

Nam Seng Insurance Public Company Limited
Report and financial statements
31 December 2017

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 2017, 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 2017, 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 2017, the Company had gross premium of Baht 2,082 million written. The Company accepted insurance from retail customers through brokers and agents and there were a large number of insurance policies written. Calculation and recognition of premium as revenue were dependent upon the information technology (IT) systems. I therefore focused on examining that premium was correctly recognised as revenue as actually incurred.

I assessed and tested, on a sampling basis, the IT controls relevant to calculation and recognition of gross premium written. I checked, on a sampling basis, key data in reports relevant to insurance premium and reviewed the insurance policies and endorsement transactions occurring during the accounting period and after the reporting period-end. In addition, I performed analytical procedures to disaggregate gross premium written by insurance types, and tested, on a sampling basis, key manual adjustments made through journal vouchers.

Loss reserves

As at 31 December 2017, the Company had loss reserves of Baht 719 million (presented as a part of insurance contract liabilities), representing 31 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 considerable judgment in estimation of such reserves. I therefore focused on adequacy of loss reserves.

I assessed and tested, on a sampling basis, the operation of the Company's internal controls relevant to recognition of loss reserves. I assessed and tested, on a sampling basis, key assumptions and calculation of loss reserves. I checked, on a sampling basis, claim data against documents of major claims. I performed analytical procedures on frequency of claims and average loss per claim. Furthermore, I read the actuary's report on an estimation of loss reserves and compared the amounts with those recorded in the accounts, assessed assumptions and methodology used in such calculation, tested, on a sampling basis, the loss data the actuary used, and compared assumptions with those applied in prior year.

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.

Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 26 February 2018

Nam Seng Insurance Public Company Limited

Statements of financial position

As at 31 December 2017 and 2016

		(Unit: Baht)	
	Note	2017	2016
Assets			
Cash and cash equivalents	6	66,390,903	94,730,839
Premium receivables - net	7, 27.3	255,767,994	209,801,725
Accrued investment income		13,363,526	7,622,310
Reinsurance assets - net	8	359,032,338	282,183,199
Reinsurance receivables - net	9	74,278,300	83,999,930
Investment assets			
Investments in securities - net	10	2,526,706,002	2,352,314,271
Loans - net	11	8,371,297	7,910,779
Premises and equipment - net	12	188,038,785	196,132,669
Intangible assets - net	13	2,969,257	429,404
Deferred tax assets	14.1	125,067,892	117,031,989
Other assets	15	58,693,628	58,170,075
Total assets		3,678,679,922	3,410,327,190

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 2017 and 2016

		(Unit: Baht)	
	Note	2017	2016
Liabilities and equity			
Liabilities			
Insurance contract liabilities	16	1,938,284,677	1,804,688,115
Amounts due to reinsurers	17	216,339,504	159,069,669
Income tax payable		12,101,371	3,516,007
Employee benefit obligations	18	39,704,301	39,630,315
Accrued commissions	27.3	32,175,539	34,055,926
Other liabilities	19, 27.3	118,056,020	124,419,360
Total liabilities		2,356,661,412	2,165,379,392
Equity			
Share capital			
Registered			
20,000,000 ordinary shares of Baht 10 each		200,000,000	200,000,000
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			
		530,142,623	478,991,008
Other component of owners' equity			
Revaluation surplus on available-for-sale investments			
- net of income taxes	10.3	27,426,415	1,507,318
Total owners' equity		1,322,018,510	1,244,947,798
Total liabilities and owners' equity		3,678,679,922	3,410,327,190
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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 2017 and 2016

		(Unit: Baht)	
	Note	2017	2016
Profit or loss:			
Revenues			
Gross premium written	27.2	2,081,593,608	2,112,199,661
Less: Premium ceded to reinsurers		(290,065,868)	(235,272,189)
Net premium written		1,791,527,740	1,876,927,472
Less: Unearned premium reserves increased from prior year		(12,320,104)	(121,504,811)
Net earned premium		1,779,207,636	1,755,422,661
Commission and brokerage income		56,539,057	69,361,699
Net investment revenue		104,749,202	72,630,015
Gains (losses) on investments		5,416,054	(8,934,528)
Fair value gains		3,313,843	8,256,892
Other income	27.2	23,702,492	24,462,949
Total revenues		1,972,928,284	1,921,199,688
Expenses			
Gross claims		1,287,550,836	1,194,012,869
Less: Claim recovery from reinsurers		(191,719,010)	(136,817,567)
Commission and brokerage expenses	27.2	271,713,460	279,547,694
Other underwriting expenses		182,967,349	185,744,240
Operating expenses	22, 27.2	282,004,404	290,634,917
Total expenses	23	1,832,517,039	1,813,122,153
Profits before income tax expenses		140,411,245	108,077,535
Less: Income tax expenses	14.2	(22,388,283)	(17,779,981)
Profits for the years		118,022,962	90,297,554

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 2017 and 2016

		(Unit: Baht)	
	Note	2017	2016
Other comprehensive income or loss:			
Items to be recognised in profit or loss in subsequent periods:			
Gains on revaluation of available-for-sale investments		32,398,871	25,580,494
Less: Income taxes	14.2	(6,479,774)	(5,116,098)
Items to be recognised in profit or loss in subsequent periods			
- net of income taxes		25,919,097	20,464,396
Items not to be recognised in profit or loss in subsequent periods			
Actuarial losses		(2,795,434)	(313,777)
Add: Income taxes	14.2	559,087	62,755
Items not to be recognised in profit or loss in subsequent periods			
- net of income taxes		(2,236,347)	(251,022)
Other comprehensive income for the years		23,682,750	20,213,374
Total comprehensive income for the years		141,705,712	110,510,928
Earnings per share			
Basic earnings per share			
Profits for the years	25	8.49	6.50

