

Nam Seng Insurance Public Company Limited
Report and financial statements
31 December 2016

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 2016, the related statements of comprehensive income, changes in 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 2016, 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 under the Royal Patronage of His Majesty the King 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.

Emphasis of matters

I draw attention to the matters as described in Notes 2 and 3 to the financial statements that the Company's financial statements are presented in accordance with the new format as specified in the Notification of the Office of Insurance Commission dated 4 March 2016, which became effective as from 1 January 2016, and the Company adopted revised and new accounting standards as issued by the Federation of Accounting Professions. My opinion is not modified in respect of this matter.

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.

Recognition of revenue from insurance premiums

In 2016, the Company had revenue from insurance premiums amounting to Baht 2,112 million, which was derived from a large number of retail customers. The Company offers insurance in many forms which vary according to the types of insurance, resulting in differences in recognition of revenue from insurance premiums. There is therefore a risk with respect to the timing of revenue recognition.

I assessed and tested the Company's information systems and internal controls relevant to underwriting, recognition of insurance premiums and extended the scope of testing for the internal controls which respond to the timing of revenue recognition in the financial statements. In addition, I selected representative samples of insurance policies and supporting documents to evaluate whether the revenue recognition was consistent with conditions specified in the insurance policies and in accordance with the Company's policy for insurance pricing and revenue recognition. I also reviewed the insurance policies and endorsement transactions occurring during the accounting period, near the end of the period and after the period-end, which were recognised as revenues of the Company. In addition, I performed analytical procedures on disaggregated data to detect possible irregularities in revenue transactions throughout the period, particularly for accounting entries made through journal vouchers.

Insurance contract liabilities - loss reserves

The insurance contract liabilities - loss reserves account is highly significant to the financial statements, and as at 31 December 2016, the balance amounted to Baht 626 million (representing 29 percent of total liabilities). Loss reserve normally include both claims incurred and reported and claims incurred but not reported, which are calculated by the Company's management using actuarial techniques. The key assumptions applied were based on historical data and inherently uncertain. These assumptions require the management to exercise substantial judgment in estimating claims and claim management expenses. Moreover, such estimates are dependent on the accuracy of the data related to the number, amounts and types of both current and historical claims incurred, and the use of incorrect data may in turn affect the amounts of insurance contract liabilities.

I assessed and tested the internal controls relevant to claims, loss adjustments, the estimation of loss reserves and outstanding claims. Moreover, I inquired of responsible executives regarding the criteria and assumptions used by the actuary in calculating the reserve and the use of judgment in making estimates and assessed the judgments made. On a sampling basis, I also selected data used by the actuary in calculating the loss reserves, performed random testing on major claims to examine the reserves and performed analytical procedures on claims reserve. In addition, I involved an internal expert to review the reserve recognised in the accounts by assessing the assumptions and methods used, testing the historical data used by the actuary and comparing the assumptions to those used in the 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.

The engagement partner on the audit resulting in this independent auditor's report is

Mrs. Nonglak Pumnoi.

Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

EY Office Limited

Bangkok: 24 February 2017

Nam Seng Insurance Public Company Limited

Statements of financial position

As at 31 December 2016

(Unit: Baht)

	Note	31 December 2016	31 December 2015 (Restated)	1 January 2015
Assets				
Cash and cash equivalents	6	94,730,839	77,148,715	111,246,000
Premium receivables, net	7, 27	209,801,725	202,753,438	147,298,372
Accrued investment income		7,622,310	9,177,031	18,376,093
Reinsurance assets, net	8	282,183,199	307,087,710	197,079,584
Reinsurance receivables, net	9	83,999,930	59,613,892	43,800,891
Investment assets				
Investments in securities, net	10	2,352,314,271	2,336,153,154	2,163,241,010
Loans, net	11	7,910,779	6,676,020	8,344,815
Properties foreclosed, net		-	1,030,613	7,314,613
Property, buildings and equipment, net	12	196,132,669	165,304,789	147,045,418
Intangible assets, net	13	429,404	399,535	1,056,435
Deferred tax assets	14	117,031,989	105,244,966	90,136,850
Other assets	15	58,170,075	32,641,953	46,640,488
Total assets		3,410,327,190	3,303,231,816	2,981,580,569

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 2016

(Unit: Baht)

	Note	31 December 2016	31 December 2015	1 January 2015
			(Restated)	
Liabilities and equity				
Liabilities				
Insurance contract liabilities	16	1,804,688,115	1,673,576,475	1,453,823,333
Amounts due to reinsurers	17	159,069,669	121,729,874	110,417,997
Income tax payable		3,516,007	311,170	9,118,199
Employee benefit obligations	18	39,630,315	38,761,353	34,330,679
Accrued commissions	27	34,055,926	36,826,890	32,871,014
Other liabilities	19, 27	124,419,360	137,739,184	92,768,588
Total liabilities		<u>2,165,379,392</u>	<u>2,008,944,946</u>	<u>1,733,329,810</u>
Equity				
Share capital				
Registered				
20,000,000 ordinary shares of Baht 10 each		<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Issued and paid-up				
13,900,000 ordinary shares of Baht 10 each		139,000,000	139,000,000	139,000,000
Premium on share capital		594,436,835	594,436,835	594,436,835
Retained earnings				
Appropriated				
Statutory reserve	20	24,848,787	24,848,787	24,848,787
General reserve		6,163,850	6,163,850	6,163,850
Unappropriated		478,991,008	548,794,476	489,436,011
Other components of equity - unrealised gains (losses) on				
change in value of available-for-sale investments	10	1,507,318	(18,957,078)	(5,634,724)
Total equity		<u>1,244,947,798</u>	<u>1,294,286,870</u>	<u>1,248,250,759</u>
Total liabilities and equity		<u>3,410,327,190</u>	<u>3,303,231,816</u>	<u>2,981,580,569</u>

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

Statement of comprehensive income

For the year ended 31 December 2016

(Unit: Baht)

	Note	2016	2015
		(Restated)	
Income			
Gross premium written	27	2,112,199,661	2,015,186,693
Less: Premium ceded to reinsurers		(235,272,189)	(292,204,323)
Net premium written		1,876,927,472	1,722,982,370
Less: Unearned premium reserves increased from prior year		(121,504,811)	(127,459,106)
Net earned premium		1,755,422,661	1,595,523,264
Fee and commission income from reinsurers		69,361,699	91,700,026
Net investment income		72,630,015	67,315,785
Losses on investments		(8,934,528)	(5,708,170)
Fair value gains (losses)		8,256,892	(9,912,434)
Other income	27	24,462,949	23,279,301
Total income		<u>1,921,199,688</u>	<u>1,762,197,772</u>
Expenses			
Claim expenses		1,194,012,869	967,040,380
Less: Claim recoverable from reinsurers		(136,817,567)	(101,046,219)
Claim expenses - net		1,057,195,302	865,994,161
Commission and brokerage expenses	27	279,547,694	284,944,620
Other underwriting expenses		163,567,516	144,694,424
Operating expenses	22, 27	312,811,641	289,013,142
Total expenses	23	<u>1,813,122,153</u>	<u>1,584,646,347</u>
Profit before income tax		<u>108,077,535</u>	<u>177,551,425</u>
Less: Income tax	14	(17,779,981)	(33,911,289)
Profit for the year		<u>90,297,554</u>	<u>143,640,136</u>

