QBE Insurance (Malaysia) Berhad (161086-D)

Annual Report 2015

QBE

Contents

QBE Insurance (Malaysia) Berhad Annual report 2015
Reg. No.: 161086-D

Section 1
Corporate information

Section 2
Business review

Section 3
Financial report

Section 4
Other information

Corporate information

Board of directors

Dato' Koh Hong Sun
Master in Strategic & Security Studies
SIMP, DSAP, DIMP, DMPN, JSP, DSM,
PGPP, PSPP, KMN

Lau Cheong Koon
ACA

Bruce Anthony Howe
Master of Economics/Fellow
(Institute of Actuaries of Australia)

Mark Thomas Lingafelter
Bachelor of Art

Company secretary

Kok Yew Kong
MIA No. 13223

Registered office

No.638, Level 6, Block B1,
Pusat Dagang Setia Jaya
(Leisure Commerce Square),
No. 9, Jalan PJS 8/9,
46150 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia.

Auditors

PricewaterhouseCoopers

Solicitors

Skrine

Main banker

Citibank Berhad

Our Purpose and Vision

Our purpose

We give people the confidence to achieve their ambitions.

Our vision

To be the insurer that builds the strongest partnerships with customers.

Our strategy

We are moving from stabilisation to transformation and growth.

Our purpose

Our purpose, **why** we exist as an organisation, is to give people the confidence to achieve their ambitions.

Everyone has ambitions and goals - both personal and professional. We give people the confidence to achieve them by helping them manage the risks so they can focus on the outcomes they desire, not the potential barriers holding them back.

Our vision

Our vision, **what** we are setting out to achieve, is to be the insurer that builds the strongest partnerships with customers.

Our customers include our major trading partners, brokers, agents, insureds, policyholders, claimants and importantly, our internal customers and colleagues.

Our strategic direction

Our strategy will detail how we will achieve our vision: *moving from stabilisation to transformation and growth.*

A lot of work is currently being conducted globally to ensure that we have a strong platform for the future and we look forward to sharing more detail about this in due course.

Our values

ONE QBE is an acronym for the six values that drive the day-to-day behaviour of our people, which is the foundation of our strategic mission.

Our ONE QBE values are:

- Open Minded
- Networked
- Empowered
- Quality Approach
- Business Acumen
- Excellent Outcomes

The six values represented by ONE QBE are the common thread that makes us ONE team of people whenever and wherever we do business in the world.

As part of our commitment to be a leading company in the general insurance business, QBE undertook a review of the market composition to better understand how to add more value for our stakeholders. This review led to the development of QBE's Asia Pacific profitable growth strategy. As part of this review, Malaysia was also identified as one of the priority markets for growth in the Asia Pacific region for QBE.

The goal in the first pillar of the strategy is to focus on growth in our core business. Accordingly, QBE Malaysia aims to become a leading specialty insurer in Marine, Liability, Construction All Risk (CAR), and Erection All Risk (EAR) products in Malaysia.

The second pillar of QBE's strategy is to be a leading commercial lines insurer in Malaysia, Hong Kong and Singapore.

For QBE Malaysia, this means being a leading electronic business solutions provider through the launch of the new B2B online insurance portal. This also means being a leading provider of property and casualty insurance products to large corporations as well as SMEs through insurance intermediaries.

The third pillar of our strategy is to become a niche personal lines insurer by working with selected strategic partners. In Malaysia, our goal is to further develop our bancassurance business.

We are committed to continuously strengthening our products and services to remain competitive amidst rapidly changing socio-economic conditions.

Board of directors

Skills, experience & knowledge

Dato' Koh Hong Sun

Independent Non-Executive Director

Dato' Koh was appointed as an Independent Non-Executive Director of QBE Malaysia on April 2011. He holds Master Degree in Strategic & Security Studies from Universiti Kebangsaan Malaysia. Dato' Koh had a distinguished career with the Royal Malaysian Police (RMP) for almost 40 years, having joined RMP as a Probationary Inspector in 1971 and retired in October 2010 as the Director of Commercial Crime Investigation Department.

During the period as an officer of the RMP, he has held various important command posts including as Commandant of The Police Training Centre in Kuala Lumpur, Assistant Director NCB-Interpol, Officer-in-Charge of Brickfields Police District, Federal Traffic Chief, Deputy Chief Police Officer of Johor, Chief Police Officer of Penang and Commissioner of Police as Director of Commercial Crime Investigation Department.

Dato' Koh is a Director of Mega First Corporation Berhad and Genting Malaysia Berhad which are both listed on Bursa Malaysia.

Lau Cheong Koon

Independent Non-Executive Director

Mr. Lau was appointed to the Board on 23 July 2004, is Chairman of the Risk Management and Audit Committees, and is a member of Remuneration and Nomination Committees. He graduated with a Distinction in Accounting from London Guildhall University, United Kingdom and is an associate member of the Institute of Chartered Accountants in England and Wales and is also a member of the Malaysian Institute of Accountants. Mr. Lau is currently the President of MBf Leasing Sdn Bhd. His previous positions include Audit Manager with Arthur Young; Assistant Director with Security Pacific Hoare Govett Equity Ventures Ltd.; Finance Director of Family Golf Ltd.; Group Financial Controller of Causeway Capital Ltd.; and Director of European Acquisition Capital Ltd.

Bruce Anthony Howe

Non-Independent Non-Executive Director

Mr Bruce Howe was appointed as a Non-Executive Director of QBE Malaysia on 20 March 2014, and is a member of the Risk Management, Nomination and Remuneration Committees. He joined QBE in May 2013 as Chief Operating Officer, Asia Pacific. Bruce sits on the Boards of all of QBE's Asian operating entities.

Bruce has been involved in the insurance industry for more than 30 years. He is a veteran in mergers and acquisitions, operational and process review to unlock business growth potential, and improve profitability for both developed and new businesses. His extensive career has also covered reinsurance, risk management, actuarial management and governance.

Prior to joining QBE, Bruce was the Chief Executive Officer for the UK, Europe and the Middle East operations of HSBC Insurance. He has also worked extensively in Asia for more than 16 years as an executive and a consultant in both life and non-life insurance.

Board of directors (continued)

Mark Thomas Lingafelter

Executive Director

Mr. Mark was appointed as an Executive Director of QBE Malaysia on 18 November 2015 , and is a member of the Nomination Committee. He joined QBE in September 2015 as Managing Director, Asia Pacific.

Mark brings with him a wealth experience in product, underwriting and distribution. He also has a proven track record of growing businesses profitably in Asia and Australia in addition to success in implementing strategic change initiatives.

Prior to joining QBE, Mark held various senior positions with Chubb Insurance Company in Australia, Hong Kong and Singapore, having spent more than 30 years with the company. His last role with Chubb was as the Managing Director and CEO for the firm's Australian operation for 10 years. Prior to this, Mark was the CEO of Federal, Hong Kong, and the Country Manager for Federal, Singapore – both part of the Chubb Group. Before taking up the country management roles, Mark was also an Underwriting Manager with Chubb in Asia as well as the United States.

Central office managers

Senior management:

Leonardo Perazzi Zanolini
Chief Executive Officer
MBA, Bachelor in Business Administration

William Foo
Chief Operating Officer
RFP, AMII, B. Management (Hons)

Catherine Goh Kar Geoh
Head, Brokers Distribution
AMII, ANZIIF (Snr Assoc)

Nor Azima Binti Abdul
Head, People and Culture
B. Management (Hons)

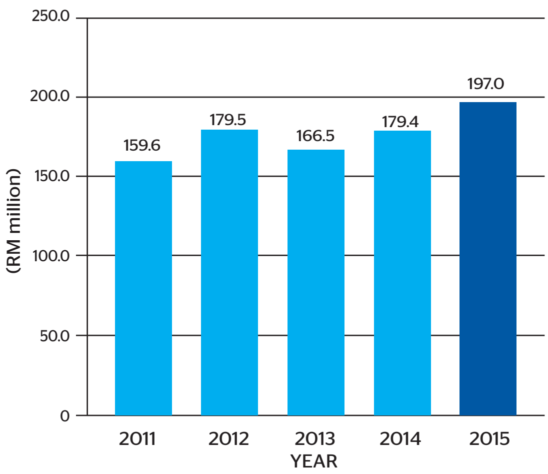
From left : **William Foo, Leonardo Perazzi Zanolini, Catherine Goh Kar Geoh, Nor Azima Binti Abdul**

Chairman's statement

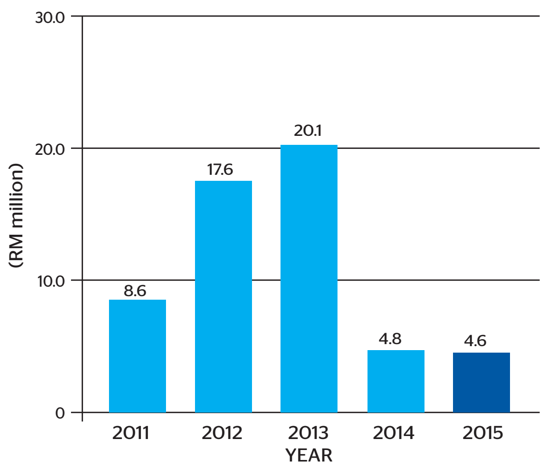
FINANCIAL HIGHLIGHTS (2011 - 2015)

Year Ended 31 December	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	**2015 RM'000**
Gross Premium	154,160	186,526	226,192	283,639	**340,431**
Earned Premium	103,366	127,317	153,197	191,197	**222,629**
Underwriting Profit after Management Expenses (Insurance Fund)	8,568	17,616	20,140	4,811	**4,638**
Investment & Other Income	8,240	10,209	11,180	12,749	**18,827**
Profit Before Tax	16,798	27,821	31,312	17,483	**23,252**
Profit After Tax	12,173	19,874	27,055	12,904	**17,571**
Paid-up Share Capital	108,000	108,000	108,000	108,000	**108,000**
Shareholders' Funds	159,630	179,503	166,544	179,448	**197,018**
Total Assets	420,622	438,502	459,146	534,103	**642,344**
Capital Adequacy Ratio	371%	389%	323%	404%	**346%**
NCOR	91.7%	86.2%	86.9%	97.5%	**97.9%**
Earnings Per Share (sen) (after tax)	5.64	9.20	12.53	5.97	**8.13**
Net Tangible Assets Per Share (sen)	73.90	83.10	77.10	83.08	**91.21**

SHAREHOLDERS' FUNDS



UUDERWRITING PROFIT



On behalf of the Board of Directors, I am pleased to present the Annual Report and financial statements of the company for the year ended 31 December 2015.

