



CREDIT ANALYSIS

KDN NO : PP9914/10/2002
GIFS 1/02

MALAYSIAN RATING CORPORATION BERHAD
(Company No.: 364803 V)

KURNIA INSURANS (MALAYSIA) BERHAD

(Insurance Rating Analysis / General Insurance Financial Strength)

March 2002

ANNUAL REVIEW

Rating

A



Rating History

Feb 1999	A
May 2000	A

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Rationale The 'A' general insurance financial strength rating of Kurnia Insurans (Malaysia) Berhad (Kurnia) reflects the company's leading market position in the Malaysian market, its strong business franchise particularly in the motor insurance market, its large distribution network and stringent claims controls. Moderating features include a high underwriting concentration in motor lines and increasing investments in shares.

Following the completion of the acquisition of Nusantara Worldwide Insurance (Malaysia) Berhad (NWI) in September 2000, Kurnia inherited the weak quality of NWI's legacy assets. However, given NWI's much smaller asset base (only 5% of consolidated assets) and Kurnia's intention to run-off the majority of the acquired business, the impact on overall earnings will be limited to the goodwill amortization of RM 1.7 million per annum over 25 years.

Kurnia is the largest general and motor insurer in the country with a 14.8% market share of total net premiums and 22.9% of motor net premiums. The company underwrites predominantly motor business, which accounts for over 90% of premiums. It has carved a niche in motor underwriting and its leadership position is supported by strategic marketing initiatives, a strong agency force, and lately, a greater focus on customer service. The company's long term goal is to continue growing market share pursuing motor as its core business line and targeting to capture a 30% market share of the domestic motor insurance business through continued aggressive marketing efforts and tie-ups with car dealers. It however lacks the advantages that are typically derived from being connected with large multinational insurers.

Scale economies and stringent claims control have contributed to Kurnia's strong underwriting performance. Despite volatility in the company's earnings, profitability remains respectable with minimum and average return on assets of 7.1% and 15.3% respectively since 1995. The loss ratio of its motor class displayed relative stability and at 57%, remains superior to the industry average of 66%. Underwriting profit rebounded 54% to RM74 million in FY2001 arising from earned premium growth of 27%. On the back of a pick up in motor sales towards the end of 2001 and given Kurnia's aggressive marketing strategy, MARC expects premium volumes will continue to grow in line with the industry.

Since 1999, Kurnia began repositioning its investment portfolio, diversifying from one which comprised mainly liquid assets to one with higher yielding assets, in response to the low money market returns. Invested assets in the form of shares and corporate debt securities each accounted for 17% of total invested assets respectively. Investment decisions are controlled by the EXCO and its investment criteria is fairly conservative. However, trading of its equity portfolio in the past three years was responsible for wide swings in total investment return.

Kurnia's cash flow position remains solid as reflected by the underwriting and total cash flow ratios which were maintained at comfortable levels despite higher underwriting and operating outflows. Total liquid assets have shrunk to RM515 million, which resulted in the coverage declining to 0.6x technical reserves. The deterioration in the ratio is somewhat mitigated by the fairly consistent claims pattern of its liabilities. Kurnia's liquidity position is also supported by the effective credit controls as evidenced by the modest ratio of outstanding premiums and agents balances representing 6.1% of gross direct premium.

Operating leverage showed significant improvement from 5.0 times in FY95 to 2.3 times currently as capital was gradually strengthened through retained earnings. As at end FY2001, its paid-up capital was double the regulatory requirement of RM200 million, and while shareholders' funds rose to RM277 million, this was considered marginal relative to its insurance and increased investment risks.

