

Nam Seng Insurance Public Company Limited  
Report and financial statements  
31 December 2020

## **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 2020, the related statements of comprehensive income, changes in owners' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nam Seng Insurance Public Company Limited as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

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

## **Key Audit Matters**

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

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

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

### **Gross premium written**

In 2020, the Company had revenue from gross premium written of Baht 2,289 million which insurance to retail customers through brokers and agents and there were a large number of insurance policies issued. Calculation and recognition of gross premium written as revenue were dependent upon the information technology systems. I therefore focused on examining that gross premium written was appropriately recognised as revenue as actually incurred.

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

## **Loss reserves**

As discussed in Note 18 to the financial statements, as at 31 December 2020, the Company had loss reserves of Baht 550 million (included in insurance contract liabilities), representing 21 percent of total liabilities. Loss reserves include both claims incurred and reported and claims incurred but not yet reported. Such reserves were calculated using actuarial method, which involved certain assumptions that required the management to exercise a high level of judgment. I therefore focused on examining the adequacy of loss reserves.

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

## **Liability adequacy test for long-term insurance policy reserves**

As described in Note 18 to the financial statements, as at 31 December 2020, the Company had long-term insurance policy reserves amounting to Baht 505 million (included in insurance contract liabilities), representing 19 percent of total liabilities, which were set aside for policies in force as at 31 December 2020, with reference to the Unearned Premium Reserve method. The Company tests the adequacy of such reserves by comparing them to the reserve amounts determined using the Gross Premium Valuation method. If the reserves are found to be inadequate, the Company recognises the shortfall as an expense and presents the gross premium valuation reserve in the financial statements. The Gross Premium Valuation method involves the use of assumptions regarding matters such as incident rate, accidental death rate, lapse rate, expense as well as discount rate. Changes in such assumptions will affect the amount of long-term insurance policy reserves. The Company's management is required to exercise considerable judgement in selecting and applying these assumptions. I therefore focused on examining the adequacy of long-term insurance policy reserves.

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

### **Other Information**

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

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

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

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

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Narissara Chaisuwan  
Certified Public Accountant (Thailand) No. 4812

EY Office Limited  
Bangkok: 24 February 2021

**Nam Seng Insurance Public Company Limited****Statement of financial position****As at 31 December 2020**

		(Unit: Baht)	
	Note	2020	2019
<b>Assets</b>			
Cash and cash equivalents	7	590,036,598	48,933,194
Premium receivables - net	8	235,769,808	194,685,245
Accrued investment income - net		9,697,530	17,188,657
Reinsurance assets - net	9	141,806,822	167,470,378
Reinsurance receivables - net	10	93,735,781	207,739,953
Derivative asset - warrant		165,130	-
Investment assets			
Investments in securities - net	11	2,475,835,401	2,799,512,821
Loans - net	12	7,650,757	7,492,590
Property foreclosed - net		8,590,942	8,590,942
Premises and equipment - net	13	168,314,656	172,390,209
Right-of-use assets	14.1	4,273,036	-
Intangible assets - net	15	3,793,854	3,740,641
Deferred tax assets	16	220,056,625	189,906,843
Receivable from sales of securities		20,415,184	1,151,630
Other assets	17	49,732,061	85,204,269
<b>Total assets</b>		<b>4,029,874,185</b>	<b>3,904,007,372</b>

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

**Nam Seng Insurance Public Company Limited**

**Statement of financial position (continued)**

**As at 31 December 2020**

		(Unit: Baht)	
	Note	2020	2019
<b>Liabilities and owners' equity</b>			
<b>Liabilities</b>			
Insurance contract liabilities	18	2,103,481,273	2,036,206,445
Amounts due to reinsurers	19	205,832,150	283,945,890
Income tax payable		33,365,740	11,656,013
Lease liabilities	14.2	3,790,852	-
Employee benefit obligations	20	63,641,077	60,845,613
Accrued commissions		44,642,333	35,558,730
Other liabilities	21	177,989,561	120,496,701
<b>Total liabilities</b>		<b>2,632,742,986</b>	<b>2,548,709,392</b>
<b>Equity</b>			
Share capital			
Registered			
20,000,000 ordinary shares of Baht 10 each		200,000,000	200,000,000
Issued and paid-up			
13,900,000 ordinary shares of Baht 10 each		139,000,000	139,000,000
Premium on share capital		594,436,835	594,436,835
Retained earnings			
Appropriated			
Statutory reserve	22	24,848,787	24,848,787
General reserve		6,163,850	6,163,850
Unappropriated		619,344,780	596,936,404
Other component of owners' equity			
Revaluation surplus (deficit) on available-for-sale investments - net of income taxes			
		13,336,947	(6,087,896)
<b>Total owners' equity</b>	11.5	<b>1,397,131,199</b>	<b>1,355,297,980</b>
<b>Total liabilities and owners' equity</b>		<b>4,029,874,185</b>	<b>3,904,007,372</b>
		-	-

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

Directors

**Nam Seng Insurance Public Company Limited**

**Statement of comprehensive income**

**For the year ended 31 December 2020**

		(Unit: Baht)	
	Note	2020	2019
<b>Profit or loss:</b>			
<b>Revenues</b>			
Gross premium written	30.2	2,288,971,364	2,388,756,584
Less: Premium ceded to reinsurers		(221,936,808)	(302,459,585)
Net premium written		2,067,034,556	2,086,296,999
Add (less): Unearned premium reserves (increased) decrease from prior years		2,270,009	(98,637,834)
Net earned premium		2,069,304,565	1,987,659,165
Commission and brokerage income from reinsurers		68,368,724	66,327,698
Net investment revenues	11.7	67,652,769	83,465,849
Losses on investments		(29,267,700)	(4,332,675)
Fair value gains		3,518,883	8,530,945
Rental income		15,574,403	15,355,712
Other income		4,349,141	2,700,320
<b>Total revenues</b>		<b>2,199,500,785</b>	<b>2,159,707,014</b>
<b>Expenses</b>			
Long-term insurance policy reserve increased		85,870,589	105,020,752
Gross claims		1,183,715,985	1,354,102,631
Less: Claim recovery from reinsurers		(103,386,830)	(245,936,030)
Commission and brokerage expenses	30.2	385,301,371	372,048,888
Other underwriting expenses		167,216,582	186,283,535
Operating expenses	24	272,808,645	290,139,691
Finance cost		68,084	-
Expected credit losses	25	9,525,736	-
<b>Total expenses</b>	26	<b>2,001,120,162</b>	<b>2,061,659,467</b>
<b>Profit before income tax expenses</b>		<b>198,380,623</b>	<b>98,047,547</b>
Less: Income tax expenses	16.2	(37,745,557)	(15,493,569)
<b>Profit for the year</b>		<b>160,635,066</b>	<b>82,553,978</b>

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 2020**

		(Unit: Baht)	
	Note	2020	2019
<b>Other comprehensive income:</b>			
<b>Items to be recognised in profit or loss in subsequent periods:</b>			
Gain (loss) on revaluation of available-for-sale investments measured at fair value through other comprehensive income		(69,400,924)	12,011,163
Add (less): Benefit (expense) tax	16.2	13,880,185	(2,402,233)
Items to be recognised in profit or loss in subsequent periods - net of income taxes		(55,520,739)	9,608,930
<b>Items not to be recognised in profit or loss in subsequent periods:</b>			
Actuarial losses		(868,283)	(2,661,610)
Add: Benefits tax	16.2	173,657	532,322
Items not to be recognised in profit or loss in subsequent periods - net of income taxes		(694,626)	(2,129,288)
<b>Other comprehensive income (loss) for the year</b>		<b>(56,215,365)</b>	<b>7,479,642</b>
<b>Total comprehensive income for the year</b>		<b>104,419,701</b>	<b>90,033,620</b>
<b>Earnings per share</b>			
Basic earnings per share			
Profit for the year	28	11.56	5.94

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 2020**

		(Unit: Baht)	
	Note	2020	2019
<b>Cash flows from (used in) operating activities</b>			
Direct premium written		2,230,017,896	2,450,868,919
Cash received (paid) on reinsurance		14,958,015	(27,642,183)
Interest income		63,504,523	57,599,072
Dividends income		11,586,386	20,585,095
Other income		18,757,585	18,343,383
Losses paid on direct insurance		(1,203,839,301)	(1,293,373,590)
Commission and brokerage expenses on direct insurance		(376,208,511)	(370,083,982)
Other underwriting expenses		(166,793,469)	(187,084,117)
Operating expenses		(146,406,880)	(334,292,307)
Income taxes		(50,366,307)	(67,107,070)
Proceeds from sales of investment in securities		2,429,809,729	1,680,250,614
Cash paid for purchase of investment in securities		(2,140,529,746)	(2,000,536,273)
Loans		(170,893)	1,114,044
<b>Net cash provided by (used in) operating activities</b>		<b>684,319,027</b>	<b>(51,358,395)</b>
<b>Cash flows from (used in) investing activities</b>			
Cash received from premises and equipment		1,846,617	92,639
Cash paid on premises and equipment		(5,938,014)	(8,367,666)
Cash paid on intangible assets		(1,674,050)	(2,998,190)
<b>Net cash used in investing activities</b>		<b>(5,765,447)</b>	<b>(11,273,217)</b>
<b>Cash flows used in financing activities</b>			
Repayment of lease liabilities		(2,117,916)	-
Dividends paid	29	(134,830,000)	(54,905,000)
<b>Net cash used in financing activities</b>		<b>(136,947,916)</b>	<b>(54,905,000)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>541,605,664</b>	<b>(117,536,612)</b>
Change in allowance for expected credit loss	7	(502,260)	-
Cash and cash equivalents at beginning of the year		48,933,194	166,469,806
<b>Cash and cash equivalents at end of the year</b>		<b>590,036,598</b>	<b>48,933,194</b>

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

**Nam Seng Insurance Public Company Limited**

**Statement of changes in owners' equity**

**For the year ended 31 December 2020**

(Unit: Baht)

	Note	Issued and paid-up share capital	Premium on share capital	Retained earnings			Other component of owner's equity	Total
				Appropriated		Unappropriated	Revaluation surplus (deficit) on available-for-sale investments measured fair value through other comprehensive income - net of income taxes	
			Statutory reserve	General reserve				
<b>Balance as at 1 January 2019</b>		139,000,000	594,436,835	24,848,787	6,163,850	571,416,714	(15,696,826)	1,320,169,360
Profit for the year		-	-	-	-	82,553,978	-	82,553,978
Other comprehensive income for the year		-	-	-	-	(2,129,288)	9,608,930	7,479,642
Total comprehensive income for the year		-	-	-	-	80,424,690	9,608,930	90,033,620
Dividend paid	29	-	-	-	-	(54,905,000)	-	(54,905,000)
<b>Balance as at 31 December 2019</b>		<u>139,000,000</u>	<u>594,436,835</u>	<u>24,848,787</u>	<u>6,163,850</u>	<u>596,936,404</u>	<u>(6,087,896)</u>	<u>1,355,297,980</u>
<b>Balance as at 1 January 2020</b>		139,000,000	594,436,835	24,848,787	6,163,850	596,936,404	(6,087,896)	1,355,297,980
Cumulative effect of the change in accounting policies	4	-	-	-	-	(2,702,064)	74,945,582	72,243,518
<b>Balance as at 1 January 2020 - as restated</b>		<u>139,000,000</u>	<u>594,436,835</u>	<u>24,848,787</u>	<u>6,163,850</u>	<u>594,234,340</u>	<u>68,857,686</u>	<u>1,427,541,498</u>
Profit for the year		-	-	-	-	160,635,066	-	160,635,066
Other comprehensive income (loss) for the year		-	-	-	-	(694,626)	(55,520,739)	(56,215,365)
Total comprehensive income (loss) for the year		-	-	-	-	159,940,440	(55,520,739)	104,419,701
Dividend paid	29	-	-	-	-	(134,830,000)	-	(134,830,000)
<b>Balance as at 31 December 2020</b>		<u>139,000,000</u>	<u>594,436,835</u>	<u>24,848,787</u>	<u>6,163,850</u>	<u>619,344,780</u>	<u>13,336,947</u>	<u>1,397,131,199</u>

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 2020**

### **1. General information**

#### **1.1 Corporate information**

Nam Seng Insurance Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company’s major shareholder is N.S. Alliance Co., Ltd., which was incorporated in Thailand whereby as at 31 December 2020 and 2019, such major shareholder held 28.75% of the issued and paid-up share capital of the Company. The Company is principally engaged in the provision of non-life insurance while its head office is located in Bangkok and has 26 sub-branches located in provinces. The Company’s registered office is located at No. 767 Krungthep-Nonthaburi Road, Bangsue Sub-district, Bangsue District, Bangkok.

