovery or settlement of financial and insurance assets based on contractual undiscounted cash flow basis:

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

	Carrying value RM	Less than 1 year RM	Over 1-5 years RM	Over 5 years RM	No maturity date RM	Total RM
31 December 2012						
Investments:						
LAR	10,183,710	8,493,493	1,326,557	368,370	-	10,188,420
AFS	535,156,962	55,163,229	248,280,075	383,342,263	18,516,059	705,301,626
FVTPL	20,246,786	1,040,000	13,945,925	10,466,502	452,202	25,904,629
Reinsurance assets	134,762,150	131,206,034	(1,010,357)	(242,432)	4,808,906	134,762,150
Insurance receivables	36,710,971	36,710,971	-	-	-	36,710,971
Other receivables	41,618,821	41,618,821	-	-	-	41,618,821
Cash and bank balances	27,934,457	27,934,457	-	-	-	27,934,457
Total Financial Assets	**806,613,857**	**302,167,005**	**262,542,200**	**393,934,703**	**23,777,167**	**982,421,074**
Insurance contract liabilities	444,479,048	392,761,643	(8,643,914)	(148,518)	60,509,837	444,479,048
Deposits from reinsurers	1,088,922	1,088,922	-	-	-	1,088,922
Insurance payables	35,951,937	35,951,937	-	-	-	35,951,937
Other payables	44,990,250	44,990,250	-	-	-	44,990,250
Total Financial Liabilities	**526,510,157**	**474,792,752**	**(8,643,914)**	**(148,518)**	**60,509,837**	**526,510,157**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(vii) Cash Flow And Liquidity Risk (cont'd.)

Maturity Profiles (cont'd.)

Table 32(C1): The following tables show the maturity profile of the company's financial and insurance liabilities and the expected recovery or settlement of financial and insurance assets based on contractual undiscounted cash flow basis (cont'd.):

	Carrying value RM	Less than 1 year RM	Over 1-5 years RM	Over 5 years RM	No maturity date RM	Total RM
31 December 2011						
Investments:						
LAR	47,587,370	38,935,484	5,436,579	6,039,371	-	50,411,434
AFS	471,240,585	49,671,368	224,544,064	327,572,535	19,493,537	621,281,504
FVTPL	440,533	-	-	-	440,533	440,533
Reinsurance assets	130,747,758	127,266,654	34,675	471,197	2,975,232	130,747,758
Insurance receivables	37,639,215	37,639,215	-	-	-	37,639,215
Other receivables	40,434,206	40,434,206	-	-	-	40,434,206
Cash and bank balances	31,832,888	31,832,888	-	-	-	31,832,888
Total Financial Assets	**759,922,555**	**325,779,815**	**230,015,318**	**334,083,103**	**22,909,302**	**912,787,538**
Insurance contract liabilities	439,243,287	353,168,028	27,435,063	721,781	57,918,415	439,243,287
Deposits from reinsurers	1,266,066	1,266,066	-	-	-	1,266,066
Insurance payables	31,579,768	31,579,768	-	-	-	31,579,768
Other payables	44,951,825	44,951,825	-	-	-	44,951,825
Total Financial Liabilities	**517,040,946**	**430,965,687**	**27,435,063**	**721,781**	**57,918,415**	**517,040,946**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(vii) Cash Flow And Liquidity Risk (cont'd.)

Maturity Profiles (cont'd.)

Table 32(C1): The following tables show the maturity profile of the company's financial and insurance liabilities and the expected recovery or settlement of financial and insurance assets based on contractual undiscounted cash flow basis (cont'd.):

	Carrying value RM	Less than 1 year RM	Over 1-5 years RM	Over 5 years RM	No maturity date RM	Total RM
1 January 2011						
Investments:						
LAR	51,685,976	41,176,870	903,547	9,605,559	-	51,685,976
AFS	374,963,008	52,471,850	155,078,408	237,133,371	19,034,552	463,718,181
FVTPL	53,560	-	-	-	53,560	53,560
Reinsurance assets	115,296,216	72,528,299	39,959,413	2,808,504	-	115,296,216
Insurance receivables	22,433,692	22,433,692	-	-	-	22,433,692
Other receivables	35,223,541	35,223,541	-	-	-	35,223,541
Cash and bank balances	12,956,464	12,956,464	-	-	-	12,956,464
Total Financial Assets	**612,612,457**	**236,790,716**	**195,941,368**	**249,547,434**	**19,088,112**	**701,367,630**
Insurance contract liabilities	280,422,514	187,446,455	86,933,963	6,042,096	-	280,422,514
Deposits from reinsurers	898,431	898,431	-	-	-	898,431
Insurance payables	22,571,806	22,571,806	-	-	-	22,571,806
Other payables	67,669,787	67,669,787	-	-	-	67,669,787
Total Financial Liabilities	**371,562,538**	**278,586,479**	**86,933,963**	**6,042,096**	**-**	**371,562,538**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(vii) Cash Flow And Liquidity Risk (cont'd.)

