RHB Insurance Berhad

# Playing to A New Tune

ANNUAL REPORT 2010

## Cover Rationale

Our ability to adapt to market shifts while thinking outside the box has ensured that we remain relevant to our target audiences. As we respond to changing customer needs, RHB continues to deliver groundbreaking solutions that keep our customers coming back for more.

◆ Driven to Perform

**RHB Bank Berhad**

◆ Marching to a New Beat

**RHB Islamic Bank Berhad**

◆ Delivering an Outstanding Performance

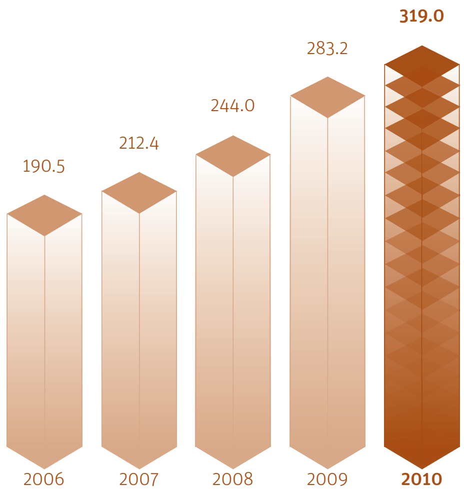
**RHB Investment Bank Berhad**

# Contents

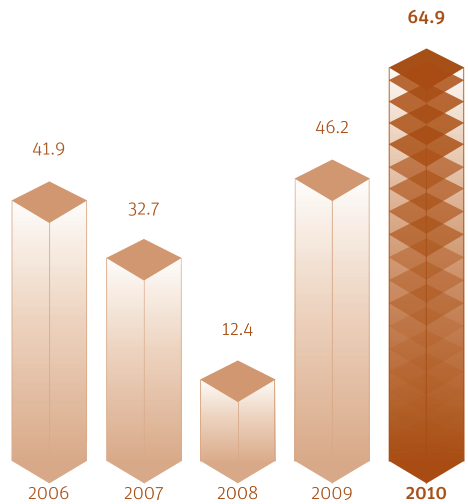
# Group Financial Highlights

| | 2010 RM million | 2009 RM million | 2008 RM million | 2007 RM million | 2006 RM million |
|---|---|---|---|---|---|
| **RESULTS** | | | | | |
| Operating Revenue | **319.0** | 283.2 | 244.0 | 212.4 | 190.5 |
| Profit Before Taxation | **64.9** | 46.2 | 12.4 | 32.7 | 41.9 |
| Net Profit for the Financial Year | **49.4** | 34.7 | 8.9 | 23.6 | 30.1 |
| Dividends - Net | **18.75** | 3.75 | 7.5 | 21.9 | 21.9 |
| **STATEMENT OF FINANCIAL POSITION** | | | | | |
| Share Capital | **100.0** | 100.0 | 100.0 | 100.0 | 100.0 |
| Shareholders' Fund | **204.3** | 158.2 | 129.9* | 121.8 | 142.0 |
| Total Assets | **646.8** | 545.3* | 460.0* | 310.7 | 306.9 |
| **RATIOS** | | | | | |
| Gross dividend per share - (sen) | **25.0** | 5.0 | 10.0 | 30.0 | 30.0 |
| Net tangible assets per share - (RM) | **2.04** | 1.58 | 1.31 | 1.22 | 1.42 |

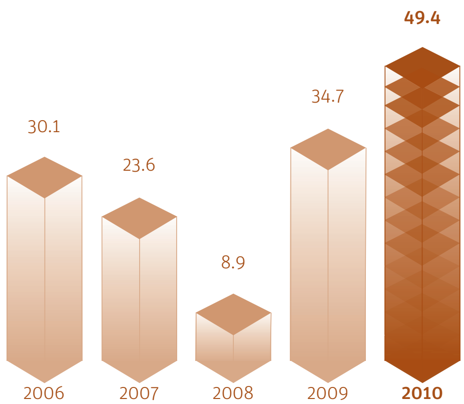
* Restated following changes in accounting policies



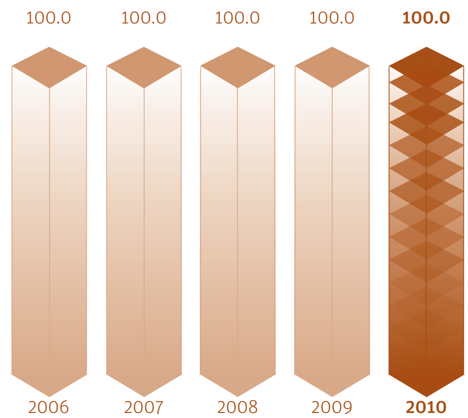

Operating Revenue (RM million)



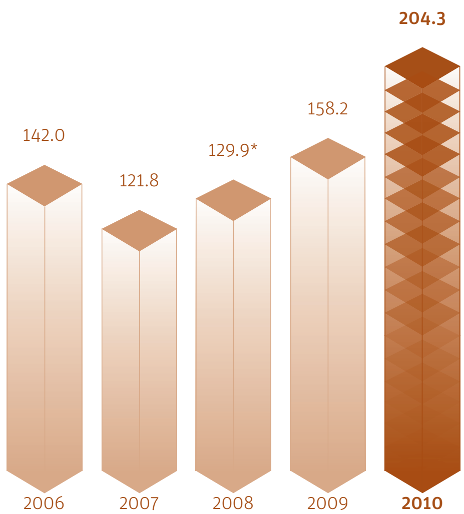

Profit Before Taxation (RM million)



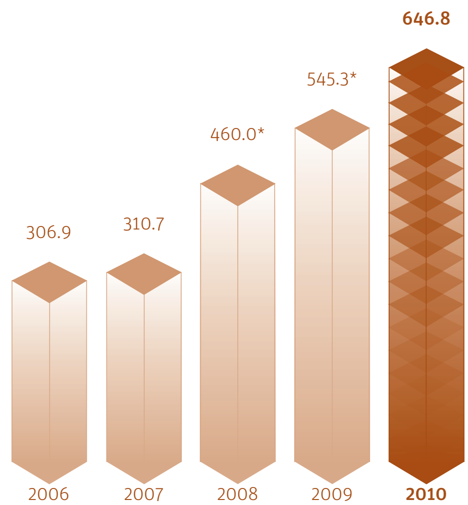

Net Profit for the Financial Year (RM million)




Share Capital (RM million)




Shareholders' Fund (RM million)




Total Assets (RM million)

* Restated following changes in accounting policies

# Corporate Information

As At 10 February 2011

## BOARD OF DIRECTORS

Haji Khairuddin Ahmad
*Independent Non-Executive Chairman*

Ong Seng Pheow
*Senior Independent Non-Executive Director*

Datuk Haji Faisal Siraj
*Independent Non-Executive Director*

Haji Md Ja'far Abdul Carrim
*Independent Non-Executive Director*

Dato' Othman Jusoh
*Independent Non-Executive Director*

Dato' Teo Chiang Liang
*Independent Non-Executive Director*

Koh Heng Kong
*Managing Director*

## BOARD COMMITTEES

### Group Audit Committee*

Ong Seng Pheow
*Chairman*

Dato' Othman Jusoh

Patrick Chin Yoke Chung

Haji Md Ja'far Abdul Carrim

Dato' Saw Choo Boon

### Group Risk Management Committee #

Haji Khairuddin Ahmad
*Chairman*

Patrick Chin Yoke Chung

Johari Abdul Muid

Haji Md Ja'far Abdul Carrim

Choong Tuck Oon

### Group Nominating Committee #

Datuk Haji Faisal Siraj
*Chairman*

Johari Abdul Muid

Dato' Mohamed Khadar Merican

Dato' Saw Choo Boon

Dato' Teo Chiang Liang

### Group Remuneration and Human Resource Committee #

Datuk Haji Faisal Siraj
*Chairman*

Johari Abdul Muid

Dato' Mohamed Khadar Merican

Dato' Saw Choo Boon

Dato' Teo Chiang LIang

### Investment Committee

Ong Seng Pheow
*Chairman*

Haji Khairuddin Ahmad

Dato' Othman Jusoh

Koh Heng Kong

### Group IT & Transformation Strategy Committee*

Choong Tuck Oon
*Chairman*

Ong Seng Pheow

Johari Abdul Muid

Dato' Mohd Ali Mohd Tahir

Dato' Tajuddin Atan

## SECRETARY

Azman Shah Md Yaman

## SENIOR MANAGEMENT

Dato' Tajuddin Atan
*Group Managing Director*

Renzo Christopher Viegas
*Director, Retail Banking*

Chay Wai Leong
*Director, Corporate & Investment Banking*

Kellee Kam Chee Khiong
*Director, Group Finance*

Norazzah Sulaiman
*Director, Group Corporate Services*

Michael Lim Kheng Boon
*Director, Group Transaction Banking*

Amy Ooi Swee Lian
*Director, Business Banking*

Wan Mohd Fadzmi Wan Othman
*Director, Global Financial Banking*

Haji Abd Rani Lebai Jaafar**
*Director, Islamic Banking*

Koh Heng Kong
*Head, Insurance*

Sharifatul Hanizah Said Ali
*Head, Investment Management*

Datin Zaimah Zakaria
*Director, Group Treasury (Acting)*

Azaharin Abd Latiff
*Director, Group Human Resource (Acting)*

Notes:
* The committee resides at RHB Bank Berhad and is shared with relevant subsidiaries of the Group.
# The committee resides at RHB Capital Berhad and is shared with relevant subsidiaries of the Group.
** Appointed on 14 February 2011

# Profile Of The Board Of Directors

As At 10 February 2011

**HAJI KHAIRUDDIN AHMAD**
(68 years of age – Malaysian)
Independent Non-Executive Chairman

Haji Khairuddin Ahmad ("Haji Khairuddin") was appointed as an Independent Non-Executive Director of RHB Insurance on 28 June 2004 and was subsequently appointed as the Chairman of RHB Insurance on 18 November 2009. He also serves as a Member of the Investment Committee of RHB Insurance, Chairman of the Group Risk Management Committee and Group Recovery Committee as well as a Member of the Group Credit Committee.

Haji Khairuddin attended the Advance Management course at Columbia Business School in New York, USA.

Haji Khairuddin began his career in the banking industry and was previously with Citibank N.A., Sourthern Bank Berhad, Bank of Commerce Berhad and Arab Malaysian Finance Berhad.

Haji Khairuddin's other directorships in public companies include RHB Bank Berhad.

**ONG SENG PHEOW**
(62 years of age – Malaysian)
Senior Independent Non-Executive Director

Ong Seng Pheow ("Mr Ong") was appointed as an Independent Non-Executive Director of RHB Insurance on 1 January 2008. He also serves as the Chairman of the Investment Committee of RHB Insurance and the Group Audit Committee as well as a Member of the Group IT & Transformation Strategy Committee.

Mr Ong has over 34 years of audit and accounting experience. He is a Member of the Malaysian Institute of Certified Public Accountants ("MICPA") and Malaysian Institute of Accountants. He was a partner of Ernst & Young from 1984 to 2003. His last held position in Ernst & Young was the National Director of Assurance and Advisory Business Services. He has served on committees and working groups of MICPA.

Mr Ong's other directorships in public companies include RHB Bank Berhad, Daiman Development Berhad, LCTH Corporation Berhad, George Kent (Malaysia) Berhad and HELP International Corporation Berhad.

**DATUK HAJI FAISAL SIRAJ**
(65 years of age – Malaysian)
Independent Non-Executive Director

Datuk Haji Faisal Siraj ("Datuk Faisal") was appointed as an Independent Non-Executive Director of RHB Insurance on 1 January 2008. Datuk Faisal also serves as the Chairman of the Group Nominating Committee and Group Remuneration and Human Resource Committee.

Datuk Faisal is a Fellow of the Institute of Chartered Accountants in England & Wales, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants.

Datuk Faisal started his career in 1968 with KPMG London. On his transfer from KPMG London to KPMG Kuala Lumpur, he was posted to KPMG Kota Kinabalu until 1976. Datuk Faisal joined the Malaysia Mining Corporation ("MMC") Group in 1976. He was the Group Executive Director and a Member of the MMC Board from 1981 to 1994. In 1995, he joined DRB-HICOM Berhad ("DRB-HICOM") as the Group Chief Financial Officer in the capacity of Senior Group Director, Financial Services and Treasury Division and was a member of DRB-HICOM Board, before his retirement in 2005.

Datuk Faisal's other directorship in public companies includes RHB Islamic Bank Berhad (Chairman) and RHB Capital Berhad.

# Profile Of The Board Of Directors

As At 10 February 2011

**HAJI MD JA'FAR ABDUL CARRIM**
(55 years of age – Malaysian)
Independent Non-Executive Director

Haji Md Ja'far Abdul Carrim ("Haji Ja'far") was appointed as an Independent Non-Executive Director of RHB Insurance on 11 August 2009. He also serves as a Member of the Group Audit Committee as well as the Group Risk Management Committee.

A civil engineer by training, Haji Ja'far's career of some 32 years includes a stint in the public sector as well as a broad range of activities in the corporate sector as Chief Executive Officer and at the board of directors level. His extensive experience covers inter alia, the areas of manufacturing, property development and construction. During the period under review, Haji Ja'far also served on the Curriculum Development Board for Polytechnics at the Ministry of Higher Education, Malaysia and was Chairman of the Human Resources Consultative Panel at the Malaysian Productivity Corporation. He is also a Council Member for the Chair on Financial Planning for Old Age at University Malaya.

Haji Ja'far's other directorship in a public company is at RHB Islamic Bank Berhad.

**DATO' OTHMAN JUSOH**
(62 years of age – Malaysian)
Independent Non-Executive Director

Dato' Othman Jusoh ("Dato' Othman") was appointed as an Independent Non-Executive Director of RHB Insurance on 1 April 2010. He also serves as a Member of the Group Audit Committee and Investment Committee of RHB Insurance.

Dato' Othman holds a Bachelor of Economics (Honours) in Analytical Economics from the University of Malaya and a Masters in Business Administration from the University of Oregon, USA.

Dato' Othman has held various senior positions in the Ministry of Finance until his retirement in June 2004. He has also served as the Group Chief Executive of Malaysian Kuwaiti Investment Co. Sdn Bhd from 1995 to 1998 and as the Executive Director of Asian Development Bank from August 2000 to July 2003. He was also the Chief Executive Officer of Perbadanan Tabung Pendidikan Tinggi Nasional from August 2004 to August 2006. He is currently the Chairman of TH Technologies Sdn Bhd since 1 June 2005.

Dato' Othman's other directorship in public company include Asia Media Growth Berhad.

