

Nam Seng Insurance Public Company Limited
Report and financial statements
31 December 2018

Independent Auditor's Report

To the Shareholders of Nam Seng Insurance Public Company Limited

Opinion

I have audited the accompanying financial statements of Nam Seng Insurance Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the related statements of comprehensive income, changes in owners' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nam Seng Insurance Public Company Limited as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Gross premium written

In 2018, the Company had gross premium written of Baht 2,038 million. The Company accepted insurance from retail customers through brokers and agents and there were a large number of insurance policies issued. Calculation and recognition of gross premium written as revenue were dependent upon the information technology systems. I therefore focused on examining that gross premium written was correctly recognised as revenue as actually incurred.

I assessed and tested, on a sampling basis, the internal controls of information technology systems and its internal controls with respect to calculation and recognition of gross premium written. I tested, on a sampling basis, the key reports relevant to insurance premium and reviewed the insurance policies and endorsement transactions occurring during the accounting period, before and after period-end. In addition, I performed analytical procedures to disaggregate gross premium written by insurance types, and examined, on a sampling basis, for accounting entries related to gross premium written made through journal vouchers.

Loss reserves

As discussed in Note 16 to the financial statements, as at 31 December 2018, the Company had loss reserves of Baht 509 million (included in insurance contract liabilities), representing 22 percent of total liabilities. Loss reserves include both claims incurred and reported and claims incurred but not yet reported. Such reserves were calculated using actuarial method, which involved certain assumptions that required the management to exercise a high level of judgment. I therefore focused on examining the adequacy of loss reserves.

I assessed and tested, on a sampling basis, the internal controls of information technology systems and its internal controls with respect to recognition of loss reserves. I tested, on a sampling basis, claim transactions against documents of major claim files. I performed analytical procedures on the frequency of claims and average loss per claim. Furthermore, I reviewed the report on estimated loss reserves prepared by an actuary by comparing the calculated loss reserves with the reserves recognised in the accounts, assessing the appropriateness of the methodology and assumptions used in estimating loss reserves, comparing the assumption applied to the estimations with those applied in the prior year and testing, on a sampling basis, the data used by the actuary in the estimations against the Company's current and historical claims data.

Liability adequacy test for long-term insurance policy reserves

As described in Note 16 to the financial statements, as at 31 December 2018, the Company had long-term insurance policy reserves amounting to Baht 326 million (included in insurance contract liabilities), which were set aside for policies in force as at 31 December 2018, with reference to the Unearned Premium Reserve method. The Company tests the adequacy of such reserves by comparing them to the reserve amounts determined using the Gross Premium Valuation method. If the reserves are found to be inadequate, the Company recognises the shortfall as an expense and presents the gross premium valuation reserve in the financial statements. The Gross Premium Valuation method involves the use of assumptions regarding matters such as incident rate, accidental death rate, lapse rate, expense as well as discount rate. Changes in such assumptions will affect the amount of long-term insurance policy reserves. The Company's management is required to exercise considerable judgement in selecting and applying these assumptions. I therefore focused on examining the adequacy of long-term insurance policy reserves.

I assessed and tested, on a sampling basis, the Company's internal controls, together with its information technology systems, relevant to recognition of insurance policy reserves. I tested the calculation of unearned premium reserves. Furthermore, I reviewed the report on estimated long-term insurance policy reserves prepared by an actuary by comparing the long-term insurance policy reserves calculated using the Gross Premium Valuation method with the reserves recognised in the accounts, assessing the appropriateness of the methodology and assumptions used in estimating reserves, and testing, on a sampling basis, the data used by the actuary in the estimations against the Company's accounting data and its sources. I also performed analytical procedures on movements of long-term insurance policy reserves.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon. The annual report of the Company is expected to be made available to me after the date of this auditor's report.

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

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

When I read the annual report of the Company, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

Narissara Chaisuwan
Certified Public Accountant (Thailand) No. 4812

EY Office Limited
Bangkok: 25 February 2019

Nam Seng Insurance Public Company Limited

Statements of financial position

As at 31 December 2018 and 2017

		(Unit: Baht)	
	Note	2018	2017
Assets			
Cash and cash equivalents	6	166,469,806	66,390,903
Premium receivables - net	7, 27.3	241,914,515	255,767,994
Accrued investment income		11,908,780	13,363,526
Reinsurance assets - net	8	156,870,803	359,032,338
Reinsurance receivables - net	9	167,910,157	74,278,300
Investment assets			
Investments in securities - net	10	2,461,613,166	2,526,706,002
Loans - net	11	8,604,828	8,371,297
Premises and equipment - net	12	183,389,712	188,038,785
Intangible assets - net	13	1,986,829	2,969,257
Deferred tax assets	14.1	161,500,240	125,067,892
Other assets	15	50,542,585	58,693,628
Total assets		3,612,711,421	3,678,679,922

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

Nam Seng Insurance Public Company Limited
Statements of financial position (continued)
As at 31 December 2018 and 2017

		(Unit: Baht)	
	Note	2018	2017
Liabilities and owners' equity			
Liabilities			
Insurance contract liabilities	16	1,783,126,234	1,938,284,677
Amounts due to reinsurers	17	260,203,228	216,339,504
Income tax payable		32,460,678	12,101,371
Employee benefit obligations	18	40,365,959	39,704,301
Accrued commissions	27.3	33,648,885	32,175,539
Other liabilities	19	142,737,077	118,056,020
Total liabilities		<u>2,292,542,061</u>	<u>2,356,661,412</u>
Equity			
Share capital			
Registered			
20,000,000 ordinary shares of Baht 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued and paid-up			
13,900,000 ordinary shares of Baht 10 each		139,000,000	139,000,000
Premium on share capital		594,436,835	594,436,835
Retained earnings			
Appropriated			
Statutory reserve	20	24,848,787	24,848,787
General reserve		6,163,850	6,163,850
Unappropriated		571,416,714	530,142,623
Other component of owners' equity			
Revaluation surplus (deficit) on available-for-sale investments - net of income taxes			
	10.3	<u>(15,696,826)</u>	<u>27,426,415</u>
Total owners' equity		<u>1,320,169,360</u>	<u>1,322,018,510</u>
Total liabilities and owners' equity		<u>3,612,711,421</u>	<u>3,678,679,922</u>
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The accompanying notes are an integral part of the financial statements.

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Directors

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Nam Seng Insurance Public Company Limited
Statements of comprehensive income
For the years ended 31 December 2018 and 2017

		(Unit: Baht)	
	Note	2018	2017
			(Reclassified)
Profit or loss:			
Revenues			
Gross premium written	27.2	2,038,274,840	2,081,593,608
Less: Premium ceded to reinsurers		(228,105,959)	(290,065,868)
Net premium written		1,810,168,881	1,791,527,740
Add (less): Unearned premium reserves (increased) decreased from prior years	34	(21,541,632)	56,456,545
Net earned premium		1,788,627,249	1,847,984,285
Commission and brokerage income from reinsurers		58,596,284	56,539,057
Net investment revenues		79,901,739	104,749,202
Gains on investments		12,875,814	5,416,054
Fair value gain (loss)		(12,148,159)	3,313,843
Other income		18,770,960	23,702,492
Total revenues		1,946,623,887	2,041,704,933
Expenses			
Long-term insurance policy reserve increased	34	95,542,471	68,776,649
Gross claims		1,097,641,278	1,287,550,836
Less: Claim recovery from reinsurers		(112,635,228)	(191,719,010)
Commission and brokerage expenses	27.2	281,244,069	271,713,460
Other underwriting expenses		184,757,937	182,967,349
Operating expenses	22	283,473,800	282,004,404
Total expenses	23	1,830,024,327	1,901,293,688
Profits before income tax expenses		116,599,560	140,411,245
Less: Income tax expenses	14.2	(19,192,633)	(22,388,283)
Profits for the years		97,406,927	118,022,962

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

Nam Seng Insurance Public Company Limited
Statements of comprehensive income (continued)
For the years ended 31 December 2018 and 2017

	Note	2018	2017 (Reclassified)
Other comprehensive income:			
Items to be recognised in profit or loss in subsequent periods:			
Gain (loss) on revaluation of available-for-sale investments		(53,904,051)	32,398,871
Add (less): Benefit tax (expense)	14.2	10,780,810	(6,479,774)
Items to be recognised in profit or loss in subsequent periods			
- net of income taxes		(43,123,241)	25,919,097
Items not to be recognised in profit or loss in subsequent periods			
Actuarial losses		(666,045)	(2,795,434)
Add: Benefits tax	14.2	133,209	559,087
Items not to be recognised in profit or loss in subsequent periods			
- net of income taxes		(532,836)	(2,236,347)
Other comprehensive income for the years (loss)		(43,656,077)	23,682,750
Total comprehensive income for the years		53,750,850	141,705,712
Earnings per share			
Basic earnings per share			
Profits for the years	25	7.01	8.49

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

Nam Seng Insurance Public Company Limited
Statements of cash flows
For the years ended 31 December 2018 and 2017

		(Unit: Baht)	
	Note	2018	2017
Cash flows from (used in) operating activities			
Direct premium written		2,055,339,015	2,033,515,146
Cash received (paid) on reinsurance		34,027,712	(23,035,251)
Interest income		57,818,370	70,252,727
Dividends income		23,538,115	28,755,260
Other income		18,381,565	23,656,493
Losses paid on direct insurance		(1,309,335,953)	(1,192,937,638)
Commission and brokerage expenses on direct insurance		(279,699,521)	(273,446,923)
Other underwriting expenses		(185,057,052)	(187,664,755)
Operating expenses		(238,601,348)	(279,205,000)
Income taxes		(24,484,863)	(28,318,596)
Investments in securities		10,087,301	(128,047,338)
Loans		(233,532)	(460,517)
Net cash provided by operating activities		161,779,809	43,063,608
Cash flows from (used in) investing activities			
Cash flows from			
Premises and equipment		485,094	580,166
Cash provided by investing activities		485,094	580,166
Cash flows used in			
Premises and equipment		(6,333,926)	(6,122,260)
Intangible assets		(252,074)	(1,226,450)
Cash used in investing activities		(6,586,000)	(7,348,710)
Net cash used in investing activities		(6,100,906)	(6,768,544)
Cash flows used in financing activities			
Dividends paid	26	(55,600,000)	(64,635,000)
Net cash used in financing activities		(55,600,000)	(64,635,000)
Net increase (decrease) in cash and cash equivalents		100,078,903	(28,339,936)
Cash and cash equivalents at beginning of the years		66,390,903	94,730,839
Cash and cash equivalents at end of the years		166,469,806	66,390,903
		-	-

