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BERJAYA SOMPO INSURANCE BERHAD
(62605-U)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2013

62605-U

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited consolidated financial statements of Berjaya Sompo Insurance Berhad and its controlled investees ("the Group") and separate financial statements of Berjaya Sompo Insurance Berhad ("the Company") for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITY

The principal activity of the Company is the underwriting of general insurance business. Arising from the adoption of MFRS 10 Consolidated Financial Statements in the current year, the Company's controlled investees' financial statements are consolidated to the Group financial statements.

The principal activities of the controlled investees are investments in fixed income instruments and money market instruments.

There has been no significant changes in the principal activities of the Group and of the Company during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	67,510	67,510
Profit attributable to:		
Equity holder of the Company	67,510	67,510
Non-controlling interests	-*	-
	67,510	67,510

* Denotes profit attributable to non-controlling interests of RM782

There were no material transfers to or from reserves or provisions during the financial year.

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

DIVIDENDS

No dividend has been paid or declared since the end of the previous financial period.

The directors do not recommend the payment of any final dividend in respect of the current financial year.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS

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

Dato' Haji Ahmad bin Sidek (Chairman)
Loh Lye Ngok
Datuk Bhupatrai A/L Mansukhlal Premji
Dato' Robin Tan Yeong Ching
Hiroei Suzuki
Keishi Nakamura
Azhar Bin Mohamad (Appointed on 14 March 2013)

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia ("BNM").

CORPORATE GOVERNANCE STANDARDS

The membership, roles and terms of reference of the Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee of the Company are as follows:

1. AUDIT COMMITTEE

The composition of the Audit Committee ("AC") is as follows:

(i) Dato' Haji Ahmad bin Sidek (Chairman)
(ii) Datuk Bhupatrai A/L Mansukhlal Premji
(iii) Keishi Nakamura
(iv) Azhar Bin Mohamad (Appointed on 14 March 2013)

The AC is to assist the Board of Directors in discharging its duties of maintaining a sound system of internal controls to safeguard the Company's assets. It is also responsible for reviewing the financial reporting and internal audit processes to ensure compliance with relevant laws and regulations.

The AC met 7 times during the financial year.

CORPORATE GOVERNANCE (CONT'D.)

CORPORATE GOVERNANCE STANDARDS (CONT'D.)

2. RISK MANAGEMENT COMMITTEE

The composition of the Risk Management Committee ("RMC") is as follows:

(i) Dato' Haji Ahmad bin Sidek (Chairman)
(ii) Datuk Bhupatrai A/L Mansukhlal Premji
(iii) Keishi Nakamura
(iv) Azhar Bin Mohamad (Appointed on 14 March 2013)

The responsibilities of the RMC include the review, assessment and recommendation of the risk management strategies and risk tolerance, the adequacy of the policies and framework for identifying, measuring, monitoring and controlling risks, as well as the extent to which these are operating effectively through adequate infrastructure, resources and systems.

The RMC met 5 times during the financial year.

3. NOMINATING COMMITTEE

The composition of the Nominating Committee ("NC") is as follows:

(i) Datuk Bhupatrai A/L Mansukhlal Premji (Chairman)
(ii) Dato' Robin Tan Yeong Ching
(iii) Loh Lye Ngok
(iv) Dato' Haji Ahmad bin Sidek
(v) Keishi Nakamura
(vi) Hiroei Suzuki

The NC is responsible to establish the minimum requirement for the Board of Directors and the Chief Executive Officer to perform their responsibilities effectively. It also annually reviews the Board structure, size and composition, and the mix of skills and core competencies required for the Board to discharge its duties effectively. It will also assess on an annual basis, the effectiveness of the Board and the Board Committees.

The NC is also empowered to consider and evaluate the appointment of new directors and directors to fill the seats on the Board Committees of the Company and to recommend candidates to the Board and BNM for appointment and reappointment or re-election. In addition to that, the committee is also entrusted with the responsibility for both the appointment and evaluation of the Chief Executive Officer and key senior officers of the Company.

BERJAYA SOMPO INSURANCE BERHAD
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CORPORATE GOVERNANCE (CONT'D.)

CORPORATE GOVERNANCE STANDARDS (CONT'D.)

3. NOMINATING COMMITTEE (CONT'D.)

The NC also ensures that all Directors undergo appropriate induction programmes and receive continuous training. In addition, the NC also oversees the management succession planning of the Company.

The NC met 5 times during the financial year.

4. REMUNERATION COMMITTEE

The composition of the Remuneration Committee ("RC") is as follows:

(i) Datuk Bhupatrai A/L Mansukhlal Premji (Chairman)
(ii) Dato' Robin Tan Yeong Ching
(iii) Dato' Haji Ahmad bin Sidek (Appointed on 16 January 2013)
(iv) Keishi Nakamura

The RC is responsible to recommend a framework of remuneration for Directors, Chief Executive Officer and key senior officers of the Company. In addition, it is also responsible to recommend specific remuneration packages for Directors, Chief Executive Officer and key senior officers of the Company.

The RC met 2 times during the financial year.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, or the options over the unissued shares of the holding company and other related companies granted to certain directors.

Since the end of the previous financial period, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 23 and Note 27 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the company or its related coporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statement of financial position and income statement of the Group and of the Company were made out, the directors took reasonable steps:

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

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business 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:

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

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

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and 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 Group and of the Company which would render any amount stated in the financial statements misleading.

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

  (i) any charge on the assets of the Group and 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 Group and of the Company which has arisen since the end of the financial year.

BERJAYA SOMPO INSURANCE BERHAD
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OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the directors:

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

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

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

(g) Before the statement of financial position and income statement of the Group and of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provisions for its insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital Framework for insurers issued by Bank Negara Malaysia.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 March 2014.

Dato' Haji Ahmad bin Sidek

Loh Lye Ngok

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BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Dato' Haji Ahmad bin Sidek and Loh Lye Ngok, being two of the directors of Berjaya Sompo Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 87 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia, and the Insurance Act, 1996 (replaced on 30 June 2013) and Financial Services Act 2013 (effective on 30 June 2013) so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2013 and of the results and the cash flows for the year ended 31 December 2013.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 March 2014.

Dato' Haji Ahmad bin Sidek

Loh Lye Ngok

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

I, Teng Mee Nguk, being the officer primarily responsible for the financial management of Berjaya Sompo Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 87 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Teng Mee Nguk,
at Kuala Lumpur in Wilayah Persekutuan
on 27 March 2014.

Teng Mee Nguk

Before me,

PESURUHJAYA SUMPAH
No: W 152
OOI AH BAH
MALAYSIA

NO. 48- 1st Floor
Jalan Brunei Utara
Off Changkat Thambi Dollah, Pudu
55100 Kuala Lumpur

EY
Building a better working world

Ernst & Young AF: 0039
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

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Independent auditors' report to the members of Berjaya Sompo Insurance Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Berjaya Sompo Insurance Berhad, which comprise the statements of financial position as at 31 December 2013, of the Group and of the Company and the income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year ended 31 December 2013, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 87.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the 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 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.

Independent auditors' report to the members of
Berjaya Sompo Insurance Berhad (Cont'd.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

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

(a) 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.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) 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.

Ernst & Young
AF: 0039
Chartered Accountants

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No.1759/02/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
27 March 2014

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Property and equipment	3	90,882	31,854	90,882	31,854
Intangible assets	4	1,449	1,101	1,449	1,101
Investment properties	5	19,860	19,700	19,860	19,700
Investments	6	703,328	530,483	811,701	589,772
Malaysian government securities		10,050	20,190	10,050	20,190
Debt securities		106,086	89,115	89,325	89,115
Warrants and loan stocks		9,893	5,639	9,893	5,639
Equity securities		152,905	194,938	152,905	194,938
Unit trust funds/wholesale funds		360,294	29,501	487,428	120,790
Deposits with financial institutions		64,100	191,100	62,100	159,100
Reinsurance assets	7	178,713	157,562	178,713	157,562
Insurance receivables	8	46,759	27,073	46,759	27,073
Other receivables	9	59,907	32,713	59,673	31,565
Tax recoverable		1,645	1,604	1,645	1,604
Cash and cash equivalents	11	267,867	413,888	158,434	355,711
TOTAL ASSETS		1,370,410	1,215,978	1,369,116	1,215,942
EQUITY AND LIABILITIES					
EQUITY					
Share capital	12	118,000	118,000	118,000	118,000
Non controlling interests		1,000	-	-	-
Fair value reserves		44,997	36,284	44,997	36,284
Retained profits		389,810	322,300	389,810	322,300
TOTAL EQUITY		553,807	476,584	552,807	476,584
LIABILITIES					
Insurance contract liabilities	13	734,503	679,549	734,503	679,549
Deferred tax liabilities	10	8,213	3,565	8,213	3,565
Insurance payables	14	48,570	40,282	48,570	40,282
Other payables	15	25,317	15,998	25,023	15,962
TOTAL LIABILITES		816,603	739,394	816,309	739,358
TOTAL EQUITY AND LIABILITIES		1,370,410	1,215,978	1,369,116	1,215,942

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

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BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	16	549,880	520,018	548,908	518,581
Gross earned premiums	17(a)	516,847	491,536	516,847	491,536
Premiums ceded to reinsurers	17(b)	(110,691)	(96,195)	(110,691)	(96,195)
Net earned premiums		406,156	395,341	406,156	395,341
Investment income	18	33,033	28,482	32,061	27,045
Realised gains and losses	19	7,292	2,144	7,292	2,144
Fair value gains / (losses)	20	4,628	(5,850)	5,452	(4,477)
Commission income		27,268	25,091	27,268	25,091
Other operating income	21	3,610	2,135	3,610	2,135
Other revenue		75,831	52,002	75,683	51,938
Gross claims paid	22(a)	(291,792)	(277,191)	(291,792)	(277,191)
Claims ceded to reinsurers	22(b)	45,142	34,603	45,142	34,603
Gross change in contract liabilities	22(c)	(25,405)	(24,805)	(25,405)	(24,805)
Change in contract liabilities ceded to reinsurers	22(d)	17,653	26,078	17,653	26,078
Net claims incurred	22	(254,402)	(241,315)	(254,402)	(241,315)
Commission expense		(69,568)	(62,180)	(69,568)	(62,180)
Management expense	23	(74,747)	(65,540)	(74,599)	(65,476)
Other expenses		(144,315)	(127,720)	(144,167)	(127,656)
Profit before tax		83,270	78,308	83,270	78,308
Tax expense	24	(15,760)	(18,512)	(15,760)	(18,512)
Net profit for the year		67,510	59,796	67,510	59,796
Earnings per share (sen)					
- Basic	25	57.2	50.7		

