ANNUAL REPORT 2015

BUILDING CONFIDENCE 信心 & TRUST 信任

Great Eastern
A member of the OCBC Group

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

Overseas Assurance Corporation (Malaysia) Berhad (102249-P)

(Incorporated in Malaysia)

CONTENTS

BOARD OF DIRECTORS

1. Norman Ip Ka Cheung (Chairman)
2. Khor Hock Seng
3. Y Bhg Datuk Kamaruddin bin Taib
4. Y Bhg Dato' Albert Yeoh Beow Tit
5. Y Bhg Dato Koh Yaw Hui
6. Ng Hon Soon

SENIOR MANAGEMENT TEAM

Chief Executive Officer
Ng Kok Kheng

Chief Operations Officer
Lee Pooi Hor

Head, Corporate Distribution
Chong Kah Lay

Head, Claims Management
Goh Ching On

Head, Finance & Administration
Khoo Sook Hooi

COMPANY SECRETARY

Liza Hanim Binti Zainal Abidin

REGISTERED OFFICE

Level 20, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur

AUDITORS

Messrs Ernst & Young

NORMAN IP KA CHEUNG
CHAIRMAN

KHOR HOCK SENG

Y BHG DATUK
KAMARUDDIN BIN TAIB

Y BHG DATO'
ALBERT YEOH BEOW TIT

Y BHG DATO
KOH YAW HUI

NG HON SOON

NG KOK KHENG
Chief Executive Officer

LEE POOI HOR
Chief Operations Officer

CHONG KAH LAY
Head, Corporate Distribution

GOH CHING ON
Head, Claims Management

KHOO SOOK HOOI
Head, Finance & Administration

Ng Kok Kheng
Chief Execuitve Officer

"Our Customers Are Our Top Priority"

We remain committed to ensure customers' interests are protected through innovative insurance solutions. The team at OACM continues to work steadfastly to deliver a high level of customer service excellence.

Dear Valued Shareholders,

It is my pleasure and privilege to present to you Overseas Assurance Corporation (Malaysia) Berhad (OACM) Annual Report for the financial year ended 31 December 2015 (FY2015).

A Resilient Performance

I am pleased to report that OACM turned in a resilient performance on the financial and operational fronts despite the year's challenging operating environment. We achieved RM449 million in Gross Written Premiums, a growth of 9.8%. This performance is all the more noteworthy given that the Malaysian General Insurance industry only registered growth of some 2.5% over the same period.

OACM's fire class maintained its profitability and was our largest portfolio at 27.6%, followed closely by the motor class at 23.1%. Significant growth was also seen in the new car insurance segment, which continued to grow steadily following our penetration into the local franchise dealers market and solidifying our business relationship with them.

Given the impending implementation of de-tariffication for the fire and motor insurance classes, we envisage that the financial viability of insurers will be affected due to strong market competition. During these phases, you can rest assured that the team at OACM will work hard to strengthen our capabilities and resources as well as develop business strategies that will best serve our stakeholders' interests and ensure we maintain our competitive edge.

Enhancements to Operational Efficiency

OACM continues to prioritise enhancements to operational efficiency and a further streamlining of our background processes. This is all the more important given that we aim to deliver a high level of service excellence that meets our customers' requirements and needs.

The year in review, saw us working to better manage the issuance of policies by launching Project REAL (Operations Process Realignment). In line with this initiative, the documentation of policies and claims processing, which was once done at the branch level, have now come under the ambit of the Head Office. This project is helping to improve customer engagement, rationalise manpower at the branches, as well as improve the efficiency of policy issuance and backroom operations.

In today's digital marketplace, the majority of our customers prefer simplicity and ease of access to a hassle free-online platform for policy purchasing. With this in mind, we have enhanced the user interface for our GI eXchange (GIX) portal system for agents by simplifying and shortening the transaction process. Now our agents have a faster and simpler way of conducting purchase transactions for their customers via our GIX portal, particularly for products such as Travel for More, Lady Protector, Classic PA and Easi-Shield.

Launch of a New Product

To meet our clients' needs to have better insurance protection with medical benefit, OACM developed yet another personal accident plan, Easi-Shield, which was launched on 28 August 2015. Some of the key features of this new plan include a renewal bonus of up to a maximum 80%, extensive medical expenses, terrorism extension, double indemnity for accidental death and triple indemnity for total permanent disablement.

Key Corporate Events

OACM Bancassurance & OCBC Business Banking Convention

The year saw our Bancassurance team organising its first overseas convention from 23-25 April 2015 in Phuket. This convention served as an opportunity to recognise the OCBC Business Banking team for their dedication and effort in meeting the sales target for 2014. An awards presentation was held for the top branch and divisional performers of three divisions of the business namely, the Large Corporate, Commercial Bank and Emerging Business divisions.

This event has helped propel OACM and OCBC towards the same goals and at the same time helped build a closer bond while strengthening the working relationship between the teams in both entities.

OACM Direct & Corporate and PAC Lease Get-together Trip

From 6-8 June 2015, our Direct & Corporate team with the participation of the qualifying PAC Lease marketing staff, organised a three-day trip to Langkawi. The team successfully achieved its production of goal for 2014 and is all set out to achieve more in the years to come.

Agency Force Conference

In recognition of our agency force's commitment to excellence and their hard work in achieving their sales targets, OACM held the 20th Agency Conference in two countries. The event in Perth, Australia took place on 6-10 May 2015, while the one in Phuket, Thailand took place on 22-24 May 2015. We shall continue to engage with our agency force and encourage them to do the best they can to achieve higher sales.

Good Stakeholder Engagement

Our stakeholder relationships are of utmost importance to us and we ensure that we balance out our economic ambitions with good societal and environmental considerations that have a positive effect on our stakeholders. We uphold strong corporate governance practices, which encompass action plans, internal controls and performance measurement activities. We also safeguard the interests of our shareholders by ensuring that our business is operated in an ethical manner with a good compliance system in place.

Our employees are key assets of our organisation and we greatly value their support, contribution and commitment. We believe that continuous learning is important as it expands the competencies and skills-sets of our people. This will help them respond appropriately to the rapid changes in the operating environment and the developments throughout the world. With this in mind, we continue to roll out our Staff Education Assistance Programme to assist our employees to further pursue their studies and realise their full potential and capabilities.

We are firmly guided by the 3 'I's of our organisation; the first 'I' being Initiative – to perform our job to the best of our abilities; the second 'I' being Involvement – a commitment to the Company, customers and themselves; and the third 'I' being Integrity – to be trustworthy and do things the right way. In order to deliver superior services and products to all, we shall continuously empower and strengthen our workforce to meet the specific needs of our customers.

Our Customers are Important

Recognising the importance of our customers to the growth of our Company, we aim to improve our professionalism in delivering sustainable, essential information and exceptional value to our customers. This will help us gain their trust and continuous support.

Corporate Social Responsibility (CSR)

We strongly believe in giving back to society. Being able to offer our time and services for the community helps build stronger communities and helps improve the lives of those in need. We take pride in the fact that we have a good team of employees who volunteer themselves in all charity works organised by our Company. The effort by OACM's employee volunteers certainly help to make a difference in keeping our charities running well and activities well organised.

For FY2015, we visited Yayasan Sunbeam Home, a home for neglected children ranging from the age of two to eighteen years. The day's well-planned schedule comprised teambuilding games, sing-along sessions, story reading for the little ones and tea. Prizes for games and presents were handed out to all the children who had tremendous fun. Going forward, it is our intention to provide continuous support to charity events and the ChildrenCare fund under the Great Eastern family CSR initiative.

Our Commitment to Outstanding Service Delivery

In December 2014, heavy rains forced a vast number of people in Kelantan and Terengganu to flee their homes. The continuous heavy rain caused the situation to worsen with people having to evacuate their homes while businesses too were affected.

Amidst this catastrophe, our Claims Department took quick action to activate our OACM's Claims Emergency Response (CER) Plan. An appointed adjuster together with a team of Claims personnel were deployed to the site of emergency to ensure sufficient resources and moral support was provided to those insured.

We are humbled yet elated that OACM was one of the first general insurers to respond so quickly and to prioritise the settlement of all claims cases in the affected region. Recognising and understanding the depression and agony that our customers have gone through, we shall continue to do our best to ensure that our people continue to respond in a quick and sensitive manner to our customers, especially those in dire need.

In Appreciation

I wish to convey my heartfelt appreciation to OACM's Board of Directors (Board) for their wise counsel and astute insight. My deep gratitude goes to our Senior Management Team and staff for their sacrifices, hard work and commitment to excellence. To our agents, brokers, intermediaries and customers, a big thank you for your unwavering support, commitment and confidence in the Company.

On another note, Mr Lee Kong Yip who served as a Director since December 1998, stepped down from the Board on 20 March 2016 upon the expiry of his term with Bank Negara Malaysia. Mr Lee contributed generously towards the development and success of the Company and was an active participant in the Board and the Board Committees on which he served. We wish to record our sincere gratitude to Mr Lee Kong Yip for his invaluable contributions and wish him every success in his future endeavours.

As we move forward, I would like to call upon all our stakeholders to lend us their steadfast support. Together, let's build "Confidence and Trust" and bring Overseas Assurance Corporation (Malaysia) Berhad to greater heights of success. Thank you.

Ng Kok Kheng
Chief Executive Officer

OAC Bancassurance & OCBC Business Banking Convention, Phuket, Thailand
23 - 25/4/2015

20th Agency Conference, Perth, Australia
6 - 10/5/2015

Visitation to Yayasan Sunbeam Home
22/10/2015

Launching of Easi- Shield
28/8/2015

OACM

Overseas Assurance Corporation (Malaysia) Berhad

We provide protection and create solutions to ensure your general insurance needs are met. Teamwork divides the tasks and multiplies the success. Together we serve you better.

04 星洲日报 東海岸社區報 2015年1月8日（星期四）

Overseas Assurance 發水災賠償金

Overseas Assurance保险公司便迅速解决了吉兰丹水灾投保的理赔，第一批理赔金额解决在十日前发出，10个保户得到了应有的理赔金额。该保险公司根据大马普通保险协会（PIAM）的指示快速解决丹州灾黎的困境，并会持续以快速和最高素质的保险服务，解决丹州灾民的困境。

OACM, one of the first general insurers to prioritise the settlement of claims
8/1/2015

20th Agency Conference, Phuket, Thailand
22 - 24/5/2015

HEAD OFFICE

Level 18, Menara Great Eastern 303, Jalan Ampang, 50450 Kuala Lumpur
Tel: (03) 4259 7888 | **Fax:** (03) 4813 2737 | **Customer Careline:** (03) 4259 8900
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
Manager: Jade Yeo Jiat Yee

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

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Bandar Baru Klang, 41150 Klang, Selangor
Tel: (03) 3345 1027 | **Fax:** (03) 3345 1029

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. A25, Jalan Dato' Lim Hoe Lek
25200 Kuantan, Pahang
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KUALA LUMPUR

Level 18, Menara Great Eastern
303, Jalan Ampang, 50450 Kuala Lumpur
Tel: (03) 4259 7888 | **Fax:** (03) 4231 7222
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: Sebastian Lo Ming Kong

MEDAN TUANKU

17-21, Jalan Medan Tuanku Satu
Medan Tuanku
50300 Kuala Lumpur
Tel: (03) 2786 1000 | **Fax:** (03) 2713 6001
Assistant Vice President: Chow Chien Keong

MELAKA

2-23, Jalan PM15
Plaza Mahkota, 75000 Melaka
Tel: (06) 2843 297 | **Fax:** (06) 2835 478
Manager: Jimmy Lee Chean Jern

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

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					
	2010	2011	2012	2013	2014	2015
Gross Premium Income	263.89	329.07	372.43	384.37	409.14	449.00
Total Assets At Market Value:						
General Insurance	526.56	728.58	757.54	817.33	899.32	970.09
Shareholders' Fund	87.40	89.97	92.59	94.62	96.31	99.09
Underwriting Profit (before tax)	29.13	42.67	31.79	32.53	46.21	23.94
Net Profit (after tax)	27.93	53.68	54.04	53.03	57.03	43.43

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. Arising from this development, OAC Malaysia is now a pure general insurance operator that spearheads 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 2015, OAC Malaysia has total assets in excess of RM 1,069 million with a paid-up capital of RM 100 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 60 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 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 2015.

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	43,427,110

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 2014 were as follows:

	RM
In respect of the financial year ended 31 December 2014 as reported in the Directors' report of that year:	
Final single tier dividend of RM0.19 per ordinary share on 100,000,000 ordinary shares paid on 28 April 2015	19,000,000

At the forthcoming Annual General Meeting ("AGM") of the Company, a final single-tier dividend in respect of the financial year ended 31 December 2015 of RM0.11 per ordinary share on 100,000,000 ordinary shares, amounting to a dividend payable of RM11,000,000 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 2016.

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:

Mr Norman Ip Ka Cheung (Chairman)
Y Bhg Dato' Yeoh Beow Tit
Y Bhg Dato Koh Yaw Hui
Mr Ng Hon Soon
Mr Khor Hock Seng (Appointed on 1 March 2016)
Mr Lee Kong Yip (Stepped down on 20 March 2016)

In accordance with Section 129 of the Companies Act 1965, Mr Lee Kong Yip would not offer himself for re-appointment and wish to retire as a Director of the Company following the Bank Negara Malaysia director's tenure which would end on 20 March 2016.

In accordance with Article 79 of the Company's Articles of Association, Mr Norman Ip Ka Cheung would retire at the forthcoming AGM and, being eligible, offers himself 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 22(b) and 29(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			
	1.1.2015	Acquired	Disposed	31.12.2015
a) Ordinary shares of OCBC Bank				
Mr Norman Ip Ka Cheung	3,950	159	-	4,109
Y Bhg Dato' Yeoh Beow Tit	364,232	14,534	-	378,766
Y Bhg Dato Koh Yaw Hui	120,000	61,391	(6,000)	175,391
Mr Lee Kong Yip	142,382	8,294	-	150,676

	Shareholdings in which Directors are deemed to have an interest				
	1.1.2015	Granted	Vested	Adjustment	31.12.2015
				(due to ESPP 2013 offer)	
Y Bhg Dato' Yeoh Beow Tit	29,961(1)	-	-	-	29,961(1)
Y Bhg Dato Koh Yaw Hui	38,486(2)	19,693	(18,015)	(119)	40,045(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 33,086 ordinary shares subject to award(s) under the OCBC Deferred Share Plan and subscription rights over 6,959 ordinary shares granted under the OCBC Employee Share Purchase Plan.