Table 32(C2): The following table shows the current/non current classification of assets and liabilities:

	Current* RM	Non-Current RM	Total RM
31 December 2012			
Assets			
Property and equipment	-	17,731,924	17,731,924
Goodwill	-	18,182,598	18,182,598
Investments:			
LAR	8,488,775	1,694,935	10,183,710
AFS	51,917,336	483,239,626	535,156,962
FVTPL	452,202	19,794,584	20,246,786
Reinsurance assets	131,206,034	3,556,116	134,762,150
Insurance receivables	36,710,971	-	36,710,971
Other receivables	41,618,821	-	41,618,821
Cash and bank balances	27,934,457	-	27,934,457
Assets held for sale	7,601,528	-	7,601,528
Total Assets	305,930,124	544,199,783	850,129,907
Liabilities			
Insurance contract liabilities	(392,761,643)	(51,717,405)	(444,479,048)
Deferred tax liabilities	-	(4,064,027)	(4,064,027)
Deposits from reinsurers	(1,088,922)	-	(1,088,922)
Insurance payables	(35,951,937)	-	(35,951,937)
Provision for taxation	(13,893,162)	-	(13,893,162)
Other payables	(44,990,250)	-	(44,990,250)
Total Liabilities	(488,685,914)	(55,781,432)	(544,467,346)
	(182,755,790)	**488,418,351**	**305,662,561**

* *Expected utilisation or settlement within 12 months from the Balance Sheet date.*

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(vii) Cash Flow And Liquidity Risk (cont'd.)

Table 32(C2): The following table shows the current/non current classification of assets and liabilities (cont'd.):

	Current* RM	Non-Current RM	Total RM
31 December 2011			
Assets			
Property and equipment	-	17,290,907	17,290,907
Investment properties	-	12,251,528	12,251,528
Goodwill	-	18,182,598	18,182,598
Investments:			
LAR	38,409,524	9,177,846	47,587,370
AFS	48,472,290	422,768,295	471,240,585
FVTPL	440,533	-	440,533
Reinsurance assets	127,266,654	3,481,104	130,747,758
Insurance receivables	37,639,215	-	37,639,215
Other receivables	40,434,206	-	40,434,206
Cash and bank balances	31,832,888	-	31,832,888
Assets held for sale	10,900,000	-	10,900,000
Total Assets	335,395,310	483,152,278	818,547,588
Liabilities			
Insurance contract liabilities	(353,168,028)	(86,075,259)	(439,243,287)
Deferred tax liabilities	-	(3,078,560)	(3,078,560)
Deposits from reinsurers	(1,266,066)	-	(1,266,066)
Insurance payables	(31,579,768)	-	(31,579,768)
Provision for taxation	(15,892,105)	-	(15,892,105)
Other payables	(44,951,825)	-	(44,951,825)
Total Liabilities	(446,857,792)	(89,153,819)	(536,011,611)
	(111,462,482)	**393,998,459**	**282,535,977**

* *Expected utilisation or settlement within 12 months from the Balance Sheet date.*

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(vii) Cash Flow And Liquidity Risk (cont'd.)

Table 32(C2): The following table shows the current/non current classification of assets and liabilities (cont'd.):

	Current* RM	Non-Current RM	Total RM
1 January 2011			
Assets			
Property and equipment	-	1,356,111	1,356,111
Investment properties	-	-	-
Goodwill	-	-	-
Investments:			
LAR	41,176,870	10,509,106	51,685,976
AFS	69,985,540	304,977,468	374,963,008
FVTPL	53,560	-	53,560
Reinsurance assets	72,528,299	42,767,917	115,296,216
Insurance receivables	22,433,692	-	22,433,692
Other receivables	35,223,541	-	35,223,541
Cash and bank balances	12,956,464	-	12,956,464
Total Assets	254,357,966	359,610,602	613,968,568
Liabilities			
Insurance contract liabilities	(187,446,455)	(92,976,059)	(280,422,514)
Deferred tax liabilities	-	(3,613,105)	(3,613,105)
Deposits from reinsurers	(898,431)	-	(898,431)
Insurance payables	(22,571,806)	-	(22,571,806)
Provision for taxation	(10,332,801)	-	(10,332,801)
Other payables	(67,669,787)	-	(67,669,787)
Total Liabilities	(288,919,280)	(96,589,164)	(385,508,444)
	(34,561,314)	**263,021,438**	**228,460,124**