# Profile Of The Board Of Directors

As At 10 February 2011

**DATO' TEO CHIANG LIANG**
(60 years of age – Malaysian)
Independent Non-Executive Director

Dato' Teo Chiang Liang ("Dato' Teo") was appointed as an Independent Non-Executive Director of RHB Insurance on 4 August 2010. He also serves as a Member of the Group Nominating Committee and Group Remuneration and Human Resource Committee.

Dato' Teo holds a Bachelor of Arts (Honours) degree in Business Studies awarded by the Council for National Academic Awards, United Kingdom and Bachelor of Science in Management Studies from University of Bradford, United Kingdom. He was appointed as a Visiting Professor of Nottingham Trent University, United Kingdom in 1998 and conferred with an Honorary Degree of Doctor of Business Administration in 2001.

Dato' Teo joined and served the See Hoy Chan Holdings Group, a well-diversified group of companies, in different levels of management since 1975. He was the Secretary General of the Malaysian Association of Private Colleges & Universities from 1997 to March 2003 and is currently its Vice President. Dato' Teo was appointed as a member of the MSC Education Advisory Panel in 1998 and a Life Member of the Malaysian Red Crescent Society since 1983. He was elected as an Executive Council Member of Malaysia Crime Prevention Foundation since 2006.

Dato' Teo's other directorships in public companies include RHB Capital Berhad and Ajinomoto (Malaysia) Berhad.

**KOH HENG KONG**
(58 years of age – Malaysian)
Managing Director

Koh Heng Kong ("Mr Koh") was appointed as the Managing Director of RHB Insurance on 8 October 2007. He also serves as a Member of the Investment Committee of RHB Insurance.

Mr Koh is a Chartered Insurer of the Chartered Insurance Institute, U.K. He has over 32 years experience in the insurance industry and has held various senior management positions for RHB Insurance. He joined RHB Insurance as an Accountant in 1976 after serving as an Assistant Accountant in his previous company. He was promoted to Manager, Finance and Administration in 1983, Assistant General Manager in 1989, General Manager in 1997 and Chief Executive Officer in 2002.

# RHB Banking Group Corporate Structure

As at 10 February 2011

RHB
RHB CAPITAL BERHAD

## COMMERCIAL BANKING GROUP

### RHB BANK BERHAD

- RHB Islamic Bank Berhad
- RHB Bank (L) Ltd
  - RHB International Trust (L) Ltd
    - RHB Corporate Services Sdn Bhd
- RHB Leasing Sdn Bhd
- RHB Capital Nominees (Tempatan) Sdn Bhd
  - RHB Capital Nominees (Asing) Sdn Bhd
- RHB Capital Properties Sdn Bhd
- Utama Assets Sdn Bhd
- RHB Bank Nominees Pte Ltd *(Singapore)*
- Banfora Pte Ltd *(Singapore)*
- RHB Investment Ltd *(Singapore)*
- RHB Trade Services Limited *(Hong Kong)*
- Utama Gilang Sdn Bhd
- UMBC Sdn Bhd
- RHB Delta Sdn Bhd

## INVESTMENT BANKING GROUP

### RHB INVESTMENT BANK BERHAD

- RHB Investment Management Sdn Bhd
  - RHB Islamic Asset Management Sdn Bhd
- RHB Research Institute Sdn Bhd
- RHB Merchant Nominees (Tempatan) Sdn Bhd
  - RHB Merchant Nominees (Asing) Sdn Bhd
- RHB Private Equity Holdings Sdn Bhd
  - RHB Private Equity Management Ltd
  - RHB Private Equity Fund Ltd *(Cayman Islands)*
- RHB Nominees Sdn Bhd
- RHB Nominees (Tempatan) Sdn Bhd
- RHB Nominees (Asing) Sdn Bhd
- RHB Excel Sdn Bhd
- RHB Progressive Sdn Bhd
- RHB Marketing Services Sdn Bhd
- RHB Unit Trust Management Berhad
- Vietnam Securities Corporation (49%)

## OTHERS

- RHB Insurance Berhad (94.7%)
- RHB Equities Sdn Bhd [(1)]
  - KYB Sdn Bhd
- RHB Capital (Jersey) Limited *(Channel Island)*
  - Rashid Hussain Securities (Philippines), Inc. *(Philippines)* [(2)]
- RHB Hartanah Sdn Bhd
  - Positive Properties Sdn Bhd
  - RHB Property Management Sdn Bhd
- Straits Asset Holdings Sdn Bhd
  - SSSB Services (Melaka) Sdn Bhd
  - SFSB Services (Melaka) Sdn Bhd
- RHBF Sdn Bhd
  - KYF Sdn Bhd
- RHB Venture Capital Sdn Bhd
- RHB Kawal Sdn Bhd

**Notes:**

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant Company

Jointly Controlled Entity

(1) With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.
(2) The company has ceased operations from the close of business on 10 December 2001.

Country of incorporation is in Malaysia unless otherwise indicated in italics

# Statutory Financial Statements

# Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2010.

## PRINCIPAL ACTIVITY

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

## FINANCIAL RESULTS

| | RM |
|---|---|
| Profit for the financial year | 49,434,421 |
| Retained earnings brought forward | 57,891,366 |
| Profits available for appropriation | 107,325,787 |
| Dividend | (3,750,000) |
| Retained earnings carried forward | 103,575,787 |

## DIVIDENDS

The dividends paid by the Company since 31 December 2009 are as follows:

| | RM |
|---|---|
| A final dividend of 5% less tax at 25% for the financial year ended 31 December 2009, paid on 24 May 2010. | 3,750,000 |

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 25% on 100,000,000 ordinary shares, less 25% tax, amounting to RM18,750,000, will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accounted for in shareholders equity as an appropriation of retained profit in financial year ending 31 December 2011 when approved by shareholders.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## ISSUE OF SHARES

There were no issuance of shares in the Company during the current financial year.

## PROVISION FOR OUTSTANDING CLAIMS

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

# Directors' Report (continued)

## BAD AND DOUBTFUL DEBTS

Before the income statement and statement of financial position of the Company were made out, the Directors took reasonable steps 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.

At the date of this report, the Directors of the Company are not aware of any circumstances that would render the amount written off for bad debts or the amounts of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

## CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

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

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

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

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

# Directors' Report (continued)

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

## CORPORATE GOVERNANCE

### Introduction

The Board of the Company recognises that good corporate governance is and has been fundamental to the success of the Company's business. Therefore, the Board of the Company continuously strives to ensure that highest standards of corporate governance are adopted in establishing accountability and integrity of the Board and the Management in promoting the interest of the stakeholders and enhance shareholders' value. The corporate governance structure of the Company which is aligned with that of the RHB Banking Group ("Group") is principally based on the Guidelines on Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia ("BNM").

The Board has developed a charter that sets out the key corporate governance principles adopted by the Board ("Charter"). In adhering to the responsibilities set out in the Charter, the Members of the Board are expected to perform their duties with integrity, honesty and professionalism within the ambit of the law to serve the interest of the Company's shareholders and stakeholders.

The Board has adopted a Code of Ethics and Business Conduct for Directors ("Code of Ethics"). The Code of Ethics was formulated to enhance the standard of corporate governance and promote ethical conduct of Directors with a view to achieving the following objectives:-

- to establish a uniform ethical standard for Directors emphasising conduct free from conflicts of interest; and
- to uphold the spirit of corporate responsibility and accountability in line with the governing laws, regulations and guidelines.

The Group has in place a Group Code of Ethics and Conduct that is applicable to all its employees to ensure a high standard of ethical and professional conduct is upheld by all its employees in the performance of their duties and responsibilities.

# Directors' Report (continued)

## CORPORATE GOVERNANCE (CONTINUED)

## BOARD OF DIRECTORS

### Composition of the Board

The Board currently comprises an Independent Non-Executive Chairman, five (5) Independent Non-Executive Directors ("INEDs") and a Managing Director, details of which are as follows:-

**Name of Director**

Haji Khairuddin Ahmad (INED/Chairman)
Datuk Haji Faisal Siraj (INED)
Ong Seng Pheow (INED)
Haji Md Ja'far Abdul Carrim (INED)
Dato' Othman Jusoh (INED)
Dato' Teo Chiang Liang (INED)
Koh Heng Kong (Managing Director)

Datin Sri Khamarzan Ahmed Meah resigned as an Independent Non-Executive Director on 15 November 2010.

### Duties and Responsibilities Of The Board

The Board is responsible for governing the administration of the Company and for exercising all such power pursuant to the Articles of Association of the Company. In general, the Board is responsible for:-

- providing strategic leadership to the Company;
- reviewing, approving and monitoring the implementation of the Company's strategic business plans and policies;
- ensuring the Company maintains an effective system of internal controls and is able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- acting as a guardian of the Company's corporate values and ethical principles in parallel with the goal to enhance shareholders' value;
- monitoring as well as evaluating the performance of the Management to ensure that the performance criteria remains dynamic; and
- ensuring the formulation of a succession plan for the Company for the long-term business continuity.

The day-to-day management of the Company is delegated to the Managing Director ("MD") who is responsible in managing the business and operations of the Company in ensuring the successful implementation of the policies and directions as formulated by the Board. The distinct and separate duties and responsibilities of the MD and the Chairman/other Non-Executive Directors ensure the balance of power and authority towards the establishment of a fully effective Board.

### Board Meetings and Access of Information

The Board meets on a monthly basis. Special meetings are held where any direction or decisions are required expeditiously from the Board between the scheduled meetings. Scheduled Board meetings are structured with a pre-set agenda.

# Directors' Report (continued)

## CORPORATE GOVERNANCE (CONTINUED)

The Board is provided with meeting papers in advance of the meeting dates to allow the Members of the Board to digest the issues at hand, seek clarification from the Management, if required and formulate opinion on matters to be deliberated at the meetings. In line with best practices, Board materials/papers are circulated to Members of the Board at least seven (7) days prior to the scheduled Board Meeting date. At each Meeting, the Board receives updates from the respective Chairmen/representatives of the Group Audit Committee and Group Risk Management Committee on matters relating to the Company that have been deliberated at both committees, as well as on matters that require appropriate attention. The Board also reviews regular management reports and information on corporate and business issues to assess performance against business targets and objectives.

Each Member of the Board is required to apply independent judgement to decision making in their capacity as a Director. Where urgency prevails and if appropriate, decisions are also taken by way of a Directors' Circular Resolution in accordance with the Company's Articles of Association.

The Board is able to seek clarification and advice as well as request for information on matters pertaining to the Company and the Group from the Senior Management and the Company Secretaries. Should the need arise, the Directors may also seek independent professional advice, at the Company's expense, when deemed necessary for the proper discharge of their duties.

The Board had adopted an internal guideline on the Standard Procedures for Directors to have access to independent advice which lays down the procedures for Directors seeking internal and/or external professional independent advice. The objectives of this guideline among others are as follows:-

- to ensure consistency throughout the Group on the procedures for Directors of the Group to have access to independent professional advice; and
- to enable Directors to have an enhanced perception of issues within the Group by allowing them to obtain independent opinion/advice/consultation from leading professionals in the relevant areas.

The Board convened twelve (12) meetings for the financial year ended 31 December 2010. The attendance of each Director at Board meetings held during the financial year is set out below:-

| Name of Directors | Total meetings attended | Percentage of attendance (%) |
|---|---|---|
| Haji Khairuddin Ahmad | 12/12 | 100 |
| Datuk Haji Faisal Siraj | 12/12 | 100 |
| Ong Seng Pheow | 11/12 | 92 |
| Koh Heng Kong | 12/12 | 100 |
| Haji Md Ja'far Abdul Carrim | 12/12 | 100 |
| Dato' Othman Jusoh[1] | 9/9* | 100 |
| Dato' Teo Chiang Liang[2] | 4/4* | 100 |
| Datin Sri Khamarzan Ahmed Meah[3] | 8/11[#] | 73 |

Notes:
[1] Appointed on 1 April 2010
[2] Appointed on 4 August 2010
[3] Resigned on 15 November 2010
* Based on the number of Board meetings held since his appointment in 2010
[#] Based on the number of Board meetings attended during her tenure of appointment in 2010

# Directors' Report (continued)

## CORPORATE GOVERNANCE (CONTINUED)

Pursuant to BNM's Guidelines (Minimum Standards for Prudential Management of Insurers (Consolidated) and Prudential Framework of Corporate Governance for Insurers) and Insurance Regulations 1996, individual directors must attend at least 75% of the board meetings held in each year. For the year under review, all Directors in office at the end of the financial year had complied with the attendance requirement as stipulated by BNM.

### Appointments and Re-Election To The Board

The Company is governed by BNM's Guidelines on the appointment of new Directors and the re-appointment of its existing Directors upon the expiry of their respective tenures of office as approved by BNM.

The Group Nominating Committee ("Group NC") reviews and assesses the appointments/re-appointments of Directors. During such assessment, the Group NC also refers to the results of the individual assessments conducted via the Board Effectiveness Evaluation ("BEE"). The recommendation of the Group NC will thereafter be presented to the Board. Upon approval by the Board, the application for the appointment/re-appointment of Directors will be submitted to BNM for approval.

The Board has also adopted an internal guideline on the "Tenure of Appointment and Re-appointment of Independent Directors" with the main objective of preserving the independence of Independent Directors. Independent Directors over seventy (70) years of age will not be eligible for appointment or re-appointment on the Board of any of the companies within the Group and shall retire at the next Annual General Meeting of the company concerned.

Article 74 of the Company's Articles of Association provides that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. Retiring Directors can offer themselves for re-election. Directors who are appointed during the financial year are subject to re-election by shareholders at the next Annual General Meeting held following their appointments.

### Training

The Directors continuously participate in various seminars, conferences and training programmes and in-house workshops to keep themselves abreast of the relevant regulatory framework, financial sector issues as well as current and future market developments.

The Group has also adopted a guideline on the Standard Procedures on Directors' In-House Orientation and Continuing Education Programme for the Group, the objectives of which are as follows:

- to ensure consistency throughout the Group in developing an in-house orientation and continuing education programme for its Directors to familiarise themselves with the industry and the company/Group; and
- to provide Directors with a better understanding of the nature of business, corporate strategy, risks of the business, responsibilities and rights from the legal viewpoint, moral and ethical obligations as well as good corporate governance in the ever-changing economic climate.

# Directors' Report (continued)

## CORPORATE GOVERNANCE (CONTINUED)

### Board Performance Evaluation

The Board has since 2006 undertaken the BEE exercise on the Board and Board Committees with the objective of assessing the effectiveness of the Board and Board Committees as a whole, as well as the individual Directors. The BEE is based on a combination of self and peer assessment methodologies performed via a customised questionnaire. The results of the BEE are presented to the Group NC as well as the Board of the Company for consideration.