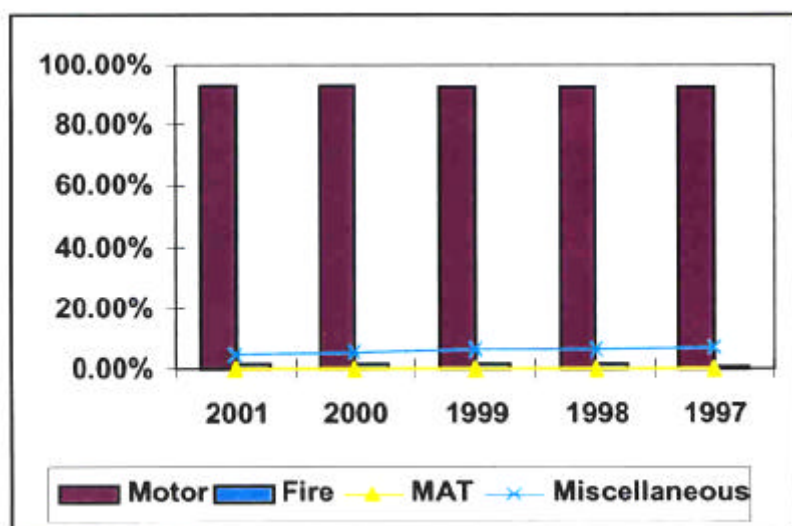
BUSINESS REVIEW

Kurnia Insurans (Malaysia) Berhad (Kurnia) was incorporated in 1977 as Industrial & Commercial Insurance (M) Bhd. In 1991, Kurnia Damai Sdn Bhd, its present shareholder, acquired the entire share capital of the company and the company subsequently assumed its present name. The takeover marked a fundamental shift in the company's business as motor volumes soared. Total gross direct premiums surged to RM113 million in FYE June 92 from just RM13 million the year before, and have since registered compounded growth of 22% to RM694 million in FYE June 2001.

FYE 30 JUNE					
Business Statistics	2001	2000	1999	1998	1997
Gross premiums written (RM'000)	704,409	570,875	492,040	467,449	501,906
Annual change (%)	23.4	16.0	5.3	(6.8)	48.7
Net premiums written (RM'000)	650,254	522,500	434,707	406,106	431,312
Annual change (%)	24.5	20.2	7.0	(5.8)	48.9
<i>Net premiums written by line of business (%)</i>					
Motor	93.3	92.9	92.5	92.1	92.6
Fire	1.7	1.6	1.5	1.4	0.8
MAT	0.3	0.2	0.2	0.2	0.1
Miscellaneous	4.7	5.3	5.8	6.3	6.5
TOTAL	100.0	100.0	100.0	100.0	100.0
<i>Market share of motor premiums (%)</i>	22.9	20.6	17.6	14.0	16.8

Kurnia maintained its lead position as the largest general and motor insurer in the country with a 14.8%¹ market share of total industry net premiums. The company provides a full range of general insurance products including motor, personal accident, fire, workmen's compensation and other miscellaneous classes of insurance, but has successfully carved a niche in motor underwriting. The motor portfolio accounted for 93.3% of the company's FY2001 net premiums. Kurnia's market share of motor premiums advanced 2.3 percentage points to 22.9%, leaving the next largest motor insurer trailing a distant second, with 7.3% of total motor net premiums. Its market leadership is supported by a strong agency force, tight premium accountability and aggressive claims control initiatives. Despite lacking the ready client base advantage of being associated with a bank or corporate group, Kurnia has been able to build a sizeable motor account that provides the critical mass for the company to operate effectively and efficiently as a motor insurer.

Breakdown of Net Premiums (1997- 2001)



¹ Bank Negara Malaysia Insurance Annual Report 2001



In September 2000, the High Court granted a vesting order to Kurnia to acquire the insurance business of Nusantara Worldwide Insurance (Malaysia) Berhad (NWI) from Koperasi Polis Diraja Malaysia Berhad. The purchase consideration for NWI was RM14 million with a goodwill on acquisition of RM41.6 million. Kurnia will amortize the goodwill in the income statement over 25 years, or RM1.7 million per annum. Due to the weak underwriting quality of NWI's legacy assets, Kurnia is retaining less than 10% of the acquired business and managing the run-off of the remaining portfolio.

Kurnia Damai completed the acquisition of Asia Dynamic Insurance Co. Ltd in Thailand late last year, marking the group's initial foray into an overseas market. Its geographical expansion is expected to boost the image of the Kurnia Damai group in the region, which could spill-over to Kurnia's own business franchise particularly in the northern states of the Peninsular Malaysia.