* *Expected utilisation or settlement within 12 months from the Balance Sheet date.*

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(viii) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Company is exposed to credit risk through (i) investments in bonds, and exposure to counterparties in reinsurance contracts and money market placements. For all three types of exposures, financial loss may materialise as a result of credit default by the borrower or counterparty. For investment in bonds, financial loss may materialise as a result of the widening credit spread or downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the Credit Risk Committee ("CRC"), which in turn reports to the ALC. The Company has internal limits by issuer or counterparty and by credit ratings. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information. (refer to Tables 33(D1), (D2) and (D3)).

Reinsurance is placed with counterparties that have good ratings and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(viii) Credit Risk (cont'd.)

Credit Exposure

Table 32(D1): The table below shows the maximum exposure to credit risk for the components of the balance sheet and items such as future commitments by funds.

	Insurance Fund RM	Shareholder's Fund RM	Total RM
31 December 2012			
LAR:			
Loans	1,833,710	-	1,833,710
Fixed and call deposits	4,490,000	3,860,000	8,350,000
AFS financial assets:			
Malaysian government securities	171,106,198	8,049,040	179,155,238
Debt securities	278,141,053	59,344,612	337,485,665
Equity securities	13,467,774	-	13,467,774
Unit and property trust funds	5,048,285	-	5,048,285
FVTPL:			
Financial instruments with embedded derivatives	18,251,173	1,995,613	20,246,786
Reinsurance assets	134,762,150	-	134,762,150
Insurance receivables	36,710,971	-	36,710,971
Other receivables	40,983,950	634,871	41,618,821
Cash and bank balances	27,415,096	519,361	27,934,457
	732,210,360	**74,403,497**	**806,613,857**
31 December 2011			
LAR:			
Loans	7,519,770	2,337,600	9,857,370
Fixed and call deposits	35,300,000	2,430,000	37,730,000
AFS financial assets:			
Malaysian government securities	123,643,648	14,571,200	138,214,848
Debt securities	261,929,420	51,602,780	313,532,200
Equity securities	15,958,904	-	15,958,904
Unit and property trust funds	3,534,633	-	3,534,633
FVTPL:			
Financial instruments with embedded derivatives	440,533	-	440,533
Reinsurance assets	130,747,758	-	130,747,758
Insurance receivables	37,639,215	-	37,639,215
Other receivables	39,767,105	667,101	40,434,206
Cash and bank balances	31,657,849	175,039	31,832,888
	688,138,835	**71,783,720**	**759,922,555**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(viii) Credit Risk (cont'd.)

Credit Exposure (cont'd.)

Table 32(D1): The table below shows the maximum exposure to credit risk for the components of the balance sheet and items such as future commitments by funds (cont'd.).

	Insurance Fund RM	Shareholder's Fund RM	Total RM
1 January 2011			
LAR:			
Loans	7,999,576	2,528,400	10,527,976
Fixed and call deposits	40,248,000	910,000	41,158,000
AFS financial assets:			
Malaysian government securities	111,684,233	27,519,974	139,204,207
Debt securities	175,837,761	40,886,488	216,724,249
Equity securities	16,822,189	-	16,822,189
Unit and property trust funds	2,212,363	-	2,212,363
FVTPL:			
Financial instruments with embedded derivatives	53,560	-	53,560
Reinsurance assets	115,296,216	-	115,296,216
Insurance receivables	22,433,692	-	22,433,692
Other receivables	34,814,709	408,832	35,223,541
Cash and bank balances	12,822,165	134,299	12,956,464
	540,224,464	**72,387,993**	**612,612,457**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(vii) Credit Risk (cont'd.)

Credit Exposure (cont'd.)