Dato' Koh Hong Sun
Independent Non-Executive Director

Financial Review

For the financial year ended 31 December 2015, the Company's Gross Written Premium (GWP) of RM340.4 million, a double digit growth of 20.0% over RM283.6 million recorded in 2014. The positive growth is driven by the effective business development activities in its strong and diverse distribution network of Agency, Broking Partners and Major Trading Partners. The encouraging growth was mainly contributed by Broking Partners and Major Trading Partners, both reported growth rate of 28.7% and 16.8% respectively against Year 2014. Our main distribution channels are Agency and Broking which represented by 51.0% and 45.5% respectively of the total Gross Written Premium in 2015.

The Company continued to focus on growing profitable classes of business like Engineering and Marine Cargo, whilst maintaining a well-balanced portfolio mix. In 2015 these consisted of Fire 30.9%, Marine & Aviation 19.0%, Motor 11.5% and Miscellaneous 38.6%.

The net incurred claims were RM121.2 million in 2015 as compared to RM104.4 million in 2014. The deterioration of the net incurred claims was mainly business growth and QBE's share of the losses incurred by the Malaysian Motor Insurance Pool ("MMIP"). MMIP was formed to cater for unplaced motor risks in the local market and all licensed general insurers have an equal participation in the pool. QBE's share of losses from MMIP amounted to RM15.9 million in the Company's current financial year results.

During the financial year of 2015, the Company registered an Underwriting Profit after management expenses of RM4.6 million.

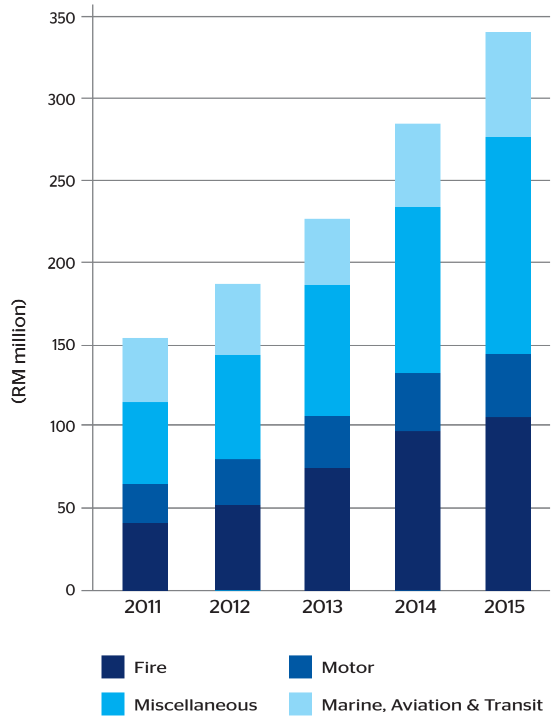
The Company continued its prudent investment strategy in 2015, and achieved investment and other income of RM18.8 million in 2015 compared to RM12.7 million recorded in 2014. This was mainly contributed by interest income from fixed income papers and time deposits.

The Net Combined Operating Ratio (NCOR) for 2015 was 97.9%, marginally higher than last year of 97.5%. Pre-tax profit improved significantly for financial year ended 31 December 2015 to RM23.3 million as compared to RM17.5 million in 2014. Net profit after tax was RM17.6 million, equivalent to net earnings per share of 8.13sen.

The Company maintained a sound Capital Adequacy Ratio (CAR) at all times during 2015, exceeded both the Supervisory CAR and the Company's internal Capital target as per its Capital Management Plan.

Composition of 2015 Gross Premium

Total: RM340.4 Million



Chairman's statement (continued)

Operations

In 2015, the Company continued to expand by establishing the Kuala Lumpur office. Located strategically at the golden triangle of Kuala Lumpur, the new office was occupied by our business teams servicing both brokers and agents in the busiest business district of Malaysia. The Company operated within fifteen offices throughout Malaysia to provide efficient services to its intermediaries and clients.

Agents and brokers continued to be the two most important distribution channels for the Company, by achieving significantly higher growth rate as compared to the industry average in 2015. Its overall growth rate was 20% whereas the industry average growth rate for conventional insurers was less than 3% *(Source: ISM Market Performance Report)*.

The Company had increased its market share especially in specialty insurance classes.

Corporate Social Responsibility ("CSR")

2015 was a big year for the QBE Foundation, our CSR platform, with 2 major events of which, one involved our AP Leaders at Hospital Kuala Lumpur and the second one was a Charity Walk where our employees and intermediaries participated with the disabled community.

In May 2015, QBE Malaysia hosted the AP Leaders Workshop, and part of the program saw leaders from across our Emerging Market region joined QBE Malaysia in donating aero chambers to the Paediatric Respiratory Unit and distributing educational gifts to 300 underprivileged patients at the Paediatric Unit at Hospital Kuala Lumpur.

In December 2015, over 100 intermediaries and employees of QBE Malaysia teamed up with the Damai Home for the Disabled, The Malaysian Federation for the Deaf , The Blind Society of Malaysia and Grace Charity Services for the **QBE Foundation Charity Walk** at the Metropolitan Park Kuala Lumpur. The event culminated with donations of computers, kitchen appliances and the MP3 Text Translator to the participating disabled centres. QBE Foundation also donated dry food to 300 underprivileged households across the Klang Valley through Grace Charity Services.

Our employees also collected funds for a fund matching campaign for Vanuatu, part of QBE's Asia Pacific countries, which had suffered a hurricane in April 2015.

Staff Development

In 2015, the Company continued its focus on two distinctive areas namely, Competencies Improvement and Employee Engagement.

Competencies Improvement

2015 saw the continuation of current activities and the implementation of several initiatives which supports QBE's transformation towards strengthening our Employee Value Proposition by providing the right culture and opportunities to our employees.

The Competency Accreditation Framework continues to be a platform for employee competency improvement, supported by technical training by internal subject matter experts as well as invited industry partners. We look forward to reinforcing our high performance culture with the launch of the Underwriting Academy in third quarter of 2016. The Leadership Academy continues to be the platform for transforming our managers into greater leaders with the successful participation of 5 employees in the First Level Program and 3 employees in the Emerging Leadership Program. The Study Assistance Program continues to support employees with their professional development.

The Manager Essential Program was launched in December 2015. This 5-module program will end in June 2016, with the objective of ensuring consistency in delivering of employees management across all managers per the QBE standards and readying managers for a seamless transition to the Workday platform which will be launched in June 2016.

Employee Engagement

Employee engagement platforms saw collaboration across frameworks with sequenced events to leverage off each engagement opportunity. The "Lunch and Learn" programme continued with monthly soft skills informal training, providing networking opportunities; these were followed by formalised soft skills training reflecting the QBE culture via the Change Management Programs that began in 2014 was concluded in 2015.

The CEO Club that was launched in April 2015 had 12 selected participants working on projects contributing tangible results to QBE Malaysia's strategic objectives.

The Sports Clubs also organised quarterly festive celebrations, and Malaysia's win at the Inter Branch Meet in August 2015 and the offsite Treasure Hunt & Annual Dinner in November 2015 reinforced team spirit. The Company's culture of Diversity and Inclusion were also celebrated with the International Women's Day in first half of 2015 and the International Cultural Day in second half of 2015. Both saw active participation from employees locally and from the branches.

Concluding each quarter were newsletters timed for distribution before the quarterly townhalls with quizzes to ensure employees are keeping themselves updated with current QBE events. These townhalls were supported with branch visits by the Head Of Departments during the festive seasons, followed by the Annual HR Branch visits in August 2015.

QBE Malaysia had a 97% participation rate and attained overall 64% in the 2015 Employee Engagement Survey.

Acknowledgments

On behalf of the Board of Directors, I would like to extend my sincere thanks to all our valued business partners for their continuous loyalty and support over the year. I would also like to express my sincere appreciation to my fellow members of the Board for their expert counsel and guidance in bringing the group forward. Last but not least, I would also like to extend my sincere appreciation to the CEO, his senior management team and all employees for their leadership and hard work in achieving another successful year for 2015.

Dato' Koh Hong Sun
Chairman

Financial report & statements contents

Directors' report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

Principal Activity

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

Financial Results

Net profit for the financial year	RM 17,570,527

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

Dividends

No dividend was paid or declared by the Company since the end of the last financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2015.

Reserves and Provisions

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

Provision for Outstanding Claims

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

Other Statutory Information

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

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

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

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

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

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

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

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

Directors' report (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Other Statutory Information (continued)

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

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

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

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

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

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

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

Corporate Governance

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers and BNM/RH/GL/003-1: Minimum Standards for Prudential Management of Insurers (Consolidated) issued by BNM.

The Company and its Directors are committed to ensuring that the highest standards of corporate governance are practised. Integrity is a fundamental value to our business that is applied to all our activities.

a) Board Responsibility and Oversight

The Board comprises four Directors, represented by two independent non-executive directors (including the Chairman), one non-independent non-executive director and an executive director. Six meetings were held during the financial year ended 31 December 2015 and six meetings have been scheduled for the year 2016, with additional meetings to be convened as necessary.

The Board is responsible for the overall governance of the Company and is committed to ensuring that the highest standards are being maintained and compliance with relevant Acts, Regulations and Guidelines are being observed. The Directors bring to the Board a wide range of business and financial experience and participate fully in decisions on the key issues of the Company.

b) Committees

The Board is supported by several committees which comprise certain members of the Board. The main committees of the Board are the Audit, Nomination, Remuneration and Risk and Capital Committees.

Committee membership is reviewed at least once annually and the Committees meet regularly as required, to deal with matters that are referred by the Board or management from time to time. Details of Directors' and Committee members' attendance at Board and Committee meetings are outlined in the table of meeting attendance set out in this report.

(i) Audit Committee

The membership of the Audit Committee comprises two independent non-executive directors. The current members of the Audit Committee are Lau Cheong Koon (Chairman) and Dato' Koh Hong Sun.

The Audit Committee operates under written terms of reference determined by the Board and the role of the Committee is to oversee and enhance credibility of the Company's financial reporting process, and to ensure all policies, procedures and all statutory and non-statutory guidelines are adhered to.

There are formal procedures in place for both internal and external auditors to report conclusions and recommendations to management and to the Audit Committee. All aspects of the system of internal controls are subjected to regular review to ensure their adequacy and effectiveness.