DIRECTORS' INTERESTS (CONT'D.)

	Shareholdings in which Directors have a direct interest			
	1.1.2015	Acquired	Redeemed	31.12.2015
b) 4.2% non-cumulative non-convertible Class G Preference Shares in OCBC Bank				
Mr Norman Ip Ka Cheung	2,000	-	(2,000)	-

	Options held by Directors in their own name					
	Expiry date	Exercise price S$	1.1.2015	Granted	Exercised	31.12.2015
c) Options to subscribe for ordinary shares of OCBC Bank						
Y Bhg Dato' Yeoh Beow Tit	13.3.2017	8.59	51,415	-	-	51,415
	13.3.2018	7.52	51,415	-	-	51,415
Y Bhg Dato Koh Yaw Hui	7.4.2015	5.63	20,566	-	(20,566)	-
	22.5.2016	6.40	20,566	-	(10,566)	10,000
	13.3.2017	8.35	20,566	-	-	20,566
	13.3.2018	7.31	25,707	-	-	25,707
	15.3.2019	4.02	20,566	-	-	20,566
	14.3.2020	8.52	41,132	-	-	41,132
	13.3.2021	9.09	37,813	-	-	37,813
	13.3.2022	8.56	86,387	-	-	86,387
	13.3.2023	10.02	191,161	-	-	191,161
	13.3.2024	9.17	123,277	-	-	123,277
	13.3.2025	10.38	-	29,608	-	29,608

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

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 20 to 37 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; and

(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.

(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.

OTHER STATUTORY INFORMATION (CONT'D.)

(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.

(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 AND SUBSEQUENT 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 29 March 2016.

Yeoh Beow Tit

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 on "Prudential Framework of Corporate Governance for Insurers" (BNM/RH/GL 003-2) dated 19 June 2013 (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 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 Affairs

The Board of Directors (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 prime stewardship responsibility of the Board is to ensure the viability of the Company and that it is managed in the best interest of the Shareholders as a whole while taking into account the interests of other stakeholders. Its principal roles and functions, amongst others, include the following:

(a) review and approve the annual business and strategic plans of the Company;

(b) oversee the conduct of the Company's business to ensure that the business is properly managed towards achieving the insurer's corporate objectives, and that the Company's dealings with its policy owners, claimants and creditors are conducted in a fair and equitable manner;

(c) identify key business risks, determines the risk appetite of the Company and ensure the implementation of appropriate systems to manage risks within established risk-tolerance limits;

(d) ensure the adequacy and integrity of the Company's internal control and management information systems, including systems for monitoring compliance with applicable laws, regulations, rules, directives and guidelines; and

(e) ensure that proper management succession and performance management are in place for the Company to meet its objectives.

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

The Company had adopted internal guidelines on matters which require Board's approval. Matters requiring Board's approval include corporate restructuring, major acquisition and disposal of assets by the Company, all material and special related party transactions, authority levels for the Company's core functions, outsourcing of core business functions, as well as corporate policies on investment, underwriting, reinsurance, claims management and risk management.

Board Committees

The Board had established specialised Board Committees and delegated certain specific governance responsibilities to the Board Committees, which operate within clearly defined Board-approved terms of reference, primarily to assist the Board in the execution of its oversight of the operations and business affairs of the Company. Although the Board Committees are granted such discretionary authority to deliberate and decide on certain key and operational matters, the ultimate responsibility for decision making on all matters lies with the Board. The Board Committees of the Company consist of the Nominating Committee, Remuneration Committee, Audit Committee and Board Risk Committee. Details of the roles and principal responsibilities of the Board Committees are set out in relevant sections on the respective Board Committees herein. Minutes of meetings of these Board Committees were maintained and circulated to the Board on a regular basis.

Meetings and Directors' Attendance

The Board and Board Committees' meetings are scheduled in advance for the year and ad hoc Board and Board Committees' meetings are convened on a need to basis to address urgent issues and/or critical matters between the scheduled meetings. At the Board and Board Committees' meetings, the Board reviews the business performance and key activities of the Company presented by Senior Management Team, and considers business proposals of a significant nature. All members of the Board participated actively in the discussions and decisions were made objectively in the interests of the Company. During the financial year ended 2015, the Board met seven (7) times to deliberate and consider a variety of significant matters that required its guidance and approval.

All Directors meeting attendance was 100%, hence complied with the minimum 75% attendance at Board meetings as stipulated in the Framework

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

Meetings and Directors' Attendance (cont'd.)

The number of meetings of the Board and Board Committees held in 2015 and the attendance of each Director on the Board and respective Board Committees during the financial year ended 31 December 2015, are as set out below:

Name of Director	Board		Nominating Committee		Remuneration Committee	
	No. of Meetings[3]		No. of Meetings[4]		No. of Meetings[5]	
	Held	Attended	Held	Attended	Held	Attended
Norman Ip Ka Cheung	7	7	6	6	3	3
Yg Bhg Dato' Yeoh Beow Tit	7	7	6	6	3	3
Yg Bhg Dato Koh Yaw Hui[1]	7	7	6	6[8]	-	3[8]
Lee Kong Yip	7	7	6	6	3	3
Ng Hon Soon[2]	7	7	6	6	-	3[8]

Name of Director	Audit Committee		Board Risk Committee	
	No. of Meetings[6]		No. of Meetings[7]	
	Held	Attended	Held	Attended
Norman Ip Ka Cheung	6	6	-	-
Yg Bhg Dato' Yeoh Beow Tit	6	6	6	6
Yg Bhg Dato Koh Yaw Hui[1]	-	6[8]	2	2
Lee Kong Yip	6	6	6	6
Ng Hon Soon[2]	6	6	4	4

Notes:

(1) Re-designated as Non-Independent Executive Director and relinquished his position as Member of Board Risk Committee on 5 March 2015.

(2) Appointed as Member of Board Risk Committee on 5 March 2015.

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

Meetings and Directors' Attendance (cont'd.)

(3) A total of 7 Board meetings were held in 2015, on 30 January, 25 March, 27 May, 21 July, 30 July, 10 September and 19 November 2015.

(4) A total of 6 Nominating Committee meetings were held in 2015, on 30 January, 25 March, 27 May, 30 July, 10 September and 19 November 2015.

(5) A total of 3 Remuneration Committee meetings were held in 2015, on 30 January, 25 March and 27 May 2015.

(6) A total of 6 Audit Committee meetings were held in 2015, on 29 January, 25 March (ad hoc), 20 April, 21 July, 30 July and 19 October 2015.

(7) A total of 6 Board Risk Committee meetings were held in 2015, on 7 January, 26 February, 21 April, 30 June, 11 August and 28 October 2015.

(8) Attendance by Invitation.

(-) Not applicable to the Non-Members of the respective Board Committees.

Board Membership

The Company's Board comprised 5 members, being 4 Independent Non-Executive Directors and 1 Executive Director. The Independent Non-Executive 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 composition of the Board is as follows:

Members of the Board	Status of directorship
Norman Ip Ka Cheung	Chairman and Independent Non-Executive Director
Y Bhg Dato' Yeoh Beow Tit	Independent Non-Executive Director
Y Bhg Dato Koh Yaw Hui	Non-Independent Executive Director
Lee Kong Yip	Independent Non-Executive Director
Ng Hon Soon	Independent Non-Executive Director

Note:

Y Bhg Dato Koh Yaw Hui was re-designated as Non-Independent Executive Director from 5 March 2015.

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

Board Membership (cont'd.)

The Board members of the Company are from diverse backgrounds and qualifications and bring a wide range of financial and commercial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and competencies to the Company, including industry knowledge in insurance, investment and asset management, banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill set required for the Board Committees to perform their respective roles and responsibilities.

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

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 BNM term of appointment 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 yearly basis, the Directors are subject to an internal declaration to review their status of compliance with Sections 59, 60 and 61 of the Financial Services Act 2013 which came into effect on 30 June 2013, 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 on "Fit and Proper Criteria" (BNM/RH/GL 018-5), 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 BNM term of appointment) and thereafter on an annual basis, will need to declare that they remain "fit and proper".

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

Board Orientation and Training

Newly appointed Directors will be apprised of their statutory duties and obligations and receive an In-House Orientation and Education Programme which includes presentations by the Senior Management Team. On an on-going basis, the Company organised in-house trainings for the Directors to share the in-sight into the general insurance industry and the Company, among others topics related to new legislations, actuarial and investments. The Company encourages continuous professional development for the benefit of Directors and 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 periodic circulation of business reading materials. The Directors have attended the high level Financial Institutions Directors' Education ("FIDE") Programmes developed by BNM and Perbadanan Insurans Deposit Malaysia, administered by the ICLIF Leadership and Governance Centre. They also participate in on-going talk and dialogue sessions organised by FIDE Forum. Directors are also promptly updated with any policy issues, administrative changes and new regulatory developments as appropriate. The Company had made available resources for Directors to receive knowledge in any specific area.

Chairman and Chief Executive Officer

The positions and roles of the Chairman, Mr Norman Ip Ka Cheung and the CEO, Mr Ng Kok Kheng 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. The Chairman and the CEO are not related to each other.

The principal responsibilities of the Chairman include leading the Board to ensure its effectiveness on various aspects of the Board's role, approving the meeting agenda of the Board and monitoring the quality and timeliness of the flow of information from Management to the Board. The Chairman, with the assistance of the Company Secretary, facilitates the convening of Board meetings. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between Directors, as well as between the Board and Management. The Chairman promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.

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

Chairman and Chief Executive Officer (cont'd.)

The CEO manages the Company and oversees its business operations in accordance with the Group's strategy, 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.

Access to Information

The Board members are provided with relevant 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 Senior Management Team of the Company is invited to attend Board meetings to provide additional insights, views and explanations into the matters being discussed. The Directors have independent access to the advice and services of the Company Secretary and the Senior Management Team and may request to be furnished with additional information or clarification, particularly in respect of complex and technical issues tabled to the Board. Occasionally, external consultants may be invited to advise or brief the Board.

The Board members have unfettered access to all information within the Company, whether as a full board or in their individual capacity, for the purpose of carrying out their duties and responsibilities.

Nominating Committee

The Nominating Committee comprised the following Directors, 4 of whom are Independent Non-Executive Directors:

Yg Bhg Dato' Yeoh Beow Tit - Chairman
Norman Ip Ka Cheung
Yg Bhg Dato Koh Yaw Hui
Lee Kong Yip
Ng Hon Soon

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

Nominating Committee (cont'd.)

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

With the endorsement of the Board, the Nominating Committee had established the minimum requirements for the Board and the CEO to perform their responsibilities effectively following statutory requirements.

The Nominating Committee 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 and expertise relevant to the Company with potential to complement the skills, knowledge and expertise of the Board.

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

Apart from nomination/appointment of new Directors or re-appointment of existing Directors, the Nominating Committee is also responsible to recommend and assess the nominee for the position of CEO and re-appointment of existing CEO. The Nominating Committee also oversee the appointment and management succession planning of the Key Senior Officers ("KSOs") of the Company.

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

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

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

Nominating Committee (cont'd.)

The Nominating Committee 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 overall Board.

The Nominating Committee is responsible to oversee performance evaluation of CEO and KSOs. Whenever applicable and consistent with the prescribed Framework, the Nominating Committee's recommendations on the CEO and KSO would be made in consultation with the input from the Chairman of the Audit Committee and Board Risk Committee.

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

Remuneration Committee

The Remuneration Committee comprised the following Directors, all of whom are Independent Non-Executive Directors:

Yg Bhg Dato' Yeoh Beow Tit - Chairman
Norman Ip Ka Cheung
Lee Kong Yip

A Board-approved Framework on Remuneration for Directors, CEO and KSOs is in place. The Remuneration Committee is charged with the 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 not excessive and consistent with the prudent management of the Company's affairs.

The Remuneration Committee performs an annual review of the Directors' fees and submits its recommendations for approval by the Board. No Director was involved in deciding his own remuneration.

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

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

Audit Committee

The Audit Committee comprised the following Directors, all of whom are Independent Non-Executive Directors:

Y Bhg Dato' Yeoh Beow Tit - Chairman
Norman Ip Ka Cheung
Lee Kong Yip
Ng Hon Soon

The members of the Audit Committee are appropriately qualified to discharge their responsibilities as prescribed by the Framework. The Audit Committee is authorised by the Board to investigate any matter within its terms of reference and has the co-operation as well as full and independent access to the Company's Management, Internal Auditors and External Auditors. The Audit Committee, 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 Audit Committee 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 controls. The Chief Internal Auditor reports functionally to the Audit Committee and Group Chief Internal Auditor, and administratively to the CEO.

The Audit Committee carried out functions as specified in the Companies Act 1965, Financial Services Act 2013, BNM Guidelines and other relevant guidelines and regulations.

The Audit Committee discharged the following functions:

(a) Reviewed with the Internal Auditors:

(i) their audit plans, their evaluation of the system of internal controls and their audit findings; as well as Management's response to those findings;

(ii) the scope and results of the internal audit procedures and resources needed; and

(iii) the assistance given by the officers of the company to the internal auditors.

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

Audit Committee (cont'd.)

(b) Reviewed with the External Auditors:

(i) their audit plans prior to the commencement of the annual audit;

(ii) the interim financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon for submission to the Board for consideration and approval thereafter;

(iii) the interim financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon for submission to the Board for consideration and approval thereafter;

(iv) the implications and impact of new or proposed changes in financial reporting standards, accounting policies and regulatory requirements on the financial statements together with the Senior Management Team;

(v) any significant financial reporting issues, to ensure the integrity of the financial statements of the Company; and

(vi) the assistance given by the officers of the Company, including the internal auditors, to the external auditors.

(c) Reviewed and evaluated, on behalf of the Board, the adequacy of the system of internal control, including accounting controls, taking input from external auditors, internal auditors, risk management and compliance functions.

(d) Maintained an appropriate relationship with both the external auditors and internal auditors, and met at least annually with the Management, external auditors and internal auditors in separate sessions, to consider any other matters which may be raised privately.