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

Nam Seng Insurance Public Company Limited
Statement of comprehensive income (continued)
For the year ended 31 December 2016

(Unit: Baht)

	Note	2016	2015
Other comprehensive income:			
Other comprehensive income to be reclassified			
to profit or loss in subsequent periods			
Gain (loss) on change in value of available-for-sale investments		25,580,494	(16,652,942)
Less: Income tax effect	14	(5,116,098)	3,330,588
Other comprehensive income to be reclassified to profit			
or loss in subsequent periods - net of income tax		20,464,396	(13,322,354)
Other comprehensive income not to be reclassified			
to profit or loss in subsequent periods			
Actuarial losses		(313,777)	(1,102,089)
Less: Income tax effect	14	62,755	220,418
Other comprehensive income not to be reclassified			
to profit or loss in subsequent periods - net of income tax		(251,022)	(881,671)
Other comprehensive income for the year (loss)		20,213,374	(14,204,025)
Total comprehensive income for the year		110,510,928	129,436,111

Earnings per share

Basic earnings per share	25	6.50	10.33
The accompanying notes are an integral part of the financial statements.			

Nam Seng Insurance Public Company Limited

Statement of cash flows

For the year ended 31 December 2016

(Unit: Baht)

	Note	2016	2015
			(Restated)
Cash flows from operating activities			
Direct premium written		2,102,114,536	1,953,251,540
Cash paid on reinsurance		(19,442,039)	(117,013,510)
Interest income		53,835,510	66,169,980
Dividend income		20,349,226	10,344,867
Other investment expenses		-	(2,539,182)
Other income		24,786,526	22,654,366
Claim incurred on direct insurance		(1,153,907,055)	(968,970,897)
Commission and brokerage expenses on direct insurance		(280,309,289)	(275,096,062)
Other underwriting expenses		(163,567,516)	(131,790,428)
Operating expenses		(335,403,113)	(243,738,657)
Income tax		(31,478,267)	(54,275,427)
Investments in securities		3,967,143	(183,036,289)
Loans		(1,234,759)	1,668,794
Net cash from operating activities		219,710,903	77,629,095
Cash flows from investing activities			
Cash flows from			
Property, buildings and equipment		169,274	687,884
Net cash from investing activities		169,274	687,884
Cash flows used in			
Property, buildings and equipment		(42,173,453)	(28,762,749)
Intangible assets		(274,600)	(251,515)
Net cash used in investing activities		(42,448,053)	(29,014,264)
Net cash used in investing activities		(42,278,779)	(28,326,380)
Cash flow from financing activities			
Dividend paid	26	(159,850,000)	(83,400,000)
Net cash use in financing activities		(159,850,000)	(83,400,000)
Net increase (decrease) in cash and cash equivalents		17,582,124	(34,097,285)
Cash and cash equivalents at beginning of year		77,148,715	111,246,000
Cash and cash equivalents at end of year	6	94,730,839	77,148,715

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

Nam Seng Insurance Public Company Limited

Statement of changes in equity

For the year ended 31 December 2016

(Unit: Baht)

	Issued and paid-up share capital	Premium on share capital	Retained earnings			Other components of equity	Unrealised gains (losses) on changes	in values of available-for-sale investments	Total				
			Appropriated										
			Statutory reserve	General reserve	Unappropriated								
Balance as at 1 January 2015	139,000,000	594,436,835	24,848,787	6,163,850	489,436,011	(5,634,724)	1,248,250,759						
Profit for the year	-	-	-	-	143,640,136	-	143,640,136						
Other comprehensive income for the year (loss)	-	-	-	-	(881,671)	(13,322,354)	(14,204,025)						
Total comprehensive income for the year	-	-	-	-	142,758,465	(13,322,354)	129,436,111						
Dividend paid (Note 26)	-	-	-	-	(83,400,000)	-	(83,400,000)						
Balance as at 31 December 2015	139,000,000	594,436,835	24,848,787	6,163,850	548,794,476	(18,957,078)	1,294,286,870						
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 for the year (loss)	-	-	-	-	(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 (Note 26)	-	-	-	-	(159,850,000)	-	(159,850,000)						
Balance as at 31 December 2016	139,000,000	594,436,835	24,848,787	6,163,850	478,991,008	1,507,318	1,244,947,798						

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

Nam Seng Insurance Public Company Limited

Notes to financial statements

For the year ended 31 December 2016

1. Corporate information

Nam Seng Insurance Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The major shareholder is N.S. Alliance Co., Ltd., which was incorporated in Thailand. The Company is principally engaged in the provision of non-life insurance and has 28 sub-branches located in provinces The Company’s registered office is located at 767 Krungthep-Nonthaburi Road, Bangsue, 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, which became effective as from 1 January 2016. The format of the above financial statements has been changed and as a result items in the statements of financial position, comprehensive income and cash flows of the prior year, presented as comparative information, have needed reclassified to be consistent with the current year’s classifications. In addition, the statement of financial position as at 1 January 2015 has been presented as comparative information.

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 Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. 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 significant impact on the Company's financial statements. Financial reporting standards with significant changes that are directly relevant to the Company are as follows:

TFRS 4 (revised 2015) Insurance Contracts

The objective of Thai Financial Reporting Standard No. 4 (TFRS 4) is to specify the financial reporting for insurance contracts issued by any entity (including reinsurance contracts) and the reinsurance contracts held by an entity, and to make limited improvements to accounting for insurance contracts until the second phase of the project on insurance contracts is completed. In particular, this standard requires disclosure that identifies and explains the amounts in an insurer's financial statements arising from insurance contracts and prohibits provisions for possible claims under contracts that are not in existence at the end of the reporting period. In addition, it requires insurers to test for the adequacy of recognised insurance liabilities and perform an impairment test for reinsurance assets, and require insurers to keep insurance liabilities in the statement of financial position until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets. This standard temporarily exempts insurers from some requirements of other standards, including the requirement to consider the framework in selecting accounting policies for insurance contracts.

In addition to stipulating the treatment of insurance contracts, this financial reporting standard also deals with the nature of insurance contracts and requires the disclosure of additional information for insurance contracts related to the assets, liabilities, revenue and expenses recognised in the financial statements, and the nature and scope of the insurance risk arising from insurance contracts.

Initial adoption of this standard has had no significant impact on the Company's financial statements, since the Company's management has already considered and reviewed the classification of insurance contracts (including reinsurance contracts) and reinsurance contracts held by the Company and concluded that all of its insurance contracts meet the definition of insurance contracts under this standard. Furthermore, the stipulations on recording of claim reserves, liability adequacy testing for recognised insurance liabilities, impairment testing for reinsurance assets and recording insurance contract liabilities have no impact on the Company since it had already implemented these before this standard became effective.

3.2 Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is 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 management of the Company believes that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied.

4. 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 reserve.

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

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

(b) Commission and brokerage fee income

Commission and brokerage fees from ceded premium are recognised as income in the period of service provided.

(c) Investment income

Interest income 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) Gain (loss) on investment

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

4.2 Expenses recognition

(a) Premium ceded to reinsurers

Premium ceded to reinsurers is recognised as expense when the insurance risk is transferred to another reinsurance company under relevant direct policies.