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

Nam Seng Insurance Public Company Limited
Statements of changes in owners' equity
For the years ended 31 December 2018 and 2017

(Unit: Baht)

	Note	Issued and paid-up share capital	Premium on share capital	Retained earnings			Other component of owner's equity Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	Total
				Appropriated		Unappropriated		
				Statutory reserve	General reserve			
Balance as at 1 January 2017		139,000,000	594,436,835	24,848,787	6,163,850	478,991,008	1,507,318	1,244,947,798
Profit for the year		-	-	-	-	118,022,962	-	118,022,962
Other comprehensive income for the year (loss)		-	-	-	-	(2,236,347)	25,919,097	23,682,750
Total comprehensive income for the year		-	-	-	-	115,786,615	25,919,097	141,705,712
Dividend paid	26	-	-	-	-	(64,635,000)	-	(64,635,000)
Balance as at 31 December 2017		<u>139,000,000</u>	<u>594,436,835</u>	<u>24,848,787</u>	<u>6,163,850</u>	<u>530,142,623</u>	<u>27,426,415</u>	<u>1,322,018,510</u>
Balance as at 1 January 2018		139,000,000	594,436,835	24,848,787	6,163,850	530,142,623	27,426,415	1,322,018,510
Profit for the year		-	-	-	-	97,406,927	-	97,406,927
Other comprehensive income for the year (loss)		-	-	-	-	(532,836)	(43,123,241)	(43,656,077)
Total comprehensive income for the year (loss)		-	-	-	-	96,874,091	(43,123,241)	53,750,850
Dividend paid	26	-	-	-	-	(55,600,000)	-	(55,600,000)
Balance as at 31 December 2018		<u>139,000,000</u>	<u>594,436,835</u>	<u>24,848,787</u>	<u>6,163,850</u>	<u>571,416,714</u>	<u>(15,696,826)</u>	<u>1,320,169,360</u>
		-	-	-	-	-	-	-

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

Nam Seng Insurance Public Company Limited
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For the years ended 31 December 2018 and 2017

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Nam Seng Insurance Public Company Limited

Notes to financial statements

For the years ended 31 December 2018 and 2017

1. Corporate information

Nam Seng Insurance Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company’s major shareholder is N.S. Alliance Co., Ltd., which was incorporated in Thailand whereby as at 31 December 2018 and 2017, such major shareholder held 28.75% of the issued and paid-up share capital of the Company. The Company is principally engaged in the provision of non-life insurance while its head office is located in Bangkok and has 27 sub-branches located in provinces. The Company’s registered office is located at No. 767 Krungthep-Nonthaburi Road, Bangsue Sub-district, Bangsue District, Bangkok.

2. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547, and in accordance with Thai accounting practices related to insurance and the guidelines prescribed by the Office of Insurance Commission (“OIC”), and in accordance with the format of financial statements specified in the Notification of the OIC regarding criteria, procedures, conditions and terms for preparation and submission of financial statements and operating performance reports of non-life insurance companies B.E. 2559 dated 4 March 2016.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding summary of significant accounting policies.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the financial statements in Thai language.

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any impact on the Company’s financial statements.

3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company believes that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standards involve changes to key principles, as summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company is currently evaluating the impact of this standard to the financial statements in the year when it is adopted.

TFRS 4 (revised 2018) Insurance contracts

This financial reporting standard provides an option to the qualifying insurers under such standard to use a temporary exemption from adoption of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, and to adopt the Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business (when issued) instead for the financial reporting period beginning before 1 January 2022 or before the effective date of TFRS 17 Insurance Contracts (when issued).

The management of the Company is currently determining an option which may impact on the financial statements in the year when it is adopted.

3.3 Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted, and also currently determining an option as allowed by TFRS 4 (revised 2018) Insurance Contracts.

4. Summary of significant accounting policies

4.1 Revenue recognition

(a) Premium income

Premium income consists of direct premium and reinsurance premium less premium of canceled policies and premiums refunded to policyholders, and will be adjusted by unearned premium reserves.

Direct premium income is recognised on the date the insurance policy comes into effect.

Reinsurance premium income is recognised as revenue when the reinsurer places the reinsurance application or the statement of accounts with the Company.

(b) Commission and brokerage income

Commission and brokerage income are recognised as revenue in the period of service is provided.

(c) Investment revenue

Interest on investment is recognised as revenue on an accrual basis based on the effective interest rate. Interest on loans is recognised as revenue over the term of the loans based on the amount of outstanding principal.

Dividends on investments are recognised as revenue when the right to receive the dividend is established.

(d) Gain (loss) on investment

Gain (loss) on investment is recognised as revenue or expense on the transaction date.

4.2 Expenses recognition

(a) Premium ceded to reinsurers

Premium ceded to reinsurers is recognised as expense when the insurance risk is transferred to another reinsurance company as the amounts contain in insurance policies.

(b) Gross claims

Gross claims consist of claims and losses adjustment expenses of direct insurance and reinsurance, and include those for both reported incurred claims and not yet reported incurred claims. The amounts included the incurred amounts of claims, related expenses, and loss adjustments of the current and prior periods' claims, less residual value and other recoveries (if any).

Claim recovery from reinsurers is recognised as a deduction item against gross claims when recording of claim and loss adjustment expenses in related reinsurance contract.

Claims and losses adjustment expenses of direct insurance are recognised upon the receipt of the claims advice from the insured, based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimated is not however, to exceed the sum-insured under the relevant policy.

Claims and losses adjustment expenses of reinsurance are recognised as expenses when the reinsurer places the loss advice or the statement of accounts with the Company.

(c) Commission and brokerage expenses

Commissions and brokerages are expenses when incurred.

(d) Other underwriting expenses

Other underwriting expenses are other insurance expenses for both direct and indirect expenses, including contributions, which are recognised as expenses on accrual basis.

(e) Operating expenses

Operating expenses are operating expenses, not related to underwriting and claim, which are recognised as expenses on accrual basis.

4.3 Classification of insurance contracts

The Company classifies insurance contracts and reinsurance contracts based on the nature of the insurance contracts. Insurance contracts are those contracts where the insurer has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholders. Determination of whether a significant insurance risk has been accepted is based on comparison of the amount of benefit payable under the contract if an insured event occurs with the payment obligation if the insured event does not occur. If a contract does not meet these criteria, the Company classifies it as an investment contract. Investment contracts are insurance contracts in legal form that transfer significant financial risk but not significant insurance risk. Financial risks are risks of changes in interest rates, exchange rate or price.

The Company classified contract based on assessment of the significance of the insurance risk at an inception of contract, for each contract. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, unless all rights and obligations are extinguished or expire. If any contract is previously classified as an investment contract at an inception date, it can, however, be reclassified as insurance contract after inception if insurance risk becomes significant.

4.4 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.5 Premium receivables and allowance for doubtful accounts

Premium receivables from direct insurance are stated at net realisable value. The Company sets up an allowance for doubtful accounts based on the estimated loss that may incur in collection of the premium receivables, on the basis of collection experiences, analysis of debtor aging and a review of current status of the premium receivables as at the end of reporting period. Increase (decrease) in an allowance for doubtful accounts is recognised to increase (decrease) expenses in profit or loss during the years.

4.6 Reinsurance assets

Reinsurance assets are stated at the amounts of insurance reserves refundable from reinsurers, which consist of (a) long-term insurance policy reserves (b) loss reserves and (c) unearned premium reserves that are estimated with reference to related reinsurance contracts in accordance with insurance reserve calculation law.

The Company sets up an allowance for impairment, of reinsurance assets based on losses that may be incurred due to irrecoverable, taking into account collection experience, aged of balance, and the current status of reinsurers as at the end of the reporting period. Increase (decrease) in allowance for impairment is recorded as an increase (a decrease) to expense for the year in profit or loss.

4.7 Reinsurance receivables and amount due to reinsurers

- (a) Reinsurance receivables consist of amounts due from reinsurers and amounts deposits on reinsurance.

Amounts due from reinsurers consist of inward premium receivable, accrued commission and brokerage income, claims and various other items receivable from reinsurers less allowance for doubtful accounts. The Company records allowance for doubtful accounts for estimated loss that may be incurred due to inability to make collection, taking into account collection experience and the current status of receivables from reinsurers as at the end of reporting period. Increase (decrease) in allowance for doubtful accounts is recognised as an expense during the year.

- (b) Amounts due to reinsurers consist of amounts withheld on reinsurance and reinsurance payable.

Reinsurance payables consist of reinsurance premiums and other items payable to reinsurers, excluding loss reserves from reinsurance contract.

The Company presents net of reinsurance to the same entity (receivables from reinsurance contracts or amounts due to reinsurers) when the following criteria for offsetting are met.

- (1) The entity has a legal right to offset amounts presented in the statements of financial position, and
- (2) The entity intends to receive or pay the net amount recognised in the statements of financial position, or to realise the asset at the same time as it pays the liability.

4.8 Investments assets

- (a) Investments in securities

The Company measures investments in securities according to classification of investments as follows:

- (1) Trading investments are stated at fair value. Changes in the fair value of the securities are recorded in profit or loss.
- (2) Available-for-sale investments are stated at fair value. Changes in the fair value of the securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- (3) Held-to-maturity investments are recorded at amortised cost. The premium or discount on debt securities is amortised or accreted by the effective rate method with the amortised or accreted amount presented as an adjustment to the interest income. The debt securities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity.

- (4) Investments in non-marketable equity securities are treated as general investments, which are stated at cost net of allowance for impairment (if any).

