

**Sompo Insurance (Thailand) Public Company Limited**  
**Report and financial statements**  
**31 December 2022**



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## **Independent Auditor's Report**

To the Shareholders of Sompoo Insurance (Thailand) Public Company Limited

### **Opinion**

I have audited the accompanying financial statements of Sompoo Insurance (Thailand) Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2022, and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sompoo Insurance (Thailand) Public Company Limited as at 31 December 2022, 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 including Independence Standards issued by the Federation of Accounting Professions (Code of Ethics for Professional Accountants) that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **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.

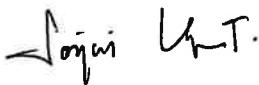
As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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



Somjai Khunapasut  
Certified Public Accountant (Thailand) No. 4499

EY Office Limited  
Bangkok: 30 March 2023

**Sompo Insurance (Thailand) Public Company Limited****Statement of financial position****As at 31 December 2022 and 2021**

		(Unit: Baht)	
	Note	2022	2021
<b>Assets</b>			
Cash and cash equivalents	7	390,909,011	312,068,207
Premium receivables	8, 30	739,404,074	567,863,807
Accrued investment income		10,800,439	10,271,902
Reinsurance assets	9	1,491,741,693	1,395,020,640
Receivables from reinsurance contracts	10, 30	186,071,205	305,000,728
Debt financial assets	11	2,568,611,196	2,557,198,198
Equity financial assets	12	27,801,409	22,817,582
Equipment	13	22,776,032	19,454,406
Right-of-use assets	14.1	45,510,301	72,294,654
Intangible assets	15	759,316,680	759,856,569
Deferred tax assets	16.1	52,013,706	2,885,284
Prepaid premium ceded		10,986,929	35,084,413
Other assets	17, 30	338,135,415	383,443,470
<b>Total assets</b>		<b>6,644,078,090</b>	<b>6,443,259,860</b>

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

**Sompo Insurance (Thailand) Public Company Limited**

**Statement of financial position (continued)**

**As at 31 December 2022 and 2021**

		(Unit: Baht)	
	Note	2022	2021
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Insurance contract liabilities	18	2,966,507,455	2,540,098,492
Due to reinsurers	19, 30	1,254,254,480	1,320,984,974
Lease liabilities	14.2	50,881,346	77,682,387
Payable under the Distribution Agreement	15.1	-	284,984,865
Income tax payable		30,286,925	33,213,306
Employee benefit obligations	20	35,917,317	34,550,091
Premium received in advance		19,700,434	39,814,681
Accrued commission	30	93,764,890	87,272,962
Others liabilities	21, 30	200,965,683	162,608,500
<b>Total liabilities</b>		<b>4,652,278,530</b>	<b>4,581,210,258</b>
<b>Equity</b>			
Share capital	22		
Registered			
18,103,153 ordinary shares of Baht 100 each		1,810,315,300	1,810,315,300
Issued and paid-up			
18,103,153 ordinary shares of Baht 100 each		1,810,315,300	1,810,315,300
Retained earnings			
Appropriated - statutory reserve	23	7,730,599	-
Unappropriated		152,149,467	34,117,170
Other components of equity		21,604,194	17,617,132
<b>Total equity</b>		<b>1,991,799,560</b>	<b>1,862,049,602</b>
<b>Total liabilities and equity</b>		<b>6,644,078,090</b>	<b>6,443,259,860</b>

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

河野 親由

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บริษัท ซมโปะ ประกันภัย (ประเทศไทย) จำกัด (มหาชน)  
Sompo Insurance (Thailand) Public Company Limited

Directors

**Sompo Insurance (Thailand) Public Company Limited**

**Statement of income**

**For the years ended 31 December 2022 and 2021**

(Unit: Baht)

	Note	2022	2021
<b>Income</b>			
Gross premium written		4,178,490,930	3,504,124,760
Less: Premium ceded to reinsurers		(2,651,049,378)	(2,263,879,227)
Net premium written		1,527,441,552	1,240,245,533
Less: Unearned premium reserves increase from prior year		(203,784,908)	(246,026,949)
Net earned premium		1,323,656,644	994,218,584
Fee and commission income from reinsurers		655,623,102	599,471,612
Net investment income	24	44,798,265	43,927,135
Gain on financial instruments		-	147,198
Other income		6,586,509	5,691,728
<b>Total income</b>		<b>2,030,664,520</b>	<b>1,643,456,257</b>
<b>Expenses</b>			
Gross claim and loss adjustment expenses		1,039,359,242	719,169,345
Less: Claim recovery from reinsurers		(382,117,921)	(240,776,034)
Commission and brokerage expenses		528,043,969	468,842,053
Other underwriting expenses		299,528,987	226,741,543
Operating expenses	25	396,866,388	344,491,677
Financial costs		5,603,541	9,661,509
Expected credit loss (reversal)	26	(911,802)	573,471
<b>Total expenses</b>	27	<b>1,886,372,404</b>	<b>1,528,703,564</b>
<b>Profit before income tax</b>		<b>144,292,116</b>	<b>114,752,693</b>
Less: Income tax expenses	16.2	(20,193,256)	(56,742,670)
<b>Profit for the year</b>		<b>124,098,860</b>	<b>58,010,023</b>
<b>Earnings per share</b>	29		
Basic earning per share		6.86	1.46
Weighted average number of ordinary share (Shares)		18,103,153	39,715,881

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

**Sompo Insurance (Thailand) Public Company Limited**

**Statement of comprehensive income**

**For the years ended 31 December 2022 and 2021**

		(Unit: Baht)
	Note	
	2022	2021
<b>Profit for the year</b>		
	124,098,860	58,010,023
<b>Other comprehensive income:</b>		
Items not to be recognised in statement of income for in subsequent period		
Gain on equity instruments designated to be measured at fair value through other comprehensive income	4,983,827	8,172,221
Actuarial gain	2,080,045	4,505,087
Less: Income tax	16.2 (1,412,774)	(2,535,462)
<b>Total items not to be recognised in statement of income in subsequent period - net of tax</b>	5,651,098	10,141,846
<b>Total other comprehensive income for the year</b>	5,651,098	10,141,846
<b>Total comprehensive income for the year</b>	129,749,958	68,151,869

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



**Sompo Insurance (Thailand) Public Company Limited**

**Statement of changes in equity**

**For the years ended 31 December 2022 and 2021**

	Issued and paid up share capital	Retained earnings		Other components of equity - equity instruments designated to be measured at fair value through other comprehensive income	Total
		Appropriated - statutory reserve	Unappropriated (Deficits)		
<b>Balance as at 1 January 2021</b>	4,020,020,000	8,881,806	(2,246,083,428)	11,079,355	1,793,897,733
Increase in share capital of the Company (Note 22)	(2,209,704,700)	(8,881,806)	2,218,586,506	-	-
Profit for the year	-	-	58,010,023	-	58,010,023
Other comprehensive income for the year	-	-	3,604,069	6,537,777	10,141,846
Total comprehensive income for the year	-	-	61,614,092	6,537,777	68,151,869
<b>Balance as at 31 December 2021</b>	<b>1,810,315,300</b>	<b>-</b>	<b>34,117,170</b>	<b>17,617,132</b>	<b>1,862,049,602</b>
<b>Balance as at 1 January 2022</b>	<b>1,810,315,300</b>	<b>-</b>	<b>34,117,170</b>	<b>17,617,132</b>	<b>1,862,049,602</b>
Transferred to statutory reserve (Note 23)	-	7,730,599	(7,730,599)	-	-
Profit for the year	-	-	124,098,860	-	124,098,860
Other comprehensive income for the year	-	-	1,664,036	3,987,062	5,651,098
Total comprehensive income for the year	-	-	125,762,896	3,987,062	129,749,958
<b>Balance as at 31 December 2022</b>	<b>1,810,315,300</b>	<b>7,730,599</b>	<b>152,149,467</b>	<b>21,604,194</b>	<b>1,991,799,560</b>

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

**Sompo Insurance (Thailand) Public Company Limited**

**Statement of cash flows**

**For the years ended 31 December 2022 and 2021**

(Unit: Baht)

	2022	2021
<b>Cash flows from (used in) operating activities</b>		
Direct premium written	3,777,695,673	3,163,427,678
Cash paid for reinsurance	(1,355,063,879)	(1,261,937,614)
Interest income	44,255,089	43,830,018
Dividend income	22,500	22,500
Other income	5,402,466	6,047,532
Loss incurred on direct insurance	(918,053,061)	(687,126,461)
Commission and brokerage expenses on direct insurance	(506,981,875)	(412,407,191)
Other underwriting expenses	(320,008,841)	(226,396,796)
Operating expenses	(262,045,421)	(256,489,235)
Income tax income (expenses)	18,390,615	(85,028,802)
Cash received from financial assets	741,299,000	1,910,372,686
Cash paid for financial assets	(760,887,083)	(1,608,411,578)
<b>Net cash flow from operating activities</b>	<b>464,025,183</b>	<b>585,902,737</b>
<b>Cash flows from (used in) investing activities</b>		
Cash received from sales of equipment	1,184,043	68,700
Cash paid for purchase of equipment	(13,432,739)	(613,935)
Cash paid for purchase of intangible assets	(52,699,844)	(27,099,263)
<b>Net cash flows used in investing activities</b>	<b>(64,948,540)</b>	<b>(27,644,498)</b>
<b>Cash flows from (used in) financing activities</b>		
Repayment of lease liabilities	(30,382,224)	(29,951,126)
Repayment of payable under the distribution agreement	(289,961,752)	(478,038,247)
<b>Cash flows used in financing activities</b>	<b>(320,343,976)</b>	<b>(507,989,373)</b>
Expected credit loss (increase) decrease	108,137	(99,800)
<b>Net increase in cash and cash equivalents</b>	<b>78,840,804</b>	<b>50,169,066</b>
Cash and cash equivalents at beginning of year	312,068,207	261,899,141
<b>Cash and cash equivalents at end of year</b>	<b>390,909,011</b>	<b>312,068,207</b>

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

**Sompo Insurance (Thailand) Public Company Limited**  
**Notes to financial statements**  
**For the years ended 31 December 2022 and 2021**

**1. General information**

**1.1 General information of the Company**

Sompo Insurance (Thailand) Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Since 9 February 2022, the Company’s major shareholders are C.K.T Holding Company Limited, a company registered and incorporated in Thailand, holding 51% of the Company’s issued and paid-up capital, and Sompo Japan Insurance Inc., a company registered in Japan and the Group’s ultimate parent company, holding 49%. (2021: Its parent company was Sompo Japan Insurance Inc., holding 100%).