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 2017 and 2016

		(Unit: Baht)	
	Note	2017	2016
Cash flows from (used in) operating activities			
Direct premium written		2,033,515,146	2,102,114,536
Cash paid on reinsurance		(23,035,251)	(19,442,039)
Interest received		70,252,727	53,835,510
Dividends received		28,755,260	20,349,226
Other income		23,656,493	24,786,526
Claims paid on direct insurance		(1,192,937,638)	(1,153,907,055)
Commission and brokerage expenses on direct insurance		(273,446,923)	(280,309,289)
Other underwriting expenses		(187,664,755)	(184,855,844)
Operating expenses		(279,205,000)	(314,114,785)
Income taxes		(28,318,596)	(31,478,267)
Investments in securities		(128,047,338)	3,967,143
Loans		(460,517)	(1,234,759)
Net cash provided by operating activities		43,063,608	219,710,903
Cash flows from (used in) investing activities			
Cash flows from			
Premises and equipment		580,166	169,274
Cash provided by investing activities		580,166	169,274
Cash flows used in			
Premises and equipment		(6,122,260)	(42,173,453)
Intangible assets		(1,226,450)	(274,600)
Cash used in investing activities		(7,348,710)	(42,448,053)
Net cash used in investing activities		(6,768,544)	(42,278,779)
Cash flows from (used in) financing activities			
Dividends paid	26	(64,635,000)	(159,850,000)
Net cash used in financing activities		(64,635,000)	(159,850,000)
Net increase (decrease) in cash and cash equivalents		(28,339,936)	17,582,124
Cash and cash equivalents at beginning of the years		94,730,839	77,148,715
Cash and cash equivalents at end of the years		66,390,903	94,730,839

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 2017 and 2016

(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 2016		139,000,000	594,436,835	24,848,787	6,163,850	548,794,476	(18,957,078)	1,294,286,870
Profit for the year		-	-	-	-	90,297,554	-	90,297,554
Other comprehensive income (loss) for the year		-	-	-	-	(251,022)	20,464,396	20,213,374
Total comprehensive income for the year		-	-	-	-	90,046,532	20,464,396	110,510,928
Dividend paid	26	-	-	-	-	(159,850,000)	-	(159,850,000)
Balance as at 31 December 2016		<u>139,000,000</u>	<u>594,436,835</u>	<u>24,848,787</u>	<u>6,163,850</u>	<u>478,991,008</u>	<u>1,507,318</u>	<u>1,244,947,798</u>
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 (loss) for the year		-	-	-	-	(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>
		-	-	-	-	-	-	-

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 2017 and 2016

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Nam Seng Insurance Public Company Limited

Notes to financial statements

For the years ended 31 December 2017 and 2016

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 2017 and 2016, 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 adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. 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 in the future

During the year, the Federation of Accounting Professions issued a number of 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 note to financial statements. The management of the Company believes that the revised financial reporting standards will not have any significant impact on the Company's financial statements when they are initially applied.

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

(d) Gains (losses) on investment

Gains (losses) on investment are recognised as revenue or expenses on the transaction dates.

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 under relevant direct 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.

Commission and brokerage fees paid for policies with coverage periods of longer than one year are recorded as expense 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 contract. An insurance contract is one under which the insurer has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. 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 included risks of changes in interest rates, exchange rate or price.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts 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 both direct and reinsurance 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 during the years.

4.6 Reinsurance assets

Reinsurance assets are stated at the amounts of insurance reserves refundable from reinsurers, which consist of (a) loss reserves and (b) 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 status of receivables from reinsurers as at the end of the reporting periods. Increase (decrease) in allowance for impairment is recorded as an increase (a decrease) to expenses for the years 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 premium ceded, 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 status of receivables from reinsurers as at the end of reporting period. Increase (decrease) in allowance for doubtful accounts is recognised as expenses 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.

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 in 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.

(b) Loans and allowance for doubtful accounts

Loans are stated at the net realisable value. The Company accounts for 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 expenses during the years.

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 loss reserves and premium reserves

(a) 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 then-calculated loss reserves and the claims already recognised are recorded as incurred but not reported (IBNR) loss reserves.

(b) 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	-	100% of premium as from the date policy accident with coverage periods of not over six-months	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 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.

Gains and losses on exchange are recorded as revenues or expenses 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 periods 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 (Both the Company and its counterparty) 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 and reinsurance 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 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.

5.5 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, 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.

5.6 Unexpired risk reserves

Unexpired risk reserves are calculated using an actuarial method, based on the best estimate of the claims 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 the time.

5.7 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.

5.8 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	
	2017	2016
Cash on hand	124,093	174,291
Deposits at banks with no fixed maturity date	66,266,810	94,556,548
Total cash and cash equivalents	<u>66,390,903</u>	<u>94,730,839</u>

As at 31 December 2017 and 2016, saving deposits and fixed deposits carried interests at the rates between 0.00 and 1.20 percent per annum and rates between 0.00 and 4.00 percent per annum, respectively.