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the year	67,510	59,796	67,510	59,796
Other comprehensive income:				
Items that may be reclassified to Income Statements in subsequent periods:				
Available-for-sale fair value reserves:				
Net unrealised gain/(loss) on fair value changes	19,011	15,968	19,011	15,968
Transfer to profit or loss upon disposal	(7,394)	(1,776)	(7,394)	(1,776)
Cumulative loss reclassified to profit or loss	-	(11,231)	-	(11,231)
	11,617	2,961	11,617	2,961
Tax effects	(2,904)	(740)	(2,904)	(740)
	8,713	2,221	8,713	2,221
Total comprehensive income for the year	76,223	62,017	76,223	62,017
Profit attributable to:				
Equity holder of the Company	67,510	59,796	67,510	59,796
Non-controlling interests	-*	-	-	-
	67,510	59,796	67,510	59,796
Total comprehensive income attributable to:				
Equity holder of the Company	76,223	62,017	76,223	62,017
Non-controlling interests	-**	-	-	-
	76,223	62,017	76,223	62,017

* *Denotes profit attribute to non-controlling interests of RM782*

** *Denotes total comprehensive income to non-controlling interests of RM922*

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

Group	Share capital	Fair value reserves RM'000	Distributable retained profits RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012	**118,000**	**34,063**	**262,504**	-	414,567
Profit for the year	-	-	59,796	-	59,796
Other comprehensive income for the year	-	2,221	-	-	2,221
Total comprehensive income for the year	-	2,221	59,796	-	62,017
At 31 December 2012	**118,000**	**36,284**	**322,300**	-	476,584
At 1 January 2013	**118,000**	**36,284**	**322,300**	-	476,584
Increase in investment during the year	-	-	-	1,000	1,000
Profit for the year	-	-	67,510	-*	67,510
Other comprehensive income for the year	-	8,713	-	-**	8,713
Total comprehensive income for the year	-	8,713	67,510	1,000	77,223
At 31 December 2013	**118,000**	**44,997**	**389,810**	**1,000**	**553,807**

* *Denotes profit attribute to non-controlling interests of RM782.30*

** *Denotes other comprehensive income atttribute to non-controlling interests of RM139.86*

BERJAYA SOMPO INSURANCE BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONT'D.)

Company	Share capital RM'000	Fair value reserves RM'000	Distributable retained profits RM'000	Total equity RM'000
At 1 January 2012	**118,000**	**34,063**	**262,504**	**414,567**
Profit for the year	-	-	59,796	59,796
Other comprehensive income for the year	-	2,221	-	2,221
Total comprehensive income for the year	-	2,221	-	2,221
At 31 December 2012	**118,000**	**36,284**	**322,300**	**476,584**
At 1 January 2013	**118,000**	**36,284**	**322,300**	**476,584**
Profit for the year	-	-	67,510	67,510
Other comprehensive income for the year	-	8,713	-	8,713
Total comprehensive income for the year	-	8,713	-	8,713
At 31 December 2013	**118,000**	**44,997**	**389,810**	**552,807**

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

BERJAYA SOMPO INSURANCE BERHAD
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CASH FLOWS STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Retained premiums less commissions		457,443	450,490	457,443	450,490
Claims less recoveries		(347,603)	(326,618)	(347,603)	(326,618)
Interest income		27,936	23,452	23,930	23,389
Net dividends		3,121	3,837	4,947	3,837
Management expenses		(69,181)	(59,238)	(69,028)	(59,209)
Purchase of investments		(362,517)	(27,736)	(381,746)	(117,879)
Proceeds from sale of investments		85,588	65,636	85,588	65,636
Net (placement)/maturity of fixed and call deposits		127,000	(71,900)	97,000	(39,900)
Rental income		1,151	1,377	1,151	1,377
Cash generated from operations		(77,062)	59,300	(128,318)	1,123
Taxes paid		(13,055)	(5,533)	(13,055)	(5,533)
Net cash (used in)/generated from operating activities	26	(90,117)	53,767	(141,373)	(4,410)
Cash flows from investing activities					
Purchases of property and equipment and intangible assets		(2,244)	(2,924)	(2,244)	(2,924)
Purchases of Building		(53,946)	-	(53,946)	-
Purchases of Club Membership		(213)	-	(213)	-
Proceeds from sale of property and equipment		499	966	499	966
Net cash used in investing activities	26	(55,904)	(1,958)	(55,904)	(1,958)
Net (decrease)/increase in cash and cash equivalents		(146,021)	51,809	(197,277)	(6,368)
Cash and cash equivalents at beginning of year/period	11	413,888	362,079	355,711	362,079
Cash and cash equivalents at end of year/period	11	267,867	413,888	158,434	355,711

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at the 18th Floor, Menara BGI, Plaza Berjaya, 12, Jalan Imbi, 55100 Kuala Lumpur.

The holding and ultimate holding companies of the Company are Sompo Japan Asia Holdings Pte. Ltd. and NKSJ Holdings, Inc respectively, both of which are incorporated in Singapore and Japan respectively. The ultimate holding company, NKSJ Holdings, Inc is listed on the Tokyo Stock Exchange and Osaka Securities Exchange.

The principal activity of the Company is the underwriting of general insurance business. There has been no significant change in the nature of the principal activity during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 March 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia and the Insurance Act, 1996 (replaced on 30 June 2013) and Financial Services Act, 2013 (effective on 30 June 2013) in Malaysia. The Insurance Act, 1996 was replaced by Financial Services Act, 2013 on 30 June 2013.

There are some new pronouncements that have been issued by the Malaysian Accounting Standards Board ("MASB") that have been adopted by the Group and Company. The effects arising from the adoption of these pronouncements are disclosed in Note 2.3.

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

The Company has met the minimum capital requirements as prescribed by RBC at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 BASIS OF PREPARATION (CONT'D.)

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

The consolidated financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its investment in its wholesale unit trust funds (investees) as at the reporting date in conformity with MFRS 10. The results of the controlled investees used in the preparation of the consolidated financial statements are prepared by the unit trust fund managers for reporting purposes of the Group and Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. All intra-group balances, transactions, unrealised gains or losses resulting from intra-group transactions and dividends are eliminated in full.

2.3 CHANGES IN THE ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

MFRS 10 Consolidated Financial Statements
MFRS 13 Fair Value Measurement

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

MFRS 10 Consolidated Financial Statements

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 CHANGES IN THE ACCOUNTING POLICIES (CONT'D)

MFRS 10 Consolidated Financial Statements (Cont'd.)

MFRS 10 detailed guidance to explain when an investor has control over the investee and requires the investor to take into account all relevant facts and circumstance when there are evidence of investor having controls over an investee.

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

The controlled investment are fully consolidated from the date of investment, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The results of the controlled investees are prepared by the unit trust fund managers for reporting purposes for the Group and Company. All intra-group balances, transactions, unrealised gains and losses resultng from intra-group transactions and dividends are elimiated in full.

Profit or loss and within the investee are attributed to the equity holders of the Company and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of the investee, without a loss of control, is accounted for as an equity transaction. If the Group loses control over the investee, it:

- Derecognises the assets and liabilities of the investee;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cummulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in income statement;
- Reclassifies the Company share of components previously recognised in OCI to income statement or retained earnings, as appropriate, as would be required if the Company had directly diposed of the related assets or liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 CHANGES IN THE ACCOUNTING POLICIES (CONT'D)

MFRS 10 Consolidated Financial Statements (Cont'd.)

The Group has no control on the investees as at 1 January 2012, hence, no consolidated financial statements are prepared for 1 January 2012.

(i) Impact of the application of this standard on the assets and liabilities of the Group as at 31 December 2012 are as follow:

	Company 31 December 2012 RM'000	MFRS 10 adjustments RM'000	Group 31 December 2012 RM'000
ASSETS			
Investments:			
Unit trust funds/wholesale funds	589,772	(59,289)	530,483
Deposits with financial institutions	120,790	(91,289)	29,501
	159,100	32,000	191,100
Other receivables	31,565	1,148	32,713
Cash and cash equivalents	355,711	58,177	413,888
LIABILITIES			
Other payables	15,962	36	15,998

(ii) Impact of the application of this standard on the components of income statements of the Group as at 31 December 2012 are as follow:

	Company 31 December 2012 RM'000	MFRS 10 adjustments RM'000	Group 31 December 2012 RM'000
Operating revenue	518,581	1,437	520,018
Investment income	27,045	1,437	28,482
Fair value losses	(4,477)	(1,373)	(5,850)
Management expenses	(65,476)	(64)	(65,540)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 CHANGES IN THE ACCOUNTING POLICIES (CONT'D)

MFRS 13 Fair Value Measurement

Effective 1 January 2013, the Group adopted MFRS 13, Fair Value Measurement which prescribed that fair value of an asset or a liability, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or the absence of the principal market, the most advantageous market for the asset or liability.

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

In accordance with the transitional provision of MFRS 13, the Group and the Company applied the new fair value measurement guidance prospectivley. The adoption of MFRS 13 has not significantly affected the measurements of the Company's assets or liabilities other than the additional disclosures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property and equipment and depreciation

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

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4 (e).

Depreciation of property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Land and buildings	2%
Motor vehicles	20%
Furniture, fittings and office equipment	10%
Computers	20%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(a) Property and equipment and depreciation (Cont'd.)

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

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

(b) Intangible assets

The intangible assets of the Group and Company consist of computer software and golf club memberships. These intangible assets, which were acquired separately, are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The useful life of computer software is five years while the useful life of the life-time golf club memberships is indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least once at each reporting date.

Amortisation is charged to the income statement.

Intangible assets with indefinite lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying values may be impaired either individually or at the cash-generating unit ("CGU") level. The useful lives of intangible assets with indefinite lives are also reviewed annually to determine whether the useful life assessment continues to be supportable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(c) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group and Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance lease in the same way as leases of other assets and the land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification.

All leases that do not transfer substantially all the risks and rewards are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease.

(ii) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(d) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from the changes in fair value of investment properties are recognised in profit or loss in the year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(d) Investment properties (Cont'd.)

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 income statement in the year in which they arise.

(e) Impairment of non-financial assets

The carrying amounts of assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in the income statement in the year in which it arises.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the assets in prior years.

Reversal of impairment loss for an asset is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments

Financial instruments are recognised in the statements of financial position when the Group and Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to a financial instrument classified as an asset or liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

The Group and Company determines the classification of its financial assets at initial recognition. The Group and Company initially recognises financial assets including cash and short-term deposits, loans and other receivables when it becomes a party to the contractual provisions of the instruments.

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

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets classified as held for trading are derivatives or financial assets acquired principally for the purpose of selling in the near term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments (Cont'd.)

(i) Financial assets (Cont'd.)

(a) Financial assets at fair value through profit or loss (Cont'd.)

Financial assets designated upon initial recognition as FVTPL are designated at their initial recognition date and only if the criteria under MFRS 139 are satisfied, which includes the following:

- The group of financial assets is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and the information is provided internally on that basis to the entity's key management personnel. In the case of wholesale funds, management reviews its performance based on interest income earned from the underlying money market instruments, which affects the net asset value of the funds.

