Company No.

9827	A

CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

REPORTS AND STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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Company No.

9827	A

CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
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REPORTS AND STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2016

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Company No.

9827	A

CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

CORPORATE INFORMATION

DOMICILE	:	Malaysia
LEGAL FORM AND PLACE OF INCORPORATION	:	Public company limited by way of shares incorporated in Malaysia under the Companies Act, 1965
REGISTERED OFFICE	:	Wisma Chubb 38 Jalan Sultan Ismail 50250 Kuala Lumpur
PRINCIPAL PLACE OF BUSINESS	:	Wisma Chubb 38 Jalan Sultan Ismail 50250 Kuala Lumpur

Company No.

9827	A

CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITY

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

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

RESULTS

	RM'000
Profit for the financial year	96,094

RESERVES AND PROVISIONS

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

DIVIDEND

No dividend was paid or declared by the Company since the end of last financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2016.

CORPORATE GOVERNANCE

The Board of Directors ('the Board") is satisfied that the Company has substantially complied with the prescriptive applications in BNM/RH/PD_029-9: Corporate Governance.

Board Responsibilities

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Company and its customers, officers and the general public. In fulfilling this role, the Board must:

(a) approve the Risk Appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;

(b) oversee the selection, performance, Remuneration and succession plans of the Chief Executive Officer, Control Function heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Company;

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities (continued)

(c) oversee the implementation of the Company's governance framework and Internal Control Framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;

(d) promote, together with Senior Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;

(e) promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;

(f) oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and

(g) promote timely and effective communication between the Company and Bank Negara Malaysia ("BNM") on matters affecting or that may affect the safety and soundness of the Company.

Composition of the Board

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

YBhg Tan Sri Leo Moggie (Chairman)
Dato' Sri Abdul Hamidy bin Abdul Hafiz
Song Yam Lim
Gregory Jerome Gerald Fernandes
Olivier Bouchard
Stephen Barry Crouch

In accordance with Article 99 of the Company's Articles of Association, Song Yam Lim and Dato' Sri Abdul Hamidy bin Abdul Hafiz retire at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-election.

The Board comprises individuals with a wide range of professional skills and operational experience:

YBhg Tan Sri Leo Moggie (Chairman, Independent Non-Executive Director)

YBhg Tan Sri Leo Moggie is the Chairman of Tenaga Nasional Berhad and a number of companies under the Tenaga Nasional Group with effect from the date of his appointment on 12 April 2004. He was formerly a Member of Parliament from 1974 to 2004. He had served as a Minister in the State Government of Sarawak from 1976 to 1978. He was a Minister in the Federal Cabinet from 1978 until he retired as the Minister of Energy, Communications and Multimedia in 2004.

CORPORATE GOVERNANCE (CONTINUED)

Composition of the Board (continued)

Dato' Sri Abdul Hamidy bin Abdul Hafiz (Independent Non-Executive Director)

Dato' Sri Abdul Hamidy has extensive experience in finance and banking. He was formerly Chairman of Danajamin Nasional Bhd, Credit Guarantee Corporation and Association of Bank Malaysia. He was also the CEO of three financial institutions namely Danaharta Nasional Bhd, Affin Bank Bhd. and Kuwait Finance House Bhd. He is currently Chairman of Corporate Debt Restructuring Committee (under the auspices of BNM), Eastland Equity Bhd. (company listed on main board of Bursa Malaysia) and a member of the Board of Directors of Sime Motors Bhd, Sime Industrial Bhd and SKY Exchange Sdn Bhd. He is also a member of the Listing Committee of Bursa Malaysia.

Song Yam Lim (Independent Non-Executive Director)

Mr. Song is currently the General Manager of Hap Seng Insurance Services Sdn. Bhd. He has had extensive experience in the insurance industry having held numerous senior executive roles during his 45 years in the industry. He was formerly the Chief Executive Officer and Executive Director for MSIG Insurance (M) Bhd., Aviva Insurance (M) Bhd. and CGU Insurance (M) Bhd.

Gregory Jerome Gerald Fernandes (Independent Non-Executive Director)

Mr. Fernandes is currently a Corporate Advisor specializing in strategy, fund raising and other finance related services. He is an accountant by profession and is a Member of the Malaysian Institute of Accountants (MIA) and an Associate Member of the Institute of Chartered Accountants in England & Wales (1981). He began his career in London with Ernst & Young and had since served in executive positions in various large corporations, the most recent as a Board Member, CFO and Senior Vice President for Global Marketing in a public company involved in transport and engineering logistics.

Olivier Bouchard (Non-Independent Executive Director)

Mr. Bouchard is the Regional Chief Financial Officer for Chubb in the Asia Pacific Region. He has extensive experience in the insurance and financial services industry having held numerous senior executive roles in various multinational corporations during his 20 year career. Before his appointment as the Regional Chief Financial Officer, he was the Financial Controller for Chubb in Asia Pacific, responsible for the management results and statutory reporting, as well as the compliance environment of the financial division throughout the region.

Stephen Barry Crouch (Non-Independent Executive Director)

Mr. Crouch has both the breadth and depth of experience in the insurance industry, with a career spanning more than 25 years which includes a variety of management positions in leading broker institutions and insurance firms. Before his appointment as the Chief Executive Officer of Chubb in Malaysia, he was the Chief Operating Officer for Chubb in Asia Pacific (ACE Asia Pacific) responsible for the strategic development and the financial performance for Chubb's businesses located in the Region. Prior to that, he was the Chief Executive Officer of Chubb in Australia & New Zealand where he was responsible for the operations and business development activities of Chubb's key business lines. Between 2006-2007, he was the Chief Executive Officer of Chubb's operations in Hong Kong.

CORPORATE GOVERNANCE (CONTINUED)

The current Board Committees are:

Audit Committee

The primary objective of the Audit Committee is to assist the Board in the discharge of its responsibilities and to ensure the integrity and transparency of the financial reporting process.

The Audit Committee comprises of the following Directors:

Dato' Sri Abdul Hamidy bin Abdul Hafiz (Chairman)
YBhg Tan Sri Leo Moggie
Song Yam Lim
Gregory Jerome Gerald Fernandes

Nominating Committee

The primary objective of the Nominating Committee is to establish or to ensure that there is a formal and transparent procedure for the appointment of Directors, Chief Executive Officer and senior officers who report directly to the Chief Executive Officer and to assess the effectiveness of individual Directors, the Board as a whole, Chief Executive Officer and senior officers on an on-going basis.

The Nominating Committee comprises of the following Directors:

Gregory Jerome Gerald Fernandes* (Chairman)
YBhg Tan Sri Leo Moggie**
Dato' Sri Abdul Hamidy bin Abdul Hafiz
Song Yam Lim
Olivier Bouchard***
Stephen Barry Crouch

* Appointed as member on 24 March 2016 and re-designated as Chairman on 23 February 2017
** Re-designated as member on 23 February 2017
*** Resigned on 24 March 2016

Remuneration Committee

The primary objective of the Remuneration Committee is to provide a formal and transparent procedure for developing a Remuneration Policy for Directors, Chief Executive Officer and senior officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee (continued)

The Remuneration Committee comprises of the following Directors:

Gregory Jerome Gerald Fernandes*	(Chairman)
YBhg Tan Sri Leo Moggie**	
Dato' Sri Abdul Hamidy bin Abdul Hafiz ***	
Olivier Bouchard****	

* Re-designated as Chairman on 23 February 2017
** Re-designated as member on 23 February 2017
*** Appointed on 28 January 2016
**** Resigned on 28 January 2016

During the financial year, the Committee reviewed the fees payable to Directors in consideration of individual Director's performance and participation.

Risk Management Committee

The primary objective of the Risk Management Committee is to oversee and ensure the effectiveness of Senior Management's activities in managing the key risk areas of the Company and to ensure that an appropriate risk management framework, strategy and process is in place and functioning effectively.

The Risk Management Committee comprises of the following Directors:

Song Yam Lim	(Chairman)
YBhg Tan Sri Leo Moggie	
Gregory Jerome Gerald Fernandes	
Dato' Sri Abdul Hamidy bin Abdul Hafiz*	
Olivier Bouchard**	

* Appointed on 24 March 2016
** Resigned on 24 March 2016

Company No.

9827	A

CHUBB INSURANCE MALAYSIA BERHAD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

The number of Board and Board Committee meetings held during the financial year is set out below.

		Meetings of Committees			
	Board of Directors	Audit	Nominating	Remuneration	Risk Management
Number of meetings held during the financial year	9	6	6	5	4
	Number attended	Number attended	Number attended	Number attended	Number attended
YBhg Tan Sri Leo Moggie	8/9	6/6	6/6	5/5	4/4
Dato' Sri Abdul Hamidy bin Abdul Hafiz	9/9	6/6	6/6	5/5	4/4
Song Yam Lim	9/9	6/6	6/6	-	4/4
Gregory Jerome Gerald Fernandes	9/9	6/6	4/6 ^	5/5	4/4
Olivier Bouchard	9/9	-	3/6 *	1/5 #	1/4 @
Stephen Barry Crouch	9/9	-	6/6	-	-

^ Appointed as member on 24 March 2016 and re-designated as Chairman on 23 February 2017
* Resigned on 24 March 2016
# Resigned on 28 January 2016
@ Resigned on 24 March 2016

Internal Control and Risk Management Framework

The Board is responsible and committed to establishing a sound internal control framework which includes financial, operational and compliance controls and risk management practices. The internal control framework is designed to manage rather than eliminate risks and therefore can only provide reasonable and not absolute assurance of effectiveness. An integral part of the internal control framework is the ongoing company-wide risk management process for identifying, evaluating and managing the significant risks faced by the Company.

The Company's Enterprise Risk Management Framework ("RMF") utilizes the "3 Lines of Responsibilities" strategy, as part of its internal control framework to help the Company to achieve its business objectives, meet its corporate obligations and at the same time maintain its reputation. The implementation of the RMF is delegated to the Enterprise Risk Committee who is responsible for monitoring, assessing and reporting on risk related activity to the Board through the Board Risk Management Committee.

The Board Audit Committee regularly evaluates the effectiveness and adequacy of the Company's internal control framework based on reports prepared by Internal Audit, external auditors and any other relevant authority. Internal Audit in turn, ensures that recommendations to improve the effectiveness of the Company's internal controls, risk management and governance processes are addressed in a timely manner.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Policy

Remuneration systems form a key component of the governance and incentive structure through which the Board and Senior Management (including Chief Executive Officer and Senior Officers) drive performance, convey acceptable risk taking behaviour and reinforce the Company's corporate and risk culture. Senior Officers including 4 Head of Business Line and 11 Head of Support Function.

The overall Remuneration system of the Company is guided by the following principles:-

(a) It is subject to the Board's active oversight to ensure that it operates as intended.

(b) It is in line with the business and risk strategies, corporate values and long-term interests of the Company.