(ii) Nomination Committee
The membership of the Nomination Committee comprises two independent non-executive directors, one non-independent non-executive director and an executive director. The current members of the Committee are Dato' Koh Hong Sun (Chairman), Lau Cheong Koon, Bruce Anthony Howe and Mark Lingafelter. The Nomination Committee operates under written terms of reference determined by the Board, taking into consideration all relevant Bank Negara Malaysia's guidelines. The role of the Committee is to establish the minimum requirements for the appointment of Board members, the Chief Executive Officer and key senior officers, including overseeing the composition, size and skills of the Board members and its effectiveness.

The Committee believes the skills, experience and qualities of Directors are conducive to the efficient running of the business.

(iii) Remuneration Committee
The membership of the Remuneration Committee comprises two independent non-executive directors and one non-independent non-executive director. The current members of the Remuneration Committee are Dato' Koh Hong Sun (Chairman), Lau Cheong Koon and Bruce Anthony Howe.

The Remuneration Committee operates under written terms of reference determined by the Board and is responsible for the development of the Company's remuneration policy for its Directors, Chief Executive Officer and key senior officers. The Committee considers recommendations from management and provides specific recommendations on the remuneration packages and other terms of employment for executive and non-executive directors, senior management as well as staff development to ensure that high quality people are retained.

(iv) Risk and Capital Committee
The Risk and Capital Committee comprises two independent non-executive directors and one non-independent non-executive director. The current members of the Risk and Capital Committee are Lau Cheong Koon (Chairman), Dato' Koh Hong Sun and Bruce Anthony Howe.

The Risk and Capital Committee operates under written terms of reference determined by the Board and is responsible for overseeing the senior management's activities in managing the key risk areas of the Company.

The Company has established internal controls to manage risk in the key areas of exposure relevant to its business and the Committee has a risk management framework to identify significant areas of business risk and to effectively and expeditiously manage those risks. Systems are designed to provide reasonable assurance that the assets of the Company are safeguarded, insurance risk exposure is within desired limits, reinsurance protections are adequate and counter-parties are subject to security assessment.

The scope of internal controls covers not only financial controls but also operational and compliance controls as well as risk management. The system is intended to provide reasonable assurance, but not an absolute guarantee, against material financial misstatement or loss.

The Committee recommends and the Board approves a comprehensive Risk Management Strategy and Reinsurance Management Strategy on an annual basis and is responsible to the shareholders for the performance of the Company and as such, fulfils a critical role in establishing and maintaining an effective risk management strategy.

c) Management Accountability
The Company has well documented and updated organisational structures showing all reporting lines as well as clearly documented job descriptions for management and executive employees.

A formal process of developing and monitoring individual goals on a consultative basis is adopted for staff performance appraisals to ensure that the goals are in line with the Company's corporate objectives and responsibilities.

Directors' report (continued)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Corporate Governance (continued)

d) Public Accountability
The Company has always ensured that its business is conducted fairly, honestly and professionally.

e) Corporate Independence
All material related party transactions have been disclosed in the notes to the financial statements.

f) Financial Reporting
The Directors are responsible for ensuring that the accounting records are properly kept and that the Company's financial statements are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The Board and senior management receive regular financial and management reports to enable them to effectively monitor the financial performance and condition of the Company in relation to the corporate objectives and responsibilities.

Meetings of Directors

	Full meeting of directors	Meetings of Committees Audit	Remuneration	Risk Management
Number of meetings held during the year	6	6	1	5
	Number Attended	Number Attended	Number Attended	Number Attended
Dato' Koh Hong Sun	6	6	1	5
Lau Cheong Koon	6	6	1	5
Bruce Anthony Howe	6	6	1	5
Mark Lingafelter (Appointed on 18 November 2015)	1	1	0	1
Shaun Thomas Standfield (Resigned on 19 September 2015)	4	4	1	4
Dato' Nik Mohamed Din Bin Datuk Nik Yusoff (Resigned on 13 August 2015)	2	2	1	2

Directors and their Interests in Shares

a) The Directors who have held office since the date of the last report are as follows:
Dato' Koh Hong Sun
Lau Cheong Koon
Bruce Anthony Howe
Mark Lingafelter(Appointed on 18 November 2015)
Shaun Thomas Standfield (Resigned on 19 September 2015)
Dato' Nik Mohamed Din Bin Datuk Nik Yusoff (Resigned on 13 August 2015)

b) In accordance with Article 63 of the Company's Articles of Association, Lau Cheong Koon and Bruce Anthony Howe retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

c) In accordance with Article 68 of the Company's Articles of Association, Mark Lingafelter, who was appointed during the financial year, retires at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

d) Rights over shares in QBE Insurance Group Limited granted to the Directors are as follows:

	--- No. of rights over Ordinary Shares of A$1 each --- At 1.1.2015	Granted	Extinguished	At 31.12.2015
Bruce Anthony Howe	43,210	46,403	-	89,613

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

Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options and rights granted over the shares of the ultimate holding corporation as disclosed in this report.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of fees and other emoluments received or due and receivable by directors shown in Note 16 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except that certain directors received remuneration from the Company's ultimate holding corporation and other related corporations.

Ultimate Holding Corporation

The Directors regard QBE Insurance Group Limited, a corporation incorporated in Australia, as the ultimate holding corporation.

Registered Office and Principal Place of Business

The registered office and principal place of business of the Company are located at No. 638, Level 6, Block B1, Pusat Dagang Setia Jaya (Leisure Commerce Square), No 9, Jalan PJS 8/9, 46150 Petaling Jaya, Selangor.

Auditors

Our auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 16 February 2016.

Dato' Koh Hong Sun Director	Lau Cheong Koon Director

Petaling Jaya

Statement by directors

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

We, Dato' Koh Hong Sun and Lau Cheong Koon, being two of the Directors of QBE Insurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 20 to 52 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2015 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 16 February 2016.

Dato' Koh Hong Sun
Director

Lau Cheong Koon
Director

Petaling Jaya

Statutory declaration

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

I, Kok Yew Kong, being the officer primarily responsible for the financial management of QBE Insurance (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 20 to 52 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.

Kok Yew Kong

Subscribed and solemnly declared by the above named Kok Yew Kong at Petaling Jaya, Selangor Darul Ehsan, in Malaysia on 16 February 2016.

Before me,

PESURUHJAYA SUMPAH
No: B38
Nama: RADZIAH BINTI ABDUL RAHMAN
MALAYSIA

Commissioner for Oaths

Alamat tempat perniagaan
No. 513, Block A3, Pusat Dagang Setia Jaya
No. 9, Jalan PJS 8/9, 46150 Petaling Jaya,
Selangor Darul Ehsan.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

QBE Insurance (Malaysia) Berhad

(Company No. 161086-D)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of QBE Insurance (Malaysia) Berhad on page 20 to 52, which comprise the statement of financial position as at 31 December 2015 of the Company, the statements of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to 27.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

PricewaterhouseCoopers
(No. AF-1146)
Chartered Accountants

Shirley Goh
(No. 1778/08/16 (J))
Chartered Accountant

Kuala Lumpur
16 February 2016

Statement of financial position

AS AT 31 DECEMBER 2015

	NOTE	2015 RM	2014 RM
Assets			
Property, plant and equipment	3	16,942,934	9,938,520
Investment property	4	-	370,000
Investments	5	388,610,321	365,470,052
Fair value through profit and loss		69,763,925	111,521,067
Loans and receivables		318,846,396	253,948,985
Reinsurance assets	10	28,899,153	22,482,369
Insurance receivables	6	119,243,464	60,593,354
Other receivables	7	81,402,790	65,200,611
Deferred tax asset	11	1,854,593	1,986,984
Tax recoverable		1,685,772	523,256
Cash and bank balances		3,705,094	7,537,644
Total assets		642,344,121	534,102,790
Liabilities			
Insurance contract liabilities	10	370,405,233	295,788,353
Insurance payables	12	52,599,316	36,457,432
Other payables	13	22,321,225	22,409,185
Total liabilities		445,325,774	354,654,970
Shareholders' equity			
Share capital	8	108,000,000	108,000,000
Retained earnings	9	89,018,347	71,447,820
		197,018,347	179,447,820
Total liabilities and shareholders' equity		642,344,121	534,102,790

The accompanying notes are an integral part of these financial statements

Statement of comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	NOTE	2015 RM	2014 RM
Gross earned premiums	14(a)	303,721,703	261,640,597
Premium ceded to reinsurers	14(b)	(81,093,027)	(70,443,996)
Net earned premiums		222,628,676	191,196,601
Investment income	15	17,856,243	10,273,766
(Loss)/gain on disposal of property, plant and equipment		(141,359)	18,058
Gain on disposal of investment property		10,000	-
Fair value gains and losses on investments	5(c)	1,028,300	2,428,360
Other operating revenue		66,347	36,577
Total revenue		241,448,207	203,953,362
Gross claims paid		(90,212,471)	(94,294,655)
Claims recoveries from reinsurers		4,067,772	23,919,737
Gross change to claims liabilities		(37,907,595)	(21,339,154)
Change in claims liabilities ceded to reinsurers		2,877,162	(12,701,047)
Net claims		(121,175,132)	(104,415,119)
Fee and commission expense		(44,722,395)	(36,511,632)
Management expenses	16	(52,298,944)	(45,543,527)
Other expenses		(97,021,339)	(82,055,159)
Profit before taxation		23,251,736	17,483,084
Taxation	19	(5,681,209)	(4,579,203)
Net profit and total comprehensive income for the financial year		17,570,527	12,903,881
Earnings per share (sen)	20	8.13	5.97

The accompanying notes are an integral part of these financial statements.

1 Corporate information
2 Business review
3 Financial report
4 Other information

Statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	NOTE	SHARE CAPITAL RM	DISTRIBUTABLE RETAINED EARNINGS RM	TOTAL RM
At 1 January 2014		108,000,000	58,543,939	166,543,939
Total comprehensive income for the financial year		-	12,903,881	12,903,881
At 31 December 2014		108,000,000	71,447,820	179,447,820
At 1 January 2015		108,000,000	71,447,820	179,447,820
Total comprehensive income for the financial year		-	17,570,527	17,570,527
At 31 December 2015		108,000,000	89,018,347	197,018,347

The accompanying notes are an integral part of these financial statements.