The Company is principally engaged in the provision of non-life insurance and its registered address is 990 Abdulrahim Place 12<sup>th</sup> and 14<sup>th</sup> Floor, Rama 4 Road, Silom, Bangrak, Bangkok.

**2. Basis for preparation of the financial statements**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547, and in accordance with Thai accounting practices related to insurance, and the guidelines presented 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, terms and conditions for preparation and submission of financial statements and operating performance reports of non-life insurance companies (No.2) BE 2562, dated 4 March 2019.

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

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

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

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

During the year 2022, the Company has adopted the revised financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2022. 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 adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

#### **3.2 Financial reporting standards that will be effective for fiscal year beginning on or after 1 January 2023**

The Federation of Accounting Professions issued a number of revised financial reporting standards, which will be effective for fiscal years beginning on or after 1 January 2023. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards

The management of the Company believes that adoption of these amendments will not have any significant impact on the Company's financial statements.

### **4. Significant accounting policies**

#### **4.1 Revenue recognition**

##### **(a) Premium income**

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

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

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

(b) Fee and commission income

Fee and commission income from ceded premium are recognised as income when insurance risks have been transferred to the reinsurers.

(c) Investment income

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 income

Dividends are recognised as revenue when the right to receive the dividends is established.

(d) Gain (loss) on financial instruments

Gain (loss) on disposal or write off of debt instruments measured at amortised cost are recognised in profit or loss on the transaction date.

## 4.2 Expenses recognition

(a) Ceded premium to reinsurers

Ceded premium to reinsurers is recognised as expense when the insurance risk is transferred to reinsurer as amounts specified in policies.

(b) Claims and loss adjustment expenses

Claims and loss adjustment expenses consist of claims and loss adjustment expenses of direct insurance and reinsurance for both reported claims and not reported claims, and are stated at the amounts of the claims, related expenses, and claims adjustments of the current and prior period incurred during the year, less residual value and other recoveries (if any), and claims recovery from reinsurers.

Claims recovery from reinsurers is recognised when claims and loss adjustment expenses are recorded. They are estimated as proportion and condition relevant to reinsurance contracts, and is presented as deduction from claims and loss adjustment expenses.

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

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

(c) Commission and brokerage expenses

Commission and brokerage are expensed when incurred.

(d) Other underwriting expenses

Other underwriting expenses are other expenses for underwriting 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 expenses from financial liabilities measured at amortised cost is calculated using the effective interest method and recognised on an accrual basis.

### **4.3 Classification of insurance contracts**

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

The Company classifies contracts based on an assessment of the insurance risk at an inception of contract on a contract-by-contract basis. 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 the inception date, it can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

The Company classifies all insurance contracts as short-term insurance contracts, which means insurance contracts that have coverage periods of up to 1 year and no automatic renewal clause, as well as contracts that have coverage periods of more than 1 year but the Company can terminate, increase or decrease insurance premiums or change any benefits of the insurance contracts throughout the coverage period.

#### **4.4 Cash and cash equivalents**

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

#### **4.5 Premium receivables and allowance of doubtful accounts**

Premium receivables from direct insurance are stated at net realisable value. The Company set up an allowance for doubtful accounts based on the estimated loss that may be incurred due to inability to make collection, taking into account 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 allowance for doubtful accounts is recognised as expenses during the year.

#### **4.6 Reinsurance assets**

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

The Company set up an allowance for doubtful accounts of reinsurance assets when indicator of the impairment has occurred based on the estimated loss that may be incurred due to inability to make collection, taking into account collection experiences, analysis of debtor aging and a review of current status of the reinsurer as at the end of reporting period.

Increase (decrease) in allowance for doubtful accounts is recognised as expense during the year.

#### **4.7 Receivables from reinsurance contracts and amount due to reinsurers**

- (a) Receivables from reinsurance contracts consist of amounts due from reinsurers and amounts deposits on reinsurance.

Amounts due from reinsurers consist of premium ceded, accrued commission and brokerage income, claims receivables and various other items receivable from reinsurers less allowance for doubtful accounts. The Company records allowance for doubtful accounts for estimated loss that may be incurred due to inability to make collection, taking into account collection experience and the status of receivables from reinsurers as at the end of reporting period.

Increase (decrease) in allowance for doubtful accounts is recognised as 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 contracts.

The Company presents net of reinsurance balance of 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 statement of financial position, and
- (2) The entity intends to receive or pay the net amount recognised in the statement of financial position, or to realise the asset at the same time as it pays the liability.

#### **4.8 Financial assets - investments**

The Company has classified its financial assets as at the initial recognition date as financial assets - debt instruments and equity instruments as follows:



### Financial assets - debt instruments

The Company has classified investments in debt instruments as financial assets to be subsequently measured at amortised cost, based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, on the basis of the existing facts and circumstances when the financial reporting standard is first adopted or on the date of acquisition. The Company classified all financial assets that are debt instruments as financial assets measured at amortised cost, since both of the following conditions are met: the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

At the end of reporting period, investments in debt instruments measured at amortised cost are presented in the statement of financial position at amortised cost net of allowance for expected credit loss (if any).

### Financial assets - equity instruments

Investments in equity instruments that are not held for trading but held for strategic purposes or are investments in securities with low market volatility are classified as financial assets designated to be measured at fair value through other comprehensive income.

After initial recognition, unrealised gain or loss arising from changes in the fair value of investments in equity instruments are separately presented in other comprehensive income.

At the end of the reporting period, investments in equity instruments designated at fair value through other comprehensive income are presented in the statement of financial position at fair value without requiring impairment assessment.

### Fair value

The fair value of non-marketable securities is calculated using discounted future cash flow techniques.

### Investment income and disposal of investments

Gain or loss arising from disposal of investments are recognised in statement of income on the transaction date, except for gain or loss from disposal of investments in equity instruments designated to be measured at fair value through other comprehensive income, which are recognised in retained earnings. The weighted average method is used for computation of the cost of investments.

Dividends on these investments are recognised in statement of income.

#### **4.9 Allowance for expected credit loss of financial assets**

The Company recognises expected credit loss on its financial assets that are debt instruments, which are cash and cash equivalent, financial assets that debt instruments measured at amortised cost, by applying the general approach. The Company recognises an allowance for expected credit loss at the amount equivalent to the lifetime expected credit loss when there has been a significant increase in credit risk since the initial recognition date but that are not credit-impaired or that are impaired. However, if there has not been a significant increase in credit risk since initial recognition date, the Company recognised allowance for expected credit loss at the amount equivalent to the expected credit loss in the next 12 months.

At every reporting date, the Company assesses whether there has been a significant increase in the credit risk of financial assets since initial recognition whether there has been or credit impaired by considering internal and external credit ratings of the counterparties and overdue status.

Expected credit loss (ECLs) are calculated using probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Company assessed PD and LGD by considering the historical loss experience adjusted with current observable data and reasonable and supportable forward-looking information. The Company determines EAD using gross carrying value at the reporting date.

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

#### **4.10 Recognition and derecognition of financial instruments**

Financial assets are recognised or derecognised on the trade date, i.e., the date on which the Company becomes a party to contractual provisions of the instrument.

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.

#### 4.11 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 an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

#### 4.12 Equipment and depreciation

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

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

Leasehold improvement	- 5 years
Office equipment	- 5 years
Motor vehicles	- 5 years

Depreciation is recognised as expense in statement of income.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from disposal of an asset is recognised in statement of income when the asset is derecognised.

#### 4.13 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 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 loss, 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.

Depreciation of right-of-use assets are calculated by reference to their costs, on the straight-line basis over the lease term.

Lease buildings	1 - 3	years
Office equipment	3 - 5	years
Motor vehicles	3 - 4	years

### ***Lease liabilities***

Lease liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payment is included only fixed payment.

The Company discounted the present value of the lease payments by the Company's incremental borrowing rate. After the commencement date, the carrying 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.

## **4.14 Intangible assets and amortisation**

Intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment loss (if any).

Intangible asset with finite life is amortised on the straight-line basis over the economic useful life and tested for impairment whenever there is indicator that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible asset is reviewed at least at each financial year end. The amortisation expense is recognised as expense to statement of income.

Intangible asset with finite useful life are as follows:

Computer software	- 10	years
Rights under the bancassurance agreement	- 15	years 58 days

No amortisation is calculated on computer software in progress.

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

At the end of each reporting date, the Company performs impairment reviews in respect of the building and equipment, right-of-use assets 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 statement of income.

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 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. Reversal is recognised immediately in statement of income.