(c) It is designed and implemented with input from Control Functions and the Board Risk Management Committee ("RMC") to ensure that risk exposure and risk outcomes are adequately considered.

(d) It must not threaten the Company's ability to maintain adequate capital base.

(e) It must be sustainable according to the financial condition of the Company as a whole and justified on the basis of Company performance, the business unit and the individual concerned.

(f) It must be appropriate to the nature, scale and complexity of the role, function or service performed.

(g) Remuneration decisions must not be made and/or approved by a beneficiary of that decision.

The Remuneration system of the Company is linked to its risk management framework in that it is consistent with the Risk Appetite and the long-term strategy of the Company. The Remuneration for individuals within the Company must be aligned with prudent risk-taking and appropriately adjusted for risks.

This includes ensuring that:

(a) Remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement;

(b) The size of the bonus pool is linked to the overall performance of the Company;

(c) Incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Company;

(d) Bonuses are not guaranteed, except in the context of sign-on bonuses;

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Policy (continued)

(e) For members of Senior Management & Other Material Risk Takers:

(i) a portion of Remuneration consists of variable Remuneration to be paid on the basis of individual, business-unit and institution-wide measures that adequately assess performance; and

(ii) the variable portion of Remuneration increases along with the individual's level of accountability.

The Company participates in industry salary and benefits surveys and are guided by the results arising from these surveys as it is a comparative measure of market competitiveness and alignment.

The Remuneration for each member of Senior Management & Other Material Risk Taker is approved by the Board annually.

Methodology for Determining Remuneration

The Company engages in an enterprise wide Performance Planning and Review process ("PPR"). This annual performance review consists of the following:

(a) establishing the financial, business and development objectives for each department;

(b) evaluating the results, work skills and competencies; and

(c) developing appropriate skills and knowledge for current roles and future progression.

This process consists of a series of review conversations between managers and staff completed during the first quarter of each year. The process provides an opportunity for staff to set individual objectives which are aligned to business objectives. Performance achievements are acknowledged and compared against the prior year's target. Development needs are also discussed with individual objectives linked to the business and strategic unit objectives for the Company. Recommendations for reward and recognition arise from this process and are put forward by the relevant divisional and departmental heads.

These performance reviews and recommendations are collated by the Head of Human Resources ("HR") and reviewed in consultation with the CEO. The CEO and Head of HR will review the remuneration recommendations and may consider adjustments, being guided by the assessments of the effectiveness and contributions of the individual concerned and taking into account any salary alignments to the market which is deemed critical. The CEO and Head of HR shall ensure that the Remuneration packages of the Company are competitive and consistent with the Company's culture, objectives and remuneration strategy.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Policy (continued)

The Company adopts a multi-year framework to measure the performance of members of Senior Management & Other Material Risk Takers. Such a framework provides for:

(a) the deferment of payment of a portion of variable remuneration to the extent that risks are realised over long periods, with these deferred portions increasing along with the individual's level of accountability;

(b) the calibration of an appropriate mix of cash, shares, share-linked instruments, and other forms of remuneration to reflect risk alignment; and

(c) adjustments to the vested and unvested portions of variable remuneration (through malus, clawbacks and other reversals or downward revaluations of awards) in the event of bad performance of the business unit attributable to the individual or if he commits serious legal, regulatory or internal policy breaches.

To promote behaviours that are aligned to the intended effects of incentive structures, the Company ensures that:

(a) variables used to measure risk and performance outcomes of an individual relate closely to the level of accountability of that individual;

(b) the determination of performance measures and variable remuneration considers that certain indicators (such as share prices) may be influenced in the short term by factors like market sentiment or general economic conditions which are not specifically related to the Company's performance or an individual's actions, and the use of such indicators does not create incentives for individuals to take on excessive risk in the short term; and

(c) members of Senior Management & Other Material Risk Takers commit not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.

To safeguard the independence and authority of individuals engaged in Control Functions, the Company must ensure that the Remuneration of such individuals is based principally on the achievement of Control Functions objectives, and determined in a manner that is independent from the business lines they oversee. To achieve this:

(a) Remuneration for employees in Control Functions are structured in a way that is principally based on the achievement of their control objectives and does not compromise their independence.

(b) Due care is exercised to preserve a clear distinction between performance measures of staff responsible for Control Functions and the performance of any business unit.

(c) The Board/Remuneration Committee is actively involved in the performance reviews of individuals primarily responsible for Control Functions.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the Directors' remuneration) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors in office at the end of the financial year held any interest in shares in, or debentures of the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION

The Directors' remuneration and other emoluments during the financial year are as follows:

	RM'000
Directors' fees	694
Directors' other emoluments*	3,651
Insurance premium effected for Directors	59
	4,404

* Included in Directors' emoluments are benefits-in-kind (based on estimated value) of RM28,450.

RESTRICTED SHARE OPTION PLAN

Under Chubb's long term incentive plan, restrictive share options were granted to eligible employees of the Company. The exercisable price of these options is the fair market value at issue date. These options vest at various dates over a 3 year period from the grant date and any unvested options are cancelled on termination of employment. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb to the Company on an annual basis. Any option not exercised or cancelled pursuant to the terms of plan will be forfeited by the tenth anniversary from the date of grant.

RESTRICTED SHARE OPTION PLAN (CONTINUED)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price per share	Share options
	RM	Units
At beginning of financial year		30,074
Granted	506.74	8,111
Forfeited	455.29	(4,021)
Exercised	529.34	(1,692)
Expiration		(696)
Transferred out		(497)
Transferred in		297
At end of financial year		31,576

Out of the 31,576 outstanding options, 18,173 options were exercisable. Options granted in 2016 resulted in 8,111 shares options being issued at exercise price of RM506.74 each. 1,692 options were exercised in 2016 at exercise price of RM529.34.

Share options outstanding at the end of the financial year have the following expiry date and exercise prices:

	Exercise price per share	Share options 2016
	RM	Units
2015	190.39	-
2016	241.41	-
2017	240.29	86
2018	258.01	1,660
2019	164.83	160
2020	215.60	1,445
2021	268.12	2,860
2022	313.96	2,768
2023	365.49	3,758
2024	414.16	5,244
2025	491.29	6,232
2026	506.74	7,363
		31,576

The weighted average fair value of options granted during the financial year determined using the Black-Scholes valuation model was RM89.54 per option. The significant inputs into the model were share price of RM506.74, at the grant date, the exercise price shown above, volatility of 24.00%, dividend yield of 2.26%, an expected option life of 5 years and on annual risk-free interest rate of 1.24%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. Details of restricted share option plan are set out in Note 13 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

(i) to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework for insurers issued by Bank Negara Malaysia ("BNM") pursuant to Section 47(1) of the Financial Services Act, 2013;

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

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

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

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

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

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

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

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

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

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

(f) In the opinion of the Directors:

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

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

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

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

ULTIMATE HOLDING COMPANY

The Directors regard Chubb Limited, a company incorporated in Zurich, Switzerland, as the ultimate holding company.

AUDITORS' REMUNERATION

The auditors' remuneration for financial year ended 31 December 2016 amounted to RM389,172.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 March 2017.

OLIVIER BOUCHARD
DIRECTOR

STEPHEN BARRY CROUCH
DIRECTOR

Kuala Lumpur

Company No.	
9827	A

CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Olivier Bouchard and Stephen Barry Crouch, two of the Directors of Chubb Insurance Malaysia Berhad (formerly known as ACE Jerneh Insurance Berhad), state that, in the opinion of the Directors, the financial statements set out on pages 20 to 97 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2016 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 March 2017.

OLIVIER BOUCHARD
DIRECTOR

STEPHEN BARRY CROUCH
DIRECTOR

Kuala Lumpur

Company No.

9827	A

CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT,2016

I, Stephen Barry Crouch, being the officer primarily responsible for the financial management of Chubb Insurance Malaysia Berhad (formerly known as ACE Jerneh Insurance Berhad), do solemnly and sincerely declare that the financial statements set out on pages 20 to 97 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.

STEPHEN BARRY CROUCH

Subscribed and solemnly declared by the named above at Kuala Lumpur in Malaysia before me, on 23 March 2017.

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No. W292
Mohd Zainal
Abiddin Bin
Mohd Zainuddin
MALAYSIA

Lot 1.68, 1st Floor,
Wisma Cosway, Jalan Raja Chulan
50200 Kuala Lumpur.
Tel: 03-91725900
H/P: 012-3766796

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CHUBB INSURANCE MALAYSIA BERHAD

(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)
(Company No. 9827A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Chubb Insurance Malaysia Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its 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.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 97.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CHUBB INSURANCE MALAYSIA BERHAD (CONTINUED)
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)
(Company No. 9827A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Company 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 of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CHUBB INSURANCE MALAYSIA BERHAD (CONTINUED)
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)
(Company No. 9827A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CHUBB INSURANCE MALAYSIA BERHAD (CONTINUED)
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)
(Company No. 9827A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS	MANJIT SINGH A/L HAJANDER SINGH
(No. AF: 1146)	(No.2954/03/17 (J))
Chartered Accountants	Chartered Accountant

Kuala Lumpur
23 March 2017

Company No.

9827	A

CHUBB INSURANCE MALAYSIA BERHAD

(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Property and equipment	4	57,430	60,541
Intangible assets	5	5,574	6,217
Investments			
- Available-for-sale financial assets ("AFS")	6	1,054,438	938,688
Reinsurance assets	7	242,249	371,456
Insurance receivables	8	177,034	169,321
Other receivables	9	70,154	79,513
Deferred tax assets	16	15,362	11,523
Current tax assets		17,473	13,080
Cash and cash equivalents		283,052	240,451
Total assets		1,922,766	1,890,790
EQUITY AND LIABILITIES			
Share capital	10	100,000	100,000
Retained earnings	11	620,689	524,595
Available-for-sale fair value reserves	12	(2,390)	(3,866)
Equity reserve	13	6,040	4,307
Total equity		724,339	625,036
Insurance contract liabilities	14	999,266	1,076,844
Investment contract liabilities	15	1,135	1,048
Insurance payables	17	66,104	84,265
Other payables	18	131,922	103,597
Total liabilities		1,198,427	1,265,754
Total equity and liabilities		1,922,766	1,890,790

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

Company No.

9827	A

CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Gross earned premiums	19(a)	934,834	875,647
Premiums ceded to reinsurers	19(b)	(232,826)	(227,110)
Net earned premiums		702,008	648,537
Investment income	20	50,409	49,668
Realised gains/(losses)	21	301	(11,373)
Commission income	22	58,211	63,765
Other operating income		802	745
Net income		109,723	102,805
Total revenue		811,731	751,342
Gross claims paid		(499,940)	(332,153)
Claims ceded to reinsurers		191,258	96,421
Gross change to contract liabilities		101,112	(97,990)
Change in contract liabilities ceded to reinsurers		(123,464)	50,134
Net claims incurred		(331,034)	(283,588)
Commission expense		(134,474)	(125,392)
Management expenses	23	(216,701)	(179,063)
Total other expenses		(351,175)	(304,455)
Profit before taxation		129,522	163,299
Taxation	24	(33,428)	(40,829)
Profit for the financial year		96,094	122,470
Earnings per share (sen)			
Basic	25	96.09	122.47

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

Company No.