#### **1.2 Coronavirus disease 2019 Pandemic**

A second wave of the Coronavirus disease 2019 pandemic has slowed down the economic recovery, and adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the Company operates. The Company’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

### **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 (No.2) B.E. 2562 dated 4 April 2019.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 5 to the financial statements regarding summary of significant accounting policies.

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

### **3 New financial reporting standards**

#### **3.1 Financial reporting standards that became effective in the current year**

During the year, the Company has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adopted of these financial reporting standards does not have any significant impact on the Company's financial information. However, the new standards involve changes to key principles, which are summarised below:

##### **(a) Financial reporting standards and Accounting Guidance related to financial instruments**

###### **Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

### **Accounting Guidance related to financial instruments and disclosures applicable to insurance business**

Accounting Guidance related to financial instruments and disclosures applicable to insurance business was issued to comply with TFRS 4 (revised 2019) Insurance contracts, which allows insurers who meet certain criteria stipulated in this TFRS to delay adoption of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, and to adopt the Accounting Guidance related to financial instruments and disclosures applicable to insurance business instead the adoption of TFRS 9 and TFRS 7 for the financial reporting period beginning before 1 January 2023 or before the effective date of TFRS 17 Insurance Contracts.

According to the Company's statement of financial position as at 31 December 2017, the Company had liabilities in connection with insurance services under the scope of TFRS 4 Insurance Contracts comprise more than 90% of the carrying value of total liabilities, which meets criteria stipulated in TFRS 4, and there was no change in the Company's core activities in the following accounting periods. As a result, the Company is eligible to adopt such Accounting Guidance.

There impact in the following key matters to the Company's financial statements from the adoption of this Accounting Guidance as follow.

#### Classification and measurement of financial assets

The Company shall classify financial assets as trading securities, available for sale securities, held to maturity debts securities, receivables and loans by not taking into consideration of its business model and the characteristics of the contractual cash flows. The Company was considered as follows;

- Classification and measurement of investments in trading securities that are listed equity instruments which measured at fair value through profit or loss, the Company considers and decides to continue classifying them as investments in trading securities measured at fair value through profit or loss.

- Classification and measurement of investments in available for sale securities that are listed equity instruments and debt instruments which measured at fair value through other comprehensive income, the Company considers and decides to continue classifying them as investments in available for sale securities measured at fair value through other comprehensive income. Gain or loss on derecognition are to be recognised in profit or loss.
- Classification and measurement of investments in non-listed equity instruments, these investments were classified as other investments under the former discontinued accounting standard, and have been reclassified as investments in available for sale securities which measured at fair value through other comprehensive income. Gain or loss on derecognition are to be recognised in profit or loss.
- Classification of all held-to-maturity investments in debt instruments as financial assets measured at amortised cost.
- Loans, which the Company holds to collect contractual cash flow (both principal and interest), the Company classifies and presents them as loans measured at amortised cost.

#### Classification and measurement of financial liabilities

- The adoption of this accounting guidance does not have any impact to classification of financial liabilities. The Company continues to classify financial liabilities measured at amortised cost.

#### Impairment of financial assets

- This accounting guidance requires the Company to move from incurred loss provisioning, under former accounting policy, to expected loss provisioning by recognising an allowance for expected credit losses on its financial assets and it is no longer necessary for a credit-impaired event to have occurred. The Company considers to adopt the general approach and simplified approach to determine expected credit loss on financial assets.
- The Company recognised immediately impairment loss of equity securities and unit trust that classified as available-for-sale investments which are measured at fair value through other comprehensive income to profit or loss, when there is objective evidence of impairment, determined on the basis of evidence that indicates the cost of investment may not be recovered and there is a significant or prolonged decline in fair value of investments to below its costs.

## Transition

The Company initially adopted this Accounting Guidance whereby the adjustment of the cumulative effect was made against retained earnings or other components of equity as at 1 January 2020, and the comparative information was not restated. Therefore, the presentation of items of the year 2019 is not comparable with the financial statements of the year 2020.

The cumulative effect of the changes is described in Note 4 to the financial statements.

### **(b) TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases.

The Company initially adopted this financial reporting standards whereby the adjustment of the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 4 to the financial statements.

### **(c) Accounting Guidances on Temporary Relief Measures**

#### **Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy**

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy. Its objectives are to provide temporary relief measures solely for entities providing assistance to debtors impacted by the situations that affect the Thai economy, such as COVID-19, economic conditions, trade wars and drought, and to provide an alternative for all entities providing assistance to debtors in accordance with measures to assist debtors specified in the circular of the Bank of Thailand.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by situations that affect the Thai economy during the period from 1 January 2020 to 31 December 2021 or until the Bank of Thailand makes changes, with which the entity is to comply.

The Company had not adopted this Accounting Guidance in the current year.

### **Accounting Guidance on Temporary Relief Measures on Accounting Alternatives in Response to the Impact of the Covid-19 Pandemic**

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

The Company had not adopted this Accounting Guidance in the current year.

### **3.2 Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2021**

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2021. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

#### 4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 3.1 (a) and (b) to the financial statements, during the current year, the Company has adopted Thai financial reporting standards related to financial instruments (TAS 32 and Accounting guidance related to financial instruments and disclosures applicable to insurance business) and TFRS 16 lease. The cumulative effect of initially applying these standards is recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated.

The impacts on the statement of financial position from changes in accounting policies due to the adoption of these Accounting Guidance and standard are presented as follows:

(Unit: Baht)

	31 December 2019	The impacts of			1 January 2020
		TAS 32 and Accounting Guidance related to financial instruments			
		Classification	Measurement	TFRS 16	
<b>Statement of financial position</b>					
<b>Assets</b>					
Cash and cash equivalents	48,933,194	-	(8,597)	-	48,924,597
Accrued investment income	17,188,657	-	(54,791)	-	17,133,866
Investments in securities	2,799,512,821	-	90,378,707	-	2,889,891,528
Loans and interest receivables	7,492,590	-	(10,921)	-	7,481,669
Right-of-use assets	-	-	-	2,052,988	2,052,988
Deferred tax assets	189,906,843	-	(18,060,880)	-	171,845,963
<b>Liabilities</b>					
Lease liabilities	-	-	-	2,052,988	2,052,988
<b>Owners' equity</b>					
Retained earnings - unappropriated	596,936,404	-	(2,702,064)	-	594,234,340
Other component of owners' equity	(6,087,896)	-	74,945,582	-	68,857,686

#### 4.1 Accounting Guidance related to financial instruments and disclosures applicable to insurance business

Details of the impact on owners' equity as at 1 January 2020 due to the adoption of Accounting Guidance related to financial instruments and disclosures applicable to insurance business are presented as follows:

(Unit: Baht)

##### Retained earnings - Unappropriated

Recognition of an allowance for expected credit losses on financial assets	(3,377,580)
Relating income tax	675,516
Net	<u>(2,702,064)</u>

##### Other components of equity

Fair value measurement of investments in equity instruments of non-listed securities	92,908,853
Recognition of an allowance for expected credit losses on financial assets	773,125
Relating income tax	(18,736,396)
Net	<u>74,945,582</u>

The classification and measurement of financial assets in accordance with Accounting Guidance related to financial instruments and disclosures applicable to insurance business, and with the classification and measurement under the former basis, are as follows:

(Unit: Baht)

Classification and measurement under the former basis as at 31 December 2019	Classification and measurement in accordance with Accounting Guidance as at 1 January 2020					Total
	Carrying amounts under the former basis	Trading investments measured at fair value through profit or loss	Available-for-sale investments measured at fair value through other comprehensive income	Held-to-maturity investments measured at amortised cost	Amortised cost	
Cash and cash equivalents	48,933,194	-	-	-	48,924,597	48,924,597
Accrued investment income	17,188,657	-	-	-	17,133,866	17,133,866
Trading securities						
Equity securities	64,812,124	64,812,124	-	-	-	64,812,124
Unit trusts	1,882,093	1,882,093	-	-	-	1,882,093
Available-for-sale securities						
Debt securities	184,968,949	-	184,968,949	-	-	184,968,949
Equity securities	609,992,841	-	609,992,841	-	-	609,992,841
Held-to-maturity securities						
Debt securities	1,017,708,794	-	-	1,015,474,246	-	1,015,474,246
Deposit at financial institutions	918,000,000	-	-	917,704,402	-	917,704,402
Other investment	2,148,020	-	95,056,873	-	-	95,056,873
Loans and interest receivables	7,492,590	-	-	-	7,481,669	7,481,669
Receivable from sales of securities	1,151,630	-	-	-	1,151,630	1,151,630
Other assets - financial assets	17,245,939	-	-	-	17,245,939	17,245,939

A reconciliation of the balance of allowance for impairment as at 31 December 2019, recognised under the former basis to the balance of allowance for expected credit loss as at 1 January 2020, determined in accordance with Accounting Guidance related to financial instruments and disclosures applicable to insurance business, are as follows:

	(Unit: Baht)		
	Allowance for impairment as at 31 December 2019	Increase	Allowance for expected credit losses as at 1 January 2020
<b>Financial assets</b>			
<b>Amortised cost</b>			
Cash and cash equivalents	-	8,597	8,597
Accrued investment income	-	54,791	54,791
Investments in held to maturity debt instruments measured at amortised cost	-	2,530,146	2,530,146
Loans and interest receivables	-	10,921	10,921
<b>Total</b>	-	2,604,455	2,604,455
<b>Available-for-sale investments which are measured at fair value through other comprehensive income</b>			
Debt securities	-	773,125	773,125
<b>Total</b>	-	773,125	773,125
<b>Total</b>	-	3,377,580	3,377,580

## 4.2 Leases

Upon initial application of TFRS 16 the Company recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at 1 January 2020.

	(Unit: Baht)
Operating lease commitments as at 31 December 2019	9,291,495
Less: Short-term leases and leases of low-value assets	(209,800)
Less: Contracts reassessed as service agreements	(6,938,853)
Less: Others	(14,400)
Less: Deferred interest expenses	(75,454)
Lease liabilities as at 1 January 2020	2,052,988
Weighted average incremental borrowing rate (percent per annum)	3.05

The adjustments of right-of-use assets due to TFRS 16 adoption as at 1 January 2020 are summarised below:

	(Unit: Baht)
Buildings	2,052,988
Total right-of-use assets	<u>2,052,988</u>

## 5. Summary of significant accounting policies

### 5.1 Revenue recognition

#### (a) Premium income

Premium income consists of direct premium and reinsurance premium less premium of canceled policies and premiums refunded to policyholders.

Direct premium income is recognised on the date the insurance policy comes into effect by amount specified in policy.

Reinsurance premium income is recognised as revenue on the date the insurance policy comes into effect or when the reinsurer places the statement of accounts with the Company.

#### (b) Commission and brokerage income

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

#### (c) Investment revenue

##### Interest income

Interest income is calculated using the effective interest method and recognised on an accrual basis. The effective interest rate is applied to the gross carrying amount of a financial asset, unless the financial assets subsequently become credit-impaired when it is applied to the net carrying amount of the financial asset (net of the expected credit loss allowance).

##### Dividends

Dividends are recognised when the right to receive payment is established.