#### **4.16 Insurance contract liabilities**

Insurance contract liabilities consist of loss reserves, outstanding claims and unearned premium reserves

(a) Loss reserves and outstanding claims

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

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

(b) Premium reserve

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

(1) Unearned premium reserve

Unearned premium reserve is calculated based on direct premium before deducting premium ceded as follows:

Fire, marine and transportation (Hull), motor and miscellaneous	-	Daily average basis (the one-three hundred sixty fifth basis)
Transportation (cargo), travelling accident with coverage period of not over six-months	-	100% of premium as from the date policy is effective, throughout the period of insurance coverage

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

The increase or decrease in unearned premium reserves from prior year is to be recognised in statement of income.

(2) Unexpired risk reserve

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

As at the end of reporting period, the Company compares the amounts of unexpired risk reserve with unearned premium reserve, and if unexpired risk reserve is higher than unearned premium reserve, the variance is recognised as unexpired risk reserve in the financial statements.

#### **4.17 Employee benefits**

(a) Short-term employee benefits

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

(b) Post-employment benefits and other long-term employee benefits

*Defined contribution plans*

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 plans and other long-term employee benefits*

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. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

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

Actuarial gain and loss arising from post-employment benefits are recognised immediately in statement of comprehensive income. Actuarial gain and loss arising from other long-term benefits are recognised immediately in statement of income.

Past service costs are recognised in statements of income on the earlier of the date of the plan amendment or curtailment and the date that the Company recognises restructuring-related costs.

#### **4.18 Income tax**

Income tax expense represents the sum of current income tax and deferred tax.

##### **Current tax**

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

## **Deferred tax**

Deferred income tax is recognised 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 it recognises deferred tax assets for all deductible temporary differences and tax loss carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax loss carried forward can be utilised.

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

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

### **4.19 Related party transactions**

Related parties comprise individuals or enterprises 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 or enterprises which directly or indirectly own a voting right in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

### **4.20 Foreign currencies**

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

Gain and loss on exchange rate are included in determining income.

### **4.21 Provisions**

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



#### **4.22 Fair value measurement**

Fair value is the price that would be received from selling 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 their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

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

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

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

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

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

#### **5. Significant accounting judgements and estimates**

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

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

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

## **5.2 Allowances for expected credit loss of financial assets**

The management is required to use judgement in estimating allowance for expected credit loss of financial assets. The Company's calculation of allowance for expected credit loss depends on the criteria used for assessment of a significant increase in credit risk, the development of a model, the debtors status analysis, and the probability of debt collection. This estimation has various relevant factors; therefore, the actual results may differ from estimates.

## **5.3 Allowance for doubtful accounts**

In determining an allowance for doubtful accounts of premium receivable, reinsurance assets, receivable from reinsurance contracts, amounts due from related companies and other receivables, the management needs to make judgement and estimates based upon, past collection history, aging profile of outstanding debts and the prevailing economic condition.

## **5.4 Fair value of financial instruments**

In determining the fair value of financial instruments 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, correlation and longer-term price volatility of financial instruments. Change in assumptions about these factors could affect the fair value and disclosures of fair value hierarchy.

## **5.5 Intangible assets and amortisation**

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows expected to be generated by the asset and to choose a suitable discount rate in order to calculate the present value of those cash flows.

In addition, in case of the intangible assets that are the rights under the bancassurance agreement, the management is required to exercise judgement in estimation of economic value expected to be received from new policies expected to be issued and sold in each year through bancassurance channel throughout the contract period by an actuarial method, which involves various assumptions used to forecast future events and useful life.

## **5.6 Deferred tax assets**

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

## **5.7 Loss reserves and outstanding claims**

At the end of each reporting period, the Company has to estimate loss reserves and outstanding claims taking into account two factors. These are the claims incurred and reported, and the claims incurred but not yet reported (IBNR). The ultimate cost of outstanding claims is established using a range of standards actuarial claims projection techniques. The main assumptions underlying these techniques relate to historical experience, including the development of claims estimates, paid and incurred loss, average costs per claim and claim numbers etc. Nevertheless, the estimation requires the management's judgements reflecting the best estimates available at that time. Such estimates are forecasts of future outcomes, and actual results could differ.

## **5.8 Unexpired risk reserve**

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

## **5.9 Post-employment benefits under defined benefit plans and other long-term employee benefits**

The obligation under the defined benefit plans and other long-term employee benefits is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, mortality rate and staff turnover rate.

## **5.10 Leases**

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.

## 5.11 Litigations

The Company has contingent liabilities as a result of litigations. The Company's management has used judgement to assess the results of the litigations and believes that loss incurred will not exceed the recorded amounts as at the end of reporting period.

## 6. Classification of financial assets and financial liabilities

As at 31 December 2022 and 2021, carrying amounts of financial assets and financial liabilities were classified as follows:

	(Unit: Baht)		
	2022		
	Equity instruments designated to be measured at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
<b>Financial assets</b>			
Cash and cash equivalents	-	390,909,011	390,909,011
Accrued investment income	-	10,800,439	10,800,439
Debt financial assets	-	2,568,611,196	2,568,611,196
Equity financial assets	27,801,409	-	27,801,409
<b>Financial liabilities</b>			
Lease liabilities	-	50,881,346	50,881,346
			(Unit: Baht)
	2021		
	Equity instruments designated to be measured at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
<b>Financial assets</b>			
Cash and cash equivalents	-	312,068,207	312,068,207
Accrued investment income	-	10,271,902	10,271,902
Debt financial assets	-	2,557,198,198	2,557,198,198
Equity financial assets	22,817,582	-	22,817,582
<b>Financial liabilities</b>			
Lease liabilities	-	77,682,387	77,682,387

## 7. Cash and cash equivalents

	(Unit: Baht)	
	2022	2021
Cash on hand	31,000	31,000
Deposits at banks with no fixed maturity date	391,107,245	312,374,578
Total cash and cash equivalents	391,138,245	312,405,578
Less: Allowance for expected credit loss	(229,234)	(337,371)
Cash and cash equivalents - net	390,909,011	312,068,207

As at 31 December 2022, bank deposits in saving accounts carried interest between 0.10 and 0.75 percent per annum (2021: between 0.05 and 0.50 percent per annum).

## 8. Premium receivables

As at 31 December 2022 and 2021, the balances of premium receivables from direct insurance are classified by aging from the maturity date under the stipulated law of the premium collection as follows:

	(Unit: Baht)	
	2022	2021
Not yet due	335,794,218	321,139,283
Not over 30 days	251,372,797	167,460,508
Over 31 days to 60 days	39,841,295	40,758,143
Over 61 days to 90 days	5,909,786	6,445,768
Over 91 days	106,864,977	32,439,104
Total	739,783,073	568,242,806
Less: Allowance for doubtful accounts	(378,999)	(378,999)
Total premium receivables - net	739,404,074	567,863,807

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)	
	2022	2021
Insurance reserves recoverable from reinsurers		
- Loss reserves	318,234,869	338,040,804
- Unearned premium reserves	1,173,506,824	1,056,979,836
Total reinsurance assets	<u>1,491,741,693</u>	<u>1,395,020,640</u>

## 10. Receivables from reinsurance contracts

	(Unit: Baht)	
	2022	2021
Amounts due from reinsurers	<u>186,071,205</u>	<u>305,000,728</u>

The balances as at 31 December 2022 and 2021 of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)	
	2022	2021
Not yet due	142,065,863	261,862,622
Not over 1 year	41,138,145	42,929,076
Over 1 year to 2 years	2,855,709	82,316
Over 2 years	11,488	126,714
Total amounts due from reinsurers	<u>186,071,205</u>	<u>305,000,728</u>

## 11. Debt financial assets

### 11.1 Classified by type of financial assets

	(Unit: Baht)	
	2022	2021
	Amortised cost	Amortised cost
<b>Debt instruments measured at amortised cost</b>		
Government and state enterprise securities	286,286,312	362,543,198
Private debt securities	1,126,417,507	958,896,944
Deposits at financial institutions with maturity over 3 months	1,157,328,138	1,237,974,621
<b>Total</b>	<b>2,570,031,957</b>	<b>2,559,414,763</b>
Less: Allowance for expected credit loss	(1,420,761)	(2,216,565)
<b>Total debt financial assets - net</b>	<b>2,568,611,196</b>	<b>2,557,198,198</b>

### 11.2 Classified by stage of credit risk

	(Unit: Baht)					
	2022			2021		
	Gross carrying value	Allowance for expected credit loss recognised in statement of income	Net carrying value	Gross carrying value	Allowance for expected credit loss recognised in statement of income	Net carrying value
<b>Debt instruments measured at amortised cost</b>						
Stage 1 - Debt securities with no significant increase in credit risk	2,570,031,957	(1,420,761)	2,568,611,196	2,559,414,763	(2,216,565)	2,557,198,198

### 11.3 Financial assets with restrictions and commitments

As at 31 December 2022 and 2021, the following assets have been pledged as security and policy reserve with the Registrar of the Office of Insurance Commission in accordance with the Non-Life Insurance Act, and pledged as bail bond in case of where insured driver have been charged with criminal offence as below.