### Group Board Committee

Following the Group-wide transformation exercise undertaken in late 2007, the various Board Committees within the Group were consolidated to form Group Board Committees residing either at the Company's holding company, RHB Capital Berhad or at its sister company, RHB Bank Berhad's level. The objective is to promote better efficiency and effectiveness in implementing holistic strategies for the benefit of the Group as a whole. The Group Board Committees currently residing at RHB Bank Berhad and RHB Capital Berhad which are shared by the Company are as follows:-

- Group Audit Committee
- Group Nominating Committee
- Group Remuneration and Human Resource Committee
- Group Risk Management Committee
- Group IT & Transformation Strategy Committee

The functions and terms of reference of the Group Board Committees are clearly defined and comply with the relevant governing laws, regulations and guidelines. The members of the Group Board Committees comprise the Directors of the Company and that of the operating entities within the Group to ensure a fair representation across the entities in pursuing the interests of the entities concerned.

The relevant minutes/extract of minutes of meetings of all Group Board Committees are tabled to the respective Boards for notation.

### Group Audit Committee

The Group Audit Committee ("Group AC") comprises five (5) Independent Non-Executive Directors ("INED") of whom one (1) is the Chairman. A total of twenty three (23) meetings were held during the financial year ended 2010 and the details of attendance of each member at the Group AC Meetings are as follows:

| Members of Group AC | Total meetings attended | Percentage of attendance (%) |
|---|---|---|
| Ong Seng Pheow (Chairman/INED) | 22/23 | 96 |
| Dato' Othman Jusoh (Member/INED) | 23/23 | 100 |
| Patrick Chin Yoke Chung (Member/INED) | 22/23 | 96 |
| Haji Md Ja'far Abdul Carrim (Member/INED) | 23/23 | 100 |
| Dato' Saw Choo Boon[1] (Member/INED) | 13/13* | 100 |
| Datuk Tan Kim Leong[2] (Member/INED) | 10/10# | 100 |

[1] Appointed on 20 May 2010
[2] Retired on 19 May 2010
* Based on the number of meetings attended since his appointment as a member in 2010
# Based on the number of meetings attended during his tenure of appointment in 2010

# Directors' Report (continued)

## CORPORATE GOVERNANCE (CONTINUED)

The main objectives of the Group AC are as follows:

(i) to provide independent oversight over the management of the financial reporting and internal control system and ensuring checks and balances for entities within the Group;

(ii) to review the financial condition and performance of the Group;

(iii) to assist the Boards of the respective entities in the discharge of their responsibilities by reviewing the effectiveness, adequacy and integrity of the Group's internal control systems and management information systems, including systems for risk management, governance processes and compliance with applicable laws, regulations, rules, directives and guidelines;

(iv) to reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit activities;

(v) to provide, by way of regular meetings, a line of communication between the respective Boards and the external auditors;

(vi) to provide emphasis on the internal audit function by ensuring the objectivity and independence of the internal auditors and provide a forum for discussion that is among others independent of the management; and

(vii) to enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

### Group Nominating Committee

The Group NC comprises four (4) INEDs of whom one (1) is the Chairman and a Non-Independent Non-Executive Directors ("NINED"). During the financial year ended 2010, a total of six (6) meetings were held and the details of the attendance of each member are as follows:

| Members of Group NC | Total meetings attended | Percentage of attendance (%) |
|---|---|---|
| Datuk Haji Faisal Siraj (Chairman/INED) | 6/6 | 100 |
| Johari Abdul Muid (Member/NINED) | 5/6 | 83 |
| Dato' Mohamed Khadar Merican (Member/INED) | 6/6 | 100 |
| Dato' Saw Choo Boon[1] (Member/INED) | 3/3* | 100 |
| Dato' Teo Chiang Liang[2] (Member/INED) | 2/2* | 100 |
| Datuk Tan Kim Leong[3] (Member/INED) | 3/3# | 100 |
| Tan Sri Azlan Zainol[4] (Member/NINED) | 4/4# | 100 |

1 Appointed on 20 May 2010
2 Appointed on 2 August 2010
3 Retired on 19 May 2010
4 Relinquished membership on 1 August 2010
* Based on the number of meetings attended since his appointment as a member in 2010
\# Based on the number of meetings attended during his tenure of appointment in 2010

# Directors' Report (continued)

## CORPORATE GOVERNANCE (CONTINUED)

The objectives of the Group NC, amongst others, are as follows:–

(i) to provide a documented, formal and transparent procedure for the appointment of directors, board committee members, Group Shariah Committee members, chief executive officer and key senior management officers of the Group as well as assessment of effectiveness thereof;

(ii) to assist the Board in identifying and reviewing, on an annual basis, the required mix of skills, experience and other qualities, including core competencies which directors should bring to the Board and which the Board requires for it to function completely and efficiently; and

(iii) to examine the size of the Board with a view of determining the impact of the number upon its effectiveness.

### Group Remuneration and Human Resource Committee

The Group Remuneration and Human Resource Committee ("Group RHRC") comprises four (4) INEDs of whom one (1) is the Chairman and a NINED. During the financial year ended 2010, a total of ten (10) meetings were held and the details of the attendance of each member are as follows:-

| Members of Group RHRC | Total meetings attended | Percentage of attendance (%) |
|---|---|---|
| Datuk Haji Faisal Siraj (Chairman/INED) | 10/10 | 100 |
| Johari Abdul Muid (Member/NINED) | 9/10 | 90 |
| Dato' Mohamed Khadar Merican (Member/INED) | 10/10 | 100 |
| Dato' Saw Choo Boon[1] (Member/INED) | 6/6* | 100 |
| Dato' Teo Chiang Liang[2] (Member/INED) | 4/4* | 100 |
| Datuk Tan Kim Leong[3] (Chairman/INED) | 4/4# | 100 |
| Tan Sri Azlan Zainol[4] (Member/NINED) | 6/6# | 100 |

[1] Appointed on 20 May 2010
[2] Appointed on 2 August 2010
[3] Retired on 19 May 2010
[4] Relinquished membership on 1 August 2010
* Based on the number of meetings attended since his appointment as a member in 2010
# Based on the number of meetings attended during his tenure of appointment in 2010

The objectives of Group RHRC, among others, are as follows:-

(i) to provide a formal and transparent procedure for developing the remuneration policy for directors, board committee members, chief executive officer, Group Shariah Committee members and key senior management officers of the Group and ensuring that compensation is competitive and consistent with the Group's culture, objectives and strategy;

(ii) to recommend to the Board on the policies, strategies and framework for the Group in relation to staff remuneration, rewards and benefits;

(iii) to oversee and review the scope and quality of human resource projects/programmes of the Group; and

(iv) to oversee the disciplinary procedures, regulations and preventive measures as well as to ensure implementation and adherence to the disciplinary procedures.

# Directors' Report (continued)

## CORPORATE GOVERNANCE (CONTINUED)

### Group Risk Management Committee

The Group Risk Management Committee ("Group RMC") comprises five (5) INEDs of whom one (1) is the Chairman and a NINED. During the financial year ended 2010, a total of fifteen (15) meetings were held and the details of the attendance of each member are as follows:-

| Members of Group RMC | Total meetings attended | Percentage of attendance (%) |
|---|---|---|
| Haji Khairuddin Ahmad (Chairman/INED) | 15/15 | 100 |
| Patrick Chin Yoke Chung (Member/INED) | 15/15 | 100 |
| Johari Abdul Muid (Member/NINED) | 12/15 | 80 |
| Haji Md Ja'far Abdul Carrim (Member/INED) | 15/15 | 100 |
| Choong Tuck Oon[1] (Member/INED) | 10/10* | 100 |
| Datuk Tan Kim Leong[2] (Member/INED) | 4/5# | 80 |

[1] Appointed on 20 May 2010
[2] Retired on 19 May 2010
* Based on the number of meetings attended since his appointment as a member in 2010
# Based on the number of meetings attended during his tenure of appointment in 2010

The main objectives of the Group RMC are as follows:-

(i) to provide oversight and governance of risks at the Group;

(ii) to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process of each entity in the Group is in place and functioning;

(iii) to promote the management of the Group's risk in accordance with a risk-return performance management framework; and

(iv) to deliberate and make recommendations to the Boards of each relevant entity within the Group in respect of risk management matters of the respective entities.

### Group IT & Transformation Strategy Committee

The Group IT & Transformation Strategy Committee ("GI&TSC") comprises two (2) INEDs of whom one (1) is the Chairman, a NINED and the Group Managing Director.

The principal responsibility of the GI&TSC is to provide guidance on the Group's planning and/or execution of programmes and initiatives within the realm of information technology and transformation management.

### Management Accountability

The Company has a well-documented and updated organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees. Management obtains a quarterly declaration from staff on adherence to the insurance industry's Code of Ethics.

# Directors' Report (continued)

## CORPORATE GOVERNANCE (CONTINUED)

### Management Accountability (continued)

Policies and procedures are documented in the operating manuals for all the core functions of the Company such as underwriting, claims, reinsurance and finance. Monthly meetings are scheduled for Senior Management and various working committees i.e. Technical, Marketing, Information Technology Review and Credit Control to communicate on the affairs and operations of the Company. In addition, regular departmental/branch meetings are also held to discuss each operating unit's affairs and to communicate relevant information to staff.

### Corporate Independence

The related party transactions are on terms and conditions no more favourable than those available on similar transactions to the Company's other customers. All material related party transactions have been disclosed in the financial statements.

### Internal Controls and Operational Risk Management

The Directors acknowledge their responsibility for the system of internal controls maintained by the Company and for reviewing its effectiveness. The system of internal controls covers not only financial controls but also operational and compliance controls as well as risk management. The system, by its nature, can only provide reasonable but not absolute assurance against misstatement, loss or fraud.

The Board maintains a control-conscious culture across all areas of operations in the Company. There is an on-going process for identifying, evaluating and managing all significant risks faced by the Company which will be regularly reviewed by the Board.

The Group's internal audit regularly reports on compliance with the system of internal controls and procedures to the Management, Audit Committee and the Board. There are also procedures for external auditors to report conclusions and recommendations to the Management, Audit Committee and the Board.

The Group's internal audit will ensure that recommendations to improve controls are followed through by the Management on a timely manner.

### Public Accountability

The Company upholds the principles of fairness and professionalism in the conduct of its business. The requirement of a written disclosure in insurance policies pertaining to the existence of the Insurance Mediation Bureau ("IMB") and BNM's Customer Service Bureau ("CSB") is effected on all new and renewal policies issued. The notice will inform the policyholders on the procedures for complaints to the IMB and CSB of any unfair market practices.

### Financial Reporting

The Management ensures that proper records are maintained to support all financial transactions and the financial statements are prepared in accordance with Financial Reporting Standards ("FRS") which are the MASB approved accounting standards in Malaysia for Entities Other than Private Entities, as modified by BNM and the provisions of the Companies Act, 1965. In accordance with Section 95(1) of the Insurance Act 1996, on a yearly basis, the statutory financial statements are published in two local newspapers within fourteen days of the Annual General Meeting.

# Directors' Report (continued)

## CORPORATE GOVERNANCE (CONTINUED)

### Financial Reporting (continued)

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

The Management ensures that the monthly and annual returns are submitted to BNM on a timely basis.

## DIRECTORS AND THEIR INTERESTS IN SECURITIES

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

| | |
|---|---|
| Haji Khairuddin Ahmad | |
| Datuk Haji Faisal Siraj | |
| Ong Seng Pheow | |
| Koh Heng Kong | |
| Haji Md Ja'far Abdul Carrim | |
| Dato Othman Jusoh | (Appointed on 1 April 2010) |
| Dato Teo Chiang Liang | (Appointed on 4 August 2010) |
| Datin Sri Khamarzan Ahmed Meah | (Resigned on 15 November 2010) |

In accordance with Article 80 of the Company's Articles of Association, Dato' Teo Chiang Liang retires at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

In accordance with Article 74 of the Company's Articles of Association, Haji Khairuddin Ahmad and Datuk Haji Faisal Siraj retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

According to the register of directors' shareholdings, the interests of the Directors in office at the end of the financial year in the securities of the Company and its related corporations were as follows:-

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | **As at 1.1.2010** | **Bought** | **Sold** | **As at 31.12.2010** |
| **Holding Company RHB Capital Berhad** | | | | |
| Haji Khairuddin Ahmad | | | | |
| – Direct | 18,000 | – | – | 18,000 |
| Koh Heng Kong | | | | |
| – Indirect[1] | 3,000 | – | – | 3,000 |

Note: [1] Indirect interest held by family member.

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

# Directors' Report (continued)

## 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 directors' remuneration and benefits-in-kind as disclosed in Note 22 to the financial statements) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except that certain Directors received remuneration from the Company's holding company and other related corporations.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## HOLDING COMPANY

The Company's immediate and ultimate holding company is RHB Capital Berhad, a company incorporated in Malaysia.

## AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 25 January 2011.

**HAJI KHAIRUDDIN AHMAD**
CHAIRMAN

**KOH HENG KONG**
MANAGING DIRECTOR

Kuala Lumpur
25 February 2011

# Statement Of Financial Position

As At 31 December 2010

| | Note | 31.12.2010 RM | 31.12.2009 RM | 1.1.2009 RM |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Property, plant and equipment | 5 | **2,690,867** | 2,842,529 | 3,127,141 |
| Investment | 6 | **423,973,774** | 344,697,878 | 294,507,231 |
| – Malaysian Government Securities | | **–** | 22,870,000 | 24,309,600 |
| – Bank Negara Malaysia Notes | | **–** | – | 7,968,000 |
| – Debt securities | | **15,109,687** | 70,661,428 | 77,095,086 |
| – Equities securities | | **69,895,935** | 54,683,878 | 32,615,078 |
| – Unit and property trust funds | | **169,554,634** | 862,517 | 826,128 |
| – Loans | | **759,583** | 772,458 | 549,331 |
| – Fixed and call deposits | | **168,653,935** | 194,847,597 | 151,144,008 |
| Deferred tax assets | 7 | **572,000** | 3,114,000 | 6,844,000 |
| Reinsurance assets | 8 | **146,119,401** | 133,675,765 | 109,761,120 |
| Insurance receivables | 9 | **54,566,432** | 46,817,918 | 39,509,491 |
| Other receivables | 10 | **14,564,508** | 14,044,717 | 6,094,186 |
| Cash and cash equivalents | 11 | **4,281,710** | 123,320 | 199,895 |
| **TOTAL ASSETS** | | **646,768,692** | 545,316,127 | 460,043,064 |
| **LIABILITIES** | | | | |
| Insurance contract liabilities | 12 | **369,975,166** | 334,844,648 | 293,309,704 |
| Insurance payables | 13 | **49,102,205** | 36,182,864 | 25,540,171 |
| Other payables | 14 | **21,305,900** | 14,843,651 | 10,985,393 |
| Current tax liabilities | | **2,121,512** | 1,197,874 | 267,887 |
| **TOTAL LIABILITIES** | | **442,504,783** | 387,069,037 | 330,103,155 |
| **SHAREHOLDERS' FUND** | | | | |
| Share capital | 15 | **100,000,000** | 100,000,000 | 100,000,000 |
| Retained earnings | 16 | **103,575,787** | 57,891,366 | 30,667,226 |
| Available-for-sale reserve | | **688,122** | 355,724 | (727,317) |
| | | **204,263,909** | 158,247,090 | 129,939,909 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' FUND** | | **646,768,692** | 545,316,127 | 460,043,064 |