- Designation of the entire hybrid contract as at FVTPL if a contract contains one or more embedded derivatives, as in the case of convertible loan stocks.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with gains or losses recognised in the income statement.

Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. For the accounting policies with respect to insurance receivables, refer to note 2.4(f)(i)(e).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments (Cont'd.)

(i) Financial assets (Cont'd.)

(b) Loans and receivables (Cont'd.)

Loan and receivables includes insurance receivables, deposits with financial institutions and income due and accrued.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group and Company's management has the positive intention and ability to hold to maturity. These assets are carried at amortised cost using the effective interest method, less any impairment loss. Gains or losses are recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in other comprehensive income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(e) Insurance receivables

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost using effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments (Cont'd.)

(i) Financial assets (Cont'd.)

(e) Insurance receivables (Cont'd.)

Receivables are assessed as and when or at each reporting date whether there is objective evidence of impairment as a result of one or more events having impact on the estimated future cash flow of the asset.

The Group and Company will assess the insurance receivable for objective evidence of impairment individually and collectively. In an individual assessment, objective evidence of impairment is deemed to exist when the insurance receivables are past due and there are evidence of impairment. Collective assessment is based on average probabilities of uncollectable insurance receivables over a period of 12 months using a "flow rate" method.

If there is objective evidence that the insurance receivable is impaired, the Group and Company reduces the carrying amount of the insurance receivables accordingly and recognised that impairment loss on income statement.

(ii) Financial liabilities

Trade and other payables are classified as other financial liabilities and recognised initially at fair value of the consideration to be paid in the future for goods and services received.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(iii) Equity instruments

Ordinary shares are classified as equity in the statements of financial position.

Dividends on ordinary shares are recognised and reflected in the statements of changes in equity in the year in which they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments (Cont'd.)

(iv) 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 bid prices for assets at the close of business on the reporting date.

For investments in unit trusts/wholesale funds, fair value is determined by reference to published net asset value.

The fair value of Malaysian Government Securities, Cagamas Papers and Unquoted Corporate Bonds are determined by reference to Bond Pricing Agency Malaysia.

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 transactions costs directly attributable to the acquisition are also included in the cost of the investment, except for financial assets at FVTPL.

(v) Impairment of financial assets

The Group and Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) AFS financial assets

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

Impairment losses on AFS equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments (Cont'd.)

(v) Impairment of financial assets (Cont'd.)

(ii) Other financial assets carried at amortised cost

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

If any such evidence exists, the impairment loss is recognised in profit or loss. Reversal of impairment losses are made through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occuring after the impairment losses were recognised in profit or loss.

(iii) Unquoted equity securities carried at cost

If there is an objective evidence that an impairment loss on unquoted equity securities carried at cost has been incurred, the carrying amount will be written down to the recoverable amount, such impairment losses are not reversed in subsequent period.

(g) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual right to receive cash flows from the financial asset expired.
- The Group and Company retains the contractual rights to receive cash flow from the asset but has assumed obligation to pay them in full without material delay to a third party.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(g) Derecognition of financial assets (Cont'd.)

A financial asset is derecognised when: (Cont'd.)

- The Group and Company has transferred its rights to receive cash flows from the asset and either:

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

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

(h) Product Classification

The Company currently only issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing claims paid with claims payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire.

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

(i) Insurance contract liabilities

Insurance contract liabilities are recognised and measured in accordance with the terms and conditions of the respective insurance contracts and are also based on regulatory guidelines, specifically, the RBC Framework for insurers issued by BNM. The insurance contract liabilities of the Company comprise claim liabilities and premium liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(i) Insurance contract liabilities (Cont'd.)

(i) Claim liabilities

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. They are recognised in respect of both direct insurance and inward reinsurance. The value is the best estimate value of claim liabilities which include provision for claims reported, claims incurred but not enough reserved ("IBNER"), claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as the provision of risk margin for adverse deviation ("PRAD") at 75% confidence level calculated at the overall Company level.

(ii) Premium liabilities

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserve ("UPR") for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year and PRAD calculated at 75% confidence level 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 at the end of the financial year including allowance for insurer's expenses.

(iii) Unexpired risk reserves

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

(iv) Unearned premium reserves

The short-term 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 reporting date, the method that most accurately reflects the actual liability is used, as follows:

- 25% method for marine cargo, aviation cargo and transit business;

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(i) Insurance contract liabilities (Cont'd.)

(iv) Unearned premium reserves (Cont'd.)

- 1/24th method for all other classes of general business in respect of Malaysian policies, with the following deduction rates, or actual commission incurred, whichever is lower

Motor and bonds	10%
Fire, engineering, aviation and marine hull	15%
Medical	10 - 15%
Other classes	25%

- 1/8th method for overseas inward treaty business with a deduction of 20% for commissions

- Non-annual policies are time apportioned over the period of the risks.

The long-term UPR represent the portion of the net premiums of long-term insurance policies written, that relate to the unexpired periods of the policies at the end of the financial year. The premium income is recognised on a time apportionment basis over the duration of the policies.

(v) Liability adequacy test

At each reporting date, the Company reviews all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Company, contractual or otherwise, with respect to insurance contract issued. In performing this review, the Company discounts all contractual cash flows and compares this against the carrying value of insurance contract liabilities. Any deficiency is recognised in profit or loss.
The estimation of claim liabilities and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Company. Based on this, all insurance contract liabilities as at reporting date are deemed to be adequate.

(j) Reinsurance

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(j) Reinsurance (Cont'd.)

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

(k) Other revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield of the asset.

(ii) Dividend income

Dividend income is recognised on a declared basis when the right to receive payment is established.

(iii) Rental income

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

(l) Income tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(l) Income tax (Cont'd.)

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable 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 differences arises from the initial recognition of an asset or liability which at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the consolidated income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(m) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plan

As required by law, the Company makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(n) Foreign currencies

The consolidated financial statements of the Group and Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Group and Company's functional currency.

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. At each reporting date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange rate differences are taken to the consolidated income statement. The currencies giving rise to these differences are primarily United States Dollars (USD) and Singapore Dollars (SGD).

(o) Related companies

Related companies refer to companies related to NKSJ Holdings, Inc. and other companies.

(p) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand and at bank consisting fixed and call deposits which matured within 3 months.

The consolidated cash flow statement is prepared using the direct method.

(q) Impact on the application of MFRS 10

New and amended standards and interpretations

The Company applied, for the first time, certain standards and amendments that require restatement of previous financial statements which include MFRS 10 Consolidated Financial Statements. As for MFRS 13 Fair Value Measurement, it shall be applied prospectively as of the beginning of the annual period in which it is initially applied, 1 January 2013 .

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(q) Impact on the application of MFRS 10 (Cont'd.)

New and amended standards and interpretations (Cont'd.)

(i) MFRS 10 Consolidated Financial Statement

The Company adopted MFRS 10 in the current year. The application of MFRS 10 affected the accounting for the Company's interest in controlled investee. In 31 December 2012, investee were designated as financial asset. The Company assessed that it controls these investees on factors mentioned in Note 2.3.

The assets, liabilities and equity of the investees have been retrospectively consolidated in the financial statements of the Group. Non-controlling interests have been recognised at a proportionate share of the net assets of the investees. The comparative information in relation to the Group for year ended 31 December 2012 have been restated in the financial statements.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of the Group and Company's financial statements, the following new MFRSs, amendments to MFRSs and IC Interpretations have been issued but are not yet effective. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Effective for financial period beginning on or after 1 January 2014

i.	Amendment to MFRS 10	: Consolidated Financial Statements: Investment Entities
ii.	Amendment to MFRS 12	: Disclosure of Interests in Other Entities: Investment Entities
iii.	Amendment to MFRS 127	: Separate Financial Statements (2011): Investment Entities
iv.	Amendment to MFRS 132	: Financial Instruments: Offsetting Financial Assets and Financial Liabilities
v.	Amendment to MFRS 136	: Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
vi.	Amendment to MFRS 139	: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
vii.	IC Interpretation 21	: Levies

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

Effective for financial period beginning on or after 1 July 2014

i. Amendment to MFRS 119 : Defined Benefit Plans: Employee Contribution
ii. Annual Improvements to MFRSs 2010–2012 Cycle
iii. Annual Improvements to MFRSs 2011–2013 Cycle

Effective for financial period beginning on or after to be announced later

i.	MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
ii.	MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
iii.	MFRS 9	Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139

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

(i) MFRS 9 : Financial Intruments : Classification and measurement

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 Financial Instruments : Recognition and Measurement ("MFRS 139") and applies to classification and measurement of financial instruments as defined in MFRS 139 and replaces the guidance in MFRS 139.

The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group and Company's financial assets, but will not have an impact on classification and measurements of the Group and Company's financial liabilities. The Group and Company will quantify the effect in conjunction with other phases, when the financial standards including all phases is issued.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements.

Impairment of AFS investments

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. During the year, the Group and Company impaired quoted equity instruments with "significant" decline in fair value greater than 30% and "prolonged" period as greater than 12 months or more.

(b) Key sources of estimation uncertainty

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

(i) Uncertainty in accounting estimates for general insurance business

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include the provisions of premium and claim liabilities as described in note 2.2 (i). The premium liabilities comprise UPR and/or URR while claim liabilities comprise outstanding claims case estimates and IBNR claims.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(b) Key sources of estimation uncertainty (Cont'd.)

(i) Uncertainty in accounting estimates for general insurance business (Cont'd.)

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not exactly develop as projected and may vary from the Company's projections. The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates. There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

(ii) Claim Liabilities - Case Estimates

For claims, reserve is made upon notification of a new claim where the potential liability will be assessed based on information available. Where little or no information is available, a "blind" reserve will be used. The blind reserves are based on class of business and are reviewed annually in line with BNM guidelines. As and when more information becomes available regarding a claim, the reserve is updated accordingly.