The fair value of marketable security is based on the latest bid price of the last working day of the year of the Stock Exchange of Thailand. The fair value of debt instrument is determined based on yield rate quoted by the Thai Bond Market Association. The fair value of investment unit is determined from its net asset value.

The weighted average method is used for computation of the cost of investment. On disposal of an investment, the difference between net disposal proceeds and the cost of the investment is recognised in profit or loss.

In the event the Company reclassifies investment from one type to another, such investment will be readjusted to its fair value as at the reclassification date. The difference between the carrying amount of the investment and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as part of profit or loss in the statement of comprehensive income.

- (b) Loans and allowance for doubtful accounts

Loans are stated at the net realisable value. The Company records allowance for doubtful accounts on the estimated loss that may be incurred in collection based on the analysis and assessment debtor's settlement ability including valuation of collateral on a specific account basis. Increase (decrease) in allowance for doubtful accounts is recognised as expense during the year.

4.9 Premises and equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of buildings and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Buildings and building improvements	20 years
Furniture, fixtures and office equipment	3 - 8 years
Vehicles	5 - 7 years

Depreciation is recognised in profit or loss. No depreciation is provided on land and assets under construction.

An item of property, buildings and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.10 Intangible assets and amortisation

Intangible assets acquired are recognised at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and allowance for impairment loss (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

The useful lives of intangible assets with finite useful lives, which are computer softwares, are 3 years.

4.11 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of property, buildings and equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised in profit or loss when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use is less than the carrying amount.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimations used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

4.12 Insurance contract liabilities

Insurance contract liabilities consist of long-term insurance policy reserves, loss reserves and premium reserves

(a) Long term insurance policy reserves

At the end of the reporting period, the Company compares the amounts of gross premium valuation reserves with unearned premium reserves, and if gross premium valuation reserves are higher than unearned premium reserves, the Company will recognise such difference and gross premium valuation reserves are presented in the financial statements.

(1) Unearned premium reserves

Unearned premium reserves are calculated based on direct premium before deducting premium ceded as follows:

Personal accident	- Monthly average basis (the one-twenty fourth basis)
-------------------	---

Unearned premium reserves on reinsurance are calculated based on ceded premium for reinsurer in the same manner as direct insurance when insurance risk is already transferred to reinsurer.

(2) Gross premium valuation reserves

Gross premium valuation reserves are premium reserves, calculated using an actuarial method in accordance with the OIC notifications. The main assumptions applied relate to incident rate, accidental death rate, lapse rate, expense and discount rate.

(b) Loss reserves

Outstanding claims are recorded at the amounts to be actually paid. Loss reserves are provided upon receipt of claim advices from the insured based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimate shall not exceed the sum insured of the relevant insurance policies.

Estimates of loss reserves are calculated using an actuarial method based on the best estimate of the claims expected to be paid in respect of claims occurred before or as at the reporting date, covering both reported and not reported claims, and including claims handling expenses, but deducting salvage values and other recoverable values. Differences between the calculated loss reserves and the claims already recognised are recorded as incurred but not reported (IBNR).

(c) Premium reserves

At the end of reporting period, the Company compares the amounts of unexpired risk reserve with unearned premium reserve, and if unexpired risk reserve is higher than unearned premium reserve, the difference is recognised and the unexpired risk reserve is presented in the financial statements.

(1) Unearned premium reserves

Unearned premium reserves are calculated based on direct premium before deducting premium ceded as follows:

Transportation (cargo), travelling accident with coverage periods of not over six-months	- 100% of premium as from the date policy is effective, throughout the period of insurance coverage
Others	- Monthly average basis (the one-twenty fourth basis)

Unearned premium reserves on reinsurance are calculated based on ceded premium for reinsurer in the same manner as direct insurance when insurance risk is already transferred to reinsurer.

(2) Unexpired risk reserves

Unexpired risk reserves are the reserves for the future claims and related expenses that may be incurred in respect of in-force policies. Unexpired risk reserves are set aside using an actuarial method based on the best estimates of the claims that are expected to be incurred during the remaining coverage period based on historical claim data.

4.13 Employee benefits

(a) Short-term employee benefits

Salaries, wages, bonuses and contribution to the social security fund are recognised as expenses when incurred.

(b) Post-employment benefits

Defined contribution plan

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Defined benefit plan

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by an independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income or loss and directly against retained earnings.

4.14 Provisions

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

4.15 Long-term leases

Leases of building or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.16 Income taxes

Income taxes represent the sum of corporate income taxes currently payable and deferred income taxes.

(a) Current income taxes

Current income taxes are provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

(b) Deferred income taxes

Deferred income taxes are provided on temporary differences between the tax bases of assets and liabilities and its carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting period, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

The Company records deferred tax directly to equity if the taxes relate to items that are recorded directly to equity.

4.17 Foreign currencies

The financial statements are presented in Baht, which is also the Company's functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of reporting period.

Gain and loss on exchange are recorded as revenue or expense in profit or loss.

4.18 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. When there is no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ from these estimate. Significant judgments and estimates are as follows:

5.1 Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk, liquidity risk, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statements of financial position and reported in disclosures of fair value hierarchy.

5.2 Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

5.3 Allowances for doubtful accounts and impairment

In determining allowances for doubtful accounts and impairment on premium receivables, reinsurance assets, reinsurance receivables and loan receivables, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

5.4 Impairment of investments in securities

The Company treats investments in securities as impaired when management considers that such investments has an indication of impairments. The determination of indication of investments requires judgement of the management.

5.5 Property, buildings and equipment and depreciation

In determining depreciation of buildings and equipment, the management is required to make estimates of the useful lives and residual values of buildings and equipment, and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, buildings and equipment for impairment on a periodical basis and record impairment loss when it is determined that its recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

5.6 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

5.7 Gross premium valuation reserves

Gross premium valuation reserves are calculated using the actuarial method based on the current assumptions or assumptions determined on the policy inception dates, which reflect the best estimates at that times. The main assumptions used are incident rate, accidental death rate, lapse rate, expense and discount rate, and so on. However, the use of different assumptions could affect the amount of reserves and adjustments to the reserves may therefore be required in the future.

5.8 Loss reserves

At the end of each reporting period, the Company has to estimate loss reserve taking into account two parts, which are for the claims incurred and reported, and the claims incurred but not reported. Such estimates are calculated using an actuarial method and the main assumptions used for such calculation involve historical data, including the development of claim estimates, payments of claims and loss ratios, etc. Nevertheless, the estimation requires the management's judgments reflecting the best estimates available at that time. Such estimates are forecasts of future outcomes, and actual results could differ.

5.9 Unexpired risk reserves

Unexpired risk reserves are calculated using an actuarial method, based on the best estimate of the claims and related expenses expected to incur over the remaining term of the insurance. Estimating the reserves requires the management to exercise judgment with reference to historical data and the best estimates available at that time.

5.10 Employee benefit obligations

Employee benefit obligations are determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, mortality rate and staff turnover rate.

5.11 Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

5.12 Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that loss incurred will not exceed the recorded amounts in the financial statements.

6. Cash and cash equivalents

(Unit: Baht)

	31 December	
	2018	2017
Cash on hand	283,776	124,093
Deposits at banks with no fixed maturity date	66,186,030	66,266,810
Deposits at banks with fixed maturity date	100,000,000	-
Total cash and cash equivalents	<u>166,469,806</u>	<u>66,390,903</u>

As at 31 December 2018 and 2017, saving deposits and fixed deposits carried interests at the rates between 0.00 and 1.45 percent per annum and between 0.00 and 1.20 present per annum, respectively.

7. Premium receivables

As at 31 December 2018 and 2017, the outstanding balances of premium receivables were classified by overdue periods, counted from the maturity date under the stipulated law of the premium collection, as follows:

(Unit: Baht)

	31 December	
	2018	2017
Not yet due	196,738,091	220,692,075
Overdue not longer than 30 days	32,313,538	27,020,392
Overdue 31 days to 60 days	19,101,894	12,589,082
Overdue 61 days to 90 days	3,250,505	2,912,528
Overdue 91 days to 1 year	3,081,735	4,193,997
Overdue longer than 1 year	6,757,934	6,853,729
Total	<u>261,243,697</u>	<u>274,261,803</u>
Less: Allowance for doubtful accounts	<u>(19,329,182)</u>	<u>(18,493,809)</u>
Premium receivables - net	<u>241,914,515</u>	<u>255,767,994</u>

For premium receivables due from agents and brokers, the Company has stipulated the collection guideline in accordance with the law of the premium collection. For overdue premium receivables, the Company has the legal process with such agents and brokers.

8. Reinsurance assets

	(Unit: Baht)	
	31 December	
	2018	2017
		(Reclassified)
Insurance reserves refundable from reinsurers		
- Long-term insurance policy reserves	19,539,668	31,408,875
- Loss reserves	35,382,409	175,581,576
- Unearned premium reserves	101,948,726	152,041,887
Reinsurance assets - net	<u>156,870,803</u>	<u>359,032,338</u>

9. Reinsurance receivables

	(Unit: Baht)	
	31 December	
	2018	2017
Amounts deposited on reinsurance	3,074	2,929
Amounts due from reinsurers	168,475,237	74,864,214
Total	168,478,311	74,867,143
Less: Allowance for doubtful accounts	(568,154)	(588,843)
Reinsurance receivables - net	<u>167,910,157</u>	<u>74,278,300</u>

As at 31 December 2018 and 2017, the balances of amounts due from reinsurers were classified by aging as follows:

	(Unit: Baht)	
	31 December	
	2018	2017
Not yet due	152,048,707	74,169,696
Overdue not longer than 12 months	16,388,106	152,921
Overdue longer than 12 months	38,424	541,597
Total	168,475,237	74,864,214
Less: Allowance for doubtful accounts	(568,154)	(588,843)
Amounts due from reinsurers - net	<u>167,907,083</u>	<u>74,275,371</u>

10. Investments in securities

10.1 Classified by type of investment

(Unit: Baht)