(b) Claims expenses

Claims and losses adjustment expenses consist of claims and losses adjustment expenses of direct insurance and reinsurance, and include the amounts of the incurred amounts of claims, related expenses, and loss adjustments of the current and prior period, less residual value and other recoveries (if any), and claims refundable from reinsurers.

Claim recovery from reinsurers is recognised as income 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 set 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.

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 premium receivables as at the end of reporting period. Increase (decrease) in allowance for doubtful accounts is recognised as expenses during the year.

4.6 Reinsurance assets

Reinsurance assets consist of insurance reserve refundable from reinsurers which is estimated based on the related reinsurance contract of loss reserve and unearned premium reserve in accordance with the law regarding insurance reserve calculation.

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.

4.7 Receivables from reinsurance contracts and amount due to reinsurers

- (a) Receivables from reinsurance contracts 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) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- (2) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recorded in profit or loss in when the securities are sold.
- (3) Investments in debt securities, both due within one year and expected to be held to maturity, 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, which the Company classifies as other investments, 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.

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

On disposal of an investment, the difference between net disposal proceeds and the cost of the investment is recognised in profit or loss.

(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 year.

4.9 Property, buildings 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	5 - 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 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, outstanding claims and unearned premium reserves

(a) Loss reserves and outstanding claims

Outstanding claims are recorded at the amount 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 related insurance policies.

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

(b) Unearned premium reserve

Premium reserve consists of unearned premium reserve and unexpired risk reserve.

(1) Unearned premium reserve

Unearned premium reserve is 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 is effective, throughout the period of of not over six-months insurance coverage

Others - Monthly average basis (the one-twenty fourth basis)

Unearned premium reserve of reinsurance is calculated based on ceded premium for reinsurer as the same method with direct insurance that transfer insurance risk to reinsurer throughout the period of insurance coverage.

(2) Unexpired risk reserve

Unexpired risk reserve is the reserve for the future claims that may be incurred in respect of in-force policies. Unexpired risk reserve is set aside using an actuarial method, at the best estimate of the claims that are expected to be incurred during the remaining period of coverage based on historical claims data.

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.

4.13 Employee benefits

Short-term employee benefits

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

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.

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 tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is 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.

Deferred tax

Deferred income tax is 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 asset to be utilised.

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

4.17 Foreign currencies

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

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

Gain and loss on exchange are recorded as 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. Except in case where 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 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.

5.2 Allowance for doubtful accounts on premium receivables, reinsurance assets and reinsurance receivables

In determining an allowance for doubtful accounts 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.

5.3 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.

5.4 Loss reserves

At the end of each reporting period, the Company has to estimate loss reserve and outstanding claims taking into account two factors. These are the claims incurred and reported, and the claims incurred but not reported (IBNR). The ultimate cost of outstanding claims is established using a range of standard actuarial claims projection techniques.

The main assumptions underlying these techniques relate to historical experience, including the development of claims estimates, paid and incurred losses, average costs per claim and claim numbers 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.

5.5 Unexpired risk reserve

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

5.6 Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is 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.

5.7 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)	
	2016	2015
Cash on hand	174,291	143,224
Deposits at banks with no fixed maturity date	94,556,548	77,005,491
Total cash and cash equivalents	94,730,839	77,148,715

As at 31 December 2016 and 2015, saving deposits and fixed deposits carried interests at the rates between 0.00 and 4.00 percent per annum.

7. Premium receivables

The balances as at 31 December 2016 and 2015 of premium receivables from direct insurance are classified by aging from the maturity date under the stipulated law of the premium collection as follows:

	(Unit: Baht)	
	2016	2015
Not yet due	176,259,195	157,542,520
Overdue not longer than 30 days	26,256,003	30,877,276
Overdue 31 days to 60 days	11,686,328	13,004,379
Overdue 61 days to 90 days	2,686,466	3,913,613
Overdue 91 days to 1 year	2,015,406	9,577,688
Over 1 year	9,346,869	7,446,084
Total	228,250,267	222,361,560
Less: Allowance for doubtful accounts	(18,448,542)	(19,608,122)
Premium receivables, net	209,801,725	202,753,438

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)	
	2016	2015
Insurance reserves refundable from reinsurers		
- Loss reserves	131,773,673	127,891,529
- Unearned premium reserves	155,387,870	184,122,757
Less: Allowance for doubtful accounts	<u>(4,978,344)</u>	<u>(4,926,576)</u>
Reinsurance assets, net	<u>282,183,199</u>	<u>307,087,710</u>

9. Reinsurance receivables

	(Unit: Baht)	
	2016	2015
Amounts deposit on reinsurance	2,929	2,929
Amounts due from reinsurers	84,472,038	60,078,215
Total	<u>84,474,967</u>	<u>60,081,144</u>
Less: Allowance for doubtful accounts	<u>(475,037)</u>	<u>(467,252)</u>
Reinsurance receivables, net	<u>83,999,930</u>	<u>59,613,892</u>

The balance of amounts due from reinsurers as at 31 December 2016 and 2015 are classified by aging as follows:

	(Unit: Baht)	
	2016	2015
Not yet due	53,464,300	59,233,410
Not over 12 months	<u>31,007,738</u>	<u>844,805</u>
Total	<u>84,472,038</u>	<u>60,078,215</u>
Less: Allowance for doubtful accounts	<u>(475,037)</u>	<u>(467,252)</u>
Amounts due from reinsurers, net	<u>83,997,001</u>	<u>59,610,963</u>

10. Investments in securities

10.1 Classified by type of investment

	(Unit: Baht)			
	2016		2015	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading investments				
Equity securities	30,063,627	30,426,784	92,389,643	84,187,505
Unit trusts	-	-	7,225,832	7,261,371
Warrant	-	-	-	272,864
Total	30,063,627	30,426,784	99,615,475	91,721,740
Add (less): Unrealised gains (losses)	363,157	-	(7,893,735)	-
Total trading investments	<u>30,426,784</u>	<u>30,426,784</u>	<u>91,721,740</u>	<u>91,721,740</u>
Available-for-sale investments				
Equity securities	34,007,539	38,992,551	20,446,128	22,724,367
Unit trusts	476,155,835	472,119,241	507,322,284	479,676,957
Debentures	80,019,803	80,955,532	40,030,784	41,701,525
Total	590,183,177	592,067,324	567,799,196	544,102,849
Add (less): Unrealised gains (losses)	1,884,147	-	(23,696,347)	-
Less: Allowance for impairment	(6,050,600)	(6,050,600)	(2,280,600)	(2,280,600)
Total available-for-sale investments	<u>586,016,724</u>	<u>586,016,724</u>	<u>541,822,249</u>	<u>541,822,249</u>
Held-to-maturity investments				
Government and state enterprise securities	539,026,495		472,764,180	
Saving lottery	34,550,000		39,550,000	
Private enterprise debt securities	465,246,248		268,246,965	
Deposits at financial institutions which matured over 3 months	695,000,000		920,000,000	
Total held-to-maturity investments	<u>1,733,822,743</u>		<u>1,700,561,145</u>	
Other investments				
Equity securities	2,048,020		2,048,020	
Total other investments	<u>2,048,020</u>		<u>2,048,020</u>	
Investment in securities, net	<u>2,352,314,271</u>		<u>2,336,153,154</u>	