	(Unit: Million Baht)			
	2022		2021	
	Amortised cost	Fair value	Amortised cost	Fair value
<b>Assets pledged</b>				
Government bonds	18.9	20.5	18.8	21.3
<b>Assets reserve as insurance reserve</b>				
Government bonds	190.5	196.7	192.1	205.2
<b>Assets subject to other restriction</b>				
Saving lottery	1.7	1.7	3.5	3.5
<b>Total</b>	<b>211.1</b>	<b>218.9</b>	<b>214.4</b>	<b>230.0</b>

## 12 Equity financial assets

### 12.1 Classified by type of financial assets

	(Unit: Baht)			
	2022		2021	
	Cost	Fair Value	Cost	Fair Value
<b>Equity instruments designated to be measured at fair value through other comprehensive income</b>				
Non-listed equity instruments	796,166	27,801,409	796,166	22,817,582
Add: Unrealised gain	27,005,243		22,021,416	
<b>Total equity financial assets - net</b>	<b>27,801,409</b>		<b>22,817,582</b>	

During the years 2022 and 2021, the Company did not dispose the equity instruments designated to be measured at fair value through other comprehensive income from the account.



### 13. Equipment

	(Unit: Baht)			
	Leasehold improvement	Office equipment	Motor vehicles	Total
<b>Cost</b>				
1 January 2021	27,953,913	82,748,635	11,419,885	122,122,433
Additions	8,300	605,635	-	613,935
Disposals	-	(9,945,653)	-	(9,945,653)
31 December 2021	27,962,213	73,408,617	11,419,885	112,790,715
Additions	-	13,432,739	-	13,432,739
Disposals	-	(1,368,798)	(4,324,000)	(5,692,798)
31 December 2022	27,962,213	85,472,558	7,095,885	120,530,656
<b>Accumulated depreciation</b>				
1 January 2021	19,397,043	61,153,192	10,363,518	90,913,753
Depreciation for the year	2,600,938	8,933,529	259,480	11,793,947
Depreciation on disposals	-	(9,371,391)	-	(9,371,391)
31 December 2021	21,997,981	60,715,330	10,622,998	93,336,309
Depreciation for the year	2,215,972	7,582,176	259,480	10,057,628
Depreciation on disposals	-	(1,315,318)	(4,323,995)	(5,639,313)
31 December 2022	24,213,953	66,982,188	6,558,483	97,754,624
<b>Net book value</b>				
31 December 2021	5,964,232	12,693,287	796,887	19,454,406
31 December 2022	3,748,260	18,490,370	537,402	22,776,032
<b>Depreciation for the year</b>				
2021				11,793,947
2022				10,057,628

As at 31 December 2022, certain equipment items of the Company have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounting to Baht 75.8 million (2021: Baht 54.8 million).

## 14. Lease

The Company has entered into lease agreements for buildings, office equipment and vehicles for use in its operation. Lease buildings have a lease terms between 1 - 3 years, office equipment and motor vehicles have lease term between 3 - 5 years.

### 14.1 Right-of-use assets

	(Unit: Baht)			
	Lease buildings	Office equipment	Motor vehicles	Total
Net book value as at 1 January 2021	16,714,609	6,157,667	8,233,825	31,106,101
Acquisitions during the year	72,606,489	445,219	-	73,051,708
Disposal due to termination of agreements	(660,852)	-	-	(660,852)
Disposal during the year - net book value	-	(55,989)	-	(55,989)
Depreciation for the year	(26,198,773)	(1,766,043)	(3,181,498)	(31,146,314)
Net book value as at 31 December 2021	62,461,473	4,780,854	5,052,327	72,294,654
Acquisitions during the year	-	-	2,513,891	2,513,891
Depreciation for the year	(24,202,163)	(1,764,321)	(3,331,760)	(29,298,244)
Net book value as at 31 December 2022	38,259,310	3,016,533	4,234,458	45,510,301

### 14.2 Lease liabilities

	(Unit: Baht)			
	Lease buildings	Office equipment	Motor vehicles	Total
Lease liabilities as at 1 January 2021	19,501,633	6,302,290	8,320,949	34,124,872
Acquisitions during the year	72,606,489	445,219	-	73,051,708
Disposal due to termination of agreements	(502,852)	-	-	(502,852)
Financial cost for the year	576,310	176,972	206,503	959,785
Lease payments during the year	(24,553,080)	(2,038,046)	(3,360,000)	(29,951,126)
Lease liabilities as at 31 December 2021	67,628,500	4,886,435	5,167,452	77,682,387
Acquisitions during the year	-	-	2,513,891	2,513,891
Financial cost for the year	811,663	122,731	132,898	1,067,292
Lease payments during the year	(25,020,430)	(1,839,360)	(3,522,434)	(30,382,224)
Lease liabilities as at 31 December 2022	43,419,733	3,169,806	4,291,807	50,881,346

(Unit: Baht)

	2022			
	Lease	Office	Motor vehicles	Total
	buildings	equipment		
Lease payments	43,927,980	3,271,166	4,460,808	51,659,954
Less: Deferred interest expenses	(508,247)	(101,360)	(169,001)	(778,608)
Total	43,419,733	3,169,806	4,291,807	50,881,346
Less: Portion due within one year	(24,327,074)	(1,655,676)	(2,438,148)	(28,420,898)
Lease liabilities - net of current portion	19,092,659	1,514,130	1,853,659	22,460,448

(Unit: Baht)

	2021			
	Lease	Office	Motor vehicles	Total
	buildings	equipment		
Lease payments	68,948,410	5,110,527	5,303,092	79,362,029
Less: Deferred interest expenses	(1,319,910)	(224,092)	(135,640)	(1,679,642)
Total	67,628,500	4,886,435	5,167,452	77,682,387
Less: Portion due within one year	(23,948,367)	(1,729,477)	(3,231,414)	(28,909,258)
Lease liabilities - net of current portion	43,680,133	3,156,958	1,936,038	48,773,129

### 14.3 Expenses relating to leases that are recognised in statement of income

	(Unit: Baht)	
	2022	2021
Depreciation of right-of-use assets	29,298,244	31,146,314
Financial cost on lease liabilities	1,067,292	959,785
Short term lease expenses and leases of low-value assets	4,559,527	4,429,189
Total expenses	34,925,063	36,535,288

The Company had total cash outflows for leases for the year ended 31 December 2022 of Baht 34.9 million (2021: Baht 34.4 million), including the cash outflow related to short-term lease, and leases of low-value assets.

## 15. Intangible assets

(Unit: Baht)

	Computer software	Computer software in progress	Rights under the bancassurance agreement	Total
<b>Cost</b>				
1 January 2021	52,152,019	49,299,359	767,457,940	868,909,318
Additions	1,221,272	25,884,690	-	27,105,962
Disposals	(71,245)	-	-	(71,245)
31 December 2021	53,302,046	75,184,049	767,457,940	895,944,035
Additions	1,513,800	51,186,044	-	52,699,844
31 December 2022	54,815,846	126,370,093	767,457,940	948,643,879
<b>Accumulated amortisation</b>				
1 January 2021	30,758,016	-	8,040,564	38,798,580
Amortisation for the year	2,558,964	-	50,600,099	53,159,063
Amortisation for the disposals	(64,544)	-	-	(64,544)
31 December 2021	33,252,436	-	58,640,663	91,893,099
Amortisation for the disposals	2,639,634	-	50,600,099	53,239,733
31 December 2022	35,892,070	-	109,240,762	145,132,832
<b>Allowance for impairment loss</b>				
31 December 2021	3,094,416	41,099,951	-	44,194,367
31 December 2022	3,094,416	41,099,951	-	44,194,367
<b>Net book value</b>				
31 December 2021	16,955,194	34,084,098	708,817,277	759,856,569
31 December 2022	15,829,360	85,270,142	658,217,178	759,316,680
<b>Amortisation for the year</b>				
2021				53,159,063
2022				53,239,733

As at 31 December 2022, certain computer software items of the Company has been fully amortisation but are still in use. The gross carrying amount before deducting accumulated amortisation of those assets amounting to Baht 23.8 million (2021: Baht 23.7 million).

## 15.1 Rights under the bancassurance agreement

On 19 September 2017, the Company entered into a Distribution Agreement (“Agreement”) with a Commercial bank and certain companies in that Group. The Agreement is effective from 4 November 2021 to 31 December 2035. Under this Agreement, the Company is committed to pay the fees and applicable taxes, as consideration for the Bank and the group company granting the Company access to the distribution channel for insurance products and also acting as the insurance agents for the Company over the agreement term. The Company has therefore recognised the net present value of the amount to be paid in order to obtain the right under the agreement with directly related expenses as an intangible asset totaling Baht 767 million. The payment period is as specified in the agreement, depending on the premium amount the counterparty is able to gain for each period. The rights will be amortised over the term of the agreement. Under the terms and conditions of this Agreement, the Company has to pay commission and other fees, which will be recognised as expenses on an accrual basis in the statement of income in the period they are incurred.

As at 31 December 2022, the carrying value of the access right to distribution channel were Baht 658.2 million (2021: Baht 708.8 million).

As at 31 December 2022, the Company fully paid the fees for access to distribution channel (2021: the payable under the Distribution Agreement was Baht 285.0 million) whereby the movement was as below.