	31 December			
	2018		2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading investments				
Equity securities	68,741,818	60,252,435	45,498,778	49,175,725
Unit trusts	5,819,420	5,837,643	6,000,000	6,000,053
Total	74,561,238	66,090,078	51,498,778	55,175,778
Add (less): Unrealised gain (loss)	(8,471,160)	-	3,677,000	-
Total trading investments	66,090,078	66,090,078	55,175,778	55,175,778
Available-for-sale investments				
Equity securities	36,819,031	35,928,209	32,369,651	43,087,616
Unit trusts	405,353,739	385,953,159	493,323,980	515,095,340
Debentures	60,000,000	60,670,369	90,008,423	91,610,116
Warrants	-	-	-	192,000
Total	502,172,770	482,551,737	615,702,054	649,985,072
Add (less): Unrealised gain (loss)	(19,621,033)	-	34,283,018	-
Less: Allowance for impairment	(6,496,990)	(6,496,990)	(6,004,250)	(6,004,250)
Available-for-sale investments - net	476,054,747	476,054,747	643,980,822	643,980,822
Held-to-maturity investments				
Government and state enterprise securities	615,287,633		461,701,535	
Saving lottery	23,550,000		28,550,000	
Private enterprise debt securities	710,046,321		660,249,847	
Foreign debt securities	49,436,367		-	
Deposits at financial institutions which matured over 3 months	519,000,000		675,000,000	
Total held-to-maturity investments	1,917,320,321		1,825,501,382	
Other investments				
Equity securities	2,148,020		2,048,020	
Total other investments	2,148,020		2,048,020	
Investment in securities - net	2,461,613,166		2,526,706,002	

10.2 Remaining periods of debt securities

(Unit: Baht)

	31 December 2018			
	Remaining periods to maturity			Total
	1 year	1 - 5 years	Over 5 years	
Available-for-sale investments				
Private enterprise securities				
Debentures	10,000,000	20,000,000	30,000,000	60,000,000
Add: Unrealised gains	33,065	32,606	604,698	670,369
Available-for-sale investments - net	10,033,065	20,032,606	30,604,698	60,670,369
Held-to-maturity investments				
Government and state enterprise securities				
Government bonds	189,885,821	20,108,632	53,281,120	263,275,573
State enterprise bonds	50,016,433	161,377,559	50,000,000	261,393,992
State enterprise debentures	55,618,068	15,000,000	20,000,000	90,618,068
Savings lottery	5,550,000	18,000,000	-	23,550,000
Total	301,070,322	214,486,191	123,281,120	638,837,633
Private enterprise securities				
Debentures	245,531,022	334,162,293	130,353,006	710,046,321
Total	245,531,022	334,162,293	130,353,006	710,046,321
Foreign debt securities				
Government bond	-	29,436,367	-	29,436,367
Private enterprise debentures	-	20,000,000	-	20,000,000
Total	-	49,436,367	-	49,436,367
Deposits at banks with amounts maturing in over 3 months				
Deposit at commercial banks	369,000,000	150,000,000	-	519,000,000
Total	369,000,000	150,000,000	-	519,000,000
Total held-to-maturity investments	915,601,344	748,084,851	253,634,126	1,917,320,321
Investments in debt securities - net	925,634,409	768,117,457	284,238,824	1,977,990,690

(Unit: Baht)

	31 December 2017			
	Remaining periods to maturity			
	1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments				
Private enterprise securities				
Debentures	40,008,423	20,000,000	30,000,000	90,008,423
Add: Unrealised gains	557,597	114,682	929,414	1,601,693
Total available-for-sale investments	40,566,020	20,114,682	30,929,414	91,610,116
Held-to-maturity investments				
Government and state enterprise securities				
Government bonds	-	160,855,645	53,767,740	214,623,385
State enterprise bonds	-	162,002,914	50,000,000	212,002,914
State enterprise debentures	10,075,236	15,000,000	10,000,000	35,075,236
Saving lottery	10,550,000	18,000,000	-	28,550,000
Total	20,625,236	355,858,559	113,767,740	490,251,535
Private enterprise securities				
Debentures	85,203,372	465,046,475	110,000,000	660,249,847
Total	85,203,372	465,046,475	110,000,000	660,249,847
Deposits at banks with amounts maturing in over 3 months				
Deposit at commercial banks	515,000,000	160,000,000	-	675,000,000
Total	515,000,000	160,000,000	-	675,000,000
Total held-to-maturity investments	620,828,608	980,905,034	223,767,740	1,825,501,382
Total investments in debt securities	661,394,628	1,001,019,716	254,697,154	1,917,111,498

10.3 Revaluation surplus (deficit) on available-for-sale investments

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Balances - beginning of the years	27,426,415	1,507,318
Gain (loss) on revaluation of available-for-sale investments during the years	(44,847,453)	31,437,696
(Gain) loss on sales of available-for-sale investments during the years transferred to be recognised in profit or loss	(9,056,598)	961,175
Total gain (loss) on revaluation of available-for-sale investments	(53,904,051)	32,398,871
Add (less): Benefits tax (expense)	10,780,810	(6,479,774)
Gain (loss) on revaluation of available-for-sale investments - net of income taxes	(43,123,241)	25,919,097
Balances - end of the years	(15,696,826)	27,426,415

10.4 Investments subject to restriction

As at 31 December 2018 and 2017, the Company placed its some bonds, saving lottery and deposits at financial institutions with maturity periods of longer than 3 months with the Registrar of the Office of Insurance Commission and pledged some investments to secure performance obligations as required in normal course of business of the Company, as described in Note 28 to the financial statements.

11. Loans

As at 31 December 2018 and 2017, the outstanding balances of loans and interest receivable were classified according to their overdue periods as follows:

(Unit: Baht)

Overdue periods	31 December 2018						
	Mortgage loans		Others		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
		receivable		receivable		receivable	Total
Not yet due	6,383,098	9,449	2,221,730	362	8,604,828	9,811	8,614,639
Loans and interest receivables - net	<u>6,383,098</u>	<u>9,449</u>	<u>2,221,730</u>	<u>362</u>	<u>8,604,828</u>	<u>9,811⁽¹⁾</u>	<u>8,614,639</u>

⁽¹⁾ Included as a part of "Accrued investment income" in statement of financial position

(Unit: Baht)

Overdue periods	31 December 2017						
	Mortgage loans		Others		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
		receivable		receivable		receivable	Total
Not yet due	5,282,925	14,759	3,088,372	594	8,371,297	15,353	8,386,650
Loans and interest receivables - net	<u>5,282,925</u>	<u>14,759</u>	<u>3,088,372</u>	<u>594</u>	<u>8,371,297</u>	<u>15,353⁽¹⁾</u>	<u>8,386,650</u>

⁽¹⁾ Included as a part of "Accrued investment income" in statements of financial position

The maximum credit limit on employee loans that are secured by personal guarantee is set at 20 times of an employee's monthly salary but not exceeding Baht 500,000. The maximum credit limit on mortgage loans is set at 90% of the appraisal value of the underlying immovable properties and will be taken into accounts the purpose of borrowings and their ability to repay. Interest rate may be set higher or lower than minimum lending rates (MLR) of commercial banks.

12. Premises and equipment

(Unit: Baht)

	Land	Buildings and building improvements	Furniture, fixtures and office equipment	Vehicles	Assets in progress	Total
Cost:						
1 January 2017	124,402,866	127,982,811	102,830,811	10,201,332	2,284,000	367,701,820
Additions	-	-	3,952,166	532,444	1,637,650	6,122,260
Transfer in/(out)	-	-	1,096,050	-	(1,096,050)	-
Transfer to intangible assets	-	-	-	-	(2,266,000)	(2,266,000)
Disposals/write-off	-	-	(2,193,004)	(1,163,981)	-	(3,356,985)
31 December 2017	124,402,866	127,982,811	105,686,023	9,569,795	559,600	368,201,095
Additions	-	-	4,443,726	1,880,000	10,200	6,333,926
Transfer in/(out)	-	-	564,700	-	(564,700)	-
Disposals/write-off	-	-	(5,714,253)	(1,249,000)	-	(6,963,253)
31 December 2018	124,402,866	127,982,811	104,980,196	10,200,795	5,100	367,571,768
Accumulated depreciation:						
1 January 2017	-	86,853,701	77,104,426	7,611,024	-	171,569,151
Depreciation for the year	-	3,657,146	7,284,255	474,576	-	11,415,977
Depreciation on disposals/write-off	-	-	(2,084,877)	(737,941)	-	(2,822,818)
31 December 2017	-	90,510,847	82,303,804	7,347,659	-	180,162,310
Depreciation for the year	-	3,168,760	7,189,949	528,591	-	10,887,300
Depreciation on disposals/write-off	-	-	(5,618,555)	(1,248,999)	-	(6,867,554)
31 December 2018	-	93,679,607	83,875,198	6,627,251	-	184,182,056
Net book value:						
31 December 2017	124,402,866	37,471,964	23,382,219	2,222,136	559,600	188,038,785
31 December 2018	124,402,866	34,303,204	21,104,998	3,573,544	5,100	183,389,712
Depreciation for the year						
2017						11,415,977
2018						10,887,300

As at 31 December 2018 and 2017, certain buildings and building improvements, furniture, fixtures and office equipment and vehicles have been fully depreciated but are still in use. The original costs before deducting accumulated depreciation of those assets amounted to approximately Baht 133.4 million and Baht 133.6 million, respectively.

13. Intangible assets

(Unit: Baht)

	Computer softwares	Computer softwares under development	Total
Cost			
1 January 2017	4,465,968	-	4,465,968
Additions	84,900	1,141,550	1,226,450
Transfer in/(out)	3,407,550	(3,407,550)	-
Transfer from premises and equipment	-	2,266,000	2,266,000
31 December 2017	7,958,418	-	7,958,418
Addition	57,074	195,000	252,074
Transfer in/(out)	195,000	(195,000)	-
Disposals/write-off	(285,480)	-	(285,480)
31 December 2018	7,925,012	-	7,925,012
Accumulated amortisation			
1 January 2017	4,036,564	-	4,036,564
Amortisation charge for the year	952,597	-	952,597
31 December 2017	4,989,161	-	4,989,161
Amortisation charge for the year	1,234,501	-	1,234,501
Amortisation on disposals/write-off	(285,479)	-	(285,479)
31 December 2018	5,938,183	-	5,938,183
Net book value			
31 December 2017	2,969,257	-	2,969,257
31 December 2018	1,986,829	-	1,986,829
Amortisation for the year			
2017			952,597
2018			1,234,501

As at 31 December 2018 and 2017, certain computer software items have been fully amortised but are still in use. The original costs before deducting accumulated amortisation of those assets amounted to approximately Baht 4.2 million and Baht 3.9 million, respectively.