(e) Reviewed the outsourced servicing fee relating to internal audit.

(f) Made recommendation to the Board on the re-appointment of the external auditor and their remuneration and terms of engagement.

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

Board Risk Committee

The Board Risk Committee comprised the following Directors, all of whom are Independent Directors:

Lee Kong Yip - Chairman
Y Bhg Dato' Yeoh Beow Tit
Ng Hon Soon

The Board Risk Committee 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 Board Risk Committee discharged the following functions:

Governance & Oversight

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

(b) reviewed and endorsed frameworks, policies, charters, 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) endorsed the Group Risk Management Charter outlining the fundamental principles, roles, responsibilities, authority and reporting line of the Risk Management and Compliance functions for the Board's adoption;

(d) reviewed the services of the outsourced function and outsourced servicing fee relating to risk management and compliance;

(e) reviewed and recommended risk tolerance levels (Risk Appetite Statement and Regulatory Limits) for the Board's approval;

(f) oversight of the establishment and implementation of approved frameworks, policies, charters, strategies and limits; and where required, endorse deviations from approved frameworks and policies;

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

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

Board Risk Committee (cont'd.)

Governance & Oversight (cont'd.)

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

(i) reviewed the adequacy of frameworks, policies, strategies and resources for the performance of risk management, investment management, asset-liability management and liability management activities;

(j) initiated review and action as appropriate for prudent risk management;

(k) ensured 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;

(l) reviewed the scope, effectiveness and objectivity of the risk management function;

Risk Management

(m) reviewed reports to monitor and control the Company's risk exposures, which include the Enterprise Risk Dashboard;

(n) reviewed and endorsed the annual Risk Disclosures for the Board's approval;

Investment, Asset-liability & Liability Management

(o) reviewed and endorsed the annual strategic asset allocation and tactical asset allocation limits for the Board's approval;

(p) reviewed and endorsed new risk exposures including new insurance product risk, new asset class, complex instrument/structures and investment transactions within the Limits Policy for the Board's approval;

(q) reviewed the assets and portfolios in the watchlist; and

(r) reviewed reports to monitor and control the Company's financial risk exposures, which include the Investment Dashboard.

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 Board Risk Committee 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 reviewed for relevancy. It clearly establishes the job description and authority limits of the senior management, line management and executive employees and any significant changes are communicated to the staff.

The Authority Grid of the Company, which essentially is a culmination of the various authority limits delegated to the Board as well as the CEO, is in place and communicated to relevant staff. The Grid covers business strategy and growth (including capital requirements and investment vehicles), people, operational transaction limits (amongst others include the appointment of consultants, donations, write-off and new insurance product risk), balance sheet management and investment transaction limits.

Directors and relevant officers of the Company comply with the disclosure requirements and avoid conflicts of interest as enshrined in the Companies Act 1965 and Financial Services Act 2013. All tender, investment activities and related party transactions of the Company were conducted at arm's length, on commercial terms and in the ordinary course of business.

All corporate policies relating to investment, claims, reinsurance, claims management and risk management as referred to in the Framework were approved by the Board and reviewed accordingly to keep abreast with changes.

PART C. CORPORATE INDEPENDENCE

The Company had met all the requirements of BNM Guidelines on "Related Party Transactions" (BNM/RH/GL 018-6), the Malaysian Financial Reporting Standard ("MFRS") 124: Related Party Disclosure and Financial Services Act 2013 in respect of related party transactions. The Company has implemented Policies and Procedures on Related Party Transactions covering the definitions of related party transactions and related parties, and the authorities and procedures for approving, monitoring and reporting of such transactions. All material related party transactions are disclosed in the audited financial statements in accordance with MFRS 124; please refer to Note 29 in the Company's financial statements. The Board had set a more stringent requirement, in that all related party transactions irrespective of materiality must be submitted to the AC 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.

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, approvals, disbursements and administration of policies, execution and recording of investment matters, operational and internal audit/compliance functions, execution and custody of title documents and underwriting and credit control.

The investment limits that have considered the limits pursuant to BNM Guidelines on "Risk-Based Capital Framework for Insurers" (BNM/RH/GL 003-24) are in place to contain the Company's investment exposure. In addition, investment transactions are governed by the requirements set out in the Authority Grid. Both investment limits and transactions are observed at all times by the Investment Team and monitored independently by the Risk Management & Compliance Team.

A Reinsurance Management Strategy ("RMS") for the insurance risks covered by the Company is in place. The RMS defined the responsibility of the Board/Management in managing and operating the reinsurance programme. Ceding of risks must comply with the Company's approved framework and waivers from the Company's holding company are required for breaches of limits.

All new general insurance products are governed by the Company's Product Pricing Policy ('Policy'). All products launched by the Company will require the prior approval of a Management Committee. 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. The Board Risk Committee is updated on the new products on quarterly basis.

Actuarial Department, together with Investment and Risk Management Teams, conducts half-yearly stress tests to ascertain the Company's financial condition under various risk scenarios.

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

The Directors, CEO and Senior Management Team of the Company are committed to maintaining a risk-conscious culture in the Company. The Company engages the services of the Risk Management and Compliance Department of Great Eastern Life Assurance (Malaysia) Berhad ("GELM") in discharging its duties and responsibilities, as enshrined in the BNM guidelines relating to risk management and compliance. The Company has adopted its holding company's Enterprise Risk Management Framework and other supplementary risk management frameworks, 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 related standards and guidelines to protect the confidentiality, integrity and availability of the Company's data.

The Compliance Matrix and Compliance Requirements Self-Assessment 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 process that is in place enables the various functions to identify and assess the management of risks and effectiveness of internal controls of the Company. Further, the Company had established its risk appetite statement, which is reviewed annually.

Regulatory breaches are consolidated on a quarterly basis and updated to the Board Risk Committee on bi-monthly basis. The operational incident reporting has enabled the Company to take appropriate corrective actions and there is a process in place to collate statistics of Key Risk Indicators for BNM reporting on a regular basis through Operational Risk Integrated Online Network (ORION).

The disclosures of the Company's risk management policies are set out under Note 30 in 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 semi-annually and annually, respectively.

Internal Audit

The Company utilises the outsourced services of the Internal Audit Department of GELM, 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.

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

Internal Audit (cont'd.)

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 audit. Audit findings and recommendations are communicated to Senior Management Team and closely monitored for resolution. The activities of the Audit Committee including number of Audit Committee meetings held in a year and details of attendance of each individual members are submitted annually to BNM.

PART E. PUBLIC ACCOUNTABILITY

The Company recognises that it is responsible for maintaining a strong public accountability and promotion of fair practices. It has in place procedures and operational policies which are designed to ensure compliance with the "Provisions Relating to Policies" under Section 128 of the Financial Services Act 2013 (as well as Schedule 8).

The Company had adopted a Code of Ethics and Conduct as well as other internal policies which sets out the guiding principles and minimum standards expected of its employees such as the highest standards of ethical conduct and professional integrity. The Code of Ethics and Conduct also provides guidance on areas such as the Company's position against conflict of interest and the appropriate disclosures to be made, misuse of position, misuse of information, maintaining completeness, accuracy and confidentiality of information, and fair and equitable treatment to all policy owners and other stakeholders. The Code of Ethics and Conduct is available on the Company's staff intranet.

The members of the field force similarly adhere to the circulars and directives in the form of Agency Rules & Regulations issued by the Company, the applicable Code of Ethics and Conduct issued by PIAM as well as requirements set out by BNM.

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 Guidelines on "Claims Settlement Practices (Consolidated)" (BNM/RH/GL 003-9). The Company has in place a Treating Customer Fairly ("TCF") Policy that defines the responsibilities of Board and Management in ensuring that customers are treated fairly when dealing with the Company. The Financial Services (Financial Ombudsmen Scheme) Regulations 2015, gazetted on 11 September 2015 aims to enhance the financial dispute resolution arrangements for consumers protection. The Financial Ombudsmen Scheme is expected to commence its operation in the second quarter of 2016.

PART E. PUBLIC ACCOUNTABILITY (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 policyholders. 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 Guidelines on "Complaints Handling" (BNM/RH/GL 000-4) where the unit acts as a single point of contact for customers to lodge a complaint as well as to ensure that complaints were resolved in a fair and consistent manner.

With the establishment of an Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") Policy 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 for the Company from being used as a platform for money laundering or terrorist financing activities.

A Whistleblowing Policy is in place for staff and external parties to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. Concerns expressed anonymously will be considered and investigated on the basis of their merits.

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 and analyses on the financial reports together with explanation for any material variances 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 takes note of 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, Yeoh Beow Tit 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 41 to 130 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 2015 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 29 March 2016.

Yeoh Beow Tit

Koh Yaw Hui

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

I, Khoo Sook Hooi, 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 41 to 130 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 Khoo Sook Hooi at
Kuala Lumpur in the Federal Territory
on 29 March 2016

Before me,

PESURUHJAYA SUMPAH
W 541
ZULKIFLA MOHD DAHLIM
MALAYSIA

NO: 17, JALAN PETALING
50000 KUALA LUMPUR

Khoo Sook Hooi

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 2015, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 130.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 (CONT'D.) (INCORPORATED IN MALAYSIA)

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 2015 and of its financial performance and cash flows for the year then ended.

Emphasis of Matter

We draw attention to Note 32 of 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 values of which are 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
AF: 0039
Chartered Accountants

Megat Iskandar Shah Bin Mohamad Nor
No. 3083/07/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
29 March 2016

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 RM	2014 RM
Assets			
Property and equipment	3	23,937,209	21,771,359
Goodwill	4	18,182,598	18,182,598
Investments	5	559,384,948	564,016,553
Reinsurance assets	6	258,603,443	235,452,940
Insurance receivables	7	102,870,653	53,207,799
Deferred tax assets	12	205,032	737,759
Other receivables	8	87,052,789	75,685,330
Cash and bank balances		18,947,010	26,575,581
Total Assets		1,069,183,682	995,629,919
Equity			
Share capital	9	100,000,000	100,000,000
Retained earnings	10	253,776,961	229,349,851
Available-for-sale fair value reserves		3,577,553	(584,636)
Total Equity		357,354,514	328,765,215
Liabilities			
Insurance contract liabilities	11	606,798,334	559,728,910
Deposits from reinsurers	13	96,917	728,841
Insurance payables	14	61,406,135	54,381,884
Provision for taxation		7,806,306	12,406,378
Other payables	15	35,721,476	39,618,691
Total Liabilities		711,829,168	666,864,704
Total Equity and Liabilities		**1,069,183,682**	**995,629,919**

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM	2014 RM
Gross earned premiums	16(a)	413,112,200	404,788,565
Premiums ceded to reinsurers	16(b)	(137,546,701)	(133,644,449)
Net Earned Premiums		275,565,499	271,144,116
Investment income	17	27,053,527	25,636,700
Realised gains	18	1,385,340	1,982,387
Fair value (losses)/gains	19	(2,549,654)	1,956,205
Fee and commission income		34,233,467	35,719,310
Other operating revenue	20	5,973,221	1,912,278
Other Revenue		66,095,901	67,206,880
Gross claims paid	21(a)	(219,870,243)	(182,978,164)
Claims ceded to reinsurers	21(b)	86,490,995	49,622,619
Gross change to contract liabilities	21(c)	(11,186,398)	(22,925,052)
Change in contract liabilities ceded to reinsurers	21(d)	1,963,517	22,586,211
Net Claims		(142,602,129)	(133,694,386)
Fee and commission expense		(64,662,190)	(64,310,028)
Management expenses	22	(77,669,871)	(65,264,222)
Other Expenses		(142,332,061)	(129,574,250)
Profit Before Taxation		**56,727,210**	**75,082,360**
Taxation	23	(13,300,100)	(18,047,852)
Net Profit For The Year		**43,427,110**	**57,034,508**
Earnings Per Share (sen)			
Basic and diluted	24	43.43	57.03

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM	2014 RM
Net Profit For The Year		**43,427,110**	**57,034,508**
Other Comprehensive Income/(Loss):			
Items that may be reclassified to income statement in subsequent periods:			
Available-for-sale fair value reserves:			
Gain/(Loss) on fair value changes		6,804,486	(941,521)
Realised gain transferred to income statement		(1,317,664)	(3,255,294)
		5,486,822	(4,196,815)
Tax effect	12	(1,324,633)	973,299
		4,162,189	(3,223,516)
Total Comprehensive Income For The Year		**47,589,299**	**53,810,992**

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

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

	Non-distributable		Distributable	
	Share capital RM	Available-for-sale fair value reserves RM	Retained earnings RM	Total equity RM
At 1 January 2014	100,000,000	2,638,880	202,315,343	304,954,223
Total comprehensive (loss)/income for the year	-	(3,223,516)	57,034,508	53,810,992
Dividend paid during the year (Note 25)	-	-	(30,000,000)	(30,000,000)
At 31 December 2014	100,000,000	(584,636)	229,349,851	328,765,215
Total comprehensive income for the year	-	4,162,189	43,427,110	47,589,299
Dividend paid during the year (Note 25)	-	-	(19,000,000)	(19,000,000)
At 31 December 2015	**100,000,000**	**3,577,553**	**253,776,961**	**357,354,514**

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM	2014 RM
Operating Activities			
Cash generated from operating activities	26	8,459,535	8,741,452
Dividend income received		1,333,747	1,104,192
Interest income received		24,589,741	23,348,548
Income tax paid		(18,692,078)	(15,530,901)
Net Cash Flows Generated From Operating Activities		15,690,945	17,663,291
Investing Activities			
Proceeds from disposal of equipment		-	98,650
Purchase of equipment	3	(5,969,516)	(3,776,474)
Net Cash Flows Used In Investing Activities		(5,969,516)	(3,677,824)
Financing Activity			
Dividend paid	25	(19,000,000)	(30,000,000)
Net Cash Flows Used In Financing Activity		(19,000,000)	(30,000,000)
Net Decrease In Cash And Cash Equivalents		(9,278,571)	(16,014,533)
Cash And Cash Equivalents At Beginning Of Year		48,605,581	64,620,114
Cash And Cash Equivalents At End Of Year		**39,327,010**	**48,605,581**
Cash And Cash Equivalents Comprise:			
Cash and bank balances		18,947,010	26,575,581
Deposits with financial institutions	5(a)	20,380,000	22,030,000
		39,327,010	**48,605,581**

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

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 29 March 2016.