Motor Given its solid presence in the domestic motor insurance business and historically manageable underwriting experience in this segment, Kurnia will continue to focus on its motor insurance business targeting to achieve a 30% market share in the next two years. Private cars continued to dominate the vehicle mix accounting for 75% of total motor premiums, with the balance comprising commercial vehicle and motorcycle premiums. As value-added service to its policyholders, Kurnia launched its own 24-hour breakdown service called Kurnia Auto Assist (KAA) in October 2000, and will soon introduce a customer loyalty program which provides its customers with a range of discounts and rebates from participating merchants and service providers.

Kurnia retained a higher proportion of its business in FY2001 (93.5% vs. average of 89.1% in the past five years) to illustrate its commitment to prudent underwriting practices as well as to obtain more favourable rates from its reinsurers.

In February 2001, the General Insurance Association of Malaysia proposed a review of the motor tariff rating structure which would adopt an actuarial methodology based on a comprehensive basket of rating factors. For private cars, premiums would be based on nine rating factors including the use, age and make of vehicle, number of drivers, geographical location and gender of driver in addition to the existing basis of engine capacity, claims free year and sum insured. The revamp would have enhanced the motor underwriting business by aligning premium rates with the individual risk profiles of policyholders. The Government has however, rejected the proposed revision.

Supported by a strong business franchise in motor insurance and the provision of value-added customer services, fuelled by a pick-up in car sales in the second half of 2001, Kurnia is expected to continue to achieve commendable growth in motor premiums in the near term.

Personal Accident The Personal Accident (PA) insurance business, the second largest insurance class, accounted for an average of just 3.3% of gross premium in the last three years, written mainly through agents. PA policies remained the most popular cross-selling product marketed to its existing motor policyholders. Travel PA insurance is also distributed through a selected panel of travel agents. Underwriting performance weakened during the year due to the poor claims experience of NWI-originated business.

Fire Fire gross premium rose 8.5% to RM14.5 million (average of 2.2% of gross premium in the last three years) on the back of favourable property financing terms. Financial institutions, with which Kurnia maintains reciprocal business relationships, have been the main referrals of the business. Residential properties accounted for about 60% of the fire portfolio with the balance representing commercial buildings. The underwriting performance for this business class was again adversely affected by NWI's legacy fire portfolio. With the gradual run-off of NWI's unprofitable business, and with Kurnia continuing to embrace sound underwriting practices, the company expects to grow this class of business in the future.

Marine, Aviation and Transit (MAT) After the bad claims experience of its hull business, Kurnia's MAT portfolio largely constitutes marine cargo underwriting. Contribution to total gross premiums nonetheless remains insignificant at an average 0.4% in the last three years.

Distribution Channel Kurnia is principally a direct underwriter, with inward reinsurance accounting for just 4.2% of gross premium income in the past five years. Direct premiums are almost completely sourced through agents, and to a lesser extent, brokers, with a small amount of business from direct clients. The company has gone on an agent recruitment drive over the last two years to augment premium production. Currently, the number of active agents total 6,000, of which close to 80% are located in the more populous and more developed west coast of the Peninsular Malaysia. Regular servicing of agents by Kurnia's executives and management has helped preserve agency loyalty.



A separate corporate department handles the marketing and servicing responsibilities of corporate customers. The company has also cultivated reciprocal business relationships with certain financial institutions that would channel their customers' insurance requirements to Kurnia in return for its fixed deposit placements. In July 2001, the Company entered into a bancassurance arrangement with Hong Leong Finance Berhad to cross sell the Company's motor insurance to the finance company's auto loan customers. Through this arrangement, Kurnia expects to reap an even higher market share in the motor insurance business.