Cash flow statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 RM	2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	17,570,527	12,903,881
Adjustments for:		
Depreciation on property, plant and equipment	2,066,814	1,134,440
Reversal of impairment loss on self-occupied properties	(66,347)	(56,577)
Fair value loss on investment property	-	20,000
Loss/(gain) on disposal of property, plant and equipment	141,359	(18,058)
Gain on disposal of investment property	(10,000)	-
Loss/(gain) on disposal of investments	41,160	(3,143,536)
Unrealised (gain)/ loss on investments	(1,069,460)	715,176
Allowance of impairment on insurance receivables	270,136	205,586
Interest income	(17,853,154)	(9,772,631)
Rental income	(3,089)	(11,209)
Dividend income	-	(489,926)
Taxation	5,681,209	4,579,203
Profit from operations before changes in operating assets and liabilities	6,769,155	6,066,349
Proceeds from maturity of FVTPL investments	-	352,860,000
Proceeds from disposal of FVTPL investments	46,311,000	57,809,804
Purchase of FVTPL investments	(3,982,000)	(314,252,806)
Increase in LAR investments	(61,000,000)	(144,000,000)
Increase in premium liabilities	33,169,663	21,682,453
Increase in claims liabilities	35,030,433	34,040,201
Increase in insurance receivables	(58,920,246)	(20,155,995)
Increase in other receivables	(16,202,179)	(11,902,397)
Increase in insurance payables	16,141,884	10,050,128
(Decrease)/Increase in other payables	(87,960)	9,777,922
Income taxes paid	(6,711,334)	(6,224,090)
Interest income received	14,412,186	8,673,378
Rental income received	3,089	11,209
Dividend income received	-	489,926
Net cash generated from operating activities	4,933,691	4,926,082
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,267,986	266,311
Proceeds from disposal of investment property	380,000	-
Purchase of property, plant and equipment	(10,414,226)	(1,731,282)
Net cash used in investing activities	(8,766,240)	(1,464,971)
Net movement in cash and cash equivalents	(3,832,550)	3,461,111
Cash and cash equivalents at 1 January	7,537,644	4,076,533
Cash and cash equivalents at 31 December	3,705,094	7,537,644
Cash and cash equivalents comprise:		
Cash and bank balances	3,705,094	7,537,644

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1. Principal activity

The Company, a public limited liability Company incorporated and domiciled in Malaysia, is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

2. Significant accounting policies

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

2.1 Basis of Preparation

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

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

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

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

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3 to the financial statements.

a) Standards, amendments to published standards and interpretations that are effective

The following standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2015:

(i) Annual Improvements to MFRSs 2010 – 2012 Cycle.

(ii) Annual Improvements to MFRSs 2011 – 2013 Cycle.

(iii) Amendments to MFRS 119 "Defined Benefit Plans: Employee Contributions".

There were no material changes to the Company's accounting policies other than enhanced disclosures to the financial statements.

All other standards, amendments to published standards and interpretations that are effective for the current financial year are not relevant to the Company.

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

Effective from financial year beginning on or after 1 January 2016:

- Amendments to MFRS 11 "Accounting for Acquisitions of Interests in Joint Operations".
- Amendments to MFRS 116 and MFRS 138 "Clarification of Acceptable Methods of Depreciation and Amortisation".
- Amendments to MFRS 10 and MFRS 128 "Sale or Contribution of Assets between Investor and its Associates or Joint Venture".
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements".
- Annual Improvements to MFRSs 2012 – 2014 Cycle (Amendments to MFRS 5 "Non-current Assets Held for sale and Discontinued Operations", MFRS 7 "Financial Instruments: Disclosures", MFRS 119 "Employee Benefits", MFRS 134 "Interim Financial Reporting").
- Amendments to MFRS 10, 12 and 128 "Investment Entities – Applying the Consolidation Exception".
- Amendments to MFRS 101 "Presentation of Financial Statements – Disclosure Initiative".
- MFRS 15 "Revenue from Contracts with Customers"
- MFRS 9 "Financial Instruments"

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

2.2 Summary of Significant Accounting Policies

a) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Leasehold building is amortised in equal instalments over the period of lease of 75.68 years. Depreciation on other property, plant and equipment is calculated using the straight-line basis to allocate their cost to their residual values over the expected useful lives of the assets. The expected useful lives of the assets are as follows:

Motor Vehicles	5 years
EDP Equipment	3 - 5 years
Office Equipment	4 - 10 years
Furniture & Fittings	2 - 10 years
Renovations	2 - 5 years
Freehold Building	50 years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the statement of comprehensive income.

b) Investment Property

An investment property is held for long term rental yields or for capital appreciation or both, and is not occupied by the Company.

Investment property is stated at fair value, representing open market value determined by an external valuer. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair value is reviewed annually by an external valuer and any changes in the fair value are recorded in the statement of comprehensive income.

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

c) Impairment of Non-Financial Assets

The carrying values of non-financial assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit. Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the statement of comprehensive income immediately.

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

d) Investments and Other Financial Assets

The Company classifies its investments into financial assets as fair value through profit or loss ("FVTPL") and loans and other receivables ("LAR").

FVTPL

The Company classifies its securities portfolio, comprising Malaysian Government Securities and Treasury Bills which are held-for-trading, as FVTPL. Securities are classified as FVTPL if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. FVTPL securities measured at fair value and any gain or loss arising from a change in the fair value is recognised in the statement of comprehensive income.

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 provision for impairment. Gains and losses are recognised in statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

e) Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the date of the statement of financial position.

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

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

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

f) Impairment of Financial Instruments

The Company assesses at each date of the statement of financial position whether a financial assets or group of financial assets 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 the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in the statement of comprehensive income.

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

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

g) Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

h) Equity Instruments

Ordinary Share Capital

The Company has issued ordinary shares that are classified as equity.

Dividends on Ordinary Share Capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders and Bank Negara Malaysia pursuant to the Financial Services Act, 2013. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the date of the statement of financial position are dealt with as an event after the date of the statement of financial position.

i) Product Classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

j) **General Insurance Underwriting Results**

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

Gross Premiums

Gross premiums are recognised in a financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of debit notes. Premiums in respect of risks incepted for which debit notes have not been raised as of the date of the statement of financial position are accrued at that date and are recognised in the statement of comprehensive income during the year.

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

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

Premium Liabilities

Premium liabilities refer to the higher of:

(i) the aggregate of the unearned premium reserves ("UPR"); or

(ii) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's 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 shall allow for expected future premium refunds.

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

In determining the UPR at the date of the statement of financial position, the method that most accurately reflects the actual unearned premium used is as follows:

(i) 25% method for marine cargo and transit business;

(ii) 1/365th method (i.e. daily pro-rata method) for all other classes of general insurance business in respect of Malaysian general policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

Claims Liabilities

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

Provision for claims liabilities is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at the date of the statement of financial position. Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the date of the statement of financial position, based on an actuarial valuation.

Throughout the course of the financial year, management regularly re-assesses claims and provisions both on an individual and class basis, based on independent professional advice and reports, other available information and management's own assessment of the claims and provisions.

Acquisition Costs

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

k) **Reinsurance**

Reinsurance ceded

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance costs are recognised in statement of comprehensive income immediately at the date of purchase and are not amortised.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

k) Reinsurance (cont'd)

Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premium 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. Reinsurance liabilities represent balances due to reinsurance companies. Amount payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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 statement of comprehensive income.

l) Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective 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 statement of comprehensive income. The Company gathers the objective evidence that an insurance receivable is impaired using the same processes adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

m) General Insurance Contract Liabilities

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

These liabilities comprise claims liabilities and premiums liabilities.

Claims liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of the statement of financial position. The liability is calculated at the reporting data using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

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

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical reserves. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in statement of comprehensive income by setting up a provision for liability adequacy.

n) 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.

Rental Income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

n) Other Revenue Recognition (continued)

Interest and Profit Income

Income is recognised on an accrual basis using the effective yield method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective yield of the instrument.

Dividend Income

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

Realised Gains and Losses on Investments

Realised gains and losses recorded in statement of comprehensive income on investments include gains and losses on financial assets and investment properties. Gain and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value of the investments and are recorded on occurrence of the sale transaction.

o) Income Tax

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from 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 profits.

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

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

p) 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 date of the statement of financial position and adjusted to reflect the current best estimate. 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.

q) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

(ii) Post-employment Benefits

The Company's contributions to defined contribution plans are charged to the statement of comprehensive income in the period to which they relate to. Once the contributions have been paid, the Company has no further payment obligations.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage redundancy.

(iv) Cash-Settled Share-Based Plan

The Company participated in a cash-settled, share-based plan for the employees of the Company. The fair value of the employee services received in exchange for the grant of the share appreciation rights is recognised in the statement of comprehensive income over the vesting periods of the grant with a corresponding increase in liabilities.

The total amount to be expensed off on the vesting period is determined by reference to the fair value of the share appreciation rights. At each date of the statement of financial position, the Company reviews its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the statement of comprehensive income.

The cumulative liability incurred will be reversed as cash is paid, net of any directly attributable transaction costs, at the end of vesting period.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

r) Foreign Currencies

The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Foreign currency transactions in the Company are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated to Ringgit Malaysia at exchange rates prevailing at the date of the statement of financial position. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statement of comprehensive income.

s) Insurance Payables and Other Payables

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

t) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

u) Contingent Liabilities and Contingent Assets

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

A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

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

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

a) Key Sources of Estimation Uncertainty and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, 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.