#### (d) Gain (loss) on investment

Gain (loss) on investments consist of gain (loss) on disposal of investment net of the related expenses and impairments.

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

## 5.2 Expenses recognition

(a) Premium ceded to reinsurers

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

(b) Gross claims

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

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 with the Company.

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

(c) Commission and brokerage expenses

Commissions and brokerages are expenses when incurred.

(d) Other underwriting expenses

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

(e) Operating expenses

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

(f) Finance cost

Interest expense from financial liabilities at amortised cost is calculated using the effective interest method and recognised on an accrual basis.

### **5.3 Classification of insurance contracts**

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

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

### **5.4 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.

### **5.5 Premium receivables and allowance for doubtful accounts**

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

## **5.6 Reinsurance assets and allowance for impairment**

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

The Company recognised impairment loss whenever there are object evidences as a result of events that occurred after initial recognition of the reinsurance assets, and the Company may not receive whole of reinsurance assets and the effect of such amount can be measured with reliability. Increase (decrease) in allowance for impairment is recorded as an increase (a decrease) to expense for the year in profit or loss.

## **5.7 Reinsurance receivables and amount due to reinsurers**

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

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

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

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

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

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

## 5.8 Investments assets

### (a) Investments in securities

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

- (1) Trading investments are stated at fair value. Changes in the fair value of the securities are recorded in profit or loss.
- (2) Available-for-sale investments are stated at fair value. Changes in the fair value of the securities are recorded in other comprehensive income.
- (3) Held-to-maturity investments are recorded at amortised cost. The premium or discount on debt securities is amortised or accreted by the effective rate method with the amortised or accreted amount presented as an adjustment to the interest income.
- (4) Investments in non-marketable equity securities, which are classified as available-for-sale investments, are stated at fair value. Changes in fair value of the securities are recognised in other comprehensive income.

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 fair value of non-marketable equity instruments is determined using discounted cash flow analysis with related discount rate and risks and generally accepted pricing model.

At the end of reporting period, available-for-sale investments in debt instruments are presented in statements of financial position at fair value net of an allowance for expected credit loss (if any), and held-to-maturity debt instruments are presented in statements of financial position at amortised cost net of an allowance for expected credit loss (if any).

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

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

Loss from impairment of equity instruments classified as investments in available-for-sale securities is immediately recognised through profit or loss when there is an objective evidence supporting impairment of the instruments, which indicate that the cost of the investment in an equity instrument may not be recovered, and there is a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss on impairment (if any) are recorded as expenses in profit or loss.

(b) Loan and interest receivables and allowance for expected credit loss

Loans and interest receivables are stated at net realisable value. Allowance for expected credit loss is provided for the general approach to determine the allowance for expected loss over the lifetime.

Increase (decrease) in allowance for expected credit loss is recorded as expenses during the year.

Accounting policies adopted before 1 January 2020

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.

**5.9 Allowances for expected credit losses of financial assets**

Accounting policies adopted since 1 January 2020

The Company recognises expected credit loss on its financial assets that are debt instruments, such as cash and cash equivalent, investments in debt instruments measured at amortised cost, investments in debt instruments measured at fair value through comprehensive income and loans by applying the general approach as the accounting guidance are as follow:

### Measurement of expected credit loss

An expected credit loss (ECL) represents the present value of expected cash shortfalls over the residual term of a financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that are expected to be received over the contractual life of the instrument.

Estimates of expected cash shortfalls are determined by multiplying the probability of default (PD) with the loss given default (LGD) and the expected exposure at the time of default (EAD). The estimates calculate the probability of default and potential loss when a counterparty defaults, based on information from the Thai Bond Market Association (in case of debt securities investment), historical data, adjusted for current observable data and forecasts of future events that are supportable and reasonable. The Company reviews and revises of the methods, assumptions and forecasts of future events on a regular basis.

For ECL recognition, financial assets are classified in any of the below 3 stages. A financial asset can move between stages during its lifetime. The stages are based on changes in credit quality since initial recognition and defined as follows:

#### Stage 1 Financial assets without a significant increase in credit risk

Financial assets that have not had a significant increase in credit risk since initial recognition (i.e. no stage 2 or 3 triggers apply) or debt instrument that considered to have low credit risk at each reporting date. An allowance for expected credit losses are recognised at the amount equivalent to the expected credit losses in the next 12 months.

The Company identifies government and state enterprise securities and private debt instruments with a credit rating not lower than BBB- as low credit risk and classified them as investment grade. Debt instruments with a credit rating lower than BBB- and/or subject to any event which negatively affects their credit quality are classified as non-investment grade, and investment officer is to closely monitor and review the quality of these assets to determine whether the credit risk has increased significantly.

#### Stage 2 Financial assets with a significant increase in credit risk

When financial assets have a significant increase in credit risk since initial recognition but not credit-impaired, expected credit losses are recognised for possible default events over the lifetime of the financial assets. A significant increase in credit risk is assessed by using a number of quantitative and qualitative factors that are significant to the increase in credit risk.

Quantitative factors include an assessment of whether there has been a significant increase in the probability of default (PD) since initiation, such as downgrade of counterparty credit rating. If the changes exceed the thresholds, the financial assets are considered to have experienced a significant increase in credit risk.

Qualitative factor assessments are part of current credit risk management processes, such as an assessment of significant deterioration in the counterparties' or debt instrument issuers' ability to repay. Qualitative indicators include operating results, financial liquidity and other reliable indicators.

Financial assets can be transferred to stage 1 in case they have proven that their ability to repay are back to normal.

#### Stage 3 Credit impairment financial assets

Financial assets are considered to be credit-impaired where the counterparties or debt instrument issuers are unlikely to pay on the occurrence of one or more observable events that have a negative impact on the estimated future cash flows of the financial assets. Evidence that a financial asset is credit-impaired include observable information such as significant financial difficulty of counterparties or debt instrument issuers, a breach of contract or past due event and probability that the borrower will enter bankruptcy or other financial reorganisation and so on.

For other financial assets or contract assets that do not contain a significant financing component, the Company applies a simplified approach to determine the lifetime expected credit loss. It is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

Increase (decrease) in allowance for expected credit loss is recognised as expenses during the year in profit or loss in statement of comprehensive income. The Company has a policy to write off any financial assets when it is believed that they will not be collected from the debtor.

#### **5.10 Classification and measurement of financial liabilities**

At initial recognition the Company's financial liabilities are recognised at fair value net of transaction costs and classified as liabilities to be subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. In determining amortised cost, the Company takes into account any fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

### **5.11 Derecognition of financial instruments**

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or have been transferred and either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

### **5.12 Offsetting of financial instruments**

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### **5.13 Premises and equipment and depreciation**

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

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

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

Depreciation is recognised in profit or loss. No depreciation is provided on land and work in process.

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.

## 5.14 Intangible assets and amortisation

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

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

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

## 5.15 Insurance contract liabilities

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

### (a) Long term insurance policy reserves

#### (1) Unearned premium reserves

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

Personal accident	- Monthly average basis (the one-twenty fourth basis)
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Unearned premium reserves on reinsurance are calculated based on ceded premium for reinsurer in the same manner as direct insurance when insurance risk is already transferred to reinsurer.

#### (2) Gross premium valuation reserves

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

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

(b) Loss reserves

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

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

(c) Premium reserves

Premium reserves are the higher amounts of unearned premium reserves and unexpired risk reserves.

(1) Unearned premium reserves

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

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

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

(2) Unexpired risk reserves

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

As at the end of the reporting periods, the Company compares the amounts of unexpired risk reserves with unearned premium reserves, and if the amount of unexpired risk reserves is higher than that of the unearned premium reserve, the difference is recognised to present the amounts of premium reserves and unexpired risk reserves. However, the increase or decrease in unearned premium reserve from prior year is to be recognised in profit or loss.

## **5.16 Employee benefits**

### **(a) Short-term employee benefits**

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

### **(b) Post-employment benefits**

#### *Defined contribution plan*

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

#### *Defined benefit plan*

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

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

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

## **5.17 Leases**

At inception of contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

## **The Company as a lessee**

### Accounting policies adopted since 1 January 2020

The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. At the commencement date of the lease (i.e. the date the underlying asset is available for use), the Company recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

#### **Right-of-use assets**

Right-of-use assets are measured at cost, less accumulated depreciation, any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initially recognised, initial direct costs incurred, and lease payments made at or before the commencement date of the lease less any lease incentives received.

Depreciation of right-of-use assets are calculated by reference to their costs on the straight-line basis over the shorter of their estimated useful lives and the lease term.

The right-of-use of Company is buildings is calculated depreciation over 3 years lease term.

#### **Lease liabilities**

Liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Moreover, the lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Company discounted the present value of the lease payments by the interest rate implicit in the lease or the Company's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

### **Short-term leases and leases of low-value assets**

A lease that has a lease term less than or equal to 12 months from commencement date or a lease of low-value assets is recognised as expenses on a straight-line basis over the lease term.

#### Accounting policies adopted before 1 January 2020

### **Long-term leases**

Leases of buildings 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.

### **The Company as a lessor**

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to a lessee. Lease receivables from operating leases is recognised as income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying assets and recognised as an expense over the lease term on the same basis as the lease income.

## **5.18 Income taxes**

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

### (a) Current income taxes

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

### (b) Deferred income taxes

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

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

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

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

### **5.19 Impairment of non-financial assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the property, buildings and equipment, right-of-use asset and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised 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.

An impairment loss is recognised in the profit or loss.

In the assessment of asset impairment, if there is any indication that previously recognised impairment loss 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 assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased in 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.

### **5.20 Foreign currencies**

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

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

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

## **5.21 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.

## **5.22 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.

## **5.23 Fair value measurement**

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

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

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

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

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

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

## **6. 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:

### **6.1 Fair value of financial instruments**

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

### **6.2 Recognition and derecognition of assets and liabilities**

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

### **6.3 Allowances for doubtful accounts and impairment**

In determining allowances for doubtful accounts on premium receivables, reinsurance receivables and loans, 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.

### **6.4 Impairment on reinsurance assets**

In determining impairment on reinsurance assets, the management needs to make judgement and estimates loss on impairment of each reinsurers based on conditions in contract and events occurred that the Company may not receive entire amount under the term of contract.

## **6.5 Impairment of investments in securities**

The Company treats equity instruments classified as investments in available-for-sale securities which are measured at fair value through other comprehensive income as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

## **6.6 Allowance for expected credit loss on financial assets**

The management needs to make judgement and estimate allowance for expected credit losses for financial assets. The calculation of allowance for expected credit losses depends on the criteria used for assessment of a significant increase in credit risk, the debtors and counterparties status analysis, the probability of debt collection. This estimation has various relevant factors; therefore, the actual results may differ from estimates.

## **6.7 Property, buildings and equipment and depreciation**

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

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

## **6.8 Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences 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.

## **6.9 Gross premium valuation reserves**

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

## **6.10 Loss reserves**

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

## **6.11 Unexpired risk reserves**

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

## **6.12 Employee benefit obligations**

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

## **6.13 Leases**

### **The Company as a lessee**

#### *Determining the lease term with extension and termination options*

In determining the lease term, the management is required to exercise judgement in assessing whether the Company is reasonably certain to exercise the option to extend or terminate the lease considering all relevant facts and circumstances that create an economic incentive for the Company to exercise either the extension or termination option.

#### *Estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, the management is required to exercise judgement in estimating its incremental borrowing rate to discount lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

### **The Company as lessor**

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

## 6.14 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.

## 7. Cash and cash equivalents

(Unit: Baht)

	31 December	
	2020	2019
Cash on hand	129,975	156,542
Deposits at banks with no fixed maturity date	590,408,883	48,776,652
Total	590,538,858	48,933,194
Less: Expected credit losses	(502,260)	-
Cash and cash equivalents - net	590,036,598	48,933,194

As at 31 December 2020, bank deposits in saving accounts and fixed accounts carried interest at the rates between 0.00 - 1.10 percent per annum (2019: between 0.00 - 1.20 percent per annum).