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CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 RM'000	2015 RM'000
Profit for the financial year	96,094	122,470
Other comprehensive income:		
Items that may be subsequently reclassified to income statement:		
Available-for-sale fair value reserves		
Net gains/(losses) arising during the financial year	2,024	(843)
Net realised (gains)/losses transferred to income statement	(15)	738
	2,009	(105)
Tax effects thereon (Note 16)	(533)	26
	1,476	(79)
Total comprehensive income for the financial year	97,570	122,391

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

Company No.	
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CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Non-distributable		Distributable	
	Share capital	Equity reserve	Fair value reserves	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	100,000	4,307	(3,866)	524,595	625,036
Profit for the financial year	-	-	-	96,094	96,094
Other comprehensive income for the financial year	-	-	1,476	-	1,476
Share-based long term incentive plan vested	-	1,733	-	-	1,733
Share-based long term incentive plan paid	-	-	-	-	-
	-	1,733	-	-	1,733
At 31 December 2016	100,000	6,040	(2,390)	620,689	724,339
At 1 January 2015	100,000	2,715	(3,787)	692,125	791,053
Profit for the financial year	-	-	-	122,470	122,470
Other comprehensive income for the financial year	-	-	(79)	-	(79)
Dividend paid	-	-	-	(290,000)	(290,000)
Share-based long term incentive plan vested	-	1,592	-	-	1,592
Share-based long term incentive plan paid	-	-	-	-	-
	-	1,592	-	-	1,592
At 31 December 2015	100,000	4,307	(3,866)	524,595	625,036

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

Company No.

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CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
OPERATING ACTIVITIES			
Cash generated from operating activities	26	41,060	337,497
Interest income received		45,480	51,317
Dividend income received		99	99
Income tax paid		(42,193)	(72,309)
Net cash flows generated from operating activities		44,446	316,604
INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		54	201
Purchase of property and equipment	4	(1,298)	(3,759)
Purchase of intangibles assets	5	(601)	(6,459)
Net cash flows used in investing activities		(1,845)	(10,017)
FINANCING ACTIVITIES			
Dividend paid		-	(290,000)
Net cash flows used in financing activities		-	(290,000)
Net increase in cash and cash equivalents		42,601	16,587
Cash and cash equivalents at beginning of the financial year		240,451	223,864
Cash and cash equivalents at end of the financial year		283,052	240,451
Cash and cash equivalents comprise:			
Fixed and call deposits:			
- Licensed financial institutions in Malaysia		275,131	229,977
Cash and bank balances		7,921	10,474
		283,052	240,451

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

Company No.

9827	A

CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The Directors regard Chubb Limited, a company incorporated in Zurich, Switzerland, as the ultimate holding company of the Company.

During June 2016, the name of the Company was changed from ACE Jerneh Insurance Berhad to Chubb Insurance Malaysia Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 March 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

The financial statements of the Company have also been prepared under the historical cost basis, except otherwise stated in these significant accounting policies. The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the date of the statement of financial position.

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and are effective.

The relevant new accounting standards, amendments and improvements to published standards and interpretations to existing accounting standards that are effective and applicable for the Company's financial year beginning on or after 1 January 2016 are as follows:

(i) Annual Improvements to MFRS 2012 - 2014 Cycle
(ii) Amendments to MFRS 101 "Presentation of Financial Statements" – Disclosure Initiative

The adoption of these annual improvements did not give rise to any material financial impact to the Company.

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2016. None of these is expected to have significant effect on the financial statements of the company, except the following set out below:

- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses" (effective from 1 January 2017). The amendments clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 107 "Statements of Cash Flows" (effective from 1 January 2017). The amendments introduce additional disclosure which require an entity to evaluate changes in liabilities arising from financing activities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective.(continued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective.(continued)

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  - Identify contracts with customers;
  - Identify the separate performance obligations;
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:

  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective.(continued)

- MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The adoption of the amendments to MFRS 112 and MFRS 107 are not expected to give rise to any material financial impact to the Company except for disclosure. The Company is in the process of reviewing the financial impact arising from the requirements of MFRS 9 and MFRS 15, especially for MFRS 9, to identify critical issues and to design robust methodologies arising from the adoption of this standard. The Company expects this process to be completed prior to the respective effective dates.

(b) Property and equipment

(i) Measurement basis

Property and equipment are initially recorded at cost. These include expenditure that is directly attributable to the acquisition of the assets.

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 asset will flow to the Company and the cost of the asset 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 initial recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property and equipment (continued)

(i) Measurement basis (continued)

Property and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(ii) Depreciation

Freehold land is not depreciated.

Depreciation is calculated using the straight-line basis to allocate the costs of other property and equipment to their residual values over the expected useful lives of the assets.

The expected useful lives of the property and equipment are as follows:

Buildings	50 years
Computers	3 - 10 years
Office equipment, furniture and fittings	3 - 10 years
Motor vehicles	5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged in the income statement.

(c) Intangible assets

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring in use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and appropriate portion of relevant overheads.

Computer software costs recognised as assets are amortised over their estimated useful lives of 4 to 7 years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

(i) Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

(ii) Operating lease

An operating lease is a lease other than a finance lease.

Operating lease income or operating lease rentals are credited or charged to the income statement on a straight line basis over the period of the lease.

(e) Financial instruments

A financial instrument is recognised in the financial statements when the Company becomes a party to the contractual provisions of the instrument.

(i) Financial instrument categories and measurements

(1) Investments

The Company classifies its investments into the following categories: fair value through profit or loss ("FVTPL"), held-to-maturity financial assets ("HTM"), available-for-sale financial assets ("AFS"), and loans and receivables ("LAR").

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future or they constitute part of the portfolio of identified securities which has evidence of actual pattern of short-term profit taking are classified as held-for-trading.

These investments are initially recorded at fair value. The gains or losses from the changes in fair value are recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(i) Financial instrument categories and measurements (continued)

(1) Investments (continued)

HTM

Investment with fixed or determinable payments and fixed maturities are categorised as held-to-maturity when the Company has positive intention and ability to hold until maturity.

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment plus transaction costs that are directly attributable to their acquisition. After initial measurement, HTM investments are measured at amortised cost, using the effective yield method, less impairment losses.

AFS

These investments are initially recorded at fair value plus transaction costs that are directly attributable to their acquisition. After initial measurement, AFS are re-measured at fair value at reporting date. Fair value gains or losses are recognised in other comprehensive income, except for impairment losses which are recognised in the income statement.

Fair value gains and losses of monetary securities denominated in foreign currency are analysed between translations differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are reported as a separate component of equity until the investment is derecognised.

Unquoted investments whose fair value cannot be reliably measured are measured at cost. On de-recognition, the cumulative fair value gains and losses previously recognised in other comprehensive income are transferred to the income statement.

LAR

Financial assets with fixed or determinable payments that are not quoted in an active market are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. After initial measurement, LAR are carried at amortised cost, using the effective yield method, less impairment losses. LAR comprises of fixed deposits with financial institutions exceeding 3 months. Interest income is recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(i) Financial instrument categories and measurements (continued)

(2) Insurance receivables

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company's insurance receivables are assessed and reviewed for evidence of impairment as described in Note 2(e)(v) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(e)(iv) to the financial statements, have been met.

All financial assets are reviewed for impairment as described in Note 2(e)(v) to the financial statements except for investment designated as FVTPL.

(3) Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Determination of fair value

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

For investments in unit and real estate investment trusts, fair value is determined by reference to published bid values or offer prices for liabilities, at the close of business on the reporting date.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and relying as little as possible on entity-specific inputs.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques.

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

(iii) Recognition of financial assets

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

(iv) Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership. On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that was recognised in other comprehensive income is reclassified to the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(iv) Derecognition of financial instruments (continued)

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On de-recognition, the difference between the carrying amount of the reduced financial liability or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in the income statement.

(v) Impairment of financial assets

Investments

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired, with the exception of fixed and call deposits.

Financial assets carried at amortised cost

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

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, the assets are included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment 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, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

AFS

In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the financial asset below its cost is an objective evidence of impairment, resulting in the recognition of an impairment loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(v) Impairment of financial assets (continued)

AFS (continued)

If an AFS is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income to the income statement. Reversals of impaired losses on debts instruments classified as AFS are reversed through the income statement 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 the income statement.

Insurance receivables

Insurance receivables are assessed at each reporting date for objective evidence of impairment, as a result of one or multi events having an impact on the estimated future cash flow of the assets.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

If in a subsequent period the fair value of insurance receivables increases and the increase can be objectively related to events occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed to the extent that the carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed.

(f) Cash and cash equivalents

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

The Company classifies the cash flows for the purchase and disposal of investments in financial assets in its operating cash flows as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payment of insurance claims benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Provisions

Provisions are recognised when the Company has a present obligation, either legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost expense.

(h) Contingent liabilities and contingent assets

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

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

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

(i) Equity instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Ordinary shares are recorded at nominal value. Costs incurred directly attributed to the issuance of the shares are accounted for as a deduction from share premium.

Dividends on ordinary share capital

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Product classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract under which the Company (insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. The recognition and measurement of insurance contracts are set out in Note 2(j) to the financial statements.

Investment contracts are those contracts that do not transfer significant insurance risk.

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 basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

(k) Insurance contracts

Premium from direct insurance contract

Premium of insurance contracts is recognised in a financial year in respect of risks assumed during that particular financial year.

Acquisition costs

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

Claims and expenses

Claims include all claims occurring during the financial year, whether reported or not, related external claims handling cost that are directly related to the processing and settlement of claim, a reduction for the value of salvage and other recoveries, and any adjustments to claim liabilities from previous financial year.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Insurance contracts (continued)

Premium liabilities

Premium liabilities refer to the higher of:

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

(b) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall company level.

UPR represent the portion of the gross premiums of insurance policies written net of the related reinsurance premiums ceded to qualified reinsurers that relate to the unexpired periods of the policies at the end of the financial year.

UPR are computed with reference to the month of accounting for the premium on the following bases:

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

(ii) time apportionment method for non-annual policies;

(iii) 1/24th method for all other classes of Malaysian general policies; and

(iv) 1/8th method for all classes of overseas inward business.

At each reporting date, the Company reviews its unexpired risks reserve ("URR") and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. The current estimate of future contractual cash flow is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Insurance contracts (continued)

Claims liabilities

Claims liabilities are determined based on the estimated ultimate cost of all claims incurred but not settled at the date of statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of statement of financial position.