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

# Income Statement

For The Financial Year Ended 31 December 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| Operating revenue | 17 | **319,031,060** | 283,180,898 |
| Gross earned premium | 18 | **293,136,143** | 255,918,068 |
| Premium ceded to reinsurers | 18 | **(84,200,100)** | (76,848,998) |
| Net earned premium | 18 | **208,936,043** | 179,069,070 |
| Investment income | 19 | **13,660,966** | 11,738,273 |
| Realised gains/(losses) | 20 | **6,723,048** | (3,480,343) |
| Fair value gains | 21 | **6,472,942** | 15,170,576 |
| Reinsurance commission income | | **20,591,509** | 18,505,034 |
| Other operating revenue | | **114,929** | 235,726 |
| Other revenue | | **47,563,394** | 42,169,266 |
| Gross claims paid | | **(122,985,075)** | (126,073,832) |
| Claims ceded to reinsurers | | **26,431,435** | 33,824,192 |
| Gross change to contract liabilities | | **(22,896,567)** | (26,010,387) |
| Change in contract liabilities ceded to reinsurers | | **6,481,586** | 18,149,837 |
| Net claims | | **(112,968,621)** | (100,110,190) |
| Commission expense | | **(41,881,635)** | (36,635,895) |
| Management expenses | 22 | **(36,683,989)** | (38,294,972) |
| Other operating expenses | | **(15,336)** | (36,232) |
| Other expenses | | **(78,580,960)** | (74,967,099) |
| Profit before taxation | | **64,949,856** | 46,161,047 |
| Taxation | 23 | **(15,515,435)** | (11,436,907) |
| Net profit for the financial year | | **49,434,421** | 34,724,140 |
| Earning per share (sen) | 24 | **49.43** | 34.72 |
| Dividend per share (sen) | 25 | **25.00** | 5.00 |

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

# Statement Of Comprehensive Income

For The Financial Year Ended 31 December 2010

| | Notes | 2010 RM | 2009 RM |
|---|---|---|---|
| Net profit for the financial year | | **49,434,421** | 34,724,140 |
| Other comprehensive income: | | | |
| Available-for-sale reserve | | | |
| Net gain arising during the financial year | 6(e) | **2,347,979** | 2,123,404 |
| Net realised gain transfer to Income Statement | 6(e) | **(1,904,581)** | (678,363) |
| | | **443,398** | 1,445,041 |
| Tax effect thereon | | **(111,000)** | (362,000) |
| | | **332,398** | 1,083,041 |
| Total income for the financial year | | **49,766,819** | 35,807,181 |

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

# Statement Of Changes In Equity

For The Financial Year Ended 31 December 2010

| | Issued and fully paid ordinary shares RM 1 each | | Distributable | Non - distributable | |
|---|---|---|---|---|---|
| | No. of shares | Nominal value RM | Retained earnings RM | Available-for-sale reserve RM | Total RM |
| **2010** | | | | | |
| At 1 January 2010 | **100,000,000** | **100,000,000** | **57,891,366** | **355,724** | **158,247,090** |
| Total comprehensive income for the year | **–** | **–** | **49,434,421** | **332,398** | **49,766,819** |
| Dividends paid during the year – 31 December 2009 (final) | **–** | **–** | **(3,750,000)** | **–** | **(3,750,000)** |
| At 31 December 2010 | **100,000,000** | **100,000,000** | **103,575,787** | **688,122** | **204,263,909** |
| **2009** | | | | | |
| At 1 January 2009 | 100,000,000 | 100,000,000 | 30,667,226 | (727,317) | 129,939,909 |
| Total comprehensive income for the year | – | – | 34,724,140 | 1,083,041 | 35,807,181 |
| Dividends for financial year ended – 31 December 2008 (final) | – | – | (7,500,000) | – | (7,500,000) |
| At 31 December 2009 | 100,000,000 | 100,000,000 | 57,891,366 | 355,724 | 158,247,090 |

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

# Statement Of Cash Flow

For The Financial Year Ended 31 December 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit for the financial year | | **49,434,421** | 34,724,140 |
| Adjustments for: | | | |
| Realised (gains)/loss | | **(6,723,048)** | 3,480,343 |
| Fair value gains | | **(6,472,942)** | (15,170,576) |
| (Write back of)/allowance for impairment on insurance receivables | | **(3,214,237)** | 1,369,671 |
| Bad debts written off | | **457,457** | 164,671 |
| Amortisation of premiums/(accretion of discounts) - net | | **59,819** | (96,317) |
| Depreciation of property, plant and equipment | | **954,366** | 957,929 |
| Investment income | | **(13,720,785)** | (11,641,956) |
| Unrealised gain on foreign exchange | | **(1,710)** | (13,688) |
| Taxation expense | | **15,515,435** | 11,436,907 |
| Operating profit before changes in operating assets and liabilities | | **36,288,776** | 25,211,124 |
| Purchase of fair value through profit or loss investments | | **(59,581,207)** | (52,743,601) |
| Proceeds from sale of fair value through profit or loss investments | | **55,497,708** | 45,745,927 |
| Purchase of held-to-maturity investments | | **(3,130,500)** | (11,980,000) |
| Decrease/(increase) in loans and receivables | | **26,206,537** | (43,926,716) |
| Purchase of available-for-sale investments | | **(282,052,336)** | (95,511,609) |
| Proceeds from sale of available-for-sale investments | | **197,366,903** | 121,421,818 |
| Interest received | | **9,844,866** | 9,212,672 |
| Dividend received | | **4,375,164** | 1,871,357 |
| Increase in insurance receivables | | **(4,988,602)** | (8,827,973) |
| Increase in other receivables | | **(1,019,036)** | (7,392,604) |
| Increase in insurance contract liabilities | | **35,130,518** | 41,534,944 |
| Increase in reinsurance assets | | **(12,443,636)** | (23,914,645) |
| Increase in insurance payables | | **12,919,341** | 10,642,693 |
| Increase in other payables | | **6,462,249** | 3,858,258 |
| Cash generated from operations | | **20,876,745** | 15,201,645 |
| Income taxes paid | | **(12,160,797)** | (7,138,920) |
| Net cash generated from operating activities | | **8,715,948** | 8,062,725 |

# Statement Of Cash Flow

For The Financial Year Ended 31 December 2010 (continued)

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(838,136)** | (678,592) |
| Proceeds from sale of property, plant and equipment | | **32,000** | 40,400 |
| Net cash used in investing activities | | **(806,136)** | (638,192) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Dividends paid | | **(3,750,000)** | (7,500,000) |
| Net cash used in financing activities | | **(3,750,000)** | (7,500,000) |
| Effects of exchange rate changes on cash and cash equivalents | | **(1,422)** | (1,108) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **4,158,390** | (76,575) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR** | | **123,320** | 199,895 |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | 11 | **4,281,710** | 123,320 |

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

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010

## 1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

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

The Company's immediate and ultimate holding company is RHB Capital Berhad, a company incorporated in Malaysia.

## 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies. The financial statements comply with Financial Reporting Standards ("FRS"), being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, and comply with the provisions of the Companies Act, 1965 in all material aspects and other relevant Guidelines and Circulars issued by BNM.

The financial statements of the Company have also been prepared on a historical cost basis, except for financial instruments that have been measured at their fair values and the estimation of insurance liabilities in accordance with the valuation methods specified in the Part D of the RBC Framework for insurers issued by BNM.

At the beginning of the current financial year, the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described below:

(i) FRS 139 Financial Instruments: Recognition and Measurement
(ii) FRS 4 Insurance Contracts
(iii) FRS 7 Financial Instruments: Disclosure
(iv) FRS101(R) Presentation of Financial Statements
(v) FRS117(R) Leases

All changes in accounting policies have been made in accordance with the transitional provision in the respective standards. All standards adopted by the Company require retrospective application other than in FRS 139 and FRS 7.

Other than enhanced disclosures to the financial statements, there is no significant impact to the financial results and accounting policies of the Company as a result of adopting FRS 139, FRS 7 and FRS 101(R). The effect of applying FRS 4 and FRS 117(R) is described in Note 31 to the financial statements.

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

The following IC Interpretations to existing standards that are applicable to the Company but not yet effective. The Company will apply these standards from financial year beginning 1 January 2011 or later periods.

(a) IC Interpretation 12 Service Concession Arrangement (effective for accounting periods beginning on or after 1 July 2010). This Interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. This IC is not relevant to the Company.

(b) IC Interpretation 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 July 2010). This Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This IC is not relevant to the Company.

(c) IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 July 2010). This Interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with FRS 139. This IC is not relevant to the Company.

(d) IC Interpretation 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2010). This Interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. This IC is not relevant to the Company.

(e) IC Interpretation 18 Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 January 2011). This Interpretation provides guidance for determining whether such arrangements are, or contain, leases that should be accounted for in accordance with FRS 117 Leases. This IC is not relevant to the Company.

(f) IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2011). This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. This IC is not relevant to the Company.

## 3 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) Accounting convention

The financial statements are prepared under the historical cost convention, unless otherwise indicated in the accounting policies below.

### (b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Property, plant and equipment (continued)

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

Property, plant and equipment are depreciated on the straight line method to write off the cost of the property, plant and equipment to their residual values over their estimated useful lives as follows:

| | |
|---|---|
| Leasehold land | range from 80 to 95 years |
| Buildings | 2% |
| Motor vehicles | 20% |
| Furniture, fixtures and fittings, office equipment | 20% - $33^{1/3}$% |

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

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

At each date of statement of financial position, the Company assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See Note 3 (f) on the impairment of non-financial assets.

### (c) Investments and other financial assets

The Company classifies its investments into financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables or available-for-sale financial assets. Classification of the financial assets is determined at initial recognition.

(i) Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Financial assets held-for trading are measured at fair value and any gain or loss arising from a change in the fair value is recognised in the income statement. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

(ii) Held-to-maturity

Financial assets held-to-maturity are investments with fixed or determinable payments and fixed maturity that the Company have the positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in the income statement when the securities are derecognised or impaired.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Investments and other financial assets (continued)

(ii) Held-to-maturity (continued)

An allowance of impairment for financial asset held-to-maturity is established when there is objective evidence of impairment that the Company will not be able to collect the amounts due according to the original terms (see Note 3(d) for the accounting policy on impairment).

(iii) Loans and receivables

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

(iv) Available-for-sale

Financial assets at available-for-sale are investment that are not classified as fair value through profit or loss, held-to-maturity or loans and receivables and measured at fair value. Any gain or loss arising from a change in fair value, net of income tax, is recognised directly in equity, except for impairment losses and foreign exchange gains and losses. Until the financial assets at available-for-sale are derecognised or impaired, at which time the cumulative gains or losses previously recognised in equity shall be transferred to the income statement.

### (d) Impairment of financial instruments

The Company assesses at each date of statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on held-to-maturity financial asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

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 by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Impairment of financial instruments (continued)

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss on securities carried at cost (e.g. equity instruments or which there is no active market or whose fair value cannot be reliably measured) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses shall not be reversed.

(iii) Financial assets carried at fair value

In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the financial asset below its cost is considered in determining whether the assets are impaired. If any such evidence exists for financial asset held at available-for-sale, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement. Impairment losses previously recognised in the income statement on equity instruments are not reversed through the income statement.

### (e) Investment income

Interest income is recognised using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Other interest income, including amortisation of premiums or accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

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

### (f) Impairment of non-financial assets

The carrying values of assets that are subject to amortisation are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the fair value less cost to sell and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit. Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to the income statement immediately.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Impairment of non-financial assets (continued)

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

### (g) Insurance receivables

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in 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.

### (h) General insurance underwriting results

**Product classification**

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the 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 general insurance underwriting results are determined for each class of business after taking into account, reinsurances, commissions, unearned premiums and claims incurred.

**Premium income**

Premium income is recognised on the date of assumption of risk. Premiums in respect of risks incepted for which policies have not been raised as of the date of statement of financial position are accrued at the date.

Premiums, claims and other transactions of inward treaty business are accounted for in the income statement as and when the statements of account are received.

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relate.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) General insurance underwriting results (continued)

**Premium liabilities**

Premium liabilities refer to the higher of:

(i) the aggregate of the unearned premium reserve.

or

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

Unearned premium reserves ("UPR") represent the portion of premium income not yet earned at the date of statement of financial position. UPR is 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) 1/24th method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and

(iii) time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

**Claim liabilities**

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of claims liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the date of statement of financial position. These include provision for claims reported, claims incurred but not reported, claims incurred but not enough reserved and direct and indirect claims-related expenses such as investigation fees, loss adjustment fees, legal fees, sue and labour charges and the expected internal costs that the insurer expects to incur when settling these claims.

**Acquisition costs and deferred acquisition costs ("DAC")**

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

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the term of expected future premiums. Amortisation is recognised in income statement.

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) General insurance underwriting results (continued)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in these assets are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement. DAC is also considered in the liability adequacy test for each accounting period.

DAC is derecognised when the related contracts are either settled or disposed of.

For presentation purposes, DAC is net-off against premium liabilities in the financial statements.

**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.

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.

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.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

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

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance 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.

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) General insurance underwriting results (continued)

**Insurance contract liabilities**

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

These liabilities comprise claims liabilities and premium liabilities.

Outstanding claims provision are 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 claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled. The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

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

### (i) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Income taxes

Current income tax is determined according to the tax laws of the jurisdiction in which the Company operates and includes all taxes based upon the taxable profits.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise mainly from depreciation of property, plant and equipment, accretion of discounts/amortisation of premiums, general allowance for doubtful debts, unearned premium reserves, provision for gratuities and allowance for diminution in value of investments.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

### (k) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, and bonuses are accrued in the financial year in which the associated services are rendered by employees of the Company.

(ii) Post-employment benefits – Defined contribution plan

The Company contributes to the Employees' Provident Fund, the national defined contribution plan. The Company's contributions to the defined contribution plan 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.

### (l) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) 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 the occurrence or non-occurrence of one or more 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 the occurrence or non-occurrence of one or more 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.

### (n) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, excluding fixed and call deposits.

### (o) Dividends

Dividends on ordinary shares are recognised as liabilities when the obligation to pay is established.

### (p) Fair value of financial instruments

The basis of estimation of fair values for financial instruments is as follows:

(i) The fair values of Malaysian Government Securities and BNM Notes are based on the indicative middle prices obtained from BNM.

(ii) The fair values of corporate debt securities are based on quotations from merchant bankers.