## 8. Premium receivables

As at 31 December 2020 and 2019, the outstanding balances of premium receivables were classified by overdue periods, counted from the maturity date under the stipulated law of the premium collection, as follows:

(Unit: Baht)

	31 December	
	2020	2019
Not yet due	192,841,727	160,574,365
Overdue not longer than 30 days	30,222,624	25,289,352
Overdue 31 days to 60 days	19,965,032	13,454,015
Overdue 61 days to 90 days	4,396,001	2,860,683
Overdue 91 days to 1 year	2,094,913	3,515,967
Overdue longer than 1 year	4,874,185	5,603,743
Total	254,394,482	211,298,125
Less: Allowance for doubtful accounts	(18,624,674)	(16,612,880)
Premium receivables - net	235,769,808	194,685,245

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.

## 9. Reinsurance assets

	(Unit: Baht)	
	31 December	
	2020	2019
Insurance reserves refundable from reinsurers		
- Long-term insurance policy reserves	6,972,335	11,121,810
- Loss reserves	27,667,104	56,875,796
- Unearned premium reserves	107,167,383	99,472,772
Reinsurance assets - net	<u>141,806,822</u>	<u>167,470,378</u>

## 10. Reinsurance receivables

	(Unit: Baht)	
	31 December	
	2020	2019
Amounts deposited on reinsurance	3,074	3,074
Amounts due from reinsurers	93,732,707	207,904,038
Total	93,735,781	207,907,112
Less: Allowance for doubtful accounts	-	(167,159)
Reinsurance receivables - net	<u>93,735,781</u>	<u>207,739,953</u>

As at 31 December 2020 and 2019, the balances of amounts due from reinsurers were classified by aging as follows:

	(Unit: Baht)	
	31 December	
	2020	2019
Not yet due	93,680,819	188,905,968
Overdue not longer than 12 months	51,888	18,980,598
Overdue longer than 12 months	-	17,472
Total	93,732,707	207,904,038
Less: Allowance for doubtful accounts	-	(167,159)
Amounts due from reinsurers - net	<u>93,732,707</u>	<u>207,736,879</u>

## 11. Investments in securities

### 11.1 Classified by type of investment

(Unit: Baht)

	31 December			
	2020		2019	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Trading investments measured at fair value through profit or loss</b>				
Equity securities	54,823,907	58,236,989	64,772,291	64,812,124
Unit trusts	537,519	537,975	1,862,141	1,882,093
Total	55,361,426	58,774,964	66,634,432	66,694,217
Add: Unrealised gain	3,413,538	-	59,785	-
Total	58,774,964	58,774,964	66,694,217	66,694,217
<b>Available-for-sale investments measured at fair value through other comprehensive income</b>				
Equity securities	2,148,020	49,405,995	27,803,196	25,289,440
Unit trusts	929,223,860	878,031,079	599,205,319	584,703,401
Private enterprises debt securities	441,678,692	445,117,453	181,774,705	184,968,949
Total	1,373,050,572	1,372,554,527	808,783,220	794,961,790
Add (less): Unrealised gain (loss)	16,671,183	-	(7,609,870)	-
Less: Allowance for expected credit losses	(1,638,440)	-	-	-
Less: Allowance for impairment	(15,528,788)	-	(6,211,560)	-
Total	1,372,554,527	1,372,554,527	794,961,790	794,961,790
<b>Held-to-maturity investments measured at amortised cost</b>				
Government and state enterprise securities	360,990,115		356,586,439	
Private enterprise debt securities	549,423,212		609,545,238	
Foreign debt securities	69,724,733		69,577,117	
Deposits at financial institutions which matured over 3 months	75,000,000		900,000,000	
Total	1,055,138,060		1,935,708,794	
Less: Allowance for expected credit losses	(10,632,150)		-	
Total held	1,044,505,910		1,935,708,794	
<b>Other investments</b>				
Equity securities	-		2,148,020	
Total	-		2,148,020	
<b>Investment in securities - net</b>	<b>2,475,835,401</b>		<b>2,799,512,821</b>	

## 11.2 Remaining periods of debt securities

(Unit: Baht)

	31 December 2020				31 December 2019			
	Remaining periods to maturity			Total	Remaining periods to maturity			Total
	1 year	1 - 5 years	Over 5 years		1 year	1 - 5 years	Over 5 years	
<b>Available-for-sale investments</b>								
<b>measured at fair value through</b>								
<b>other comprehensive income</b>								
<b>Private enterprise securities</b>								
Debentures	40,000,000	371,678,692	30,000,000	441,678,692	30,015,155	121,759,550	30,000,000	181,774,705
Add: Unrealised gains	139,730	2,777,678	521,353	3,438,761	62,418	1,475,572	1,656,254	3,194,244
<b>Total</b>	<b>40,139,730</b>	<b>374,456,370</b>	<b>30,521,353</b>	<b>445,117,453</b>	<b>30,077,573</b>	<b>123,235,122</b>	<b>31,656,254</b>	<b>184,968,949</b>
<b>Held-to-maturity investments</b>								
<b>measured at amortised cost</b>								
<b>Government and state enterprise securities</b>								
Government bonds	20,036,291	103,875,824	-	123,912,115	-	72,850,402	-	72,850,402
State enterprise bonds	150,045,333	10,032,667	50,000,000	210,078,000	-	160,736,037	50,000,000	210,736,037
State enterprise debentures	-	10,000,000	-	10,000,000	5,000,000	20,000,000	30,000,000	55,000,000
Saving lottery	5,000,000	12,000,000	-	17,000,000	13,000,000	5,000,000	-	18,000,000
<b>Total</b>	<b>175,081,624</b>	<b>135,908,491</b>	<b>50,000,000</b>	<b>360,990,115</b>	<b>18,000,000</b>	<b>258,586,439</b>	<b>80,000,000</b>	<b>356,586,439</b>
<b>Private enterprise securities</b>								
Debentures	174,023,863	210,399,349	165,000,000	549,423,212	134,955,794	294,284,311	180,305,133	609,545,238
<b>Total</b>	<b>174,023,863</b>	<b>210,399,349</b>	<b>165,000,000</b>	<b>549,423,212</b>	<b>134,955,794</b>	<b>294,284,311</b>	<b>180,305,133</b>	<b>609,545,238</b>
<b>Foreign debt securities</b>								
Government bond	-	29,724,733	-	29,724,733	-	29,577,117	-	29,577,117
Private enterprise bond	20,000,000	20,000,000	-	40,000,000	-	40,000,000	-	40,000,000
<b>Total</b>	<b>20,000,000</b>	<b>49,724,733</b>	<b>-</b>	<b>69,724,733</b>	<b>-</b>	<b>69,577,117</b>	<b>-</b>	<b>69,577,117</b>
<b>Deposits at banks with amounts maturing in over 3 months</b>								
Deposit at commercial banks	75,000,000	-	-	75,000,000	730,000,000	70,000,000	-	800,000,000
Certificate of deposit	-	-	-	-	100,000,000	-	-	100,000,000
<b>Total</b>	<b>75,000,000</b>	<b>-</b>	<b>-</b>	<b>75,000,000</b>	<b>830,000,000</b>	<b>70,000,000</b>	<b>-</b>	<b>900,000,000</b>
<b>Total</b>	<b>444,105,487</b>	<b>396,032,573</b>	<b>215,000,000</b>	<b>1,055,138,060</b>	<b>982,955,794</b>	<b>692,447,867</b>	<b>260,305,133</b>	<b>1,935,708,794</b>
<b>Total investments in debt securities</b>	<b>484,245,217</b>	<b>770,488,943</b>	<b>245,521,353</b>	<b>1,500,255,513</b>	<b>1,013,033,367</b>	<b>815,682,989</b>	<b>291,961,387</b>	<b>2,120,677,743</b>

### 11.3 Classified by stage of credit risk

(Unit: Baht)

	31 December 2020	
	Fair value	Allowance for expected credit losses which is recognised in profit or loss
<b>Available-for-sale investments measured at fair value through other comprehensive income</b>		
Stage 1 - Debt securities without a significant increase of credit risk	445,117,453	(1,638,440)
<b>Total</b>	<b>445,117,453</b>	<b>(1,638,440)</b>

(Unit: Baht)

	31 December 2020		
	Amortised cost – gross	Allowance for expected credit losses which is recognised in profit or loss	Carrying value
<b>Held-to-maturity investments measured at amortised cost</b>			
Stage 1 - Debt securities without a significant increase of credit risk	1,000,412,030	(1,226,836)	999,185,194
Stage 2 - Debt securities with a significant increase of credit risk	39,726,030	(1,500,314)	38,225,716
Stage 3 - Debt securities with credit impaired	15,000,000	(7,905,000)	7,095,000
<b>Total</b>	<b>1,055,138,060</b>	<b>(10,632,150)</b>	<b>1,044,505,910</b>

## 11.4 Fair values of investments in debt securities

(Unit: Baht)

	31 December 2020			
	The contractual terms of financial assets give rise on specified dates to cash flows that are not solely payments of principal and interest on the only outstanding principal amount		The contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the only outstanding principal amount	
	Fair value	Changes in fair value during the year	Fair value	Changes in fair value during the year
<b>Available-for-sale investments measured at fair value through other comprehensive income</b>				
Private enterprise securities	-	-	445,117,453	244,518
Unit trusts - debt securities	543,020,858	1,311,602	-	-
<b>Held-to-maturity investments measured at amortised cost</b>				
Government and state enterprise securities	-	-	385,205,867	348,890
Private debt securities	-	-	555,647,770	(13,320,437)
Foreign debt securities	-	-	71,284,434	115,233
Deposits at financial institutions which matured over 3 months	-	-	75,000,000	-
<b>Total</b>	<b>543,020,858</b>	<b>1,311,602</b>	<b>1,532,255,524</b>	<b>(12,611,796)</b>

**11.5 Other components of equity - revaluation surplus (deficit) on available-for-sale investments measured at fair value through other comprehensive income**

	(Unit: Baht)	
	For the years ended 31 December	
	2020	2019
Balances - beginning of the year	(6,087,896)	(15,696,826)
Cumulative effect of the change in accounting policy (Note 4)	74,945,582	-
Balance - beginning of the year - as restate	68,857,686	(15,696,826)
Change during the year		
Unrealised gain (loss) on incurred during the year	(71,382,034)	4,386,597
Realised (gain) loss is recognised in profit or loss	1,981,110	7,624,566
Other comprehensive income (loss)	(69,400,924)	12,011,163
Related income taxes	13,880,185	(2,402,233)
Other comprehensive income (loss) for the year - net	(55,520,739)	9,608,930
Balances - end of the years	<u>13,336,947</u>	<u>(6,087,896)</u>

## 11.6 Investments subject to restriction and obligation

As at 31 December 2020 and 2019, the Company had the following assets placed with the Registrar as securities and insurance reserves in accordance with the Non-life Insurance Act and place with court and other units to secure against performance obligations as required in normal course of business.