The liability is calculated at the reporting date using a range of standard actuarial claims projection techniques based on empirical data and current assumptions at best estimate and a PRAD calculated at the overall Company. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

(l) Investment contract

Investment contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are initially measured at fair value being the transaction price excluding transaction costs directly attributable to the issue of the contract. Subsequent measurement of investment contracts at amortised cost uses the effective interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period if the holder has the option to redeem the instrument earlier than maturity.

The Company re-estimates at each reporting date the expected future cash flows and recalculates the carrying amount of the financial liability by calculating the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognised as income or expense in the income statement.

(m) Reinsurance

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

Reinsurance premiums ceded are recognised in the same accounting period as the original policy to which the reinsurance relates.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Reinsurance (continued)

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

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

Premiums and claims on assumed facultative reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Premiums, claims and other transactions costs on assumed treaty reinsurance are accounted for upon notification by the ceding companies or upon receipt of the statement of accounts.

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

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(n) Other revenue recognition

(i) Rental income

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

(ii) Investment income

Interest income from securities such government securities, bonds and loan stocks are recognised using the effective interest rate method.

The interest income from fixed deposits with financial institutes, are recognised in the financial statements on the accrual basis.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Foreign currencies

(i) Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates.

(ii) Transactions and balances in foreign currencies

Transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary items denominated in foreign currencies at the reporting date are translated at foreign exchange rates ruling at that date.

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at foreign exchange rates ruling at the date of the transaction.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair values were determined.

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in the income statement for the period.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any corresponding exchange gain or loss is recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the income statement, any corresponding exchange gain or loss is recognised in the income statement.

(p) Employee benefits

(i) Short term benefits

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

(ii) Post-employment benefits

The Company pays fixed contributions to the Employees Provident Fund ("EPF") which is a defined contribution plan.

The Company's legal or constructive obligation is limited to the amount that it agrees to contribute to the EPF. The Company's contributions to the EPF are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

(iii) Share-based long term incentive plan

The eligible employees of the Company participate in an equity-settled, share-based long term incentive plan offered by its ultimate holding company, Chubb Limited ("Chubb"). The long term incentive plan consists of a restricted share grant plan, a restricted share option plan and an employee share participation plan.

Employees' services received in exchange for the share-based long term incentive plan are recognised as an expense in the Company's income statement over the vesting period of the grant with a corresponding increase in equity reserves.

The annual expense is based on an amortised calculation that is reflective of the current financial year's expense portion of all share grants issued in the current and prior financial years. There is no liability to the Company for the unamortised portion of the share grants issued. The amortised calculation incorporates the fair market value of Chubb's common stock at grant date, in determining the expense amount.

At each date of statement of financial position, the Company revises its estimate of the number of options that are expected to become vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity reserves over the remaining vesting period.

(q) Income taxes

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries, joint ventures and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated by Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimate and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are outlined below.

(i) Claims liabilities

Claims liabilities for each class of business are estimated by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development, claims payment and the direct and indirect claims-related expenses. The claims liabilities also include a provision of risk margin for adverse deviation ("PRAD"). PRAD is a component of the value of the insurance liabilities which is set at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. For the purpose of this valuation basis, the level of confidence is at 75% at an overall Company level. The final selected estimates are based on a judgmental consideration of results of each method and qualitative information, for example, the class of business, the maturity of the portfolio and expected term to settlement of the class. Projections are based on historical experience and external benchmarks where relevant.

The best estimate outstanding claims liabilities were assessed using four standard actuarial valuation methods:

- Incurred Claim Development method
- Paid Claim Development method
- Bornhuetter-Ferguson method on incurred claims and paid claims
- Expected loss ratio method

CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

4 PROPERTY AND EQUIPMENT

	Freehold land	Buildings	Computers	Office equipment, furniture and fittings	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost						
At 1 January 2015	15,206	34,922	9,289	16,160	1,948	77,525
Additions	-	1,800	1,246	713	-	3,759
Disposals	-	-	(7)	(5)	(743)	(755)
Write-offs	-	(651)	(1,108)	(70)	-	(1,829)
At 31 December 2015	15,206	36,071	9,420	16,798	1,205	78,700
Additions	-	-	1,046	252	-	1,298
Disposals	-	-	(4)	-	(161)	(165)
Write-offs	-	-	-	(39)	-	(39)
At 31 December 2016	15,206	36,071	10,462	17,011	1,044	79,794
Accumulated depreciation						
At 1 January 2015	-	8,218	3,704	2,724	880	15,526
Charge for the financial year	-	745	1,692	1,829	202	4,468
Disposals	-	-	(6)	(5)	(464)	(475)
Write-offs	-	(190)	(1,108)	(62)	-	(1,360)
At 31 December 2015	-	8,773	4,282	4,486	618	18,159
Charge for the financial year	-	770	1,562	1,890	114	4,336
Disposals	-	-	(2)	-	(101)	(103)
Write-offs	-	-	-	(28)	-	(28)
At 31 December 2016	-	9,543	5,842	6,348	631	22,364
Net carrying amount						
31 December 2016	15,206	26,528	4,620	10,663	413	57,430
31 December 2015	15,206	27,298	5,138	12,312	587	60,541

5 INTANGIBLE ASSETS

	2016 RM'000	2015 RM'000
Cost		
At beginning of financial year	15,547	9,132
Additions	601	6,459
Write-offs	-	(44)
At end of financial year	16,148	15,547
Accumulated amortisation		
At beginning of financial year	9,330	8,372
Amortisation for the financial year	1,244	1,002
Write-offs	-	(44)
At end of financial year	10,574	9,330
Net carrying amount	5,574	6,217

Intangible assets comprise computer software.

6 INVESTMENTS

	2016 RM'000	2015 RM'000
Malaysian Government Securities and guaranteed loans	583,466	518,821
Debt securities	470,597	419,492
Equity securities	375	375
	1,054,438	938,688
AFS	1,054,438	938,688

The following investments mature after 12 months:

	2016 RM'000	2015 RM'000
Malaysian Government Securities and guaranteed loans	523,044	422,978
Debt securities	410,163	399,252
	933,207	822,230

(a) AFS

Fair value

	2016 RM'000	2015 RM'000
Unquoted equity securities	375	375
Unquoted debt securities	470,597	419,492
Malaysian Government Securities and guaranteed loans	583,466	518,821
	1,054,438	938,688

6 INVESTMENTS (CONTINUED)

(b) Carrying values of financial instruments

	AFS RM'000
At 1 January 2015	1,124,051
Purchases	190,762
Maturities	(145,000)
Disposals	(228,820)
Fair value losses recorded in:	
Other comprehensive income	(843)
Net change in interest receivables	(1,690)
Accretion of discount	228
At 31 December 2015	938,688
Purchases	246,852
Maturities	(130,000)
Disposals	(5,000)
Fair value gains recorded in:	
Other comprehensive income	2,024
Net change in interest receivables	1,555
Accretion of discount	319
At 31 December 2016	1,054,438

6 INVESTMENTS (CONTINUED)

(c) Estimation of fair values

The estimated fair values of corporate debts securities and Malaysian government securities are based on the average indicative mid markets prices obtained from at least three licensed financial institutions.

The fair value of the unquoted equity securities in corporations were determined to approximate the carrying amount as this is immaterial in the context of the financial statements.

Fair value hierarchy

Included in the quoted market price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those price represent actual and regularly occurring market transactions on an arm's length basis (Level 1).

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

Financial instruments that are valued not based on observable market data are categorised as Level 3.

Fair value investments	2016 RM'000	2015 RM'000
Valuation techniques		
- market observable inputs (Level 2)	1,054,063	938,313
- unobservable inputs (Level 3)	375	375
	1,054,438	938,688

There are no investments that are valued at Level 1 category.

7 REINSURANCE ASSETS

	Note	2016 RM'000	2015 RM'000
Reinsurance of insurance contracts	14		
Claims liabilities		214,544	338,008
Premium liabilities		27,705	33,448
		242,249	371,456

8 INSURANCE RECEIVABLES

	2016 RM'000	2015 RM'000
Due premiums including agents/brokers and co-insurers balances	158,696	151,259
Due from reinsurers and cedants	28,387	25,512
	187,083	176,771
Allowance for impairment of doubtful debts	(10,049)	(7,450)
	177,034	169,321
Current	177,034	169,321
Non-current	-	-
	177,034	169,321

Financial assets

	2016 RM'000	2015 RM'000
Gross amounts of recognised financial assets	214,071	204,168
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (Note 17)	(26,988)	(27,397)
Net amounts of financial assets presented in the statement of financial position	187,083	176,771

There are no financial liabilities subjected to an enforceable master netting arrangement or similar agreement financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2016 (2015: NIL).

9 OTHER RECEIVABLES

	2016 RM'000	2015 RM'000
Amount due from Malaysian Motor Insurance Pool ("MMIP")		
- Cash contribution to MMIP	25,359	34,359
- Assets held under MMIP	36,310	38,498
Deposits	688	793
Other receivables	7,797	5,863
	70,154	79,513
Current	69,466	78,720
Non-current	688	793
	70,154	79,513

As at 31 December 2016, there is a net receivable of RM5,008,000 (2015: RM1,564,000 net payable) to MMIP, after setting off the amounts receivable from MMIP against the Company's share of MMIP's claims and premiums liabilities of RM56,661,155 (2015: RM74,421,495) included in Note 14 to the financial statements.

10 SHARE CAPITAL

	2016 RM'000	2015 RM'000
Authorised:		
150,000,000 ordinary share of RM1.00 each		
At beginning and end of financial year	150,000	150,000
Issued and paid up:		
100,000,000 ordinary share of RM1.00 each		
At beginning and end of financial year	100,000	100,000

11 RETAINED EARNINGS

Under the single-tier tax system which came into effect on 1 January 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are single-tier dividends and are tax exempt on the hands of shareholders.

As at 31 December 2016, the Company is already under the single-tier tax system. The Company also has no tax exempt income available for future distribution of tax exempt dividends.

The Company may distribute single tier tax exempt dividend to its shareholder out of its retained earnings. Pursuant to Section 51 (1) of the Financial Services Act 2013, the Company is required to obtain BNM written approval prior to declaring or paying any dividend.

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

12 AVAILABLE-FOR-SALE FAIR VALUE RESERVES

The fair value reserves are in respect of unrealised losses on available-for-sale investments, net of tax.

13 EQUITY RESERVE

The eligible employees of the Company participate in an equity-settled, share-based long term incentive plan offered by its ultimate holding company, Chubb. The long term incentive plan consists of a restricted share grant plan, a restricted share option plan and an employee share participation plan.