Credit Exposure By Credit Rating

Table 32(D2): The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties:

	Neither past-due nor impaired					
	Investment grade* (BBB - AAA) RM	Non-investment grade* (C to BB) RM	Not rated RM	Not subject to credit risk RM	Past-due** RM	Total RM
31 December 2012						
LAR:						
Loans	-	-	1,833,710	-	-	1,833,710
Fixed and call deposits	8,350,000	-	-	-	-	8,350,000
AFS financial investments:						
Malaysian government securities	179,155,238	-	-	-	-	179,155,238
Debt securities	332,016,826	-	5,468,839	-	-	337,485,665
Equity securities	-	-	-	13,467,774	-	13,467,774
Unit and property trust funds	-	-	-	5,048,285	-	5,048,285
FVTPL:						
Financial instruments with embedded derivative	19,794,584	-	-	452,202	-	20,246,786
Reinsurance assets	67,009,553	117,521	67,635,076	-	-	134,762,150
Insurance receivable	116,102	-	13,613,325	-	22,981,544	36,710,971
Other receivables	-	-	41,618,821	-	-	41,618,821
Cash and bank balances	-	-	27,934,457	-	-	27,934,457
	606,442,303	**117,521**	**158,104,228**	**18,968,261**	**22,981,544**	**806,613,857**

* *Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.*

** *An aging analysis for financial assets past due is provided on page 125.*

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(vii) Credit Risk (cont'd.)

Credit Exposure (cont'd.)

Credit Exposure By Credit Rating (cont'd.)

Table 32(D2): The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties (cont'd.):

	Neither past-due nor impaired					
	Investment grade* (BBB - AAA) RM	Non-investment grade* (C to BB) RM	Not rated RM	Not subject to credit risk RM	Past-due** RM	Total RM
31 December 2011						
LAR:						
Loans	-	-	9,857,370	-	-	9,857,370
Fixed and call deposits	37,730,000	-	-	-	-	37,730,000
AFS financial investments:						
Malaysian government securities	138,214,848	-	-	-	-	138,214,848
Debt securities	302,760,379	-	10,771,821	-	-	313,532,200
Equity securities	-	-	-	15,958,904	-	15,958,904
Unit and property trust funds	-	-	-	3,534,633	-	3,534,633
FVTPL:						
Financial instruments with embedded derivative	-	-	-	440,533	-	440,533
Reinsurance assets	67,972,926	10,186	62,764,646	-	-	130,747,758
Insurance receivable	-	-	15,410,096	-	22,229,119	37,639,215
Other receivables	-	-	40,434,206	-	-	40,434,206
Cash and bank balances	-	-	31,832,888	-	-	31,832,888
	546,678,153	**10,186**	**171,071,027**	**19,934,070**	**22,229,119**	**759,922,555**

* *Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.*

** *An aging analysis for financial assets past due is provided on page 125.*

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(vii) Credit Risk (cont'd.)

Credit Exposure (cont'd.)

Credit Exposure By Credit Rating (cont'd.)

Table 32(D2): The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties (cont'd.):

	Neither past-due nor impaired					
	Investment grade* (BBB - AAA) RM	Non-investment grade* (C to BB) RM	Not rated RM	Not subject to credit risk RM	Past-due** RM	Total RM
1 January 2011						
LAR:						
Loans	-	-	10,527,976	-	-	10,527,976
Fixed and call deposits	41,158,000	-	-	-	-	41,158,000
AFS financial investments:						
Malaysian government securities	139,204,207	-	-	-	-	139,204,207
Debt securities	216,576,259	-	147,990	-	-	216,724,249
Equity securities	-	-	-	16,822,189	-	16,822,189
Unit and property trust funds	-	-	-	2,212,363	-	2,212,363
FVTPL:						
Financial instruments with embedded derivative	-	-	-	53,560	-	53,560
Reinsurance assets	59,940,004	8,982	55,347,230	-	-	115,296,216
Insurance receivable	-	-	8,591,533	-	13,842,159	22,433,692
Other receivables	-	-	35,223,541	-	-	35,223,541
Cash and bank balances	-	-	12,956,464	-	-	12,956,464
	456,878,470	**8,982**	**122,794,734**	**19,088,112**	**13,842,159**	**612,612,457**

* *Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.*

** *An aging analysis for financial assets past due is provided on page 125.*

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(vii) Credit Risk (cont'd.)

Credit Exposure (cont'd.)