10.2 Remaining period of debt securities

(Unit: Baht)

	2016			
	Period to maturity			
	1 year	1 - 5 years	Over 5 years	Total
<u>Available-for-sale investment</u>				
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
Total available-for-sale investment	-	51,151,583	29,803,948	80,955,531
<u>Held-to-maturity investments</u>				
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
Total debt securities, net	624,066,416	911,019,832	279,692,026	1,814,778,274

(Unit: Baht)

	2015			
	Period to maturity			
	1 year	1 - 5 years	Over 5 years	Total
<u>Available-for-sale investments</u>				
Private enterprise securities				
Debentures	-	40,030,784	-	40,030,784
Add: Unrealised gains	-	1,670,741	-	1,670,741
Total available-for-sale investment	-	41,701,525	-	41,701,525
<u>Held-to-maturity investments</u>				
Government and state enterprise securities				
Government bonds	1,850,000	211,792,826	74,899,843	288,542,669
State enterprise bonds	-	-	113,205,960	113,205,960
State enterprise debentures	30,000,000	31,015,551	10,000,000	71,015,551
Saving lottery	10,000,000	29,550,000	-	39,550,000
Total	41,850,000	272,358,377	198,105,803	512,314,180
Private enterprise securities				
Debentures	15,000,000	117,428,198	135,818,767	268,246,965
Total	15,000,000	117,428,198	135,818,767	268,246,965
Deposits at banks with amounts maturing in over 3 months				
Deposit at commercial banks	700,000,000	220,000,000	-	920,000,000
Total	700,000,000	220,000,000	-	920,000,000
Total held-to-maturity investments	756,850,000	609,786,575	333,924,570	1,700,561,145
Total debt securities, net	756,850,000	651,488,100	333,924,570	1,742,262,670

10.3 Other components of equity - Unrealised gain (loss) on change in value of available-for-sale investments

(Unit: Baht)		
	2016	2015
Balance - beginning of the year	(18,957,078)	(5,634,724)
Change during the year		
Unrealised gain (loss) during the year	21,328,309	(19,571,474)
Realised gain included in profit or loss	4,252,185	2,918,532
Other comprehensive income (loss)	25,580,494	(16,652,942)
Related income tax	(5,116,098)	3,330,588
Net comprehensive income for the year (loss)	20,464,396	(13,322,354)
Balance - end of the year	<u>1,507,318</u>	<u>(18,957,078)</u>

10.4 Investments subject to restriction

As at 31 December 2016 and 2015, certain bonds has been pledged with the Registrar of the Office of Insurance Commission and have been placed as a security in the normal course of business as discussed in Notes 28 and 29.

As at 31 December 2016, bond, saving lottery and deposits at financial institutions which matured over 3 months amounting to Baht 18.1 million have been restricted in respect of normal course of business (2015: Baht 20.3 million).

11. Loans

As at 31 December 2016 and 2015, loans and accrued interest aged by principal and accrued interest are as follows:

2016								(Unit: Baht)
Outstanding period	Mortgage loans		Others		Total		Accrued	Total
	Principal	interest	Principal	interest	Principal	interest		
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 accrued interest - net	<u>5,962,431</u>	<u>1,319</u>	<u>1,948,348</u>	<u>-</u>	<u>7,910,779</u>	<u>1,319⁽¹⁾</u>		<u>7,912,098</u>

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

2015								(Unit: Baht)
Outstanding period	Mortgage loans		Other loans		Total		Accrued	Total
	Principal	interest	Principal	interest	Principal	interest		
Not yet due	6,300,255	1,409	375,765	-	6,676,020	1,409		6,677,429
Overdue more than 12 months	-	-	314,526	203,847	314,526	203,847		518,373
Total	6,300,255	1,409	690,291	203,847	6,990,546	205,256		7,195,802
Less: Allowance for doubtful accounts	-	-	(314,526)	(203,847)	(314,526)	(203,847)		(518,373)
Loans and accrued interest - net	<u>6,300,255</u>	<u>1,409</u>	<u>375,765</u>	<u>-</u>	<u>6,676,020</u>	<u>1,409⁽¹⁾</u>		<u>6,677,429</u>

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

The credit limits on employee loans that are secured by personal guarantees is set at 20 times of the employee's monthly salary, and not exceed Baht 500,000. If loans are secured by the mortgage of property, the credit limit is 90% of the assessed value of the property. Also taken into account is the purpose of the loan, ability to settle the debt, while the interest rate may be set higher or lower than MLR of a commercial bank.

12. Property, buildings and equipment

(Unit: Baht)

	Land	Buildings and building improvements	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
Cost:						
1 January 2015	102,037,866	107,707,777	88,953,656	11,242,862	-	309,942,161
Additions	3,840,000	5,760,000	8,624,126	1,148,000	9,390,623	28,762,749
Transfer during the year	1,785,000	4,504,404	2,785,219	-	(9,074,623)	-
Disposals / write-off	-	-	(5,938,772)	(2,189,530)	-	(8,128,302)
31 December 2015	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 during the year	-	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
Accumulated depreciation:						
1 January 2015	-	78,892,494	76,096,411	7,907,838	-	162,896,743
Depreciation for the year	-	3,862,221	5,497,976	1,080,462	-	10,440,659
Depreciation on disposals/write-off	-	-	(5,876,056)	(2,189,527)	-	(8,065,583)
31 December 2015	-	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
Net book value:						
31 December 2015	107,662,866	35,217,466	18,705,898	3,402,559	316,000	165,304,789
31 December 2016	124,402,866	41,129,110	25,726,385	2,590,308	2,284,000	196,132,669
Depreciation for the year						
2015						10,440,659
2016						10,852,722

As at 31 December 2016, certain buildings and equipment have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 113.8 million (2015: Baht 106.0 million).

13. Intangible assets

(Unit: Baht)

	Computer software
Cost	
1 January 2015	6,868,823
Additions	251,515
Write-off	<u>(2,928,970)</u>
31 December 2015	4,191,368
Addition	<u>274,600</u>
31 December 2016	<u>4,465,968</u>
Accumulated amortisation	
1 January 2015	5,812,388
Amortisation charge for the year	908,186
Amortisation on write-off	<u>(2,928,741)</u>
31 December 2015	3,791,833
Amortisation charge	<u>244,731</u>
31 December 2016	<u>4,036,564</u>
Net book value	
31 December 2015	<u>399,535</u>
31 December 2016	<u>429,404</u>
Amortisation for the year	
2015	<u>908,186</u>
2016	<u>244,731</u>

As at 31 December 2016, certain computer software items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 3.6 million (2015: Baht 3.5 million).