14. Deferred tax assets/Income taxes

14.1 Deferred tax assets

As at 31 December 2018 and 2017, the components of deferred tax assets (liabilities) arose from the following temporary differences:

	(Unit: Baht)	
	31 December	
	2018	2017
Deferred tax assets (liabilities) arose from:		
Allowance for doubtful accounts	4,936,259	4,838,657
Allowance for impairment on investments in securities	1,299,398	1,200,850
Premium reserves	85,701,077	63,775,548
Loss reserves on claims incurred and reported	39,490,699	34,519,334
Loss reserves on claims incurred but not yet reported	16,381,176	20,384,646
Employee benefits obligations	8,073,192	7,940,860
Unrealised gain (loss) on revaluation of		
Trading investments	1,694,232	(735,400)
Available-for-sale investments	3,924,207	(6,856,603)
Deferred tax assets	<u>161,500,240</u>	<u>125,067,892</u>

14.2 Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 were made up as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Current income taxes:		
Current income tax charge	(44,710,961)	(36,344,874)
Deferred taxes:		
Relating to origination and reversal of temporary differences	25,518,328	13,956,591
Income tax expenses reported in profit or loss	<u>(19,192,633)</u>	<u>(22,388,283)</u>

Reconciliations between income tax expenses and the product of accounting profits for the year ended 31 December 2018 and 2017 were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Accounting profits before income tax expenses	116,599,560	140,411,245
Applicable tax rate	20%	20%
Accounting profits before income tax expenses multiplied by the applicable tax rate	(23,319,912)	(28,082,249)
Net tax effect on revenues or expenses that are not taxable or not deductible in determining taxable profits	4,127,279	5,693,966
Income tax expenses reported in profit or loss	(19,192,633)	(22,388,283)

The amounts of income taxes relating to each component of other comprehensive income or loss for the years ended 31 December 2018 and 2017 were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Deferred income taxes relating to:		
Revaluation (increased) decreased during the years (Gain) loss on sales of available-for-sale investments during the years transferred to be recognised in profit or loss	8,969,491	(6,287,539)
(Gain) loss on revaluation of available-for-sale investments	1,811,319	(192,235)
Actuarial losses	10,780,810	(6,479,774)
Income taxes reported in other comprehensive income (loss)	133,209	559,087
	10,914,019	(5,920,687)

15. Other assets

	(Unit: Baht)	
	31 December	
	2018	2017
Advances payment	7,852,504	7,738,673
Deposit on rice field insurance scheme	17,853,071	27,088,682
Prepaid expenses	1,068,702	787,339
Undue input value added tax	2,069,851	2,478,709
Claim receivables from litigants	2,059,913	946,260
Postdate cheques received	6,511,703	3,167,685
Receivable from sales of securities	1,264,235	1,978,808
Accrued income	1,841,190	2,707,835
Others	10,021,416	11,799,637
Total other assets	<u>50,542,585</u>	<u>58,693,628</u>

16. Insurance contract liabilities

	(Unit: Baht)		
	31 December 2018		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Long-term insurance policy reserves	326,378,163	(19,539,668)	306,838,495
Loss reserves			
- Claims incurred and reported	417,606,841	(25,830,227)	391,776,614
- Claims incurred but not yet reported	91,458,063	(9,552,182)	81,905,881
Unearned premium reserves	947,683,167	(101,948,726)	845,734,441
Total	<u>1,783,126,234</u>	<u>(156,870,803)</u>	<u>1,626,255,431</u>

(Unit: Baht)

	31 December 2017		
	Insurance	Reinsurance	Net
	contract liabilities	on liabilities	
	(Reclassified)	(Reclassified)	(Reclassified)
Long-term insurance policy reserves	242,704,899	(31,408,875)	211,296,024
Loss reserves			
- Claims incurred and reported	594,897,792	(153,057,521)	441,840,271
- Claims incurred but not yet reported	124,447,289	(22,524,055)	101,923,234
Unearned premium reserves	976,234,697	(152,041,887)	824,192,810
Total	<u>1,938,284,677</u>	<u>(359,032,338)</u>	<u>1,579,252,339</u>

During 2018 and 2017, the management of the Company entered into reinsurance agreements in order to mitigate insurance risk. Although risks are managed on a net basis by management, insurance contract liabilities disclosures were made on both gross and net basis in these financial statements.

16.1 Methodology and main assumptions used in calculation

The main assumptions for long-term insurance contract under Gross Premium Valuation (GPV) Method are Best Estimate Assumptions (BEA) that are analysed from actual company's experiences. The assumptions in this valuation are consisted of;

(a) Incident rate

- Loan Protection Insurance (PAIG), PAIG incident rate is developed by age and gender from PAIG actual portfolio experiences and blended with industrial data according to credibility method.
- Personal Accident Insurance (PAIB), PAIB incident rate is referred to PAIG which is the similar type of product due to PAIB was launched on 2017 and the actual claim experiences data are not sufficient to use for statistic calculation (incredibility).

(b) Accidental death rate

- Accident death rate is referred to statistics data from the Ministry of Public Health due to insufficient actual experience data.

- (c) Lapse rate
 - PAIG - Lapse rate is developed by lapse duration from PAIG actual portfolio experiences.
 - PAIB - PAIB lapse rate is referred to PAIG which is the similar type of product due to PAIB was launched on 2017 and the actual claim experiences data are not sufficient to use for statistic calculation (incredibility).
- (d) Expense
 - Expense assumption, including inflation, of both PAIG and PAIB are developed from actual expense experience of claim department of Non-motor business, which is excluded,
 - a. Acquisition cost - there is no future acquisition expense.
 - b. Maintenance expense - this cost is responded by the banks who sold and issued policies.
- (e) Discount rate
 - Discount rate is maximum of:
 - a. Interest rate of return of zero coupon government bond as of valuation date and
 - b. Average last 8 quarters of interest rate of return according to OIC announcement

Loss reserves

In estimating loss reserves, the Company uses various actuarial methods to determine the best estimates, such as the Chain Ladder method, Bornhvetten - Ferguson method and Expected Loss Ratio method, on a case by case basis, depending on the quality and quantity of data used in the estimate.

The significant assumptions underlying the valuation of loss reserves for insurance contracts are based on the expectation that the nature and development of claims in the future will be the same as in the past. The key assumptions used are as follows:

(a) Expected loss ratios for the most recent accident year

Expected loss ratio is an estimate of the ratio of ultimate claim liabilities and earned premiums of the most recent accident year. This assumption is selected based on experiences and ultimate loss ratios from previous accident periods.

(b) First claim development factor

First claim development factor is the ratio of cumulative incurred claims at the second end of development period and the first development period. This factor is selected based on historical averages. This factor has a substantial impact on the estimation of loss reserves of incurred but not yet reported claim for the most recent accident period.

16.2 Long-term insurance policy reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
		(Reclassified)
Balances - beginning of the years (as previously reported)	-	-
Transferred from unearned premium reserves - as reclassified	242,704,899	190,758,329
Balances - beginning of the years (as reclassified)	242,704,899	190,758,329
Reserves increased from net of new policies and enforced policies	91,269,199	56,197,045
Reserves decreased from insurance policies	(7,595,935)	(4,250,475)
Balance - end of the years	<u>326,378,163</u>	<u>242,704,899</u>

16.3 Loss reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Balances - beginning of the years	719,345,081	626,131,515
Claim incurred during the years	1,159,911,822	1,284,572,239
Changes in loss reserves of prior years' claims	(29,281,319)	7,212,405
Changes in assumption in calculation of loss reserves	(32,989,226)	(4,233,808)
Claim paid during the years	(1,307,921,454)	(1,194,337,270)
Balances - end of the years	<u>509,064,904</u>	<u>719,345,081</u>

16.4 Claim development table

(a) Gross claims table

(Unit: Million Baht)

Accident year / Reporting year	2011	2012	2013	2014	2015	2016	2017	2018	Total
Loss reserves:									
- as at accident year	1,440.3	798.6	940.8	884.8	982.1	1,125.2	1,217.2	972.6	
- Next one year	1,250.2	705.4	979.7	876.9	1,023.2	1,127.2	1,096.6		
- Next two years	1,069.3	681.3	942.0	859.2	1,025.7	1,097.5			
- Next three years	1,071.4	682.0	943.8	857.6	999.3				
- Next four years	1,072.7	681.5	942.8	848.3					
- Next five years	1,073.1	682.9	942.8						
- Next six years	1,117.1	682.7							
- Next seven years	1,109.3								
Cumulative ultimate claim estimates									
	1,109.3	682.7	942.8	848.3	999.3	1,097.5	1,096.6	972.6	
Cumulative payment to date									
	(1,108.6)	(681.3)	(939.0)	(839.3)	(990.6)	(1,083.6)	(1,018.6)	(619.0)	
Net	0.7	1.4	3.8	9.0	8.7	13.9	78.0	353.6	469.1
Unallocated loss adjustment expenses									
									20.8
Loss reserves on claims incurred prior to 2011 and payments have not yet finalised									
									10.4
Others									
									8.7
Total gross loss reserves									
									<u>509.0</u>

(b) Net claim table

(Unit: Million Baht)