MANAGEMENT AND CORPORATE STRATEGY

Strategy Kurnia's long term goal is to continue growing market share with motor as its core business line. The company will concentrate on growing a domestic presence, leaving its parent company to anchor the geographic diversification strategy. In the next two years, the company is targeting to capture a 30% market share of the domestic motor insurance business through continued aggressive marketing efforts and by tying up with auto franchise dealers including EON and Perodua. Despite initial plans to diversify its motor/non-motor underwriting mix to 70:30, Kurnia remains an insignificant player in the non-motor lines. The company has been slow to achieve its non-motor target as, unlike other bank-owned insurers, it lacks the opportunities of accessing the client base of banks. It also misses out on the advantages that are typically derived from being connected with large multinational insurers such as advanced product development technologies, underwriting expertise for non-motor classes and economies of scale. Amongst its peers that may potentially benefit from such tie-ups are Malaysia British Assurance with Allianz, Mayban Assurance-Fortis and MCIS Insurance-Zurich.

Operations Kurnia undertook a reorganization of its operational structure which involved the decentralization of its business into five geographical zones which report to five regional heads. The objective is to enhance the effectiveness of all facets of its business. Each of the regions has its own marketing, underwriting and claims teams catering to the specific needs of their particular area. Management believes that the regionalization exercise would result in expedited decision-making and in the longer run, improved profitability as a result of faster claims settlement.

The sizeable motor portfolio coupled with tight underwriting and claims controls have enabled Kurnia to enjoy respectable underwriting profitability in the past five years. Through the regular monitoring of cover note usage, Kurnia has historically achieved near 100% return of unused cover notes. The company believes that effective claims control is key in maintaining underwriting profitability particularly as a motor insurer. Its claims control practices include the aggressive investigation of theft, property damage and bodily injury claims, annual review of panel workshops to weed out recalcitrant operators, stringent control on panel lawyers and adjusters and settlement of claims by asset replacement instead of cash. With rapid expansion in business volumes, the company also beefed up the number of claims personnel and in-house adjusters to ensure that claims management remain under control. The internal adjusters focus on insurance claims that are below a certain limit, as through experience, it was found that these claims had a higher risk of being manipulated.

In order to expand its business horizontally, Kurnia set up a research and development department in July 2001, for the purpose of developing new general insurance products. It recently launched *Kurnia Insurlabur*, a hybrid insurance scheme combining both protection and investment characteristics that is based on a benefit scale linked with the policyholder's financial affordability.

The company also believes that information technology plays an important role in improving internal operating efficiency and is effective in servicing the increased expectations of policyholders. It has committed RM10 million over the next few years to develop e-commerce capabilities and to enhance its management information system (MIS). Its MIS is equipped with a comprehensive database that enables detailed analyses to be conducted. The successful integration of its cover note issuance, underwriting and accounting functions in 1998 has significantly improved premium accountability and collection.

Financial Kurnia's capitalization is deemed adequate presently but a further improvement in operating leverage in the medium to long term would be viewed favourably. Management has been able to meet its gross premium targets post financial crisis and has set a gross premium of RM900 million and RM1 billion by FYE02 and FYE03 respectively.

OPERATING/UNDERWRITING PERFORMANCE

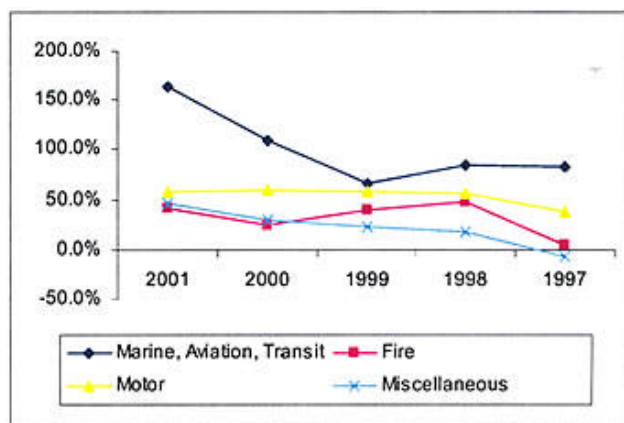
FYE 30 JUNE					
Operating Statistics	2001	2000	1999	1998	1997
Underwriting profit (RM'000)	73,674	47,762	71,394	97,598	156,679
Profit before tax (RM'000)	86,386	88,262	168,292	61,132	192,196
Pre-tax profit/Average assets (%)	7.8	8.7	17.9	7.1	24.7
Loss ratio (%)	57.2	56.9	54.7	53.8	34.1
Expense ratio (%)	28.7	30.5	26.8	24.1	20.7
Combined ratio (%)	85.9	87.4	81.5	77.9	54.8
Operating ratio (%)	79.8	80.8	69.2	64.9	43.8
Portfolio performance					
Net investment income (RM'000)	36,705	31,473	51,058	54,904	41,144
Yield on invested assets (%)	4.4	4.2	7.0	7.3	6.3
Total investment return (%)	2.4	5.3	13.4	(7.1)	8.4
<i>Portfolio composition (%)</i>					
Cash and deposits	32.3	38.0	74.5	63.0	60.5
Public securities	13.4	13.9	21.0	25.9	23.6
Private debt securities	30.4	23.8	2.9	0.0	1.9
Shares	17.0	21.4	0.0	5.5	13.0
Loans	6.1	1.7	1.1	5.3	0.4
Others	0.8	1.2	0.5	0.3	0.6