	(Unit: Baht)
	<u>2022</u>
Balance - beginning of the year	284,984,865
Add: amortisation of deferred interest expenses	4,976,887
Less: payment	<u>(289,961,752)</u>
Balance - end of the year	<u>-</u>

## 16. Deferred tax assets / income tax expenses

### 16.1 Deferred tax assets/liabilities

The components of deferred tax assets and deferred tax liabilities as at 31 December 2022 and 2021 are as follows:

	(Unit: Baht)			
			Changes in deferred tax assets and liabilities recognised in the statements of income for the years ended 31 December	
	2022	2021	2022	2021
<b>Deferred tax assets</b>				
Allowance for expected credit loss	332,157	-	332,157	(399,823)
Allowance for loss on impairment of investments in securities	379,549	379,549	-	-
Right-of-use assets and lease liabilities	1,074,209	-	1,074,209	(603,754)
Rights under the bancassurance agreement	2,667,763	-	2,667,763	-
Loss reserves	24,158,719	-	24,158,719	-
Unearned premium reserve	21,618,895	-	21,618,895	-
Post employee benefit obligations	7,183,463	6,910,018	689,454	479,533
<b>Total</b>	<b>57,414,755</b>	<b>7,289,567</b>		
<b>Deferred tax liabilities</b>				
Gain on changes in value of equity instruments designated to be measured at fair value through other comprehensive income	5,401,049	4,404,283	-	-
<b>Total</b>	<b>5,401,049</b>	<b>4,404,283</b>		
Deferred tax assets - net	52,013,706	2,885,284		
Changes in deferred tax assets and liabilities recognised in the statement of income			50,541,197	(524,044)

During the year 2022, the Company recognised deferred tax assets of Baht 249.3 million for all deductible temporary differences. Such amounts is probable that future taxable profit will be available against which such deductible temporary differences can be utilised. As at 31 December 2022, the Company has temporary differences of Baht 596.7 million (2021: Baht 635.2 million) to be utilised as tax deductions in the future. The Company did not record this amount as deferred tax assets since the Company assessed is that there may not be sufficient taxable profit available in the future to utilise these items.

## 16.2 Income tax expenses

Income tax expenses for the years ended 31 December 2022 and 2021 are as follows:

	(Unit: Baht)	
	2022	2021
<b>Current income tax:</b>		
Current income tax charge for the year	73,049,075	56,396,444
Adjustment in respect of current income tax of previous year	(2,314,622)	(177,818)
<b>Deferred tax:</b>		
Deferred tax relating to origination and reversal of temporary differences	(50,541,197)	524,044
Income tax expenses reported in the statement of income	<u>20,193,256</u>	<u>56,742,670</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2022 and 2021 are as follows:

	(Unit: Baht)	
	2022	2021
Deferred tax relating to:		
Gain on changes in value of investments	996,765	1,634,444
Actuarial gain	416,009	901,018
Total	<u>1,412,774</u>	<u>2,535,462</u>

The reconciliations between income tax expenses and the product of accounting profit for the years ended 31 December 2022 and 2021 and the applicable tax rate are as follows:

	(Unit: Baht)	
	2022	2021
Accounting profit before income tax expenses	<u>144,292,116</u>	<u>114,752,693</u>
Applicable tax rate	20%	20%
Accounting profit before tax multiple by applicable tax rate	28,858,423	22,950,539
Adjustment in respect of current income tax of previous year	(2,314,622)	(177,818)
Temporary differences not recognised as deferred tax	(7,703,947)	33,700,437
Non-taxable income and non-deductible expenses	<u>1,353,402</u>	<u>269,512</u>
Income tax expenses reported in the statement of income	<u>20,193,256</u>	<u>56,742,670</u>

## 17. Other assets

	(Unit: Baht)	
	2022	2021
Withholding tax refundable	65,868,640	135,323,889
Input tax refundable	33,910,356	55,093,781
Suspense input tax	38,404,040	35,237,361
Deposits on rice field insurance scheme	106,947,977	87,609,049
Prepaid commission expenses	63,323,483	41,202,908
Others	29,680,919	28,976,482
Total other assets	<u>338,135,415</u>	<u>383,443,470</u>

## 18. Insurance contract liabilities

	(Unit: Baht)		
	2022		
	Liabilities		
	Insurance	recovered from	Net
	contract liabilities	reinsurance	Net
Loss reserves			
- Claims incurred and reported	336,326,248	(124,160,081)	212,166,167
- Claims incurred but not reported	499,382,458	(194,074,788)	305,307,670
Unearned premium reserves	<u>2,130,798,749</u>	<u>(1,173,506,824)</u>	<u>957,291,925</u>
Total	<u>2,966,507,455</u>	<u>(1,491,741,693)</u>	<u>1,474,765,762</u>

	(Unit: Baht)		
	2021		
	Liabilities		
	Insurance	recovered from	Net
	contract liabilities	reinsurance	Net
Loss reserves			
- Claims incurred and reported	310,471,576	(131,059,316)	179,412,260
- Claims incurred but not reported	419,140,063	(206,981,488)	212,158,575
Unearned premium reserves	<u>1,810,486,853</u>	<u>(1,056,979,836)</u>	<u>753,507,017</u>
Total	<u>2,540,098,492</u>	<u>(1,395,020,640)</u>	<u>1,145,077,852</u>

During the years 2022 and 2021, the management of the Company entered into reinsurance agreements in order to mitigate insurance risk. Although positions are managed on net basis by management, insurance contract liabilities disclosures have been made on both gross and net basis in order to provide comprehensive set of disclosures.



## 18.1 Assumptions

Assumptions used for estimation of loss reserves are as follows:

(a) Assumptions regarding claims experience

The Company estimates both gross and net loss reserves using actuarial techniques, based on historical claims data. Large claims analysed separately from the normal claims to reduce the distortion of the claims development pattern that may be caused by large claims.

(b) Assumptions regarding related expenses

The Company estimates unallocated loss adjustment expenses (“ULAE”) based on historical annual data on expenses relating to the claims management process, such as employee salaries, office rental fees and travelling expenses, which are expressed as a ratio of ULAE to gross claims paid.

## 18.2 Loss reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2022	2021
Beginning balance	729,611,639	766,636,492
Claims expenses incurred during the year	839,131,342	695,032,907
Change in loss reserves of claim incurred in prior year	75,937,488	(59,551,129)
Change in assumptions	80,242,395	42,759,593
Claims expenses paid during the year	(889,214,158)	(715,266,224)
Ending balance	<u>835,708,706</u>	<u>729,611,639</u>

As at 31 December 2022, the Company has loss reserves and outstanding claims under reinsurance contracts amounting to Baht 16.7 million (2021: Baht 18.5 million).

## 18.3 Claims development table

### (a) Gross claims table

(Unit: Million Baht)

Accident year / Reporting year	Before 2013	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of cumulative												
ultimate claims incurred												
- At end of accident year		281.3	523.9	662.9	980.0	1,644.3	1,714.2	1,215.6	1,181.3	1,072.5	1,350.2	
- Next one year		285.1	471.8	657.8	971.6	1,527.3	1,573.5	956.1	869.4	845.0		
- Next two years		291.0	444.4	656.0	958.2	1,497.4	1,490.0	895.3	819.2			
- Next three years		282.6	442.9	655.2	950.1	1,486.6	1,508.2	867.1				
- Next four years		282.6	442.4	655.2	948.8	1,487.1	1,506.5					
- Next five years		282.5	440.0	658.0	948.8	1,486.1						
- Next six years		278.2	440.0	658.0	948.0							
- Next seven years		278.2	440.0	658.0								
- Next eight years		278.2	439.9									
- Next nine years		277.9										
Estimate of cumulative												
ultimate claims incurred												
		277.9	439.9	658.0	948.0	1,486.1	1,506.5	867.1	819.2	845.0	1,350.2	
Cumulative payment to date		(277.9)	(439.5)	(657.9)	(947.9)	(1,477.3)	(1,498.4)	(862.2)	(805.5)	(778.7)	(617.1)	
Total loss reserves	0.2	-	0.4	0.1	0.1	8.8	8.1	4.9	13.7	66.3	733.1	835.7

### (b) Net claims table

(Unit: Million Baht)

Accident year / Reporting year	Before 2013	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of cumulative												
ultimate claims incurred												
- At end of accident year		115.5	206.9	389.0	667.5	1,014.8	847.5	637.5	580.1	608.8	850.6	
- Next one year		119.5	209.4	397.1	718.9	965.8	784.0	544.4	473.3	473.6		
- Next two years		122.0	207.9	397.0	706.2	940.5	753.9	522.0	439.4			
- Next three years		118.6	208.5	396.7	702.1	933.3	752.7	500.3				
- Next four years		118.6	208.5	396.7	702.3	933.2	750.3					
- Next five years		118.6	208.4	397.3	702.3	933.2						
- Next six years		118.6	208.4	397.3	702.2							
- Next seven years		118.6	208.3	397.3								
- Next eight years		118.6	208.3									
- Next nine years		118.6										
Estimate of cumulative												
ultimate claims incurred												
		118.6	208.3	397.3	702.2	933.2	750.3	500.3	439.4	473.6	850.6	
Cumulative payment to date		(118.6)	(208.3)	(397.3)	(702.2)	(931.7)	(742.8)	(500.3)	(435.0)	(421.7)	(398.5)	
Total loss reserves	0.1	-	-	-	-	1.5	7.5	-	4.4	51.9	452.1	517.5

#### 18.4 Unearned premium reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2022	2021
Beginning balance	1,810,486,853	1,451,119,306
Premium written for the year	4,178,490,930	3,504,124,760
Premium earned for the current year	(3,858,179,034)	(3,144,757,213)
Ending balance	<u>2,130,798,749</u>	<u>1,810,486,853</u>

#### 19. Due to reinsurers

	(Unit: Baht)	
	2022	2021
Amounts withheld on reinsurance	550,296,662	617,261,346
Other reinsurance payable	703,957,818	703,723,628
Total due to reinsurers	<u>1,254,254,480</u>	<u>1,320,984,974</u>

#### 20. Employee benefit obligations

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, and other long-term employee benefits for the years ended 31 December 2022 and 2021 are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2022	2021
Defined benefit obligations at beginning of year	34,550,091	36,657,513
Amount recognised in statement of income:		
Current service cost	5,972,216	6,695,859
Interest cost	723,409	525,094
Amount recognised in statements of comprehensive income:		
Actuarial loss (gain) arising from		
Financial assumptions changes	(3,253,501)	(2,346,501)
Experience adjustments	1,173,456	(2,158,586)
Benefits paid during the year	(3,248,354)	(4,823,288)
Defined benefit obligations at end of year	<u>35,917,317</u>	<u>34,550,091</u>

The Company expects to pay Baht 0.2 million of long-term employee benefits during the next year (2021: Baht 0.2 million).

