

Company No.

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2019

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2019

CONTENTS	PAGE
UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION	1
UNAUDITED CONDENSED INCOME STATEMENT	2
UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME	3
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY	4
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS	5 – 6
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	7 – 16

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	<u>Note</u>	<u>30.06.2019</u> RM'000	<u>31.12.2018</u> RM'000
ASSETS			
Property and equipment		51,788	53,570
Right-of-use assets		1,468	-
Intangible assets		2,154	2,543
Investments			
-Available-for-sale financial assets ("AFS")	11	1,250,540	1,199,639
Reinsurance assets	12	235,872	225,770
Insurance receivables		146,648	133,313
Other receivables		59,648	66,274
Deferred tax assets		20,829	23,301
Current tax assets		13	1,926
Cash and cash equivalents		339,253	315,188
Total assets		<u><u>2,108,213</u></u>	<u><u>2,021,524</u></u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Retained earnings		710,235	669,533
Available-for-sale fair value reserves		9,136	1,306
Equity reserve		11,204	10,295
Total equity		<u><u>830,575</u></u>	<u><u>781,134</u></u>
Insurance contract liabilities	13	1,034,790	1,003,704
Investment contract liabilities		702	590
Insurance payables		79,752	68,674
Lease liabilities		1,478	-
Other payables		160,916	167,422
Total liabilities		<u><u>1,277,638</u></u>	<u><u>1,240,390</u></u>
Total equity and liabilities		<u><u>2,108,213</u></u>	<u><u>2,021,524</u></u>

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

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INCOME STATEMENT
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019**

	6 months ended <u>30.06.2019</u> RM'000	6 months ended <u>30.06.2018</u> RM'000
Gross earned premiums	435,099	466,170
Premiums ceded to reinsurers	(112,043)	(106,831)
Net earned premiums	<u>323,056</u>	<u>359,339</u>
Net investment income	29,896	27,409
Realised (loss)/gains	(282)	20
Commission income	29,287	26,265
Other operating revenue	709	485
Net income	<u>59,610</u>	<u>54,179</u>
Total revenue	<u>382,666</u>	<u>413,518</u>
Gross claims paid	(173,649)	(238,612)
Claims ceded to reinsurers	28,622	65,052
Gross change to contract liabilities	(27,241)	6,224
Change in contract liabilities ceded to reinsurers	6,045	(12,474)
Net claims incurred	<u>(166,223)</u>	<u>(179,810)</u>
Commission expense	(62,907)	(63,374)
Management expenses	(99,267)	(110,331)
Total other expenses	<u>(162,174)</u>	<u>(173,705)</u>
Profit before taxation	54,269	60,003
Taxation	(13,567)	(15,001)
Profit for the financial period	<u>40,702</u>	<u>45,002</u>
Earnings per share (sen)		
Basic	<u>40.70</u>	<u>45.00</u>

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Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019**

	6 months ended <u>30.06.2019</u> RM'000	6 months ended <u>30.06.2018</u> RM'000
Profit for the financial period	40,702	45,002
Other comprehensive income:		
<u>Items that may be subsequently reclassified to income statement:</u>		
Available-for-sale fair value reserves		
Net gains/(losses) arising during the financial period	10,323	(5,805)
Net realized gains transferred to income statement	(21)	(88)
	<u>10,302</u>	<u>(5,893)</u>
Tax effects thereon	(2,472)	1,414
	<u>7,830</u>	<u>(4,479)</u>
Total comprehensive income for the financial period	<u><u>48,532</u></u>	<u><u>40,523</u></u>

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

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Share capital RM'000	Equity reserve RM'000	Non- distributable Fair value reserves RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2019	100,000	10,295	1,306	669,533	781,134
Profit for the financial year	-	-	-	40,702	40,702
Other comprehensive income for the financial year	-	-	7,830	-	7,830
Comprehensive income for the financial year- share-based long term incentive plan vested	-	909	-	-	909
	-	909	-	-	909
At 30 June 2019	<u>100,000</u>	<u>11,204</u>	<u>9,136</u>	<u>710,235</u>	<u>830,575</u>
At 1 January 2018	100,000	7,703	2,184	582,952	692,839
Profit for the financial year	-	-	-	86,581	86,581
Other comprehensive income for the financial year	-	-	(878)	-	(878)
Comprehensive income for the financial year- share-based long term incentive plan vested	-	2,592	-	-	2,592
	-	2,592	-	-	2,592
At 31 December 2018	<u>100,000</u>	<u>10,295</u>	<u>1,306</u>	<u>669,533</u>	<u>781,134</u>