Scale economies and stringent claims control have contributed to Kurnia's relatively strong underwriting performance but its investment strategy has resulted in large swings in total investment return, which were responsible for the volatility in the company's profits. Notwithstanding the volatility, Kurnia's profitability remains respectable, with the minimum and average return on assets in the past seven years at 7.1% (FY98) and 15.3% respectively.

All lines have been generating underwriting profits in recent years except MAT insurance, which was written merely on accommodation basis but contribution from this class remains small. The loss ratio in motor insurance has displayed relative stability, hovering around 57% in the past four years compared with the industry motor loss ratio of 66%. The four-year average combined ratio is 83%, but has crept up in the last 2 years due to increases in the loss ratio under more difficult operating conditions as well as higher management expenses. The whole industry has been affected by higher theft claims and increased cost of car repairs with respect to their motor business. Meanwhile, intensified marketing and promotion efforts for its new products and services resulted in Kurnia's higher management expenses.

The company's underwriting performance rebounded 54% to RM73.7 million in FY2001 after declining in the past three consecutive years, on the back of 27% growth in earned premium income. Investment income also posted growth of 19% despite a persistent low interest rate environment, as a result of its strategy to switch into private debt securities. Net realized losses from investment totalled RM16.5 million compared to the RM8.9 million gain registered in FY2000.

Kurnia Insurance: Loss Ratios (1997 -2001)





On the back of more upbeat motor sales and given Kurnia's aggressive marketing strategy, MARC expects Kurnia's premium volumes will continue to show growth that is broadly in line with the industry. However, given the heightened competition in the industry and mildly deteriorating operating conditions, its operating ratio is expected to at best stabilize at the current level of 80%. Investment performance will continue to play significant role in determining the company's ultimate earnings.

INVESTMENTS

Kurnia adopts a fairly conservative approach to investment management. However, its strategy has switched from one which emphasizes liquidity to one which balances yields with liquidity. Since 1999, a separate Treasury division was established to actively manage the investment function where previously the company took a passive investment style. In the past, Kurnia's total investment income had fluctuated within a wide band from a negative RM53.2 million in FY98 to positive RM97.8 million in FY99, due to realized gains and losses on disposal of investments. The decision to realize investment losses in FY98 and FY2001 was two-pronged: to cut losses in anticipation of further weakening of stock prices, and secondly to maximize allowable deductions for tax purposes.

Due to the unattractive returns from the money market as a result of the low interest rate environment, the company started to diversify its investment portfolio into shares and corporate bonds in FY2000 to enhance investment yield. As at FY2001, invested assets in the form of shares and private debt securities (excluding government guaranteed bonds) each accounted for 17% of total invested assets respectively. Its equity portfolio is represented by a few blue chip stocks, selected based on strategic considerations including potential business referrals. The criteria for PDS holdings is a minimum A+ rating, although on a case to case basis, lower rated papers have been included. Currently, two of the PDS issues held have an A flat/A2 rating. An investment committee comprising the EXCO members controls investment decisions, which are made on an ad-hoc basis as and when investment opportunities arise.