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 ("IFRS") and the Companies Act, 1965 in Malaysia.

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").

The Company has adopted the amendments to MFRS and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2015 during the financial year 2015.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis Of Preparation (cont'd.)

The adoption of the amendments to MFRS and IC Interpretation during the year has not resulted in any material financial impacts to the financial statements.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2.2 Summary of Significant Accounting Policies

(a) Property And Equipment And Depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The initial cost of property and equipment comprises its purchase price, including non-refundable taxes and any costs to enhance the working condition of the asset for its intended use.

Expenditure incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which the costs are incurred. Where the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property and equipment.

Depreciation of property and equipment is calculated on a straight-line basis to write off the cost of each amount to its residual value over its estimated useful life. No depreciation is provided for freehold land as it has an unlimited useful life and capital work in progress as it is not ready for active use. The annual depreciation rates are:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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 embedded derivatives.

All the 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) FVTPL

Assets stated at FVTPL include financial assets held for trading and those designated at FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as FVTPL.

For investments designated at FVTPL, 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. Financial instruments with embedded derivatives are hybrid financial instruments that include a non-derivative host contract.

(ii) 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) AFS

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.

(d) Fair Value Measurement

The Company measures certain financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Fair Value Measurement (cont'd.)

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the assets or liability, assuming that market participants act in their economic best interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized, within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level inputs that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level inputs that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Finance Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed in accordance with the Company's accounting policies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.)

(f) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) 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.

Dividends On Ordinary Share Capital

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

(j) Product Classification

The Company currently only issues contracts that transfer significant 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) 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.

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(n)(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.

(m) 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(e).

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

(n) 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.

General insurance contract liabilities comprise claim liabilities and premium liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(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 ("UPR") at the required risk margin for adverse deviation as required by the RBC Framework.

a) 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.)

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

(ii) Premium Liabilities (cont'd.)

b) 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.

(o) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(p) 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.

(q) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) 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 Under Statutory Regulations

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

Employee Leave Entitlements

An employee's entitlement to annual leave and long-service leave is estimated and accrued according to the Company's Human Resource policy.

Share Options

Senior executives of the Company are granted share options in the OCBC Bank's Share Option Scheme as consideration for services rendered. Options granted generally vest in one-third increments over a 3-year period and expire between 5 and 10 years from date of grant. The cost of these equity-settled share based payment transactions with the senior executives is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. The cost is recognised in the income statement of the respective insurance funds, with a corresponding increase in the intercompany balance with the ultimate holding company, over the vesting period.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) Employee Benefits (cont'd.)

Share Options (cont'd.)

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Company or the senior executives, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the income statement upon cancellation.

Deferred Share Plan

In addition to the OCBC Bank's Share Option Scheme, certain employees within the Company are granted OCBC shares under the OCBC Deferred Share Plan ("DSP"). There are 2 types of deferred share awards. Deferred share awards granted as part of long term incentive compensation will vest three years from the grant date and will lapse if the staff ceases employment during the vesting period. For deferred share awards granted as part of variable performance bonus, half of the share awards will vest two years from the grant date and the remaining half will vest at the end of three years from the grant date. The cost of the DSP is recognised in the income statement on the straight-line basis over the vesting period of the DSP.

At each balance sheet date, the cumulative expense is adjusted for the estimated number of shares granted under the DSP that have vested and/or lapsed.

(s) Cash And Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments with maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(t) 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.

(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.

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

(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.)

(t) 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. 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.

(u) Goods And Service Tax ("GST")

GST, a multistage consumption tax on domestic consumption was implemented nationwide in 1st April 2015.

For the Company, revenues, expenses and assets are recognised net of the amount of GST except where GST incurred on a purchase of assets or services is not recoverable from the tax authority, in which case GST is recognised as part of the expense item as applicable. Receivable and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the tax authority is included as part of the receivables and payables in the balance sheet.

2.3 Standards Issued But Not Yet Effective

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

Effective For The Financial Periods Beginning On Or After 1 January 2016

Amendments to MFRS 5 - *Non-Current Assets Held for Sale and Discontinued Operations (Annual Improvements to 2012-2014 Cycle)*
Amendments to MFRS 7 - *Financial Instruments: Disclosures (Annual Improvements to 2012-2014 Cycle)*
Amendments to MFRS 10 - *Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to MFRS 11 - *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Effective For The Financial Periods Beginning On Or After 1 January 2016 (cont'd.)

Amendments to MFRS 116 - *Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 119 - *Employee Benefits (Annual Improvements 2012–2014 Cycle)*
Amendments to MFRS 127 - *Separate Financial Statements: Equity Method in Separate Financial Statements*
Amendments to MFRS 128 - *Investments in Associates: Sale or Contribution of Assets*
Amendments to MFRS 134 - *Interim Financial Reporting (Annual Improvements 2012–2014 Cycle)*
Amendments to MFRS 138 - *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 141 - *Agriculture: Bearer Plants*
MFRS 14 - *Regulatory Deferral Accounts*
Amendments to MFRS 101 - *Disclosure Initiatives*
Amendments to MFRS 10, MFRS 12 and MFRS 128 - *Investment Entities: Applying Consolidation Exception*

Effective For The Financial Periods Beginning On Or After 1 January 2018

MFRS 15 - *Revenue from Contracts with Customers*
MFRS 9 - *Financial Instruments (IFRS 9 issued by IASB in July 2015)*

The directors expect that the adoption of the above Standards, Amendments to standards and improvements to published standards will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Effective For The Financial Periods Beginning On Or After 1 January 2018 (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarized below:

(a) Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset. Key changes include:

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;
- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI is introduced; and
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at fair value through profit or loss to be presented in other comprehensive income.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, and may have no impact on the classification and measurement of the Company's financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Effective For The Financial Periods Beginning On Or After 1 January 2018 (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

(b) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss model ("ECL") that replaces the incurred loss model under the current accounting standard. The Company will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Company. MFRS 9 will change the Company's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

(c) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review.

2.4 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(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.

(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 (BNM/RH/STD 032-5). 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(iv) Impairment Of Receivables (cont'd.)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 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.)

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 re-assessed 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 RM33,463,584 during the current financial year (2014: RM10,612,055). The estimation of pipeline premiums made by management is based on average actual pipeline premium booked in for past three (3) years. As estimations are inherently uncertain, actual premium may differ from the estimated premiums. Management revises its 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 4 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	Total RM
Cost							
At 1 January 2014	9,800,000	2,200,000	5,782,688	555,714	8,784,398	5,014,532	32,137,332
Additions	-	-	174,710	329,000	960,570	2,312,194	3,776,474
Reclassification	-	-	112,757	-	21,500	(134,257)	-
Disposals	-	-	(6,834)	(336,709)	-	-	(343,543)
Write-off	-	-	(41,129)	-	(6,695)	-	(47,824)
At 31 December 2014	9,800,000	2,200,000	6,022,192	548,005	9,759,773	7,192,469	35,522,439
Additions	-	-	188,975	-	2,299,209	3,481,332	5,969,516
Reclassification	-	-	1,650,404	-	4,464,580	(6,114,984)	-
Disposals	-	-	-	-	-	-	-
Write-off	-	-	(4,920)	-	-	-	(4,920)
At 31 December 2015	9,800,000	2,200,000	7,856,651	548,005	16,523,562	4,558,817	41,487,035
Accumulated Depreciation							
At 1 January 2014	-	132,000	4,044,084	478,740	6,881,105	-	11,535,929
Depreciation charge for year (Note 22)	-	44,000	494,750	85,043	1,962,169	-	2,585,962
Disposals	-	-	(3,096)	(336,709)	-	-	(339,805)
Write-off	-	-	(24,311)	-	(6,695)	-	(31,006)
At 31 December 2014	-	176,000	4,511,427	227,074	8,836,579	-	13,751,080
Depreciation charge for year (Note 22)	-	44,000	829,977	85,041	2,844,390	-	3,803,408
Disposals	-	-	-	-	-	-	-
Write-off	-	-	(4,662)	-	-	-	(4,662)
At 31 December 2015	-	220,000	5,336,742	312,115	11,680,969	-	17,549,826
Net Carrying Amount							
At 31 December 2014	9,800,000	2,024,000	1,510,765	320,931	923,194	7,192,469	21,771,359
At 31 December 2015	9,800,000	1,980,000	2,519,909	235,890	4,842,593	4,558,817	23,937,209

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 RM11,408,948 (2014: RM6,746,778).

4. GOODWILL

	2015 RM	2014 RM
At beginning of year	**18,182,598**	**18,182,598**
Impairment	-	-
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.

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

(i) The expected growth rate of the Company is on the average of 11.2% per annum (2014: 7.8%).

(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 10.34% per annum (2014: 11.2%) (pre-tax discount rate of 12.67% per annum (2014: 13.44%)); and

(iii) Terminal value cash flow growth rate of 4.7% (2014: 5.7%), 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.

5. INVESTMENTS

	2015 RM	2014 RM
Malaysian government securities	81,036,306	90,945,887
Debt securities	398,652,829	391,266,600
Equity securities	37,353,206	35,808,725
Unit and property trust funds	-	2,291,913
Loans	21,962,607	21,673,428
Deposits with financial institutions	20,380,000	22,030,000
	559,384,948	**564,016,553**

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

	2015 RM	2014 RM
LAR	42,342,607	43,703,428
AFS financial assets	497,558,221	500,861,001
FVTPL financial assets	19,484,120	19,452,124
	559,384,948	**564,016,553**

The following investments mature after 12 months:

	2015 RM	2014 RM
LAR	21,852,575	21,547,499
AFS financial assets	442,785,410	438,412,134
FVTPL financial assets	19,484,120	19,452,124
	484,122,105	**479,411,757**

5. INVESTMENTS (CONT'D.)

(a) LAR

	2015 RM	2014 RM
At Amortised Cost/Cost:		
Fixed and call deposits with licensed financial institutions	20,380,000	22,030,000
Loans:	21,962,607	21,673,428
Mortgage loans	198,403	275,563
Secured loans	20,039,908	20,048,074
Other loans	1,724,296	1,349,791
	42,342,607	**43,703,428**

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, secured loans and other loans are reasonable approximations of fair values due to the insignificant impact of discounting.

(b) AFS financial assets

	2015 RM	2014 RM
At Fair Value:		
Malaysian government securities	81,036,306	90,945,887
Debt securities:		
Unquoted in Malaysia	379,228,900	371,814,476
Equity securities:		
Quoted in Malaysia	37,293,015	35,808,725
Quoted unit and property trust funds in Malaysia	-	2,291,913
	497,558,221	**500,861,001**

5. INVESTMENTS (CONT'D.)

(c) FVTPL

	2015 RM	2014 RM
At Fair Value:		
Debt securities:		
Unquoted in Malaysia	19,423,929	19,452,124
Equity securities:		
Quoted in Malaysia	60,191	-
	19,484,120	**19,452,124**

Financial instruments carried at FVTPL primarily comprise of warrants and structured deposits. In accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*, these have been designated as at FVTPL upon initial recognition.

(d) Carrying Values Of Investments

	LAR RM	AFS RM	FVTPL RM	Total RM
At 1 January 2014	**52,159,441**	**460,030,360**	**33,384,644**	**545,574,445**
Purchases (Note 26)	1,886,692,154	299,516,516	-	2,186,208,670
Maturities / disposals	(1,895,140,371)	(255,292,042)	(15,245,382)	(2,165,677,795)
Fair value losses recorded in other comprehensive income	-	(4,196,816)	-	(4,196,816)
Fair value gains recorded in income statement	-	303,623	1,312,862	1,616,485
Reversal of impairment losses on investments	-	339,720	-	339,720
(Amortisation) / Accretion adjustments	(7,796)	159,640	-	151,844
At 31 December 2014	**43,703,428**	**500,861,001**	**19,452,124**	**564,016,553**
Purchases (Note 26)	1,836,369,709	378,934,519	15,000,000	2,230,304,228
Maturities / disposals	(1,837,722,366)	(385,565,742)	(15,147,989)	(2,238,436,097)
Fair value gains recorded in other comprehensive income	-	5,486,826	-	5,486,826
Fair value gains recorded in income statement	-	-	179,985	179,985
Impairment losses on investments	-	(2,729,639)	-	(2,729,639)
(Amortisation) / Accretion adjustments	(8,164)	571,256	-	563,092
At 31 December 2015	**42,342,607**	**497,558,221**	**19,484,120**	**559,384,948**

6. REINSURANCE ASSETS

	2015 RM	2014 RM
Reinsurers' share of claim liabilities (Note 11)	184,379,617	182,416,099
Reinsurers' share of premium liabilities (Note 11)	74,223,826	53,036,841
	258,603,443	**235,452,940**

Movement Of Accumulated Impairment Losses Account:

	Individually Impaired	
	2015 RM	2014 RM
At beginning of year	**2,008,711**	**-**
(Reversal)/Provision for impairment losses	(594,865)	2,008,711
At end of year	**1,413,846**	**2,008,711**

During the year, the Company made reversal of impairment losses of RM594,865 in respect to reinsurance asset arising from a reinsurer which its balances had been fully impaired in the previous year due to deteriorating financial performance and credit rating. Current year reversal of impairment losses on reinsurance assets is due to claims settlement and the impairment has been provided for under insurance receivables.