7. Premium receivables

As at 31 December 2017 and 2016, 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	
	2017	2016
Not yet due	220,692,075	176,259,195
Overdue not longer than 30 days	27,020,392	26,256,003
Overdue 31 days to 60 days	12,589,082	11,686,328
Overdue 61 days to 90 days	2,912,528	2,686,466
Overdue 91 days to 1 year	4,193,997	2,015,406
Overdue longer than 1 year	6,853,729	9,346,869
Total	274,261,803	228,250,267
Less: Allowance for doubtful accounts	(18,493,809)	(18,448,542)
Premium receivables - net	<u>255,767,994</u>	<u>209,801,725</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	
	2017	2016
Insurance reserves refundable from reinsurers		
- Loss reserves	175,581,577	131,773,673
- Unearned premium reserves	183,450,761	155,387,870
Total	359,032,338	287,161,543
Less: Allowance for impairment	-	(4,978,344)
Reinsurance assets - net	<u>359,032,338</u>	<u>282,183,199</u>

9. Reinsurance receivables

(Unit: Baht)

	31 December	
	2017	2016
Amounts deposited on reinsurance	2,929	2,929
Amounts due from reinsurers	74,864,214	84,472,038
Total	74,867,143	84,474,967
Less: Allowance for doubtful accounts	(588,843)	(475,037)
Reinsurance receivables - net	<u>74,278,300</u>	<u>83,999,930</u>

As at 31 December 2017 and 2016, the balances of amounts due from reinsurers were classified by aging as follows:

(Unit: Baht)

	31 December	
	2017	2016
Not yet due	74,169,696	53,464,300
Overdue not longer than 12 months	152,921	31,007,738
Overdue longer than 12 months	541,597	-
Total	74,864,214	84,472,038
Less: Allowance for doubtful accounts	(588,843)	(475,037)
Amounts due from reinsurers - net	<u>74,275,371</u>	<u>83,997,001</u>

10. Investments in securities

10.1 Classified by type of investment

(Unit: Baht)

	31 December			
	2017		2016	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading investments				
Equity securities	45,498,778	49,175,725	30,063,627	30,426,784
Unit trusts	6,000,000	6,000,053	-	-
Total	51,498,778	55,175,778	30,063,627	30,426,784
Add: Unrealised gains	3,677,000	-	363,157	-
Total trading investments	55,175,778	55,175,778	30,426,784	30,426,784
Available-for-sale investments				
Equity securities	32,369,651	43,087,616	34,007,539	38,992,551
Unit trusts	493,323,980	515,095,340	476,155,835	472,119,241
Debentures	90,008,423	91,610,116	80,019,803	80,955,532
Warrants	-	192,000	-	-
Total	615,702,054	649,985,072	590,183,177	592,067,324
Add: Unrealised gains	34,283,018	-	1,884,147	-
Less: Allowance for impairment	(6,004,250)	(6,004,250)	(6,050,600)	(6,050,600)
Available-for-sale investments - net	643,980,822	643,980,822	586,016,724	586,016,724
Held-to-maturity investments				
Government and state enterprise securities	482,091,520		539,026,495	
Saving lottery	28,550,000		34,550,000	
Private enterprise debt securities	639,859,862		465,246,248	
Deposits at financial institutions which matured over 3 months	675,000,000		695,000,000	
Total held-to-maturity investments	1,825,501,382		1,733,822,743	
Other investments				
Equity securities	2,048,020		2,048,020	
Total other investments	2,048,020		2,048,020	
Investment in securities - net	<u>2,526,706,002</u>		<u>2,352,314,271</u>	

10.2 Remaining periods of debt securities

(Unit: Baht)

	31 December 2017			
	Remaining periods to maturity			Total
	1 year	1 - 5 years	Over 5 years	
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	35,389,985	10,000,000	55,465,221
Saving lottery	10,550,000	18,000,000	-	28,550,000
Total	20,625,236	376,248,544	113,767,740	510,641,520
Private enterprise securities				
Debentures	85,203,372	444,656,490	110,000,000	639,859,862
Total	85,203,372	444,656,490	110,000,000	639,859,862
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

(Unit: Baht)

	31 December 2016			
	Remaining periods to maturity			Total
	1 year	1 - 5 years	Over 5 years	
Available-for-sale investments				
Private enterprise securities				
Debentures	-	50,019,803	30,000,000	80,019,803
Add (less): Unrealised gains (losses)	-	1,131,780	(196,052)	935,728
Available-for-sale investments	-	51,151,583	29,803,948	80,955,531
Held-to-maturity investments				
Government and state enterprise securities				
Government bonds	70,066,416	161,363,918	54,237,674	285,668,008
State enterprise bonds	-	152,497,843	60,114,665	212,612,508
State enterprise debentures	-	30,745,979	10,000,000	40,745,979
Savings lottery	19,000,000	15,550,000	-	34,550,000
Total	89,066,416	360,157,740	124,352,339	573,576,495
Private enterprise securities				
Debentures	10,000,000	329,710,509	125,535,739	465,246,248
Total	10,000,000	329,710,509	125,535,739	465,246,248
Deposits at banks with amounts maturing in over 3 months				
Deposit at commercial banks	525,000,000	170,000,000	-	695,000,000
Total	525,000,000	170,000,000	-	695,000,000
Total held-to-maturity investments	624,066,416	859,868,249	249,888,078	1,733,822,743
Investments in debt securities - net	624,066,416	911,019,832	279,692,026	1,814,778,274

10.3 Revaluation surplus on available-for-sale investments

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Balances - beginning of the years	1,507,318	(18,957,078)
Gains on revaluation of available-for-sale investments during the years	31,437,696	21,328,309
Losses on sales of available-for-sale investments during the years transferred to be recognised in profit or loss	961,175	4,252,185
Total gains on revaluation of available-for-sale investments	32,398,871	25,580,494
Less: Income taxes	(6,479,774)	(5,116,098)
Gains on revaluation of available-for-sale investments - net of income taxes	25,919,097	20,464,396
Balances - end of the years	27,426,415	1,507,318