Accident year / Reporting year	2011	2012	2013	2014	2015	2016	2017	2018	Total
Loss reserves:									
- as at accident year	792.7	767.8	873.5	839.0	873.5	1,002.8	1,050.2	912.1	
- Next one year	735.1	683.2	910.0	836.8	898.9	1,013.3	1,027.4		
- Next two years	699.5	659.0	873.0	820.2	903.2	1,000.7			
- Next three years	702.5	659.5	874.9	821.0	889.6				
- Next four years	702.9	659.1	873.9	816.5					
- Next five years	702.6	660.5	874.2						
- Next six years	704.5	660.3							
- Next seven years	703.8								
Cumulative ultimate claim estimates									
	703.8	660.3	874.2	816.5	889.6	1,000.7	1,027.4	912.1	
Cumulative payment to date									
	(703.3)	(658.8)	(870.5)	(807.4)	(883.3)	(987.9)	(954.9)	(585.2)	
Net	0.5	1.5	3.7	9.1	6.3	12.8	72.5	326.9	433.3
Unallocated loss adjustment expenses									
									20.8
Loss reserves on claims incurred prior to 2011 and payments have not yet finalised									
									10.4
Others									
									9.2
Total gross loss reserves									
									<u>473.7</u>

16.5 Unearned premium reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
		(Reclassified)
Balances - beginning of the years (as previously reported)	-	1,178,556,600
Transferred to long-term insurance policy reserves		
- as reclassified	976,234,697	(190,758,329)
Balances - beginning of the years (as reclassified)	976,234,697	987,798,271
Premium written for the years	1,856,726,049	1,958,654,719
Decrease in policy reserves	(1,885,277,579)	(1,970,218,293)
Balances - end of the years	<u>947,683,167</u>	<u>976,234,697</u>

17. Amounts due to reinsurers

	(Unit: Baht)	
	31 December	
	2018	2017
Amounts withheld on reinsurance	205,943,223	148,497,005
Other reinsurance payables	54,260,005	67,842,499
Total amounts due to reinsurers	<u>260,203,228</u>	<u>216,339,504</u>

18. Employee benefit obligations

Movements of employee benefit obligations during the years ended 31 December 2018 and 2017 were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Employee benefit obligations at beginning of the years	39,704,301	39,630,315
Recognised in profit or loss:		
Current service costs	4,731,147	2,918,265
Interest costs	1,013,470	1,028,037
Recognised in other comprehensive income or loss:		
Actuarial (gain) loss:		
Demographic assumptions changes	2,028,544	1,378,248
Financial assumptions changes	(519,009)	198,762
Experience adjustments	(843,490)	1,218,424
Less: Benefits paid during the years	(5,749,004)	(6,667,750)
Employee benefit obligations at end of the years	<u>40,365,959</u>	<u>39,704,301</u>

As at 31 December 2018 and 2017, the weighted average durations of employee benefit obligations were 12 years and 10 years, respectively, and the Company expected to pay Baht 1.0 million and Baht 4.9 million, respectively, on such obligations during the next 1-year period.

Significant actuarial assumptions at the valuation date were as follows:

	(Unit: % per annum)	
	For the years ended 31 December	
	2018	2017
Discount rate	2.8	2.7
Future salary increase rate	5.0	5.0
Staff turnover rates (depending on age)	3.0 - 20.0	7.0 - 20.0

The result of sensitivity analysis for significant assumptions that affected employee benefit obligations as at 31 December 2018 and 2017 were summarised below:

Assumptions	Change in assumptions	(Unit: Million Baht)	
		Increase (decrease) in employee benefit obligations as at 31 December 2018	Increase (decrease) in employee benefit obligations as at 31 December 2017
Discount rate	+ 1%	(3.2)	(2.7)
	- 1%	3.7	3.0
Salary increasing rate	+ 1%	3.8	3.1
	- 1%	(3.3)	(2.8)
Staff turnover rate	+ 10%	(1.5)	(1.3)
	- 10%	1.6	1.5

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive not less than 400 days' compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment and the Company has additional liabilities for long-term employee benefits of Baht 10.6 million. The Company will reflect the effect of the change by recognising past services costs as expenses in profit or loss of the period in which the law is effective.

19. Other liabilities

(Unit: Baht)

	31 December	
	2018	2017
Account payable - Revenue Department	3,634,397	3,268,146
Withholding income tax payable	2,425,518	2,140,690
Undue output value added taxes	10,595,206	14,678,923
Short-term employee benefit payable	28,246,693	27,296,614
Accrued expenses	14,078,741	20,805,646
Deposits from brokers	63,440,068	29,037,421
Payables of securities purchased	-	2,550,524
Others	20,316,454	18,278,056
Total other liabilities	142,737,077	118,056,020

20. Operating statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

21. Operating segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the Chief Operating Decision Maker in order to make decisions about the allocation of resources to the segment and assess its performance. The Chief Operating Decision Maker has been identified as Managing Director.

For management purposes, the Company are organised into business units based on non-life insurance and have two reportable segments which are motor insurance and others insurance.

The Chief Operating Decision Maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss, total assets and total liabilities and on a basis consistent with that used to measure operating profit or loss, total assets and total liabilities in the financial statements.

No inter-segment transactions occurred during the years.

The Company is operated in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain to the aforementioned geographical reportable.

Segment profit or loss for the years ended 31 December 2018 and 2017 were as follows:

	(Unit: Baht)					
	Motor insurance		Others insurance		Total	
	For the years ended		For the years ended		For the years ended	
	31 December		31 December		31 December	
	2018	2017	2018	2017	2018	2017
				(Reclassified)		(Reclassified)
Underwriting revenues						
Gross premium written	1,409,316,115	1,451,305,493	628,958,725	630,288,115	2,038,274,840	2,081,593,608
Less: Premium ceded to reinsurers	(8,365,737)	(8,604,909)	(219,740,222)	(281,460,959)	(228,105,959)	(290,065,868)
Net premium written	1,400,950,378	1,442,700,584	409,218,503	348,827,156	1,810,168,881	1,791,527,740
Add (less): Unearned premium reserves						
(increased) decreased from prior years	(19,913,669)	51,066,463	(1,627,963)	5,390,082	(21,541,632)	56,456,545
Net earned premium	1,381,036,709	1,493,767,047	407,590,540	354,217,238	1,788,627,249	1,847,984,285
Commission and brokerage income from reinsurance	-	-	58,596,284	56,539,057	58,596,284	56,539,057
Total underwriting revenues	1,381,036,709	1,493,767,047	466,186,824	410,756,295	1,847,223,533	1,904,523,342
Underwriting expenses						
Long-term insurance policy reserve increased	-	-	95,542,471	68,776,649	95,542,471	68,776,649
Gross claims	877,647,892	960,470,415	219,993,386	327,080,421	1,097,641,278	1,287,550,836
Less: Claim recovery from reinsurers	-	-	(112,635,228)	(191,719,010)	(112,635,228)	(191,719,010)
Commission and brokerage expenses	237,699,603	232,422,941	43,544,466	39,290,519	281,244,069	271,713,460
Other underwriting expenses	90,477,029	104,833,228	94,280,908	78,134,121	184,757,937	182,967,349
Total underwriting expenses before operating expenses	1,205,824,524	1,297,726,584	340,726,003	321,562,700	1,546,550,527	1,619,289,284
Gross profits from underwriting	175,212,185	196,040,463	125,460,821	89,193,595	300,673,006	285,234,058
Operating expenses					(283,473,800)	(282,004,404)
Profits from underwriting					17,199,206	3,229,654
Net investment revenue					79,901,739	104,749,202
Gains on investments					12,875,814	5,416,054
Fair value gain (loss)					(12,148,159)	3,313,843
Other income					18,770,960	23,702,492
Profits before income tax expenses					116,599,560	140,411,245
Income tax expenses					(19,192,633)	(22,388,283)
Profits for the years					97,406,927	118,022,962

For the years ended 31 December 2018 and 2017, the Company had premium written from a major broker (having gross premium written from the broker more than 10% of total gross premium written in each year), which is its related party, amounting to Baht 504.3 million and Baht 740.1 million, respectively, from motor segment, contributing 25% and 36%, respectively, of total premium written.

As at 31 December 2018 and 2017, segment assets and liabilities were as follows:

	(Unit: Baht)			
	Motor	Others	Unallocated assets/liabilities	Total
Assets				
31 December 2018	171,633,186	395,062,290	3,046,015,945	3,612,711,421
31 December 2017	147,575,042	541,503,591	2,989,601,289	3,678,679,922
Liabilities				
31 December 2018	1,184,572,522	898,359,202	209,610,337	2,292,542,061
31 December 2017	1,179,613,451	1,009,854,327	167,193,634	2,356,661,412

22. Operating expenses

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Personnel expenses	99,978,283	103,970,188
Premises and equipment expenses	59,882,980	61,034,640
Taxes and duties	1,629,313	1,497,276
Bad debts and doubtful accounts	830,283	2,037,597
Other operating expenses	121,152,941	113,464,703
Total operating expenses	<u>283,473,800</u>	<u>282,004,404</u>

23. Expenses by nature

(Unit: Baht)

	For the years ended 31 December	
	2018	2017
		(Reclassified)
Long-term insurance policy reserves increased	95,542,471	68,776,649
Net claims	906,909,310	1,018,526,826
Commission and brokerage expenses	281,244,069	271,713,460
Contribution expenses	27,639,183	40,230,263
Other underwriting expenses	97,211,368	77,102,896
Employees expenses	220,785,117	223,060,289
Premises and equipment expenses	59,882,980	61,034,640
Bad debts and doubtful accounts	830,283	2,037,597
Advertising expenses	112,691,891	116,646,989
Others expenses	27,287,655	22,164,079
Total expenses by nature	<u>1,830,024,327</u>	<u>1,901,293,688</u>

24. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund on monthly at rates of 4% to 7% of basic salaries. The fund is managed by a fund manager which has been approved by the Ministry of Finance. During the years ended 31 December 2018 and 2017, the Company contributed approximately Baht 8.1 million and Baht 8.4 million, respectively, to the fund.

25. Earning per shares

Basic earnings per share is calculated by dividing profits for the years (excluding other comprehensive income or loss) by the weighted average number of ordinary shares in issue during the years.