14. Deferred tax assets / liabilities and income tax

14.1 Deferred tax assets and liabilities

As at 31 December 2016 and 2015, the components of deferred tax assets arose from the following temporary differences:

	(Unit: Baht)	
	2016	2015
Deferred tax assets		
Allowance for doubtful accounts	6,080,947	5,757,184
Premium reserves	54,479,548	42,494,194
Loss reserves of claims incurred but not yet reported	20,296,464	16,879,257
Loss reserves of claims incurred and reported	28,698,427	25,944,753
Employee benefits obligations	7,926,063	7,752,271
Unrealised losses on changes in values of available-for-sale investments	-	4,739,269
Unrealised losses on changes in values of trading investments	-	1,678,038
Total	<u>117,481,449</u>	<u>105,244,966</u>
Deferred tax liabilities		
Unrealised gains on changes in values of available-for-sale investments	376,829	-
Unrealised gains on changes in values of trading investments	72,631	-
Total	<u>449,460</u>	<u>-</u>
Deferred tax assets, net	<u>117,031,989</u>	<u>105,244,966</u>

14.2 Income tax

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

	(Unit: Baht)	
	2016	2015
Current income tax:		
Current income tax charge	34,620,348	45,468,399
Deferred tax:		
Relating to origination and reversal of temporary differences	(16,840,367)	(11,557,110)
Income tax expense reported in the statements of comprehensive income		
	<u>17,779,981</u>	<u>33,911,289</u>

The amounts of income tax relating to each component of other comprehensive income for the year ended 31 December 2016 and 2015 are as follows:

	(Unit: Baht)	
	2016	2015
Deferred tax relating to:		
Revaluation surplus (deficit) on investments during the year	(4,265,661)	3,914,295
Gains (losses) on sales of available-for-sale investments during the year transferred to recognised in profit or loss	(850,437)	(583,707)
Actuarial losses	62,755	220,418
	<hr/>	<hr/>
	(5,053,343)	3,551,006
	<hr/>	<hr/>

The reconciliation between accounting profit and income tax expenses for the year ended 31 December 2016 and 2015 are shown below:

	(Unit: Baht)	
	2016	2015
Accounting profits before tax	<hr/>	<hr/>
	108,077,535	177,551,425
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by applicable tax rate	21,615,507	35,510,285
Net tax effect on income or expenses that are not taxable or not deductible in determining taxable profits	(3,835,526)	(1,598,996)
Income tax expenses reported in the statements of comprehensive income	<hr/>	<hr/>
	17,779,981	33,911,289

15. Other assets

	(Unit: Baht)	
	2016	2015
Advances	26,005,535	1,509,660
Prepaid expenses	757,081	740,579
Undue input tax	2,837,008	3,594,113
Claim receivable from litigants	1,899,580	3,099,100
Postdate cheque	3,841,762	5,600,761
Receivable from disposals of securities	7,071,080	2,001,832
Others	15,758,029	16,095,908
Total other assets	<hr/>	<hr/>
	58,170,075	32,641,953

16. Insurance contract liabilities

(Unit: Baht)

	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 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>

(Unit: Baht)

	2015		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
- Claims incurred and reported	486,136,957	(105,708,399)	380,428,558
- Claims incurred but not reported	101,652,842	(17,256,554)	84,396,288
Unearned premium reserves	<u>1,085,786,676</u>	<u>(184,122,757)</u>	<u>901,663,919</u>
Total	<u>1,673,576,475</u>	<u>(307,087,710)</u>	<u>1,366,488,765</u>

During the years 2016 and 2015, the management of the Company entered into reinsurance agreements in order to mitigate insurance risk. Although positions are managed on net basis by management. However, insurance contract liabilities disclosures have been made on both gross and net basis in order to provide comprehensive set of disclosures.

16.1 Assumptions

The key assumption underlying the valuation of policy liabilities, especially with regards to claims reserves and related expenses, is that the future development of claims is similar to the past. Other relevant assumptions include 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 between ultimate claim liabilities and earned premiums. This assumption is selected based on experiences and ultimate loss ratios from previous accident periods.

(b) First claims development factor

First claims development factor is the ratio between cumulative incurred claims at the second 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 incurred but not reported claim liabilities for the most recent accident periods.

16.2 Loss reserves

	(Unit: Baht)	
	2016	2015
Balance - beginning of the year	587,789,799	589,582,528
Claim expenses for the year	1,204,097,037	995,453,587
Changes in loss reserves	(37,112,423)	(61,667,469)
Changes in assumption	27,028,255	26,622,365
Claim expenses paid during the year	(1,155,671,153)	(962,201,212)
Balance - end of the year	<u>626,131,515</u>	<u>587,789,799</u>

16.3 Claims development table

(a) Gross claims table

Accident year / Reporting year	2011	2012	2013	2014	2015	2016	Total
Outstanding claim provision:							
- as at accident year	1,440.3	798.6	940.8	884.9	982.1	1,125.2	
- Next one year	1,250.2	705.4	979.6	876.9	1,023.2		
- Next two years	1,069.3	681.3	942.0	859.2			
- Next three years	1,071.4	682.0	943.8				
- Next four years	1,072.7	681.5					
- Next five years	1,073.1						
Cumulative claim estimates	1,073.1	681.5	943.8	859.2	1,023.2	1,125.2	
Cumulative payment to date	(982.2)	(678.6)	(934.2)	(834.5)	(976.7)	(726.6)	
Total	<u>90.9</u>	<u>2.9</u>	<u>9.6</u>	<u>24.7</u>	<u>46.5</u>	<u>398.6</u>	<u>573.2</u>
Unallocated loss adjustment expenses							30.1
Accident has occurred in prior year 2011							17.5
Others							5.3
Total gross loss reserves							<u>626.1</u>

(b) Net claims table

Accident year / Reporting year	2011	2012	2013	2014	2015	2016	Total
Outstanding claim provision:							
- as at accident year	792.7	767.8	873.5	839.0	873.6	1,002.8	
- Next one year	735.2	683.2	910.0	836.8	898.9		
- Next two years	699.5	659.0	873.0	820.2			
- Next three years	702.5	659.5	874.9				
- Next four years	703.0	659.1					
- Next five years	702.5						
Cumulative claim estimates	702.5	659.1	874.9	820.2	898.9	1,002.8	
Cumulative payment to date	(694.8)	(657.7)	(866.6)	(797.1)	(854.5)	(635.5)	
Total	<u>7.7</u>	<u>1.4</u>	<u>8.3</u>	<u>23.1</u>	<u>44.4</u>	<u>367.3</u>	452.2
Unallocated loss adjustment expenses							30.1
Accident has occurred in prior year 2011							17.1
Total net loss reserves							<u>499.4</u>

16.4 Unearned premium reserves

	2016	2015
Balance - beginning of the year	1,085,786,676	864,240,805
Premium written for the year	2,112,199,661	2,015,186,693
Premium earned for the current year	<u>(2,019,429,737)</u>	<u>(1,793,640,822)</u>
Balance - end of the year	<u>1,178,556,600</u>	<u>1,085,786,676</u>

17. Amounts due to reinsurers

	2016	2015
Amounts withheld on reinsurance	99,593,519	33,666,698
Other reinsurance payables	<u>59,476,150</u>	<u>88,063,176</u>
Total amounts due to reinsurers	<u>159,069,669</u>	<u>121,729,874</u>

18. Employee benefit obligations

Provision for long-term employee benefits, which is compensation on employees' retirement for the years ended 31 December 2016 and 2015 are made up as follows:

	(Unit: Baht)	
	2016	2015
Provision for long-term employee benefits		
at beginning year	38,761,353	34,330,679
Current service costs	2,947,209	2,263,669
Interest costs	945,756	1,064,916
Actuarial (gain) loss:		
Demographic assumptions changes	(2,111,344)	-
Financial assumptions changes	455,926	1,102,089
Experience adjustments	1,969,195	-
Benefits paid during the year	<u>(3,337,780)</u>	<u>-</u>
Provision for long-term employee benefits	<u>39,630,315</u>	<u>38,761,353</u>

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 9.7 years and the Company expects to pay Baht 6.6 million of long-term employee benefits during the next year (2015: 13 years, Baht 2.6 million).