7. INSURANCE RECEIVABLES

	2015 RM	2014 RM
Due premiums including agents/brokers, co-insurers and insured balances	71,244,440	57,422,583
Due from reinsurers and cedants	48,209,781	21,888,143
	119,454,221	79,310,726
Accumulated impairment losses	(16,583,568)	(26,102,927)
	102,870,653	**53,207,799**

The Company's amounts due from reinsurers and cedants that have been offset against amount due to reinsurers and cedants are as follows:

	Gross carrying amount RM	Gross amounts offset in the balance sheet RM	Net amounts in the balance sheet RM
31 December 2015			
Premiums	18,362,473	(32,369,959)	(14,007,486)
Commissions	11,363,371	(375,572)	10,987,799
Claims	51,229,468	-	51,229,468
	80,955,312	**(32,745,531)**	**48,209,781**
31 December 2014			
Premiums	6,049,125	(646,916)	5,402,209
Commissions	253,112	(357,701)	(104,589)
Claims	17,104,840	(514,317)	16,590,523
	23,407,077	**(1,518,934)**	**21,888,143**

Movement of accumulated impairment losses account:

	2015 RM	2014 RM
At beginning of year	**26,102,927**	**25,930,867**
(Write back of)/Provision for impairment losses (Note 22)		
- Collective impairment	(9,983,248)	(1,082,009)
- Specific impairment	463,889	1,254,069
	(9,519,359)	172,060
At end of year	**16,583,568**	**26,102,927**

8. OTHER RECEIVABLES

	2015 RM	2014 RM
Income due and accrued	5,362,357	5,424,602
Net assets held under the Malaysian Motor Insurance Pool ("MMIP")*	68,909,269	58,231,624
Collateral fixed deposits	7,736,410	8,747,875
Deposits and prepayments	1,349,822	1,072,414
Due from Tahan	6,721,890	6,721,890
Other receivables	3,694,931	2,208,815
	93,774,679	82,407,220
Accumulated impairment losses	(6,721,890)	(6,721,890)
	87,052,789	**75,685,330**

The carrying amounts of other receivables (not including deposits and prepayments) approximate fair values due to the relatively short-term maturity of these balances.

* As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's share of the Pool's net assets, before insurance contract liabilities. The Company's share of the Pool's insurance contract liabilities and net exposure arising from its participation in the Pool is disclosed in Notes 11 and 30(v) respectively.

* The net assets held under MMIP of the Company includes cash contribution of RM34,359,477 (2014: RM27,347,901) made to MMIP, following additional cash calls of RM7,011,576 (2014: RM9,358,767) made by the Pool during the current financial year. The cash contributions were made in respect of the Company's share of MMIP's accumulated losses up to 31 December 2014.

9. SHARE CAPITAL

	2015		2014	
	No. of Shares	RM	No. of Shares	RM
Authorised:				
Ordinary shares of RM1 each				
At beginning and end of the 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 the year	100,000,000	100,000,000	100,000,000	100,000,000

10. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2015 and 31 December 2014 under the single tier system.

11. INSURANCE CONTRACT LIABILITIES

	2015			2014		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	352,834,223	(178,445,082)	174,389,141	327,549,039	(152,842,235)	174,706,804
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	51,750,334	(5,934,535)	45,815,799	65,849,118	(29,573,864)	36,275,254
Claim liabilities (i)	404,584,557	(184,379,617)	220,204,940	393,398,157	(182,416,099)	210,982,058
Premium liabilities (ii)	202,213,777	(74,223,826)	127,989,951	166,330,753	(53,036,841)	113,293,912
	606,798,334	(258,603,443)	348,194,891	559,728,910	(235,452,940)	324,275,970
(i) Claim Liabilities						
At beginning of year	393,398,157	(182,416,099)	210,982,058	339,873,106	(129,229,887)	210,643,219
Claims incurred in the current accident year (direct and facultative)	272,290,730	(127,049,447)	145,241,283	223,764,107	(77,960,863)	145,803,244
Adjustment to claims incurred in prior accident year due to changes in assumption						
- change in link ratios used in the IBNR estimation	(39,463,099)	29,859,457	(9,603,642)	11,042,262	(26,839,791)	(15,797,529)
Movement in PRAD of claim liabilities	(10,176,215)	530,820	(9,645,395)	(4,315,157)	359,852	(3,955,305)
Movement in claims handling expenses (i.e. ULAE)	(1,302,658)	-	(1,302,658)	328,789	-	328,789
Other movement in claims incurred in prior accident years (direct and facultative)	(9,807,883)	8,342,262	(1,465,621)	(15,264,776)	3,018,515	(12,246,261)
Movement in claims incurred (treaty inwards claims)	19,515,768	(137,605)	19,378,163	20,947,990	(1,386,544)	19,561,446
Claims paid during the year (Note 21(a))	(219,870,243)	86,490,995	(133,379,248)	(182,978,164)	49,622,619	(133,355,545)
At end of year	404,584,557	(184,379,617)	220,204,940	393,398,157	(182,416,099)	210,982,058
(ii) Premium Liabilities						
At beginning of year	166,330,753	(53,036,841)	113,293,912	161,982,624	(48,710,008)	113,272,616
Premiums written in the year (Note 16)	448,995,224	(158,733,686)	290,261,538	409,136,694	(137,971,282)	271,165,412
Premiums earned during the year (Note 16)	(413,112,200)	137,546,701	(275,565,499)	(404,788,565)	133,644,449	(271,144,116)
At end of year	202,213,777	(74,223,826)	127,989,951	166,330,753	(53,036,841)	113,293,912

As at 31 December 2015, the insurance contract liabilities above includes the Company's share of MMIP's claims and premium liabilities amounting to RM67,974,678 (2014: RM60,240,333) and RM7,208,744 (2014: RM10,847,068). The Company's net exposure arising from its participation in the Pool is detailed in Note 30(vi).

12. DEFERRED TAX (ASSETS)/ LIABILITIES

	2015 RM	2014 RM
At beginning of year	**(737,759)**	**(3,687,048)**
Recognised in:		
Income statement (Note 23)	(791,906)	3,922,588
Other comprehensive income	1,324,633	(973,299)
At end of year	**(205,032)**	**(737,759)**

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.

	2015 RM	2014 RM
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	506,939	243,714
Deferred tax assets	(711,971)	(981,473)
	(205,032)	**(737,759)**

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

Deferred Tax Liabilities:

	Investments RM	Premium liabilities RM	Accelerated capital allowance on property and equipment RM	Total RM
At 1 January 2015	**12,652**	**70,179**	**160,883**	**243,714**
Recognised in:				
Income statement	-	(70,179)	(160,883)	(231,062)
Other comprehensive income	494,287	-	-	494,287
At 31 December 2015	**506,939**	**-**	**-**	**506,939**

12. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

Deferred Tax Liabilities: (cont'd.)

	Investments RM	Premium liabilities RM	Accelerated capital allowance on property and equipment RM	Total RM
At 1 January 2014	**276,237**	**84,659**	**685,003**	**1,045,899**
Recognised in:				
Income statement	709,714	(14,480)	(524,120)	171,114
Other comprehensive income	(973,299)	-	-	(973,299)
At 31 December 2014	**12,652**	**70,179**	**160,883**	**243,714**

Deferred Tax Assets:

	Receivables RM	Investments RM	Premium liabilities RM	Contribution to MMIP cash call RM	Accelerated capital allowance on property and equipment RM	Total RM
At 1 January 2015	**(599,976)**	**(381,497)**	**-**	**-**	**-**	**(981,473)**
Recognised in income statement	117,545	(448,849)	(135,388)	-	(94,152)	(560,844)
Recognised in other comprehensive income	-	830,346	-	-	-	830,346
At 31 December 2015	**(482,431)**	**-**	**(135,388)**	**-**	**(94,152)**	**(711,971)**
At 1 January 2014	**(235,663)**	**-**	**-**	**(4,497,284)**	**-**	**(4,732,947)**
Recognised in income statement	(364,313)	(381,497)	-	4,497,284	-	3,751,474
At 31 December 2014	**(599,976)**	**(381,497)**	**-**	**-**	**-**	**(981,473)**

13. 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.

14. INSURANCE PAYABLES

	2015 RM	2014 RM
Due to agents, intermediaries and insured	14,737,593	18,827,275
Due to reinsurers and cedants	46,668,542	35,554,609
	61,406,135	54,381,884

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

All amounts are payable within one year.

The Company's amounts due to reinsurers and cedants that have been offset against amount due from reinsurers and cedants are as follows:

	Gross carrying amount RM	Gross amounts offset in the balance sheet RM	Net amounts in the balance sheet RM
31 December 2015			
Premiums	50,120,173	(2,700,629)	47,419,544
Commissions	175,181	(3,668,385)	(3,493,204)
Claims	2,742,202	-	2,742,202
	53,037,556	(6,369,014)	46,668,542
31 December 2014			
Premiums	58,161,462	-	58,161,462
Commissions	-	(13,404,371)	(13,404,371)
Claims	-	(9,202,482)	(9,202,482)
	58,161,462	(22,606,853)	35,554,609

15. OTHER PAYABLES

	2015 RM	2014 RM
Amount due to related companies (Note 29(a))	1,366,373	1,399,617
Amount due to immediate holding company (Note 29(a))	543,608	588,824
Goods and Services Tax	1,080,386	-
Cash collateral held on behalf of insureds	8,299,151	9,679,836
Accrual for staff bonus	5,318,870	5,176,000
Other accrued expenses	5,321,531	2,086,093
Other payables	13,791,557	20,688,321
	35,721,476	**39,618,691**

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 and immediate holding company are trade in nature, unsecured, interest free and are repayable on demand.

16. NET EARNED PREMIUMS

	2015 RM	2014 RM
(a) Gross earned premiums		
General insurance contract (Note 11(ii))	448,995,224	409,136,694
Change in premium liabilities	(35,883,024)	(4,348,129)
	413,112,200	404,788,565
(b) Premiums ceded		
General insurance contract (Note 11(ii))	(158,733,686)	(137,971,282)
Change in premium liabilities	21,186,985	4,326,833
	(137,546,701)	(133,644,449)
Net earned premiums (Note 11(ii))	**275,565,499**	**271,144,116**

17. INVESTMENT INCOME

	2015 RM	2014 RM
Net rental income from properties	661,200	661,200
Interest/profit income from AFS financial assets	21,996,721	21,104,051
Interest/profit income from FVTPL financial assets	990,503	1,273,959
Dividend/distribution income:		
- quoted equity securities in Malaysia	1,279,481	1,126,031
LAR interest income	1,594,537	1,346,835
Investment Income (Note 26)	26,522,442	25,512,076
Net accretion of discount (Note 26)	563,092	151,844
Investment expenses	(32,007)	(27,220)
	27,053,527	**25,636,700**

18. REALISED GAINS

	2015 RM	2014 RM
Property and equipment:		
Gain on disposal of property and equipment (Note 26)	-	94,912
AFS financial assets:		
Realised gains:		
- quoted equity securities in Malaysia	1,337,929	2,703,890
- unquoted debt securities in Malaysia	505,555	272,483
- Malaysian government securities	821,873	522,016
Realised losses:		
- quoted equity securities in Malaysia	(1,308,371)	-
- unquoted debt securities in Malaysia	(39,322)	(464,517)
- Malaysian government securities	-	(82,200)
Realised gains on AFS financial assets	**1,317,664**	**2,951,672**
FVTPL financial assets:		
Realised gains:		
- quoted equity securities in Malaysia	67,676	191,673
Realised losses:		
- unquoted debt securities in Malaysia	-	(1,255,870)
Realised gains/(losses) on FVTPL financial assets	**67,676**	**(1,064,197)**
Realised gains on AFS and FVTPL financial assets (Note 26)	1,385,340	1,887,475
Total realised gains	**1,385,340**	**1,982,387**

19. FAIR VALUE (LOSSES)/GAINS

	2015 RM	2014 RM
Reversal of impairment losses on investments	-	339,720
Impairment losses on investments	(2,729,639)	-
Unrealised gains on equity securities	60,191	303,622
Unrealised gains on debt securities	156,791	1,396,402
Unrealised losses on debt securities	(36,997)	(83,539)
Total fair value (losses)/gains (Note 26)	**(2,549,654)**	**1,956,205**

20. OTHER OPERATING REVENUE

	2015 RM	2014 RM
Other operating revenue:		
Sundry income	**5,973,221**	**1,912,278**

21. NET CLAIMS

	2015 RM	2014 RM
(a) **Gross Claims Paid**		
General insurance contracts (Note 11(i))	(219,870,243)	(182,978,164)
(b) **Claims Ceded To Reinsurers**		
General insurance contracts (Note 11(i))	86,490,995	49,622,619
Net claims paid (a) (Note 11(i))	(133,379,248)	(133,355,545)
(c) **Gross Change In Contract Liabilities**		
General insurance contracts	(11,186,398)	(22,925,052)
(d) **Change In Contract Liabilities Ceded To Reinsurers**		
General insurance contracts	1,963,517	22,586,211
Net change in contract liabilities (b)	(9,222,881)	(338,841)
Net claims (a) + (b)	**(142,602,129)**	**(133,694,386)**

22. MANAGEMENT EXPENSES

	2015 RM	2014 RM
Employee benefits expense (Note 22(a))	38,814,919	35,270,393
Directors' remuneration (Note 22(b))	378,467	284,617
Auditors' remuneration:		
- statutory audits	257,200	215,560
- regulatory related fees	10,600	10,000
- other services	35,000	31,709
Depreciation of property and equipment (Note 3)	3,803,408	2,585,962
Bad debts written off (Note 26)	9,384,624	97,529
Property and equipment written off (Note 26)	258	16,819
Office rental	2,928,961	2,876,834
Rental of equipment, software and services	337,852	408,010
Administration and general expenses	31,237,941	23,294,729
(Write back of)/Impairment losses on insurance receivables (Note 7)	(9,519,359)	172,060
	77,669,871	65,264,222

(a) Employee Benefits Expense

	2015 RM	2014 RM
Wages and salaries	31,732,752	29,027,119
Social security contributions	218,941	221,916
Contributions to defined contribution plan - EPF	5,072,843	4,609,909
Other benefits	1,485,319	1,284,960
Share based payments	305,064	126,489
	38,814,919	35,270,393

Included in employee benefits expense is CEO's remuneration of RM785,309 (2014: RM690,687) as detailed in Note 22(c).

22. MANAGEMENT EXPENSES (CONT'D)

(b) Directors' remuneration

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

	2015 RM	2014 RM
Non-executive directors' fees	**378,467**	**284,617**

NAME	2015 RM	2014 RM
Mr Norman Ip Ka Cheung	72,267	37,433
Dato' Albert Yeoh Beow Tit	102,000	107,200
Mr Lee Kong Yip	126,000	105,200
Mr Ng Hon Soon	78,200	9,717
Mrs Fang Ai Lian (resigned on 16.4.2015)	-	25,067
	378,467	**284,617**

The other directors in office during the year and as at the financial year did not receive any remuneration from the Company.

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.