Valuation of General Insurance Contract Liabilities

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

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

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. Historical claims development data is adjusted for the impact of inflation, and explicit assumptions are made for the rate of future claims inflation applied to the projected losses. Additional qualitative judgement is used to assess the extent to which the past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

3. Property, plant and equipment

	MOTOR VEHICLES RM	EDP EQUIPMENT RM	OFFICE EQUIPMENT RM	FURNITURE & FITTINGS RM	RENOVATIONS RM	FREEHOLD BUILDING RM	LEASEHOLD BUILDING RM	TOTAL RM
Net book value								
At 1 January 2015	733,025	792,756	394,918	799,502	556,217	1,118,134	5,543,968	9,938,520
Additions	114,675	8,916,110	133,289	664,554	585,598	-	-	10,414,226
Disposals	(67,838)	-	(43,540)	(113,379)	(86,987)	(1,097,601)	-	(1,409,345)
Reversal of impairment loss	-	-	-	-	-	-	66,347	66,347
Depreciation	(158,293)	(1,370,514)	(106,181)	(118,982)	(225,885)	(20,533)	(66,426)	(2,066,814)
At 31 December 2015	621,569	8,338,352	378,486	1,231,695	828,943	-	5,543,889	16,942,934
At 31 December 2015								
Cost	893,912	12,251,794	1,423,668	1,881,283	2,158,885	-	6,587,782	25,197,324
Accumulated impairment loss	-	-	-	-	-	-	(122,256)	(122,256)
Accumulated depreciation	(272,343)	(3,913,442)	(1,045,182)	(649,588)	(1,329,942)	-	(921,637)	(8,132,134)
Net Book Value	621,569	8,338,352	378,486	1,231,695	828,943	-	5,543,889	16,942,934

	MOTOR VEHICLES RM	EDP EQUIPMENT RM	OFFICE EQUIPMENT RM	FURNITURE & FITTINGS RM	RENOVATIONS RM	FREEHOLD BUILDING RM	LEASEHOLD BUILDING RM	TOTAL RM
Net book value								
At 1 January 2014	462,521	644,424	304,538	730,831	698,911	1,148,083	5,544,046	9,533,354
Additions	690,315	552,919	189,884	177,989	120,175	-	-	1,731,282
Disposals	(235,977)	(6,882)	(3,949)	(1,445)	-	-	-	(248,253)
(Additional)/Reversal of impairment loss	-	-	-	-	-	(8,916)	65,493	56,577
Depreciation	(183,834)	(397,705)	(95,555)	(107,873)	(262,869)	(21,033)	(65,571)	(1,134,440)
At 31 December 2014	733,025	792,756	394,918	799,502	556,217	1,118,134	5,543,968	9,938,520
At 31 December 2014								
Cost	956,868	3,339,570	1,369,123	1,363,853	1,719,639	1,954,337	6,587,782	17,291,172
Accumulated impairment loss	-	-	-	-	-	(506,964)	(188,603)	(695,567)
Accumulated depreciation	(223,843)	(2,546,814)	(974,205)	(564,351)	(1,163,422)	(329,239)	(855,211)	(6,657,085)
Net Book Value	733,025	792,756	394,918	799,502	556,217	1,118,134	5,543,968	9,938,520

Notes to the financial statements (continued)

4. Investment property

	2015 RM	2014 RM
As at 1 January	370,000	390,000
Fair value changes	-	(20,000)
Disposal of investment property	(370,000)	-
As at 31 December	-	370,000

The fair value of the property is estimated at RM370,000 based on a valuation performed by an independent professionally qualified valuer as at 3 November 2014. The fair value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Fair value of investment property is categorised as follows:

	LEVEL 1 RM	LEVEL 2 RM	LEVEL 3 RM	TOTAL RM
2015				
Buildings	-	-	-	-
2014				
Buildings	-	370,000	-	370,000

Investment property, which is under Level 2 of the fair value hierarchy is measured in whole by reference to inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly. The investment property is valued using the Comparison Method. Recent transactions and asking prices of similar properties in the locality are analysed for comparison purpose with adjustments made for differences in location, size, age and condition of unit and building, tenure, title restrictions if any and other relevant characteristics to arrive at the market value.

There were no transfer between level 1 and 2 fair value measurements during the financial year. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. (or the date of the event or change in circumstances that caused the transfer or the beginning of the reporting period).

Rental income and the rates and maintenance expenses in respect of investment property are disclosed in Note 15 to the financial statements.

5. Investments

	2015 RM	2014 RM
The Company's investments are summarised as follows:		
Fair value through profit or loss ("FVTPL")	69,121,800	110,422,500
Accrued interest	642,125	1,098,567
	69,763,925	111,521,067
Loans and receivables ("LAR")	314,000,000	253,000,000
Accrued interest	4,846,396	948,985
	318,846,396	253,948,985
Total investments	388,610,321	365,470,052
The following investments mature after 12 months:		
FVTPL	69,763,925	111,521,067

(a) FVTPL

Fair value	2015 RM	2014 RM
Malaysian Government Securities	69,121,800	110,422,500
Accrued interest	642,125	1,098,567
Total investment at FVTPL	69,763,925	111,521,067

(b) LAR

Amortised cost	2015 RM	2014 RM
Deposits with financial institutions	314,000,000	253,000,000
Accrued interest	4,846,396	948,985
Total investments at LAR	318,846,396	253,948,985

(c) Carrying Values of Financial Instruments

	FVTPL RM	LAR RM	TOTAL RM
At 1 January 2014	204,584,670	109,774,767	314,359,437
Purchases/deposits	314,252,806	1,009,000,000	1,323,252,806
Maturities	(352,860,000)	(865,000,000)	(1,217,860,000)
Disposals	(57,809,804)	-	(57,809,804)
Fair value gains recorded in profit or loss	2,428,360	-	2,428,360
Movement in accrued interest	925,035	174,218	1,099,253
At 31 December 2014	111,521,067	253,948,985	365,470,052
Purchases/deposits	3,982,000	583,000,000	586,982,000
Maturities	-	(522,000,000)	(522,000,000)
Disposals	(46,311,000)	-	(46,311,000)
Fair value gains recorded in profit or loss	1,028,300	-	1,028,300
Movement in accrued interest	(456,442)	3,897,411	3,440,969
At 31 December 2015	69,763,925	318,846,396	388,610,321

(d) Fair Values of Financial Instruments

The following table shows financial instruments recorded at fair value analysed as follows:-

	FVTPL RM
2015	
Level 2 - Valuation techniques - market observable input	69,763,925
2014	
Level 2 - Valuation techniques - market observable input	111,521,067

Financial instruments, which are under Level 2 of the fair value hierarchy are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market and instruments with fair values based on broker quotes.

Notes to the financial statements (continued)

6. Insurance receivables

	2015 RM	2014 RM
Due premiums including agents/brokers and co-insurers balances	108,636,514	58,030,388
Due from reinsurers and cedants	12,030,806	3,716,686
	120,667,320	61,747,074
Allowance for impairment	(1,423,856)	(1,153,720)
	119,243,464	60,593,354
Receivable within 12 months	119,243,464	60,593,354

Financial assets	2015 RM	2014 RM
Gross amounts of recognised financial assets	134,696,573	69,676,008
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (Note 12)	(14,029,253)	(7,928,934)
Net amounts of financial assets presented in the statement of financial position	120,667,320	61,747,074

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

7. Other receivables

	2015 RM	2014 RM
Malaysian Motor Insurance Pool ("MMIP")		
- Cash calls made	34,359,477	27,347,901
- Other assets held in MMIP	40,657,816	35,533,371
	75,017,293	62,881,272
Other receivables	6,385,497	2,319,339
	81,402,790	65,200,611
Receivable within 12 months	79,731,687	63,726,110

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

MMIP as at 31 December 2015 is a net payable of RM8,575,778 (2014: RM6,214,343) after setting off the amounts receivable from MMIP against the Company's share of MMIP's claims and premium liabilities amounting RM74,421,495 (2014: RM69,095,613) included in Note 10 to the financial statements..

8. Share capital

	2015		2014	
	NO OF SHARES	RM	NO OF SHARES	RM
Authorised ordinary shares of RM0.50 each:				
As at 1 January/31 December	400,000,000	200,000,000	400,000,000	200,000,000
Issued and fully paid ordinary shares of RM0.50 each:				
As at 1 January/31 December	216,000,000	108,000,000	216,000,000	108,000,000

9. Retained earnings

The Company may distribute single tier exempt dividend to its shareholder out of its retained earnings. Pursuant to Section 51 (1) of the Financial Services Act, 2013, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

10. Insurance contract liabilities

	GROSS RM	REINSURANCE RM	NET RM
At 31 December 2015			
Provision for outstanding claims	176,039,063	(17,716,252)	158,322,811
Provision for incurred but not reported claims ("IBNR")	47,858,000	(543,000)	47,315,000
Claims liabilities (i)	223,897,063	(18,259,252)	205,637,811
Premium liabilities (ii)	146,508,170	(10,639,901)	135,868,269
	370,405,233	(28,899,153)	341,506,080
At 31 December 2014			
Provision for outstanding claims	139,667,468	(13,653,090)	126,014,378
Provision for incurred but not reported claims ("IBNR")	46,322,000	(1,729,000)	44,593,000
Claims liabilities (i)	185,989,468	(15,382,090)	170,607,378
Premium liabilities (ii)	109,798,885	(7,100,279)	102,698,606
	295,788,353	(22,482,369)	273,305,984

	2015 RM	2014 RM
Current	249,910,269	200,180,606
Non current	91,595,811	73,125,378
	341,506,080	273,305,984

	2015 GROSS RM	2015 REINSURANCE RM	2015 NET RM	2014 GROSS RM	2014 REINSURANCE RM	2014 NET RM
(i) Claims liabilities						
At 1 January	185,989,468	(15,382,090)	170,607,378	164,650,314	(28,083,137)	136,567,177
Claims incurred in the current accident year	147,905,800	(12,810,572)	135,095,228	137,702,109	(21,246,647)	116,455,462
Adjustment to claims incurred in prior accident years due to changes in assumptions:						
- Development factors, and discount rates	(3,190,911)	(662,172)	(3,853,083)	(1,757,659)	(1,445,762)	(3,203,421)
Other claims experience movements to claims incurred	(16,594,823)	6,527,810	(10,067,013)	(20,310,641)	11,473,719	(8,836,922)
Claims paid during the financial year	(90,212,471)	4,067,772	(86,144,699)	(94,294,655)	23,919,737	(70,374,918)
As 31 December	223,897,063	(18,259,252)	205,637,811	185,989,468	(15,382,090)	170,607,378
(ii) Premium liabilities						
At 1 January	109,798,885	(7,100,279)	102,698,606	87,800,593	(6,784,440)	81,016,153
Premiums written in the financial year (note 14)	340,430,988	(84,632,649)	255,798,339	283,638,889	(70,759,835)	212,879,054
Premiums earned during the financial year (note 14)	(303,721,703)	81,093,027	(222,628,676)	(261,640,597)	70,443,996	(191,196,601)
As 31 December	146,508,170	(10,639,901)	135,868,269	109,798,885	(7,100,279)	102,698,606

Notes to the financial statements (continued)

11. Deferred tax asset

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2015 RM	2014 RM
As at 1 January	1,986,984	1,978,075
Recognised in income statement (note 19)	(132,391)	8,909
As at 31 December	1,854,593	1,986,984
Current	1,964,357	1,631,531
Non current	(109,764)	355,453
	1,854,593	1,986,984

The movements in deferred tax asset during the financial year comprise the tax effects of the following:

	AT 1 JANUARY RM	(CHARGED)/ CREDITED RM	AT 31 DECEMBER RM
2015			
Recognised in income statement:			
Excess of capital allowance over depreciation	(404,606)	(181,376)	(585,982)
Impairment loss on insurance receivables	288,430	53,288	341,718
Premium liabilities	968,596	500,894	1,469,490
Employee benefits accrued	91,476	93,229	184,705
Other provisions	941,913	(337,709)	604,204
Fair value changes of FVTPL investments	101,175	(260,717)	(159,542)
	1,986,984	(132,391)	1,854,593
2014			
Recognised in income statement:			
Excess of capital allowance over depreciation	(406,824)	2,218	(404,606)
Impairment loss on insurance receivables	237,033	51,397	288,430
Premium liabilities	1,255,294	(286,698)	968,596
Employee benefits accrued	73,707	17,769	91,476
Other provisions	896,484	45,429	941,913
Fair value changes of FVTPL investments	(77,619)	178,794	101,175
	1,978,075	8,909	1,986,984

12. Insurance payables

	2015 RM	2014 RM
Due to agents and intermediaries	30,102,936	21,018,178
Due to reinsurers and cedants	22,417,864	15,360,738
Deposits received from reinsurers	78,516	78,516
	52,599,316	36,457,432
Payable within 12 months	52,599,316	36,457,432

The carrying amount disclosed above approximates the fair value at the date of the statement of financial position.