(Unit: Million Baht)

	31 December			
	2020		2019	
	Cost	Fair value	Cost	Fair value
<b>Placed as securities with the Registrar</b>				
Stated enterprise bonds	14.0	14.3	14.0	14.4
<b>Placed as insurance reserves with the Registrar</b>				
Government and state enterprise bonds	234.8	255.9	210.0	231.9
<b>Placed as securities with the Court</b>				
Deposits with financial institutions due more than 3 months	0.6	0.6	0.6	0.6
<b>Placed to secure against performance obligations</b>				
Government and state enterprise bonds	24.7	25.0	14.7	15.1

## 11.7 Investment income

During the years ended 31 December 2020 and 2019, the Company has investment income as follows:

(Unit: Baht)

	For the years ended 31 December	
	2020	2019
Interest income from debt securities	52,951,471	61,687,398
Dividend income from equity securities	11,586,386	20,585,095
Other investment income	3,114,912	1,193,356
Total investment income	67,652,769	83,465,849

## 12. Loans and interest receivables

As at 31 December 2020 and 2019, the outstanding balances of loans and interest receivable were divided by stage are as follows:

(Unit: Baht)			
2020			
Overdue periods	Mortgage loans	Others	Total
Stage 1 - Loans without a significant increase of credit risk	3,305,835	4,354,740	7,660,575
Total loans and interest receivables	3,305,835	4,354,740	7,660,575
Less: Allowance for expected credit losses	3,983	5,835	9,818
Loans and interest receivables - net	<u>3,301,852</u>	<u>4,348,905</u>	<u>7,650,757</u>
(Unit: Baht)			
2019			
Overdue periods	Mortgage loans	Others	Total
Not yet due	5,190,818	2,301,772	7,492,590
Loans and interest receivables - net	<u>5,190,818</u>	<u>2,301,772</u>	<u>7,492,590</u>

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

### 13. Premises and equipment

(Unit: Baht)

	Land	Buildings and building improvements	Furniture, fixtures and office equipment	Vehicles	Assets in progress	Total
<b>Cost:</b>						
1 January 2019	124,402,866	127,982,811	104,980,196	10,200,795	5,100	367,571,768
Additions	-	-	4,385,146	3,228,000	754,520	8,367,666
Transfer in (out)	-	-	748,720	-	(748,720)	-
Reclassification	(3,840,000)	(5,760,000)	-	-	-	(9,600,000)
Disposals	-	-	(8,194,696)	-	-	(8,194,696)
31 December 2019	120,562,866	122,222,811	101,919,366	13,428,795	10,900	358,144,738
Additions	-	-	4,071,714	1,566,300	300,000	5,938,014
Disposals	-	-	(3,566,975)	(6,640,350)	-	(10,207,325)
31 December 2020	120,562,866	122,222,811	102,424,105	8,354,745	310,900	353,875,427
<b>Accumulated depreciation:</b>						
1 January 2019	-	93,679,607	83,875,198	6,627,251	-	184,182,056
Depreciation for the year	-	2,960,754	6,810,599	624,883	-	10,396,236
Reclassification	-	(1,009,058)	-	-	-	(1,009,058)
Depreciation on disposals	-	-	(7,814,705)	-	-	(7,814,705)
31 December 2019	-	95,631,303	82,871,092	7,252,134	-	185,754,529
Depreciation for the year	-	1,936,216	6,523,308	872,484	-	9,332,008
Depreciation on disposals	-	-	(3,402,020)	(6,123,746)	-	(9,525,766)
31 December 2020	-	97,567,519	85,992,380	2,000,872	-	185,560,771
<b>Net book value:</b>						
31 December 2019	120,562,866	26,591,508	19,048,274	6,176,661	10,900	172,390,209
31 December 2020	120,562,866	24,655,292	16,431,725	6,353,873	310,900	168,314,656
<b>Depreciation for the year</b>						
2019						10,396,236
2020						9,332,008

As at 31 December 2020 and 2019, certain buildings and building improvements, furniture, fixtures and office equipment and vehicles have been fully depreciated but are still in use. The original costs before deducting accumulated depreciation of those assets amounted to approximately Baht 151.2 million and Baht 152.7 million, respectively.

## 14. Lease agreements

The Company has entered into several lease agreements of office building space. The terms of the agreements are generally between 1 and 3 years.

### 14.1 Right-of-use assets

Changes of right-of-use assets for the year ended 31 December 2020 are summarised below:

	(Unit: Baht)
	<u>Buildings</u>
Right-of-use assets as at 31 December 2019	-
Cumulative effect of the change in accounting policies (Note 4)	<u>2,052,988</u>
Net book value as at 1 January 2020	2,052,988
New lease contracts increased during the year	3,788,596
Amortisation for the year	<u>(1,568,548)</u>
Net book value as at 31 December 2020	<u><u>4,273,036</u></u>

### 14.2 Lease liabilities

Changes of lease liabilities for the year ended 31 December 2020 are summarised below:

	(Unit: Baht)
	<u>Buildings</u>
Lease liabilities as at 31 December 2019	-
Cumulative effect of the change in accounting policies (Note 4)	<u>2,052,988</u>
Lease liabilities as at 1 January 2020	2,052,988
Add: New lease contracts increased during the year	3,788,596
Add: Financial cost for the year	68,084
Less: Lease payments during the year	<u>(2,118,816)</u>
Lease liabilities as at 31 December 2020	<u><u>3,790,852</u></u>

	(Unit: Baht)
	<u>Buildings</u>
Lease liabilities before deferred interest expense	
Portion due within 1 year	1,890,290
Portion due over 1 year	<u>2,091,553</u>
Total lease liabilities before deferred interest expense	3,981,843
Less: Financial cost	<u>(190,991)</u>
	<u><u>3,790,852</u></u>

### 14.3 Expenses relating to lease that are recognised in profit or loss

	(Unit: Baht)
	For the year ended 31 December 2020
Depreciation expenses of right-of-use assets	1,568,548
Financial cost on lease liabilities	68,084
Short-term contracts expenses	866,050
Total expenses	<u>2,502,682</u>

### 14.4 Others

The Company had total cash outflows for leases for the year ended 31 December 2020 of Baht 3.0 million, including the cash outflow related to short-term lease. Moreover, the Company had non-cash additions to right-of-use assets and lease liabilities of Baht 3.8 million.

## 15. Intangible assets

(Unit: Baht)

	Computer softwares	Computer softwares under development	Total
<b>Cost</b>			
1 January 2019	7,925,012	-	7,925,012
Additions	263,450	2,734,740	2,998,190
Transfer in (out)	400,000	(400,000)	-
31 December 2019	8,588,462	2,334,740	10,923,202
Addition	27,800	1,646,250	1,674,050
Transfer in (out)	2,939,240	(2,939,240)	-
31 December 2020	11,555,502	1,041,750	12,597,252
<b>Accumulated amortisation</b>			
1 January 2019	5,938,183	-	5,938,183
Amortisation charge for the year	1,244,378	-	1,244,378
31 December 2019	7,182,561	-	7,182,561
Amortisation charge for the year	1,620,837	-	1,620,837
31 December 2020	8,803,398	-	8,803,398
<b>Net book value</b>			
31 December 2019	1,405,901	2,334,740	3,740,641
31 December 2020	2,752,104	1,041,750	3,793,854
<b>Amortisation for the year</b>			
2019			1,244,378
2020			1,620,837

As at 31 December 2020 and 2019, certain computer software items have been fully amortised but are still in use. The original costs before deducting accumulated amortisation of those assets amounted to approximately Baht 6.1 million and Baht 4.4 million, respectively.

## 16. Deferred tax assets/Income taxes

### 16.1 Deferred tax assets

As at 31 December 2020 and 2019, the components of deferred tax assets (liabilities) arose from the following temporary differences:

	31 December		(Unit: Baht) Changes in deferred tax assets or liabilities that are recognised in profit or loss For the year ended 31 December
	2020	2019	2020
<b>Deferred tax assets (liabilities) arose from:</b>			
Allowance for doubtful accounts	4,508,830	4,195,970	312,860
Allowance for impairment on available-for-sale investments measured at fair value through other comprehensive income	3,105,758	1,242,312	1,863,446
Premium reserves	122,603,656	104,342,544	18,261,112
Loss reserves on claims incurred and reported	57,260,366	47,972,015	9,288,352
Loss reserves on claims incurred but not yet reported	21,415,364	18,474,862	2,940,502
Employee benefits obligations	12,728,216	12,169,123	385,436
Unrealised gain (loss) on revaluation of Trading investments measured at fair value through profit or loss	(715,734)	(11,957)	(703,777)
Available-for-sale investments measured at fair value through other comprehensive income	(3,334,237)	1,521,974	-
Allowance for expected credit losses	2,580,663	-	1,905,147
Lease liabilities	(96,257)	-	(96,257)
Deferred tax assets	<u>220,056,625</u>	<u>189,906,843</u>	<u>34,156,821</u>

## 16.2 Income tax

Income tax expenses for the years ended 31 December 2020 and 2019 were made up as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2020	2019
<b>Current income taxes:</b>		
Current income tax charge	(71,902,378)	(45,770,083)
<b>Deferred taxes:</b>		
Relating to origination and reversal of temporary differences	34,156,821	30,276,514
Income tax expenses reported in profit or loss	<u>(37,745,557)</u>	<u>(15,493,569)</u>

Reconciliations between income tax expenses and the product of accounting profits for the year ended 31 December 2020 and 2019 and applicable tax rate were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2020	2019
Accounting profits before income tax expenses	198,380,623	98,047,547
Applicable tax rate	20%	20%
Accounting profits before income tax expenses multiplied by the applicable tax rate	(39,676,125)	(19,609,509)
Tax effect of:		
- Revenues are not taxable	2,353,633	4,005,140
- Non-deductible expenses	(423,065)	110,800
Income tax expenses reported in profit or loss	<u>(37,745,557)</u>	<u>(15,493,569)</u>

The amounts of income taxes relating to each component of other comprehensive income for the years ended 31 December 2020 and 2019 were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2020	2019
Deferred income taxes relating to:		
Revaluation (increased) decreased during the year	14,276,407	(877,320)
(Gain) loss on sales of available-for-sale investments during the year transferred to be recognised in profit or loss	(396,222)	(1,524,913)
(Gain) loss on revaluation of available-for-sale investments	13,880,185	(2,402,233)
Actuarial losses	173,657	532,322
Income taxes reported in other comprehensive income (loss)	14,053,842	(1,869,911)

## 17. Other assets

	(Unit: Baht)	
	31 December	
	2020	2019
<b>Other asset - financial assets</b>		
Advances payment	7,754,800	7,920,090
Postdated cheque received	6,155,338	3,687,003
Claim receivables from litigants - net	1,963,886	1,696,796
Accrued income	2,625,585	3,942,050
Total	18,499,609	17,245,939
<b>Other assets - others</b>		
Deposits on rice field insurance scheme	16,989,418	44,200,484
Prepaid expenses	431,266	719,176
Undue input value added taxes	3,261,086	4,293,433
Others	10,550,682	18,745,237
Total	31,232,452	67,958,330
Total other assets	49,732,061	85,204,269

## 18. Insurance contract liabilities

(Unit: Baht)

	31 December 2020		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Long-term insurance policy reserves	504,702,170	(6,972,335)	497,729,835
Loss reserves			
- Claims incurred and reported	437,915,106	(23,149,578)	414,765,528
- Claims incurred but not yet reported	111,594,348	(4,517,526)	107,076,822
Unearned premium reserves	1,049,269,649	(107,167,383)	942,102,266
Total	2,103,481,273	(141,806,822)	1,961,674,451

(Unit: Baht)

	31 December 2019		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Long-term insurance policy reserves	422,981,057	(11,121,810)	411,859,247
Loss reserves			
- Claims incurred and reported	429,935,273	(9,805,037)	420,130,236
- Claims incurred but not yet reported	139,445,068	(47,070,759)	92,374,309
Unearned premium reserves	1,043,845,047	(99,472,772)	944,372,275
Total	2,036,206,445	(167,470,378)	1,868,736,067

During 2020 and 2019, the management of the Company entered into reinsurance agreements in order to mitigate insurance risk. Although risks are managed on a net basis by management, insurance contract liabilities disclosures were made on both gross and net basis in these financial statements.