(c) CEO's remuneration

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

	2015 RM	2014 RM
Salaries and other remuneration	608,710	571,087
Bonus	151,999	95,000
Total remuneration excluding benefits in kind	760,709	666,087
Estimated money value of benefits in kind	24,600	24,600
Total remuneration (Note 22(a))	785,309	690,687
Share-based payment (in units)	**5,558**	**12,727**

23. TAXATION

	2015 RM	2014 RM
Current income tax:		
Malaysian income tax	14,649,791	17,341,752
Overprovision of income tax	(557,785)	(3,216,488)
	14,092,006	14,125,264
Deferred tax (Note 12):		
Relating to origination and reversal of temporary differences	(774,600)	2,742,388
(Over)/Underprovision in prior year	(17,306)	1,180,200
	(791,906)	3,922,588
	13,300,100	**18,047,852**

The income tax is based on the tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year.

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:

	2015 RM	2014 RM
Profit before taxation	**56,727,210**	**75,082,360**
Taxation at Malaysian statutory tax rate of 25%	14,181,803	18,770,590
Income not subject to tax	(1,159,780)	(252,037)
Expenses not deductible for tax purposes	2,551,167	694,199
Additional tax deduction in respect of contribution to MMIP	(1,752,894)	(2,339,692)
Release in deferred tax asset in respect of contribution to MMIP	-	3,211,080
Effect of changes in tax rate on deferred tax	54,895	-
Overprovision of prior year tax	(557,785)	(3,216,488)
(Over)/Underprovision of deferred tax in prior year	(17,306)	1,180,200
Tax expense for the year	**13,300,100**	**18,047,852**

24. 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.

	2015 RM	2014 RM
Profit attributable to ordinary equity holder	43,427,110	57,034,508
Number of ordinary shares in issue during the year	100,000,000	100,000,000
Basic earnings per share (sen)	**43.43**	**57.03**

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.

25. DIVIDENDS

Recognised during the financial year:

	2015 RM	2014 RM
Final single tier dividend for 2015: RM0.19 (2014: RM0.30) per share	**19,000,000**	**30,000,000**

26. CASH GENERATED FROM OPERATING ACTIVITIES

	Note	2015 RM	2014 RM
Profit before taxation		56,727,210	75,082,360
Investment income	17	(26,522,442)	(25,512,076)
Realised gains on AFS and FVTPL financial assets	18	(1,385,340)	(1,887,475)
Fair value losses/(gains) recorded in income statement	19	2,549,654	(1,956,205)
Purchases of FVTPL financial assets	5(d)	(15,000,000)	-
Purchases of AFS financial assets	5(d)	(378,934,519)	(299,516,516)
Proceeds from maturities/disposals of AFS financial assets		386,883,406	258,243,714
Proceeds from maturities/disposals of FVTPL financial assets		15,215,665	14,181,183
Increase in LAR		(297,344)	(61,783)
Non-cash items:			
Depreciation of property and equipment	3	3,803,408	2,585,962
Gain on disposal of property and equipment	18	-	(94,912)
(Write back of)/Impairment losses on insurance receivables	7	(9,519,359)	172,060
Bad debts written off	22	9,384,624	97,529
Property and equipment written off	22	258	16,819
Net accretion of discounts	17	(563,092)	(151,844)
Changes in working capital:			
Reinsurance assets		(23,150,503)	(57,513,045)
Insurance receivables		(49,528,119)	(6,975,500)
Other receivables		(10,768,508)	(9,238,737)
Insurance contract liabilities		47,069,424	57,873,180
Deposits from reinsurers		(631,924)	(1,538,312)
Insurance payables		7,024,251	10,167,776
Other payables		(3,897,215)	(5,232,726)
Cash generated from operating activities		**8,459,535**	**8,741,452**

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.

27. CAPITAL COMMITMENTS

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

	2015 RM	2014 RM
Capital expenditure:		
Approved and contracted for:		
Property and equipment	6,606,334	6,918,779
Approved but not contracted for:		
Property and equipment	729,922	4,397,935
	7,336,256	11,316,714

28. OPERATING LEASE ARRANGEMENTS

(a) The Company as lessee

The Company has entered into lease agreements 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:

	2015 RM	2014 RM
Rental of equipment, software and services:		
Not later than 1 year	376,658	184,432
Later than 1 year and not later than 5 years	560,225	225,219
	936,883	409,651
Rental of office premises:		
Not later than 1 year	1,825,627	2,082,813
Later than 1 year and not later than 5 years	1,130,602	2,454,188
	2,956,229	4,537,001

29. 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:

	2015 RM	2014 RM
Expense/(Income):		
Property rentals paid (ii)		
- Great Eastern Life Assurance (Malaysia) Berhad	1,773,500	1,758,200
Service charges paid (iii)		
- Great Eastern Life Assurance (Malaysia) Berhad	5,087,580	4,187,510
- Great Eastern Life Assurance (Singapore) Co Ltd	3,690,717	3,489,551
Premium paid (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	228,087	220,164
Commission fees paid		
- Great Eastern Life Assurance (Malaysia) Berhad	397,758	387,869
- OCBC Bank (Malaysia) Berhad	4,273,943	3,951,467
- OCBC Al-Amin Bank Berhad	405,227	355,439
- OCBC Properties (M) Sdn Bhd	12,699	-
- Pac Lease Berhad	2,648,856	2,821,569
Bank charges and custodian fee paid (iii)		
- OCBC Bank (Malaysia) Berhad	1,555,165	1,611,549
Premium received (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	(2,568,200)	(2,493,167)
- OCBC Bank (Malaysia) Berhad	(3,266,447)	(3,132,035)
- OCBC Al-Amin Bank Berhad	(655,151)	(277,875)
- OCBC Properties (M) Sdn Bhd	(83,558)	-
- Pacific Mutual Fund Bhd	(24,982)	(19,969)
- E2 Power Sdn Bhd	(330,873)	(337,260)
- Pac Lease Berhad	(12,259)	(10,347)

29. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related party transactions and balances (cont'd.)

Significant transactions with related parties during the year: (cont'd.)

	2015 RM	2014 RM
Expense/(Income):		
Interest received (iv)		
- OCBC Bank (Malaysia) Berhad	(592,455)	(743,692)
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Limited	132,374	57,392
Employee Share Option Scheme		
- Oversea-Chinese Banking Corporation Limited	127,580	77,835
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Limited	45,109	(8,738)
Disposal of investment to		
- Great Eastern Life Assurance (Malaysia) Berhad	190,743,541	95,054,536
Balances with related parties at year-end:		
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	18,640,000	25,155,576
Fixed deposits and structured deposits		
- OCBC Bank (Malaysia) Berhad	10,449,578	14,217,492
Amount due to subsidiaries of penultimate holding company (Note 15):		
- Great Eastern Life Assurance (Malaysia) Berhad	799,807	1,070,576
- Great Eastern Life Assurance (Singapore) Co Ltd	438,124	309,077
- Oversea-Chinese Banking Corporation Limited	128,442	19,964
	1,366,373	**1,399,617**
Amount due to immediate holding company (Note 15):		
- Overseas Assurance Corporation (Holdings) Berhad	543,608	588,824

29. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related party transactions and balances (cont'd.)

<u>Significant transactions with related parties during the year: (cont'd.)</u>

The related companies disclosed above are companies within the Oversea-Chinese Banking Corporation Group. Notes on transactions with related parties:

(i) The sale and purchase of insurance policies to/from 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 structured deposits which are made according to prevailing market rates, terms and conditions.

(v) General terms for balances with related companies are disclosed in Note 15.

(b) Compensation of key management personnel

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

	2015 RM	2014 RM
Short-term employee benefits	3,140,109	2,475,088
Post-employment benefits	463,856	354,696
Share based payment ("DSP")	88,742	100,750
	3,692,707	2,930,534
Non Executive Directors' remuneration (Note 22(b))	378,467	284,617
	4,071,174	**3,215,151**
Share-based payment (in units)	**14,156**	**28,704**

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 Director, Chief Executive Officer and Senior Management Team.

30. 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:

- Always operate within the risk appetite set by the Board of Directors ("Board"); and
- Ensure commensurate reward for any risk taken.

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

The Board Risk Committee ("BRC"), constituted in 2003, provides the oversight on the risk management initiatives. Detailed risk management and oversight 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 regard 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.

On 1 March 2013, Bank Negara Malaysia ("BNM") issued a policy document on Risk Governance which sets out a framework of principles on risk governance to guide the Board and SMT in performing their risk oversight function. The principles in this document are foundation for and complement other guidelines and sound practices papers issued by BNM on specific risks. Collectively, they reflect BNM's supervisory expectations with regards to the Company's risk management framework and practices, and form the basis for supervisory assessments performed by the BNM.

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

Regulatory Framework

Insurers have to comply with the Financial Services Act 2013 ("FSA") which came into force on 30 June 2013, and regulations, including guidelines on investment limits.

As the FSA effectively serves to replace the Insurance Act ("IA")1996, the enforcement of the FSA has a profound impact on the way the Company operates and it raises challenges to business departments to ensure compliance with the new regulatory requirements. In comparison with IA 1996, FSA provides greater sense of regulatory control and consumer protection as well as endowing BNM with wide powers to intervene with a financial institution's business or operations to manage risk and ensure good governance.

Notwithstanding the impact of FSA on the Company's overall operations and business conduct, the Company is in full compliance with the applicable provisions of the FSA.

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 shareholder.

Capital Management Framework

The Company's capital management policy is to create shareholder value, deliver sustainable returns to shareholder, maintain a strong capital position with sufficient buffer to meet obligations to policyholders and regulatory requirements and make strategic investments for business growth. The Company has had no significant changes in the policies and processes relating to its capital structure during the year.

Under the Risk-Based Capital for Insurers ("RBC") Framework, the insurer has to maintain a capital adequacy level that commensurate with its risk profiles. The Capital Adequacy Ratio of the Company remained well above the minimum capital requirement of 130% under the RBC Framework regulated by Bank Negara Malaysia (BNM).

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

Capital Management Framework (cont'd.)

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 following sections provide details regarding the Company's exposure to the insurance and key financial risks and the objectives, policies and processes for the management of these risks.

There has been no major change to the Company's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

Insurance Risk

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

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.

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

Insurance Risk (cont'd.)

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 and liabilities for claims. Sources of assumptions affecting insurance 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 SMT 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 foreign reinsurers meeting a minimum credit rating of S&P "A-", or its equivalent, or legally set up local reinsurers 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 claims trends and 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 insurance fund under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment and loss ratios.

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 under Note 11 of the financial statements. The premium liabilities comprise the higher of unearned premium reserves (UPR) or unexpired risk reserve (URR), while the claim liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

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

Insurance Risk (cont'd.)

Table 30(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 2015			
Fire	48,538,870	(30,755,675)	17,783,195
Motor	63,845,403	(5,228,724)	58,616,679
Marine, Aviation and Transit	18,736,130	(16,254,397)	2,481,733
Workmen's Compensation	931,599	80,710	1,012,309
Personal Accident and Health	37,118,790	(3,942,673)	33,176,117
Others	33,042,985	(18,123,067)	14,919,918
	202,213,777	**(74,223,826)**	**127,989,951**
31 December 2014			
Fire	31,373,885	(18,560,325)	12,813,560
Motor	61,336,078	(3,048,528)	58,287,550
Marine, Aviation and Transit	3,642,456	(3,235,981)	406,475
Workmen's Compensation	996,955	80,604	1,077,559
Personal Accident and Health	29,743,756	(2,134,944)	27,608,812
Others	39,237,623	(26,137,667)	13,099,956
	166,330,753	**(53,036,841)**	**113,293,912**

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

Insurance Risk (cont'd.)

Table 30(A2): The table below shows the concentration of claim liabilities by class of business:

	Gross claims liabilities RM	Reinsurance claims liabilities RM	Net claims liabilities RM
31 December 2015			
Fire	64,076,740	(52,322,590)	11,754,150
Motor	153,674,084	(6,237,517)	147,436,567
Marine, Aviation and Transit	5,824,786	(3,198,023)	2,626,763
Workmen's Compensation	1,018,368	(33,449)	984,919
Personal Accident and Health	35,484,562	(4,392,122)	31,092,440
Others	144,506,017	(118,195,916)	26,310,101
	404,584,557	**(184,379,617)**	**220,204,940**
31 December 2014			
Fire	92,276,100	(74,595,601)	17,680,499
Motor	138,288,254	(2,692,678)	135,595,576
Marine, Aviation and Transit	6,148,697	(3,366,772)	2,781,925
Workmen's Compensation	884,616	(33,708)	850,908
Personal Accident and Health	27,232,888	(3,960,308)	23,272,580
Others	128,567,602	(97,767,032)	30,800,570
	393,398,157	**(182,416,099)**	**210,982,058**

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

Insurance Risk (cont'd.)

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. Furthermore, 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 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.

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, income statement and shareholders' equity.

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

Insurance Risk (cont'd.)

Table 30(A3): The table below shows the insurance risk sensitivity analysis:

	Changes in variables	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 2015					
Increase/(decrease):					
Claim liabilities	+20%	80,917	44,041	(44,041)	(33,031)
	-20%	(80,917)	(44,041)	44,041	33,031
Premium liabilities	+20%	40,443	25,598	(25,598)	(19,199)
	-20%	(40,443)	(25,598)	25,598	19,199
PRAD margin	+20%	2,649	2,184	(2,184)	(1,638)
	-20%	(1,235)	(1,456)	1,456	1,092
Selected loss ratio (for latest year)	+20%	62,827	55,548	(55,548)	(41,661)
	-20%	(17,508)	(10,151)	10,151	7,613
Claims handling expenses	+20%	411	403	(403)	(302)
	-20%	(390)	(403)	403	302

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

Insurance Risk (cont'd.)

Table 30(A3): The table below shows the insurance risk sensitivity analysis: (cont'd.)

	Changes in variables	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 2014					
Increase/(decrease):					
Claim liabilities	+20%	78,680	42,196	(42,196)	(31,647)
	-20%	(78,680)	(42,196)	42,196	31,647
Premium liabilities	+20%	33,266	22,659	(22,659)	(16,994)
	-20%	(33,266)	(22,659)	22,659	16,994
PRAD margin	+20%	2,568	2,644	(2,644)	(1,983)
	-20%	(1,407)	(2,211)	2,211	1,658
Selected loss ratio (for latest year)	+20%	54,127	45,043	(45,043)	(33,782)
	-20%	(11,501)	(9,368)	9,368	7,026
Claims handling expenses	+20%	461	1,640	(1,640)	(1,230)
	-20%	(461)	(508)	508	381

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

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

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

Insurance Risk (cont'd.)