26. Dividends paid

Dividends declared in 2018 and 2017 were as follows:

	Approved by	Total dividends	Dividend per share
		(Million Baht)	(Baht)
The interim dividends for 2018	Meeting of Board of Directors on 24 August 2018	31.28	2.25
Final dividends for 2017	Annual General Meeting of the shareholders on 30 March 2018	24.32	1.75
Total		55.60	4.00
The interim dividends for 2017	Meeting of Board of Directors on 24 August 2017	45.18	3.25
Final dividends for 2016	Annual General Meeting of the shareholders on 31 March 2017	19.46	1.40
Total		64.64	4.65

27. Related party transactions

27.1 Nature of relationship

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The relationships between the Company and its related parties are summarised below.

Name of related parties	Relationship with the Company
Dung Seng Insurance Broker Co., Ltd.	Related by way of common shareholder
Asia Hotel Plc.	Related by way of common directors
Asia Pattaya Hotel Co., Ltd.	Related by way of common directors
Zeer Property Plc.	Related by way of common directors
Asia Airport Hotel Co., Ltd.	Related by way of common directors
N.S.B. Co., Ltd.	Related by way of common directors

27.2 Related party transactions

During 2018 and 2017, the Company had significant business transactions with its related parties. Such transactions, which were summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	For the years ended 31 December	
	2018	2017
Gross premium written		
Dung Seng Insurance Broker Co., Ltd. ⁽¹⁾	504.3	740.1
Asia Hotel Plc.	0.9	0.9
Asia Pattaya Hotel Co., Ltd.	0.4	0.4
Zeer Property Plc.	4.7	4.7
Asia Airport Hotel Co., Ltd.	0.6	0.6
Commission and brokerage expenses		
Dung Seng Insurance Broker Co., Ltd.	86.9	127.1

⁽¹⁾ Premium written from non-life insurance brokers

Transaction with related parties	Transfer pricing policy
Gross premium written	Normal commercial terms for underwriting
Commission and brokerage expenses	Normal commercial terms for non-life insurance broker

27.3 Outstanding balances

As at 31 December 2018 and 2017, the outstanding balances of transactions between the Company and those related parties were as follows:

(Unit: Million Baht)

	31 December	
	2018	2017
Premium receivables		
Dung Seng Insurance Broker Co., Ltd.	136.0	137.7
Accrued commissions		
Dung Seng Insurance Broker Co., Ltd.	23.7	23.8

27.4 Directors' and key management's benefits

During the years ended 31 December 2018 and 2017, the Company had employee benefit expenses incurred on directors and key management as below.

	(Unit: Million Baht)	
	For the years ended 31 December	
	2018	2017
Short-term employee benefits	20.1	20.8
Long-term employee benefits	0.9	3.0
Total	21.0	23.8

28. Assets subject to commitments

As at 31 December 2018 and 2017, the Company had the following assets placed with the Registrar as securities and insurance reserves in accordance with the Non-life Insurance Act and place with court and other units to secure against performance obligations as required in normal course of business.

	(Unit: Million Baht)			
	31 December			
	2018		2017	
	Cost	Fair value	Cost	Fair value
Placed as securities with the Registrar				
Stated enterprise bonds	14.0	14.4	14.0	14.6
Placed as insurance reserves with the Registrar				
Government and state enterprise bonds	225.0	228.4	225.0	234.8
Placed as securities with the Court				
Deposits with financial institutions	0.6	0.6	3.2	3.2
Placed to secure against performance obligations				
Government and state enterprise bond	12.1	12.3	12.1	12.7
Saving lottery	2.6	2.6	2.6	2.6
	14.7	14.9	14.7	15.3

29. Contribution to the General Insurance Fund

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Accumulated contribution at the beginning of the years	33,984,268	28,783,185
Contribution during the years	5,095,083	5,201,083
Accumulated contribution at the end of the years	39,079,351	33,984,268

30. Commitments and contingent liabilities

30.1 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease and service fee of office building space. The terms of the agreements are 1 - 3 years.

As at 31 December 2018 and 2017, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	(Unit: Million Baht)	
	31 December	
Payable within	2018	2017
1 year	8.4	5.7
1 - 3 years	0.8	1.0

30.2 Litigation

As at 31 December 2018 and 2017, the Company had litigation cases being sued for claims totaling Baht 196.7 million and Baht 476.3 million, respectively, as an insurer. The outcomes of the cases have not yet been finalised. However, the Company considered the estimated losses that might be incurred and already recognised as loss reserves of Baht 37.0 million and Baht 40.5 million, respectively, in the financial statements.

31. Non-life insurance company's risk

31.1 Insurance risk

The Company has a policy to manage insurance risks including objectives, monitoring and evaluation so that the Company is able to achieve its objectives. The Company intends to reduce the chances and impacts of risks which deviate from assumptions set by the Company regarding insurance premium rates, calculating loss reserves and making underwriting decision.

(a) Insurance premium rates and procedure of underwriting

The Company sets condition and premium rates for each product in accordance with its associated risks, taking into consideration statistical data and relevant risk information. Risk evaluation has been done before underwriting and underwriting staffs are trained. Insurance underwriting policy is regularly reviewed.

(b) Loss reserves determination

The Company has policy to completely recognise loss reserves and adjust it in a timely manner. Moreover, the Company uses actuarial valuer to determine loss reserves to ensure that loss reserves are appropriately accounted for.

(c) Reinsurance

Some associated risks have been transferred to reinsurers with strong financial position. The Company has system in place to a comprehensive check before reinsurance. The adequacy of reinsurance has always been appraised, so that payment for damage will not deteriorate the Company's financial position.

(d) Concentration risk

The Company's products and distribution channels have been diversified. The portion of risks has been passed to many reinsurers to diversify risks in accordance with the notification of the Office of Insurance Commission.

Risks Managing Committee set up by the Board of Directors regularly monitors the management of risks in order to ensure that its objectives is achieved and reports the Board of Directors every quarter.

Concentration of insurance contract liabilities as at 31 December 2018 and 2017, segregated by insurance type, were shown below.

(Unit: Million Baht)

	31 December					
	2018			2017		
	Gross long-term insurance policy reserves	Outward long-term insurance policy reserves	Net	Gross long-term insurance policy reserves (Reclassified)	Outward long-term insurance policy reserves (Reclassified)	Net (Reclassified)
Personal accident	326.4	(19.5)	306.9	242.7	(31.4)	211.3
Total	326.4	(19.5)	306.9	242.7	(31.4)	211.3

(Unit: Million Baht)

	31 December					
	2018			2017		
	Gross premium reserves	Outward premium reserves	Net	Gross premium reserves (Reclassified)	Outward premium reserves (Reclassified)	Net (Reclassified)
Fire	14.7	(8.1)	6.6	12.8	(8.2)	4.6
Marine and transportation	13.1	(7.0)	6.1	12.0	(6.8)	5.2
Motor	719.7	-	719.7	699.8	-	699.8
Personal accident	148.2	(43.6)	104.6	137.6	(40.5)	97.1
Miscellaneous	51.9	(43.2)	8.7	114.0	(96.5)	17.5
Total	947.6	(101.9)	845.7	976.2	(152.0)	824.2

(Unit: Million Baht)

	31 December					
	2018			2017		
	Gross loss reserves	Outward loss reserves	Net	Gross loss reserves	Outward loss reserves	Net
Fire	11.8	(7.9)	3.9	7.4	(4.2)	3.2
Marine and transportation	4.9	(2.7)	2.2	3.4	(1.6)	1.8
Motor	426.3	-	426.3	447.5	-	447.5
Personal accident	46.3	(9.8)	36.5	62.1	(20.5)	41.6
Miscellaneous	19.7	(15.0)	4.7	198.9	(149.3)	49.6
Total	509.0	(35.4)	473.6	719.3	(175.6)	543.7

The sensitivity test is the risk analysis of insurance contract liabilities that may be increased or decreased as a result of change in assumptions used in calculation, which may impact on both gross and net loss reserves. The risks may be caused by the frequency of loss, value of loss and claims, or loss adjustment expenses that are not as expected.

The results of the sensitivity analysis from the assumptions change that affected to the long-term insurance policy reserves as at 31 December 2018 was summarised below.

(Unit: Million Baht)

31 December 2018					
Assumption change	Increase (decrease) in gross long-term insurance policy reserves	Increase (decrease) in		Increase (decrease) in profit before income taxes	Increase (decrease) in equity
		long-term insurance policy reserves	long-term insurance policy reserves		
Incident rate	+ 12%	12.2	11.1	(11.1)	(8.9)
	- 12%	(12.2)	(11.1)	11.1	8.9
Lapse rate	+ 17%	(0.04)	(0.04)	0.04	0.03
	- 17%	0.04	0.04	(0.04)	(0.03)
Expenses	+ 5%	0.1	0.1	(0.1)	(0.1)
Discount rate	- 5%	0.2	0.2	(0.2)	(0.1)

The results of the sensitivity analysis from the assumption change that affected to the loss reserves as at 31 December 2018 and 2017 were summarised below.

(Unit: Million Baht)

31 December 2018					
Assumption change	Increase (decrease) in gross loss reserves	Increase (decrease) in		Increase (decrease) in profit before income taxes	Increase (decrease) in equity
		net loss reserves	net loss reserves		
Expected loss ratios for the most recent accident year	+ 10%	20.8	10.7	(10.7)	(8.6)
	- 10%	(15.7)	(10.1)	10.1	8.1
First claim development factor	+ 10%	21.7	20.5	(20.5)	(16.4)
	- 10%	(21.9)	(20.6)	20.6	16.5

(Unit: Million Baht)

		31 December 2017			
		Increase (decrease) in	Increase (decrease) in	Increase (decrease) in	Increase (decrease)
Assumption	change	gross loss reserves	net loss reserves	profit before income taxes	in equity
Expected loss ratios for the most recent accident year	+ 10%	23.5	21.6	(21.6)	(17.3)
	- 10%	(23.5)	(21.6)	21.6	17.3
First claim development factor	+ 10%	14.4	12.7	(12.7)	(10.2)
	- 10%	(14.4)	(12.7)	12.7	10.2

31.2 Risk management

(a) Credit risk

Credit risk is the risk that the Company may suffer a financial loss as a result of a counterparty's inability to comply with the terms of a financial instrument. The Company is exposed to credit risk primarily with respect to premium receivables, loans, reinsurance assets and reinsurance receivables. The Company's maximum exposure to credit risk is limited to the book value less allowance for doubtful debt as presented in the statement of financial position.