10.4 Investments subject to restriction

As at 31 December 2017 and 2016, the Company placed its bonds, saving lottery and deposits at financial institutions with maturity periods of longer than 3 with the Registrar of the Office of Insurance Commission and with the bank 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 2017 and 2016, the outstanding balances of loans and interest receivable were classified according to their overdue periods as follows:

(Unit: Baht)

Overdue periods	31 December 2017						
	Mortgage loans		Others		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
		receivable		receivable		receivable	
Not yet due	5,282,925	14,759	3,088,372	594	8,371,297	15,353	8,386,056
Loans and interest receivables - net	5,282,925	14,759	3,088,372	594	8,371,297	15,353 ⁽¹⁾	8,386,056

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

(Unit: Baht)

Overdue periods	31 December 2016						
	Mortgage loans		Others		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
		receivable		receivable		receivable	
Not yet due	5,962,431	1,319	1,948,348	-	7,910,779	1,319	7,912,098
Overdue more than 12 months	-	-	314,526	203,847	314,526	203,847	518,373
Total	5,962,431	1,319	2,262,874	203,847	8,225,305	205,166	8,430,471
Less: Allowance for doubtful accounts	-	-	(314,526)	(203,847)	(314,526)	(203,847)	(518,373)
Loans and interest receivables - net	5,962,431	1,319	1,948,348	-	7,910,779	1,319 ⁽¹⁾	7,912,098

⁽¹⁾ Included as a part of "Accrued investment income" in statement 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 improvements	Furniture, fixtures and office equipment	Vehicles	Assets in progress	Total
Cost:						
1 January 2016	107,662,866	117,972,181	94,424,229	10,201,332	316,000	330,576,608
Additions	16,740,000	9,760,000	8,527,804	-	7,145,649	42,173,453
Transfer in (out)	-	250,630	4,927,019	-	(5,177,649)	-
Disposals / write-off	-	-	(5,048,241)	-	-	(5,048,241)
31 December 2016	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
Accumulated depreciation:						
1 January 2016	-	82,754,715	75,718,331	6,798,773	-	165,271,819
Depreciation for the year	-	4,098,986	5,941,485	812,251	-	10,852,722
Depreciation on disposals/write-off	-	-	(4,555,390)	-	-	(4,555,390)
31 December 2016	-	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
Net book value:						
31 December 2016	124,402,866	41,129,110	25,726,385	2,590,308	2,284,000	196,132,669
31 December 2017	124,402,866	37,471,964	23,382,219	2,222,136	559,600	188,038,785
Depreciation for the year						
2016						10,852,722
2017						11,415,977

As at 31 December 2017 and 2016, 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 133.6 million and Baht 113.8 million, respectively.

13. Intangible assets

(Unit: Baht)

	Computer softwares	Computer softwares under development	Total
Cost			
1 January 2016	4,191,368	-	4,191,368
Additions	274,600	-	274,600
31 December 2016	4,465,968	-	4,465,968
Addition	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
Accumulated amortisation			
1 January 2016	3,791,833	-	3,791,833
Amortisation charge for the year	244,731	-	244,731
31 December 2016	4,036,564	-	4,036,564
Amortisation charge for the year	952,597	-	952,597
31 December 2017	4,989,161	-	4,989,161
Net book value			
31 December 2016	429,404	-	429,404
31 December 2017	2,969,257	-	2,969,257
Amortisation for the year			
2016			244,731
2017			952,597

As at 31 December 2017 and 2016, 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 3.9 million and Baht 3.6 million, respectively.

14. Deferred tax assets/Income taxes

14.1 Deferred tax assets

As at 31 December 2017 and 2016, the components of deferred tax assets arose from the following temporary differences:

	(Unit: Baht)	
	31 December	
	2017	2016
Deferred tax assets (liabilities) arose from:		
Allowance for doubtful accounts	6,039,507	6,080,947
Premium reserves	63,775,548	54,479,548
Loss reserves on claims incurred and reported	34,519,334	28,698,427
Loss reserves on claims incurred but not yet reported	20,384,646	20,296,464
Employee benefits obligations	7,940,860	7,926,063
Unrealised gains on revaluation of		
Trading investments	(735,400)	(72,631)
Available-for-sale investments	(6,856,603)	(376,829)
Deferred tax assets	<u>125,067,892</u>	<u>117,031,989</u>

14.2 Income tax expenses

Income tax expenses for the years ended 31 December 2017 and 2016 were made up as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Current income taxes:		
Current income tax charge	(36,344,874)	(34,620,348)
Deferred taxes:		
Relating to origination and reversal of temporary differences	13,956,591	16,840,367
Income tax expenses reported in profit or loss	<u>(22,388,283)</u>	<u>(17,779,981)</u>

Reconciliations between income tax expenses and the product of accounting profits for the year ended 31 December 2017 and 2016 were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Accounting profits before income tax expenses	140,411,245	108,077,535
Applicable tax rate	20%	20%
The amounts of taxes at the applicable tax rate	(28,082,249)	(21,615,507)
Net tax effect on revenues or expenses that are not taxable or not deductible in determining taxable profits	5,693,966	3,835,526
Income tax expenses reported in profit or loss	(22,388,283)	(17,779,981)

The amounts of income taxes relating to each component of other comprehensive income or loss for the years ended 31 December 2017 and 2016 were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Deferred income taxes relating to:		
Revaluation during the years	(6,287,539)	(4,265,661)
Losses on sales of available-for-sale investments during the years transferred to be recognised in profit or loss	(192,235)	(850,437)
	(6,479,774)	(5,116,098)
Actuarial losses	559,087	62,755
Income taxes reported in other comprehensive income (loss)	(5,920,687)	(5,053,343)