Principal actuarial assumptions at the valuation date were as follows:

	(Unit: % per annum)	
	2016	2015
Discount rate	2.7	2.8
Future salary increase rate	5.0	4.5 - 7.0
Staff turnover rate (depending on age)	8.0 - 18.0	7.0 - 18.0

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below:

	(Unit: Million Baht)			
	2016		2015	
	Assumption change	Increase (decrease) in provision for long-term employee benefits	Assumption change	Increase (decrease) in provision for long-term employee benefits
Discount rate	Increase 1.0%	(2.5)	Increase 1.0%	(2.7)
	Decrease 1.0%	2.8	Decrease 1.0%	3.0
Salary increasing rate	Increase 1.0%	2.9	Increase 1.0%	3.7
	Decrease 1.0%	(2.6)	Decrease 1.0%	(3.3)
Staff turnover rate	Increase 10.0%	(1.3)	Increase 20.0%	(2.7)
	Decrease 10.0%	1.4	Decrease 20.0%	3.2

19. Other liabilities

	(Unit: Baht)	
	2016	2015
Account payable - Revenue Department	7,409,362	6,823,477
Withholding tax payable	3,083,435	2,157,958
Undue output tax	11,297,111	12,073,271
Accrued employee benefit expenses	27,234,917	28,743,928
Accrued expenses	15,123,604	16,707,296
Deposits from brokers	32,408,826	44,669,564
Others	27,862,105	26,563,690
Total other liabilities	124,419,360	137,739,184

20. 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. 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 in the Company.

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.

For year ended 31 December 2016, the Company has premium income from one major broker amounting to Baht 889.9 million, arising from the motor insurance segment. (2015: Baht 888.0 million).

Segment profit or loss for the year ended 31 December 2016 and 2015 are as follows:

(Unit: Baht)

	Motor insurance		Others insurance		Total	
	2016	2015	2016	2015	2016	2015
		(Restated)		(Restated)		(Restated)
Underwriting income						
Gross premium written	1,537,039,052	1,518,370,117	575,160,609	496,816,576	2,112,199,661	2,015,186,693
Less: Premium ceded to reinsurers	(9,917,770)	(9,146,202)	(225,354,419)	(283,058,121)	(235,272,189)	(292,204,323)
Net premium written	1,527,121,282	1,509,223,915	349,806,190	213,758,455	1,876,927,472	1,722,982,370
Add (less): Unearned premium reserves (increased) decreased from prior year	4,735,236	(49,126,266)	(126,240,047)	(78,332,840)	(121,504,811)	(127,459,106)
Net earned premium	1,531,856,518	1,460,097,649	223,566,143	135,425,615	1,755,422,661	1,595,523,264
Fee and commission income from reinsurers	-	-	69,361,699	91,700,026	69,361,699	91,700,026
Total underwriting income	1,531,856,518	1,460,097,649	292,927,842	227,125,641	1,824,784,360	1,687,223,290
Underwriting expenses						
Claim expenses	902,703,936	789,959,360	291,308,933	177,081,020	1,194,012,869	967,040,380
Less: Claim recoverable from reinsurers	(100)	-	(136,817,467)	(101,046,219)	(136,817,567)	(101,046,219)
Commission and brokerage expenses	239,794,307	238,735,685	39,753,387	46,208,935	279,547,694	284,944,620
Other underwriting expenses	106,608,657	91,521,085	56,958,859	53,173,339	163,567,516	144,694,424
Total underwriting expenses before operating expenses	1,249,106,800	1,120,216,130	251,203,712	175,417,075	1,500,310,512	1,295,633,205
Profit from underwriting before operating expenses						
operating expenses	282,749,718	339,881,519	41,724,130	51,708,566	324,473,848	391,590,085
Operating expenses					312,811,641	289,013,142
Profit from underwriting					11,662,207	102,576,943
Net investment income					72,630,015	67,315,785
Losses on investments					(8,934,528)	(5,708,170)
Fair value losses gains (losses)					8,256,892	(9,912,434)
Other income					24,462,949	23,279,301
Profit before income tax					108,077,535	177,551,425
Income tax					(17,779,981)	(33,911,289)
Profit for the year					90,297,554	143,640,136

Segments assets and liabilities as at 31 December 2016 and 2015 are as follows:

			Unallocated assets/liabilities	(Unit: Baht)
	Motor insurance	Others insurance		Total
Assets				
31 December 2016	165,153,281	410,831,573	2,834,342,336	3,410,327,190
31 December 2015	177,515,184	391,939,855	2,733,776,777	3,303,231,816
Liabilities				
31 December 2016	1,217,615,225	783,938,594	163,825,573	2,165,379,392
31 December 2015	1,218,351,360	617,388,705	173,204,881	2,008,944,946

22. Operating expenses

	2016	2015	(Unit: Baht)
Personnel expenses	105,201,283	98,306,877	
Property and equipment expenses	69,437,777	72,027,974	
Taxes and duties	1,273,734	1,141,023	
Reversal of bad debts and doubtful accounts	(2,029,656)	(11,561,032)	
Other operating expenses	138,928,503	129,098,300	
Total operating expenses	<u>312,811,641</u>	<u>289,013,142</u>	

23. Expenses by nature

	2016	2015	(Unit: Baht)
Claim and loss adjustment expenses	979,672,127	791,248,585	
Commission and brokerage expenses	279,547,694	284,944,620	
Contribution expenses	53,192,612	42,007,584	
Other underwriting expenses	67,844,750	63,393,264	
Employees expenses	225,254,612	212,346,029	
Premises and equipment expenses	69,437,777	72,027,974	
Reversal of bad debts and doubtful accounts	(2,029,656)	(11,561,032)	
Advertising expenses	103,767,286	93,955,754	
Others expenses	36,434,951	36,283,569	
Total expenses by nature	<u>1,813,122,153</u>	<u>1,584,646,347</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 ranging 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 year ended 31 December 2016, the Company contributed approximately Baht 8.5 million to the fund (2015: Baht 7.9 million).