### 18.1 Methodology and main assumptions used in calculation

#### Long-term insurance policy reserves

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

- (a) Incident rate
- Loan Protection Insurance (PAIG) and (PAIB), PAIG and PAIB incident rate is developed by age and gender from PAIG actual portfolio experiences and blended with industrial data according to credibility method.
- (b) Accidental death rate
- Accident death rate is referred to statistics data from the Ministry of Public Health due to insufficient actual experience data.
- (c) Lapse rate
- PAIG - Lapse rate is developed by lapse duration from PAIG actual portfolio experiences.
  - PAIB - PAIB lapse rate is referred to PAIG which is the similar type of product due to PAIB was launched on 2017 and the actual claim experiences data are not sufficient to use for statistic calculation (incredibility).
- (d) Expense
- Expense assumption, including inflation, of both PAIG and PAIB are developed from actual expense experience of claim department of non-motor business, which is excluded,
    - a. Acquisition cost - there is no future acquisition expense.
    - b. Maintenance expense - this cost is responded by the banks who sold and issued policies.
- (e) Discount rate
- Discount rate is maximum of:
    - a. Risk-free rate of return of zero coupon government bond as of valuation date and
    - b. Average last 8 quarters of interest rate of return according to OIC announcement

### Loss reserves

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

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

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

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

(b) First claim development factor

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

## 18.2 Long-term insurance policy reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2020	2019
Balances - beginning of the year	422,981,057	326,378,163
Reserves increased from new policies and enforced policies	262,253,973	228,605,412
Reserves decreased from insurance policies	(180,532,860)	(132,002,518)
Balance - end of the year	<u>504,702,170</u>	<u>422,981,057</u>

## 18.3 Loss reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2020	2019
Balances - beginning of the year	569,380,341	509,064,904
Claim incurred during the years	1,205,553,815	1,360,073,368
Changes in loss reserves of prior years' claims	(8,426,523)	(67,017,123)
Changes in assumption in calculation of loss reserves	(27,850,720)	47,987,005
Claim paid during the years	(1,189,147,459)	(1,280,727,813)
Balances - end of the year	<u>549,509,454</u>	<u>569,380,341</u>

## 18.4 Claim development table

### (a) Gross claims table

(Unit: Million Baht)

Accident year / Reporting year	Prior to 2011	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Loss reserves:												
- as at accident year		1,440.3	798.6	940.8	884.9	982.1	1,125.2	1,217.2	1,042.9	1,206.4	1,011.9	
- Next one year		1,250.2	705.4	979.6	876.9	1,023.2	1,127.2	1,193.0	1,064.8	1,243.4		
- Next two years		1,069.3	681.3	942.0	859.2	1,025.7	1,109.7	1,196.0	1,089.3			
- Next three years		1,071.4	682.0	943.8	857.6	999.3	1,073.6	1,190.7				
- Next four years		1,072.7	681.5	942.8	848.3	978.0	1,071.3					
- Next five years		1,073.1	682.9	942.8	849.3	972.1						
- Next six years		1,117.1	682.7	943.4	848.6							
- Next seven years		1,109.3	682.9	942.9								
- Next eight years		1,109.3	684.1									
- Next nine years		1,109.3										
Cumulative ultimate												
claim estimates		1,109.3	684.1	942.9	848.6	972.1	1,071.3	1,190.7	1,089.3	1,243.4	1,011.9	
Cumulative payment												
to date		(1,108.6)	(683.0)	(939.9)	(846.6)	(970.5)	(1,067.2)	(1,188.6)	(1,085.3)	(1,159.4)	(598.3)	
Net	5.0	0.7	1.1	3.0	2.0	1.6	4.1	2.1	4.0	84.0	413.6	521.2
Unallocated loss adjustment expenses												17.4
Others												10.9
Total gross loss reserves												549.5

(b) Net claim table

(Unit: Million Baht)

Accident year / Reporting year	Prior to 2011	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Loss reserves:												
- as at accident year		792.7	767.8	873.5	839.0	873.6	1,002.8	1,050.2	919.1	977.0	950.0	
- Next one year		735.2	683.2	910.0	836.8	898.9	1,013.3	1,046.7	941.9	983.4		
- Next two years		699.5	659.0	873.0	820.2	903.2	1,002.6	1,049.6	966.3			
- Next three years		702.5	659.5	874.9	821.0	889.6	977.9	1,045.0				
- Next four years		703.0	659.1	873.9	816.5	878.4	976.7					
- Next five years		702.6	660.5	874.2	817.5	875.3						
- Next six years		704.5	660.2	874.8	816.7							
- Next seven years		703.8	660.4	874.4								
- Next eight years		703.8	661.6									
- Next nine years		704.0										
Cumulative ultimate claim estimates		704.0	661.6	874.4	816.7	875.3	976.7	1,045.0	966.3	983.4	950.0	
Cumulative payment to date		(703.3)	(660.5)	(871.4)	(814.7)	(873.7)	(972.6)	(1,042.8)	(962.2)	(901.0)	(562.7)	
Net	5.0	0.7	1.1	3.0	2.0	1.6	4.1	2.2	4.1	82.4	387.3	493.5
Unallocated loss adjustment expenses												17.4
Others												10.9
Total gross loss reserves												521.8

## 18.5 Unearned premium reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2020	2019
Balances - beginning of the year	1,043,845,047	947,683,167
Premium written for the year	2,026,717,391	2,160,151,172
Decrease in policy reserves	(2,021,292,789)	(2,063,989,292)
Balances - end of the year	<u>1,049,269,649</u>	<u>1,043,845,047</u>

## 19. Amounts due to reinsurers

	(Unit: Baht)	
	31 December	
	2020	2019
Amounts withheld on reinsurance	117,536,430	191,137,304
Other reinsurance payables	88,295,720	92,808,586
Total amounts due to reinsurers	<u>205,832,150</u>	<u>283,945,890</u>

## 20. Employee benefit obligations

Movements of employee benefit obligations during the years ended 31 December 2020 and 2019 were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2020	2019
Employee benefit obligations at beginning of the year	60,845,613	40,365,959
Recognised in profit or loss:		
Current service costs	7,608,238	8,109,949
Interest costs	954,950	1,409,068
Past service costs	-	10,548,510
Receognised in other comprehensive income:		
Actuarial (gain) loss:		
Demographic assumptions changes	4,358,644	(408,677)
Financial assumptions changes	526,080	5,389,357
Experience adjustments	(4,016,441)	(2,319,070)
Less: Benefits paid during the year	(6,636,007)	(2,249,483)
Employee benefit obligations at end of the year	<u>63,641,077</u>	<u>60,845,613</u>

As at 31 December 2020 and 2019, the weighted average durations of employee benefit obligations were 14 years and 13 years, respectively, and the Company expected to pay Baht 3.1 million and Baht 7.0 million, respectively, on such obligations during the next 1-year period.

Significant actuarial assumptions at the valuation date were as follows:

	(Unit: % per annum)	
	For the years ended 31 December	
	2020	2019
Discount rate	1.6	1.7
Future salary increase rate	4.0 - 5.0	5.0
Staff turnover rates (depending on age)	2.0 - 15.0	3.0 - 17.0

The result of sensitivity analysis for significant assumptions that affected employee benefit obligations as at 31 December 2020 and 2019 were summarised below:

Assumptions	Change in assumptions	(Unit: Million Baht)	
		Increase (decrease) in employee benefit obligations as at 31 December 2020	Increase (decrease) in employee benefit obligations as at 31 December 2019
Discount rate	+ 1%	(5.6)	(5.0)
	- 1%	6.6	5.8
Salary increasing rate	+ 1%	6.6	6.5
	- 1%	(5.8)	(5.7)
Staff turnover rate	+ 10%	(2.4)	(2.5)
	- 10%	2.6	2.7

## 21. Other liabilities

(Unit: Baht)

	31 December	
	2020	2019
Revenue Department payable	7,102,878	3,962,394
Withholding income tax payable	2,695,849	2,594,406
Undue output value added taxes	10,054,489	10,108,617
Short-term employee benefit payable	30,140,028	32,524,282
Accrued expenses	32,000,863	12,829,530
Deposits from brokers	77,202,471	22,315,878
Payables of securities purchased	-	1,276,193
Others	18,792,983	34,885,401
Total other liabilities	<u>177,989,561</u>	<u>120,496,701</u>

## 22. 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.

## 23. Operating segment information

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

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

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

No inter-segment transactions occurred during the years.

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

Segment profit or loss for the years ended 31 December 2020 and 2019 were as follows:

(Unit: Baht)

	Motor insurance		Others insurance		Total	
	For the years ended		For the years ended		For the years ended	
	31 December		31 December		31 December	
	2020	2019	2020	2019	2020	2019
<b>Underwriting revenues</b>						
Gross premium written	1,541,881,602	1,601,266,838	747,089,762	787,489,746	2,288,971,364	2,388,756,584
Less: Premium ceded to reinsurers	(9,031,262)	(7,357,293)	(212,905,546)	(295,102,292)	(221,936,808)	(302,459,585)
Net premium written	1,532,850,340	1,593,909,545	534,184,216	492,387,454	2,067,034,556	2,086,296,999
Add (less): Unearned premium reserves						
decrease (increased) from prior years	16,594,109	(76,225,513)	(14,324,100)	(22,412,321)	2,270,009	(98,637,834)
Net earned premium	1,549,444,449	1,517,684,032	519,860,116	469,975,133	2,069,304,565	1,987,659,165
Commission and brokerage income from reinsurance	17,430	-	68,351,294	66,327,698	68,368,724	66,327,698
<b>Total underwriting revenues</b>	<b>1,549,461,879</b>	<b>1,517,684,032</b>	<b>588,211,410</b>	<b>536,302,831</b>	<b>2,137,673,289</b>	<b>2,053,986,863</b>
<b>Underwriting expenses</b>						
Long-term insurance policy reserve						
increased	-	-	85,870,589	105,020,752	85,870,589	105,020,752
Gross claims	900,010,194	956,266,181	283,705,791	397,836,450	1,183,715,985	1,354,102,631
Less: Claim recovery from reinsurers	-	-	(103,386,830)	(245,936,030)	(103,386,830)	(245,936,030)
Commission and brokerage expenses	257,515,638	270,237,623	127,785,733	101,811,265	385,301,371	372,048,888
Other underwriting expenses	100,577,378	104,114,804	66,639,204	82,168,731	167,216,582	186,283,535
<b>Total underwriting expenses before operating expenses</b>	<b>1,258,103,210</b>	<b>1,330,618,608</b>	<b>460,614,487</b>	<b>440,901,168</b>	<b>1,718,717,697</b>	<b>1,771,519,776</b>
<b>Gross profits from underwriting</b>	<b>291,358,669</b>	<b>187,065,424</b>	<b>127,596,923</b>	<b>95,401,663</b>	<b>418,955,592</b>	<b>282,467,087</b>
Operating expenses					(272,808,645)	(290,139,691)
Finance cost					(68,084)	-
<b>Profit (loss) from underwriting</b>					<b>146,078,863</b>	<b>(7,672,604)</b>
Net investment revenue					67,652,769	83,465,849
Losses on investments					(29,267,700)	(4,332,675)
Fair value gains					3,518,883	8,530,945
Rental income					15,574,403	15,355,712
Other income					4,349,141	2,700,320
Expected credit losses					(9,525,736)	-
<b>Profit before income tax expenses</b>					<b>198,380,623</b>	<b>98,047,547</b>
Income tax expenses					(37,745,557)	(15,493,569)
<b>Profit for the year</b>					<b>160,635,066</b>	<b>82,553,978</b>

For the years ended 31 December 2020 and 2019, the Company had premium written from a major broker (having gross premium written from the broker more than 10% of total gross premium written in each year), which is its related party, amounting to Baht 301.1 million and Baht 458.1 million, respectively, from motor segment, contributing 13% and 19%, respectively, of total premium written.