(iii) The fair values of quoted shares, warrants, loan stocks and Real Estate Investment Trusts ('REITs') are based on the quoted market price.

(iv) The fair values of loans are based on the discounted cash flows by using the interest rates at valuation date for similar loans.

(v) The carrying amounts of other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Claims liabilities

The estimation of claims liabilities or equivalently, the ultimate claims liability arising from claims made under insurance contract, is the Company's most critical accounting estimate.

The value of claim liabilities consists of the best estimate value of the claim liabilities and a provision of risk margin for adverse deviation ("PRAD") calculated at the overall Company level. The PRAD is the component of the value of the insurance liabilities that relates to the uncertainty inherent in the best estimate. PRAD is an additional component of the liability value aimed at ensuring that the value of the insurance liabilities is established 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 and in compliance with the RBC Framework, the level of confidence shall be at 75% on an overall Company level.

Due to the fact that the ultimate claims liability is dependent upon the outcome of future events such as the size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation, there is an inherent uncertainty in any estimate of ultimate claims liability. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

### (b) Critical judgement in applying the entity's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific accounting policy could materially affect the reported results and financial position of the Company. However, the Directors are of the view that there are currently no accounting policies which require significant judgement to be exercised in their application.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 5 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land RM | Buildings RM | Motor vehicles RM | Furniture, fixtures and fittings, office equipment RM | Total RM |
|---|---|---|---|---|---|
| **2010** | | | | | |
| **Net book value** | | | | | |
| At beginning of financial year | **631,623** | **349,524** | **703,401** | **1,157,981** | **2,842,529** |
| Additions | **–** | **–** | **–** | **838,136** | **838,136** |
| Disposals | **–** | **–** | **(35,432)** | **–** | **(35,432)** |
| Depreciation charge | **(7,951)** | **(8,594)** | **(134,761)** | **(803,060)** | **(954,366)** |
| At end of financial year | **623,672** | **340,930** | **533,208** | **1,193,057** | **2,690,867** |
| **2009** | | | | | |
| **Net book value** | | | | | |
| At beginning of financial year | 639,575 | 358,335 | 699,495 | 1,429,736 | 3,127,141 |
| Additions | – | – | 54,531 | 624,061 | 678,592 |
| Disposals | – | – | (5,275) | – | (5,275) |
| Depreciation charge | (7,952) | (8,811) | (45,350) | (895,816) | (957,929) |
| At end of financial year | 631,623 | 349,524 | 703,401 | 1,157,981 | 2,842,529 |
| **2010** | | | | | |
| Cost | **729,499** | **422,756** | **1,491,216** | **15,112,045** | **17,755,516** |
| Accumulated depreciation | **(105,827)** | **(81,826)** | **(958,008)** | **(13,918,988)** | **(15,064,649)** |
| Net book value | **623,672** | **340,930** | **533,208** | **1,193,057** | **2,090,867** |
| **2009** | | | | | |
| Cost | 729,499 | 422,756 | 1,534,402 | 14,375,831 | 17,062,488 |
| Accumulated depreciation | (97,876) | (73,232) | (831,001) | (13,217,850) | (14,219,959) |
| Net book value | 631,623 | 349,524 | 703,401 | 1,157,981 | 2,842,529 |
| **2008** | | | | | |
| Cost | 729,499 | 422,756 | 1,634,543 | 13,900,766 | 16,687,564 |
| Accumulated depreciation | (89,924) | (64,421) | (935,048) | (12,471,030) | (13,560,423) |
| Net book value | 639,575 | 358,335 | 699,495 | 1,429,736 | 3,127,141 |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 6 INVESTMENT

| | 2010 RM | 2009 RM |
|---|---|---|
| Malaysian Government Securities | – | 22,870,000 |
| Debt securities | **15,109,687** | 70,661,428 |
| Equities securities | **69,895,935** | 54,683,878 |
| Wholesale unit trust funds and property trust funds | **169,554,634** | 862,517 |
| Loans | **759,583** | 772,458 |
| Fixed and call deposits | **168,653,935** | 194,847,597 |
| | **423,973,774** | 344,697,878 |

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

| | 2010 RM | 2009 RM |
|---|---|---|
| Fair value through profit or loss | **70,955,088** | 55,546,395 |
| Held-to-maturity | **15,109,687** | 11,980,047 |
| Loans and receivables | **169,413,518** | 195,620,055 |
| Available-for-sale | **168,495,481** | 81,551,381 |
| | **423,973,774** | 344,697,878 |

The following investments mature after 12 months:

| | 2010 RM | 2009 RM |
|---|---|---|
| Held-to-maturity | **15,109,687** | 11,980,047 |
| Loans and receivables | **509,845** | 8,857,188 |
| Available-for-sale | – | 74,463,295 |
| | **15,619,532** | 95,300,530 |

### a) Fair value through profit or loss

**At fair value**

| | 2010 RM | 2009 RM |
|---|---|---|
| Held-for-trading | | |
| – Equities securities | **69,895,935** | 54,683,878 |
| – Property trust funds | **1,059,153** | 862,517 |
| | **70,955,088** | 55,546,395 |

### b) Held-to-maturity

**At amortised cost**

| | 2010 RM | 2009 RM |
|---|---|---|
| Debt securities | **15,109,687** | 11,980,047 |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 6 INVESTMENT (CONTINUED)

| | 2010 RM | 2009 RM |
|---|---|---|
| **c) Loans and receivables** | | |
| **At amortised cost** | | |
| Loans | **759,583** | 772,458 |
| Fixed and call deposits | **168,653,935** | 194,847,597 |
| | **169,413,518** | 195,620,055 |
| **d) Available-for-sale** | | |
| **At fair value** | | |
| Malaysian Government Securities | **–** | 22,870,000 |
| Debt securities | **–** | 58,681,381 |
| Wholesale unit trust fund | **168,495,481** | – |
| | **168,495,481** | 81,551,381 |

The underlying assets for the wholesale unit trust fund are as follows:

| | 2010 RM | 2009 RM |
|---|---|---|
| Malaysian Government Securities | **15,097,373** | – |
| Debt securities | **142,570,057** | – |
| Call deposits | **10,966,791** | – |
| Cash equivalents | **112,383** | – |
| Payables | **(251,123)** | – |
| | **168,495,481** | – |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 6 INVESTMENT (CONTINUED)

### e) Carrying value of financial instruments

| | Fair value through profit or loss RM | Held-to-maturity RM | Loans and receivables RM | Available-for-sale RM | Total RM |
|---|---|---|---|---|---|
| At 1 January 2009 | 33,441,206 | – | 151,693,339 | 109,372,686 | 294,507,231 |
| Purchases | 52,743,601 | 11,980,000 | 92,493,940 | 95,511,609 | 252,729,150 |
| Maturities | – | – | (48,567,224) | (24,913,885) | (73,481,109) |
| Disposals | (49,939,758) | – | – | (95,829,570) | (145,769,328) |
| Fair value gains recorded in income statement | 19,301,346 | – | – | – | 19,301,346 |
| Other comprehensive income | – | – | – | 1,445,041 | 1,445,041 |
| Movement in impairment allowance | – | – | – | (4,130,770) | (4,130,770) |
| Amortisation charge | – | 47 | – | 96,270 | 96,317 |
| At 31 December 2009 | 55,546,395 | 11,980,047 | 195,620,055 | 81,551,381 | 344,697,878 |
| Purchases | 59,581,207 | 3,130,500 | 123,290,474 | 282,052,336 | 468,054,517 |
| Maturities | – | – | (149,497,011) | (1,000,000) | (150,497,011) |
| Disposals | (50,675,809) | – | – | (194,462,322) | (245,138,131) |
| Fair value gains recorded in income statement | 6,503,295 | – | – | – | 6,503,295 |
| Other comprehensive income | – | – | – | 443,398 | 443,398 |
| Movement in impairment allowance | – | – | – | (30,353) | (30,353) |
| Amortisation charge | – | (860) | – | (58,959) | (59,819) |
| At 31 December 2010 | **70,955,088** | **15,109,687** | **169,413,518** | **168,495,481** | **423,973,774** |

### f) Fair values investments

| | Fair value through profit or loss RM | Available-for-sale RM | Total RM |
|---|---|---|---|
| 31 December 2010 | | | |
| Quoted market price | **70,955,088** | **–** | **70,955,088** |
| Valuation techniques – market observable inputs | **–** | **168,495,481** | **168,495,481** |
| | **70,955,088** | **168,495,481** | **239,450,569** |
| 31 December 2009 | | | |
| Quoted market price | 55,546,395 | – | 55,546,395 |
| Valuation techniques – market observable inputs | – | 81,551,381 | 81,551,381 |
| | 55,546,395 | 81,551,381 | 137,097,776 |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 7 DEFERRED TAX ASSETS

| | 2010 RM | 2009 RM |
|---|---|---|
| At beginning of financial year | **3,114,000** | 6,844,000 |
| Transferred to income statement (Note 23) | **(2,431,000)** | (3,368,000) |
| Transferred to Other Comprehensive Income | **(111,000)** | (362,000) |
| At end of financial year | **572,000** | 3,114,000 |

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

| | At beginning of financial year RM | (Debited)/ credited to income statement RM | Debited to Other Comprehensive Income RM | At end of financial year RM |
|---|---|---|---|---|
| **2010** | | | | |
| Excess of capital allowances over depreciation | (111,000) | (87,000) | – | (198,000) |
| (Accretion of discounts)/ amortisation of premiums - net | (69,000) | (143,000) | – | (212,000) |
| Impairment loss on Insurance receivables | 1,878,000 | (600,000) | – | 1,278,000 |
| Premium liabilities | 275,000 | 16,000 | | 291,000 |
| Fair value change on fair value through profit or loss financial assets | (1,041,000) | (1,625,000) | – | (2,666,000) |
| Impairment loss on available-for-sale financial assets | 2,301,000 | 8,000 | – | 2,309,000 |
| Fair value change on available-for-sale financial assets | (119,000) | – | (111,000) | (230,000) |
| **TOTAL** | 3,114,000 | (2,431,000) | (111,000) | 572,000 |

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 7 DEFERRED TAX ASSETS (CONTINUED)

| 2009 | At beginning of financial year RM | (Debited)/ credited to income statement RM | Debited to Other Comprehensive Income RM | At end of financial year RM |
|---|---|---|---|---|
| Excess of capital allowances over depreciation | (116,000) | 5,000 | – | (111,000) |
| (Accretion of discounts)/ amortisation of premiums - net | 121,000 | (190,000) | – | (69,000) |
| Impairment loss on Insurance receivables | 1,473,000 | 405,000 | – | 1,878,000 |
| Premium liabilities | 65,000 | 210,000 | – | 275,000 |
| Provisions | 4,000 | (4,000) | – | – |
| Fair value change on fair value through profit or loss financial assets | 3,785,000 | (4,826,000) | – | (1,041,000) |
| Impairment loss on available-for-sale financial assets | 1,269,000 | 1,032,000 | – | 2,301,000 |
| Fair value change on available-for-sale financial assets | 243,000 | – | (362,000) | (119,000) |
| **TOTAL** | 6,844,000 | (3,368,000) | (362,000) | 3,114,000 |

## 8 REINSURANCE ASSETS

| | 2010 RM | 2009 RM | 2008 RM |
|---|---|---|---|
| Claims liabilities (Note 12) | **105,600,506** | 99,118,920 | 80,969,083 |
| Premium liabilities (Note 12) | **40,518,895** | 34,556,845 | 28,792,037 |
| | **146,119,401** | 133,675,765 | 109,761,120 |

The carrying amounts disclosed above in respect of the reinsurance of insurance contracts approximate fair value at the date of statement of financial position.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 9 INSURANCE RECEIVABLES

| | 2010 RM | 2009 RM |
|---|---|---|
| Due premiums including agents, brokers and co-insurers balances | **46,366,703** | 46,747,593 |
| Due from reinsurers and cedants | **13,583,100** | 8,667,933 |
| | **59,949,803** | 55,415,526 |
| Allowance for doubtful debts | **(5,383,371)** | (8,597,608) |
| | **54,566,432** | 46,817,918 |

## 10 OTHER RECEIVABLES

| | 2010 RM | 2009 RM |
|---|---|---|
| Other receivables, deposits and prepayments | **4,576,602** | 1,683,643 |
| Amount due from Malaysian Motor Insurance Pool | **6,790,399** | 3,730,500 |
| Amount due from stock brokers | **89,194** | 5,023,016 |
| Interest income due and accrued | **2,804,360** | 3,511,905 |
| Dividend income receivable | **303,953** | 95,653 |
| | **14,564,508** | 14,044,717 |

## 11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances, excluding fixed and call deposits.

## 12 INSURANCE CONTRACT LIABILITIES

| | Gross RM | Reinsurance RM | Net RM |
|---|---|---|---|
| **2010** | | | |
| Claims reported by policyholders | **187,973,997** | **(87,625,771)** | **100,348,226** |
| Incurred but not reported claims (“IBNR”) | **60,576,490** | **(17,974,735)** | **42,601,755** |
| Claims liabilities (a) | **248,550,487** | **(105,600,506)** | **142,949,981** |
| Premium liabilities (b) | **121,424,679** | **(40,518,895)** | **80,905,784** |
| **TOTAL** | **369,975,166** | **(146,119,401)** | **223,855,765** |
| **2009** | | | |
| Claims reported by policyholders | 170,758,401 | (79,609,843) | 91,148,558 |
| Incurred but not reported claims (“IBNR”) | 54,895,519 | (19,509,077) | 35,386,442 |
| Claims liabilities (a) | 225,653,920 | (99,118,920) | 126,535,000 |
| Premium liabilities (b) | 109,190,728 | (34,556,845) | 74,633,883 |
| **TOTAL** | 334,844,648 | (133,675,765) | 201,168,883 |