	2015 RM	2014 RM
Gross amounts of recognised financial liabilities	66,628,569	44,386,366
Less: Gross amounts of recognised financial assets set off in the statement of financial position (Note 6)	(14,029,253)	(7,928,934)
Net amounts of financial liabilities presented in the statement of finacial position	52,599,316	36,457,432

As disclosed in Note 6 to the financial statements, there are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2015 (2014: Nil).

13. Other payables

	2015 RM	2014 RM
Payroll liabilities	4,096,833	3,776,537
Duties and other taxes payable	118,280	1,721,089
Accrued expenses	2,666,758	1,556,850
Accrual for Head Office and IT charges (note 22)	12,868,000	12,569,681
Accrual for employees cash-settled share-based plan (note 17)	16,139	34,101
Other liabilities	2,555,215	2,750,927
	22,321,225	22,409,185

The carrying amount disclosed above approximates the fair value at the date of the statement of financial position.

All amounts are payable within one year except for accrual for the employees cash-settled share-based plan (note 17 to the financial statements).

14. Net earned premiums

	2015 RM	2014 RM
(a) Gross earned premiums		
Written premium	340,430,988	283,638,889
Change in premium liabilities	(36,709,285)	(21,998,292)
	303,721,703	261,640,597
(b) Premiums ceded		
Ceded premium	(84,632,649)	(70,759,835)
Change in premium liabilities	3,539,622	315,839
	(81,093,027)	(70,443,996)
Net earned premiums	222,628,676	191,196,601

Notes to the financial statements (continued)

15. Investment income

	2015 RM	2014 RM
Investment property:		
Gross rental income	19,200	25,800
Rates and maintenance for investment property	(16,111)	(14,591)
FVTPL investments		
Interest income	3,169,869	861,020
Dividend income	-	489,926
LAR investments		
Interest income	14,683,285	8,911,611
	17,856,243	10,273,766

16. Management expenses

	2015 RM	2014 RM
Staff salaries and bonus	20,949,688	18,309,833
Defined contribution plans	2,681,087	2,240,674
Employees cash-settled share-based plan (note 17)	18,057	11,631
Other employee benefits	1,709,514	1,211,718
Staff costs	25,358,346	21,773,856
Executive Directors:		
Salaries	-	127,880
Defined contribution plans	-	13,387
Other remuneration	-	161,151
Non-Executive Directors:		
Fees	165,949	192,000
Others	7,000	9,000
Directors' remuneration	172,949	503,418
Depreciation of property, plant and equipment	2,066,814	1,134,440
Auditors' remuneration	190,500	165,000
Hire of equipment	91,833	74,849
Office rental	596,317	407,898
EDP expenses	1,111,481	3,254,030
Communication expenses	305,088	421,995
Travelling expenses	1,242,757	1,446,993
Bad and doubtful debts:		
Allowance of impairment on insurance receivables	270,136	205,586
Bad debts recoveries	(6,286)	-
Head office expenses	12,667,319	11,050,681
Other expenses	8,231,690	5,104,781
	26,767,649	23,266,253
	52,298,944	45,543,527
Money value of Executive Director's benefits-in-kind	-	60,476

Included in the remuneration of the Executive Director in 2014 were the remuneration, including benefits-in-kind, attributable to the Company's ex-Chief Executive Officer (Karl Ludwig Anthony Hamann) amounted to RM362,894.

Included in the staff costs, there are benefits-in-kind attributable to the Company's Chief Executive Officer (Leo Zanolini) amounted to RM1,632,357(2014: RM999,294).

17. Employees cash-settled share-based benefit plan

Employees of the Company are invited to participate in a cash-settled share-based plan offered by the ultimate holding company, QBE Insurance Group Limited.

The grant will be paid out to eligible permanent employees who have met minimum service conditions and after a retention period of three years provided the employees are still employed by Company at that time.

Details of the plan are as follows:

	2015		2014	
	NO OF UNITS	GRANT VALUE RM	NO OF UNITS	GRANT VALUE RM
Allocated:				
As at 31 December (note 13)	929	16,139	2,365	34,101
Actual payments during the financial year	1,281	49,056	901	32,143

The fair value of the grant awarded during the financial year was determined using the closing price of QBE Insurance Group Limited's shares at the statement of financial position date and the expected notional cash dividends for that year of entitlement. The significant inputs into the computation were as follows:

	2015 AUD$	2014 AUD$
Closing market price (per share)	12.59	11.35
Expected notional cash dividends (per award)	0.20	0.24

18. Key management personnel

Key management personnel are those people defined as having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, including any director (executive or non-executive).

The total remuneration of the Directors is disclosed in Note 16 to the financial statements.

The compensation of the other key management personnel (including Executive Director) is as follows:

	2015 RM	2014 RM
Salary and other remuneration	3,692,782	3,466,430
Benefits-in-kind	49,125	97,498
	3,741,907	3,563,928

Notes to the financial statements (continued)

19. Income tax expense

	2015 RM	2014 RM
Current tax	5,548,818	4,588,112
Deferred tax (note 11)	132,391	(8,909)
Tax expense	5,681,209	4,579,203
Current tax		
Current year	5,610,966	3,623,484
(Over)/under accrual in prior years	(62,148)	964,628
Deferred tax		
Origination and reversal of temporary differences	132,391	(8,909)
	5,681,209	4,579,203
(a) Reconciliation of prima facie tax to income tax expense:		
Profit before tax	23,251,736	17,483,084
Tax calculated at the Malaysian tax rate of 25%	5,812,934	4,370,771
Tax effect of:		
Non-deductible expenses	657,670	685,408
Non-deductible foreign reinsurance expense	958,478	799,836
Non-taxable income	67,169	98,252
Tax deduction of cash contribution to MMIP during the year*	(1,752,894)	(2,339,692)
(Over)/under accrual in prior years	(62,148)	964,628
Income tax expense attributable to profit	5,681,209	4,579,203

(*) The tax deduction of cash contribution to MMIP of RM1,752,894 (2014: RM2,339,692) relates to the double tax deduction allowed on MMIP cash calls made during the financial year, pursuant to the Gazette order issued by the Attorney General Chambers of Malaysia on 28 November 2012.

20. Earnings per share

The earnings per ordinary share has been calculated based on the net profit for the financial year of RM17,570,527 (2014: RM12,903,881) and on the weighted average number of ordinary shares in issue during the financial year of 216,000,000 (2014: 216,000,000).

21. Non-cancellable operating lease commitments

	FUTURE MINIMUM LEASE PAYMENTS 2015 RM	2014 RM
Not later than 1 year	68,130	78,633
Later than 1 year and not later than 5 years	78,107	97,002
	146,237	175,635

22. Significant related party disclosures

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures.

The related parties of, and their relationship with the Company, are as follows:

Related parties	Relationship
QBE Insurance Group Limited (Incorporated in Australia)	Ultimate holding corporation
QBE Asia Pacific Holdings Limited (Incorporated in Hong Kong)	Immediate holding corporation
QBE Insurance (Australia) Ltd (Incorporated in Australia)	Related company

In the normal course of business, the Company undertakes various transactions with other companies deemed related on terms agreed between the Company and related parties.

The significant related party transactions during the financial year and balances at the financial year end between the Company and these related parties are set out as follows:

	2015 RM	2014 RM
Business transactions with related company:		
Reinsurance claims recoveries		
- QBE Insurance (International) Ltd.	901,208	14,493,767
- QBE Insurance (Australia) Ltd.	585,446	6,155,422
Reinsurance premium ceded		
- QBE Insurance (International) Ltd.	(43,325,895)	(41,328,366)
- QBE Insurance (Australia) Ltd.	(8,831,736)	(7,768,795)
Reinsurance commission earned		
- QBE Insurance (Australia) Ltd.	2,223,680	2,488,808
Expenses		
- QBE Insurance (International) Ltd.		
Employees Share Incentives Scheme	(114,898)	(2,865)
Data processing charges	-	(1,594,724)
Other services	(12,868,000)	(11,050,681)

Amounts due from / (due to) related entities as at the date of the statement of financial position are set out below:

	NOTE	2015 RM	2014 RM
Holding corporation/related entities:			
Reinsurance assets - claims liabilities		10,050,591	6,414,314
Insurance payables		(6,988,628)	(5,890,055)
Other receivables		1,083,719	-
Other payables		-	(317,381)
Accrued expenses for			
- Data processing charges	13	-	(1,519,000)
- Other services	13	(12,868,000)	(11,050,681)
		(18,772,909)	(18,777,117)

The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

Notes to the financial statements (continued)

23. Risk management framework

The Board of Directors annually approves a comprehensive risk management strategy ("RMS") and a reinsurance management strategy ("REMS"), both of which are available for review by BNM when requested. The Company's risk management policy, strategy and framework are embedded in all operations, ensuring a consistent approach to managing risk across the organisation.

The Company's strategy for managing risk is to:
- achieve competitive advantage by better understanding the risk environments in which we operate;
- optimise risk and more effectively allocating capital and resources by assessing the balance of risk and reward; and
- avoid unwelcome surprises by reducing uncertainty and volatility through the identification and management of risks to the achievement of strategies and objectives.