(iii) Deferred tax assets

Deferred tax assets are recognised for various allowances and provisions to the extent that it is probable that taxable profit will be available against which these losses, allowances and provisions can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

3. PROPERTY AND EQUIPMENT

	* Land and buildings RM'000	** Building Work in-progress RM'000	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
Group and Company					
Cost					
At 1 January 2012	30,487	-	21,221	4,392	56,100
Additions	1,200	-	956	746	2,902
Disposals	-	-	(101)	(2,048)	(2,149)
Write-offs	-	-	(68)	-	(68)
At 31 December 2012	31,687	-	22,008	3,090	56,785
At 1 January 2013	31,687	-	22,008	3,090	56,785
Additions	-	60,522	1,622	153	62,297
Disposals	-	-	(353)	(424)	(777)
Write-offs	-	-	(473)	-	(473)
At 31 December 2013	31,687	60,522	22,804	2,819	117,832
Accumulated depreciation					
At 1 January 2012	7,349	-	14,189	1,843	23,381
Charge for the year	624	-	1,808	735	3,167
Disposals	-	-	(65)	(1,486)	(1,551)
Write-offs	-	-	(66)	-	(66)
At 31 December 2012	7,973	-	15,866	1,092	24,931
At 1 January 2013	7,973	-	15,866	1,092	24,931
Charge for the year	634	-	1,715	517	2,866
Disposals	-	-	(229)	(192)	(421)
Write-offs	-	-	(426)	-	(426)
At 31 December 2013	8,607	-	16,926	1,417	26,950
Net carrying amount					
At 31 December 2012	23,714	-	6,142	1,998	31,854
At 31 December 2013	23,080	60,522	5,878	1,402	90,882

** The Capital Commitment contracted but not provided for the financial statements RM22.0 million.

On 24 April 2013, the company entered into a sale and purchase agreement ("SPA") to purchase for a consideration of RM82.5 million. As at the date of this reports, the company has paid RM60.5 million, representing 73% of the purchase consideration of the said property. Settlement of the balance sum is currently pending fulfilment of certain key SPA conditions by the vendor.

3. PROPERTY AND EQUIPMENT (CONT'D.)

* **Land and buildings**

	Freehold properties RM'000	Long-term leasehold properties RM'000	Total RM'000
Group and Company			
Cost			
At 1 January 2012	25,067	5,420	30,487
Additions	-	1,200	1,200
At 31 December 2012	25,067	6,620	31,687
At 1 January 2013	25,067	6,620	31,687
Additions	-	-	-
At 31 December 2013	25,067	6,620	31,687
Accumulated depreciation			
At 1 January 2012	6,777	572	7,349
Charge for the year	501	123	624
At 31 December 2012	7,278	695	7,973
At 1 January 2013	7,278	695	7,973
Charge for the year	502	132	634
At 31 December 2013	7,780	827	8,607
Net carrying amount			
At 31 December 2012	17,789	5,925	23,714
At 31 December 2013	17,287	5,793	23,080

4. INTANGIBLE ASSETS

	Club membership RM'000	Computer software RM'000	Total RM'000
Group and Company			
Cost			
At 1 January 2012	-	3,434	3,434
Additions	-	131	131
Transfer from other investment	502	-	502
At 31 December 2012	502	3,565	4,067
At 1 January 2013	502	3,565	4,067
Additions	213	470	683
Disposals	-	(9)	(9)
Write-offs	-	(1)	(1)
Transfer from other investment	-	9	9
At 31 December 2013	715	4,034	4,749
Accumulated amortisation			
At 1 January 2012	-	2,608	2,608
Charge for the year	-	358	358
At 31 December 2012	-	2,966	2,966
At 1 January 2013	-	2,966	2,966
Charge for the year	-	334	334
Disposals	-	(8)	(8)
Write-offs	-	(1)	(1)
Transfer from other investment	-	9	9
At 31 December 2013	-	3,300	3,300
Net carrying amount			
At 31 December 2012	502	599	1,101
At 31 December 2013	715	734	1,449

5. INVESTMENT PROPERTIES

	2013 RM'000	2012 RM'000
Group and Company		
At 1 January	19,700	17,265
Additions	-	-
Fair value adjustment (Note 20)	160	2,435
At 31 December	19,860	19,700

Investment properties comprises of commerical properties that are leased to third parties. Investment properties are stated at fair value, which has been determined based on valuations performed by an independent firm of professional valuers.

The fair value of the investment properties has been derived using the Comparison Method of Valuation ie the property is compared with transaction or asking prices of similar properties in close proximity and adjusted for differences in key attributes such as property size.

6. INVESTMENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysian government securities	10,050	20,190	10,050	20,190
Debt securities	106,086	89,115	89,325	89,115
Warrants and loan stocks	9,893	5,639	9,893	5,639
Equity securities	152,905	194,938	152,905	194,938
Unit trust funds/wholesale funds	360,294	29,501	487,428	120,790
Deposits with financial institutions	64,100	191,100	62,100	159,100
	703,328	530,483	811,701	589,772

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Held-to-maturity financial assets ("HTM")	87,918	98,250	87,918	98,250
Loans and receivables ("LAR")	64,100	191,100	62,100	159,100
Available-for-sale financial assets ("AFS")	541,417	235,494	559,677	235,494
Financial asset at fair value through profit or loss ("FVTPL")	9,893	5,639	102,006	96,928
	703,328	530,483	811,701	589,772

6. INVESTMENTS (CONT'D.)

(a) Held-To-Maturity financial assets

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Amortised Cost				
Malaysian government securities	10,050	20,190	10,050	20,190
Government investment issues	20,048	25,118	20,048	25,118
Government guaranteed loan	5,000	5,000	5,000	5,000
Corporate debt securities, quoted in Malaysia	52,820	47,942	52,820	47,942
	87,918	98,250	87,918	98,250
Fair Value				
Malaysian government securities	10,069	20,291	10,069	20,291
Government investment issues	20,121	25,332	20,121	25,332
Government guaranteed loan	5,006	5,036	5,006	5,036
Corporate debt securities, quoted in Malaysia	52,767	48,956	52,767	48,956
	87,963	99,615	87,963	99,615

(b) Loans and Receivables

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Amortised Cost				
Deposits with licensed financial institutions:				
Commercial banks	64,100	167,100	62,100	155,100
Investment banks	-	24,000	-	4,000
	64,100	191,100	62,100	159,100

6. INVESTMENTS (CONT'D.)

(c) Available-For-Sale financial assets

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fair Value				
Equity securities:				
Quoted in Malaysia	146,879	186,610	146,879	186,610
Quoted outside Malaysia	5,908	8,210	5,908	8,210
Unit trust funds	360,294	29,501	395,315	29,501
Debt securities:				
Quoted in Malaysia	28,218	11,055	11,457	11,055
	541,299	235,376	559,559	235,376
Cost				
Equity securities:				
Unquoted in Malaysia	118	118	118	118
	541,417	235,494	559,677	235,494

The unquoted securities are valued at cost less impairment. The fair value of these equities has not been disclosed because the fair value cannot be measured reliably as there is no active market.

(d) Financial asset at fair value through profit or loss

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fair Value				
Held for trading ("HFT"):				
Warrants	4,911	2,574	4,911	2,574
Designated upon initial recognition:				
Loan stocks	4,982	3,065	4,982	3,065
Wholesale unit trust fund	-	-	92,113	91,289
	9,893	5,639	102,006	96,928

6. INVESTMENTS (CONT'D.)

(e) Investment in Investee - Wholesales unit trust funds

The Company adopted MFRS 10 in the current year. The adoption of MFRS 10 affected the accounting for the Company's interest in controlled investee. In 31 December 2012, investee were designated as financial asset. The Company assessed that it controls these investees on factors mentioned in Note 2.3(q)(i).

Established in Malaysia	Effective Direct Interests		
	31.12.2013	31.12.2012	1.1.2012
AmCash Institutional 6	100%	100%	0%
CIMB-Principal Institutional Bond Fund 6	97%	0%	0%

	Principal Activities
AmCash Institutional 6	Unit Trust Fund holding investment in Money Market Instruments.
CIMB-Principal Institutional Bond Fund 6*	Unit Trust Fund holding investment in Fixed Income Securities and Money Market Instruments.

* Audited by a firm of chartered accountants other than Ernst & Young.

7. REINSURANCE ASSETS

	2013 RM'000	2012 RM'000
Group and Company		
Reinsurance of insurance contracts		
Claims liabilities (Note 13)	137,953	120,300
Premium liabilities (Note 13)	40,760	37,262
	178,713	157,562

8. INSURANCE RECEIVABLES

	2013 RM'000	2012 RM'000
Group and Company		
Outstanding premiums including agents, and brokers balances	38,953	22,775
Allowance for impairment	(4,672)	(4,637)
	34,281	18,138

8. INSURANCE RECEIVABLES (CONT'D.)

Group and Company	2013 RM'000	2012 RM'000
Amount due from co-insurers	2,653	1,017
Allowance for impairment	(1,225)	(797)
	1,428	220
Amount due from reinsurers/ceding companies	11,259	8,224
Allowance for impairment	(833)	(374)
	10,426	7,850
Amount due from related parties	1,118	962
Allowance for impairment	(494)	(97)
	624	865
	46,759	27,073

Receivables that are impaired

The movement of the allowance accounts used to record the impairment and the analysis of the Company's trade receivables that are individually impaired at the reporting date are as follows:

Movement in allowance for impairment:

Group and Company	2013 RM'000	2012 RM'000
At 1 January	5,905	4,876
Allowance for impairment losses	1,319	1,027
Reversal of allowance for impairment losses	(929)	-
Bad debts written-off net of recovery	929	2
At 31 December	7,224	5,905

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Group and Company	2013 RM'000	2012 RM'000
Individually Impaired		
Trade receivables	438	1,807
(-) Allowance for impairment	(438)	(1,807)
	-	-

8. INSURANCE RECEIVABLES (CONT'D.)

Group and Company	2013 RM'000	2012 RM'000
Collective Impairment		
Trade receivables	53,545	31,171
(-) Allowance for impairment	(6,786)	(4,098)
	46,759	27,073

9. OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other receivables and deposits	2,429	2,192	2,195	1,044
Share of other assets held under Malaysia Motor Insurance Pool ("MMIP") (net)*	52,647	26,145	52,647	26,145
Staff loans **	-	7	-	7
Income due and accrued	4,831	4,369	4,831	4,369
	59,907	32,713	59,673	31,565
** Staff loans:				
- Secured	-	1	-	1
- Unsecured	-	6	-	6
	-	7	-	7

* This includes the Company's contribution of RM10,827,000 and RM7,162,003 to MMIP following a cash call made by the Pool during the current financial year. The contribution was made in respect of the Company's share of MMIP's accumulated losses up to 31 December 2012.

** The secured staff loans bear interest at 4.0% (31.12.2012: 4.0%) per annum, whilst the unsecured staff loans are interest-free.