<u>Restricted Share Grant Plan</u>

Under Chubb's long term incentive plan, 6,245 restricted ordinary shares were awarded during the financial year ended 31 December 2016 to eligible employees of the Company. These shares vest at various dates over a 4 year period from the grant dates and any unvested shares are cancelled on termination of the employment of the eligible employees. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb to the Company on an annual basis. The annual expense is based on an amortised calculation that is reflective of the current financial year's expense portion of all restricted share grants issued in the current and prior financial years, and is consistent with the treatment required by MFRS 2: Share-based payment. There is no liability to the Company for the unamortised portion of the restrictive stock grants issued. The amortised calculation incorporates the fair market value of Chubb's common stock at grant date, in determining the expense amount. Expected future dividend payments in relation to the restrictive stock grants issued are made directly by Chubb to the eligible employees.

13 EQUITY RESERVE (CONTINUED)

Restricted Share Option Plan

Under Chubb's long term incentive plan, restrictive share options were granted to eligible employees of the Company. The exercisable price of these options is the fair market value at issue date. These options vest at various dates over a 3 year period from the grant date and any unvested options are cancelled on termination of employment. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb to the Company on an annual basis. Any option not exercised or cancelled pursuant to the terms of plan will be forfeited by the tenth anniversary from the date of grant.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Average exercise price per share	Share options	Average exercise price per share	Share options
	RM	Units	RM	Units
At beginning of financial year		30,074		20,056
Granted	506.74	8,111	491.89	9,759
Forfeited	455.29	(4,021)	439.06	(1,579)
Exercised	529.34	(1,692)	378.50	(836)
Expiration		(696)		(52)
Transferred out		(497)		(2,438)
Transferred in		297		5,164
At end of financial year		31,576		30,074

Out of the 31,576 outstanding options, 18,173 options were exercisable. Options granted in 2016 resulted in 8,111 shares options being issued at exercise price of RM506.74 each. 1,692 options were exercised in 2016 at exercise price of RM529.34.

13 EQUITY RESERVE (CONTINUED)

Restricted Share Option Plan (continued)

Share options outstanding at the end of the financial year have the following expiry date and exercise prices:

	Exercise price per share	Share options 2016	Share options 2015
	RM	Units	Units
2015	190.39	-	166
2016	241.41	-	173
2017	240.29	86	-
2018	258.01	1,660	1,815
2019	164.83	160	476
2020	215.60	1,445	1,781
2021	268.12	2,860	3,448
2022	313.96	2,768	3,102
2023	365.49	3,758	4,284
2024	414.16	5,244	6,782
2025	491.29	6,232	8,047
2026	506.74	7,363	-
		31,576	30,074

The weighted average fair value of options granted during the financial year determined using the Black-Scholes valuation model was RM89.54 per option. The significant inputs into the model were share price of RM506.74, at the grant date, the exercise price shown above, volatility of 24.00%, dividend yield of 2.26%, an expected option life of 5 years and on annual risk-free interest rate of 1.24%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

Employee Share Purchase Plan

The Company collects monies from local eligible employees and acquires ordinary shares in Chubb on behalf of the employees on a bi-annual basis. The price paid by the eligible employees is set at a discount of 15% to the fair value of the ordinary shares at the date of acquisition; this discount is incurred at the group level by Chubb and not reimbursed from the Company.

The total expenses of employees equity-settled share-based long term incentive plan for the financial year was RM1,527,672.

14 INSURANCE CONTRACT LIABILITIES

	2016			2015		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
General insurance	999,266	(242,249)	757,017	1,076,844	(371,456)	705,388
Provision for claims reported	423,857	(147,965)	275,892	485,006	(229,740)	255,266
Provision for incurred but not reported claims ("IBNR")	207,299	(66,579)	140,720	247,262	(108,268)	138,994
Claims liabilities	631,156	(214,544)	416,612	732,268	(338,008)	394,260
Premium liabilities	368,110	(27,705)	340,405	344,576	(33,448)	311,128
	999,266	(242,249)	757,017	1,076,844	(371,456)	705,388

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

(i) Claims liabilities

	2016			2015		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
At beginning of financial year	732,268	(338,008)	394,260	634,278	(287,874)	346,404
Increase in claims incurred/recoveries anticipated over the financial year	526,684	(137,620)	389,064	511,149	(179,196)	331,953
Change in key assumptions	(127,856)	69,826	(58,030)	(81,006)	32,641	(48,365)
Claims paid during the financial year	(499,940)	191,258	(308,682)	(332,153)	96,421	(235,732)
At end of financial year	631,156	(214,544)	416,612	732,268	(338,008)	394,260

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14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Premium liabilities

	2016			2015		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
At beginning of financial year	344,576	(33,448)	311,128	314,610	(32,976)	281,634
Premiums written in the financial year (Note 19)	958,368	(227,083)	731,285	905,613	(227,582)	678,031
Premiums earned during the financial year	(934,834)	232,826	(702,008)	(875,647)	227,110	(648,537)
At end of financial year	368,110	(27,705)	340,405	344,576	(33,448)	311,128

15 INVESTMENT CONTRACT LIABILITIES

	2016 RM'000	2015 RM'000
Investment contract liabilities	1,135	1,048
At beginning of financial year	1,048	1,391
Deposits	1,985	2,663
Withdrawals	(1,898)	(3,006)
At end of financial year	1,135	1,048

The carrying amount of the investment contracts liabilities approximate fair value.

16 DEFERRED TAX ASSETS

	2016 RM'000	2015 RM'000
At beginning of financial year	11,523	19,146
Recognised in:		
Income statement (Note 24)	4,372	(7,649)
Other comprehensive income	(533)	26
At end of financial year	15,362	11,523

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

	2016 RM'000	2015 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	15,362	11,523
Current	17,114	11,963
Non-current	(1,752)	(440)
	15,362	11,523

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16 DEFERRED TAX ASSETS (CONTINUED)

	Allowance for doubtful debts RM'000	Provisions RM'000	Accelerated depreciation RM'000	Amortisation of premium RM'000	Fair value of securities RM'000	Others RM'000	Total RM'000
31 December 2016							
Deferred tax assets (before off-setting)							
At beginning of financial year	1,786	9,870	-	(94)	1,288	292	13,142
Recognised in:							
Income statement	624	4,225	-	(79)	-	271	5,041
Other comprehensive income	-	-	-	-	(533)	-	(533)
At end of financial year	2,410	14,095	-	(173)	755	563	17,650
Deferred tax liabilities (before off-setting)							
At beginning of financial year	-	-	(1,619)	-	-	-	(1,619)
Recognised in:							
Income statement	-	-	(669)	-	-	-	(669)
At end of financial year	-	-	(2,288)	-	-	-	(2,288)
Deferred tax assets (after off-setting)							15,362

16 DEFERRED TAX ASSETS (CONTINUED)

	Allowance for doubtful debts RM'000	Provisions RM'000	Accelerated depreciation RM'000	Amortisation of premium RM'000	Fair value of securities RM'000	Others RM'000	Total RM'000
31 December 2015							
Deferred tax assets (before off-setting)							
At beginning of financial year	3,110	15,784	-	681	1,262	657	21,494
Recognised in:							
Income statement	(1,324)	(5,914)	-	(775)	-	(365)	(8,378)
Other comprehensive income	-	-	-	-	26	-	26
At end of financial year	1,786	9,870	-	(94)	1,288	292	13,142
Deferred tax liabilities (before off-setting)							
At beginning of financial year	-	-	(2,348)	-	-	-	(2,348)
Recognised in:							
Income statement	-	-	729	-	-	-	729
At end of financial year	-	-	(1,619)	-	-	-	(1,619)
Deferred tax assets (after off-setting)							11,523

17 INSURANCE PAYABLES

	2016 RM'000	2015 RM'000
Due to agents and intermediaries*	32,913	38,851
Due to reinsurers and cedants*	33,191	45,414
	66,104	84,265

The carrying amounts disclosed above approximate fair value at the reporting date. All amounts are payable within one year.

* *The amount includes the following balances for which the Company has not received third party statements to facilitate further reconciliation:*

	2016 RM'000	2015 RM'000
Due to brokers and co-insurers	831	612
Due to reinsurers and ceding companies	786	2,201
	1,617	2,813

<u>Financial liabilities</u>

	2016 RM'000	2015 RM'000
Gross amounts of recognised financial liabilities	93,092	111,662
Less: Gross amounts of recognised financial assets set off in the statement of financial position (Note 8)	(26,988)	(27,397)
Net amounts of financial liabilities presented in the statement of financial position	66,104	84,265

As disclosed in Note 8 to the financial statements, there are no financial liabilities subjected to an enforceable master netting arrangement or similar agreement financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2016 (2015: NIL).

18 OTHER PAYABLES

	2016 RM'000	2015 RM'000
Accrued liabilities	48,744	32,287
Payroll liabilities	9,771	9,206
Deposit held on bonds	50,959	41,795
Other payables	22,448	20,309
	131,922	103,597

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

19 NET EARNED PREMIUMS

	2016 RM'000	2015 RM'000
(a) Gross earned premiums		
General insurance contracts (Note 14(ii))	958,368	905,613
Change in premium liabilities	(23,534)	(29,966)
	934,834	875,647
(b) Premium ceded		
General insurance contracts (Note 14(ii))	(227,083)	(227,582)
Change in premium liabilities	(5,743)	472
	(232,826)	(227,110)
Net earned premiums	702,008	648,537

20 INVESTMENT INCOME

	2016 RM'000	2015 RM'000
AFS		
Interest income	40,748	42,537
Dividend income		
- unquoted equity securities in Malaysia	99	99
Loans and receivables and cash and cash equivalents		
Interest income	6,286	7,089
Accretion of discounts	319	228
Other investment income	4,543	2,227
Investment advisory fees and custodian charges	(1,586)	(2,512)
	50,409	49,668

21 REALISED GAINS/(LOSSES)

	2016 RM'000	2015 RM'000
Property and equipment:		
Realised losses	(8)	(79)
AFS		
Realised gains/(losses):		
Unquoted debt securities in Malaysia	15	(738)
Foreign exchange:		
Realised gains/(losses)	294	(10,556)
	301	(11,373)

22 COMMISSION INCOME

	2016 RM'000	2015 RM'000
Commission income related to insurance contracts	58,211	63,765

23 MANAGEMENT EXPENSES

	Note	2016 RM'000	2015 RM'000
Employee benefits expense	23(a)	89,481	86,177
Directors' remuneration	23(b)	694	626
Auditors' remuneration			
- Statutory audits		382	350
- Other services		8	26
Depreciation of property and equipment	4	4,336	4,468
Property and equipment written off		11	469
Rental of office		787	797
Amortisation of intangible assets	5	1,244	1,002
Lease rental of equipment		405	367
EDP expenses		38,875	11,513
Increase/(decrease) in allowance for impairment of doubtful debts		2,599	(4,881)
Bad debts written off		275	7,276
Bad debts recovered		(228)	(3)
Advertising		22,991	20,872
Printing and stationery		6,901	7,651
Electricity and water		1,391	1,534
Postage and telephone		1,538	1,769
Regional technical service charges		12,093	6,046
Outsource services fees		9,538	12,715
Other expenses		23,380	20,289
		216,701	179,063