As at 31 December 2022, the weighted average duration of the payment for long-term employee benefits is 11 years (2021: 11 years).

Principal actuarial assumptions at the valuation date were as follows:

	2022	2021
	(% per annum)	(% per annum)
Discount rate	2.90	2.10
Future salary increase rate	6.00	6.00
Staff turnover rate (depending on age)	0.00 - 15.00	0.00 - 15.00

The result of sensitivity analysis for key assumptions that affect the present value of the long-term employee benefit obligations as at 31 December 2022 and 2021 are summarised below:

2022				
	Assumption increase	Increase (decrease) in obligation amount	Assumption decrease	Increase (decrease) in obligation amount
	(Percent per annum)	Million Baht	(Percent per annum)	Million Baht
Discount rate	1.0	(3.8)	1.0	4.4
Future salary increase rate	1.0	3.8	1.0	(3.3)
Staff turnover rate	5.0	(15.4)	5.0	9.6
2021				
	Assumption increase	Increase (decrease) in obligation amount	Assumption decrease	Increase (decrease) in obligation amount
	(Percent per annum)	Million Baht	(Percent per annum)	Million Baht
Discount rate	1.0	(3.6)	1.0	4.3
Future salary increase rate	1.0	3.7	1.0	(3.2)
Staff turnover rate	5.0	(14.7)	5.0	9.9

## 21. Other liabilities

	(Unit: Baht)	
	2022	2021
Commission received in advance	41,262,854	36,898,447
Accrued expenses	81,363,846	55,215,904
Short - term employee benefits	33,754,755	29,521,571
Other payables	1,481,840	700,179
Undue output tax	16,515,299	17,796,728
Others	26,587,089	22,475,671
Total other liabilities	<u>200,965,683</u>	<u>162,608,500</u>

## 22. Share capital

On 7 September 2021, the Extraordinary General Meeting of Shareholders No.1/2021 of the Company approved the decrease its registered share capital from Baht 4,020 million (40.20 million shares with a par value of Baht 100 each) to Baht 1,810 million (18.10 million shares with a par value of Baht 100 each), by cancelling 22.10 million shares with a par value of Baht 100 each, for the purpose of eliminating the retained loss. The Company already registered the decrease in its capital with the Ministry of Commerce on 24 December 2021.

## 23. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside 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.

During the year ended 31 December 2022, the Company had set aside the statutory reserve of Baht 7.7 million from its net profit.

## 24. Net investment income

	(Unit: Baht)	
	2022	2021
Interest income from debt instruments	46,771,250	45,377,151
Dividend income from equity instruments	22,500	22,500
Less: Investment expenses	(1,995,485)	(1,472,516)
Total	<u>44,798,265</u>	<u>43,927,135</u>

**25. Operating expenses**

	(Unit: Baht)	
	2022	2021
Personnel expenses	226,750,609	195,909,355
Premises and equipment expenses	54,472,290	56,150,606
Taxes and duties	5,972,263	2,543,560
Bad debts and doubtful accounts (reversal)	-	(5,995,803)
Other operating expenses	109,671,226	95,883,959
<b>Total</b>	<b>396,866,388</b>	<b>344,491,677</b>

**26. Allowance for expected credit loss (reversal)**

	(Unit: Baht)	
	2022	2021
Cash and cash equivalents	(108,137)	99,801
Accrued investment income	(7,861)	6,064
Debt instruments measured at amortised cost	(795,804)	467,606
<b>Total</b>	<b>(911,802)</b>	<b>573,471</b>

**27. Expenses by nature**

	(Unit: Baht)	
	2022	2021
Claim and loss adjustment expenses	613,193,304	437,465,336
Commission and brokerage expenses	528,043,969	468,842,053
Contribution expenses	23,571,657	20,392,423
Other underwriting expenses	212,688,681	153,328,914
Employees expenses	299,653,362	267,453,801
Premises and equipment expenses	56,955,335	57,844,311
Bad debts and doubtful accounts (reversal)	-	(5,995,803)
Advertising and promotion expenses	17,483,208	8,165,682
Financial costs	5,603,541	9,661,509
Expected credit loss (reversal)	(911,802)	573,471
Other expenses	130,091,149	110,971,867
<b>Total expenses by nature</b>	<b>1,886,372,404</b>	<b>1,528,703,564</b>

## 28. Provident fund

The Company and its employees jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both the Company and employees contributed to the fund monthly at the rate of 5% of basic salary. The fund is managed by TISCO Asset Management Company Limited and will be paid to employees upon termination in accordance with the rules of the fund. During the year 2022, the Company contributed Baht 8.0 million (2021: Baht 7.9 million) to the fund.

## 29. Earnings per share

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

## 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	Nature of relationship
Sompo Japan Insurance Inc.	Ultimate parent company and shareholder
C.K.T Holding Company Limited	Major shareholder
Sompo Brokers (Thailand) Company Limited	Common shareholder in the same group
Sompo Insurance Singapore Pte. Ltd.	Common shareholder in the same group
Sompo Holdings (Asia) Pte. Ltd.	Common shareholder in the same group
Sompo Holding Inc.	Common shareholder in the same group
Sompo International Holdings Ltd.	Common shareholder in the same group
Sompo Japan Nipponkoa Reinsurance (Hong Kong) Company Limited	Common shareholder in the same group
Universal Sompo General Insurance Co., Ltd.	Common shareholder in the same group
Endurance Assurance Corporation	Common shareholder in the same group
Endurance Worldwide Insurance Ltd.	Common shareholder in the same group

## 30.2 Significant related party transactions

During the years, the Company had significant business transactions with its related parties. Such transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course business between the Company and those parties, are as follows:

	2022	2021	Pricing policy
(Unit: Million Baht)			
<b>Transactions with ultimate parent company</b>			
Premium ceded	1,436.6	1,252.1	Reinsurance rate depending on type of insurance and reinsurance contracts
Fee and commission income	454.7	389.2	Reinsurance rate depending on type of insurance and reinsurance contracts
Claim recovery	85.0	44.9	According to terms of reinsurance contracts depending on type of insurance and reinsurance
<b>Transactions with related companies</b>			
Premium ceded	65.7	43.7	Reinsurance rate depending on type of insurance and reinsurance contracts
Fee and commission income	7.9	5.6	Reinsurance rate depending on type of insurance and reinsurance contracts
Commission paid on direct insurance	123.9	103.3	In accordance with the Notification by the Registrar regarding "Commission rate for Non-life insurance"
Claim recovery	4.4	15.7	According to terms of reinsurance contracts depending on type of insurance and reinsurance
Management fee	19.3	12.0	At contract price



The Company had the following related party outstanding balances as at 31 December 2022 and 2021.

	(Unit: Million Baht)	
	2022	2021
<b>Transactions with ultimate parent company</b>		
Receivables from reinsurance contracts	57.6	62.7
Due to reinsurers - amounts withheld on reinsurance	294.0	409.9
Due to reinsurers - other reinsurance payable	219.8	148.5
<b>Transactions with related companies</b>		
Premium receivables	162.2	108.5
Receivables from reinsurance contracts	7.4	11.5
Other assets	2.0	1.4
Due to reinsurers - amounts withheld on reinsurance	90.8	27.2
Due to reinsurers - other reinsurance payable	25.4	2.9
Accrued commission	24.2	15.1
Other liabilities	6.1	5.7

#### **Directors and management's remuneration**

During the years ended 31 December 2022 and 2021, the Company had employee benefit expenses of its directors and management personnel as following.

	(Unit: Million Baht)	
	2022	2021
Short-term benefits	39.8	38.1
Long-term benefits	0.5	3.1
Total	40.3	41.2

#### **31. Contribution to the General Insurance Fund**

	(Unit: Baht)	
	For the years ended 31 December	
	2022	2021
Accumulated contribution at the beginning of the year	64,510,738	56,132,805
Contribution during the year	9,923,376	8,377,933
Accumulated contribution at the end of the year	74,434,114	64,510,738

## **32. Commitments and contingent liabilities**

### **32.1 Operating lease and services commitments**

As at 31 December 2022, there are future minimum lease payments required under short-term or low value lease and service agreements which are not recognised as right-of-use assets.

	(Unit: Million Baht)
Payable within:	
Within than 1 year	3.9
1 to 3 years	2.6

### **32.2 Bank guarantees**

As at 31 December 2022, there were outstanding bank guarantees of Baht 2.3 million (2021: Baht 2.3 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

### **32.3 Litigations**

As at 31 December 2022, the Company has been sued for damaged totaling approximately Baht 35.4 million (2021: Baht 20.9 million) as insurer. The total maximum sum insured per the relevant policies is Baht 324.3 million (2021: Baht 52.3 million). The outcomes of these causes have not yet been finalised but the Company has record loss reserves for its contingent loss amounting to approximately Baht 16.7 million (2021: Baht 9.8 million) in the financial statements.