15. Other assets

	(Unit: Baht)	
	31 December	
	2017	2016
Advances paid	34,827,355	26,005,535
Prepaid expenses	787,339	757,081
Undue input value added tax	2,478,709	2,837,008
Claim receivable from litigants	946,260	1,899,580
Postdate cheques received	3,167,685	3,841,762
Receivable from sales of securities	1,978,808	7,071,080
Accrued income	2,707,835	5,871,855
Others	11,799,637	9,886,174
Total other assets	<u>58,693,628</u>	<u>58,170,075</u>

16. Insurance contract liabilities

	(Unit: Baht)		
	31 December 2017		
	Insurance contract liabilities	Reinsurance on liabilities	Net
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	<u>1,218,939,596</u>	<u>(183,450,762)</u>	<u>1,035,488,834</u>
Total	<u>1,938,284,677</u>	<u>(359,032,338)</u>	<u>1,579,252,339</u>
			(Unit: Baht)
			31 December 2016
	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
- Claims incurred and reported	497,450,418	(99,596,554)	397,853,864
- Claims incurred but not yet reported	128,681,097	(27,198,775)	101,482,322
Unearned premium reserves	<u>1,178,556,600</u>	<u>(155,387,870)</u>	<u>1,023,168,730</u>
Total	<u>1,804,688,115</u>	<u>(282,183,199)</u>	<u>1,522,504,916</u>

During 2017 and 2016, 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 Assumptions

The key assumption underlying the valuation of loss reserves is based on the expectation that the nature and development of claims in the future will occur in the same manner as its past experience whereby assumptions used are expected ultimate loss ratios and loss development factors.

(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 Loss reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Balances - beginning of the years	626,131,515	587,789,799
Claim incurred during the years	1,284,572,239	1,204,097,037
Changes in loss reserves of prior years' claims	7,212,405	(37,112,423)
Changes in assumption in calculation of loss reserves	(4,233,808)	27,028,255
Claim paid during the years	(1,194,337,270)	(1,155,671,153)
Balances - end of the years	<u>719,345,081</u>	<u>626,131,515</u>

16.3 Claim development table

(a) Gross claims table

(Unit: Million Baht)

Accident year / Reporting year	2011	2012	2013	2014	2015	2016	2017	Total
Loss reserves:								
- as at accident year	1,440.3	798.6	940.8	884.9	982.1	1,125.2	1,217.2	
- Next one year	1,250.2	705.4	979.7	876.9	1,023.2	1,127.2		
- Next two years	1,069.3	681.3	942.0	859.2	1,025.7			
- Next three years	1,071.4	682.0	943.8	857.6				
- Next four years	1,072.7	681.5	942.8					
- Next five years	1,073.1	682.9						
- Next six years	1,117.1							
Cumulative ultimate claim estimates								
	1,117.1	682.9	942.8	857.6	1,025.7	1,127.2	1,217.2	
Cumulative payment to date								
	(990.4)	(678.4)	(935.6)	(842.5)	(1,013.5)	(1,068.1)	(773.2)	
Net	126.7	4.5	7.2	15.1	12.2	59.1	444.0	668.8
Unallocated loss adjustment expenses								
								11.4
Loss reserves on claims incurred prior to 2011 and payments have not yet finalised								
								35.6
Others								
								3.5
Total gross loss reserves								
								719.3

(b) Net claim table

(Unit: Million Baht)

Accident year / Reporting year	2011	2012	2013	2014	2015	2016	2017	Total
Loss reserves:								
- as at accident year	792.7	767.8	873.5	839.0	873.5	1,002.8	1,050.2	
- Next one year	735.1	683.2	910.0	836.8	898.9	1,013.3		
- Next two years	699.5	659.0	873.0	820.2	903.2			
- Next three years	702.5	659.5	874.9	821.0				
- Next four years	702.9	659.1	873.9					
- Next five years	702.6	660.5						
- Next six years	704.5							
Cumulative ultimate claim estimates								
	704.5	660.5	873.9	821.0	903.2	1,013.3	1,050.2	
Cumulative payments to date								
	(678.8)	(656.7)	(867.4)	(806.5)	(889.7)	(957.2)	(677.9)	
Net	25.7	3.8	6.5	14.5	13.5	56.1	372.3	492.4
Unallocated loss adjustment expenses								
								11.4
Loss reserves on claims incurred prior to 2011 and payments have not yet finalised								
								35.7
Others								
								4.2
Total net loss reserves								
								543.7

16.4 Unearned premium reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Balances - beginning of the years	1,178,556,600	1,085,786,676
Premium written for the years	2,081,593,608	2,112,199,661
Premium earned during the years	(2,041,210,612)	(2,019,429,737)
Balances - end of the years	<u>1,218,939,596</u>	<u>1,178,556,600</u>

17. Amounts due to reinsurers

	(Unit: Baht)	
	31 December	
	2017	2016
Amounts withheld on reinsurance	148,497,005	99,593,519
Other reinsurance payables	67,842,499	59,476,150
Total amounts due to reinsurers	<u>216,339,504</u>	<u>159,069,669</u>