Claims Development Table

Table 30(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 2015:

Accident year	Note	Prior 2008 RM	2008 RM	2009 RM	2010 RM	2011 RM	2012 RM	2013 RM	2014 RM	2015 RM	Total RM
At the end of accident year		1,685,224,995	84,319,887	127,455,539	113,500,585	207,936,334	162,618,716	295,811,820	217,630,111	269,295,799	
One year later		541,149,115	89,851,605	134,536,325	158,805,737	230,182,139	174,527,552	263,352,963	225,821,390		
Two years later		547,509,250	89,296,407	197,590,558	155,353,123	173,307,559	171,765,873	223,135,903			
Three years later		544,041,936	152,032,387	194,022,082	147,218,068	168,756,254	165,343,460				
Four years later		1,043,938,232	149,543,488	184,522,218	144,152,973	165,307,073					
Five years later		1,034,428,443	144,332,510	179,284,973	142,672,826						
Six years later		1,044,544,175	140,163,094	178,522,264							
Seven years later		1,123,318,616	137,517,273								
Eight years later		1,122,715,130									
Nine years later											
Current estimate of cumulative claims incurred		**1,122,715,130**	**137,517,273**	**178,522,264**	**142,672,826**	**165,307,073**	**165,343,460**	**223,135,903**	**225,821,390**	**269,295,799**	**2,630,331,118**
At the end of accident year		1,161,943,071	35,273,501	55,111,531	53,860,911	76,681,802	84,564,888	84,240,032	73,154,298	83,570,279	
One year later		458,115,375	70,726,209	96,821,183	114,628,952	132,395,382	128,798,809	156,452,886	174,994,471		
Two years later		473,463,459	77,849,031	162,261,600	128,883,888	150,216,318	145,439,416	176,365,323			
Three years later		481,781,705	133,152,428	168,059,179	132,914,213	154,627,191	152,795,580				
Four years later		979,158,660	135,511,034	172,879,129	134,804,294	157,332,154					
Five years later		993,328,155	135,884,213	173,232,040	135,255,528						
Six years later		1,019,458,082	136,450,375	173,889,556							
Seven years later		1,040,866,200	135,636,715								
Eight years later		1,035,906,955									
Nine years later											
Cumulative payments to-date		**1,035,906,955**	**135,636,715**	**173,889,556**	**135,255,528**	**157,332,154**	**152,795,580**	**176,365,323**	**174,994,471**	**83,570,279**	**2,225,746,561**
Gross general insurance contract liabilities per Balance Sheet	*11(i)*	**86,808,175**	**1,880,558**	**4,632,708**	**7,417,298**	**7,974,919**	**12,547,880**	**46,770,580**	**50,826,919**	**185,725,520**	**404,584,557**

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

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 30(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 2015:

Accident year	Note	Prior 2008 RM	2008 RM	2009 RM	2010 RM	2011 RM	2012 RM	2013 RM	2014 RM	2015 RM	Total RM
At the end of accident year		997,227,454	59,617,554	75,515,734	81,247,277	158,310,475	123,588,391	196,908,860	143,087,271	145,035,562	
One year later		306,885,583	63,222,472	80,520,772	119,859,290	177,713,437	135,107,857	136,318,215	145,511,345		
Two years later		287,990,951	62,359,163	131,677,937	118,685,939	123,785,406	131,057,646	130,955,203			
Three years later		287,058,898	111,099,506	129,038,909	113,403,560	123,538,770	127,734,661				
Four years later		673,040,261	110,276,199	122,635,954	111,666,146	118,094,509					
Five years later		666,353,177	103,730,874	117,605,699	109,709,189						
Six years later		664,844,904	101,117,302	117,622,454							
Seven years later		728,422,652	99,144,312								
Eight years later		742,587,490									
Nine years later											
Current estimate of cumulative claims incurred		**742,587,490**	**99,144,312**	**117,622,454**	**109,709,189**	**118,094,509**	**127,734,661**	**130,955,203**	**145,511,345**	**145,035,562**	**1,736,394,725**
At the end of accident year		642,010,743	29,149,191	40,625,670	44,156,291	58,187,492	77,160,971	66,467,272	62,727,289	60,500,671	
One year later		245,229,194	50,786,581	63,790,870	91,629,441	97,624,197	106,827,704	109,522,813	118,472,967		
Two years later		253,263,357	54,923,512	107,046,237	101,284,277	107,972,263	117,967,522	119,998,811			
Three years later		256,766,728	95,781,935	112,073,024	104,489,554	111,165,388	121,691,972				
Four years later		636,656,832	97,564,250	113,834,192	105,540,058	112,897,673					
Five years later		642,552,161	97,851,272	114,273,707	105,801,826						
Six years later		652,331,940	98,564,962	114,799,053							
Seven years later		662,069,903	98,646,808								
Eight years later		663,380,004									
Nine years later											
Cumulative payments to-date		**663,380,004**	**98,646,808**	**114,799,053**	**105,801,826**	**112,897,673**	**121,691,972**	**119,998,811**	**118,472,967**	**60,500,671**	**1,516,189,785**
Net general insurance contract liabilities per Balance Sheet	*11(i)*	**79,207,486**	**497,504**	**2,823,401**	**3,907,363**	**5,196,836**	**6,042,689**	**10,956,392**	**27,038,378**	**84,534,891**	**220,204,940**

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

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 30(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 2014:

Accident year	Note	Prior 2007 RM	2007 RM	2008 RM	2009 RM	2010 RM	2011 RM	2012 RM	2013 RM	2014 RM	Total RM
At the end of accident year		1,145,758,941	96,119,627	84,319,887	127,455,539	113,500,585	207,936,334	162,618,716	295,811,820	217,630,111	
One year later		443,346,427	105,389,251	89,851,605	134,536,325	158,805,737	230,182,139	174,527,552	263,352,963		
Two years later		435,759,864	97,435,731	89,296,407	197,590,558	155,353,123	173,307,559	171,765,873			
Three years later		450,073,519	96,701,967	152,032,387	194,022,082	147,218,068	168,756,254				
Four years later		447,339,969	165,585,034	149,543,488	184,522,218	144,152,973					
Five years later		878,353,198	164,601,304	144,332,510	179,284,973						
Six years later		869,827,139	159,602,820	140,163,094							
Seven years later		884,941,355	156,712,611								
Eight years later		966,606,005									
Nine years later											
Current estimate of cumulative claims incurred		**966,606,005**	**156,712,611**	**140,163,094**	**179,284,973**	**144,152,973**	**168,756,254**	**171,765,873**	**263,352,963**	**217,630,111**	**2,408,424,857**
At the end of accident year		749,706,906	37,847,447	35,273,501	55,111,531	53,860,911	76,681,802	84,564,888	84,240,032	73,154,298	
One year later		374,388,718	70,186,313	70,726,209	96,821,183	114,628,952	132,395,382	128,798,809	156,452,886		
Two years later		387,929,062	77,835,611	77,849,031	162,261,600	128,883,888	150,216,318	145,439,416			
Three years later		395,627,848	79,388,324	133,152,428	168,059,179	132,914,213	154,627,191				
Four years later		402,393,381	143,820,702	135,511,034	172,879,129	134,804,294					
Five years later		835,337,958	151,780,501	135,884,213	173,232,040						
Six years later		841,547,654	153,033,569	136,450,375							
Seven years later		866,424,513	155,924,845								
Eight years later		884,941,355									
Nine years later											
Cumulative payments to-date		**884,941,355**	**155,924,845**	**136,450,375**	**173,232,040**	**134,804,294**	**154,627,191**	**145,439,416**	**156,452,886**	**73,154,298**	**2,015,026,700**
Gross general insurance contract liabilities per Balance Sheet	*11(i)*	**81,664,650**	**787,766**	**3,712,719**	**6,052,933**	**9,348,679**	**14,129,063**	**26,326,457**	**106,900,077**	**144,475,813**	**393,398,157**

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

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 30(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 2014:

Accident year	Note	Prior 2007 RM	2007 RM	2008 RM	2009 RM	2010 RM	2011 RM	2012 RM	2013 RM	2014 RM	Total RM
At the end of accident year		688,554,513	56,538,998	59,617,554	75,515,734	81,247,277	158,310,475	123,588,391	196,908,860	143,087,271	
One year later		252,133,943	59,095,799	63,222,472	80,520,772	119,859,290	177,713,437	135,107,857	136,318,215		
Two years later		247,789,784	58,090,638	62,359,163	131,677,937	118,685,939	123,785,406	131,057,646			
Three years later		229,900,313	57,686,697	111,099,506	129,038,909	113,403,560	123,538,770				
Four years later		229,372,201	116,803,691	110,276,199	122,635,954	111,666,146					
Five years later		556,236,570	116,000,958	103,730,874	117,605,699						
Six years later		550,352,219	109,638,874	101,117,302							
Seven years later		555,206,030	107,008,931								
Eight years later		621,413,721									
Nine years later											
Current estimate of cumulative claims incurred		**621,413,721**	**107,008,931**	**101,117,302**	**117,605,699**	**111,666,146**	**123,538,770**	**131,057,646**	**136,318,215**	**143,087,271**	**1,592,813,701**
At the end of accident year		423,746,799	26,172,894	29,149,191	40,625,670	44,156,291	58,187,492	77,160,971	66,467,272	62,727,290	
One year later		192,091,050	46,788,541	50,786,581	63,790,870	91,629,441	97,624,197	106,827,704	109,522,813		
Two years later		198,440,653	50,849,633	54,923,512	107,046,237	101,284,277	107,972,263	117,967,522			
Three years later		202,413,724	51,980,807	95,781,935	112,073,024	104,489,554	111,165,388				
Four years later		204,785,921	104,487,328	97,564,250	113,834,192	105,540,058					
Five years later		532,169,504	105,462,908	97,851,272	114,273,707						
Six years later		537,089,253	106,446,574	98,564,962							
Seven years later		545,885,366	106,863,873								
Eight years later		555,206,030									
Nine years later											
Cumulative payments to-date		**555,206,030**	**106,863,873**	**98,564,962**	**114,273,707**	**105,540,058**	**111,165,388**	**117,967,522**	**109,522,813**	**62,727,290**	**1,381,831,643**
Net general insurance contract liabilities per Balance Sheet	*11(I)*	**66,207,691**	**145,058**	**2,552,340**	**3,331,992**	**6,126,088**	**12,373,382**	**13,090,124**	**26,795,402**	**80,359,981**	**210,982,058**

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

Market And Credit Risks

Market risk arises when the market value of assets do not move consistently as the financial markets change. 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 setting and monitoring of the investment policy, asset allocation, portfolio construction and risk measurement as well as approving hedging strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. 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 and General Insurance Fund have exposure to investments in fixed income instruments, 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. The Company does not have exposure to foreign currency risk via direct investments. However, foreign currency risk exists in some insurance policies of which premiums are billed and paid in foreign currencies.

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

Market And Credit Risks (cont'd.)

(iii) Equity Price Risk

Exposure to equity price risk exists in assets. 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. A robust monitoring process is in place to manage equity risk by activating appropriate risk management strategies to limit the downside risk at certain pre-determined levels. Limits are set for single security holdings as a percentage of equity holdings.

(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 similar tenure. When spreads widen, it generally implies that the market is factoring a deterioration in the creditworthiness of the bonds. A widening in credit spreads will generally result in a fall in the value of the Company's bond portfolio.

(v) Cash Flow And Liquidity Risks

Cash flow and liquidity risks arise when a company is unable to meet its obligations associated with financial instruments 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.

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

Market And Credit Risks (cont'd.)

(v) Cash Flow And Liquidity Risks (cont'd.)

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

Maturity Profiles

Table 30(B1): 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 2015						
Investments:						
LAR	42,342,607	21,458,005	24,460,745	547,801	-	46,466,551
AFS	497,558,221	40,195,720	220,809,733	392,695,547	37,293,015	690,994,015
FVTPL	19,484,120	1,151,000	23,939,188	-	-	25,090,188
Reinsurance assets *	184,379,617	192,557,087	(18,929,803)	3,206,030	7,546,303	184,379,617
Insurance receivables	102,870,653	99,734,408	3,136,245	-	-	102,870,653
Other receivables	87,052,789	18,143,520	-	68,909,269	-	87,052,789
Cash and bank balances	18,947,010	18,947,010	-	-	-	18,947,010
Total Financial Assets	**952,635,017**	**392,186,750**	**253,416,108**	**465,358,647**	**44,839,318**	**1,155,800,823**
Insurance contract liabilities *	404,584,557	334,597,963	(32,554,497)	5,220,696	97,320,395	404,584,557
Deposits from reinsurers	96,917	96,917	-	-	-	96,917
Insurance payables	61,406,135	51,673,341	9,732,794	-	-	61,406,135
Other payables	35,721,476	35,721,476	-	-	-	35,721,476
Total Financial Liabilities	**501,809,085**	**422,089,697**	**(22,821,703)**	**5,220,696**	**97,320,395**	**501,809,085**

* Premium liabilities have been excluded from the analysis as they are not contractual obligations.

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

Market And Credit Risks (cont'd.)

(v) Cash Flow And Liquidity Risks (cont'd.)

Maturity Profiles (cont'd.)

Table 30(B1): 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.):

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 (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 2014						
Investments:						
LAR	43,703,428	23,089,571	4,594,950	21,028,355	-	48,712,876
AFS	500,861,001	45,581,979	199,138,312	422,854,036	38,100,638	705,674,965
FVTPL	19,452,124	1,064,500	17,648,226	5,048,455	184,988	23,946,169
Reinsurance assets *	182,416,098	178,089,579	6,084,670	1,200,065	(2,958,216)	182,416,098
Insurance receivables	53,207,799	53,207,799	-	-	-	53,207,799
Other receivables	75,685,330	17,453,706	-	58,231,624	-	75,685,330
Cash and bank balances	26,575,581	26,575,581	-	-	-	26,575,581
Total Financial Assets	**901,901,361**	**345,062,715**	**227,466,158**	**508,362,535**	**35,327,410**	**1,116,218,818**
Insurance contract liabilities *	393,398,157	318,618,495	(3,738,382)	61,516,547	17,001,497	393,398,157
Deposits from reinsurers	728,841	728,841	-	-	-	728,841
Insurance payables	54,381,884	54,381,884	-	-	-	54,381,884
Other payables	39,618,691	39,618,691	-	-	-	39,618,691
Total Financial Liabilities	**488,127,573**	**413,347,911**	**(3,738,382)**	**61,516,547**	**17,001,497**	**488,127,573**

* Premium liabilities have been excluded from the analysis as they are not contractual obligations.