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 12 INSURANCE CONTRACT LIABILITIES (CONTINUED)

| | Gross RM | Reinsurance RM | Net RM |
|---|---|---|---|
| **2008** | | | |
| Claims reported by policyholders | 154,249,159 | (73,862,073) | 80,387,086 |
| Incurred but not reported claims ("IBNR") | 45,394,374 | (7,107,010) | 38,287,364 |
| Claims liabilities (a) | 199,643,533 | (80,969,083) | 118,674,450 |
| Premium liabilities (b) | 93,666,171 | (28,792,037) | 64,874,134 |
| **TOTAL** | 293,309,704 | (109,761,120) | 183,548,584 |
| **2010** | | | |
| **(a) Claims liabilities** | | | |
| At 1 January 2010 | **225,653,920** | **(99,118,920)** | **126,535,000** |
| Claims incurred in current accident year | **156,257,569** | **(41,853,007)** | **114,404,562** |
| Adjustment to claims incurred in prior accident year | | | |
| – case reserve | **(16,056,898)** | **7,405,644** | **(8,651,254)** |
| – IBNR | **5,680,971** | **1,534,342** | **7,215,313** |
| Claims paid during the year | **(122,985,075)** | **26,431,435** | **(96,553,640)** |
| At 31 December 2010 | **248,550,487** | **(105,600,506)** | **142,949,981** |
| At 1 January 2009 | 199,643,533 | (80,969,083) | 118,674,450 |
| Claims incurred in current accident year | 172,294,679 | (64,834,445) | 107,460,234 |
| Adjustment to claims incurred in prior accident year | | | |
| – case reserve | (29,711,605) | 15,262,483 | (14,449,122) |
| – IBNR | 9,501,145 | (2,402,067) | 7,099,078 |
| Claims paid during the year | (126,073,832) | 33,824,192 | (92,249,640) |
| At 31 December 2009 | 225,653,920 | (99,118,920) | 126,535,000 |
| **(b) Premium liabilities** | | | |
| As 1 January 2010 | **109,190,728** | **(34,556,845)** | **74,633,883** |
| Premium written for the year (Note 18(a)) | **305,370,094** | **(90,162,150)** | **215,207,944** |
| Premium earned during the year | **(293,136,143)** | **84,200,100** | **(208,936,043)** |
| At 31 December 2010 | **121,424,679** | **(40,518,895)** | **80,905,784** |
| At 1 January 2009 | 93,666,171 | (28,792,037) | 64,874,134 |
| Premium written for the year (Note 18(a)) | 271,442,625 | (82,613,806) | 188,828,819 |
| Premium earned during the year | (255,918,068) | 76,848,998 | (179,069,070) |
| At 31 December 2009 | 109,190,728 | (34,556,845) | 74,633,883 |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 13 INSURANCE PAYABLES

| | 2010 RM | 2009 RM |
|---|---|---|
| Due to agents and intermediaries | **18,123,859** | 9,717,218 |
| Due to reinsurers and cedants | **30,978,346** | 26,465,646 |
| | **49,102,205** | 36,182,864 |

## 14 OTHER PAYABLES

| | 2010 RM | 2009 RM |
|---|---|---|
| Other payables | **9,921,486** | 4,744,875 |
| Cash collaterals held on behalf of insureds | **536,414** | 602,204 |
| Accrued liabilities | **10,848,000** | 9,496,572 |
| | **21,305,900** | 14,843,651 |

## 15 SHARE CAPITAL

| | 2010 RM | 2009 RM |
|---|---|---|
| Ordinary shares of RM1 each: | | |
| Authorised: | | |
| At beginning and end of financial year | **100,000,000** | 100,000,000 |
| Issued and fully paid: | | |
| At beginning and end of financial year | **100,000,000** | 100,000,000 |

## 16 RETAINED EARNINGS

Under the single-tier tax system which came into effect from the year of assessment 2009, 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 tax exempt in the hands of shareholders. Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income accounts to pay dividends out of its entire retained earnings as at 31 December 2010.

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 17 OPERATING REVENUE

| | 2010 RM | 2009 RM |
|---|---|---|
| Gross premium (Note 18(a)) | **305,370,094** | 271,442,625 |
| Investment income (Note 19) | **13,660,966** | 11,738,273 |
| | **319,031,060** | 283,180,898 |

## 18 NET EARNED PREMIUM

| | 2010 RM | 2009 RM |
|---|---|---|
| **(a) Gross earned premium** | | |
| Gross premium | **305,370,094** | 271,442,625 |
| Change in premium liabilities | **(12,233,951)** | (15,524,557) |
| Gross earned premium | **293,136,143** | 255,918,068 |
| **(b) Premium ceded** | | |
| Reinsurance | **(90,162,150)** | (82,613,806) |
| Change in premium liabilities | **5,962,050** | 5,764,808 |
| Premium ceded | **(84,200,100)** | (76,848,998) |
| Net earned premium | **208,936,043** | 179,069,070 |

## 19 INVESTMENT INCOME

| | 2010 RM | 2009 RM |
|---|---|---|
| Dividend income from financial assets at fair value through profit or loss | **2,249,381** | 1,802,128 |
| Interest income from held-to-maturity financial assets | **1,133,839** | 218,699 |
| Interest income from loans and receivables financial assets | **4,850,757** | 5,099,299 |
| Dividend income from available-for-sale financial assets | **2,334,083** | – |
| Interest income from available-for-sale financial assets | **3,092,906** | 4,618,147 |
| | **13,660,966** | 11,738,273 |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 20 REALISED GAINS/(LOSSES)

| | 2010 RM | 2009 RM |
|---|---|---|
| Property plant and equipment | **(3,432)** | 35,125 |
| Financial assets at fair value through profit or loss | | |
| – Equities securities | **4,821,899** | (3,974,422) |
| – Property trust fund | – | (219,409) |
| Available-for-sale financial assets | | |
| – Malaysian Government Securities | **122,363** | 270,857 |
| – Debt securities | **1,782,218** | 407,506 |
| | **6,723,048** | (3,480,343) |

## 21 FAIR VALUE GAINS AND LOSSES - NET

| | 2010 RM | 2009 RM |
|---|---|---|
| Fair value gains from financial assets at fair value through profit or loss | **6,503,295** | 19,301,346 |
| Recovery of impairment loss on available-for-sale financial assets | **996,733** | – |
| Impairment loss on available-for-sale financial assets | **(1,027,086)** | (4,130,770) |
| | **6,472,942** | 15,170,576 |

## 22 MANAGEMENT EXPENSES

| | 2010 RM | 2009 RM |
|---|---|---|
| Personnel costs | **19,854,511** | 19,657,928 |
| Establishment costs | **3,377,150** | 3,355,128 |
| Marketing costs | **7,224,226** | 5,575,445 |
| Administrative and general expenses | **6,228,102** | 9,706,471 |
| | **36,683,989** | 38,294,972 |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 22 MANAGEMENT EXPENSES (CONTINUED)

| | 2010 RM | 2009 RM |
|---|---|---|
| The above expenditure is further analysed as follows: | | |
| **Insurance fund** | | |
| Staff salary and bonus | **16,170,475** | 15,823,695 |
| Defined contribution plan | **2,653,664** | 2,610,005 |
| Other staff benefits | **1,030,372** | 1,118,910 |
| **Staff costs** | **19,854,511** | 19,552,610 |
| **Executive Director's remuneration:** | | |
| Staff salary and bonus | **787,500** | 658,232 |
| Defined contribution plan | **117,588** | 105,318 |
| | **905,088** | 763,550 |
| **Non-Executive Directors' remuneration:** | | |
| Fee | **390,000** | 336,274 |
| Other emoluments | **320,021** | 242,272 |
| | **710,021** | 578,546 |
| Auditors' remuneration | **133,000** | 113,000 |
| Rental of offices | **1,939,255** | 1,979,232 |
| Depreciation of property, plant and equipment | **954,366** | 957,929 |
| Insurance Guarantee Scheme Fund levies | **769,928** | 674,626 |
| (Write back)/allowance for impairment on insurance receivables | **(3,214,237)** | 1,369,671 |
| Bad debts written off | **457,457** | 164,671 |
| Bad debt recovered | – | (1,434) |
| Other expenses | **14,174,600** | 12,142,571 |
| | **36,683,989** | 38,294,972 |

The estimated monetary value of benefits provided to certain Directors during the financial year by way of usage of the Company's assets amounted to RM22,700 (2009: RM32,964).

The remuneration, including benefit-in-kinds, attributable to the Chief Executive Officer of the Company who is also the Executive Director of the Company during the financial year amounted to RM917,388 (2009: RM676,721).

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 23 TAXATION

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| **Malaysian taxation:** | | |
| Current taxation | **13,084,435** | 8,068,907 |
| Deferred taxation (Note 7) | **2,431,000** | 3,368,000 |
| | **15,515,435** | 11,436,907 |
| **Current taxation** | | |
| Current financial year | **13,180,000** | 8,152,000 |
| Over accrual in respect of prior financial years | **(95,565)** | (83,093) |
| **Deferred taxation** | | |
| Origination and reversal of temporary differences | **2,431,000** | 3,368,000 |
| | **15,515,435** | 11,436,907 |

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the statutory income tax rate of Malaysia as follows:

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| **Profit before taxation** | **64,949,856** | 46,161,047 |
| Tax calculated at a tax rate of 25% | **16,237,464** | 11,540,262 |
| Expenses not deductible for tax purposes | **300,349** | 274,881 |
| Income exempted for tax purposes | **(903,159)** | (263,504) |
| Income subject to different tax rate | **(23,654)** | (31,639) |
| Over accrual in respect of prior financial years | **(95,565)** | (83,093) |
| Tax expense | **15,515,435** | 11,436,907 |

## 24 EARNINGS PER SHARE

The earnings per ordinary share has been calculated based on the net profit for the financial year amounting to RM49,434,421 (2009: RM34,724,140) divided by the number of ordinary shares in issue of 100,000,000 (2009: 100,000,000) during the financial year.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 25 DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 December 2010 are as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Gross dividend per share Sen | Amount of dividend, net of tax RM | Gross dividend per share Sen | Amount of dividend, net of tax RM |
| **Proposed final dividend** | **25.0** | **18,750,000** | 5.0 | 3,750,000 |

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 25% on 100,000,000 ordinary shares, less 25% tax, amounting to RM18,750,000, will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accounted for in shareholders equity as an appropriation of retained profit in financial year ending 31 December 2011 when approved by shareholders.

## 26 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

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

| Related parties | Relationship |
|---|---|
| RHB Capital Berhad | Immediate and ultimate holding company |
| Subsidiaries and associate of RHB Capital Berhad as disclosed in its financial statements | Subsidiaries of the immediate and ultimate holding company |
| Key management personnel | Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Company and certain members of senior management of the Company. |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 26 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

The following are the significant related party transactions and balances in respect of transactions entered into during the current financial year. The related party transactions described below were on terms and conditions no more favourable than those available on similar transactions to the Company's other customers.

| Related party transactions | Nature of transaction | 2010 RM | 2009 RM |
|---|---|---|---|
| With subsidiaries of immediate and ultimate holding company | Interest income | **2,297,999** | 1,254,326 |
| | Insurance premium earned | **20,969,354** | 20,021,318 |
| | Commission paid and payable | **(7,603,891)** | (6,516,548) |
| | Rental expense | **(1,455,925)** | (1,324,702) |
| With key management personnel | Insurance premium earned | **21,585** | 19,659 |
| | Claims incurred | **(8,614)** | (170) |

| Related party balances | Types of balances | Note | 2010 RM | 2009 RM |
|---|---|---|---|---|
| With subsidiaries of immediate and ultimate holding company | Bank balances | | **3,344,910** | (743,602) |
| | Fixed and call deposits | 6 | **121,655,137** | 26,889,097 |
| | Insurance premium | 9 | **2,693,055** | 9,837,830 |
| | Investment in corporate debts securities | 6 | **5,013,870** | 10,109,842 |
| With key management personnel | Claims liabilities | | **(8,200)** | – |

**Key management personnel**

The remuneration of key management personnel is as follows:

| | 2010 RM | 2009 RM |
|---|---|---|
| Short-term employee benefits | | |
| – Fees | **390,000** | 336,274 |
| – Salary and other remuneration | **1,225,109** | 900,504 |
| – Benefits-in-kind | **35,000** | 51,453 |

## 27 CAPITAL COMMITMENTS

Capital expenditure on property, plant and equipment approved by Directors but not provided for in the financial statements amounted to approximately:

| | 2010 RM | 2009 RM |
|---|---|---|
| Authorised and contracted for | **228,727** | 67,968 |
| Authorised but not contracted for | **1,357,931** | 124,993 |
| | **1,586,658** | 192,961 |

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 28 RISK MANAGEMENT FRAMEWORK

### (a) Risk Management framework

In compliance with best practices under the Malaysian Code of Corporate Governance, the Board of Directors ("Board" or "BOD") through the Group Risk Management function ("GRM function") and Group Risk Management Committee ("GRMC"), is responsible for identifying principal risks and ensuring that there is an ongoing process to continuously manage the Company's risks actively.

The GRMC provides oversight and management of all risks in an integrated way. The GRM function is independent and reports directly to this Committee. The GRM function assists the GRMC and Board in formulating risk related policies, advises the Board on the risk impact of business strategies, and reviews compliance by the management to the risk policy framework that is approved by the Board.

The GRMC comprises non-executive directors with at least five (5) members. Members of the GRMC are directors who are exclusively non-executive in all of their directorships in the RHB Capital Berhad group ("Group").

The main objectives of the GRMC are as follows:

(i) to provide oversight and governance of risks at the Group;

(ii) to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process of each entity in the Group is in place and functioning;

(iii) to promote the management of the Group's risk in accordance with a risk-return performance management framework; and

(iv) to deliberate and make recommendations to the Boards of each relevant entity within the Group in respect of risk management matters of the respective entities.

In addition to GRMC, Company's Investment Committee manages interest rate risk, market risk, credit risk and liquidity risk associated with Company's investments. Investment Committee comprises three (3) non-executive directors and an executive director.

Primary responsibility for managing risks, however, rests with business managers. They are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits. Additionally, the management of risks associated with financial instruments is continuously carried out in the organisation. The Board has set up policies and procedures to manage the risks that may arise in connection with the use of financial instruments.

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 28 RISK MANAGEMENT FRAMEWORK (CONTINUED)

### (b) Capital Management Policy

Capital Management Policy ("CMP") has been written to set out recommendation on the action plans to be taken by the Board and management of the Company in the event of Capital Adequacy Ratio ("CAR") falling below the internal target and the minimum supervisory requirement. The CMP will require the Board and management of the Company to undertake remedial actions so as to improve the Company's capital position. In general, this policy should be in line with the Company's vision and mission. It is intended that through the guidance of Internal Capital Adequacy Assessment Paper coupled with the CMP, capital will be utilised more efficiently in a controlled manner so that the Company will be able to manage its capital position above its internal target and more importantly, operating above the internal CAR ("ICAR") of 180% at all times.

The Company has established adequate capital management objectives, policies and approach to the risks that affect its capital position.

With reference to the Guidelines of Stress Testing for Insurers (BNM/RH/GL/003-23), the impact of the adverse scenarios on the capital position of the company is studied on the CAR. This is consistent with our practice to review and study the ICAR every half-year which is consistent to the stress test guidelines where it focuses on short to medium term views.

CMP will be implemented for the Company to monitor and manage the CAR such that actions can be undertaken accordingly to prevent it from falling below the internal target level.

## 29 INSURANCE RISK

Insurance risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

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

### (a) 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 judgements 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. Judgement is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates.