18. Employee benefit obligations

Movements of employee benefit obligations during the years ended 31 December 2017 and 2016 were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Employee benefit obligations at beginning of the years	39,630,315	38,761,353
Recognised in profit or loss:		
Current service costs	2,918,265	2,947,209
Interest costs	1,028,037	945,756
Receognised in other comprehensive income or loss:		
Actuarial (gains) losses:		
Demographic assumptions changes	1,378,248	(2,111,344)
Financial assumptions changes	198,762	455,926
Experience adjustments	1,218,424	1,969,195
Less: benefits paid during the years	<u>(6,667,750)</u>	<u>(3,337,780)</u>
Employee benefit obligations at end of the years	<u>39,704,301</u>	<u>39,630,315</u>

As at 31 December 2017 and 2016, the weighted average durations of employee benefit obligations were 10 years and 9.7 years, respectively, and the Company expected to pay Baht 4.9 million and Baht 6.6 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	
	2017	2016
Discount rate	2.7	2.7
Future salary increase rate	5.0	5.0
Staff turnover rates (depending on age)	7.0 - 20.0	8.0 - 18.0

The result of sensitivity analysis for significant assumptions that affected employee benefit obligations as at 31 December 2017 and 2016 were summarised below:

Assumptions	Change in assumptions	(Unit: Million Baht)	
		Increase (decrease) in employee benefit obligations as at 31 December 2017	Increase (decrease) in employee benefit obligations as at 31 December 2016
Discount rate	+ 1%	(2.7)	(2.5)
	- 1%	3.0	2.8
Salary increasing rate	+ 1%	3.1	2.9
	- 1%	(2.8)	(2.6)
Staff turnover rate	+ 10%	(1.3)	(1.3)
	- 10%	1.5	1.4

19. Other liabilities

(Unit: Baht)

	31 December	
	2017	2016
Account payable - Revenue Department	3,268,146	7,409,362
Withholding income tax payable	2,140,690	3,083,435
Undue output value added taxes	14,678,923	11,297,111
Short-term employee benefit payable	27,296,614	27,234,917
Accrued expenses	20,805,646	15,123,604
Deposits from brokers	29,037,421	32,408,826
Payables of securities purchased	2,550,524	2,435,903
Others	18,278,056	25,426,202
Total other liabilities	118,056,020	124,419,360

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 2017 and 2016 were as follows:

(Unit: Baht)

	Motor		Others		Total	
	For the years ended		For the years ended		For the years ended	
	31 December		31 December		31 December	
	2017	2016	2017	2016	2017	2016
Underwriting revenues						
Gross premium written	1,451,305,493	1,537,039,052	630,288,115	575,160,609	2,081,593,608	2,112,199,661
Less: Premium ceded to reinsurers	(8,604,909)	(9,917,770)	(281,460,959)	(225,354,419)	(290,065,868)	(235,272,189)
Net premium written	1,442,700,584	1,527,121,282	348,827,156	349,806,190	1,791,527,740	1,876,927,472
Add (less): Unearned premium reserves						
(increased) decreased from prior year	51,066,463	4,735,236	(63,386,567)	(126,240,047)	(12,320,104)	(121,504,811)
Net earned premium	1,493,767,047	1,531,856,518	285,440,589	223,566,143	1,779,207,636	1,755,422,661
Commission and brokerage income	-	-	56,539,057	69,361,699	56,539,057	69,361,699
Total underwriting income	1,493,767,047	1,531,856,518	341,979,646	292,927,842	1,835,746,693	1,824,784,360
Underwriting expenses						
Gross claims	960,470,415	902,703,936	327,080,421	291,308,933	1,287,550,836	1,194,012,869
Less: Claim recovery from reinsurers	-	(100)	(191,719,010)	(136,817,467)	(191,719,010)	(136,817,567)
Commission and brokerage expenses	232,422,941	239,794,307	39,290,519	39,753,387	271,713,460	279,547,694
Other underwriting expenses	104,833,228	128,785,381	78,134,121	56,958,859	182,967,349	185,744,240
Total underwriting expenses before operating expenses	1,297,726,584	1,271,283,524	252,786,051	251,203,712	1,550,512,635	1,522,487,236
Gross profits from underwriting	196,040,463	260,572,994	89,193,595	41,724,130	285,234,058	302,297,124
Operating expenses					(282,004,404)	(290,634,917)
Profits from underwriting					3,229,654	11,662,207
Net investment revenue					104,749,202	72,630,015
Gains (losses) on investments					5,416,054	(8,934,528)
Fair value gains					3,313,843	8,256,892
Other income					23,702,492	24,462,949
Profits before income tax expenses					140,411,245	108,077,535
Income tax expenses					(22,388,283)	(17,779,981)
Profits for the years					118,022,962	90,297,554

For the years ended 31 December 2017 and 2016, 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 period), which is its related party, amounting to Baht 740.1 million and Baht 889.9 million, respectively, from motor segment, contributing 36% and 42%, respectively, of total premium written.

As at 31 December 2017 and 2016, segment assets and liabilities were as follows:

	(Unit: Baht)			
	Motor	Others	Unallocated assets/liabilities	Total
Assets				
31 December 2017	147,575,042	541,503,591	2,989,601,289	3,678,679,922
31 December 2016	165,153,281	410,831,573	2,834,342,336	3,410,327,190
Liabilities				
31 December 2017	1,179,613,451	1,009,854,327	167,193,634	2,356,661,412
31 December 2016	1,217,615,225	783,938,594	163,825,573	2,165,379,392

22. Operating expenses

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Personnel expenses	103,970,188	105,201,283
Premises and equipment expenses	61,034,640	69,437,777
Taxes and duties	1,497,276	1,273,734
Bad debts and doubtful accounts (reversal)	2,037,597	(2,029,656)
Other operating expenses	113,464,703	116,751,779
Total operating expenses	<u>282,004,404</u>	<u>290,634,917</u>