(a) Employee benefits expense

	2016	2015
Wages and salaries	59,426	56,606
Social security contributions	474	444
Contributions to defined contribution plan, EPF	9,388	9,108
Other benefits	20,193	20,019
	89,481	86,177

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23 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration

The Directors' remuneration and other emoluments are as follows:

2016

	Fees RM'000	Salary RM'000	Bonus RM'000	Other RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Directors:						
Stephen Barry Crouch (also as Chief Executive Officer)	-	1,093	600	1,362	624	3,679
Olivier Bouchard	90	-	-	-	-	90
Non-executive Directors:						
YBhg Tan Sri Leo Moggie	168	-	-	-	-	168
Dato' Sri Abdul Hamidy bin Abdul Hafiz	151	-	-	-	-	151
Song Yam Lim	138	-	-	-	-	138
Gregory Jerome Gerald Fernandes	147	-	-	-	-	147
Total Directors' remuneration	694	1,093	600	1,362	624	4,373

23 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration (continued)

2015

	Fees RM'000	Salary RM'000	Bonus RM'000	Other RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Directors:						
Stephen Barry Crouch (also as Chief Executive Officer)	-	1,085	600	1,321	594	3,600
Olivier Bouchard	70	-	-	-	-	70
Non-executive Directors:						
YBhg Tan Sri Leo Moggie	150	-	-	-	-	150
Dato' Sri Abdul Hamidy bin Abdul Hafiz	112	-	-	-	-	112
Song Yam Lim	126	-	-	-	-	126
Gregory Jerome Gerald Fernandes	119	-	-	-	-	119
Daniel Andrew Albert Vanderkemp	49	-	-	-	-	49
Total Directors' remuneration	626	1,085	600	1,321	594	4,226

23 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration (continued)

The number of executive and non-executive Directors whose total remuneration received during the financial year that fall within the following bands are as follows:

	Number of Directors	
	2016	2015
Executive Directors:		
Below RM100,000	1	1
RM100,001-RM4,000,000	1	1
Non-executive Directors:		
Below RM100,000	-	1
RM100,001-RM200,000	4	4

Total staff costs of the Company (including Executive Director) are RM89,481,000 (2015: RM86,177,000).

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM3,679,360 (2015: RM3,599,852).

Key management personnel are those people defined as having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

The compensation of the key management personnel including Executive Director are as follows:

	2016 RM'000	2015 RM'000
Fixed remuneration		
Salary and bonus	7,276	6,998
Benefits-in-kind and other remuneration	487	572
Variable remuneration		
Cash-based	1,624	1,344
Shares and share-linked instruments	2,358	2,212
Benefits-in-kind and other remuneration	195	200
	11,940	11,326

24 TAXATION

	2016 RM'000	2015 RM'000
Current income tax:		
Current financial year	38,622	35,246
Over-provision in prior financial years	(822)	(2,066)
	37,800	33,180
Deferred tax (Note 16):		
Relating to origination and reversal of temporary differences	(5,149)	4,861
Under-provision in prior financial years	777	2,788
	(4,372)	7,649
	33,428	40,829

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

	2016 RM'000	2015 RM'000
Profit before tax	129,522	163,299
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	31,085	40,825
Deduction of cash contribution to MMIP *	-	(1,753)
Income not subject to tax	(2,526)	(1,607)
Expenses not deductible for tax purposes	4,914	3,120
Change in tax rate from 25% to 24%	-	(478)
(Over)/under-provision in prior financial years	(45)	722
Tax expense for the financial year	33,428	40,829

* The deductions in respect of cash contribution to MMIP relates to the tax deduction allowed on MMIP cash contributions made in the last financial year of RM7,011,576, pursuant to the Gazette Order issued by the Attorney General Chambers of Malaysia on 28 November 2012.

25 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2016 RM'000	2015 RM'000
Profit attributable to ordinary equity holders	96,094	122,470
Weighted average number of shares in issue	100,000	100,000
Basic earnings per share (sen)	96.09	122.47

26 CASH FLOWS

	2016 RM'000	2015 RM'000
Profit before tax	129,522	163,299
Investment income	(50,409)	(49,668)
Realised (gain)/loss on AFS investments	(15)	738
Realised (gain)/loss on foreign exchange	(294)	10,556
Depreciation of property and equipment	4,336	4,468
Amortisation of intangible assets	1,244	1,002
Loss on disposal of property and equipment	8	79
Property and equipment written off	11	469
Increase/(decrease) in allowance for impairment of doubtful debts	2,599	(4,881)
Bad debts written off	275	7,276
Employees share-based long term incentive plan	1,733	1,592
Changes in working capital:		
Decrease/(increase) in reinsurance assets	129,207	(50,606)
Increase in insurance receivables	(10,587)	(14,005)
Decrease/(increase) in other receivables	12,316	(9,872)
(Decrease)/increase in insurance contract liabilities	(77,578)	127,956
(Decrease)/increase in insurance payables	(18,161)	5,003
Increase/(decrease) in other payables	28,619	(38,624)
Net (increase)/decrease in AFS investments	(111,853)	183,058
Increase/(decrease) in investment contract liabilities	87	(343)
Cash generated from operating activities	41,060	337,497

27 OPERATING LEASE COMMITMENTS

(a) The Company as lessee

The Company leases premises from various parties under non-cancellable operating leases. The leases typically run for a period of 2 to 4 years with the option to renew the leases after the expiry date.

The future minimum lease payments payable under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	2016 RM'000	2015 RM'000
Within one year	1,388	1,627
Later than one year but not later than 4 years	1,156	1,730
	2,544	3,357

28 RELATED PARTY BALANCES AND TRANSACTIONS

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

Company	Country of incorporation	Relationship
Chubb Limited	Switzerland	Ultimate holding company
Chubb INA International Holdings Ltd	United States	Immediate holding company

In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with its ultimate holding company and related companies, being subsidiaries of Chubb Limited ("Chubb Group").

The related party balances as at the date of the statement of financial position and significant related party transactions arising from normal business transactions during the financial year are set out below.

Significant related party outstanding balances:

	2016 RM'000	2015 RM'000
Chubb Group		
Reinsurance assets on claim liabilities	51,128	85,430
Insurance receivables	1,144	1,581
Other receivables	5,609	509
Insurance payables	(5,517)	(9,789)
Other payables	(17,179)	(10,628)

28 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Significant related party transactions:

	2016 RM'000	2015 RM'000
Chubb Group		
Premium income	20,738	24,689
Premium ceded	(134,390)	(131,139)
Commission income	32,366	31,547
Commission expenses	(1,129)	(1,052)
Claims recoveries	27,642	36,154
Claims incurred	(14,364)	(6,822)
Accounting and administration services	144	144
Rental and parking income	659	602
EDP system charges	(8,055)	(5,218)
Accounting services	(179)	(290)
Management fees	(206)	(311)
Various technical support	(12,093)	(6,046)
IT development cost on GST	-	1,960

29 RISK MANAGEMENT FRAMEWORK

The Company recognises the importance of effective risk management practices and embedding risk culture within the Company and therefore, it is the commitment of the Company to integrate Enterprise Risk Management ("ERM") into strategic planning and decision making.

(a) Risk Appetite

The risk appetite outlines the degree of risk the Company is willing to assume in pursuit of its strategic objectives against the capital exposed to the risk. The risk appetite is formulated by the Board and is reviewed annually. The risk appetite articulates the risks, controls and returns for material exposures. The Company in general has a conservative risk appetite with a prudent Risk Management Framework ("RMF") in place.

(b) Risk Management Framework

The Company's RMF describes the role of ERM and helps the Company to achieve its business objectives, meet its corporate obligations and at the same time maintain the Company's reputation.

The RMF puts in place a structure and a process to mitigate risks as they are identified or emerge by assessing them against the Company's established appetite and tolerance levels, thus helping to protect and maintain the capital in the interests of all key stakeholders.

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Risk Governance and Oversight

The responsibility and oversight of ERM rests with the Board of Directors ("Board"), with the Enterprise Risk Committee ("ERC") responsible for oversight, policy development, execution and maintaining the appropriate infrastructure. Primary ownership for the daily execution of risk management and controls rests with the business and operating units.

The Board has ultimate risk management responsibility and is also responsible for providing the overall Company direction and strategy, setting financial objectives and for monitoring compliance with regulatory requirements and ethical standards. Chubb's Board has a specific charter setting out its duties and responsibilities. In discharging its responsibility for overall risk management and control, the Board delegates a number of key functions to the Board Risk Management Committee ("BRMC").

The ERC is charged with the responsibility of monitoring, assessing and reporting on risk related activities and meets at least once a quarter, and reports to the BRMC through the Chief Risk Officer ("CRO"). Its objective is to establish, maintain and monitor compliance within a sound risk management framework that integrates risk management into all activities of the business. Its role is to provide advice and assistance including submitting recommendations to the Board on risk management.

(d) Capital Management and Capital Adequacy

Prudent capital management is the foundation for ensuring the Company is able to fulfil its financial obligations to its shareholders, policyholders, regulators and other key stakeholders. The Board is ultimately responsible for determining that the Company's capital is adequate after taking into account the Company's strategic objectives, size and the complexity of its business.

The Company has separately documented its Internal Capital Adequacy Assessment Process ("ICAAP") to ensure that the capital held is adequate based on the Company's risk profile, business mix and complexity of operations. ICAAP outlines the procedures, systems, controls and personnel to identify, measure, monitor and manage the risks arising from capital related activities of the Company. Capital Management is a fundamental aspect of risk management. Capital adequacy assessments and stress tests are conducted on a regular basis, to ensure that sufficient capital is held to meet the minimum regulatory requirement with an additional buffer to withstand a range of adverse or extreme risk event scenarios.

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks

The Company considers insurance risks, financial risks, market risks, and operational risks as its major risks.

1 Insurance Risk

The Company has in place underwriting guidelines which ensure that underwriting risk undertaken adhere to proper control procedures, to mitigate the Company's exposure to potential financial liabilities resulting from incurring higher claims cost than expected.

This is due to the nature of claims which can be unpredictable in frequency and severity, and the risk of change in legal or economic conditions affecting insurance pricing and conditions of insurance or reinsurance cover.

The underwriting and claims monitoring programme incorporates standards for underwriting procedures, policy retention limits, use of reinsurance and the setting of claims reserves. Underwriting standards are established to manage the initial insurability of customers. Renewal underwriting standards are in place for business that renews on a periodic basis.