The Company aims to adopt a rigorous approach to managing risk. The key objectives of the Company's approach to risk management are to:
- drive conscious and objective risk-based decisions to optimise return;
- give confidence to the business to actively take appropriate risks; and
- adopt leading practices and a single Enterprise Risk Management approach that allows for more consistent and improved outcomes.

It is the Company's philosophy to ensure that risk management is embedded in the business and that the risk makers or risk takers are themselves the risk managers. Embedding a risk assessment mindset in business planning and management processes assists in keeping focus on the key objectives and identifying metrics required to monitor portfolio performance and improvement initiatives. The management of risk must occur at each point in the business management cycle.

Risk management is a key part of strategic and business planning, it underpins the setting of limits and authorities and it is embedded in the monitoring and evaluation of performance. This holistic approach to risk management allows all of the risks to which the Company is exposed to are managed in an integrated manner.

The Company's risk management framework sets out the approach to manage risks and meeting strategic objectives whilst taking into account the creation of value for our shareholders. The framework is made up of complementary elements that are embedded throughout the business management cycle and culture. Key aspects include: governance, risk appetite and tolerance, delegated authorities, risk policies, measurement and modelling, risk and control self assessment, risk treatment, optimisation and ongoing improvement through action plans, risk and performance monitoring.

The Company's risk management framework recognises the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Risk treatments, internal controls and systems are designed to provide reasonable assurance that the assets and revenues of the Company are safeguarded, including insurance and investment exposures are within desired limits, reinsurance protections are adequate, counterparties are subject to security assessment and foreign exchange exposures are within stated risk appetites. The Company has established internal systems and controls to manage material risk in the key areas of exposure relevant to its business.

The Company's risk profile is assessed under the following broad risk categories:

- Strategic risk
- Insurance risk
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Group Risk

Each of these is described more fully in sections (a) to (g) below.

a) Strategic risk

The current and prospective impact on earnings and or capital arising from strategic business decisions and responsiveness to external change. Includes the following sub categories:
- business product, market, and distribution approach;
- capital structure and management;
- acquisition decision and negotiation;
- tax planning and decisioning; and
- investment strategy.

b) Insurance risk

The risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations. Includes the following sub categories:
- underwriting/pricing;
- insurance concentrations;
- reserving; and
- reinsurance.

c) Credit risk

The risk of default by borrowers and transactional counterparties as well as the loss of value of assets due to deterioration in credit quality. Exposure to credit risk results from financial transactions with securities issuers, debtors, brokers, policyholders, reinsurers and guarantors. Includes the following sub categories:
- reinsurance counterparty credit and other recoveries;
- premium and other counterparty credit; and
- investment counterparty credit.

d) Market risk

The risk of variation in the value of investments due to movements in market factors. Market factors include but are not limited to: interest rates, credit spreads, foreign exchange rates and equity prices. Includes the following sub categories:
- investment market movement (including equity, interest rate, credit spreads); and
- foreign exchange rate movement.

e) Liquidity risk

Liquidity risk is the risk of insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors.

f) Operational risk

Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events (including legal risk). Includes the following sub categories:

- internal fraud;
- external fraud;
- employment practices (people risks);
- improper business practices;
- disasters and other events;
- technology and infrastructure failures; and
- business and transaction processing

g) Group risk

Group Risk is the risk to the Company arising specifically from being part of the wider QBE group, including financial impact and loss of support from the parent company. The Company is a wholly-owned subsidiary of QBE Insurance (International) Limited that has a S&P credit rating of A+, which is part of the QBE Insurance Group that is one of the top 20 insurers and reinsurers in the world. The Company has its own capital that meets regulatory requirements and monitors capital adequacy as part of its Internal Capital Adequacy Assessment Process.

24. Insurance risk

The table below sets out the concentration of General insurance contracts liabilities by type of contract.

	2015 GROSS RM	2015 REINSURANCE RM	2015 NET RM	2014 GROSS RM	2014 REINSURANCE RM	2014 NET RM
Motor	108,421,969	(926,814)	107,495,155	94,353,349	(804,349)	93,549,000
Fire	69,791,052	(3,437,909)	66,353,143	59,683,744	(6,660,744)	53,023,000
Marine, Aviation & Transit	59,089,821	(15,662,569)	43,427,252	44,440,722	(6,903,722)	37,537,000
Miscellaneous	133,102,390	(8,871,861)	124,230,529	97,310,538	(8,113,554)	89,196,984
Insurance contract liabilities	370,405,232	(28,899,153)	341,506,079	295,788,353	(22,482,369)	273,305,984

Key Assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumption in respect of average claims costs, claim handling costs and average number of claims for each accident year. Assumptions are also made in relation to the rate of claims inflation in the future.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumption include variation in interest rates and delays in settlement.

Sensitivities

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

The analysis below is performed for reasonably possible movement in key assumptions with all other assumptions held constant, showing the impact on Gross and Net Liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	CHANGE IN ASSUMPTIONS	IMPACT ON GROSS LIABILITIES RM	IMPACT ON NET LIABILITIES RM	IMPACT ON PROFIT BEFORE TAX (ADDITIONAL LOSS) RM	IMPACT ON EQUITY (DEBIT) RM
2015					
Average claim cost	+10%	22,389,706	20,563,781	20,563,781	15,422,836
Number of claims	+10%	3,043,734	2,795,512	2,795,512	2,096,634
Inflation	+1%	3,119,559	2,869,059	2,869,059	2,151,794
Discount rate	-1%	3,159,354	2,905,799	2,905,799	2,179,349
Ultimate loss ratio	+5%	14,960,318	11,320,222	11,320,222	8,490,167
2014					
Average claim cost	+10%	18,598,947	17,060,738	17,060,738	12,795,554
Number of claims	+10%	2,562,504	2,350,574	2,350,574	1,762,931
Inflation	+1%	2,526,578	2,304,345	2,304,345	1,728,259
Discount rate	-1%	2,547,471	2,323,519	2,323,519	1,742,639
Ultimate loss ratio	+5%	12,336,991	8,901,341	8,901,341	6,676,006

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

Notes to the financial statements (continued)

24. Insurance risk (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each date of the statement of financial position, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercise a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin maintained should decrease.

Gross General Insurance Contract Liabilities for 2015:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	TOTAL RM'000
At end of accident year			59,803	54,093	55,473	72,342	92,620	94,132	137,702	147,905	
One year later			64,166	59,702	52,442	69,753	85,299	91,690	132,111		
Two years later			63,158	58,117	54,092	61,654	82,245	87,219			
Three years later			64,527	57,527	51,404	61,294	79,046				
Four years later			55,537	54,010	50,298	59,382					
Five years later			54,699	53,524	49,832						
Six years later			46,126	53,066							
Seven years later			45,735								
Current estimate of cumulative claims incurred			45,735	53,066	49,832	59,382	79,046	87,219	132,111	147,905	
Claims payment Accident year											
At end of accident year			13,429	17,861	14,649	18,991	19,869	20,147	40,951	30,387	
One year later			31,132	40,243	33,292	44,800	49,758	54,947	83,131		
Two years later			35,498	47,708	39,434	46,411	59,861	62,620			
Three years later			40,479	50,242	41,730	50,733	66,122				
Four years later			44,725	49,585	44,205	52,422					
Five years later			44,384	50,695	45,307						
Six years later			44,848	50,969							
Seven years later			44,964								
Cumulative payments to-date			44,964	50,969	45,307	52,422	66,122	62,620	83,131	30,387	
Gross general insurance contract liabilities per statement of financial position	10	5,523	771	2,097	4,525	6,960	12,924	24,599	48,980	117,518	223,897
Current estimate of surplus											
% surplus of initial gross reserve			24%	2%	10%	18%	15%	7%	4%	0%	

Net General Insurance Contract Liabilities for 2015:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	TOTAL RM'000
At end of accident year			42,034	46,202	48,393	56,118	79,184	85,959	116,455	135,095	
One year later			42,829	48,569	43,488	54,023	73,057	82,605	113,209		
Two years later			41,496	46,337	45,618	46,717	69,338	77,868			
Three years later			41,449	45,603	43,098	46,097	66,952				
Four years later			38,453	41,952	42,123	44,902					
Five years later			36,780	41,598	41,617						
Six years later			36,426	41,150							
Seven years later			36,038								
Current estimate of cumulative claims incurred			36,038	41,150	41,617	44,902	66,952	77,868	113,209	135,095	
Claims payment Accident year											
At end of accident year			12,657	12,888	14,000	13,129	17,676	18,900	25,372	28,683	
One year later			26,245	30,328	29,021	30,788	38,942	46,684	65,743		
Two years later			30,280	36,074	33,174	32,314	48,184	54,181			
Three years later			32,401	38,550	33,707	36,513	54,125				
Four years later			35,210	37,736	36,083	38,184					
Five years later			34,899	38,813	37,174						
Six years later			35,159	39,084							
Seven years later			35,273								
Cumulative payments to-date			35,273	39,084	37,174	38,184	54,125	54,181	65,743	28,683	
Net general insurance contract liabilities per statement of financial position	10	1,254	765	2,066	4,443	6,718	12,827	23,687	47,466	106,412	205,638
Current estimate of surplus											
% surplus of initial net reserve			14%	11%	14%	20%	15%	9%	3%	0%	

1 Corporate information
2 Business review
3 Financial report
4 Other information

Notes to the financial statements (continued)

25. Financial risks

(1) Credit Risk

In the normal course of business, the Company incurs credit risk from trade receivables and financial institutions. There is no significant concentration of credit risk.

The credit risk on financial assets of the Company is generally the carrying amount, which is net of any allowances. Credit risk exposures are calculated regularly and compared to authorised credit limits before further transactions are undertaken with each counter-party. The Company does not expect any counter-parties to fail to meet their obligations given their high credit ratings and therefore does not require collateral or other security.

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments.

	NOTE	2015 RM	2014 RM
Investments at FVTPL:			
Malaysian Government Securities	5(a)	69,763,925	111,521,067
LAR:			
Fixed and call deposits	5(b)	318,846,396	253,948,985
Reinsurance assets - claims liabilities	10	18,259,252	15,382,090
Insurance receivables	6	119,243,464	60,593,354
Cash and bank balances		3,705,094	7,537,644
		529,818,131	448,983,140

Credit Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the company by classifying assets according to the recognised local or international rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Rated assets fall outside the range of AAA to BBB are classified as speculative grade and thus are considered as non-investment grade.