25. Earning per shares

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

26. Dividend paid

Detail of dividend declared in 2016 and 2015 are as follows:

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
The interim dividends for 2016	Meeting of Board of Directors on 26 September 2016	34.75	2.5
Final dividends for 2015	Annual General Meeting of the shareholders on 28 March 2016	125.10	9.0
Total		<u>159.85</u>	
Final dividends for 2014	Annual General Meeting of the shareholders on 29 April 2015	<u>83.40</u>	6.0

27. Related party transactions

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

27.1 Related party transactions

During the years 2016 and 2015, the Company had significant business transactions with related parties. Such transactions, which are 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: Baht)	
	2016	2015
Transactions with related parties		
Premium written⁽²⁾		
Dung Seng Insurance Broker Co., Ltd. ⁽¹⁾	889.9	888.0
Asia Hotel Plc.	1.8	1.7
Zeer Property Plc.	5.5	5.1
Asia Airport Hotel Co., Ltd.	1.2	1.1
Asia Pattaya Hotel Co., Ltd.	0.8	0.7
Commission and brokerage expenses		
Dung Seng Insurance Broker Co., Ltd.	152.3	152.7
Service fee of building space⁽³⁾		
N.S.B. Co., Ltd.	11.8	11.8
Cost of the rental⁽⁴⁾		
N.S.B. Co., Ltd.	8.2	8.3

⁽¹⁾ Premium written from non-life insurance brokers

⁽²⁾ Present in "Gross premium written" in statements of comprehensive income

⁽³⁾ Present in "Operating expenses" in statements of comprehensive income

⁽⁴⁾ Recognised as a deduction item in other income in statements of comprehensive income

Transaction with related parties	Transfer pricing policy
Premium written	Normal commercial terms for underwriting
Commission and brokerage expenses	Consistent with those paid to other brokers and not exceed the rate stipulated by the Office of Insurance Commission
Service fee of building space	Contract price
Cost of the rental	Contract price

27.2 Outstanding balances

As at 31 December 2016 and 2015, the balances of the accounts between the Company and those related companies are as follows:

	(Unit: Million Baht)	
	2016	2015
Premium receivables		
Dung Seng Insurance Broker Co., Ltd.	177.3	141.5
Accrued commissions		
Dung Seng Insurance Broker Co., Ltd.	30.5	24.0
Other liabilities		
N.S.B. Co., Ltd.	1.7	1.7

27.3 Directors and management's benefits

During the years ended 31 December 2016 and 2015, the Company had employee benefit expenses incurred on directors and key management as below.

	(Unit: Million Baht)	
	2016	2015
Short-term employee benefits	20.7	19.1
Long-term employee benefits	1.4	0.6
Total	<u>22.1</u>	<u>19.7</u>

28. Securities placed with the Registrar

As at 31 December 2016 and 2015, the Company has pledged its securities with the Registrar in accordance with the Non-life Insurance Act as follows:

	(Unit: Baht)			
	2016		2015	
	Cost	Fair value	Cost	Fair value
Stated enterprise bonds	<u>14,000,000</u>	<u>14,405,113</u>	<u>14,000,000</u>	<u>14,432,513</u>

29. Assets reserved with the Registrar

As at 31 December 2016 and 2015, the Company has pledged its securities as non-life insurance reserve with the Registrar in accordance with the Non-life Insurance Act as follows:

	(Unit: Baht)			
	2016		2015	
	Cost	Fair value	Cost	Fair value
Government and state enterprise bonds	210,000,000	218,138,759	180,000,000	189,747,258

30. Contribution to the General Insurance Fund

	(Unit: Baht)	
	2016	2015
Accumulated contribution at the beginning of the year	23,510,439	18,496,351
Contribution during the year	5,272,746	5,014,088
Accumulated contribution at the end of the year	<u>28,783,185</u>	<u>23,510,439</u>

31. Commitments and contingent liabilities

31.1 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 2016 and 2015, future minimum lease payments generally between required under these non-cancellable operating leases contracts were as follows:

	(Unit: Million Baht)	
	2016	2015
Payable:		
In up to 1 year	1.6	22.1
In over 1 and up to 3 years	0.8	1.4

31.2 Litigation

As at 31 December 2016, the Company had litigation claims as an insurer. The outcomes of the cases have not yet been finalised whereby the maximum responsibility of the sum sued totalling Baht 514.6 million (2015: Baht 492.1 million). However, the Company has set aside reserve for its losses totaling Baht 44.6 million (2015: Baht 52.7 million) in the financial statements.

32. Non-life insurance company's risk

32.1 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 sets insurance premiums in accordance with associated risks after considering relevant information. Risk evaluation has been done and underwriting staffs are trained. Insurance policy moreover is regularly reviewed.

(b) Loss reserve

Loss reserve has been accurately and adequately set and adjusted. It was moreover calculated by actuary in order to ensure that it is accurate.

(c) Reinsurance

Some associated risks have been transferred to reinsurers with strong financial position. 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 are achieved and reports the Board of Directors every quarter. The Company's products and distribution channels have been diversified.

Concentration of insurance contract liabilities as at 31 December 2016 and 2015, segregated by insurance type, are shown below.

	(Unit: Million Baht)					
	2016			2015		
	Gross premium reserves	Outward premium reserve	Net	Gross premium reserves	Outward premium reserve	Net
Fire	16.4	(8.4)	8.0	21.2	(12.5)	8.7
Marine and transportation	10.3	(7.2)	3.1	11.0	(8.1)	2.9
Motor	750.9	-	750.9	755.7	-	755.7
Personal accident	358.0	(104.3)	253.7	259.2	(130.5)	128.7
Miscellaneous	43.0	(35.5)	7.5	38.7	(33.0)	5.7
Total	<u>1,178.6</u>	<u>(155.4)</u>	<u>1,023.2</u>	<u>1,085.8</u>	<u>(184.1)</u>	<u>901.7</u>

	(Unit: Million Baht)					
	2016			2015		
	Gross loss reserves	Outward loss reserves	Net	Gross loss reserves	Outward loss reserves	Net
Fire	2.0	(0.8)	1.2	10.3	(8.9)	1.4
Marine and transportation	5.9	(4.1)	1.8	4.4	(3.2)	1.2
Motor	430.6	-	430.6	425.4	-	425.4
Personal accident	85.7	(34.5)	51.2	52.6	(24.3)	28.3
Miscellaneous	101.9	(87.4)	14.5	95.1	(86.6)	8.5
Total	<u>626.1</u>	<u>(126.8)</u>	<u>499.3</u>	<u>587.8</u>	<u>(123.0)</u>	<u>464.8</u>

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 effect to the loss reserves as at 31 December 2016 are summarised below.

	2016				
	Assumption change	Increase (decrease) in gross claim liabilities	Increase (decrease) in net claim liabilities	Increase (decrease) in profit before tax	Increase (decrease) in equity
Expected loss ratios for the most recent accident year	Increase 10%	13.0	10.3	(10.3)	(8.2)
	Decrease 10%	(12.9)	(10.4)	10.4	8.3
First claims development factor	Increase 10%	23.3	21.1	(21.1)	(16.9)
	Decrease 10%	(23.4)	(21.1)	21.1	16.9

32.2 Financial instruments and risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, premium receivables, reinsurance assets, reinsurance receivables, investments in securities, loans, amounts due to reinsurers and restricted deposits at financial institutions. The financial risks associated with these financial instruments and how they are managed is described below.