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

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019**

	6 months ended <u>30.06.2019</u> RM'000	6 months ended <u>30.06.2018</u> RM'000
OPERATING ACTIVITIES		
Profit before tax	54,269	60,003
Investment income	(29,896)	(27,409)
Realised gain on AFS investments	(21)	(88)
Realised loss on foreign exchange	299	68
Depreciation of property and equipment	2,418	2,291
Depreciation of right-of-use	930	-
Amortisation of intangible assets	426	741
Interest charge on lease liabilities	27	-
Loss on disposal of property and equipment	4	-
(Decrease)/increase in allowance for impairment of doubtful debts	(419)	768
Bad debts written off	53	27
Employees share-based long term incentive plan	909	948
Changes in working capital:		
(Increase)/decrease in reinsurance assets	(10,102)	11,992
(Increase)/decrease in insurance receivables	(12,969)	9,055
Decrease/(increase) in other receivables	7,639	(4,014)
Increase/(decrease) in insurance contract liabilities	31,086	(30,385)
Increase in insurance payables	11,078	6,963
Decrease in other payables	(6,804)	(9,843)
Net increase in AFS investments	(40,098)	(130,323)
Increase in investment contract liabilities	112	177
Cash generated from/(used in) operating activities	<u>8,941</u>	<u>(109,029)</u>
Interest income received	28,403	25,839
Income tax paid	<u>(11,654)</u>	<u>(18,965)</u>
Net cash flows generated from/(used in) operating activities	<u>25,690</u>	<u>(102,155)</u>

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Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	6 months ended 30.06.2019 RM'000	6 months ended 30.06.2018 RM'000
INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	21	-
Purchase of property and equipment	(662)	(715)
Purchase of intangible assets	(37)	(3)
	<u> </u>	<u> </u>
Net cash flows used in investing activities	(678)	(718)
	<u> </u>	<u> </u>
FINANCING ACTIVITIES		
Payment of lease liabilities	(947)	-
	<u> </u>	<u> </u>
Net cash flows used in financing activities	(947)	-
	<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents	24,065	(102,873)
Cash and cash equivalents at beginning of the financial period	315,188	335,625
	<u> </u>	<u> </u>
Cash and cash equivalents at end of the financial period	339,253	232,752
	<u> </u>	<u> </u>
Cash and cash equivalents comprise:		
Fixed and call deposits:		
-Licensed financial institutions in Malaysia	331,103	230,534
Cash and bank balances	8,150	2,218
	<u> </u>	<u> </u>
	339,253	232,752
	<u> </u>	<u> </u>

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

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2019

1 BASIS OF PREPARATION

The condensed interim financial statements of Chubb Insurance Malaysia Berhad (“the Company”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting. The unaudited condensed interim financial statements should be read in conjunction with the Company’s audited annual financial statements for the financial year ended 31 December 2018.

The notes attached to the unaudited interim condensed financial statements provide an explanation of events and transactions that are significant to gain an understanding of changes in the financial position and performance of the Company since the financial year ended 31 December 2018.

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

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted in the Company’s audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following:

MFRSs, Interpretation and Amendments effective for annual periods beginning on or after 1 January 2019

- a) MFRS 16 ‘Leases’
- b) IC Interpretation 23 ‘Uncertainty over Income Tax Treatments’
- c) Amendments to MFRS 9 ‘Prepayment Features with Negative Compensation’
- d) Annual Improvements to MFRSs 2015 – 2017 Cycle: MFRS 112 ‘Income Taxes’
- e) Amendments to MFRS 119 ‘Plan Amendment, Curtailment or Settlement’

There were no material changes to the Company’s accounting policies other than enhanced disclosures to the financial statements, except for MFRS 16 ‘Leases’.

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

MFRS 16 Leases

The Company has adopted MFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of MFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MFRS 16 Leases (continued)

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	<u>30 June 2019</u>	<u>1 January 2019</u>
	RM'000	RM'000
Properties	1,327	1,630
Equipment	141	317
Total right-of-use	<u>1,468</u>	<u>1,947</u>

Practical expedients applied

In applying MFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying MFRS 117 Leases and IC Int. 4 Determining whether an Arrangement contains a Lease.

The Company leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2019 (CONTINUED)

2 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

MFRS 16 Leases (continued)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

The lease payments over the lease term are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

3 **COMMENTS ON SEASONALITY OR CYCLICALITY**

The business operations of the Company were not significantly affected by seasonality or cyclical factors for the financial period under review.

4 **UNUSUAL ITEMS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow in the current interim financial period ended 30 June 2019.

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2019 (CONTINUED)

5 MATERIAL CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates in the current interim financial period ended 30 June 2019.

6 DEBT AND EQUITY SECURITIES ISSUED BY THE COMPANY

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities during the current financial period ended 30 June 2019.

7 DIVIDEND

No dividend has been paid by the Company in the current interim financial period ended 30 June 2019.

8 EVENTS SUBSEQUENT TO THE INTERIM FINANCIAL PERIOD

There were no material events after the current interim financial period that has not been reflected in the financial statements for the period to date.

9 EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company during the current interim financial period under review.

10 CONTINGENT LIABILITIES

At the date of this report, there does not exist any contingent liability of the Company which has arisen since the end of the financial period under review.