1.1 Reinsurance risk

In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other reinsurers/insurers. Reinsurance does not discharge the Company's liability as the primary insurer. Failure of reinsurers to honour their obligations could result in losses to the Company. In order to minimise losses from reinsurance insolvencies, the Company's reinsurance arrangement is in line with BNM's JPI/GPI 22 on "Guidelines on General Reinsurance Arrangement".

1.2 Concentration risk

The table below sets out the concentration of the Company's general insurance business's gross written premium by lines of business.

	2016			2015		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fire	177,892	(65,016)	112,876	164,859	(67,308)	97,551
Motor	303,101	(12,150)	290,951	289,262	(11,238)	278,024
Marine, aviation and transit	71,388	(33,113)	38,275	74,754	(33,309)	41,445
Miscellaneous	405,987	(116,804)	289,183	376,738	(115,727)	261,011
	958,368	(227,083)	731,285	905,613	(227,582)	678,031

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.2 Concentration risk (continued)

The table below sets out the concentration of the Company's insurance contract liabilities – claims liabilities by lines of business.

	2016			2015		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Fire	106,237	(59,724)	46,513	204,494	(164,406)	40,088
Motor	241,570	(10,613)	230,957	227,759	(5,567)	222,192
Marine, aviation and transit	66,292	(35,488)	30,804	86,322	(57,132)	29,190
Miscellaneous	217,057	(108,719)	108,338	213,693	(110,903)	102,790
	631,156	(214,544)	416,612	732,268	(338,008)	394,260

1.3 Basis of estimates

The principal assumptions underlying the estimates of liabilities is that the Company's future claim development will follow a similar pattern to the past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, and claim inflation factors and average number of claims for each accident years.

Allowance was made for "pure IBNR" (late reported claims) and Incurred But Not Enough Reported ("IBNER") (development of known claims) and reopened claims as well as expected future claims inflations.

The Company has based its risk margin for adverse deviation for the provision for unexpired risks and insurance contract liabilities at a minimum 75% of sufficiency, according to the requirement set by BNM under the RBC Framework.

1.4 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 assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, 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.

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.4 Key assumptions (continued)

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

1.5 Sensitivity analysis

The analysis below is performance for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

There are no significant changes to the key assumptions used except that the Company has not applied discounting to the general insurance claims liabilities for the current financial year. The effect of this change in assumption is disclosed in Note 14(i) to the financial statements.

	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 2016					
Ultimate loss ratio for the latest accident year	+10%	56,636	38,298	38,298	29,107
Average claims handling expenses	+10%	1,656	1,656	1,656	1,259
PRAD*	+10%	5,342	3,349	3,349	2,545
31 December 2015					
Ultimate loss ratio for the latest accident year	+10%	58,420	32,200	32,200	24,150
Average claims handling expenses	+10%	1,621	1,621	1,621	1,216
PRAD*	+10%	6,783	3,688	3,688	2,766

Impact on equity reflects adjustments for tax, when applicable.
* Provision for Risk of Adverse Deviation

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.6 Claims development table

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

The table provides a historical perspective on the adequacy of the unpaid claims estimates established in previous years. 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 reserve when there is considerable uncertainty. Generally, the uncertainty associated with 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 of adequacy of provision is relatively at its highest.

The Company believes that the estimate of the total claims outstanding as at 31 December 2016 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

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29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.6 Gross estimated general insurance claims liabilities for 2016

Accident year	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
At end of accident year	254,245	341,434	517,686	398,457	371,250	423,208	465,667	508,386
One year later	238,182	337,476	576,361	303,710	300,665	376,209	419,774	
Two years later	228,998	302,276	560,720	280,268	287,955	348,493		
Three years later	208,091	284,634	542,166	270,279	276,265			
Four years later	205,239	274,589	549,550	242,811				
Five years later	200,996	287,580	562,742					
Six years later	202,846	287,973						
Seven years later	200,167							
Current estimate of cumulative claims incurred	200,167	287,973	562,742	242,811	276,265	348,493	419,774	508,386
At end of accident year	(81,064)	(84,613)	(150,885)	(71,742)	(96,053)	(134,887)	(120,578)	(158,548)
One year later	(156,464)	(188,536)	(370,422)	(175,731)	(205,404)	(271,312)	(335,296)	
Two years later	(178,256)	(233,135)	(408,647)	(206,679)	(233,636)	(306,064)		
Three years later	(191,357)	(250,711)	(490,153)	(219,270)	(253,229)			
Four years later	(194,977)	(257,667)	(506,269)	(232,085)				
Five years later	(198,050)	(264,826)	(556,579)					
Six years later	(198,778)	(271,019)						
Seven years later	(199,022)							
Cumulative payments to-date	(199,022)	(271,019)	(556,579)	(232,085)	(253,229)	(306,064)	(335,296)	(158,548)

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.6 Gross estimated general insurance claims liabilities for 2016 (continued)

Accident year	Prior years RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
Outstanding claims	18,005	1,146	16,954	6,162	10,726	23,035	42,429	84,479	349,838	552,774
Claims handling expenses										16,556
Total gross central estimate										569,330
Risk margin										61,826
Gross insurance claims liabilities per statement of financial position (Note 14(i))										631,156

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29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.6 Gross estimated general insurance claims liabilities for 2015

Accident year	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
At end of accident year	244,368	254,245	341,434	517,686	398,457	371,250	423,208	465,667
One year later	243,807	238,182	337,476	576,361	303,710	300,665	376,209	
Two years later	241,423	228,998	302,276	560,720	280,268	287,955		
Three years later	225,877	208,091	284,634	542,166	270,279			
Four years later	198,235	205,239	274,589	549,550				
Five years later	197,997	200,996	287,580					
Six years later	204,379	202,846						
Seven years later	202,760							
Current estimate of cumulative claims incurred	202,760	202,846	287,580	549,550	270,279	287,955	376,209	465,667
At end of accident year	(75,407)	(81,064)	(84,613)	(150,885)	(71,742)	(96,053)	(134,887)	(120,578)
One year later	(151,454)	(156,464)	(188,536)	(370,422)	(175,731)	(205,404)	(271,312)	
Two years later	(174,802)	(178,256)	(233,135)	(408,647)	(206,679)	(233,636)		
Three years later	(188,310)	(191,357)	(250,711)	(490,153)	(219,270)			
Four years later	(189,794)	(194,977)	(257,667)	(506,269)				
Five years later	(191,537)	(198,050)	(264,826)					
Six years later	(202,935)	(198,778)						
Seven years later	(201,234)							
Cumulative payments to-date	(201,234)	(198,778)	(264,826)	(506,269)	(219,270)	(233,636)	(271,312)	(120,578)

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.6 Gross estimated general insurance claims liabilities for 2015 (continued)

Accident year	Prior years RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Outstanding claims	21,286	1,526	4,068	22,754	43,281	51,009	54,319	104,897	345,089	648,229
Claims handling expenses										16,205
Total gross central estimate										664,434
Risk margin										67,834
Gross insurance claims liabilities per statement of financial position (Note 14(i))										732,268

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29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.7 Net estimated general insurance claims liabilities for 2016

Accident year	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
At end of accident year	170,462	196,025	208,442	244,587	236,777	268,001	294,111	383,254
One year later	167,583	191,010	197,134	221,715	218,056	260,354	283,517	
Two years later	165,593	176,458	188,216	209,725	214,151	254,350		
Three years later	147,629	167,717	174,254	203,991	211,227			
Four years later	147,383	161,042	172,426	170,937				
Five years later	144,767	162,429	170,747					
Six years later	145,565	162,110						
Seven years later	142,432							
Current estimate of cumulative claims incurred	142,432	162,110	170,747	170,937	211,227	254,350	283,517	383,254
At end of accident year	(63,430)	(66,631)	(64,932)	(62,070)	(81,305)	(98,723)	(104,029)	(139,422)
One year later	(113,093)	(123,660)	(138,241)	(134,276)	(164,280)	(199,461)	(224,228)	
Two years later	(130,067)	(144,316)	(158,010)	(153,936)	(185,353)	(226,243)		
Three years later	(139,245)	(151,954)	(165,403)	(160,321)	(198,795)			
Four years later	(141,386)	(155,515)	(167,527)	(163,794)				
Five years later	(142,876)	(156,571)	(168,597)					
Six years later	(143,247)	(159,339)						
Seven years later	(143,243)							
Cumulative payments to-date	(143,243)	(159,339)	(168,597)	(163,794)	(198,795)	(226,243)	(224,228)	(139,422)

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.7 Net estimated general insurance claims liabilities for 2016 (continued)

Accident year	Prior years RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
Outstanding claims	3,244	(810)	2,771	2,150	7,143	12,432	28,107	59,289	243,832	358,158
Claims handling expenses										16,556
Total net central estimate										374,714
Risk margin										41,898
Net insurance claims liabilities per statement of financial position (Note 14(i))										416,612

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29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.7 Net estimated general insurance claims liabilities for 2015

Accident year	2008	2009	2010	2011	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	153,697	170,462	196,025	208,442	244,587	236,777	268,001	294,111
One year later	154,073	167,583	191,010	197,134	221,715	218,056	260,354	
Two years later	152,329	165,593	176,458	188,216	209,725	214,151		
Three years later	143,456	147,629	167,717	174,254	203,991			
Four years later	135,874	147,383	161,042	172,426				
Five years later	136,225	144,767	162,429					
Six years later	135,722	145,565						
Seven years later	134,552							
Current estimate of cumulative claims incurred	134,552	145,565	162,429	172,426	203,991	214,151	260,354	294,111
At end of accident year	(60,193)	(63,430)	(66,631)	(64,932)	(62,070)	(81,305)	(98,723)	(104,029)
One year later	(109,081)	(113,093)	(123,660)	(138,241)	(134,276)	(164,280)	(199,461)	
Two years later	(122,045)	(130,067)	(144,316)	(158,010)	(153,936)	(185,353)		
Three years later	(129,401)	(139,245)	(151,954)	(165,403)	(160,321)			
Four years later	(131,283)	(141,386)	(155,515)	(167,527)				
Five years later	(132,470)	(142,876)	(156,571)					
Six years later	(134,750)	(143,247)						
Seven years later	(133,260)							
Cumulative payments to-date	(133,260)	(143,247)	(156,571)	(167,527)	(160,321)	(185,353)	(199,461)	(104,029)

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

1 Insurance Risk (continued)

1.7 Net estimated general insurance claims liabilities for 2015 (continued)

Accident year	Prior years RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Outstanding claims	3,362	1,292	2,318	5,858	4,899	43,670	28,798	60,893	190,082	341,172
Claims handling expenses										16,206
Total net central estimate										357,378
Risk margin										36,882
Net insurance claims liabilities per statement of financial position (Note 14(i))										394,260

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk

The Board recognises the Company's exposure to business, economic and financial risks and the need to develop and implement measures to mitigate the risks identified as having potentially adverse impact on the Company's operations and impairment of its financial strength. The Board has assumed the primary responsibility of developing and implementing the Company's risk management program by evaluating, managing and monitoring the principal risks.

