
Sompo Insurance (Thailand) Public Company Limited
Review report and interim financial statements
31 March 2019

Independent Auditor's Report on Review of Interim Financial Information

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

I have reviewed the accompanying statement of financial position of Sompoo Insurance (Thailand) Public Company Limited as at 31 March 2019, the related statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting.



Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 15 May 2019

Sompo Insurance (Thailand) Public Company Limited**Statement of financial position****As at 31 March 2019**

		(Unit: Baht)	
	Note	31 March 2019	31 December 2018
		(Unaudited but reviewed)	(Audited)
Assets			
Cash and cash equivalents	3	234,125,712	148,221,962
Premium receivables	4	357,518,604	478,719,979
Accrued investment income		9,833,055	7,598,285
Reinsurance assets	5	1,518,275,999	1,682,255,871
Receivables from reinsurance contracts	6	67,239,680	85,866,433
Investment assets - investments in securities	7	1,713,232,350	1,742,019,594
Equipment	8	35,909,092	39,292,604
Intangible assets	9	25,776,880	26,128,178
Deferred tax assets	10	4,684,484	4,619,859
Amounts due from related companies		997,322	659,554
Prepaid premium ceded		78,682,385	95,383,461
Other assets	11	198,769,503	224,000,263
Total assets		4,245,045,066	4,534,766,043

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 March 2019

(Unit: Baht)

	Note	31 March 2019 (Unaudited but reviewed)	31 December 2018 (Audited)
Liabilities and equity			
Liabilities			
Insurance contract liabilities	12	2,337,500,105	2,552,422,348
Due to reinsurers	13	812,411,428	865,617,941
Employee benefit obligations		22,266,102	20,983,176
Liabilities under finance lease agreements		987,417	1,295,373
Amounts due to related companies		14,132,454	29,134,896
Premium received in advance		79,394,915	86,527,919
Accrued commission		32,705,590	40,553,047
Others liabilities		110,403,513	127,590,812
Total liabilities		3,409,801,524	3,724,125,512
Equity			
Share capital			
Registered			
31,200,200 ordinary shares of Baht 100 each		3,120,020,000	3,120,020,000
Issued and paid-up			
31,200,200 ordinary shares of Baht 100 each		3,120,020,000	3,120,020,000
Retained earnings			
Appropriated - statutory reserve		8,881,806	8,881,806
Unappropriated (deficit)		(2,294,251,407)	(2,318,086,575)
Other components of equity		593,143	(174,700)
Total equity		835,243,542	810,640,531
Total liabilities and equity		4,245,045,066	4,534,766,043

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

伊藤隆史

Min Sumrit

Directors



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

(Unaudited but reviewed)

Sompo Insurance (Thailand) Public Company Limited

Statement of income

For the three-month period ended 31 March 2019

	Note	2019	2018
(Unit: Baht)			
Income			
Gross premium written		504,452,086	676,713,855
Less: Premium ceded to reinsurers		(310,833,695)	(459,781,518)
Net premium written		193,618,391	216,932,337
Add: Unearned premium reserves decreased from prior period		36,119,871	75,290,051
Net earned premium		229,738,262	292,222,388
Fee and commission income from reinsurers		79,305,098	107,629,454
Net investment income		9,668,724	9,672,230
Gain (loss) from investment		(6,485)	15,245
Other income		2,788,944	1,771,906
Total income		321,494,543	411,311,223
Expenses			
Claims expenses		211,855,037	304,016,361
Less: Claims recovery from reinsurers		(74,150,830)	(93,618,900)
Commission and brokerage expenses		67,436,611	83,080,775
Other underwriting expenses		21,486,658	26,461,706
Operating expenses	14	71,288,484	64,206,955
Total expenses		297,915,960	384,146,897
Profit before income tax		23,578,583	27,164,326
Add: Income tax benefit	10	256,585	193,438
Profit for the period		23,835,168	27,357,764
Earnings per share	15		
Basis earning per share		0.76	0.88

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

(Unaudited but reviewed)