The Company's policy on managing credit risk is to analyse the ability of the party requesting the loan to make settlement of debt and compare the credit line requested and the collateral available before proposing an employee loan to the Board of Directors or authorised person for consideration and approval. Moreover, the provision of loans to employees is preferred, in order to reduce credit risk due to inability to make settlement.

(b) Market price risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Company's financial position. The Company had no financial instruments denominated in foreign currencies, market risk is therefore confined only to interest rate risk and equity position risk.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

The Company's policy on managing interest rate risk is to invest in debt securities with a range of durations, in compliance with the Investment Committee's policy on interest rate risk management. In addition, the Company invests mostly in held-to-maturity securities, and is thus not affected by market valuations that reduce the price of securities.

As at 31 December 2018 and 2017, significant assets classified by type of interest rate were summarised in the table below, with those assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	31 December 2018						Interest rate (% p.a)
	Fixed interest rates			Floating		Total	
	Within 1 year	1 - 5 years	Over 5 years	interest rate	Non-interest Bearing		
Cash equivalent	100.0	-	-	58.2	8.0	166.2	0.00% - 1.45%
Investments in securities							
Government and state							
enterprise securities	295.5	196.5	123.3	-	-	615.3	0.00% - 6.80%
Saving lottery	5.6	18.0	-	-	-	23.6	0.33% - 0.83%
Private enterprise							
debt securities	255.5	354.2	161.0	-	-	770.7	2.03% - 5.75%
Foreign debt securities	-	49.4	-	-	-	49.4	3.90% - 4.00%
Deposits at financial							
institutions	369.0	150.0	-	-	-	519.0	1.46% - 4.00%
Loans - net	-	-	-	8.6	-	8.6	2.90% - 12.00%

(Unit: Million Baht)

	31 December 2017						Interest rate (% p.a)
	Fixed interest rates			Floating		Total	
	Within 1 year	1 - 5 years	Over 5 years	interest rate	Non-interest Bearing		
Cash equivalents	-	-	-	40.3	26.1	66.4	0.00% - 1.20%
Investments in securities							
Government and state							
enterprise securities	10.1	358.2	113.8	-	-	482.1	1.94% - 6.80%
Saving lottery	10.6	18.0	-	-	-	28.6	0.42% - 0.93%
Private enterprise							
debt securities	125.8	464.8	140.9	-	-	731.5	2.03% - 5.75%
Deposits at financial							
institutions	515.0	160.0	-	-	-	675.0	1.50% - 4.00%
Loans - net	-	-	-	8.4	-	8.4	2.90% - 12.00%

Cash, premium receivables, investments in equity securities, reinsurance assets, reinsurance receivables and amount due to reinsurers are assets and liabilities which were non-interest bearing. Hence, they do not expose to the risk from the changes in market interest rates.

Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities will result in fluctuations in revenues and in the value of financial assets.

As at 31 December 2018 and 2017, the Company had risk from its investments in securities, the price of which would change with reference to market conditions.

The Company's has separate policies on managing equity position risk. For investments classified as investments in trading securities, which consist of short-term investments, it relies on speed and expertise in investment and the ability to adjust investment portfolios in a timely enough manner in each circumstance. The Investment Committee therefore selects appropriately qualified private fund managers to help the Company take care of its investments, in order to reduce the risk from changes in market prices. For available-for-sale investments, the Company makes its own investment decision, focusing on long-term investments to reduce the risk from changes in market prices, and investing in stocks and unit trusts with strong fundamentals and that consistently make dividend payments.

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the occurrence of a financial loss.

The Company's policy on managing liquidity risk is to invest in fixed deposits with many different maturity dates, and in money market funds that are highly liquid. The Company also invests in securities that are highly liquid, such as securities traded on the Stock Exchange of Thailand or Thai Bond Market.

The periods remaining to maturity of the Company's assets and liabilities as at 31 December 2018 and 2017 were as follow:

(Unit: Million Baht)

	31 December 2018					Total
	At call	Within		Over		
		1 year	1 - 5 years	5 years	Unspecified	
Financial assets						
Cash and cash equivalent	66.5	100.0	-	-	-	166.5
Investments in securities	481.5	925.7	768.1	284.2	2.1	2,461.6
Loans	-	1.0	4.1	3.5	-	8.6
Reinsurance assets						
Premium receivables	-	241.9	-	-	-	241.9
Reinsurance receivables	-	167.9	-	-	-	167.9
Claim recovery from reinsurers	-	28.9	6.5	-	-	35.4
Insurance liabilities						
Loss reserves	-	378.9	114.2	16.0	-	509.1
Amount due to reinsurers	-	260.2	-	-	-	260.2

(Unit: Million Baht)

	31 December 2017					Total
	At call	Within		Over		
		1 year	1 - 5 years	5 years	Unspecified	
Financial assets						
Cash and cash equivalent	66.4	-	-	-	-	66.4
Investments in securities	607.6	661.4	1,001.0	254.7	2.0	2,526.7
Loans	-	0.6	4.4	3.4	-	8.4
Reinsurance assets						
Premium receivables	-	255.8	-	-	-	255.8
Reinsurance receivables	-	74.3	-	-	-	74.3
Claim recovery from reinsurers	-	72.3	2.3	101.0	-	175.6
Insurance liabilities						
Loss reserves	-	475.4	103.7	140.2	-	719.3
Amount due to reinsurers	-	216.3	-	-	-	216.3

31.3 Fair value of financial instruments

As at 31 December 2018 and 2017, the Company had the financial assets measured at fair value, or measured at cost but have to disclose fair value, using different levels of inputs as follows:

(Unit: Million Baht)

	31 December 2018				
	Carrying values	Fair values			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Trading investments					
Equity securities	60.3	60.3	-	-	60.3
Investment units	5.8	-	5.8	-	5.8
Available-for-sale investments					
Equity securities	35.9	35.9	-	-	35.9
Investment units	386.0	125.3	260.7	-	386.0
Debentures	60.7	-	60.7	-	60.7
Financial assets disclosed at fair value					
Cash and cash equivalents	166.5	166.5	-	-	166.5
Held-to-maturity investments					
Government and state enterprise securities					
	615.3	-	625.1	-	625.1
Savings lottery	23.6	-	23.6	-	23.6
Private enterprise debt securities	710.0	-	717.2	-	717.2
Foreign debt securities	49.4	-	49.5	-	49.5
Deposits at financial institutions which matured over 3 months					
	519.0	519.0	-	-	519.0
General investments	2.1	-	-	2.1	2.1
Loans	8.6	-	-	8.6	8.6

(Unit: Million Baht)

	31 December 2017				
	Carrying values	Fair values			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Trading investments					
Equity securities	49.2	49.2	-	-	49.2
Investment units	6.0	-	6.0	-	6.0
Available-for-sale investments					
Equity securities	43.1	43.1	-	-	43.1
Investment units	515.1	109.0	406.1	-	515.1
Debenture	91.6	-	91.6	-	91.6
Warrants	0.2	0.2	-	-	0.2
Financial assets disclosed at fair value					
Cash and cash equivalents	66.4	66.4	-	-	66.4
Held-to-maturity investments					
Government and state enterprise securities					
Government and state enterprise securities	461.7	-	481.9	-	481.9
Savings lottery	28.6	-	28.6	-	28.6
Private enterprise debt securities	660.2	-	672.4	-	672.4
Deposits at financial institutions which matured over 3 months					
Deposits at financial institutions which matured over 3 months	675.0	675.0	-	-	675.0
General investments	2.0	-	-	2.0	2.0
Loans	8.4	-	-	8.4	8.4

The fair value hierarchy of financial assets presents according to Note 4.19 to financial statements.

The method used for fair value measurement depends upon the characteristics of the financial instrument. Fair value is determined based on recent market prices or appropriate valuation. The Company establishes the fair value of its financial instruments by adopting the following methods:

- (a) Fair values of cash, cash equivalents and deposits at financial institutions are approximated to their carrying value.
- (b) Fair value of investments in debts securities (government and state enterprise securities, foreign debt securities and private debt securities) is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.

- (c) For investments in equity securities and warrants, their fair values are derived from quoted market price. Fair values of investments units are derived from quoted market price or determined by using the net asset value per investment unit as announced by fund managers. For investment in non-marketable securities, fair value is determined using valuation technique i.e. use a current market value of another security that is substantially the same term and characteristics, or discounted cash flow analysis with discount rates equal to prevailing rate of return for similar securities and relevant risks.
- (d) Loans are presented at fair value, which are estimated by discounting expected future cash flow by the current market interest rate.

32. Capital management

The primary objectives of the Company's capital management are to ensure that it has an appropriate financial structure in order to continue its business as a going concern, to provide a return to its shareholders and other related parties, and to maintain risk-based capital in accordance with Declaration of the OIC.

33. Events after the reporting period

On 25 February 2019, the Board of Director's Meeting passed a resolution to propose for approval by the Annual General Meeting of the Company's Shareholders to be held in March 2019 a dividend of Baht 4.20 per share, distributed from 2018 net profit. The Company already paid an interim dividend of Baht 2.25 per share. Hence, there remained a dividend of Baht 1.95 per share or Baht 27.11 million to be paid.

34. Reclassification

The Company reclassified the following transactions to conform to the current year's classification and the Notification of the Office of Insurance Commission. The reclassified transactions have no effect to the previously reported profit or equity.

	(Unit: Baht)	
	For the year ended 31 December	
	As reclassified	As previously reported
<u>Statement of comprehensive income</u>		
Profit or loss		
Unearned premium reserves decreased (increased) from prior year	56,456,545	(12,320,104)
Long-term insurance policy reserve increased	68,776,649	-

35. Approval of the financial statements

These financial statements were authorised for issue by the Audit Committee on 25 February 2019.