10. DEFERRED TAX LIABILITIES

Group and Company	2013 RM'000	2012 RM'000
At beginning of year	(3,565)	(3,079)
Recognised in AFS reserve	(2,904)	(740)
Recognised in the income statement (Note 24)	(1,744)	254
At end of year	(8,213)	(3,565)

10. DEFERRED TAX LIABILITIES (CONT'D.)

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

Deferred tax assets

Group and Company	Premium liabilities RM'000	Other provision RM'000	Provision for impairment in investments RM'000	Total RM'000
At 1 January 2012	346	1,006	8,724	10,076
Recognised in the income statement	(531)	219	842	530
At 31 December 2012	(185)	1,225	9,566	10,606
At 1 January 2013	(185)	1,225	9,566	10,606
Recognised in the income statement	10	514	(587)	(63)
At 31 December 2013	(175)	1,739	8,979	10,543

Deferred tax liabilities

Group and Company	Others RM'000	Available-for-sale reserves RM'000	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2012	-	11,355	1,800	13,155
Recognised in AFS reserve	-	740	-	740
Recognised in the income statement	984	-	(708)	276
At 31 December 2012	984	12,095	1,092	14,171
At 1 January 2013	984	12,095	1,092	14,171
Recognised in AFS reserve	-	2,904	-	2,904
Recognised in the income statement	1,532	-	149	1,681
At 31 December 2013	2,516	14,999	1,241	18,756

11. CASH AND CASH EQUIVALENTS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	255,838	396,893	146,440	338,750
Cash and bank balances	12,029	16,995	11,994	16,961
	267,867	413,888	158,434	355,711
Fixed and call deposits were placed with:				
Investment banks	6,002	84,000	6,002	48,000
Commercial banks	249,836	312,893	140,438	290,750
	255,838	396,893	146,440	338,750

12. SHARE CAPITAL

	Number of ordinary shares of RM1 each 2013 '000	Number of ordinary shares of RM1 each 2012 '000	Amount 2013 RM'000	Amount 2012 RM'000
Group and Company				
Authorised:				
At beginning/end of year	200,000	200,000	200,000	200,000
Issued and fully paid:				
At beginning/end of year	118,000	118,000	118,000	118,000

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

13. INSURANCE CONTRACT LIABILITIES

	Note	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000
Group and Company							
Provision for claims reported by policyholders		317,533	(104,676)	212,857	323,264	(91,366)	231,898
Provision for IBNR		179,317	(33,277)	146,040	148,181	(28,934)	119,247
Claim liabilities	13.1	496,850	(137,953)	358,897	471,445	(120,300)	351,145
Premium liabilities	13.2	237,653	(40,760)	196,893	208,104	(37,262)	170,842
Insurance contract liabilities		734,503	(178,713)	555,790	679,549	(157,562)	521,987

13.1 Claim liabilities

	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000
At 1 January	471,445	(120,300)	351,145	446,640	(94,222)	352,418
Claims incurred for the current accident year/period	317,197	(62,795)	254,402	301,996	(60,681)	241,315
Adjustment to claims incurred in prior accident years (direct & facultative)	291,948	(59,924)	232,024	280,279	(55,491)	224,788
Movement in MMIP	18,675	-	18,675	17,234	-	17,234
Claims incurred during the year (treaty inwards claims)	98	-	98	(1,679)	-	(1,679)
Movement in Fund PRAD of claims liabilities at 75% confidence level	5,329	(2,871)	2,458	6,423	(5,190)	1,233
Movement in claims handling expenses	1,147	-	1,147	(261)	-	(261)
Claims paid during the year/period	(291,792)	45,142	(246,650)	(277,191)	34,603	(242,588)
At 31 December	496,850	(137,953)	358,897	471,445	(120,300)	351,145

13.2 Premium liabilities

	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000
At 1 January	208,104	(37,262)	170,842	199,269	(31,728)	167,541
Premiums written during the year/period	546,396	(114,189)	432,207	500,371	(101,729)	398,642
Premiums earned during the year/period	(516,847)	110,691	(406,156)	(491,536)	96,195	(395,341)
At 31 December	237,653	(40,760)	196,893	208,104	(37,262)	170,842

14. INSURANCE PAYABLES

	2013 RM'000	2012 RM'000
Group and Company		
Amount due to agents, brokers and insureds	15,329	7,606
Amount due co-insurers	2,653	1,017
Amount due to reinsurers and ceding companies	28,913	30,441
Amount due to related parties	1,675	1,218
	48,570	40,282

Included in the above are balances due to related parties as disclosed in Note 27.

15. OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Accrued liabilities	9,599	7,668	9,599	7,668
Other payables	9,846	2,539	9,552	2,503
Cash collaterals held on behalf of insureds	5,872	5,791	5,872	5,791
	25,317	15,998	25,023	15,962

16. OPERATING REVENUE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Gross earned premiums (Note 17)	516,847	491,536	516,847	491,536
Investment income (Note 18)	33,033	28,482	32,061	27,045
	549,880	520,018	548,908	518,581

17. NET EARNED PREMIUMS

	2013 RM'000	2012 RM'000
Group and Company		
(a) Gross earned premiums		
General insurance contract	546,396	500,371
Change in premium liabilities	(29,549)	(8,835)
	516,847	491,536
(b) Premiums ceded to reinsurers		
General reinsurance contracts	114,189	101,729
Change in premium liabilities	(3,498)	(5,534)
	110,691	96,195
Net Earned Premiums	406,156	395,341

18. INVESTMENT INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Rental income from investment properties	1,153	1,166	1,153	1,166
Interest/income from HTM financial assets quoted in Malaysia	4,468	5,109	4,468	5,109
HTM financial assets amortisation of premiums, net of accretion	(376)	(270)	(376)	(270)
Dividend/distribution income from AFS financial assets quoted in Malaysia	9,154	3,882	11,270	3,882
LAR fixed and call deposits interest/income	17,477	17,690	14,389	16,253
Others	1,157	905	1,157	905
	33,033	28,482	32,061	27,045

19. REALISED GAINS AND LOSSES

	2013 RM'000	2012 RM'000
Group and Company		
Property and equipment		
Realised gain/(loss)	95	368
AFS financial assets:		
Realised gains:		
Equity securities		
- quoted in Malaysia	7,587	383
- quoted outside Malaysia	-	67
Debt securities		
- quoted in Malaysia	-	5
- quoted outside Malaysia	-	4,259
Realised losses:		
Equity securities		
- quoted in Malaysia	(193)	(2,913)
Debt securities		
- quoted in Malaysia	(197)	(25)
	7,292	2,144

20. FAIR VALUE GAINS AND LOSSES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fair value adjustment on investment properties (Note 5)	160	2,435	160	2,435
Fair value adjustment on HFT financial assets reclassed as FVTPL	4,468	2,946	4,468	2,946
Fair value adjustment on financial assets designated as at FVTPL on initial recognition	-	-	824	1,373
Impairment loss on AFS financial assets	-	(11,231)	-	(11,231)
	4,628	(5,850)	5,452	(4,477)

21. OTHER OPERATING INCOME

	2013 RM'000	2012 RM'000
Group and Company		
Realised gain/(loss) on foreign exchange	10	38
Sundry income	3,600	2,097
	3,610	2,135

22. NET CLAIMS INCURRED

	2013 RM'000	2012 RM'000
Group and Company		
(a) Gross claims paid		
General insurance contracts (Note 13)	(291,792)	(277,191)
(b) Claims ceded to reinsurers		
General insurance contracts (Note 13)	45,142	34,603
(c) Gross change in contract liabilities		
General insurance contracts	(25,405)	(24,805)
(d) Change in contract liabilities ceded to reinsurers		
General insurance contracts	17,653	26,078
	(254,402)	(241,315)

23. MANAGEMENT EXPENSES

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Employee benefits expense (Note 23(a))	44,773	37,664	44,773	37,664
Directors' fees (Note 23(b))	149	120	149	120
Auditors' remuneration:				
- statutory audits	116	107	116	107
- other services	51	44	51	44
Rental of properties	497	492	497	492
Depreciation of property and equipment	2,866	3,167	2,866	3,167
Amortisation of intangible assets	334	358	334	358
Property and equipment written off	-	2	-	2
Provision for PIDM Takaful and Insurance Protection Scheme	632	977	632	977
Allowance for impairment losses on receivables	1,319	1,027	1,319	1,027
Bad debts written-off	929	-	929	-
Computer service charges	2,256	4,358	2,256	4,358
Other expenses	20,825	17,224	20,677	17,160
	74,747	65,540	74,599	65,476

(a) Employee benefits expenses

Group and Company	2013 RM'000	2012 RM'000
Wages, salaries and bonus	39,255	32,454
Social security contributions	414	370
Contributions to defined contribution plan, EPF	4,563	3,868
Other benefits	541	972
	44,773	37,664

23. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' remuneration

The details of remuneration receivable by directors during the year/period are as follows:

	2013 RM'000	2012 RM'000
Group and Company		
Executive directors:		
Salaries	1,179	1,131
Bonus	375	241
Contribution to defined contribution plan, EPF	208	169
	1,762	1,541
Non-Executive directors (Note 23):		
Fixed allowances	117	97
Allowances	32	23
	149	120
Benefits-in-kind	102	110
	102	110
Total directors' remuneration	2,013	1,771

(c) The details of remuneration received / receivable by the Company's Chief Executive Officer during the financial year was as follows:

	2013 RM'000	2012 RM'000
Group and Company		
Salaries, allowances and bonus	1,386	1,204
Other remuneration	208	169
Benefits-in-kind	35	35
	1,629	1,408

24. INCOME TAX EXPENSE

	2013 RM'000	2012 RM'000
Group and Company		
Income tax:		
- Current income tax	13,493	19,500
- Over-provision in prior years	523	(734)
	14,016	18,766
Deferred tax (Note 10):		
- Relating to origination and reversal of temporary differences	1,514	(270)
- Under provision in prior years	230	16
	1,744	(254)
Tax expense for the year	15,760	18,512

Current income tax is calculated at the Malaysian tax rate of 25% (2012: 25%) on the estimated assessable profit for the year.

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

	2013 RM'000	2012 RM'000
Group and Company		
Profit before tax	83,270	78,308
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	20,817	19,577
Effect of income not subject to tax	(2,351)	(1,101)
Effect of expenses not deductible for tax purposes	1,038	754
Underprovision of deferred tax in prior years	230	16
Overprovision of income tax in prior years	523	(734)
Deduction in relation to MMIP cash calls	(4,497)	-
Tax expense for the year	15,760	18,512

24. INCOME TAX EXPENSE (CONT'D.)

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 of the Income Tax Act 1967 balance ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2012, the Company has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings. Any Section 108 balance which has not been utilised as at 31 December 2013 is disregarded. Thereafter, the Company may distribute dividends out of its entire retained earnings under the single tier system.

25. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the number of ordinary shares in issue during the financial year.

Group	2013	2012
Net profit for the year (RM'000)	67,510	59,796
Number of ordinary shares in issue ('000)	118,000	118,000
Basic earnings per share (sen)	57.2	50.7

There were no potential dilutive effects on the Company's ordinary shares during and at the end of the financial year.

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26. SEGMENTAL INFORMATION ON CASH FLOW

Group	General insurance fund RM'000	Shareholders' fund RM'000	Total RM'000
2013			
Net cash used in:			
Operating activities	(90,123)	6	(90,117)
Investing activities	(55,904)	-	(55,904)
	(146,027)	6	(146,021)
Net change in cash and cash equivalents:			
At beginning of year	413,180	708	413,888
At end of year	267,153	714	267,867
	(146,027)	6	(146,021)

Group	General insurance fund RM'000	Shareholders' fund RM'000	Total RM'000
2012			
Net cash generated from/(used in):			
Operating activities	53,651	116	53,767
Investing activities	(1,958)	-	(1,958)
	51,693	116	51,809
Net change in cash and cash equivalents:			
At beginning of year	361,487	592	362,079
At end of year	413,180	708	413,888
	51,693	116	51,809

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26. SEGMENTAL INFORMATION ON CASH FLOW (CONT'D.)