Credit Exposure By Credit Rating

Table 32(D3): The table below provides aging analysis of financial assets that are past due at the balance sheet date:

Aging Analysis of financial assets past due:

	Past-due but not impaired							
	<30 days RM	31 to 60 days RM	61 to 90 days RM	91 to 180 days RM	more than 180 days RM	Total RM	Past due and impaired RM	Total RM
31 December 2012								
Insurance Receivables	4,518,565	4,385,698	5,285,985	5,373,969	3,417,327	22,981,544	25,530,292	48,511,836
31 December 2011								
Insurance Receivables	2,625,649	3,817,258	5,394,652	5,861,891	4,529,669	22,229,119	26,390,800	48,619,919
1 January 2011								
Insurance Receivables	1,736,716	2,833,305	4,353,786	3,416,798	1,501,554	13,842,159	502,199	14,344,358

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(ix) Concentration Risk

An important element of managing both market and credit risk is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage this risk. These limits are reviewed on a regular basis by the ALC.

(x) Sensitivity Analysis On Financial Risks

The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, these variables have to be changed on an individual basis. It should be noted that the movements in these variables are non-linear.

The impact on net profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on net profit after taxation and the effect on changes in fair value of financial assets held in Shareholder's Fund.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(x) Sensitivity Analysis On Financial Risks (cont'd.)

The table below shows the market risk sensitivity analysis:

	Changes in variable	31 December 2012		31 December 2011		1 January 2011	
		Impact on profit after taxation RM'000	Impact on equity* RM'000	Impact on profit after taxation RM'000	Impact on equity* RM'000	Impact on profit after taxation RM'000	Impact on equity* RM'000
Equity (STI)	+20%	-	-	-	810	-	821
	-20%	-	-	-	(810)	-	(821)
Equity (KLCI)	+20%	151	2,302	-	3,258	-	1,912
	-20%	(151)	(2,302)	-	(3,258)	-	(1,912)
Alternative investment	+10%	-	1,842	267	267	166	166
	-10%	-	(1,842)	(267)	(267)	(166)	(166)
Foreign currency	+5%	-	-	203	203	410	410
	-5%	-	-	(203)	(203)	(410)	(410)
Interest rate	Yield curve +100 bps	(19,899)	(23,340)	(13,243)	(16,164)	(9,335)	(11,739)
	Yield curve -100 bps	19,899	23,340	13,243	16,164	9,335	11,739
Credit spread	Spread +100 bps	(10,186)	(12,451)	(7,246)	(9,398)	(3,976)	(5,436)
	Spread -100 bps	10,186	12,451	7,246	9,398	3,976	5,436

** The impact on equity reflects the after tax impact, when applicable.*

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

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risk (cont'd.)

(xi) Operational And Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company's objectives, via legal or regulatory sanctions or financial losses, as a result of its failure to comply with applicable laws, regulations, rules and standards, which are defined as:

- Laws, regulations and rules governing insurance business and financial activities undertaken by the Company;
- Codes of practice promoted by industry associations;
- Internal standards and guidelines.

The day-to-day management of operational and compliance risk is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors operational and compliance issues at its monthly meetings. The Internal Audit team reviews the systems of internal control to assess their effectiveness and continued relevance, and report at least quarterly to the Audit Committee. As an added measure, the newly established risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from operational risk.

Fair Values Of Financial Assets And Liabilities

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Fair Values Of Financial Assets And Liabilities (cont'd.)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Quoted market price (Level 1) RM	Valuation technique using observable inputs (Level 2) RM	Total RM
31 December 2012			
Financial Assets			
AFS financial assets:			
Malaysian government securities	-	179,155,238	179,155,238
Debt securities	162,789	337,322,876	337,485,665
Equity securities	13,467,774	-	13,467,774
Unit and property trust funds	5,048,285	-	5,048,285
FVTPL financial assets:			
Financial instruments with embedded derivatives	452,202	19,794,584	20,246,786
	19,131,050	**536,272,698**	**555,403,748**
31 December 2011			
Financial Assets			
AFS financial assets:			
Malaysian government securities	-	138,214,848	138,214,848
Debt securities	140,591	313,391,609	313,532,200
Equity securities	15,958,904	-	15,958,904
Unit and property trust funds	3,534,633	-	3,534,633
FVTPL financial assets:			
Financial instruments with embedded derivatives	440,533	-	440,533
	20,074,661	**451,606,457**	**471,681,118**

32. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Fair Values Of Financial Assets And Liabilities (cont'd.)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy (cont'd.):

	Quoted market price (Level 1) RM	Valuation technique using observable inputs (Level 2) RM	Total RM
1 January 2011			
Financial Assets			
AFS financial assets:			
Malaysian government securities			
Debt securities	-	139,204,207	139,204,207
Equity securities	458,290	216,265,959	216,724,249
Unit and property trust funds	16,822,189	-	16,822,189
	2,212,363	-	2,212,363
FVTPL financial assets:			
Financial instruments with embedded derivatives	53,560	-	53,560
	19,546,402	**355,470,166**	**375,016,568**

Valuation Techniques

The following is a description of the method by which the fair values of financial instruments which are recorded at fair value are determined using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments:

AFS/FVTPL Financial Assets

The fair value of equity financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets at the close of business on the balance sheet date.