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

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 29 INSURANCE RISK (CONTINUED)

### (b) Sensitivity analysis

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

The analysis below is performed for reasonably possible 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. It should be noted that movements in these assumptions are non-linear.

| | 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 |
|---|---|---|---|---|---|
| **2010** | | | | | |
| Case reserve | **+10%** | **18,797** | **10,035** | **(10,035)** | **(7,526)** |
| Incurred but not reported claims | **+10%** | **6,058** | **4,260** | **(4,260)** | **(3,195)** |
| Claims incurred | **+10%** | **14,588** | **11,297** | **(11,297)** | **(8,473)** |
| **2009** | | | | | |
| Case reserve | +10% | 17,076 | 9,115 | (9,115) | (6,836) |
| Incurred but not reported claims | +10% | 5,490 | 3,539 | (3,539) | (2,654) |
| Claims incurred | +10% | 15,492 | 10,011 | (10,011) | (7,508) |

### (c) Claims development table

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

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

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 29 INSURANCE RISK (CONTINUED)

### (c) Claims development table (continued)

**Gross insurance contract liabilities for 2010:**

| Accident year | Before 2003 RM'000 | 2004 RM'000 | 2005 RM'000 | 2006 RM'000 | 2007 RM'000 | 2008 RM'000 | 2009 RM'000 | 2010 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| At end of accident year | | 101,518 | 99,357 | 143,091 | 124,057 | 160,843 | 190,481 | 171,164 | |
| One year later | | 68,806 | 79,314 | 111,492 | 102,763 | 132,088 | 175,385 | | |
| Two years later | | 66,435 | 75,503 | 108,277 | 97,480 | 128,109 | | | |
| Three years later | | 64,215 | 72,177 | 107,222 | 94,450 | | | | |
| Four years later | | 69,082 | 70,518 | 106,370 | | | | | |
| Five years later | | 68,199 | 69,874 | | | | | | |
| Six years later | | 65,317 | | | | | | | |
| Seven years later | | | | | | | | | |
| **Current estimate of cumulative claims incurred** | | **65,317** | **69,874** | **106,370** | **94,450** | **128,109** | **175,385** | **171,164** | |
| At end of accident year | | (20,212) | (23,377) | (46,243) | (33,236) | (41,250) | (52,222) | (51,789) | |
| One year later | | (55,385) | (53,887) | (86,632) | (72,877) | (99,020) | (103,357) | | |
| Two years later | | (59,788) | (58,305) | (91,361) | (80,909) | (110,166) | | | |
| Three years later | | (60,983) | (60,519) | (94,444) | (84,589) | | | | |
| Four years later | | (63,321) | (63,292) | (96,241) | | | | | |
| Five years later | | (63,863) | (64,334) | | | | | | |
| Six years later | | (64,354) | | | | | | | |
| Seven years later | | | | | | | | | |
| **Cumulative payments to-date** | | **(64,354)** | **(64,334)** | **(96,241)** | **(84,589)** | **(110,166)** | **(103,357)** | **(51,789)** | |
| **Gross insurance contract liabilities per Statement of Financial Position (Note12(a))** | 12,711 | 963 | 5,540 | 10,129 | 9,861 | 17,943 | 72,028 | 119,375 | 248,550 |
| Current estimate of surplus /(deficiency) | | 33,182 | 18,654 | 15,046 | 5,337 | 2,396 | (48,060) | (59,011) | |
| % surplus/(deficiency) of initial gross reserve | | 33.7% | 21.1% | 12.4% | 5.3% | 1.8% | (37.7%) | (52.6%) | |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 29 INSURANCE RISK (CONTINUED)

### (c) Claims development table (continued)

Net insurance contract liabilities for 2010:

| Accident year | Before 2003 RM'000 | 2004 RM'000 | 2005 RM'000 | 2006 RM'000 | 2007 RM'000 | 2008 RM'000 | 2009 RM'000 | 2010 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| At end of accident year | | 67,775 | 67,492 | 83,644 | 92,190 | 103,966 | 119,648 | 126,677 | |
| One year later | | 52,490 | 56,040 | 70,073 | 77,818 | 87,186 | 109,416 | | |
| Two years later | | 44,424 | 52,909 | 67,609 | 75,892 | 84,719 | | | |
| Three years later | | 43,146 | 51,345 | 66,885 | 74,167 | | | | |
| Four years later | | 45,714 | 50,801 | 65,844 | | | | | |
| Five years later | | 45,678 | 50,378 | | | | | | |
| Six years later | | 44,240 | | | | | | | |
| Seven years later | | | | | | | | | |
| **Current estimate of cumulative claims incurred** | | **44,240** | **50,378** | **65,844** | **74,167** | **84,719** | **109,416** | **126,677** | |
| At end of accident year | | (15,309) | (19,546) | (30,002) | (28,516) | (28,615) | (46,141) | (45,331) | |
| One year later | | (43,323) | (41,115) | (56,260) | (58,706) | (63,782) | (81,903) | | |
| Two years later | | (40,463) | (43,746) | (59,659) | (64,840) | (71,894) | | | |
| Three years later | | (41,334) | (45,471) | (61,026) | (67,895) | | | | |
| Four years later | | (42,290) | (46,967) | (62,583) | | | | | |
| Five years later | | (43,129) | (47,706) | | | | | | |
| Six years later | | (43,572) | | | | | | | |
| Seven years later | | | | | | | | | |
| **Cumulative payments to-date** | | **(43,572)** | **(47,706)** | **(62,583)** | **(67,895)** | **(71,894)** | **(81,903)** | **(45,331)** | |
| **Net insurance contract liabilities per Statement of Financial Position (Note12(a))** | 8,393 | 668 | 2,672 | 3,261 | 6,272 | 12,825 | 27,513 | 81,346 | 142,950 |
| Current estimate of surplus/(deficiency) | | 16,995 | 11,300 | 12,366 | (2,730) | (9,272) | (22,880) | (43,657) | |
| % surplus/(deficiency) of initial net reserve | | 27.8% | 18.3% | 15.8% | (3.8%) | (12.3%) | (26.4%) | (52.6%) | |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS

### (a) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet payment obligations as well as the loss of value of assets due to deterioration on credit quality.

The Investment Committee manages the credit risk associated with investments by setting guidelines on minimum credit ratings and prevents risk concentrations by setting maximum credit exposure for each class of investment and for any one borrower or group of borrowers.

A Credit Control Committee has been established to manage the credit risk of receivables.

**Credit exposure**

The following table shows maximum exposure to credit risk for the components on the Statement of Financial Position and items such as future commitments.

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| Financial assets held-to-maturity | | |
| Unquoted corporate debt securities | **15,109,687** | 11,980,047 |
| Loans and receivables | | |
| Loans | **759,583** | 772,458 |
| Fixed and call deposits | **168,653,935** | 194,847,597 |
| Financial assets available-for-sale | | |
| Malaysian Government Securities | **–** | 22,870,000 |
| Unquoted corporate debt securities | **–** | 58,681,381 |
| Reinsurance assets - claims liabilities | **105,600,506** | 99,118,920 |
| Insurance receivables | **54,566,432** | 46,817,918 |
| Other receivables | **10,606,008** | 12,936,529 |
| Cash equivalents | **4,277,610** | 119,220 |
| | **359,573,761** | 448,144,070 |

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS (CONTINUED)

### (a) Credit risk (continued)

**Credit exposure by credit rating**

| | Neither past-due nor impaired | | | Past-due | |
|---|---|---|---|---|---|
| | Rated: satisfactory RM | Rated: unsatisfactory RM | Not rated RM | but not impaired RM | Total RM |
| **2010** | | | | | |
| Financial assets held-to-maturity | | | | | |
| Unquoted corporate debt securities | 15,109,687 | – | – | – | 15,109,687 |
| Loans and receivables | | | | | |
| Loans | – | – | 759,583 | – | 759,583 |
| Fixed and call deposits | 168,653,935 | – | – | – | 168,653,935 |
| Reinsurance assets - claims liabilities | 32,846,581 | 4,311,844 | 68,442,081 | – | 105,600,506 |
| Insurance receivables | – | – | – | 54,566,432 | 54,566,432 |
| Other receivables | – | – | 10,606,008 | – | 10,606,008 |
| Cash and cash equivalents | 4,277,610 | – | – | – | 4,277,610 |
| | 220,887,813 | 4,311,844 | 79,807,672 | 54,566,432 | 359,573,761 |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS (CONTINUED)

### (a) Credit risk (continued)

**Credit exposure by credit rating (continued)**

| | Neither past-due nor impaired | | | Past-due | |
|---|---|---|---|---|---|
| | Rated: satisfactory RM | Rated: unsatisfactory RM | Not rated RM | but not impaired RM | Total RM |
| **2009** | | | | | |
| Financial assets held-to-maturity | | | | | |
| Unquoted corporate debt securities | 11,980,047 | – | – | – | 11,980,047 |
| Loans and receivables | | | | | |
| Loans | – | – | 772,458 | – | 772,458 |
| Fixed and call deposits | 190,739,639 | – | 4,107,958 | | 194,847,597 |
| Financial assets available-for-sale | | | | | |
| Malaysian Government Securities | 22,870,000 | – | – | – | 22,870,000 |
| Unquoted corporate debt securities | 58,681,381 | – | – | – | 58,681,381 |
| Reinsurance assets - claims liabilities | 25,806,266 | 4,001,403 | 69,311,251 | – | 99,118,920 |
| Insurance receivables | – | – | – | 46,817,918 | 46,817,918 |
| Other receivables | 70,254 | 125,394 | 12,740,881 | – | 12,936,529 |
| Cash and cash equivalents | 119,220 | – | – | – | 119,220 |
| | 310,266,807 | 4,126,797 | 86,932,548 | 46,817,918 | 448,144,070 |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS (CONTINUED)

### (a) Credit risk (continued)

**Credit exposure by credit rating (continued)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the reputable rating agencies' credit ratings of counterparties. AAA is the highest possible rating.

| | AAA RM | AA RM | A RM | BBB RM | Not rated RM | Total RM |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| Financial assets held-to-maturity | | | | | | |
| Unquoted corporate debt securities | – | – | 15,109,687 | – | – | 15,109,687 |
| Loans and receivables | | | | | | |
| Loans | – | – | – | – | 759,583 | 759,583 |
| Fixed and call deposits | 1,002,000 | 145,809,086 | 21,842,849 | – | – | 168,653,935 |
| Reinsurance assets - claims liabilities | 3,318,888 | 4,115,000 | 25,412,693 | 4,311,844 | 68,442,081 | 105,600,506 |
| Insurance receivables | – | 103,557 | 4,418,146 | 190,854 | 49,853,875 | 54,566,432 |
| Other receivables | – | – | – | – | 10,606,008 | 10,606,008 |
| Cash and cash equivalents | 839,872 | 3,344,910 | 92,828 | – | – | 4,277,610 |
| | 5,160,760 | 153,372,553 | 66,876,203 | 4,502,698 | 129,661,547 | 359,573,761 |

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS (CONTINUED)

### (a) Credit risk (continued)

**Credit exposure by credit rating (continued)**

| | AAA RM | AA RM | A RM | BBB RM | Not rated RM | Total RM |
|---|---|---|---|---|---|---|
| **2009** | | | | | | |
| Financial assets held-to-maturity | | | | | | |
| Unquoted corporate debt securities | – | – | 11,980,047 | – | – | 11,980,047 |
| Loans and receivables | | | | | | |
| Loans | – | – | – | – | 772,458 | 772,458 |
| Fixed and call deposits | 41,050,866 | 91,030,089 | 58,658,684 | – | 4,107,958 | 194,847,597 |
| Financial assets available-for-sale | | | | | | |
| Malaysian Government Securities | 22,870,000 | – | – | – | – | 22,870,000 |
| Unquoted corporate debt securities | 19,420,500 | 38,233,795 | 1,027,086 | – | – | 58,681,381 |
| Reinsurance assets - claims liabilities | – | – | 25,806,266 | 4,001,403 | 69,311,251 | 99,118,920 |
| Insurance receivables | – | 55,518 | 136,474 | 125,394 | 46,500,532 | 46,817,918 |
| Other receivables | – | – | – | – | 12,936,529 | 12,936,529 |
| Cash and cash equivalents | 796,505 | (706,722) | 29,437 | – | – | 119,220 |
| | 84,137,871 | 128,612,680 | 97,637,994 | 4,126,797 | 133,628,728 | 448,144,070 |

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS (CONTINUED)

### (a) Credit risk (continued)

**Age analysis of financial assets past due but not impaired**

| | Less than 3 months RM | 3 to 6 months RM | More than 6 months RM | Total RM |
|---|---|---|---|---|
| **2010** | | | | |
| Insurance receivables | **27,966,873** | **14,605,321** | **11,994,238** | **54,566,432** |
| **2009** | | | | |
| Insurance receivables | 21,457,685 | 23,944,252 | 1,415,981 | 46,817,918 |

**Impaired financial assets**

A receivable is considered as individually impaired if the counterparty is in the process of liquidation or legal actions has been taken to recover the outstanding. As at 31 December 2010, there are impaired insurance receivables of RM5,383,371(2009: RM8,597,608). For receivables to be considered as "past due and impaired", contractual payment must in arrears for more than three (3) months. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for loans and receivables and insurance receivables in separate "allowance for doubtful debts" accounts. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

| Insurance receivables | 2010 RM | 2009 RM |
|---|---|---|
| **At 1 January** | **8,597,608** | 7,227,937 |
| Charge for the year | **2,384,630** | 4,699,917 |
| Recoveries | **(5,598,867)** | (3,330,246) |
| At 31 December | **5,383,371** | 8,597,608 |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS (CONTINUED)

### (a) Credit risk (continued)

An investment in debt security is considered as individually impaired when the management is of opinion that the counterparty is unable to meet the payment obligation as scheduled. As at 31 December 2010, there are impaired financial assets available for sale of RM9,236,170 (2009: RM9,205,817). A reconciliation of the allowance for impairment losses for investment in debt securities is as follows:

| **Financial assets available-for-sale** | **2010 RM** | **2009 RM** |
|---|---|---|
| **At 1 January** | **9,205,817** | 5,075,047 |
| Charge for the year | **1,027,086** | 4,130,770 |
| Recoveries | **(996,733)** | – |
| At 31 December | **9,236,170** | 9,205,817 |

### b) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet commitments and obligations when they fall due.

This is managed by monitoring the daily and monthly projected and actual cash flows, and ensuring that a reasonable quantum of financial assets is maintained in liquid instruments at all times.