23. Expenses by nature

	(Unit: Baht)	
	For the years ended 31 December	
	2017	2016
Net claims	1,018,526,826	979,672,127
Commission and brokerage expenses	271,713,460	279,547,694
Contribution expenses	40,230,263	53,192,612
Other underwriting expenses	77,102,896	67,844,750
Employees expenses	223,060,289	225,254,612
Premises and equipment expenses	61,034,640	69,437,777
Bad debts and doubtful accounts (reversal)	2,037,597	(2,029,656)
Advertising expenses	116,646,989	103,767,286
Others expenses	22,164,079	36,434,951
Total expenses by nature	<u>1,832,517,039</u>	<u>1,813,122,153</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 3% to 6% 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 2017 and 2016, the Company contributed approximately Baht 8.4 million and Baht 8.5 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 2017 and 2016 were as follows:

	Approved by	Total dividends	Dividend per share
		(Million Baht)	(Baht)
The 2017 interim dividends	Meeting of Board of Directors held on 24 August 2017	45.2	3.25
Final 2016 dividends	Annual General Meeting of the shareholders held on 31 March 2017	19.5	1.40
Total dividends in 2017		<u>64.7</u>	<u>4.65</u>
The 2016 interim dividends	Meeting of Board of Directors held on 26 September 2016	34.8	2.50
Final 2015 dividends	Annual General Meeting of the shareholders held on 28 March 2016	125.1	9.00
Total dividends in 2016		<u>159.9</u>	<u>11.50</u>

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 2017 and 2016, 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	
	2017	2016
Gross premium written		
Dung Seng Insurance Broker Co., Ltd. ⁽¹⁾	740.1	889.9
Asia Hotel Plc.	0.9	1.8
Asia Pattaya Hotel Co., Ltd.	0.4	0.8
Zeer Property Plc.	4.7	5.5
Asia Airport Hotel Co., Ltd.	0.6	1.2
Commission and brokerage expenses		
Dung Seng Insurance Broker Co., Ltd.	127.1	152.3
Service expenses⁽²⁾		
N.S.B. Co., Ltd.	-	11.8
Expense in relation to rental services⁽³⁾		
N.S.B. Co., Ltd.	-	8.2

⁽¹⁾ Premium written through this non-life insurance brokers

⁽²⁾ Included in "Operating expenses" in statements of comprehensive income

⁽³⁾ Recognised as a deduction item in "Other income" in statements of comprehensive income

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
Service expenses	Contractual rate
Expenses in relation to rental services	Contractual rate

27.3 Outstanding balances

As at 31 December 2017 and 2016, the outstanding balances of transactions between the Company and those related parties were as follows:

	(Unit: Million Baht)	
	31 December	
	2017	2016
Premium receivables		
Dung Seng Insurance Broker Co., Ltd.	137.7	177.3
Accrued commissions		
Dung Seng Insurance Broker Co., Ltd.	23.8	30.5
Other liabilities		
N.S.B. Co., Ltd.	-	1.7

27.4 Directors' and key management's benefits

During the years ended 31 December 2017 and 2016, the Company had employee benefit expenses incurred on directors and key management as below.

	(Unit: Million Baht)	
	For the years ended 31 December	
	2017	2016
Short-term employee benefits	20.8	20.7
Long-term employee benefits	3.0	1.4
Total	23.8	22.1

28. Assets subject to commitments

As at 31 December 2017 and 2016, 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			
	2017		2016	
	Cost	Fair value	Cost	Fair value
Placed as securities with the Registrar				
Stated enterprise bonds	14.0	14.6	14.0	14.4
Placed as insurance reserves with the Registrar				
Government and state enterprise bonds	225.0	234.8	210.0	218.1
Placed as securities with the Court				
Deposits with financial institutions	3.2	3.2	3.4	3.4
Placed to secure against performance obligations				
Government and state enterprise bond	12.1	12.7	12.1	12.8
Saving lottery	2.6	2.6	2.6	2.6
	14.7	15.3	14.7	15.4

29. Contribution to the General Insurance Fund

(Unit: Baht)

	For the years ended 31 December	
	2017	2016
Accumulated contribution at the beginning of the years	28,783,185	23,510,439
Contribution during the years	5,201,083	5,272,746
Accumulated contribution at the end of the years	33,984,268	28,783,185

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 2017 and 2016, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

Payable within	(Unit: Million Baht)	
	31 December	
	2017	2016
1 year	5.7	1.6
1 - 3 years	1.0	0.8

30.2 Litigation

As at 31 December 2017 and 2016, the Company had litigation cases being sued for claims totaling Baht 476.3 million and Baht 514.6 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 40.5 million and Baht 44.6 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 rates and loss reserved. Reinsurance moreover should be properly managed.

(a) Insurance premiums and procedure

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

(b) Loss reserves

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 2017 and 2016, segregated by insurance type, were shown below.