Investment yields have declined in FY2000 and FY2001 to an average of 4.3% compared to 6.9% in the preceding three years reflecting the lower interest rate environment. After netting off the loss on sale of investments in FY2001, total investment return narrowed to 2.4%. With the increased PDS holding, Kurnia's investment yield is expected to trend upwards.

LIQUIDITY AND CASH FLOW

	FYE 30 JUNE				
	2001	2000	1999	1998	1997
Underwriting cash flow ratio (%)	122.2	136.5	133.9	156.1	195.3
Total cash flow ratio (%)	116.0	100.6	122.9	123.6	161.7
Liquid assets/Technical Reserves (x)	0.6	0.7	1.2	1.2	1.3

The higher proportion invested in shares in the last two financial years has weakened Kurnia's liquidity position. Liquid assets, which comprise cash and deposits, government securities and government guaranteed bonds have shrunk from over RM700 million in FY99 to RM515 million as at end FY2001. On the other hand, its investment in shares has increased from RM0.1 million in FY99 to RM149.4 million in FY2001. This has resulted in the liquid assets coverage of technical reserves declining to 0.6x. The deterioration of this indicator, which examines the company's ability to respond quickly to heavy cash calls, is somewhat mitigated by the fact that Kurnia's liabilities are not concentrated or catastrophic in nature and display fairly consistent claims patterns.

Nonetheless its cash flow position remains solid despite higher claims payment, commission and operating expenses. The underwriting and total cash flow ratios were maintained at comfortable levels supported by effective credit controls in premium collection, with the premium outstanding and agents' balances representing a modest 6.1% of direct premiums, equivalent to approximately 22 days ageing.



CAPITALIZATION

Financial Statistics	FYE 30 JUNE				
	2001	2000	1999	1998	1997
Operating leverage (x)	2.3	2.5	2.4	2.5	2.9
Investment leverage (%)	56.5	83.6	2.2	25.9	70.9
Loss reserves/SHF (x)	2.0	2.2	2.2	2.3	2.1
Technical reserves/NPW (x)	1.3	1.3	1.3	1.3	1.2
Reinsurance usage ratio (%)	7.8	8.8	12.3	14.0	14.5

Kurnia's share capital as at end FY2001 was RM200 million, double the regulatory requirement. Shareholders' funds rose 30.5% to RM277.4 million arising from profit capitalization, but is considered marginal relative to its insurance and increased investment risks. Net premium written averaged 2.5 times shareholders' funds (operating leverage) over the past five years; somewhat aggressive relative to its peers. Investment leverage, which measures the exposure of the capital base to investment in equities and properties, rose to 56.5%, making the capital base more vulnerable to fluctuations in equity value. Total admitted assets represented about 1.1 times the aggregate of liabilities and the computed margin of solvency, equivalent to an excess of over RM88.3 million. The company does not have a formal dividend policy. No dividends were declared for FY2001.

Financial Statistics	FYE 30 JUNE				
	2001	2000	1999	1998	1997
Technical Reserves (RM'000)	826,035	689,713	585,408	541,490	504,573
Technical Reserves/NPW (%)	127.0	132.0	134.7	133.3	117.0
Claims Reserves/NPW (%)	84.8	88.1	91.6	92.1	74.2
Technical Reserves/Incurred Losses (%)	237.4	252.3	258.2	237.7	396.1

RESERVES

Kurnia's reserves appear adequate. Loss reserves strengthened by 19.8% to RM551.2 million, or 0.85 times net premium. Case estimates are based on the average claims size for similar experiences in the preceding year.

Case provisioning is reviewed internally and the methodology is reviewed by external actuarial consultants, William M. Mercer Zainal & Fraser. The Payment per Claim Incurred method was used to determine the estimated outstanding claims for the Motor-Act class while the Link ratio method with the Bornhuetter-Ferguson (BF) adjustment was adopted for the Motor non-Act class. Under the BF method, estimates of ultimate loss ratios are adopted for each class of business based on industry experience, with adjustments to reflect Kurnia's own experience. However, due to lack of data for the ex-NWI business to enable IBNR estimation based on statistical patterns, the Retrospective approach on the IBNR estimate as at 31 December 1999 was used. The total estimated net IBNR provision amounted to RM226.4 million as at end FY2001.