**Maturity profiles**

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

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

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

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS (CONTINUED)

### b) Liquidity risk (continued)

**Maturity profiles (continued)**

| 2010 | Carrying value RM | 1 year or less RM | 1 to 3 years RM | 3 to 5 years RM | Over 5 years RM | Total RM |
|---|---|---|---|---|---|---|
| Financial assets held-to-maturity | | | | | | |
| Unquoted corporate debt securities | 15,109,687 | 1,162,500 | 2,325,000 | 2,325,000 | 45,925,000 | 51,737,500 |
| Loans and receivables | | | | | | |
| Loans | 759,583 | 264,526 | 382,403 | 157,764 | – | 804,693 |
| Fixed and call deposits | 168,653,935 | 173,827,237 | – | – | – | 173,827,237 |
| Reinsurance assets - claims liabilities | 105,600,506 | 78,144,374 | 17,952,086 | 5,280,025 | 4,224,021 | 105,600,506 |
| Insurance receivables | 54,566,432 | 54,566,432 | – | – | – | 54,566,432 |
| Other receivables | 10,606,008 | 10,606,008 | – | – | – | 10,606,008 |
| Cash equivalents | 4,277,610 | 4,277,610 | – | – | – | 4,277,610 |
| **TOTAL FINANCIAL ASSETS** | 359,573,761 | 322,848,687 | 20,659,489 | 7,762,789 | 50,149,021 | 401,419,986 |
| Insurance contract liabilities - claims liabilities | 248,550,487 | 183,927,360 | 42,253,583 | 12,427,525 | 9,942,019 | 248,550,487 |
| Insurance payables | 49,102,205 | 49,102,205 | – | – | – | 49,102,205 |
| Other payables | 21,305,900 | 21,305,900 | – | – | – | 21,305,900 |
| **TOTAL FINANCIAL LIABILITIES** | 318,958,592 | 254,335,465 | 42,253,583 | 12,427,525 | 9,942,019 | 318,958,592 |

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS (CONTINUED)

### b) Liquidity risk (continued)

**Maturity profiles (continued)**

| 2009 | Carrying value RM | 1 year or less RM | 1 to 3 years RM | 3 to 5 years RM | Over 5 years RM | Total RM |
|---|---|---|---|---|---|---|
| Financial assets held-to-maturity | | | | | | |
| Unquoted corporate debt securities | 11,980,047 | 915,000 | 1,830,000 | 1,830,000 | 37,335,000 | 41,910,000 |
| Loans and receivables | | | | | | |
| Loans | 772,458 | 265,060 | 344,807 | 171,451 | 6,205 | 787,523 |
| Fixed and call deposits | 194,847,597 | 190,609,630 | 9,388,376 | – | – | 199,998,006 |
| Financial assets available-for-sale | | | | | | |
| Malaysian Government Securities | 22,870,000 | 748,870 | 6,497,740 | 11,765,340 | 7,284,225 | 26,296,175 |
| Unquoted corporate debt securities | 58,681,381 | 9,101,587 | 20,044,281 | 25,935,600 | 14,983,300 | 70,064,768 |
| Reinsurance assets - claims liabilities | 99,118,920 | 73,348,001 | 16,850,216 | 4,955,946 | 3,964,757 | 99,118,920 |
| Insurance receivables | 46,817,918 | 46,817,918 | – | – | – | 46,817,918 |
| Other receivables | 12,936,529 | 12,936,529 | – | – | – | 12,936,529 |
| Cash and cash equivalents | 119,220 | 119,220 | – | – | – | 119,220 |
| **TOTAL FINANCIAL ASSETS** | 448,144,070 | 334,861,815 | 54,955,420 | 44,658,337 | 63,573,487 | 498,049,059 |
| Insurance contract liabilities - claims liabilities | 225,653,920 | 166,983,901 | 38,361,166 | 11,282,696 | 9,026,157 | 225,653,920 |
| Insurance payables | 36,182,864 | 36,182,864 | – | – | – | 36,182,864 |
| Other payables | 14,843,651 | 14,843,651 | – | – | – | 14,843,651 |
| **TOTAL FINANCIAL LIABILITIES** | 276,680,435 | 218,010,416 | 38,361,166 | 11,282,696 | 9,026,157 | 276,680,435 |

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS (CONTINUED)

### (c) Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of the potential adverse changes in market prices. Market risk comprises three (3) types of risk: foreign exchange rates (Currency risk), market interest rates/profit yields (Interest Rate/Profit Yield risk) and market prices (Price risk).

The Company's investments in equities, REITs and fixed income securities are outsourced to professional fund managers. To deal with this risk, the Investment Committee oversees the formulation of investment policies and strategies and meetings were held during the financial year to review and monitor the performance of the fund managers.

**Currency risk**

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

The Company's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar (SGD).

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Insurance Act, 1996, and hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities. The Company's exposure to currency risk is confined to a current account maintained with a bank in Singapore and certain expenses denominated in foreign currency. The current account was opened to facilitate the collection of premiums from reinsurers in Singapore and the amount involved is minimal.

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 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.

**Interest rate risk**

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

Investment Committee has set up a guideline to manage the maturities of interest/profit-bearing financial assets and liabilities.

The Company has no significant concentration of interest rate/profit yield risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (that reflects re-valuing fixed rate/yield available-for-sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS (CONTINUED)

### (c) Market risk (continued)

**Interest rate risk (continued)**

| | Change in variables | 2010 Impact on equity* RM | 2009 Impact on equity* RM |
|---|---|---|---|
| Interest rate | +100 basis points | **(4,092,546)** | (2,051,315) |
| Interest rate | -100 basis points | **4,299,567** | 2,256,301 |

* impact on Equity reflects adjustments for tax, when applicable.

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

**Price risk**

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

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments and limits stipulated by BNM. The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in Income Statement) and Equity (that reflects adjustments to profit before tax). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

| | | 2010 | | 2009 | |
|---|---|---|---|---|---|
| | Change in variables | Impact on profit before tax RM | Impact on equity* RM | Impact on profit before tax RM | Impact on equity* RM |
| Bursa Malaysia | +15% | **10,943,793** | **8,207,844** | 8,085,967 | 6,064,475 |
| Bursa Malaysia | -15% | **(10,946,348)** | **(8,209,761)** | (8,096,147) | (6,072,111) |

* impact on Equity reflects adjustments for tax, when applicable.

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

# Notes To The Financial Statements
For The Financial Year Ended 31 December 2010 (continued)

## 30 FINANCIAL RISKS (CONTINUED)

### (d) Operational risks

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

The Company 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 controls, 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.

## 31 CHANGE IN ACCOUNTING POLICIES

### (a) FRS 101: Presentation of Financial Statements

The adoption of FRS 101 (revised) effective for the financial year ended 31 December 2010 resulted in the following:

(i) income statements for the year ended 31 December 2009 have been re-presented as two statements, namely income statement and statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity; and

(ii) a statement of financial position at the beginning of the earliest comparative period, i.e. 1 January 2009 have been included following the change in the comparative figures for 31 December 2009 to conform with current year's presentation.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 31 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

### (b) FRS 4: Insurance Contracts

The adoption of FRS 4: Insurance Contracts has resulted in a change in accounting policy relating to the presentation of insurance liabilities. Prior to 1 January 2010, insurance liabilities were offset with the recoverable reinsurance assets.

Upon the adoption of FRS 4, offsetting was prohibited and reinsurance assets required to be disclosed separately on the face of statement of financial position. This change in the presentation has been accounted for retrospectively and the following comparative figures as at 31 December 2009 have been restated:

| | As previously reported RM | FRS 4 RM | As restated RM |
|---|---|---|---|
| **Insurance contract liabilities** | | | |
| Claims liabilities | 126,535,000 | 99,118,920 | 225,653,920 |
| Premium liabilities | 74,633,883 | 34,556,845 | 109,190,728 |
| **Reinsurance assets** | | | |
| Claims liabilities | – | 99,118,920 | 99,118,920 |
| Premium liabilities | – | 34,556,845 | 34,556,845 |

In addition, the adoption of FRS 4 has resulted in a change in accounting policy relating to the assessment of impairment loss on the insurance receivables. Prior to 1 January 2010, an allowance is made for any premiums, including agents' and reinsurers' balances, which remain outstanding for more than six months from the date on which they become receivable, except for outstanding motor premiums for which an allowance is made for amounts outstanding for more than 30 days.

Upon the adoption of FRS 4, 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 income statement. An objective evidence of impairment is deemed to exist where the insurance receivables is past due for more than 90 days or 3 months.

The change in the basis of resulted in a write-back of allowance of impairment on insurance receivables of RM3.0 million and deferred tax impact of RM0.75 million relating to prior years in 2010, compared to the previous basis.  This amount is not considered to be material to the current financial year's results.

# Notes To The Financial Statements

For The Financial Year Ended 31 December 2010 (continued)

## 31 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

### (c) FRS 117: Leases

Following the adoption of the improvement to FRS 117: Leases, leasehold land, which the Company has substantially all the risks and rewards incidental to ownership, has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. The following comparative figures for financial year ended 31 December 2009 have been restated following the change in accounting policy:

| | As previously reported RM | Improvement to FRS 117 RM | As restated RM |
|---|---|---|---|
| **Statement of financial position as at 31 December 2009** | | | |
| Property, plant and equipment | 2,210,906 | 631,623 | 2,842,529 |
| Prepaid land lease | 631,623 | (631,623) | – |
| **Income Statement for financial year ended 31 December 2009** | | | |
| Depreciation of property, plant and equipment | 949,977 | 7,952 | 957,929 |
| Amortisation charge on prepaid land lease | 7,952 | (7,952) | – |

## 32 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2010, as prescribed under the RBC Framework is provided below:

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **Eligible Tier–1 Capital** | | | |
| Share capital (paid-up) | 15 | **100,000,000** | 100,000,000 |
| Retained earning | | **103,575,787** | 57,891,366 |
| | | **203,575,787** | 157,891,366 |
| **Tier–2 Capital** | | | |
| Available-for-sale reserve | | **688,122** | 355,724 |
| Amount deducted from Capital | | **(572,000)** | (3,114,000) |
| Total Capital Available | | **203,691,909** | 155,133,090 |

## 33 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 January 2011.

# Statement By Directors

Pursuant to Section 169 (15) of the Companies Act, 1965, we, Haji Khairuddin Ahmad and Koh Heng Kong, two of the Directors of RHB Insurance Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 24 to 75 are drawn up so as to show a true and fair view of the state of affairs of the Company as at 31 December 2010 and of its results and cash flows for the financial year ended 31 December 2010 in accordance with the Financial Reporting Standards, being the MASB Approved Accounting Standards for Entities Other than Private Entities as modified by Bank Negara Malaysia, and the provisions of the Companies Act, 1965.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 25 January 2011.

| | |
|---|---|
| **HAJI KHAIRUDDIN AHMAD** | **KOH HENG KONG** |
| CHAIRMAN | MANAGING DIRECTOR |

Kuala Lumpur
25 February 2011

# Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965, I, Koh Heng Kong, being the Managing Director primarily responsible for the financial management of RHB Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 24 to 75 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true by virtue of the provisions of the Statutory Declarations Act, 1960.

| | |
|---|---|
| Subscribed and solemnly | ) |
| declared at Kuala Lumpur | ) |
| on | ) |
| | ) |
| Before me, | ) **KOH HENG KONG** |

COMMISSIONER FOR OATHS
**ZULKIFLA MOHD DAHLIM**
Kuala Lumpur
25 February 2011

# Independent Auditors' Report

To The Members of RHB Insurance Berhad
(Incorporated in Malaysia)
(Company No. 38000 U)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Insurance Berhad, which comprise the statement of financial position as at 31 December 2010, and the statements of income, comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 24 to 75.

### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

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

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

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

# Independent Auditors' Report

To The Members of RHB Insurance Berhad (continued)
(Incorporated in Malaysia)
(Company No. 38000 U)

## Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by Bank Negara Malaysia and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

## OTHER MATTERS

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

**PRICEWATERHOUSECOOPERS**
(No. AF: 1146)
Chartered Accountants

**JAYARAJAN A/L U. RATHINASAMY**
(No. 2059/06/12 (J))
Chartered Accountant

Kuala Lumpur
25 February 2011

# Branch Network

**RHB INSURANCE BERHAD**

**1) Head Office**
Level 8, Tower One, RHB Centre
Jalan Tun Razak
50726 Kuala Lumpur
Tel : (03) 9281 2731
Fax : (03) 9281 2729

**2) Penang Branch**
2nd Floor, RHB Bank
44, Lebuh Pantai
10300 Penang
Tel : (04) 2610 115, 2615 639
Fax : (04) 2616 310

**3) Ipoh Branch**
No. 37, Jalan Medan Ipoh 5
Bandar Baru Medan Ipoh
31400 Ipoh
Perak
Tel : (05) 546 3123, 2021
Fax : (05) 546 1303

**4) Johor Bahru Branch**
Suite 18.06, Level 18
JB City Square (Office Tower)
106 - 108, Jalan Wong Ah Fook
80000 Johor Bahru, Johor
Tel : (07) 223 4982, 7068
Fax : (07) 223 0824

**5) Kota Bharu Branch**
Lot 344, Ground Floor
Jalan Sultan Yahya Petra
15200 Kota Bharu, Kelantan
Tel : (09) 746 1611
Fax : (09) 746 1612

**6) Sibu Branch**
No. 27 & 29, 1st Floor
Jalan Tuanku Osman
96000 Sibu
Sarawak
Tel : (084) 331 660, 876
Fax : (084) 331 873

**7) Klang Branch**
2nd Floor, Unit A6
Jalan Tiara 2A/KU1
Pusat Perniagaan BBK
Bandar Baru Klang
41150 Klang, Selangor
Tel : (03) 3342 0026
Fax : (03) 3342 1026

**8) Kota Kinabalu Branch**
Lot No. C-02-06, 2nd Floor
Block C, Warisan Square
Jalan Tun Fuad Stephens
88000 Kota Kinabalu, Sabah
Tel : (088) 528 765
Fax : (088) 528 770

**9) Kuching Branch**
Lot 7420, 1st & 2nd Floor
No 11, Jalan Simpang Tiga
P.O. Box 3000
93758 Kuching, Sarawak
Tel : (082) 236 643, 234 643
Fax : (082) 230 643

**10) Melaka Branch**
No. 339-A, Jalan Melaka Raya 3
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 9978, 283 9460
Fax : (06) 282 0516

**11) Kuantan Branch**
No. 2, 4, & 6 (Malay Town)
Jalan Putra Square 1
Putra Square
25200 Kuantan
Pahang Darul Makmur
Tel : (09) 505 7048, 7049
Fax : (09) 505 7046

**12) Kajang Branch**
No. 7 Jalan Raja Haroun
43000 Kajang
Selangor Darul Ehsan
Tel : (03) 8733 6479, 8737 6067
Fax : (03) 8737 9348

**13) Sandakan Branch**
1st Floor, Block 7
Lot 64, 65 & 66
Phase 1, Prime Square, Mile 4
Jalan Utara
90000 Sandakan, Sabah
Tel : (089) 235 893, 898
Fax : (089) 275 882

**RHB Insurance Berhad** (38000-U)
Level 8, Tower One, RHB Centre
Jalan Tun Razak, 50400 Kuala Lumpur
Tel : 603-9281 2731 Fax : 603-9281 2729

www.rhb.com.my