As at 31 December 2020 and 2019, segment assets and liabilities were as follows:

(Unit: Baht)

	Motor	Others	Unallocated assets/liabilities	Total
<b>Assets</b>				
31 December 2020	185,789,817	285,522,593	3,558,561,775	4,029,874,185
31 December 2019	162,110,657	407,784,919	3,334,111,796	3,904,007,372
<b>Liabilities</b>				
31 December 2020	1,290,874,285	1,066,286,307	275,582,394	2,632,742,986
31 December 2019	1,306,999,931	1,055,087,858	186,621,603	2,548,709,392

#### 24. Operating expenses

(Unit: Baht)

	For the years ended 31 December	
	2020	2019
Personnel expenses	98,357,566	111,705,230
Premises and equipment expenses	58,299,400	60,447,281
Taxes and duties	1,767,563	1,775,513
Bad debts and doubtful accounts (reversal)	1,766,087	(3,436,007)
Other operating expenses	112,618,029	119,647,674
Total operating expenses	<u>272,808,645</u>	<u>290,139,691</u>

## 25. Expected credit losses

	(Unit: Baht)
	For the years ended
	31 December
	<u>2020</u>
<b>Expected credit losses (reversal) from</b>	
Cash and cash equivalents	493,663
Accrued investment income	65,856
Investments in securities - Available-for-sale investments which are measured at fair value through other comprehensive income	865,315
Investments in securities - Held-to-maturity investments which are measured at amortised cost	8,102,004
Loan and accrued interest	<u>(1,102)</u>
Total	<u><u>9,525,736</u></u>

## 26. Expenses by nature

	(Unit: Baht)	
	For the years ended 31 December	
	<u>2020</u>	<u>2019</u>
Long-term insurance policy reserves increased	85,870,589	105,020,752
Net claims	996,994,480	1,027,745,452
Commission and brokerage expenses	385,301,371	372,048,888
Contribution expenses	25,865,828	26,091,716
Other underwriting expenses	73,970,005	73,532,146
Employees expenses	227,852,757	236,509,879
Premises and equipment expenses	58,299,400	60,447,281
Bad debts and doubtful accounts (reversal)	1,766,087	(3,436,007)
Advertising expenses	117,314,037	144,296,055
Other expenses	18,291,788	19,403,305
Finance cost	68,084	-
Expected credit losses	9,525,736	-
Total expenses by nature	<u><u>2,001,120,162</u></u>	<u><u>2,061,659,467</u></u>

## 27. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund on monthly at rates of 4% to 7% of basic salaries. The fund is managed by a fund manager which has been approved by the Ministry of Finance. During 2020 and 2019, the Company contributed approximately Baht 8.4 million and Baht 7.9 million, respectively, to the fund.

## 28. Earning per shares

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

## 29. Dividends paid

Dividends declared during the years ended 31 December 2020 and 2019 were as follows:

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
The interim dividends for 2020	Meeting of Board of Directors on 24 August 2020	62.55	4.50
Final dividends for 2019	Meeting of Board of Directors on 26 March 2020	72.28	5.20
Total		134.83	9.70
The interim dividends for 2019	Annual General Meeting of the shareholders on 26 August 2019	27.80	2.00
Final dividends for 2018	Annual General Meeting of the shareholders on 29 March 2019	27.11	1.95
Total		54.91	3.95

### 30. Related party transactions

#### 30.1 Nature of relationship

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

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

#### 30.2 Related party transactions

During 2020 and 2019, the Company had significant business transactions with its related parties. Such transactions, which were summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	For the years ended 31 December	
	2020	2019
<b>Gross premium written</b>		
Dung Seng Insurance Broker Co., Ltd. <sup>(1)</sup>	301.1	458.1
Asia Hotel Plc.	0.8	0.8
Asia Pattaya Hotel Co., Ltd.	0.4	0.3
Zeer Property Plc.	4.1	3.8
Asia Airport Hotel Co., Ltd.	0.5	0.5
<b>Commission and brokerage expenses</b>		
Dung Seng Insurance Broker Co., Ltd.	52.6	80.1

<sup>(1)</sup> Premium written from non-life insurance brokers

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

### 30.3 Outstanding balances

As at 31 December 2020 and 2019, the outstanding balances of transactions between the Company and those related parties were as follows:

	(Unit: Million Baht)	
	31 December	
	2020	2019
<b>Premium receivables</b>		
Dung Seng Insurance Broker Co., Ltd.	64.6	115.7
<b>Accrued commissions</b>		
Dung Seng Insurance Broker Co., Ltd.	11.2	20.3

### 30.4 Directors' and key management's benefits

During the years ended 31 December 2020 and 2019, the Company had employee benefit expenses incurred on directors and key management as below.

	(Unit: Million Baht)	
	For the years ended 31 December	
	2020	2019
Short-term employee benefits	14.8	19.3
Long-term employee benefits	0.4	1.9
Total	15.2	21.2

### 31. Contribution to the General Insurance Fund

	(Unit: Baht)	
	For the years ended 31 December	
	2020	2019
Accumulated contribution at the beginning of the year	45,050,643	39,079,351
Contribution during the year	5,722,268	5,971,292
Accumulated contribution at the end of the year	50,772,911	45,050,643

## 32. Commitments and contingent liabilities

### 32.1 Capital commitment

As at 31 December 2020, the Company had capital commitments contracted for computer program development amounting to Baht 1.4 million.

### 32.2 Operating lease and related service commitments

As at 31 December 2020, future minimum lease payments required under short-term leases and leases of low-value and related service agreements were as follows:

	(Unit: Million Baht)
Payable	31 December 2020
Within 1 year	7.3

### 32.3 Litigation

As at 31 December 2020 and 2019, the Company had litigation cases being sued for claims totaling Baht 158.9 million and Baht 187.2 million, respectively, as an insurer. The outcomes of the cases have not yet been finalised. However, the Company considered the estimated losses that might be incurred and already recognised as loss reserves of Baht 26.5 million and Baht 30.3 million, respectively, in the financial statements.

## 33. Non-life insurance company's risk

### 33.1 Insurance risk

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

#### (a) Insurance premium rates and procedure of underwriting

The Company sets condition and premium rates for each product in accordance with its associated risks, taking into consideration statistical data and relevant risk information. Risk evaluation has been done before underwriting. Provide training for employees to have knowledge on underwriting. In addition, the insurance underwriting policy is regularly reviewed.

#### (b) Loss reserves determination

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

(c) Reinsurance

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

(d) Concentration risk

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

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

Concentration of insurance contract liabilities as at 31 December 2020 and 2019, segregated by insurance type, were shown below.

(Unit: Million Baht)

	31 December					
	2020			2019		
	Gross long-term insurance policy reserves	Outward long-term insurance policy reserves	Net	Gross long-term insurance policy reserves	Outward long-term insurance policy reserves	Net
Personal accident	504.7	(7.0)	497.7	423.0	(11.1)	411.9
Total	504.7	(7.0)	497.7	423.0	(11.1)	411.9

(Unit: Million Baht)

	31 December					
	2020			2019		
	Gross loss reserves	Outward loss reserves	Net	Gross loss reserves	Outward loss reserves	Net
Fire	2.4	(1.0)	1.4	1.7	(1.0)	0.7
Marine and transportation	7.9	(3.9)	4.0	5.0	(2.5)	2.5
Motor	473.7	-	473.7	474.1	-	474.1
Personal accident	47.1	(8.4)	38.7	39.6	(9.2)	30.4
Miscellaneous	18.4	(14.4)	4.0	49.0	(44.2)	4.8
Total	549.5	(27.7)	521.8	569.4	(56.9)	512.5

(Unit: Million Baht)

	31 December					
	2020			2019		
	Gross premium reserves	Outward premium reserves	Net	Gross premium reserves	Outward premium reserves	Net
Fire	36.0	(8.2)	27.8	27.2	(7.8)	19.4
Marine and transportation	18.0	(8.7)	9.3	14.2	(7.1)	7.1
Motor	779.4	-	779.4	796.0	-	796.0
Personal accident	167.8	(57.8)	110.0	159.7	(49.8)	109.9
Miscellaneous	48.1	(32.5)	15.6	46.8	(34.8)	12.0
Total	1,049.3	(107.2)	942.1	1,043.9	(99.5)	944.4

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

The results of the sensitivity analysis from the assumptions change that affected to the long-term insurance policy reserves as at 31 December 2020 and 2019 was summarised below.

(Unit: Million Baht)

	2020				
	Assumption change	Increase (decrease) in gross long-term insurance policy reserves	Increase (decrease) in net long-term insurance policy reserves	Increase (decrease) in profit before income taxes	Increase (decrease) in equity
Incident rate	+10%	22.7	22.3	(22.3)	(17.8)
	-10%	(22.7)	(22.3)	22.3	17.8
Lapse rate	+10%	(0.1)	(0.1)	0.1	-
	-10%	0.1	0.1	(0.1)	-
Expenses	+10%	0.8	0.8	(0.8)	(0.6)
Discount rate	-10%	0.5	0.5	(0.5)	(0.4)

(Unit: Million Baht)

	2019				
	Assumption change	Increase (decrease) in gross long-term insurance policy reserves	Increase (decrease) in net long-term insurance policy reserves	Increase (decrease) in profit before income taxes	Increase (decrease) in equity
Incident rate	+12%	21.7	21.0	(21.0)	(16.8)
	-12%	(21.7)	(21.0)	21.0	16.8
Lapse rate	+17%	(0.2)	(0.2)	0.2	0.2
	-17%	0.2	0.2	(0.2)	(0.2)
Expenses	+5%	0.3	0.3	(0.3)	(0.2)
Discount rate	-5%	0.3	0.3	(0.3)	(0.2)

The results of the sensitivity analysis from the assumption change that affected to the loss reserves as at 31 December 2020 and 2019 were summarised below.

(Unit: Million Baht)

	2020				
	Assumption change	Increase (decrease) in gross loss reserves	Increase (decrease) in net loss reserves	Increase (decrease) in profit before income taxes	Increase (decrease) in equity
Expected loss ratios for the most recent accident year	+10%	15.5	11.9	(11.9)	(9.5)
	-10%	(15.5)	(11.9)	11.9	9.5
First claim development factor	+10%	21.1	20.5	(20.5)	(16.4)
	-10%	(25.8)	(24.8)	24.8	19.8

(Unit: Million Baht)

	2019				
	Assumption change	Increase (decrease) in gross loss reserves	Increase (decrease) in net loss reserves	Increase (decrease) in profit before income taxes	Increase (decrease) in equity
Expected loss ratios for the most recent accident year	+10%	38.2	27.2	(27.2)	(21.8)
	-10%	(38.2)	(27.2)	27.2	21.8
First claim development factor	+10%	11.1	10.2	(10.2)	(8.2)
	-10%	(13.5)	(12.4)	12.4	9.9

## 33.2 Risk management

The Company's financial instruments, principally comprise cash and cash equivalents, loans, investments in debt securities and equity securities, reinsurance assets and reinsurance payable, and lease liabilities. 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 or obligations specified in the contract. 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 manage the risk by adopting procedures as follows:

#### **Credit risk from insurance contracts**

Credit risks for insurance and reinsurance relates to premium receivable, reinsurance assets and receivables. The company controls the proportion of premiums receivables at an appropriate level and complies with the criteria determined by the OIC, closely following up on overdue insurance premiums, and selecting reinsurers with a stable financial status and a high credit rating and there is an history of compensation at the appropriate period. In addition, the credit concentration risk arising from the premium receivable is insignificant as the Company's insured are distributed across different industries and regions in Thailand.

#### **Credit risk from investment assets**

Credit risk from investment assets relates to loans, investments in debt securities and other financial assets. The Company determines an appropriate line of credit for each counterparty by considering their income, source of income, other financial obligations, etc. In addition, the Company arranges appropriate loan terms to be within short- to medium-term with respect to the Company's sources of capital, establishes debt collection process and adjusts interest rate in correspondence with market conditions. Credit risk relating to investments in debt securities is managed by investing in government and state enterprise bonds and debt securities issued by large private firms that are financially stable and have good credit ratings.