2.1 Credit risk

Credit risk is the risk of financial loss resulting from a failure of a debtor to honour its obligations to the Company.

The Company manages its credit risk in respect of receivables by establishing defined tolerance on credit period, putting in place collection procedures and rigorously monitoring its credit portfolio.

In terms of exposures to debt securities, the Company maintains a diversified portfolio of investments in government guaranteed and minimum A-rated financial instruments issued by companies with strong credit ratings.

Credit exposure

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

	2016 RM'000	2015 RM'000
AFS	1,054,438	938,688
Reinsurance assets – claims liabilities	214,544	338,008
Insurance receivables	177,034	169,321
Other receivables *	7,706	6,088
Cash and cash equivalents	283,052	240,451
	1,736,774	1,692,556

*Excluding prepayments which are not subject to credit risk.

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.1 Credit risk (continued)

Credit exposure by credit rating

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

	Neither past-due nor impaired RM'000	Not past-due but impaired RM'000	Past due and impaired RM'000	Total RM'000
31 December 2016				
AFS	1,054,438	-	-	1,054,438
Reinsurance assets – claims liabilities	214,544	-	-	214,544
Insurance receivables	21,134	105,633	60,316	187,083
Allowance for impairment of doubtful debts	-	(2,550)	(7,499)	(10,049)
Other receivables	7,706	-	-	7,706
Cash and cash equivalents	283,052	-	-	283,052
	1,580,874	103,083	52,817	1,736,774
31 December 2015				
AFS	938,688	-	-	938,688
Reinsurance assets – claims liabilities	338,008	-	-	338,008
Insurance receivables	40,744	76,149	59,878	176,771
Allowance for impairment of doubtful debts	-	(1,772)	(5,678)	(7,450)
Other receivables	6,088	-	-	6,088
Cash and cash equivalents	240,451	-	-	240,451
	1,563,979	74,377	54,200	1,692,556

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29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.1 Credit risk (continued)

The ageing analysis of insurance receivables is as follows:

	Neither past due nor impaired RM'000	Not past-due but impaired 0-3 months RM'000	Past due and impaired 3-6 months RM'000	Past due and impaired >6 months RM'000	Total RM'000
31 December 2016					
Insurance receivables	21,134	105,633	30,852	29,464	187,083
Allowance for impairment of doubtful debts	-	(2,550)	(834)	(6,665)	(10,049)
	21,134	103,083	30,018	22,799	177,034
31 December 2015					
Insurance receivables	40,744	76,149	32,688	27,190	176,771
Allowance for impairment of doubtful debts	-	(1,772)	(1,474)	(4,204)	(7,450)
	40,744	74,377	31,214	22,986	169,321

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Standard & Poor's Financial Services LLC ("S&P"), Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit rating of counterparties. AAA is the highest possible rating.

	Government Guaranteed RM'000	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
31 December 2016							
AFS	583,466	197,272	252,126	14,977	6,222	375	1,054,438
Reinsurance assets - Claims liabilities	-	-	133,103	51,161	-	30,280	214,544
Insurance receivables	-	-	316	160	-	176,558	177,034
Other receivables	-	-	-	-	-	7,706	7,706
Cash and cash equivalents	-	235,541	9,276	37,748	157	330	283,052
	583,466	432,813	394,821	104,046	6,379	215,249	1,736,774

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.1 Credit risk (continued)

	Government Guaranteed RM'000	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
31 December 2015							
AFS	518,822	207,036	206,575	-	5,880	375	938,688
Reinsurance assets							
- Claims liabilities	-	-	172,681	76,937	-	88,390	338,008
Insurance receivables	-	-	508	252	-	168,561	169,321
Other receivables	-	-	-	-	-	6,088	6,088
Cash and cash equivalents	-	198,628	9,070	32,695	38	20	240,451
	518,822	405,664	388,834	109,884	5,918	263,434	1,692,556

Impaired financial assets

As at 31 December 2016, insurance receivables of RM10,049,000 (2015: RM7,450,000) were impaired based on individual and collective assessment. An insurance receivable is considered as individually impaired if the counterparty is in the process of liquidation, legal actions has been taken to recover the outstanding balance disputed, defaulted or delinquent in payment. Insurance receivables with insignificant balances are grouped together and assessed collectively based on past payment trends.

The Company records impairment allowance for insurance receivables in a separate allowance account. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	Note	2016 RM'000	2015 RM'000
At 1 January		7,450	12,331
Charge/(Reversal) for the financial year	23	2,599	(4,881)
At 31 December		10,049	7,450

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.1 Credit risk (continued)

No collateral is held as security for any past due or impaired financial assets.

In addition, the Company has no impairment (2015: RM Nil) from its investment in debts securities in accordance to the Company's accounting policy as disclosed in Note 2(e)(v) to the financial statements.

2.2 Liquidity risk

Liquidity risk arises when the Company does not have the availability of funds to honour all cash outflow commitments as they fall due.

The Company's principal liquidity objective is to ensure that funds are available to meet its insurance and reinsurance obligations. Management utilises monthly cash flow reporting and forecasting to identify known, expected and potential cash outflows to determine an appropriate operating liquidity to cover expected and potential payments.

Maturity profiles

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

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

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29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.2 Liquidity risk (continued)

Maturity profiles (continued)

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

	Carrying value RM'000	Within a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2016								
Financial instruments:								
AFS	1,054,438	124,172	370,520	310,241	417,395	8,342	375	1,231,045
Reinsurance assets								
– claims liabilities	214,544	133,417	60,981	15,946	4,200	-	-	214,544
Insurance receivables	177,034	177,034	-	-	-	-	-	177,034
Other receivables	69,375	69,375	-	-	-	-	-	69,375
Cash and cash equivalents	283,052	283,376	-	-	-	-	-	283,376
Total assets	1,798,443	787,374	431,501	326,187	421,595	8,342	375	1,975,374

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.2 Liquidity risk (continued)

Maturity profiles (continued)

31 December 2016	Carrying value RM'000	Within a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Insurance contract liabilities								
– claims liabilities	631,156	370,868	199,039	47,074	14,175	-	-	631,156
Insurance payables	66,104	66,104	-	-	-	-	-	66,104
Other payables	131,922	131,922	-	-	-	-	-	131,922
Total liabilities	829,182	568,894	199,039	47,074	14,175	-	-	829,182

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.2 Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Within a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2015								
Financial instruments:								
AFS	938,688	117,676	190,096	269,817	534,803	8,378	375	1,121,145
Reinsurance assets								
– claims liabilities	338,008	200,399	108,961	21,156	7,492	-	-	338,008
Insurance receivables	169,321	169,321	-	-	-	-	-	169,321
Other receivables	78,945	78,945	-	-	-	-	-	78,945
Cash and cash equivalents	240,451	240,695	-	-	-	-	-	240,695
Total assets	1,765,413	807,036	299,057	290,973	542,295	8,378	375	1,948,114

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

2 Financial Risk (continued)

2.2 Liquidity risk (continued)

Maturity profiles (continued)

31 December 2015	Carrying value RM'000	Within a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Insurance contract liabilities								
– claims liabilities	732,268	436,447	231,832	48,000	15,989	-	-	732,268
Insurance payables	84,265	84,265	-	-	-	-	-	84,265
Other payables	103,597	103,597	-	-	-	-	-	103,597
Total liabilities	920,130	624,309	231,832	48,000	15,989	-	-	920,130

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

3 Market Risk

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

3.1 Foreign currency risk

Foreign exchange risk is the exposure of a company's financial strength to the potential impact of movements in foreign exchange rates. The risk is that adverse fluctuations in exchange rates may result in a reduction in measures of financial strength.

The Company transacts in minimal selected currencies and monitors corresponding assets and liabilities created at transaction level to ensure optimal currency positions.

The Company's primary transactions are carried out in Ringgit Malaysia ("RM"). Its exposure to foreign exchange risk is minimum and mainly arises principally with respect to United State Dollar ("USD"), Australian Dollar ("AUD"), New Zealand Dollar ("NZD") and Singapore Dollar ("SGD").

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

The Company does not engage in derivative transactions for speculative purposes. Where deemed necessary in line with the Company's risk management policy, the Company enters into derivative transactions solely for hedging purposes.

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

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

3 Market Risk (continued)

3.2 Interest rate risk

Interest rate risk refers to the effect of interest rate changes on the market value of a fixed income portfolio. When interest rates (yields) of fixed income securities increase, their prices will decrease, and vice versa. Fixed income securities with longer maturity and lower coupon rates are usually more sensitive to interest rate changes.

The Company is exposed to interest rate risk through its investments in fixed income securities and money market placements with the financial institutions. These investments are managed internally, aided by an appointed investment advisor which is a licensed fund manager. Interest rate risk is managed via management and monitoring of the portfolio duration with active support from the investment advisor.

The sensitivity analysis below illustrates impact of 100bps increase/decrease in interest rate to investment value based on portfolio holdings as of 31 December 2015, holding other variables constant. Note that the sensitivity analysis assumes the following:

1) Money market rates are adjusted to the same quantum of any change in interest rate movement. This refers to money market placements with financial institutions.

2) Parallel shift in yields in the same quantum of any change in interest rate movement. This refers to investment in fixed income securities.

		2016		2015	
	Variable charges	Impact on income statement RM'000	Impact on equity* RM'000	Impact on income statement RM'000	Impact on equity* RM'000
Interest rate	+100 basis points	-	(24,409)	-	(24,087)
Interest rate	-100 basis points	-	24,409	-	24,087

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

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

3 Market Risk (continued)

3.3 Equity price risk

Equity price risk refers to risk of changes in the value of an equity security. Securities may increase or decline in value due to various factors affecting equity market. Generally, it can be affected by industry-wide factors, or reasons specific to the company or its securities, such as management performance and financial positions. Price risk can be mitigated through diversification in general.

The Company is exposed to equity price risk arising from investment held by the Company and classified in the statement of financial position as available-for-sale financial assets that mainly consists of unquoted equities amounting to RM375,000 (2015: RM375,000).

As the Company's portfolio of investments in unquoted equities is insignificant, the impact arising from sensitivity in equity price risk is deemed minimal.

4 Operational Risk

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

The Company cannot expect to eliminate all operational risks but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access control, authorisation and reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit.

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

Company No.

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CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Major Risks (continued)

Capital structure

The capital structure of the Company as at 31 December 2016, as prescribed under the RBC Framework is provided below:

	2016 RM'000	2015 RM'000
Eligible Tier 1 Capital:		
Share capital	100,000	100,000
Retained earnings	620,689	524,595
	720,689	624,595
Tier 2 Capital:		
AFS reserves	(2,390)	(3,866)
Equity reserve	6,040	4,307
Amount deducted from capital	(20,936)	(17,740)
Total capital available	703,403	607,296

30 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 23 March 2017 by the Board of Directors.