For investment in quoted unit and real estate investment trusts, fair values are determined by reference to published net asset values.

For financial instruments where there is no active market such as unquoted fixed income securities, the estimated fair value are based on the average prices obtained from three Banks which are principal dealers.

33. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2012, as prescribed under the Risk Based Capital Framework is provided below:

	2012 RM	2011 RM
Eligible Tier 1 Capital:		
Share capital (paid up)	100,000,000	100,000,000
Reserves, including retained earnings	194,289,137	170,627,536
	294,289,137	270,627,536
Tier 2 Capital:		
Eligible Reserves	11,373,424	11,908,441
Total Capital Available	**305,662,561**	**282,535,977**

34. BUSINESS COMBINATION

On 1 January 2011, the Company completed the acquisition of certain assets and liabilities of the general insurance business of Tahan for a cash consideration of RM15,000,000, subject to any adjustments to be made to the value of the assets and liabilities at the finalisation of the acquisition.

The details of the acquisition are shown below:

	RM
Purchase Consideration:	
- Cash consideration paid	15,000,000
- Amount receivable from Tahan (Note 9)	(6,721,890)
- Net liabilities acquired	9,904,488
Goodwill (Note 5)	**18,182,598**

Details of net assets acquired on 1 January 2011 were as follows:

	Carrying value RM	Fair value RM
Assets		
Property, plant and equipment (Note 3)	13,126,814	13,126,814
Investment properties (Note 4)	22,363,445	22,470,000
Investments (Note 6)	84,707,912	84,996,812
Reinsurance assets	27,719,959	27,719,959
Insurance receivables	8,469,268	8,469,268
Other receivables	12,398,025	12,398,025
Cash and bank balances	39,278,848	39,278,848
Total Assets	**208,064,271**	**208,459,726**

34. BUSINESS COMBINATION (CONT'D.)

	Carrying value RM	Fair value RM
Liabilities		
Insurance contract liabilities	187,890,481	191,073,079
Insurance payables	7,242,880	7,242,880
Other payables	20,048,255	20,048,255
Total Liabilities	215,181,616	218,364,214
Net Liabilities Acquired	**(7,117,345)**	**(9,904,488)**

Details at cash flows arising from the acquisition were as follows:

	RM
Purchase consideration settled in cash	(15,000,000)
Less: Cash and cash equivalents of business acquired	39,278,848
Net cash inflow of the Company on acquisition	**24,278,848**

In order to ascertain the adequacy of the claim liabilities of Tahan, especially the Incurred But Not Reported ("IBNR") claims reserve as at 31 December 2010, both parties (i.e. Tahan and the Company) to the transaction appointed independent professional actuaries to provide an estimate of the total claim liabilities, using the same data. Upon completion of this exercise, different views arose on the value to be ascribed to the IBNR component of total claim liabilities. The Company's independent professional actuary estimated the value of the IBNR claims of Tahan as at 31 December 2010 to be approximately RM46.5 million, which was higher than the value estimated by Tahan, and which has been used as the basis for determining the value of the IBNR claim liabilities as of the acquisition date.

On 29 December 2011, via an appointed legal counsel, Tahan brought an action against the Company relating to the above differences in IBNR estimates, by serving an originating summons in the High Court of Malaya in Kuala Lumpur, dated 21 December 2011. In the originating summons, Tahan had made a claim for approximately RM21.8 million plus interest of 8% against the Company.

On 22 February 2012, the High Court of Malaya in Kuala Lumpur had allowed the Company's application for a stay of proceedings and the Company commenced an action through arbitration.

On 7 January 2013, an arbitrator had been appointed by Kuala Lumpur Regional Centre for Arbitration, a preliminary meeting has been scheduled on 27 March 2013 for case management.

The final outcome of the arbitration proceedings may have an impact on the purchase consideration, goodwill and value of acquired assets and liabilities.

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