(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, reinsurance receivables and amounts due to reinsurers. 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 2016 and 2015, significant financial assets classified by type of interest rate are 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)

	2016						
	Fixed interest rates			Floating			Interest rate (% p.a)
	Within 1 year	1 - 5 years	Over 5 years	interest rate	Non-interest Bearing	Total	
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	

(Unit: Million Baht)

	2015						
	Fixed interest rates			Floating			Interest rate (% p.a)
	Within 1 year	1 - 5 years	Over 5 years	interest rate	Non-interest Bearing	Total	
Cash equivalent	63.6	-	-	-	13.4	77.0	0.00% - 1.60%
Investments in securities							
Government and state enterprise securities	31.8	242.8	198.1	-	-	472.7	3.01% - 7.20%
Private enterprise debt securities	15.0	159.1	135.8	-	-	309.9	3.22% - 5.75%
Deposits at financial institutions	700.0	220.0	-	-	-	920.0	1.75% - 4.00%
Saving lottery	10.0	29.6	-	-	-	39.6	0.83% - 1.42%
Loans, net	-	-	-	6.7	-	6.7	2.00% - 12.50%
Total	<u>820.4</u>	<u>651.5</u>	<u>333.9</u>	<u>6.7</u>	<u>13.4</u>	<u>1,825.9</u>	

Cash, premium receivables, investments in equity securities, reinsurance asset, reinsurance receivables and amount due to reinsurers are financial assets and financial liabilities which no interest rate. So 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 2016 and 2015, the Company has risk from its investments in securities of which the price will 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 financial assets and liabilities as of 31 December 2016 and 2015 are as follow:

							(Unit: Million Baht)
							2016
							Total
	At call	Less than 1 year	Over 1 - 5 years	5 years	Unspecified		
<u>Financial assets</u>							
Cash and cash equivalent	94.7	-	-	-	-	-	94.7
Premium receivables	-	209.8	-	-	-	-	209.8
Reinsurance receivables	-	84.0	-	-	-	-	84.0
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	
<u>Reinsurance assets</u>							
Loss reserves recovery from reinsurers	-	37.0	6.6	83.2	-	126.8	
<u>Financial liabilities</u>							
Amount due to reinsurers	-	159.1	-	-	-	-	159.1
<u>Insurance liabilities</u>							
Loss reserve	-	451.5	83.7	90.9	-	626.1	
							(Unit: Million Baht)
							2015
							Total
	At call	Less than 1 year	Over 1 - 5 years	5 years	Unspecified		
<u>Financial assets</u>							
Cash and cash equivalent	77.1	-	-	-	-	-	77.1
Premium receivables	-	202.7	-	-	-	-	202.7
Reinsurance receivables	-	59.6	-	-	-	-	59.6
Investments in securities	591.8	756.9	651.5	333.9	2.0	2,336.1	
Loans	-	0.1	4.2	2.4	-	6.7	
<u>Financial liabilities</u>							
Amounts due to reinsurers	-	121.7	-	-	-	-	121.7

32.3 Fair value of financial instruments

As at 31 December 2016 and 2015, 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:

	2016					(Unit: Million Baht)
	Carrying value	Fair value				
		Level 1	Level 2	Level 3	Total	
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	
Unit trusts	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	
Other investments	2.0	-	-	-	2.0	2.0
Loans	7.9	-	-	-	7.9	7.9

(Unit: Million Baht)

	31 December 2015				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Trading investments					
Equity securities	84.2	84.2	-	-	84.2
Unit trusts	7.3	-	7.3	-	7.3
Warrant	0.3	0.3	-	-	0.3
Available-for-sale investments					
Equity securities	22.7	22.7	-	-	22.7
Unit trusts	477.4	73.8	-	403.6	477.4
Debenture	41.7	-	41.7	-	41.7
Financial assets disclosed at fair value					
Cash and cash equivalents	77.1	77.1	-	-	77.1
Held-to-maturity investments					
Government and state enterprise securities	472.8	-	494.2	-	494.2
Savings lottery	39.5	-	39.5	-	39.5
Private enterprise debt securities	268.2	-	276.5	-	276.5
Deposits at financial institutions which matured over 3 months	920.0	920.0	-	-	920.0
Other investments	2.0	-	-	2.0	2.0
Loans	6.7	-	-	6.7	6.7

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 value of cash, cash equivalents and deposit at financial institutions are approximated their carrying value.
- b) Investments in debts securities (government and state enterprise securities and private debt securities), their fair value 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 value is derived from quoted market price. Fair value of investments in mutual funds is derived from quoted market price or determined by using the net asset value per share as announced by asset management companies. 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.

33. 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.

34. Events after the reporting period

On 24 February 2017, the Board of Directors' Meeting passed a resolution to propose to the Annual General Meeting of the Shareholders for approval dividends in respect of the operating results for the last six months of year 2016 at Baht 1.4 per share, amounting to a total dividend of Baht 19.46 million.

35. Reclassification

The Company has presented the current year financial statements to conform to new Notification of the OIC. Therefore, the Company reclassified certain items in prior year's financial statements for comparative purposes to consistent with current's year classifications. The reclassification does not have impact to profit or owner's equity as previously reported. The reclassification are summarised below.

(Unit: Baht)

	31 December 2015		1 January 2015	
	As reclassified	As previously reported	As reclassified	Previous brought forward balances
Statements of financial position				
Assets:				
Premium receivables, net	202,753,438	202,783,168	147,298,372	147,471,614
Reinsurance assets, net	307,087,710	366,671,872	197,079,584	240,707,233
Reinsurance receivables, net	59,613,892	-	43,800,891	-
Investment assets, net	2,336,153,154	-	2,163,241,010	-
Trading investments	-	91,721,740	-	80,578,902
Available-for-sale investments	-	541,822,249	-	328,166,988
Held-to-maturity investments	-	1,700,561,145	-	1,752,447,100
Other investments	-	2,048,020	-	2,048,020
Total	2,905,608,194	2,905,608,194	2,551,419,857	2,551,419,857
Liabilities:				
Insurance contract liabilities	1,673,576,475	-	1,453,823,333	-
Loss reserves and outstanding claims	-	587,789,799	-	589,582,528
Premium reserves	-	1,085,786,676	-	864,240,805
Employee benefit obligations	38,761,353	67,505,281	34,330,679	56,320,769
Other liabilities	137,739,184	108,995,256	92,768,588	70,778,498
Total	1,850,077,012	1,850,077,012	1,580,922,600	1,580,922,600

(Unit: Baht)

For the year ended 31 December 2015

Statements of comprehensive income

Revenues:

	As reclassified	As previously reported
Gross premium written	2,015,186,693	-
Premium ceded to reinsurers	(292,204,323)	-
Unearned premium reserves increased from prior year	(127,459,106)	-
Total net earned premium	<u>1,595,523,264</u>	<u>1,595,523,264</u>

Expenses:

	As reclassified	As previously reported
Claim expenses	967,040,380	-
Claim recoverable from reinsurers	(101,046,219)	-
Claims expenses - net	865,994,161	865,994,161
Other underwriting expenses	144,694,424	102,686,840
Contributions to Road Accident Victims Protection		
Company Limited	-	29,103,588
Contributions to the Office of Insurance Commission	-	5,514,105
Contributions to the General Insurance Fund	-	5,014,088
Contributions to the Victims Compensation Fund	-	2,375,803
Total	<u>1,010,688,585</u>	<u>1,010,688,585</u>

36. Approval of the financial statements

These financial statements were authorised for issue by the Audit Committee on 24 February 2017.