REINSURANCE

Reinsurance usage continued to drop in the last four consecutive years to 7.8% of gross premiums as at FY2001. For the motor class, the voluntary cession through MNRB was lowered to 2.5% in the January to December 2000 period from 10% previously, and subsequently revised to 7.5% of gross motor premiums from January to June 2001. The MAT and engineering businesses are written with the support of substantial reinsurance protection, evidenced by the much lower retention levels. The per risk retention on the motor account has been maintained at RM250,000 since July 1996, with excess of loss treaties covering motor claims in excess of the net retention amount. The FY2001 retention levels for non-motor insurance is as follows: -

Fire	Increased to RM2.0 million from RM0.6 million.
Misc/PA	Increased to RM0.3 million from RM0.2 million.
Marine	Increased to RM0.4 million from RM0.2 million.
Engineering	Increased to RM2.0 million from RM1.5 million.
Bond	Increased to RM0.4 million from RM0.2 million.



Kurnia's exposure to credit risk of re-insurers is low. Reinsurance recoverables nearly doubled to RM58.9 million in FY2001 representing 21% of the shareholders' funds. Kurnia has thus far managed this risk well as no major recovery problems have surfaced. Reinsurance security is generally acceptable with large reinsurers carrying minimum ratings of single A.

Swiss Re	AAA
Munich Re	AAA
Labuan Re	B++
MNRB	BBB
Hart Re	A++
Copenhagen Re	A
China Re	A-

Retention limits are reviewed regularly and are determined based on the level of shareholders' funds as well as the spread and volume of business.

The information contained in this report has been obtained from sources believed to be accurate and reliable. However, MARC does not make any representation as to the adequacy or completeness of the contents and will not be responsible for any reliance placed on such information. The Insurance Financial Strength rating is an opinion of an insurer's capacity to meet policyholder obligations and is not a recommendation to buy or sell any security or other product.

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BOARD OF DIRECTORS	Executive Chairman :	Datuk Kua Sian Kooi
	Deputy Chairman:	Tuan Haji Abdul Samad b. Haji Salleh
	Managing Director/CEO:	Mr. Adrian Loh Heong Chow
	Directors:	En. Ali Riza b. Haji Abdul Samad Mr. Yuen Choong Lai
MAJOR SHAREHOLDER	Kurnia Damai Sdn Bhd	100.0%

PROFIT AND LOSS ACCOUNT

Fiscal Year Ending: June 30

GENERAL INSURANCE REVENUE ACCOUNT

	RM '000					
	2001	2000	1999	1998	1997	1996
Gross Premiums - direct business	694,301	548,391	465,059	438,095	487,819	331,243
- reinsurances accepted	10,108	22,484	26,981	29,354	14,087	6,330
	704,409	570,875	492,040	467,449	501,906	337,573
Less - Reinsurance	54,155	48,375	57,333	61,343	70,594	47,945
Net Premiums Written	650,254	522,500	434,707	406,106	431,312	289,628
Add: Dec/(Inc) in reserve for unexpired risks	(41,972)	(42,061)	(19,932)	17,042	(57,931)	(13,026)
Earned Premium Income	608,282	480,439	414,775	432,148	373,381	276,602
Gross claims paid less salvage	361,116	258,023	229,984	200,852	153,563	119,971
Less: Reinsurance recoveries	30,482	25,184	27,235	24,454	19,477	17,011
Net claims paid	330,634	232,839	202,749	176,398	134,086	102,960
Add: Inc in provision for claims	17,302	40,498	23,986	51,421	(6,707)	32,184
Net claims incurred	347,936	273,337	226,735	227,819	127,379	135,144
Net Commissions	73,783	60,742	48,114	41,752	41,035	26,632
Management Expenses	112,889	98,599	68,532	55,979	48,288	39,714
	186,672	159,341	116,646	97,731	89,323	66,346
Underwriting result	73,674	47,761	71,394	97,598	156,679	75,112
Investment Income	36,705	31,473	51,058	54,904	41,144	29,492
(Increase in)/ Writeback of provision for bad and doubtful debts	(6,862)	(543)	(2,495)	(1,663)	2,312	256
Other Expenditure	(17,132)	9,570	48,335	(89,707)	(7,938)	20,232
Net Other Income/(Outgo)	12,711	40,500	96,898	(36,466)	35,518	49,980
PROFIT BEFORE TAX	86,385	88,261	168,292	61,132	192,197	125,092
Taxation	21,540	29,000	0	756	75,054	37,000
PROFIT AFTER TAX	64,845	59,261	168,292	60,376	117,143	88,092
RETAINED PROFITS/(LOSS) B/F	62,507	83,246	64,954	120,860	73,718	22,357
Prior year adjustment	0	0	0	0	0	0
Capitalisation for bonus issue	50,000	50,000	0	70,282	0	0
Dividends	0	30,000	150,000	46,000	70,000	36,730
RETAINED PROFITS/(LOSS) C/F	77,352	62,507	83,246	64,954	120,861	73,719