	General insurance fund RM'000	Shareholders' fund RM'000	Total RM'000
Company			
2013			
Net cash used in:			
Operating activities	(141,379)	6	(141,373)
Investing activities	(55,904)	-	(55,904)
	(197,283)	6	(197,277)
Net change in cash and cash equivalents:			
At beginning of year	355,003	708	355,711
At end of year	157,720	714	158,434
	(197,283)	6	(197,277)
2012			
Net cash generated from/(used in):			
Operating activities	(4,526)	116	(4,410)
Investing activities	(1,958)	-	(1,958)
	(6,484)	116	(6,368)
Net change in cash and cash equivalents:			
At beginning of year	361,487	592	362,079
At end of year	355,003	708	355,711
	(6,484)	116	(6,368)

27. RELATED PARTY DISCLOSURES

(a) Related parties

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

In the normal course of business, the Group and Company undertakes various transactions with subsidiary and associated companies of its ultimate holding company, NKSJ Holdings, Inc. and other companies deemed related parties by virtue of common directors' shareholdings and a corporate shareholder's interest in its ultimate holding company. The Directors are of the opinion that the Company sold insurance policies to the related companies and related parties on terms and conditions no more favourable than those available on similar transactions to its other customers or employees, and other related party transactions were also carried out on terms and conditions no more favourable than those available on similar transactions to its unrelated parties, unless otherwise stated.

(b) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. In line with the group classification, the key management personnel include the Chief Executive Officer and the Deputy Chief Executive Officer who are also the Directors of the Company.

(c) Related party transactions and balances

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

	2013 RM'000	2012 RM'000
Group and Company		
Related party transactions:		
Income/(expenses):		
Penultimate Holding Company:		
- Sompo Japan Insurance Inc.		
Premium ceded	(123)	(80)
Commission received	25	18
Claims recoveries	111	25

27. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Related party transactions and balances (Cont'd.)

	2013 RM'000	2012 RM'000
Group and Company		
Holding Company:		
- Sompo Japan Asia Holdings Pte. Ltd.		
Premium ceded	(10,187)	(10,052)
Commission received	2,714	2,711
Claims recoveries	2,840	2,102
Risk survey fee paid	(116)	(116)
Other related companies:		
- Companies in which a controlling shareholder of the ultimate holding company has an interest		
Premium ceded	(11,994)	(10,217)
Commission received	3,235	2,618
Claims recoveries	559	165
- Controlled investees		
Investment Income	2,089	227
Corporate shareholder:		
- Berjaya Corporation Berhad and its related companies		
Gross premium income	20,705	18,776
Brokerage fee	(121)	(15)
Related party balances:		
Due to related companies:		
Penultimate Holding Company:		
- Sompo Japan Insurance Inc.	(81)	(17)
Holding Company:		
- Sompo Japan Asia Holdings Pte. Ltd.	(1,447)	(832)
Other related companies		
- Companies in which a controlling shareholder of the ultimate holding company has an interest	(147)	(369)

27. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Related party transactions and balances (Cont'd.)

	2013 RM'000	2012 RM'000
Group and Company		
Related party balances:		
Due from related company:		
Corporate shareholder		
- Berjaya Corporation Berhad and its related companies	1,118	962

The above balances are included in Note 8, Insurance receivables.

The balances with related companies above are trade in nature, and are unsecured, interest-free and repayable within normal commercial terms.

Compensation of key management personnel

The remuneration of Company's Executive Directors during the financial year was as follows:

	2013 RM'000	2012 RM'000
Group and Company		
Short term employee benefits		
- Salaries, allowances and bonus	1,554	1,372
- Other remuneration	208	169
- Benefits-in-kind	102	110
	1,864	1,651

The remuneration of Company's Non-Executive Directors during the financial year is disclosed in Note 23 (b) to the financial statements.

28. RISK MANAGEMENT FRAMEWORK

(a) Framework and Responsibility

The Board of Directors is committed to the development of an Effective Enterprise Risk Management Framework, with the aims of providing a consistent approach to risk and facilitating an accurate perception of acceptable risk by all employees. It forms an integral part of the Company's business strategic planning, performance agreement and general risk management culture.

The Board entrusts the Risk Management Committee ("RMC") with the overall responsibility for overseeing the risk management activities of the Company and approving appropriate risk management procedures and measurement methodologies across the organisation. The RMC has a broad mandate to ensure the effective implementation of the objectives outlined in this Policy and compliance with them throughout the Company. The RMC is responsible for periodically reporting higher risk exposures to the Board. The responsibilities and detailed administrative duties of the RMC are set out in the Board approved Risk Management Committee Charter.

The Board delegates to the Chief Executive Officer ("CEO") the responsibility for ensuring effective implementation and maintenance of this Policy and that all personnel adhere to its mandates.

The detailed line accountability for risk management is fully aligned with the Company's management structure. Accordingly, the approvals, responsibilities and accountabilities applicable to the identification, evaluation, management and reporting of the Company's risks are attributed to the CEO, head of various department and branches.

(b) Objectives and Policies

The objective of the risk management policy is to define an ongoing and consistent process for identifying, assessing, monitoring and reporting upon the significant risks faced by the departments and branch offices, and ultimately, the entire Company.

The implementation of risk management framework allows management to manage risks within defined risk/return parameters, risk tolerances and risk management standards. As such it provides a framework for the effective identification, evaluation, management and reporting of the Company's risks.

Effective management of risks identified is implemented via establishment of internal controls, systems, policies and procedures. Systems are designed to provide reasonable assurance that assets are safeguarded, insurance risk exposure is within desired limit, reinsurance protection is adequate and counterparties are subject to security assessment. The risk management framework is reviewed on a periodic basis.

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(c) Capital Management Plan

The objective of the Capital Management Plan ("CMP") is to optimise the efficient and effective use of resources in order to maximise the return on equity and provide an appropriate level of capital to protect the policy holders taking into consideration the events that can impact directly or indirectly on the operations and financial resilience of the Company whilst complying with the rules and regulations issued by relevant authorities.

The Company's capital management is driven by the business strategies and taking into consideration the impact of business and regulatory environment in which the Company operates in. To comply with the RBC Framework, the Company has also set an Internal Capital Adequacy Ratio which is above the minimum regulatory requirements.

(d) Stress Testing

Stress testing is a fundamental risk management tool in assessing the financial resilience of the Company under exceptional but adverse plausible events. The stress test results together with the mitigating plans are tabled every half-year for the Board's deliberation and recommendation prior to submission to BNM.

29. INSURANCE RISK

Underwriting and insurance risk is the exposure to the financial loss resulting from the selection and approval of risk to be insured, the adjudication of claims and the management of contractual and non-contractual cover.

The Company has instituted documented standards of risk selection, underwriting authorities, risk management engineering, pricing guidelines and risk accumulation limits. Reinsurance is placed to minimise certain insurance risks within approved limits and security. Claims approval and claims settlement authorities are clearly defined for prudent control on financial exposure. Regular underwriting and claims audits are performed by internal auditors to ensure strict compliance with the Company's guidelines and standards.

29. INSURANCE RISK (CONT'D.)

(a) Concentration of risks by class of business

General insurance business premiums by type of product:

Group and Company	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000
Motor	290,069	(11,817)	278,252	258,644	(9,394)	249,250
Fire	81,749	(43,721)	38,028	80,036	(41,926)	38,110
Marine, Aviation & Transit	18,340	(9,767)	8,573	18,414	(9,484)	8,930
Miscellaneous	156,238	(48,884)	107,354	143,277	(40,925)	102,352
	546,396	(114,189)	432,207	500,371	(101,729)	398,642

Insurance contract liabilities by type of product:

Premium Liabilities

	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000
Motor	156,538	(6,729)	149,809	129,222	(4,333)	124,889
Fire	21,025	(11,763)	9,262	24,092	(14,587)	9,505
Marine, Aviation & Transit	2,219	(730)	1,489	3,676	(2,146)	1,530
Miscellaneous	57,871	(21,538)	36,333	51,114	(16,196)	34,918
	237,653	(40,760)	196,893	208,104	(37,262)	170,842

Claims Liabilities

	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000
Motor	294,434	(19,142)	275,292	292,314	(17,216)	275,098
Fire	58,229	(38,466)	19,763	56,251	(36,785)	19,466
Marine, Aviation & Transit	8,316	(3,748)	4,568	11,123	(5,945)	5,178
Miscellaneous	135,871	(76,597)	59,274	111,757	(60,354)	51,403
	496,850	(137,953)	358,897	471,445	(120,300)	351,145

29. INSURANCE RISK (CONT'D.)

(b) Sensitivity analysis

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 key assumptions such as the adopted Ultimate Loss Ratios ("ULR"), risk margin percentages (i.e. Provision of Risk Margin for Adverse Deviation ("PRAD")) and provision for claims handling costs.

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.

Sensitivities

The Company engaged an independent actuarial firm to run a sensitivity analysis of the liabilities and comparison of past valuation results. 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. Hence, the actuary has carried out the sensitivity analyses by testing the sensitivity of the following key assumptions:

- Average claim cost
- Average number of claims; and
- Average claim settlement period.

The analysis below is performed for reasonably possible movements in key assumptions (i.e. a 10% increase) 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.

29. INSURANCE RISK (CONT'D.)

(b) Sensitivity analysis (Cont'd.)

Sensitivities (Cont'd.)

Group and Company	Change in assumptions	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Profit Before Tax RM'000	* Impact on Equity RM'000
31 December 2013					
Average Claims Cost	+10%	50,393	38,300	(38,300)	(28,729)
Average Number of Claims	+10%	32,046	25,582	(25,582)	(19,187)
Average Claim Settlement Period	Increased by 6 months	3,349	2,028	(2,028)	(1,521)
31 December 2012					
Average Claims Cost	+10%	42,301	30,631	(30,631)	(22,973)
Average Number of Claims	+10%	32,240	23,341	(23,341)	(17,506)
Average Claim Settlement Period	Increased by 6 months	2,659	2,278	(2,278)	(1,709)

* *Impact on Equity reflects adjustments for tax, when applicable*

(c) Claims Development Table

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

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

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29. INSURANCE RISK (CONT'D.)

(c) Claims Development Table (Cont'd.)