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

Market And Credit Risks (cont'd.)

(v) Cash Flow And Liquidity Risks (cont'd.)

Included in other receivables is the Company's share in the net assets held under MMIP as disclosed in Note 8. The Company's share of insurance contract liabilities from MMIP are disclosed in Note 11 of the financial statements. These balances have not been offset in the financial statements of the Company as it is the view of the Directors and Management that no legal right of set-off exists. The assets have been contributed in line with the Company's obligations under the Collective Agreement signed on 16 November 1992 and the insurance contract liabilities represent the Company's share of the Pool's insurance contract liabilities arising from insurance contracts underwritten in respect of third party policyholders collectively, under the name of MMIP. Presented below is the Company's net position of its share in the net asset held under the MMIP as at 31 December 2015:

	2015 RM	2014 RM
Assets/(Liabilities):		
Total Assets:		
- Accumulated cash contributions to MMIP	34,359,477	27,347,901
- Other assets	34,877,067	31,242,020
Insurance payables	(2,912)	(2,785)
Other payables and provisions	(324,363)	(135,898)
AFS Reserves	-	(219,614)
Net assets held under MMIP (Note 8)	68,909,269	58,231,624
Insurance contract liabilities (Note 11)		
- Claim liabilities	(67,974,678)	(60,240,333)
- Premium liabilities	(7,208,744)	(10,847,068)
Net position	**(6,274,153)**	**(12,855,777)**

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

Market And Credit Risks (cont'd.)

(v) Cash Flow And Liquidity Risks (cont'd.)

Table 30(B2): The following table shows the current/non current classification of assets and liabilities:

	Current* RM	Non-Current RM	Total RM
31 December 2015			
Assets			
Property and equipment	-	23,937,209	23,937,209
Goodwill	-	18,182,598	18,182,598
Investments:			
LAR	20,490,032	21,852,575	42,342,607
AFS	54,772,811	442,785,410	497,558,221
FVTPL	-	19,484,120	19,484,120
Reinsurance assets	266,780,913	(8,177,470)	258,603,443
Insurance receivables	99,734,408	3,136,245	102,870,653
Deferred tax assets	205,032	-	205,032
Other receivables	18,143,520	68,909,269	87,052,789
Cash and bank balances	18,947,010	-	18,947,010
Total assets	**479,073,726**	**590,109,956**	**1,069,183,682**
Liabilities			
Insurance contract liabilities	(536,811,740)	(69,986,594)	(606,798,334)
Deposits from reinsurers	(96,917)	-	(96,917)
Insurance payables	(51,673,341)	(9,732,794)	(61,406,135)
Provision for taxation	(7,806,306)	-	(7,806,306)
Other payables	(35,721,476)	-	(35,721,476)
Total liabilities	**(632,109,780)**	**(79,719,388)**	**(711,829,168)**
	(153,036,054)	**510,390,568**	**357,354,514**

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

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

Market And Credit Risks (cont'd.)

(v) Cash Flow And Liquidity Risks (cont'd.)

Table 30(B2): The following table shows the current/non current classification of assets and liabilities (cont'd.):

	Current* RM	Non-Current RM	Total RM
31 December 2014			
Assets			
Property and equipment	-	21,771,359	21,771,359
Goodwill	-	18,182,598	18,182,598
Investments:			
LAR	22,155,929	21,547,499	43,703,428
AFS	62,448,867	438,412,134	500,861,001
FVTPL	-	19,452,124	19,452,124
Reinsurance assets	231,126,421	4,326,519	235,452,940
Insurance receivables	53,207,799	-	53,207,799
Deferred tax assets	737,759	-	737,759
Other receivables	17,453,706	58,231,624	75,685,330
Cash and bank balances	26,575,581	-	26,575,581
Total assets	**413,706,062**	**581,923,857**	**995,629,919**
Liabilities			
Insurance contract liabilities	(484,949,248)	(74,779,662)	(559,728,910)
Deposits from reinsurers	(728,841)	-	(728,841)
Insurance payables	(54,381,884)	-	(54,381,884)
Provision for taxation	(12,406,378)	-	(12,406,378)
Other payables	(39,618,691)	-	(39,618,691)
Total liabilities	**(592,085,042)**	**(74,779,662)**	**(666,864,704)**
	(178,378,980)	**507,144,195**	**328,765,215**

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

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

Market And Credit Risks (cont'd.)

(vi) 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) investment in cash, deposits and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts. 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 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, and 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 30(C1), (C2) and (C3)).

Treaty reinsurance is placed with counterparties that have good rating while facultative reinsurance is placed with counterparties that have been carefully selected via internal guidelines to minimise credit risk.

Credit risk in respect of non-payment of premiums past the grace period is being actively monitored.

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

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure

Table 30(C1): 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 2015			
LAR:			
Loans	16,952,630	5,009,977	21,962,607
Fixed and call deposits	19,900,000	480,000	20,380,000
AFS financial assets:			
Malaysian government securities	77,709,636	3,326,670	81,036,306
Debt securities	317,521,136	61,707,764	379,228,900
FVTPL:			
Debt securities	16,549,361	2,874,568	19,423,929
Reinsurance assets	258,603,443	-	258,603,443
Insurance receivables	102,870,653	-	102,870,653
Other receivables	85,986,733	1,066,056	87,052,789
Cash and bank balances	18,646,870	300,140	18,947,010
	914,740,462	**74,765,175**	**989,505,637**
31 December 2014			
LAR:			
Loans	16,661,410	5,012,018	21,673,428
Fixed and call deposits	16,930,000	5,100,000	22,030,000
AFS financial assets:			
Malaysian government securities	89,013,722	1,932,165	90,945,887
Debt securities	318,113,005	53,701,471	371,814,476
FVTPL:			
Debt securities	15,653,049	3,799,075	19,452,124
Reinsurance assets	235,452,940	-	235,452,940
Insurance receivables	53,207,799	-	53,207,799
Other receivables	74,976,127	709,203	75,685,330
Cash and bank balances	25,740,529	835,052	26,575,581
	845,748,581	**71,088,984**	**916,837,565**

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

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure (cont'd.)

Credit Exposure By Credit Rating

Table 30(C2): 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					
	Government guaranteed/ Investment grade* RM (BBB - AAA)	Non-investment grade* RM (C to BB)	Not rated RM	Not subject to credit risk RM	Past-due** RM	Total RM
31 December 2015						
LAR:						
Loans	20,039,909	-	1,922,698	-	-	21,962,607
Fixed and call deposits	20,380,000	-	-	-	-	20,380,000
AFS financial investments:						
Malaysian government securities	81,036,306	-	-	-	-	81,036,306
Debt securities	321,331,667	-	57,897,233	-	-	379,228,900
Equity securities	-	-	-	37,293,015	-	37,293,015
FVTPL:						
Debt securities	19,423,929	-	-	-	-	19,423,929
Equity securities	-	-	-	60,191	-	60,191
Reinsurance assets	250,620,705	-	7,982,738	-	-	258,603,443
Insurance receivables	23,502,997	-	36,381,411	-	42,986,246	102,870,654
Other receivables	13,098,766	-	73,954,023	-	-	87,052,789
Cash and bank balances	18,947,010	-	-	-	-	18,947,010
	768,381,289	**-**	**178,138,103**	**37,353,206**	**42,986,246**	**1,026,858,844**

* *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 123.*

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

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure (cont'd.)

Credit Exposure By Credit Rating (cont'd.)

Table 30(C2): 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					
	Government guaranteed/ Investment grade* RM (BBB - AAA)	Non-investment grade* RM (C to BB)	Not rated RM	Not subject to credit risk RM	Past-due** RM	Total RM
31 December 2014						
LAR:						
Loans	20,048,074	-	1,625,354	-	-	21,673,428
Fixed and call deposits	22,030,000	-	-	-	-	22,030,000
AFS financial investments:						
Malaysian government securities	90,945,887	-	-	-	-	90,945,887
Debt securities	307,474,028	-	64,340,448	-	-	371,814,476
Equity securities	-	-	-	35,808,725	-	35,808,725
Unit and property trust funds	-	-	-	2,291,913	-	2,291,913
FVTPL:						
Debt securities	19,267,136	-	184,988	-	-	19,452,124
Reinsurance assets	232,347,413	10,350	3,095,177	-	-	235,452,940
Insurance receivables	2,267,116	-	9,205,772	-	41,734,911	53,207,799
Other receivables	14,172,477	-	61,512,853	-	-	75,685,330
Cash and bank balances	26,575,581	-	-	-	-	26,575,581
	735,127,712	**10,350**	**139,964,592**	**38,100,638**	**41,734,911**	**954,938,203**

* *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 123.*

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

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure (cont'd.)

Credit Exposure By Credit Rating (cont'd.)

Table 30(C3): 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 past due RM
31 December 2015								
Insurance Receivables	10,620,563	6,509,451	6,014,268	11,319,012	8,522,952	42,986,246	16,583,569	59,569,815
31 December 2014								
Insurance Receivables	6,696,939	8,274,704	5,091,802	11,160,050	10,511,416	41,734,911	26,102,927	67,837,838

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

Receivables that are past due but not impaired are unsecured in nature.

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

Market And Credit Risks (cont'd.)

(vii) Concentration Risk

An important element of managing both market and credit risks 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. The Company's exposures are within the concentration limits set by the regulator. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

(viii) Sensitivity Analysis On Financial Risks

The analysis below is performed for reasonably possible movements in key variables with all other variables held 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.

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

Market And Credit Risks (cont'd.)

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

The table below shows the market risk sensitivity analysis:

		31 December 2015		31 December 2014	
	Changes in variable	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 (KLCI)	+20%	-	5,603	20	5,392
	-20%	-	(5,603)	(20)	(5,392)
Alternative investment	+10%	-	-	-	172
	-10%	-	-	-	(172)
Interest rate	Yield curve +100 bps	1,958	(21,673)	2,505	(20,929)
	Yield curve -100 bps	(1,958)	23,890	(2,505)	23,096
Credit spread	Spread +100 bps	-	(16,853)	(2)	(15,813)
	Spread -100 bps	-	18,608	2	17,470

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

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

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 risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from operational and compliance risk.

Technology Risk

Technology risk is any event or action that may potentially impact partly or completely the achievement of the Company objectives resulting from inadequate or failed technology controls, processes or human behaviour.

The Company adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse and technology obsolescence. Key risk indicators related to technology risks are reported to the Board on a regular basis. Independent assessment is performed by the Internal Audit team on the adequacy and effectiveness of the processes to manage technology risks. The risk appetite statement also explicitly sets the Company's tolerance level to financial loss arising from technology risks.

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

Fair Values Of Financial Assets And Liabilities

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

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

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 2015			
Financial assets			
AFS financial assets:			
Malaysian government securities	-	81,036,306	81,036,306
Debt securities	-	379,228,900	379,228,900
Equity securities	37,293,015	-	37,293,015
FVTPL financial assets:			
Debt securities	-	19,423,929	19,423,929
Equity securities	60,191	-	60,191
	37,353,206	**479,689,135**	**517,042,341**

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

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

	Quoted market price (Level 1) RM	Valuation technique using observable inputs (Level 2) RM	Total RM
31 December 2014			
Financial assets			
AFS financial assets:			
Malaysian government securities	-	90,945,887	90,945,887
Debt securities	-	371,814,476	371,814,476
Equity securities	35,808,725	-	35,808,725
Unit and property trust funds	2,291,913	-	2,291,913
FVTPL financial assets:			
Debt securities	184,987	19,267,137	19,452,124
	38,285,625	**482,027,500**	**520,313,125**

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.

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

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

AFS/FVTPL Financial Assets (cont'd.)

Investments in financial instruments with embedded derivatives consist of investments in convertible bond and structured deposits. The fair value of convertible bond is determined by reference to quoted market bid prices for assets at the close of business on the balance sheet date. For structured deposits, the fair value is determined by reference to banks' valuation 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 prices quoted by a bond pricing agency ("BPA").

31. REGULATORY CAPITAL REQUIREMENTS

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

	2015 RM	2014 RM
Eligible Tier 1 Capital:		
Share capital (paid up)	100,000,000	100,000,000
Reserves, including retained earnings	214,307,812	195,029,072
	314,307,812	295,029,072
Tier 2 Capital:		
Eligible Reserves	3,480,405	(594,844)
Deductions	(18,418,740)	(18,927,240)
Total Capital Available	**299,369,477**	**275,506,988**

32. BUSINESS COMBINATION

On 1 January 2011, the Company had completed the acquisition of certain assets and liabilities of the general insurance business of Tahan Insurance Malaysia Berhad (now known as Tahan Malaysia Berhad) ("Tahan") for a cash consideration of RM15 million, subject to adjustments to be made to the value of the acquired assets and liabilities upon finalisation of the acquisition.

In order to ascertain the adequacy of the claim liabilities of Tahan, especially the IBNR claims reserve as at 31 December 2010, both the Company and Tahan had 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 had 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's independent professional actuary, and which had been used as the basis for determining the value of the IBNR claim liabilities as at 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 the estimated IBNR claims, 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 approved the Company's application for a stay of proceedings and the Company commenced action through arbitration. Both parties had agreed to leave the appointment of the arbitrator to the Kuala Lumpur Regional Centre for Arbitration ("KLRCA").

The appointment of the arbitrator was made by Kuala Lumpur Regional Centre for Arbitration ("KLRCA") on 7 January 2013. Since the appointment of the arbitrator, hearings were held between the Company, Tahan and the arbitrator and the agreed next hearing dates will be in the month of March and April 2016.

The final outcome of the now postponed arbitration proceedings may have an impact on the purchase consideration, goodwill and the value of certain assets and liabilities of Tahan which were acquired by the Company.

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