## **33. Risk and risk management policy**

### **33.1 Insurance underwriting risk**

The Board of Directors recognises the importance of managing the risk that may severely affect the Company's profitability and therefore promotes the establishment of policies and regulations to manage these insurance underwriting risks, and established methods of risk assessment, risk monitoring, and/or risk management. The Board of Directors have assigned management to establish a governance framework for conflicts of interest, duties and responsibilities and to establish an appropriate reporting system, so that important information relating to risk management is reported to the Board of Directors.

The Company recognises the importance of strategic risk management with respect to capital, which means that the Company maintains capital at a certain level, in accordance with the amount of risk that the Company retains, and seeks strategies to increase capital funds to maintain an appropriate capital adequacy level, and manage risk to ensure that the required level of risk-based capital does not exceed the capital available, and ensure financial soundness and maximization of corporate value. In addition, the Company has process for risk identification and assessment to ensure that the management and the Board of Directors recognise the risks and properly control them.

The Company assesses underwriting risk in order to manage the risk in quantitative terms. When considering insurance product structure for the development of new products, the revision or the discontinuation of existing products, the relevant functions must discuss and thoroughly review the revenue and expense management, insurance underwriting risk, compliance, sales plan, systems development, and moral risk specific to the insurance products, with special consideration given to risk management. The Company monitors and reviews revenue and expense management by product on a regular basis, conducts cause analysis and performs examinations of products with deteriorating profits to identify measures for performance improvement.

For reinsurance and risk retention management, the Company establishes criteria for risk retention which specify the risks to be retained and maximum net underwriting exposures that are aligned with the type and nature of the risk.

For risks arising from windstorm, floods, earthquakes, and accumulation of other risks, the Company is to assess the risk exposure and manage the risks properly.

Concentration of insurance contract liabilities as at 31 December 2022 and 2021, segregated by insurance type, are shown below.

(Unit: Million Baht)

	2022			2021		
	Premium reserves			Premium reserves		
	Gross	Outward	Net	Gross	Outward	Net
Fire	101.9	(1.6)	100.3	51.3	(1.2)	50.1
Marine and transportation	62.7	(37.7)	25.0	66.4	(44.2)	22.2
Motor	456.7	(0.1)	456.6	354.7	(0.2)	354.5
Personal accident	59.9	(0.9)	59.0	54.0	(0.8)	53.2
Miscellaneous	1,449.6	(1,133.2)	316.4	1,284.1	(1,010.6)	273.5
Total	2,130.8	(1,173.5)	957.3	1,810.5	(1,057.0)	753.5

(Unit: Million Baht)

	2022			2021		
	Loss reserves			Loss reserves		
	Gross	Outward	Net	Gross	Outward	Net
Fire	7.4	(1.7)	5.7	2.9	(0.3)	2.6
Marine and transportation	58.9	(23.0)	35.9	45.9	(19.6)	26.3
Motor	369.5	(10.2)	359.3	253.6	(5.4)	248.2
Personal accident	15.9	(2.6)	13.3	20.3	(0.7)	19.6
Miscellaneous	384.0	(280.7)	103.3	406.9	(312.0)	94.9
Total	835.7	(318.2)	517.5	729.6	(338.0)	391.6

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 and value of loss and claims, or loss adjustment expenses that are not as expected.

The results of the sensitivity analysis from the assumption change that affect to the loss reserves as at 31 December 2022 and 2021 are summarised below.

(Unit: Million Baht)

	2022				
	Assumption change	Changing in claim liabilities		Increase	
		Increase (decrease) in gross	Increase (decrease) in net of outward	(decrease) in profit before tax	Increase (decrease) in equity
Initial expected ultimate loss ratio	Increase 5%	44.2	31.0	(31.0)	(24.8)
Initial expected ultimate loss ratio	Decrease 5%	(44.2)	(31.0)	31.0	24.8
Loss development factor	Increase 5%	3.6	1.0	(1.0)	(0.8)
Loss development factor	Decrease 5%	(3.7)	(1.0)	1.0	0.8
Claims handling expenses	Increase 5%	2.2	2.2	(2.2)	(1.8)
Claims handling expenses	Decrease 5%	(2.2)	(2.2)	2.2	1.8

(Unit: Million Baht)

		2021			
		Changing in claim liabilities		Increase	
Assumption		Increase	Increase	(decrease) in	Increase
change		(decrease) in	(decrease) in	profit before	(decrease)
		gross	net of outward	tax	in equity
Initial expected ultimate loss ratio	Increase 5%	28.6	20.0	(20.0)	(16.0)
Initial expected ultimate loss ratio	Decrease 5%	(28.6)	(20.0)	20.0	16.0
Loss development factor	Increase 5%	7.2	2.8	(2.8)	(2.2)
Loss development factor	Decrease 5%	(7.3)	(2.8)	2.8	2.2
Claims handling expenses	Increase 5%	1.7	1.7	(1.7)	(1.4)
Claims handling expenses	Decrease 5%	(1.7)	(1.7)	1.7	1.4

### 33.2 Financial instruments

#### (a) Credit risk

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

1. Credit risk for insurance
  - 1.1. Credit risk for reinsurance: The Company attaches importance to the dispersal of insurance risk. In transferring risk to reinsurers, the Company therefore takes into account the financial strength of reinsurers and their ability to meet their obligations when due, and reinsurance is to be made with Thai reinsurers with a minimum capital adequacy ratio of 140% and overseas reinsurers with credit ratings of at least BBB for S&P, A- for AM Best and Baa for Moody's.
  - 1.2. Credit risk from premium receivable: The Company maintains the proportion of premium receivable at an appropriate level, in accordance with the guidelines of the OIC, and submits regular risk status reports to the Board of Directors to inform and facilitate action by the related departments.

## 2. Credit risk from investment assets

The Company diversifies its investment in order to spread risk across a range of assets, in accordance with the investment strategy and investment policy. In the case of diversifying investment in debt securities, significant consideration is given to the credit rating of the bond or the issuer and the Company therefore has a policy to invest in debt instruments with credit ratings of not less than A-. For any investments not meeting the criteria under the investment strategy approved by the Board of Directors but at investment level under the framework of the OIC, it must be pre-approved by the Investment Committee before entering into the transaction.

The Company's criteria used in measurement of expected credit loss are as follows:

Stage I Financial assets with no significant increase in credit risk

Stage II Financial assets with a significant increase in credit risk

Stage III Financial assets with credit impairment

The table below shows the credit quality of financial assets exposed to credit risk. The amounts presented for financial assets are gross carrying amount (before deducting allowance for expected credit loss).

(Unit: Million Baht)

	2022			Total
	Financial assets with no significant increase in credit risk	Financial assets with significant increase in credit risk	Financial assets that are credit-impaired	
<b>Cash and cash equivalents</b>				
Investment grade	391.1	-	-	391.1
Allowance for expected credit loss	0.2	-	-	0.2
<b>Debt instruments measured at amortised cost</b>				
Investment grade	2,570.0	-	-	2,570.0
Allowance for expected credit loss	1.4	-	-	1.4
<b>Accrued investment income</b>				
Investment grade	10.8	-	-	10.8
Allowance for expected credit loss	-	-	-	-

(Unit: Million Baht)

	2021			Total
	Financial assets with no significant increase in credit risk	Financial assets with significant increase in credit risk	Financial assets that are credit-impaired	
<b>Cash and cash equivalents</b>				
Investment grade	312.4	-	-	312.4
Allowance for expected credit loss	0.3	-	-	0.3
<b>Debt instruments measured at amortised cost</b>				
Investment grade	2,559.4	-	-	2,559.4
Allowance for expected credit loss	2.2	-	-	2.2
<b>Accrued investment income</b>				
Investment grade	10.3	-	-	10.3
Allowance for expected credit loss	-	-	-	-

The table below shows the movement in the allowance for expected credit loss for the year ended 31 December 2022 and 2021.

(Unit: Million Baht)

	2022			Total
	Financial assets with no significant increase in credit risk	Financial assets with significant increase in credit risk	Financial assets that are credit-impaired	
<b>Cash and cash equivalents</b>				
Beginning balance	0.3	-	-	0.3
Change due to remeasurement of allowance	(0.1)	-	-	(0.1)
Ending balance	0.2	-	-	0.2
<b>Debt instruments measured at amortised cost</b>				
Beginning balance	2.2	-	-	2.2
Change due to remeasurement of allowance	(0.4)	-	-	(0.4)
Newly purchased or acquired financial assets	1.0	-	-	1.0
Amounts written off/maturity	(1.4)	-	-	(1.4)
Ending balance	1.4	-	-	1.4

(Unit: Million Baht)

	2021			Total
	Financial assets with no significant increase in credit risk	Financial assets with significant increase in credit risk	Financial assets that are credit-impaired	
<b>Cash and cash equivalents</b>				
Beginning balance	0.2	-	-	0.2
Change due to remeasurement of allowance	0.1	-	-	0.1
Ending balance	0.3	-	-	0.3
<b>Debt instruments measured at amortised cost</b>				
Beginning balance	1.7	-	-	1.7
Change due to remeasurement of allowance	0.3	-	-	0.3
Newly purchased or acquired financial assets	1.6	-	-	1.6
Amounts written off/maturity	(1.4)	-	-	(1.4)
Ending balance	2.2	-	-	2.2

As at 31 December 2022 and 2021, the maximum exposure to credit risk of the financial assets (excluding insurance assets) is the carrying amounts before both effect of mitigation through use of master netting and collateral arrangements.