Gross General Insurance Contract Liabilities for 2013 (RM '000)

Accident Year	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	30.04.2011 RM'000	31.12.2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
Ultimate Claims Incurred											
At end of accident year						287,709	315,751	200,827	295,219	338,905	
One year later					283,350	279,538	310,577	220,868	282,486		
Two years later				215,547	285,751	288,667	310,373	212,340			
Three years later			183,060	218,525	287,740	281,001	303,543				
Four years later		142,019	183,669	218,009	278,040	273,702					
Five years later	125,669	140,810	182,832	214,093	273,151						
Six years later	124,751	141,615	179,815	209,806							
Seven years later	124,218	138,357	177,676								
Eight years later	120,036	137,004									
Nine years later	119,475										
Current estimate of Cumulative claims incurred	119,475	137,004	177,676	209,806	273,151	273,702	303,543	212,340	282,486	338,905	2,328,088
Cumulative Claims Paid											
At end of accident year	48,085	47,791	59,660	74,873	94,519	121,630	131,049	65,454	120,830	137,093	
One year later	88,186	104,513	126,010	150,182	189,035	206,994	217,351	156,677	215,667		
Two years later	100,106	113,831	140,325	170,109	229,616	231,273	249,552	176,052			
Three years later	104,063	120,961	155,610	190,043	245,909	248,681	269,657				
Four years later	108,522	127,683	167,310	196,842	253,022	254,798					
Five years later	114,338	133,740	169,994	200,554	258,699						
Six years later	118,224	135,452	171,713	202,308							
Seven years later	118,914	136,209	172,762								
Eight years later	119,300	136,707									
Nine years later	119,385										
Cumulative payments to date	119,385	136,707	172,762	202,308	258,699	254,798	269,657	176,052	215,667	137,093	1,943,128
Gross general insurance outstanding liabilities (direct and facultative inwards)	90	297	4,914	7,498	14,452	18,904	33,886	36,288	66,819	201,812	384,960
Case Reserves for Accident Years Prior to 2003											2,364
Treaty Inwards											1,632
MMIP											53,301
Best Estimate of Claim Liabilities											442,257
Claim Handling Expenses											5,778
Fund PRAD at 75% Confidence Interval											48,815
Gross general insurance contract liabilities (Note 13)											**496,850**

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29. INSURANCE RISK (CONT'D.)

(c) Claims Development Table (Cont'd.)

Net General Insurance Contract Liabilities for 2013 (RM '000)

Accident Year	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	30.04.2011 RM'000	31.12.2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
Ultimate Claims Incurred											
At end of accident year				151,716	228,874	241,344	260,184	175,526	250,320	267,467	
One year later			143,164	171,844	234,672	240,602	263,707	176,436	236,815		
Two years later		120,485	154,420	179,078	239,689	244,690	262,851	171,128			
Three years later	103,591	124,846	158,347	181,291	240,792	239,310	257,357				
Four years later	105,316	123,505	158,687	180,360	233,458	233,943					
Five years later	104,940	122,364	157,991	177,405	228,230						
Six years later	104,256	123,086	156,515	173,743							
Seven years later	103,665	120,711	153,886								
Eight years later	102,080	119,591									
Nine years later	101,496										
Current estimate of cumulative claims incurred	101,496	119,591	153,886	173,743	228,230	233,943	257,357	171,128	236,815	267,467	**1,943,656**
Cumulative Claims Paid											
At end of accident year	39,814	42,213	54,369	61,683	86,389	103,322	121,391	61,935	114,699	121,059	
One year later	75,021	90,688	110,576	122,630	162,902	179,048	199,397	138,025	190,988		
Two years later	83,756	98,610	121,844	139,827	191,951	198,383	225,135	153,736			
Three years later	87,322	104,999	135,203	158,027	205,805	213,034	240,364				
Four years later	91,387	111,027	146,212	164,218	212,082	218,403					
Five years later	96,832	116,691	148,717	166,729	217,018						
Six years later	100,366	118,219	150,048	168,277							
Seven years later	101,007	118,884	151,048								
Eight years later	101,364	119,361									
Nine years later	101,414										
Cumulative payments to date	101,414	119,361	151,048	168,277	217,018	218,403	240,364	153,736	190,988	121,059	**1,681,668**
Net general insurance outstanding liabilities (direct and facultative inwards)	82	230	2,838	5,466	11,212	15,540	16,993	17,392	45,827	146,408	261,988
Case Reserves for Accident Years Prior to 2003											1,573
Treaty Inwards											1,632
MMIP											53,301
Best Estimate of Claim Liabilities											318,494
Claim Handling Expenses											5,778
Fund PRAD at 75% Confidence Interval											31,441
Additional provision											3,184
Net general insurance contract liabilities (Note 13)											**358,897**

30. FINANCIAL RISK

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contents.

(a) Credit Risk

Treaty reinsurers and brokers credit ratings are evaluated prior to entering into treaty arrangements. The Company observes the Bank Negara Malaysia Guidelines and internal Company policies in assessing the credit ratings of reinsurers and brokers.

The settlement risks are also mitigated through prompt reconciliations of records and recovery actions, avoiding at all times delays in collection from reinsurers and entering into commutations for run off reinsurers. The Company has tightened the credit collection and recovery policies to expedite collections. The Company is unable to avoid any deterioration in credit ratings of reinsurers after inception of treaties.

Credit exposure

At the reporting date, the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statement of financial position.

The Company has no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors.

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30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties.

Group	**Neither impaired nor past-due**					**Past-due but not impaired**	
31 December 2013	***AAA RM'000**	***AA RM'000**	***A RM'000**	***BBB RM'000**	**Not Rated RM'000**	**RM'000**	**Total RM'000**
Financial assets at FVTPL							
Warrants and loan stocks	-	-	-	-	9,893	-	9,893
HTM financial investments							
Malaysian government securities	-	-	-	-	10,050	-	10,050
Government investment issues	-	-	-	-	20,048	-	20,048
Government guaranteed loan	-	-	-	-	5,000	-	5,000
Corporate debt securities	22,748	30,072		-	-	-	52,820
LAR							
Fixed and call deposits	10,000	31,100	10,000	13,000	-	-	64,100
AFS financial investments							
Equity securities	-	-	-	-	152,905	-	152,905
Unit trust funds	-	-	-	-	360,294	-	360,294
Debt securities	11,762	-	4,999	-	11,457	-	28,218
Reinsurance assets	-	2,837	40,097	992	134,787	-	178,713
Insurance receivables	-	-	-	-	26,953	19,806	46,759
Other receivables	-	-	-	-	59,907	-	59,907
Cash and cash equivalent	116,494	28,727	106,538	16,038	70	-	267,867
	161,004	92,736	161,634	30,030	791,364	19,806	1,256,574

** Based on public ratings assigned by reputable rating agencies.*

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30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Credit exposure by credit rating (Cont'd.)

Group

31 December 2012	Neither impaired nor past-due					Past-due but not impaired	
	*AAA RM'000	*AA RM'000	*A RM'000	*BBB RM'000	Not Rated RM'000	RM'000	Total RM'000
Financial assets at FVTPL							
Warrants and loan stocks	-	-	-	-	5,639	-	5,639
HTM financial investments							
Malaysian government securities	-	-	-	-	20,190	-	20,190
Government investment issues	-	-	-	-	25,118	-	25,118
Government guaranteed loan	-	-	-	-	5,000	-	5,000
Corporate debt securities	17,844	30,098	-	-	-	-	47,942
LAR							
Fixed and call deposits	41,000	86,200	31,900	12,000	20,000	-	191,100
AFS financial investments							
Equity securities	-	-	-	-	194,938	-	194,938
Unit trust funds	-	-	-	-	29,501	-	29,501
Debt securities	-	-	-	-	11,055	-	11,055
Reinsurance assets	-	12,118	32,416	-	113,028	-	157,562
Insurance receivables	-	-	-	-	20,389	6,684	27,073
Other receivables	-	-	-	-	32,713	-	32,713
Cash and cash equivalent	98,692	115,900	90,301	48,000	60,995	-	413,888
	157,536	244,316	154,617	60,000	538,566	6,684	1,161,719

* *Based on public ratings assigned by reputable rating agencies.*

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30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties.

Company

31 December 2013	Neither impaired nor past-due					**Past-due but not impaired**	
	***AAA RM'000**	***AA RM'000**	***A RM'000**	***BBB RM'000**	**Not Rated RM'000**	**RM'000**	**Total RM'000**
Financial assets at FVTPL							
Warrants and loan stocks	-	-	-	-	9,893	-	9,893
Wholesale funds	-	-	-	-	92,113	-	92,113
HTM financial investments							
Malaysian government securities	-	-	-	-	10,050	-	10,050
Government investment issues	-	-	-	-	20,048	-	20,048
Government guaranteed loan	-	-	-	-	5,000	-	5,000
Corporate debt securities	22,748	30,072	-	-	-	-	52,820
LAR							
Fixed and call deposits	10,000	29,100	10,000	13,000	-	-	62,100
AFS financial investments							
Equity securities	-	-	-	-	152,905	-	152,905
Unit trust funds	-	-	-	-	395,315	-	395,315
Debt securities	-	-	-	-	11,457	-	11,457
Reinsurance assets	-	2,837	40,097	992	134,787	-	178,713
Insurance receivables	-	-	-	-	26,953	19,806	46,759
Other receivables	-	-	-	-	59,673	-	59,673
Cash and cash equivalent	96,516	24,727	21,118	16,038	35	-	158,434
	129,264	86,736	71,215	30,030	918,229	19,806	1,255,280

* *Based on public ratings assigned by reputable rating agencies.*

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30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Credit exposure by credit rating (Cont'd.)

Company

31 December 2012	Neither impaired nor past-due					Past-due but not impaired	
	*AAA RM'000	*AA RM'000	*A RM'000	*BBB RM'000	Not Rated RM'000	RM'000	Total RM'000
Financial assets at FVTPL							
Warrants and loan stocks	-	-	-	-	5,639	-	5,639
Wholesale funds	-	-	-	-	91,289	-	91,289
HTM financial investments							
Malaysian government securities	-	-	-	-	20,190	-	20,190
Government investment issues	-	-	-	-	25,118	-	25,118
Government guaranteed loan	-	-	-	-	5,000	-	5,000
Debt securities	17,844	30,098	-	-	-	-	47,942
LAR							
Fixed and call deposits	41,000	74,200	11,900	12,000	20,000	-	159,100
AFS financial investments							
Equity securities	-	-	-	-	194,938	-	194,938
Unit trust funds	-	-	-	-	29,501	-	29,501
Debt securities	-	-	-	-	11,055	-	11,055
Reinsurance assets	-	12,118	32,416	-	113,028	-	157,562
Insurance receivables	-	-	-	-	20,389	6,684	27,073
Other receivables	-	-	-	-	31,565	-	31,565
Cash and cash equivalent	76,550	115,900	54,300	48,000	60,961	-	355,711
	135,394	232,316	98,616	60,000	628,673	6,684	1,161,683

** Based on public ratings assigned by reputable rating agencies.*

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30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Age Analysis of Financial Assets Past-Due But Not impaired

	Past due but not impaired					
Group and Company	**< 30 days RM'000**	**31 to 60 days RM'000**	**61 to 90 days RM'000**	**91 to 180 days RM'000**	**more than 180 days RM'000**	**Total RM'000**
31 December 2013						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	4,983	1,244	1,824	1,116	1,104	10,271
Due from reinsurers and cedants	3,093	2,142	929	3,253	118	9,535
	8,076	3,386	2,753	4,369	1,222	19,806
31 December 2012						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	2,450	715	519	590	964	5,238
Due from reinsurers and cedants	606	235	79	106	420	1,446
	3,056	950	598	696	1,384	6,684

30. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk

Liquidity risk is the risk where the Company is unable to meet its obligations in a timely manner at a reasonable cost at any time. The Company maintains a large tranche of liquid asset instruments, primarily bank deposits and Malaysian Government Securities, to ensure high liquidity.