(Unit: Million Baht)

	31 December					
	2017			2016		
	Gross premium reserves	Outward premium reserves	Net	Gross premium reserves	Outward premium reserves	Net
Fire	12.8	(8.2)	4.6	16.4	(8.4)	8.0
Marine and transportation	12.0	(6.8)	5.2	10.3	(7.2)	3.1
Motor	699.8	-	699.8	750.9	-	750.9
Personal accident	380.3	(71.9)	308.4	358.0	(104.3)	253.7
Miscellaneous	114.0	(96.5)	17.5	43.0	(35.5)	7.5
Total	1,218.9	(183.4)	1,035.5	1,178.6	(155.4)	1,023.2

(Unit: Million Baht)

	31 December					
	2017			2016		
	Gross loss	Outward loss	Net	Gross loss	Outward loss	Net
	reserves	reserves		reserves	reserves	
Fire	7.4	(4.2)	3.2	2.0	(0.8)	1.2
Marine and transportation	3.4	(1.6)	1.8	5.9	(4.1)	1.8
Motor	447.5	-	447.5	430.6	-	430.6
Personal accident	62.1	(20.5)	41.6	85.7	(34.5)	51.2
Miscellaneous	198.9	(149.3)	49.6	101.9	(87.4)	14.5
Total	719.3	(175.6)	543.7	626.1	(126.8)	499.3

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 assumption change that affected to the loss reserves as at 31 December 2017 and 2016 were summarised below.

(Unit: Million Baht)

	31 December 2017				
	Assumption change	Increase	Increase	Increase	Increase
		(decrease) in	(decrease) in	(decrease) in	(decrease)
		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

(Unit: Million Baht)

		31 December 2016			
		Increase (decrease) in	Increase (decrease) in	Increase (decrease) in	Increase (decrease)
Assumption		gross loss	net loss	profit before	
change		reserves	reserves	income taxes	in equity
Expected loss ratios for the most recent accident year	+ 10%	13.0	10.3	(10.3)	(8.2)
	- 10%	(12.9)	(10.4)	10.4	8.3
First claim development factor	+ 10%	23.3	21.1	(21.1)	(16.9)
	- 10%	(23.4)	(21.1)	21.1	16.9

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 asset 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 2017 and 2016, significant financial assets classified by type of interest rate were summarised in the table below, with those financial 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 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%
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%
Saving lottery	10.6	18.0	-	-	-	28.6	0.42% - 0.93%
Loans - net	-	-	-	8.4	-	8.4	2.90% - 12.00%
Total	701.8	1,001.0	254.7	8.4	26.1	1,992.0	

(Unit: Million Baht)

	31 December 2016						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	80.9	-	-	-	13.7	94.6	0.00% - 1.20%
Investments in securities							
Government and state							
enterprise securities	70.1	344.6	124.3	-	-	539.0	1.94% - 7.20%
Private enterprise							
debt securities	10.0	380.9	155.3	-	-	546.2	2.15% - 5.75%
Deposits at financial							
institutions	525.0	170.0	-	-	-	695.0	1.30% - 4.00%
Saving lottery	19.0	15.6	-	-	-	34.6	0.42% - 1.40%
Loans - net	-	-	-	8.0	-	8.0	3.00% - 12.00%
Total	705.0	911.1	279.6	8.0	13.7	1,917.4	

Cash, premium receivables, investments in equity securities, reinsurance asset, 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 2017 and 2016, 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 2017 and 2016 were as follow:

(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

(Unit: Million Baht)

	31 December 2016					Total
	At call	Within		Over		
		1 year	1 - 5 years	5 years	Unspecified	
Financial assets						
Cash and cash equivalent	94.7	-	-	-	-	94.7
Investments in securities	535.5	624.1	911.0	279.7	2.0	2,352.3
Loans	-	1.3	4.1	2.5	-	7.9
Reinsurance assets						
Premium receivables	-	209.8	-	-	-	209.8
Reinsurance receivables	-	84.0	-	-	-	84.0
Claim recovery from reinsurers	-	37.0	6.6	83.2	-	126.8
Insurance liabilities						
Loss reserves	-	451.5	83.7	90.9	-	626.1
Amount due to reinsurers	-	159.1	-	-	-	159.1

31.3 Fair value of financial instruments

As at 31 December 2017 and 2016, 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 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	482.1	-	502.6	-	502.6
Savings lottery	28.6	-	28.6	-	28.6
Private enterprise debt securities	639.9	-	651.8	-	651.8
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

(Unit: Million Baht)

	31 December 2016				
	Carrying values	Fair values			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Trading investments					
Equity securities	30.4	30.4	-	-	30.4
Available-for-sale investments					
Equity securities	39.0	39.0	-	-	39.0
Investment units	466.1	89.6	376.5	-	466.1
Debentures	80.9	-	80.9	-	80.9
Financial assets disclosed at fair value					
Cash and cash equivalents	94.7	94.7	-	-	94.7
Held-to-maturity investments					
Government and state enterprise securities	539.0	-	554.0	-	554.0
Savings lottery	34.6	-	34.6	-	34.6
Private enterprise debt securities	465.2	-	470.3	-	470.3
Deposits at financial institutions which matured over 3 months	695.0	695.0	-	-	695.0
General investments	2.0	-	-	2.0	2.0
Loans	7.9	-	-	7.9	7.9

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 deposit at financial institutions are approximated to their carrying value.
- (b) Fair value of investments in debts securities (government and state enterprise 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.

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 26 February 2018, 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 2018 a dividend of Baht 5.00 per share, distributed from 2017 net profit. The Company already paid an interim dividend of Baht 3.25 per share. Hence, there remained a dividend of Baht 1.75 per share or Baht 24.33 million to be paid.

34. Reclassification

The Company reclassified the following transactions to conform to the current year's classifications. The reclassified transactions had no effect to the previously reported profit or equity.

	(Unit: Baht)	
	For the year ended 31 December 2016	
	As reclassified	As previously reported
<u>Statement of comprehensive income</u>		
Profit or loss		
Expenses		
Other underwriting expenses	185,744,240	163,567,516
Operating expenses	290,634,917	312,811,641
	476,379,157	476,379,157

35. Approval of the financial statements

These financial statements were authorised for issue by the Audit Committee on 26 February 2018.