BALANCE SHEET

Fiscal Year Ending : June 30

Cash and Deposits

	RM '000					
	2001	2000	1999	1998	1997	1996
Cash and bank balances	35,138	17,547	16,702	16,579	9,642	8,852
Fixed deposits / money market	248,358	280,622	525,777	442,355	465,127	268,215
Investments						
Malaysian Government papers	79,773	70,701	135,429	158,010	185,212	179,396
Cagamas Papers	37,826	37,859	17,858	31,083	0	0
Debentures, Bonds, Loan Stocks	310,640	191,227	20,753	100	100	100
Equity and property unit trust	7,158	9,534	3,833	2,454	4,501	1,743
Shares	149,404	168,009	101	40,192	102,235	69,356
Other Investments	0	0	0	0	14,857	0
Loans & Mortgages	9,347	8,583	8,130	38,255	2,732	2,032
Other Assets						
Outstanding premiums and agents' balances	42,343	23,456	26,794	12,550	28,514	26,316
Amount due from reinsurers/ceding companies	15,476	5,906	6,384	6,341	5,601	5,396
(Provision for doubtful debts)	(35,821)	(14,410)	(13,905)	(11,408)	(12,944)	(14,245)
Other debtors, deposits and prepayments	36,074	29,089	99,173	15,578	15,183	97,372
Goodwill	40,169	0	0	0	0	0
Property and equipment	231,271	181,726	168,695	108,436	51,741	37,029
TOTAL ASSETS	1,207,156	1,009,849	1,015,724	860,525	872,501	681,562
LIABILITIES						
Provision for outstanding claims	610,056	490,769	427,715	402,943	345,478	357,115
(Recoverable from reinsurers)	(58,850)	(30,527)	(29,717)	(28,931)	(26,425)	(30,355)
Net Outstanding Claims	551,206	460,242	397,998	374,012	320,053	326,760
Amount due to agents/insureds	2,421	1,573	1,155	1,723	1,478	1,602
Amount due to reinsurer and ceding companies	40,861	10,797	46,655	41,764	39,264	23,081
Proposed dividend	0	30,000	150,000	46,000	70,000	36,730
Provision for taxation	17,562	26,418	16,989	41,151	90,065	50,031
Amount due to holding company		0	0	0	0	0
Deferred taxation	3,302	3,302	3,302	3,302	0	0
Staff retirement benefits	4,428	4,622	3,041	2,438	1,490	949
Other creditors and accrued liabilities	35,195	30,917	25,928	17,703	15,053	12,384
Reserves for Unexpired Risks	274,829	229,471	187,410	167,478	184,520	126,589
Shareholders' Fund						
Share capital	200,000	150,000	100,000	100,000	8,292	29,718
Share premium account	0	0	0	0	21,426	0
Reserves	77,352	62,507	83,246	64,954	120,860	73,718
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	1,207,156	1,009,849	1,015,724	860,525	872,501	681,562



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