Maturity Profiles

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

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

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30. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles (Cont'd.)

Group	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
31 December 2013						
Financial instruments:						
FVTPL	9,893	-	4,991	4,902	-	9,893
HTM	87,918	33,514	33,685	33,172	-	100,371
LAR	64,100	64,808 *	-	-	-	64,808
AFS - Equity Securities	152,905	-	-	-	152,905	152,905
AFS - Debt Securities	28,218	-	29,158	-	-	29,158
AFS - Unit trust funds	360,294	-	-	-	360,294	360,294
Reinsurance assets	178,713	57,575	99,858	21,280	-	178,713
Insurance receivables	46,759	46,759	-	-	-	46,759
Other receivables	59,907	5,065	-	-	54,842	59,907
Cash and cash equivalents	267,867	256,482	-	-	12,028	268,510 *
Total Assets	1,256,574	464,202	167,692	59,354	580,069	1,271,318
Insurance contract liabilities	734,503	320,878	361,689	51,936	-	734,503
Insurance payables	48,570	48,570	-	-	-	48,570
Other payables	25,317	19,432	14	-	5,871	25,317
Total Liabilities	808,390	388,880	361,703	51,936	5,871	808,390

* Reflect the principal and interest receivable upon maturity, excluding those that have been accounted for under other receivables.

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30. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles (Cont'd.)

Group 31 December 2012	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial instruments:						
FVTPL	5,639	6	1,739	3,894	-	5,639
HTM	98,250	25,502	64,252	19,602	-	109,356 *
LAR	191,100	194,166	-	-	-	194,166
AFS - Equity Securities	194,938	-	-	-	194,938	194,938
AFS - Debt Securities	11,055	-	11,055	-	-	11,055
AFS - Unit trust funds	29,501	-	-	-	29,501	29,501
Reinsurance assets	157,562	56,379	72,875	28,308	-	157,562
Insurance receivables	27,073	27,073	-	-	-	27,073
Other receivables	32,713	5,524	-	-	27,189	32,713
Cash and cash equivalents	413,888	399,519 *	-	-	16,995	416,514
Total Assets	1,161,719	708,169	149,921	51,804	268,623	1,178,517
Insurance contract liabilities	679,549	283,870	314,895	80,784	-	679,549
Insurance payables	40,282	40,282	-	-	-	40,282
Other payables	15,998	15,931	67	-	-	15,998
Total Liabilities	735,829	340,083	314,962	80,784	-	735,829

* Reflect the principal and interest receivable upon maturity, excluding those that have been accounted for under other receivables.

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30. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles (Cont'd.)

Company **31 December 2013**	**Carrying value RM'000**	**Less than 1 year RM'000**	**Over 1-5 years RM'000**	**Over 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
Financial instruments:						
FVTPL	102,006	-	4,991	4,902	92,113	102,006
HTM	87,918	33,514 *	33,685 *	33,172 *	-	100,371
LAR	62,100	62,776 *	-	-	-	62,776
AFS - Equity Securities	152,905	-	-	-	152,905	152,905
AFS - Debt Securities	11,457	-	11,457	-	-	11,457
AFS - Unit trust funds	395,315	-	-	-	395,315	395,315
Reinsurance assets	178,713	57,575	99,858	21,280	-	178,713
Insurance receivables	46,759	46,759	-	-	-	46,759
Other receivables	59,673	4,831	-	-	54,842	59,673
Cash and cash equivalents	158,434	146,950 *	-	-	11,994	158,944
Total Assets	1,255,280	352,405	149,991	59,354	707,169	1,268,919
Insurance contract liabilities	734,503	320,878	361,689	51,936	-	734,503
Insurance payables	48,570	48,570	-	-	-	48,570
Other payables	25,023	19,138	14	-	5,871	25,023
Total Liabilities	808,096	388,586	361,703	51,936	5,871	808,096

* Reflect the principal and interest receivable upon maturity, excluding those that have been accounted for under other receivables.

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30. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles (Cont'd.)

Company **31 December 2012**	**Carrying value RM'000**	**Less than 1 year RM'000**	**Over 1-5 years RM'000**	**Over 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
Financial instruments:						
FVTPL	96,928	6	1,739	3,894	91,289	96,928
HTM	98,250	25,502 *	64,252	19,602 *	-	109,356
LAR	159,100	161,584 *	-	-	-	161,584
AFS - Equity Securities	194,938	-	-	-	194,938	194,938
AFS - Debt Securities	11,055	-	11,055	-	-	11,055
AFS - Unit trust funds	29,501	-	-	-	29,501	29,501
Reinsurance assets	157,562	56,379	72,875	28,308	-	157,562
Insurance receivables	27,073	27,073	-	-	-	27,073
Other receivables	31,565	4,376	-	-	27,189	31,565
Cash and cash equivalents	355,711	341,275 *	-	-	16,961	358,236
Total Assets	1,161,683	616,195	149,921	51,804	359,878	1,177,798
Insurance contract liabilities	679,549	283,870	314,895	80,784	-	679,549
Insurance payables	40,282	40,282	-	-	-	40,282
Other payables	15,962	15,895	67	-	-	15,962
Total Liabilities	735,793	340,047	314,962	80,784	-	735,793

* Reflect the principal and interest receivable upon maturity, excluding those that have been accounted for under other receivables.

30. FINANCIAL RISK (CONT'D.)

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Company's policies on asset allocation, portfolio mix structure have been set in line with the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

Compliance with the policies is monitored and reported to the Board and Investment Committee.

(d) 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 its exposure to currency risk arises principally with respect to US Dollar (USD).

As the Company's business is conducted primarily in Malaysia, the Company's financial assets and its insurance contract liabilities are also primarily maintained in Malaysia, and denominated in RM.

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

(e) Interest Rate 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.

The investment in deposit placements is not exposed to significant interest rate risk as the interest rates thereon are fixed. The investments in fixed rate debt securities are classified as HTM and therefore, not sensitive to changes in interest rate.

30. FINANCIAL RISK (CONT'D.)

(f) 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 price (other than those arising from interest rate 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's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Company is exposed to equity price risk arising from investments held by the Company, comprises quoted equities and unit trusts/wholesale funds.

The analysis below is performed for reasonably possible movements in equity price with all other variables held constant, showing the impact on profit before tax and equity.

	Changes in variable	Impact on Profit before tax RM'000	Impact on equity* RM'000
Group and Company			
31 December 2013			
Market Indices			
Bursa Malaysia	+ 10%	10,201	42,268
Bursa Malaysia	- 10%	(10,578)	(41,665)

31 December 2012	Changes in variable RM'000	Impact on Profit before tax RM'000	Impact on equity* RM'000
Market Indices			
Bursa Malaysia	+ 10%	9,693	17,653
Bursa Malaysia	- 10%	(12,775)	(15,342)

* impact on Equity reflects adjustments for tax, when applicable

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

30. FINANCIAL RISK (CONT'D.)

(g) Operational Risk

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

The Company cannot expect to eliminate all operational risks but mitigates them by establishing a control framework and by monitoring and responding to potential risks.

Business risks, such as changes in environment, technology and the industry are monitored through the Company's strategic and budgeting process.

(h) Fair Value Hierarchy

i. Level 1 - Active Market - quoted price

Financial instruments which are regarded as quoted in an active market if quoted price are readily available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices which represent actual and regularly occurring market transacrions on an arm's length basis.

ii. Level 2 - No Active Market - Measurement using significant observable inputs

Inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (ie prices) or indirectly (ie derived from prices).

Example of Level 2 instruments include investment properties, AFS designated corporate and government bonds.

iii. Level 3 - No Active Market - Measurement using unobservable inputs

Financial instruments where fair values are measured using unobservable inputs. The valuation measurement is consistent with Level 2.

Example of Level 3 instruments include corporate bonds in illiquid markets.

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30. FINANCIAL RISK (CONT'D.)

(h) Fair value hierarchy (cont'd.)

		2013				2012			
		Fair value measurement using:				Fair value measurement using:			
	Date of valuation	Quoted prices in active market Level 1 RM'000	Significant unobservable inputs Level 2 RM'000	Significant unobservable inputs Level 3 RM'000	Total RM'000	Quoted prices in active market Level 1 RM'000	Significant unobservable inputs Level 2 RM'000	Significant unobservable inputs Level 3 RM'000	Total RM'000
Assets									
Assets measured at fair value:									
Investment properties (Note 5)	31 December 2013	-	19,860	-	19,860	-	19,700	-	19,700
Available-for-sale investments (Note 6 (c))									
Equity securities:									
Quoted in Malaysia	31 December 2013	146,879	-	-	146,879	186,610	-	-	186,610
Quoted outside Malaysia	31 December 2013	5,908	-	-	5,908	8,210	-	-	8,210
Unit trust funds	31 December 2013	395,315	-	-	395,315	29,501	-	-	29,501
Debt securities:					-				
Quoted in Malaysia	31 December 2013	11,457	-	-	11,457	11,055	-	-	11,055
Financial investments at FVTPL (Note 6 (d))									
(i) Designated upon initial recognition:									
Loan stocks	31 December 2013	4,982	-	-	4,982	3,065	-	-	3,065
Wholesale funds	31 December 2013	92,113	-	-	92,113	91,289	-	-	91,289
(ii) Held-for-trading ("HFT")									-
Warrants	31 December 2013	4,911	-	-	4,911	2,574	-	-	2,574
Total Assets		661,565	19,860	-	681,425	332,304	19,700	-	352,004

There have been no transfers between Level 1 and Level 2 during the period.

31. REGULATORY CAPITAL REQUIREMENT

Pursuant to the Risk-Based Capital Framework issued by Bank Negara Malaysia, insurance companies are required to meet the minimum capital adequacy ratio of 130%. The Company has met the minimum regulatory capital requirement.

The capital structure of the Company as at 31 December 2013, as prescribed under the RBC Framework is provided below:

	Note	2013 RM'000	2012 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	12	118,000	118,000
Retained earnings		389,810	322,300
		507,810	440,300
Tier 2 Capital			
Eligible reserves		44,997	36,284
Deductions			
Intangible assets		(1,449)	(1,101)
Total capital available		551,358	475,483