### Maximum exposure to credit risk

The maximum exposure to credit risk of financial assets by credit rating of counterparty is carrying amount as at 31 December 2020 as follow

(Unit: Million Baht)

	31 December 2020			Carrying amount
	Investment grade	Non-investment grade	Not rated	
Cash and cash equivalents	590.0	-	-	590.0
Available-for-sale debt investments measured at fair value through other comprehensive income	445.1	-	-	445.1
Held-to-maturity debt investments measured at amortised cost	999.2	45.3	-	1,044.5
Accrued investment income	9.3	0.4	-	9.7
Loans and interest receivables	-	-	7.7	7.7
Other assets - other receivables	-	-	18.5	18.5
Other assets - Receivable from sales of securities	-	-	20.4	20.4

In case the instrument's credit rating is non-investment grade and lower than the investment criteria, the Company will consider qualitative and quantitative data of the counterparty and other external information, including the use of rating information from external credit rating agencies.

The Company has determined to disclose such information from 2020 onwards, as the financial reporting standards has been adopted from 1 January 2020.

### Credit impairment assessment of financial assets

The Company's measurement and valuation method of the expected credit losses relating to financial assets are as follow

#### *Financial assets with a significant increase in credit risk*

The Company continuously monitors and analyses the status of financial assets to assess whether there has been a significant increase in credit risk since initial recognition. In making these assessments, the Company compares the risk of non-compliance of financial assets at the end of reporting period with the risk of non-compliance of financial assets at the initial recognition date.

Determination of whether there has been a significant increase in credit risk since initial recognition is based on consideration of counterparty's non-compliance, which occurs when a contractual payment is overdue or downgrade or counterparty credit rating. Moreover, financial assets are considered credit impaired when one or more events occur affecting the counterparty's future cashflow estimates. Evidence of a financial asset being credit impaired other than the counterparty's contractual payment is overdue includes observable information such as the issuer of a financial instrument facing significant financial difficulty, a high probability that the counterparty will be entered bankruptcy or undergo financial restructuring, and a significantly change in the counterparty's credit rating. The Company monitors and reports these changes of credit rating to Investment Committee to manage the risk.

*Allowance for expected credit losses*

The staging for financial assets is based on changes in credit risk since initial recognition, recognition expected credit losses within the next 12 months, lifetime expected credit losses and credit impairment as discussed in Note 5.9 to financial statements.

The credit quality of financial assets exposed to credit risk, which are presented as carrying amount are as follows.

(Unit: Million Baht)

31 December 2020

	Stage 1 - Financial assets that have not had a significant increase in credit risk (12-mth ECL)	Stage 2 - Financial assets that have a significant increase in credit risk (Lifetime ECL - not credit impaired)	Stage 3 - Financial assets that are credit- impaired (Lifetime ECL -credit impaired)	Total
<b>Cash and cash equivalents</b>				
Investment grade	590.5	-	-	590.5
Total	590.5	-	-	590.5
Less: Allowance for expected credit losses	(0.5)	-	-	(0.5)
Net book value	590.0	-	-	590.0
<b>Available-for-sale investments which are measured at fair value through other comprehensive income</b>				
Investment grade	445.1	-	-	445.1
Total	445.1	-	-	445.1
Allowance for expected credit losses	1.6	-	-	1.6
<b>Held-to-maturity investments which are measured at amortised cost</b>				
Investment grade	1,000.4	39.7	-	1,040.1
Non-investment grade	-	-	15.0	15.0
Total	1,000.4	39.7	15.0	1,055.1
Less: Allowance for expected credit losses	(1.2)	(1.5)	(7.9)	(10.6)
Net book value	999.2	38.2	7.1	1,044.5
<b>Accrued investment income</b>				
Investment grade	9.3	-	-	9.3
Non-investment grade	-	0.4	-	0.4
Total	9.3	0.4	-	9.7
Less: Allowance for expected credit losses	-	-	-	-
Net book value	9.3	0.4	-	9.7
<b>Loans, and interest receivables</b>				
Not yet due	7.7	-	-	7.7
Total	7.7	-	-	7.7
Less: Allowance for expected credit losses	-	-	-	-
Net book value	7.7	-	-	7.7

The movement in the allowance for expected credit loss for the year ended 31 December 2020 are as below

(Unit: Million Baht)

	31 December 2020			Total
	Stage 1 - Financial assets that have not had a significant increase in credit risk (12-mth ECL)	Stage 2 - Financial assets that have a significant increase in credit risk (Lifetime ECL - not credit impaired)	Stage 3 - Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	
<b>Held-to-maturity investments measured at amortised cost</b>				
Beginning balance	2.5	-	-	2.5
Change due to hierarchy change	(0.5)	1.5	7.9	9.0
Change due to remeasurement of allowance for impairment	(0.1)	-	-	(0.1)
Newly purchased or acquired financial assets	0.1	-	-	0.1
Amounts written off	(0.9)	-	-	(0.9)
Ending balance	1.2	1.5	7.9	10.6

(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 balances 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 2020 and 2019, significant assets classified by type of interest rate were summarised in the table below, with those assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	31 December 2020						
	Fixed interest rates			Floating		Total	Interest rate (% p.a)
	Within 1 year	1 - 5 years	Over 5 years	interest rate	Non-interest Bearing		
Cash equivalent	-	-	-	576.4	13.5	589.9	0.00 - 1.10
Investments in securities							
Government and state							
enterprise securities	175.1	135.9	50.0	-	-	361.0	0.30 - 6.80
Private enterprise							
debt securities	210.8	577.8	195.3	-	-	983.9	2.45 - 5.10
Foreign debt securities	19.9	48.2	-	-	-	68.1	3.90 - 5.50
Deposits at financial							
institutions	75.0	-	-	-	-	75.0	0.30 - 1.80
Loans - net	-	-	-	7.7	-	7.7	1.45 - 8.75

(Unit: Million Baht)

	31 December 2019						
	Fixed interest rates			Floating		Total	Interest rate (% p.a)
	Within 1 year	1 - 5 years	Over 5 years	interest rate	Non-interest Bearing		
Cash equivalents	-	-	-	35.9	12.8	48.8	0.00 - 1.20
Investments in securities							
Government and state							
enterprise securities	18.0	258.6	80.0	-	-	356.6	0.09 - 6.80
Private enterprise							
debt securities	165.0	417.5	212.0	-	-	794.5	0.00 - 5.20
Foreign debt securities	-	69.6	-	-	-	69.6	3.90 - 5.50
Deposits at financial							
institutions	730.0	70.0	-	-	-	800.0	1.10 - 2.375
Certificate of deposit	100.0	-	-	-	-	100.0	1.85
Loans - net	-	-	-	7.5	-	7.5	2.90 - 12.00

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

#### Interest rates sensitivity analysis

This sensitivity shows the effect of the Company's profit before tax and equity of changes in interest rates of financial assets as of 31 December 2020 in according with domestic and international economic conditions, that are reasonably likely to occur within the next 12 months, with other variables fixed. There are as follow:

	<u>Increase / (Decrease)</u>	<u>Effect on profit before tax</u>	<u>Effect on other comprehensive income</u>
	(%)	(Million Baht)	(Million Baht)
Available-for-sale			
investments measured at			
fair value through other			
comprehensive income	0.25%	-	(2.8)
	(0.25%)	-	2.8

#### Price change 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 2020 and 2019, 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 policy on managing liquidity risk is maintain liquid financial instruments more than 125% of liabilities and obligation under insurance contracts. If there are decreasing in financial instruments close to 125% from economic fluctuations or in the event of continuously negative cash flow from operations, the Company will reduce in investing in high risk or very volatile price instruments. In addition, if there is reliable information that interest rates are likely to rise, the Company will change to hold debt instruments with short-term duration.

The periods remaining to maturity of the Company's assets and liabilities as at 31 December 2020 and 2019 were as follow:

(Unit: Million Baht)

	2020					Total
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	
<b>Financial assets</b>						
Cash and cash equivalent	590.0	-	-	-	-	590.0
Investments in securities	936.8	480.9	763.4	245.3	49.4	2,475.8
Loans	-	0.9	5.2	1.5	-	7.6
<b>Insurance assets</b>						
Premium receivables	-	235.8	-	-	-	235.8
Reinsurance receivables	-	93.7	-	-	-	93.7
Claim recovery from reinsurers	-	26.3	1.4	-	-	27.7
<b>Insurance liabilities</b>						
Loss reserves	-	454.8	82.0	12.7	-	549.5
Amount due to reinsurers	-	205.8	-	-	-	205.8

(Unit: Million Baht)

	2019					Total
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	
<b>Financial assets</b>						
Cash and cash equivalent	48.9	-	-	-	-	48.9
Investments in securities	676.7	1,013.0	815.7	292.0	2.1	2,799.5
Loans	-	1.4	3.9	2.2	-	7.5
<b>Reinsurance assets</b>						
Premium receivables	-	194.7	-	-	-	194.7
Reinsurance receivables	-	207.7	-	-	-	207.7
Claim recovery from reinsurers	-	53.7	3.2	-	-	56.9
<b>Insurance liabilities</b>						
Loss reserves	-	472.0	77.1	20.3	-	569.4
Amount due to reinsurers	-	283.9	-	-	-	283.9

### 33.3 Fair value of financial instruments

As at 31 December 2020 and 2019, the Company had the financial assets measured at fair value, or measured at cost but have to disclose fair value, using different levels of inputs as follows:

(Unit: Million Baht)

	2020				
	Carrying values	Fair values			
		Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>					
Trading investments measured at fair value through profit or loss					
Equity securities	58.2	58.2	-	-	58.2
Units trust	0.5	-	0.5	-	0.5
Available-for-sale investments which are measured at fair value through other comprehensive					
Equity securities	49.4	-	-	49.4	49.4
Units trust	878.0	114.4	763.6	-	878.0
Debentures	445.1	-	445.1	-	445.1
<b>Financial assets disclosed at fair value</b>					
Cash and cash equivalents	590.0	590.0	-	-	590.0
Held-to-maturity investments					
Government and state enterprise securities	361.0	-	385.2	-	385.2
Private enterprise debt securities	540.4	-	555.6	-	555.6
Foreign debt securities	69.7	-	71.3	-	71.3
Deposits at financial institutions which matured over 3 months	75.0	75.0	-	-	75.0
Loans	7.7	-	-	7.7	7.7

(Unit: Million Baht)

	2019				
	Carrying values	Fair values			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value</b>					
Trading investments					
Equity securities	64.8	64.8	-	-	64.8
Units trust	1.9	-	1.9	-	1.9
Available-for-sale investments					
Equity securities	25.3	25.3	-	-	25.3
Units trust	584.7	140.3	444.4	-	584.7
Debenture	185.0	-	185.0	-	185.0
<b>Financial assets disclosed at fair value</b>					
Cash and cash equivalents	48.9	48.9	-	-	48.9
Held-to-maturity investments					
Government and state enterprise securities					
	356.6	-	380.5	-	380.5
Private enterprise debt securities	609.5	-	629.1	-	629.1
Foreign debt securities	69.6	-	71.0	-	71.0
Deposits at financial institutions which matured over 3 months					
	900.0	900.0	-	-	900.0
General investments	2.1	-	-	95.0	95.0
Loans	7.5	-	-	7.5	7.5

The fair value hierarchy of financial assets presents according to Note 5.23 to financial statements.

The method used for fair value measurement depends upon the characteristics of the financial instrument. The Company establishes the fair value of its financial instruments by adopting the following methods:

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

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

Reconciliation of recurring fair value measurements of financial assets, categorised within Level 3 of the fair value hierarchy, are as follow:

	(Unit: Million Baht)
	Equity instruments
<b>Balance as of 1 January 2020</b>	95.0
Loss recognised in other comprehensive income	(45.6)
<b>Balance as of 31 December 2020</b>	<b>49.4</b>

#### **34. 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.

#### **35. Events after the reporting period**

On 24 February 2021, the Board of Director's Meeting passed a resolution to propose for approval by the Annual General Meeting of the Company's Shareholders to be held in March 2021 a dividend of Baht 9.25 per share, distributed from 2020 net profit. The Company already paid an interim dividend of Baht 4.50 per share. Hence, there remained a dividend of Baht 4.75 per share or Baht 66.025 million to be paid.

#### **36. Approval of the financial statements**

These financial statements were authorised for issue by the Audit Committee on 24 February 2021.