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

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS – 30 JUNE 2019 (CONTINUED)

11 INVESTMENTS

	<u>30.06.2019</u> RM'000	<u>31.12.2018</u> RM'000
Malaysian Government Securities and guaranteed loans	747,395	755,468
Debt securities	502,770	443,796
Equity securities	375	375
	<u>1,250,540</u>	<u>1,199,639</u>
AFS	<u>1,250,540</u>	<u>1,199,639</u>

The following instruments mature after 12 months:

Malaysian Government Securities and guaranteed loans	585,511	603,536
Debt securities	351,532	327,217
	<u>937,043</u>	<u>930,753</u>

(a) AFS	<u>30.06.2019</u> RM'000	<u>31.12.2018</u> RM'000
<u>Fair Value</u>		
Unquoted equity securities	375	375
Unquoted debt securities	502,770	443,796
Malaysian Government Securities and guaranteed loans	747,395	755,468
	<u>1,250,540</u>	<u>1,199,639</u>

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS – 30 JUNE 2019 (CONTINUED)

11 INVESTMENTS (CONTINUED)

(b) Carrying values of financial instruments

AFS

	RM'000
At 1 January 2018	1,078,067
Purchases	275,767
Maturities	(85,000)
Disposals	(70,331)
Fair value losses recorded in:	
Other comprehensive income	(961)
Net change in interest receivables	1,469
Accretion of discount	628
	<hr/>
At 31 December 2018	1,199,639
Purchases	155,216
Maturities	(110,000)
Disposals	(5,118)
Fair value gains recorded in:	
Other comprehensive income	10,323
Net change in interest receivables	505
Amortisation of premium	(25)
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At 30 June 2019	<u>1,250,540</u>

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2019 (CONTINUED)

11 INVESTMENTS (CONTINUED)

(c) Estimation of fair values

Fair value hierarchy

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

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

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

Fair value investments

	<u>30.06.2019</u> RM'000	<u>31.12.2018</u> RM'000
Valuation techniques		
- market observable inputs (Level 2)	1,250,165	1,199,264
- unobservable inputs (Level 3)	375	375
	<u>1,250,540</u>	<u>1,199,639</u>

There are no investments that are valued based on Level 1 category.

12 REINSURANCE ASSETS

	<u>30.06.2019</u> RM'000	<u>31.12.2018</u> RM'000
Reinsurance of insurance contracts		
Claims liabilities	208,951	202,906
Premium liabilities	26,921	22,864
	<u>235,872</u>	<u>225,770</u>

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2019 (CONTINUED)

13 INSURANCE CONTRACT LIABILITIES

	30.06.2019			31.12.2018		
	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
General insurance	<u>1,034,790</u>	<u>(235,872)</u>	<u>798,918</u>	<u>1,003,704</u>	<u>(225,770)</u>	<u>777,934</u>
Provision for claims reported	477,418	(110,367)	367,051	456,634	(116,735)	339,899
Provision for incurred but not reported claims ("IBNR")	<u>219,787</u>	<u>(98,584)</u>	<u>121,203</u>	<u>213,330</u>	<u>(86,171)</u>	<u>127,159</u>
Claims liabilities	697,205	(208,951)	488,254	669,964	(202,906)	467,058
Premium liabilities	<u>337,585</u>	<u>(26,921)</u>	<u>310,664</u>	<u>333,740</u>	<u>(22,864)</u>	<u>310,876</u>
	<u>1,034,790</u>	<u>(235,872)</u>	<u>798,918</u>	<u>1,003,704</u>	<u>(225,770)</u>	<u>777,934</u>

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2019 (CONTINUED)

13 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) CLAIMS LIABILITIES

	30.06.2019			31.12.2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	669,964	(202,906)	467,058	679,877	(226,759)	453,118
Increase in claims incurred/recoveries anticipated over the financial period/year	215,208	(47,792)	167,416	482,895	(119,289)	363,606
Changes in key assumptions	(14,318)	13,125	(1,193)	(52,052)	43,352	(8,700)
Claims paid during the financial year	(173,649)	28,622	(145,027)	(440,756)	99,790	(340,966)
At 30 June/31 December	<u>697,205</u>	<u>(208,951)</u>	<u>488,254</u>	<u>669,964</u>	<u>(202,906)</u>	<u>467,058</u>

(ii) PREMIUM LIABILITIES

At 1 January	333,740	(22,864)	310,876	376,010	(27,966)	348,044
Premiums written during the financial year	438,944	(116,100)	322,844	872,219	(206,832)	665,387
Premiums earned during the financial year	(435,099)	112,043	(323,056)	(914,489)	211,934	(702,555)
At 30 June/31 December	<u>337,585</u>	<u>(26,921)</u>	<u>310,664</u>	<u>333,740</u>	<u>(22,864)</u>	<u>310,876</u>

Company No.

9827	A
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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS – 30 JUNE 2019 (CONTINUED)

14 CAPITAL STRUCTURE

The capital structure of the Company as at 30 June 2019, as prescribed under the RBC Framework is provided below:

	<u>30.06.2019</u>	<u>31.12.2018</u>
	RM'000	RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	100,000	100,000
Retained earnings	710,235	669,533
	<hr/>	<hr/>
	810,235	769,533
<u>Tier 2 Capital</u>		
Available-for-sale fair value reserve	9,136	1,306
Equity reserve	11,204	10,295
Amount deducted from capital	(22,983)	(25,844)
	<hr/>	<hr/>
Total capital available	<u>807,592</u>	<u>755,290</u>