	(Unit: Million Baht)	
	2022	2021
Cash and cash equivalents	390.9	312.1
Debt instruments measured at amortised cost	2,568.6	2,557.2
Accrued investment income	10.8	10.3
Total maximum exposure to credit risk	2,970.3	2,879.6

## (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.

### 1. Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate as a result of changes in market interest rates.



The Company closely monitors movements in market interest rates so that it can adjust its investment strategy appropriately and effectively. Interest rate fluctuations also have an impact on the Company's investment portfolios, especially the debt securities portfolio. If market interest rates are on an upward trend, the debt securities investment yield is expected to increase, which causes the market value of debt securities to decrease. In such circumstance, the Company can manage the risk by shortening the average maturity of the debt securities and investing in high-quality debt securities that are highly liquid.

As at 31 December 2022 and 2021, significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities 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)

	2022						Interest rate (% p.a.)
	Fixed interest rate			Floating interest rate	Non-Interest bearing	Total	
	Maturity date or repricing date						
	Within 1 year	1 - 5 years	Over 5 years				
<b><u>Financial assets</u></b>							
Cash and cash equivalents	-	-	-	390.9	-	390.9	0.10 - 0.75
Accrued investment income	-	-	-	-	10.8	10.8	-
Debt financial assets	1,513.4	794.4	260.8	-	-	2,568.6	0.40 - 5.28
Equity financial assets	-	-	-	-	27.8	27.8	-
<b><u>Assets under insurance contracts</u></b>							
Premium receivables	-	-	-	-	739.4	739.4	-
Loss reserves recoverable from reinsurers	-	-	-	-	318.2	318.2	-
Receivables from reinsurance contracts	-	-	-	-	186.1	186.1	-
<b><u>Financial liabilities</u></b>							
Lease liabilities	28.4	22.5	-	-	-	50.9	1.57 - 3.75
<b><u>Liabilities under insurance contracts</u></b>							
Insurance contract liabilities - loss reserves and outstanding claims	-	-	-	-	835.7	835.7	-
Due to reinsurers	-	-	-	-	1,254.3	1,254.3	-

(Unit: Million Baht)

2021

	Fixed interest rate			Floating interest rate	Non- Interest bearing	Total	Interest rate  (% p.a.)
	Maturity date or repricing date						
	Within	1 - 5	Over				
	1 year	years	5 years				
<b><u>Financial assets</u></b>							
Cash and cash equivalents	-	-	-	312.1	-	312.1	0.05 - 0.50
Accrued investment income	-	-	-	-	10.3	10.3	-
Debt financial assets	1,510.4	712.7	334.1	-	-	2,557.2	0.50 - 6.00
Equity financial assets	-	-	-	-	22.8	22.8	-
<b><u>Assets under insurance contracts</u></b>							
Premium receivables	-	-	-	-	567.9	567.9	-
Loss reserves recoverable from reinsurers	-	-	-	-	338.0	338.0	-
Receivables from reinsurance contracts	-	-	-	-	305.0	305.0	-
<b><u>Financial liabilities</u></b>							
Lease liabilities	28.9	48.8	-	-	-	77.7	1.57 - 3.00
<b><u>Liabilities under insurance contracts</u></b>							
Insurance contract liabilities - loss reserves and outstanding claims	-	-	-	-	729.6	729.6	-
Due to reinsurers	-	-	-	-	1,321.0	1,321.0	-

### The sensitivity analysis of the interest rate

Interest rate sensitivity analysis presents the effect of the change in interest rates which affect to the Company's statements of income and equity, in the condition that other variables held constant.

As at 31 December 2022 and 2021, there might be reasonable changes in interest rates of bank deposits carrying floating interest rates. Such changes do not have any material impact on the Company's statements of income.

#### 2. Foreign currency risk

The Company's significant exposure to foreign currency risk arises mainly from business transactions with related parties that are denominated in foreign currencies. The Company did not enter into forward foreign currency contracts to mitigate its exposure to foreign currency risk as of the date of the financial statements. The outstanding balances of financial assets / liabilities denominated in foreign currencies are small, and therefore the management believes that the exposure is immaterial.

#### 3. Equity price risk

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

Since equity securities are not the financial instruments to be invested under the current investment policy with exception of existing equity securities due to business relationship and terms of business, the equity price risk is therefore insignificant.

### **(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 a financial loss.

If it is likely that the total amount of liquid assets maintained by the Company will be insufficient or at a level lower than the probable maximum loss, appropriate action to remediate the situation will be developed and prepared for implementation. In order to avoid liquidity risk, the Company thoroughly manages cash flow risk to ensure that it will not have to sell its assets at any time.

The periods remaining to maturity of the Company's financial assets and liabilities as of 31 December 2022 and 2021 are as follow:

(Unit: Million Baht)

	2022					Total
	At call	Less than 1 year	1 - 5 years	Over 5 years	Unspecified	
<b><u>Financial assets</u></b>						
Cash and cash equivalents	390.9	-	-	-	-	390.9
Accrued investment income	-	10.8	-	-	-	10.8
Debt financial assets	-	1,513.4	794.4	260.8	-	2,568.6
Equity financial assets	-	-	-	-	27.8	27.8
<b><u>Assets under insurance contracts</u></b>						
Premium receivables	-	739.4	-	-	-	739.4
Loss reserves recoverable from reinsurers	-	286.0	32.2	-	-	318.2
Receivables from reinsurance contracts	-	186.1	-	-	-	186.1
<b><u>Financial liabilities</u></b>						
Lease liabilities	-	28.4	22.5	-	-	50.9
<b><u>Liabilities under insurance contracts</u></b>						
Insurance contract liabilities - loss reserves and outstanding claims	-	186.7	574.7	74.3	-	835.7
Due to reinsurers	-	1,254.3	-	-	-	1,254.3

(Unit: Million Baht)

	2021					Total
	At call	Less than 1 year	1 - 5 years	Over 5 years	Unspecified	
<b><u>Financial assets</u></b>						
Cash and cash equivalents	312.1	-	-	-	-	312.1
Accrued investment income	-	10.3	-	-	-	10.3
Debt financial assets	-	1,510.4	712.7	334.1	-	2,557.2
Equity financial assets	-	-	-	-	22.8	22.8
<b><u>Assets under insurance contracts</u></b>						
Premium receivables	-	567.9	-	-	-	567.9
Loss reserves recoverable from reinsurers	-	305.9	32.1	-	-	338.0
Receivables from reinsurance contracts	-	305.0	-	-	-	305.0
<b><u>Financial liabilities</u></b>						
Lease liabilities	-	28.9	48.8	-	-	77.7
<b><u>Liabilities under insurance contracts</u></b>						
Insurance contract liabilities - loss reserves and outstanding claims	-	680.46	49.14	-	-	729.6
Due to reinsurers	-	1,321.0	-	-	-	1,321.0

### 33.3 Fair value of financial instruments

As at 31 December 2022 and 2021, the Company had the following financial assets that were measured at fair value, and had financial assets that were measured at cost but have to disclose fair value, presenting levels of fair value hierarchy as following:

(Unit: Million Baht)

	2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b><u>Financial assets measured at fair value</u></b>					
Equity financial assets - Equity instruments designated to be measured at fair value through other comprehensive income					
Non-listed equity instruments	27.8	-	-	27.8	27.8
<b><u>Financial assets disclosed at fair value</u></b>					
Cash and cash equivalents	390.9	391.1	-	-	391.1
Accrued investment income	10.8	2.5	8.3	-	10.8
Debt financial assets - measured at amortised cost					
Government and state enterprise securities	286.3	22.0	272.1	-	294.1
Private debt securities	1,125.8	-	1,119.3	-	1,119.3
Deposits at financial institutions	1,156.5	1,157.3	-	-	1,157.3

(Unit: Million Baht)

	2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b><u>Financial assets measured at fair value</u></b>					
Equity financial assets - Equity instruments designated to be measured at fair value through other comprehensive income					
Non-listed equity instruments	22.8	-	-	22.8	22.8
<b><u>Financial assets disclosed at fair value</u></b>					
Cash and cash equivalents	312.1	312.4	-	-	312.4
Accrued investment income	10.3	3.0	7.3	-	10.3
Debt financial assets - measured at amortised cost					
Government and state enterprise securities	362.5	25.5	352.5	-	378.0
Private debt securities	957.9	-	967.6	-	967.6
Deposits at financial institutions	1,236.8	1,238.0	-	-	1,238.0

The fair value hierarchy of financial assets presents in accordance with to Note 4.22 to the financial statements.

The Company establishes the fair value of its financial instruments by adopting the following methods:

- (a) Financial assets maturing in short term, which consist of cash and cash equivalents, accrued investment income, the fair value is estimated based on the book value presented in the statements of financial position.
- (b) Debentures and bonds are presented at fair value reference to market prices or determined using the yield curve as announced by the Thai Bond Market Association, and adjusted with expected credit loss.
- (c) Non-listed equity instruments are presented at fair value which is determined using discounted future cash flow model or net book value of that company.

During the current year, there were no transfers within the fair value hierarchy levels.

Reconciliation of fair value measurements of financial assets, categorised as Level 3 of the fair value hierarchy, were presented below:

	(Unit: Baht)
Balance as of 1 January 2021	14,645,361
Gain recognised in other comprehensive income	8,172,221
Balance as of 31 December 2021	<u>22,817,582</u>
Gain recognised in other comprehensive income	4,983,827
Balance as of 31 December 2022	<u><u>27,801,409</u></u>

#### **34. Capital management**

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

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

On 30 March 2023, a meeting of the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of the shareholders for approval the dividend payment from profit for the year 2022 to the ordinary shareholders totaled 18.1 million shares at a rate of Baht 1.38 per share, or a total of Baht 25.0 million.

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

These financial statements were authorised for issue by the Company's Board of Directors on 30 March 2023.