	NEITHER PAST-DUE NOR IMPAIRED INVESTMENT GRADE RM	NEITHER PAST-DUE NOR IMPAIRED NOT RATED RM	PAST DUE BUT NOT IMPAIRED RM	PAST DUE AND IMPAIRED RM	TOTAL RM
2015					
Investments at FVTPL:					
Malaysian Government Securities	-	69,763,925	-	-	69,763,925
LAR:					
Fixed deposits and call deposits	318,846,396	-	-	-	318,846,396
Reinsurance assets - claims liabilities	14,500,329	3,758,923	-	-	18,259,252
Insurance receivables	-	83,167,289	36,076,175	1,423,856	120,667,320
Cash and bank balances	3,694,094	11,000	-	-	3,705,094
	337,040,819	156,701,137	36,076,175	1,423,856	531,241,987
Allowance for impairment	-	-	-	(1,423,856)	(1,423,856)
	337,040,819	156,701,137	36,076,175	-	529,818,131

	NEITHER PAST-DUE NOR IMPAIRED INVESTMENT GRADE RM	NEITHER PAST-DUE NOR IMPAIRED NOT RATED RM	PAST DUE BUT NOT IMPAIRED RM	PAST DUE AND IMPAIRED RM	TOTAL RM
2014					
Investments at FVTPL:					
Malaysian Government Securities	-	111,521,067	-	-	111,521,067
LAR:					
Fixed deposits and call deposits	253,948,985	-	-	-	253,948,985
Reinsurance assets - claims liabilities	10,261,920	5,120,170	-	-	15,382,090
Insurance receivables	95,658	46,957,905	13,539,791	1,153,720	61,747,074
Cash and bank balances	7,526,644	11,000	-	-	7,537,644
	271,833,207	163,610,142	13,539,791	1,153,720	450,136,860
Allowance for impairment	-	-	-	(1,153,720)	(1,153,720)
	271,833,207	163,610,142	13,539,791	-	448,983,140

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default experience. The unimpaired insurance receivables without external credit rating are relating to agents and brokers with no defaults in the past.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the recognised local or international rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Rated assets fall outside the range of AAA to BBB are classified as speculative grade and thus are considered as non-investment grade.

2015	AAA RM	AA RM	NOT RATED RM	TOTAL RM
Investments at FVTPL:				
Malaysian Government Securities	-	-	69,763,925	69,763,925
LAR:				
Fixed and call deposits	188,544,315	130,302,081	-	318,846,396
Reinsurance assets - claims liabilities	-	14,500,329	3,758,923	18,259,252
Insurance receivables	-	1,108,767	118,134,697	119,243,464
Cash and bank balances	3,690,923	3,171	11,000	3,705,094
	192,235,238	145,914,348	191,668,545	529,818,131
2014				
Investments at FVTPL:				
Malaysian Government Securities	-	-	111,521,067	111,521,067
LAR:				
Fixed and call deposits	142,695,574	111,253,411	-	253,948,985
Reinsurance assets - claims liabilities	-	10,261,920	5,120,170	15,382,090
Insurance receivables	-	1,101,682	59,491,672	60,593,354
Cash and bank balances	7,522,837	3,807	11,000	7,537,644
	150,218,411	122,620,820	176,143,909	448,983,140

Notes to the financial statements (continued)

25. Financial risks (continued)

(1) Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

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

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Aged Analysis of Financial Assets Past-Due But Not Impaired*

	<30 DAYS	31-60 DAYS	61-90 DAYS	>90 DAYS	TOTAL
2015					
Insurance receivables	14,566,118	8,877,689	5,928,205	6,704,163	36,076,175
2014					
Insurance receivables	4,828,462	2,552,410	5,122,320	1,036,599	13,539,791

* Past-due but not impaired refers to amounts outstanding more than 90 days from the effective date of the transactions. The above balances had been aged according to the period subsequent to classification of these balances as past-due.

Impaired Financial Assets

A receivable is considered as individually impaired if the counterparty is in the process of liquidation or legal action has been taken to recover the outstanding balances.

At 31 December 2015, based on individual assessment of insurance receivables, there are impaired insurance receivables of RM1,423,856 (2014: RM1,153,720). The Company considers insurance receivables classified as "past due and impaired" as those which the Company has remote chance to recover. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for insurance receivables in separate allowance for impairment losses account. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	2015 RM	2014 RM
At 1 January	1,153,720	948,134
Allowance	270,136	205,586
At 31 December	1,423,856	1,153,720

(2) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- In addition to treasury cash held for working capital requirements, and in accordance with the Company's liquidity policy, a minimum percentage of investments and cash are held in liquid short-term money market securities to ensure that there are sufficient liquid funds available to meet insurance obligations.
- The Company limits the risk of liquidity shortfalls resulting from mismatches in the timing of claims payments and receipts of claims recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large claims.

Maturity Profiles

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

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

Premium liabilities and the corresponding reinsurers' share of premium liabilities have been excluded from the analysis as they do not contain any contractual obligations.

	CARRYING VALUE RM	UP TO A YEAR RM	1-3 YEARS RM	3-5 YEARS RM	5-15 YEARS RM	TOTAL RM
2015						
Investments:						
FVTPL	69,763,925	-	44,114,092	32,324,877	-	76,438,969
LAR	318,846,396	324,437,083	-	-	-	324,437,083
Reinsurance assets -						
claims liabilities	18,259,252	11,083,000	4,832,000	1,551,000	793,252	18,259,252
Insurance receivables	119,243,464	119,243,464	-	-	-	119,243,464
Cash and bank balances	3,705,094	3,705,094	-	-	-	3,705,094
Total assets	529,818,131	458,468,641	48,946,092	33,875,877	793,252	542,083,862
Insurance contract liabilities -						
claims liabilities	223,897,063	125,125,000	71,296,000	19,747,000	7,729,063	223,897,063
Insurance payables	52,599,316	52,599,316	-	-	-	52,599,316
Other payables	22,321,225	22,305,086	16,139	-	-	22,321,225
Total liabilities	298,817,604	200,029,402	71,312,139	19,747,000	7,729,063	298,817,604

	CARRYING VALUE RM	UP TO A YEAR RM	1-3 YEARS RM	3-5 YEARS RM	5-15 YEARS RM	TOTAL RM
2014						
Investments:						
FVTPL	111,521,067	-	78,131,305	47,003,633	-	125,134,938
LAR	253,948,985	256,936,379	-	-	-	256,936,379
Reinsurance assets -						
claims liabilities	15,382,090	9,680,000	3,398,000	1,374,000	930,090	15,382,090
Insurance receivables	60,593,354	60,593,354	-	-	-	60,593,354
Tax recoverable	523,256	523,256	-	-	-	523,256
Cash and bank balances	7,537,644	7,537,644	-	-	-	7,537,644
Total assets	449,506,396	335,270,633	81,529,305	48,377,633	930,090	466,107,661
Insurance contract liabilities -						
claims liabilities	185,989,468	107,162,000	56,953,000	15,519,000	6,355,468	185,989,468
Insurance payables	36,457,432	36,457,432	-	-	-	36,457,432
Other payables	22,409,185	22,409,185	-	-	-	22,409,185
Total liabilities	244,856,085	166,028,617	56,953,000	15,519,000	6,355,468	244,856,085

Notes to the financial statements (continued)

25. Financial risks (continued)

(2) Liquidity Risk (continued)

Maturity Profiles (continued)

The table below summarises the expected utilisation or settlement of assets.

	CURRENT* RM	NON-CURRENT RM	TOTAL RM
2015			
Property, plant and equipment	-	16,942,934	16,942,934
Investment property	-	-	-
Investments:			
- FVTPL	-	69,763,925	69,763,925
- LAR	318,846,396	-	318,846,396
Reinsurance assets	21,722,901	7,176,252	28,899,153
Insurance receivables	119,243,464	-	119,243,464
Other receivables	79,731,687	1,671,103	81,402,790
Deferred tax asset	1,964,357	(109,764)	1,854,593
Tax recoverable	1,685,772	-	1,685,772
Cash and bank balances	3,705,094	-	3,705,094
Total assets	546,899,671	95,444,450	642,344,121
2014			
Property, plant and equipment	-	9,938,520	9,938,520
Investment property	-	370,000	370,000
Investments:			
- FVTPL	111,521,067	-	111,521,067
- LAR	253,948,985	-	253,948,985
Reinsurance assets	16,780,279	5,702,090	22,482,369
Insurance receivables	60,593,354	-	60,593,354
Other receivables	63,726,110	1,474,501	65,200,611
Deferred tax asset	1,986,984	-	1,986,984
Tax recoverable	523,256	-	523,256
Cash and bank balances	7,537,644	-	7,537,644
Total assets	516,617,679	17,485,111	534,102,790

* expected utilisation or settlement within 12 months from the date of the statement of financial position.

(3) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three (3) types of risk – foreign exchanges rates (Currency risk), market interest rates/profit yields (Interest Rate/Profit Yield risk) and market prices (Price risk).

The key features of the Company's market risk management practices and policies are as follows:

- The Company is exposed to market risk on its investments in fixed interest securities. It is not the Company's policy to hedge its market risks.
- The risk management process is subject to regular internal audit and close senior management scrutiny, including regular Board and other management reporting.
- All investments are made in accordance with the Company's investments guidelines which are approved by the Board of Directors.

Currency Risk

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

The Company's primary transactions are carried out in Ringgit Malaysia (RM) and the Company undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currency arise. It is not the Company's policy to hedge its foreign currency risks.

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

Interest Rate/Profit Yield Risk

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

The Company's risk management approach is to minimise interest rate risk by investing in high quality, liquid fixed interest securities and cash and actively managing the duration of the fixed interest portfolio.

Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

Operational Risks

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

The Company manages operational risk within the same robust control framework as its other risks. One of the cornerstones of the Company's risk management framework is the recruitment and retention of high quality people who are entrusted with appropriate levels of autonomy within the parameters of disciplined risk management practices. The Company operates a system of delegated authorities based on expertise and proven performance, and compliance is closely monitored. Other controls include effective segregation of duties, access controls and authorisation and reconciliation procedures.

Notes to the financial statements (continued)

26. Regulatory capital requirements

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

	NOTE	2015 RM	2014 RM
Eligible Tier 1 Capital			
Share capital (paid-up)	8	108,000,000	108,000,000
Reserves, including retained earnings		89,018,347	71,447,820
		197,018,347	179,447,820
Amounts deducted from Capital	11	(1,854,593)	(1,986,984)
Total Capital Available		195,163,754	177,460,836

27. Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 16th February, 2016.

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