Sompo Insurance (Thailand) Public Company Limited

Statement of comprehensive income

For the three-month period ended 31 March 2019

	(Unit: Baht)	
	2019	2018
Profit for the period	<u>23,835,168</u>	<u>27,357,764</u>
Other comprehensive income:		
Other comprehensive income to be reclassified to statement of income in subsequent periods		
Gain on change in value of available-for-sale investments	959,803	2,446,754
Less: Income tax effect	<u>(191,960)</u>	<u>(489,350)</u>
Other comprehensive income to be reclassified to statement of income in subsequent period - net of tax	<u>767,843</u>	<u>1,957,404</u>
Total comprehensive income for the period	<u><u>24,603,011</u></u>	<u><u>29,315,168</u></u>

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

(Unaudited but reviewed)

Sompo Insurance (Thailand) Public Company Limited**Statement of changes in equity****For the three-month period ended 31 March 2019**

(Unit: Baht)

	Issued and paid up share capital	Retained earnings		Other components of equity - revaluation surplus (deficit) on value of available-for-sales investments	Total
		Appropriated - statutory reserve	Unappropriated (Deficit)		
Balance as at 1 January 2018	3,120,020,000	8,881,806	(2,336,596,764)	3,984,518	796,289,560
Profit for the period	-	-	27,357,764	-	27,357,764
Other comprehensive income for the period	-	-	-	1,957,404	1,957,404
Total comprehensive income for the period	-	-	27,357,764	1,957,404	29,315,168
Balance as at 31 March 2018	<u>3,120,020,000</u>	<u>8,881,806</u>	<u>(2,309,239,000)</u>	<u>5,941,922</u>	<u>825,604,728</u>
Balance as at 1 January 2019	3,120,020,000	8,881,806	(2,318,086,575)	(174,700)	810,640,531
Profit for the period	-	-	23,835,168	-	23,835,168
Other comprehensive income for the period	-	-	-	767,843	767,843
Total comprehensive income for the period	-	-	23,835,168	767,843	24,603,011
Balance as at 31 March 2019	<u>3,120,020,000</u>	<u>8,881,806</u>	<u>(2,294,251,407)</u>	<u>593,143</u>	<u>835,243,542</u>

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

(Unaudited but reviewed)

Sompo Insurance (Thailand) Public Company Limited

Statement of cash flows

For the three-month period ended 31 March 2019

	(Unit: Baht)	
	2019	2018
Cash flows from operating activities		
Direct premium written	579,356,551	751,690,919
Cash paid for reinsurance	(165,127,464)	(442,407,838)
Interest income	7,427,469	7,641,029
Other income	1,741,879	1,771,906
Loss incurred on direct insurance	(209,000,869)	(299,641,253)
Commission and brokerage expenses on direct insurance	(65,573,734)	(72,857,582)
Other underwriting expenses	(32,696,897)	(35,402,590)
Operating expenses	(60,611,181)	(96,096,017)
Investments in securities	29,555,087	308,281,113
Net cash flows from operating activities	85,070,841	122,979,687
Cash flows from investing activities		
Purchase of equipment	(513,029)	(2,382,668)
Sale of equipment	1,378,338	-
Purchase of intangible assets	(32,400)	(1,030,400)
Net cash flows from (used in) investing activities	832,909	(3,413,068)
Net increase in cash and cash equivalents	85,903,750	119,566,619
Cash and cash equivalents at beginning of period	148,221,962	291,456,343
Cash and cash equivalents at end of period	234,125,712	411,022,962

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

Sompo Insurance (Thailand) Public Company Limited

Notes to interim financial statements

For the three-month period ended 31 March 2019

1. General information

Sompo Insurance (Thailand) Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Sompo Japan Nipponkoa Insurance Inc. which was incorporated in Japan. The Company is principally engaged in the provision of non-life insurance and its registered address is 990 Abdulrahim Place 12th and 14th Floor, Rama 4 Road, Silom, Bangrak, Bangkok.

2. Basis for the preparation of the financial statements

2.1 Basis for the preparation of the interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 Interim Financial Reporting, with the Company choosing to present condensed interim financial statements. However, the Company has presented each line items in the statement of financial position, income, comprehensive income, changes in equity and cash flows in the same format as that used in its preparation of the annual financial statements, and in accordance with the format of financial statements specified in the notification of the Office of Insurance Commission (“OIC”) regarding criteria, procedures, conditions and terms for preparation and submission of financial statements and operating performance reports of non-life insurance companies B.E. 2559 dated 4 March 2016.

These interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, the interim financial statements focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

2.2 New financial reporting standards

(a) Financial reporting standards that became effective in the current period

During the period, the Company have adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal period beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, the new standard involves changes to key principles, which are summarised below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes the following accounting standards together with related interpretations.

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

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

This standard does not have any significant impact on the Company's financial statements.

TFRS 4 (revised 2018) Insurance contracts

This standard provides an option to insurers that meet certain criteria stipulated in the standard, whereby they can be temporarily exempted from adoption of certain measures under TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which applicable for the financial reporting period beginning in or after 1 January 2020, and can instead adopt the Thai Accounting Guidance applicable for insurance business related to financial instruments and disclosures for the financial reporting period beginning before 1 January 2022 or before the effective date of TFRS 17 Insurance Contracts (when issued).

This standard does not have any significant impact on the current period's financial statements and the Company's management is currently considering the option as discussed above.

(b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new financial reporting standards, interpretations, and accounting guidance, which are effective for fiscal years beginning on or after 1 January 2020. These new standards involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance businesses

This accounting guidance allows to use a temporary exemption from adoption of certain measures under TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures which effective in 2020. This accounting guidance has some differences from TFRS 9, with the significant differences being as described below.

- Classification and measurement of financial assets: These are to be classified as trading securities, available-for-sale securities, held to maturity debt securities, and loans and receivables, with no requirement to take into account the assessment of the Company's business model and the characteristics of the contractual cash flows.
- Loss on impairment, gain or loss on derecognition, and gain and loss on fair value hedges for available-for-sale equity securities items are to be recognised in profit or loss.
- The embedded derivatives in financial assets that are hybrid contracts are to be separated from host contract if they meet all criteria for separation.

In addition, the accounting guidance has some differences from TFRS 7 with respect to disclosures.

The Company's management is currently evaluating the impact of the financial reporting standards related to financial instruments on the financial statements in the year when they are adopted, and considering the alternatives allowed under the accounting guidance.

TFRS 16 Leases

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

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

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

2.3 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were applied in the financial statements for the year ended 31 December 2018.

3. Cash and cash equivalents

	(Unit: Baht)	
	31 March 2019	31 December 2018
Cash on hand	21,000	21,000
Deposits at banks with no fixed maturity date	199,235,466	148,200,962
Deposits at banks with fixed maturity date	34,869,246	-
Cash and cash equivalents	<u>234,125,712</u>	<u>148,221,962</u>

As at 31 March 2019 bank deposits in saving account and fixed deposits carried interest between 0.10 and 1.45 percent per annum (31 December 2018: 0.10 and 1.00 percent per annum).

4. Premium receivables

The balances as at 31 March 2019 and 31 December 2018 of premium receivables which due from direct insurance are classified by aging from the maturity date under the stipulated law of the premium collection as follows:

	(Unit: Baht)	
	31 March 2019	31 December 2018
Not yet due	244,475,201	384,904,425
Not over 30 days	45,267,201	60,820,694
Over 31 days to 60 days	51,494,689	22,784,395
Over 61 days to 90 days	8,003,336	4,735,330
Over 91 days - 1 year	8,166,933	5,854,134
Over 1 year	490,243	-
Total	357,897,603	479,098,978
Less: Allowance for doubtful accounts	(378,999)	(378,999)
Total premium receivables - net	357,518,604	478,719,979

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.

5. Reinsurance assets

	(Unit: Baht)	
	31 March 2019	31 December 2018
Insurance recoverable from insurance companies		
- Loss reserves	855,509,327	844,986,923
- Unearned premium reserves	662,766,672	837,268,948
Total reinsurance assets	1,518,275,999	1,682,255,871

6. Receivables from reinsurance contracts

	(Unit: Baht)	
	31 March 2019	31 December 2018
Amount due from reinsurers	67,239,680	85,866,433
Total receivables from reinsurance contracts	67,239,680	85,866,433

(Unaudited but reviewed)

The balances as at 31 March 2019 and 31 December 2018 of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)	
	31 March 2019	31 December 2018
Not yet due	48,073,403	48,220,667
Not over 12 months	18,829,999	37,309,280
Over 1 year to 2 years	327,889	336,476
Over 2 years	8,389	10
Total amounts due from reinsurers	67,239,680	85,866,433

7. Investments in securities

7.1 Classified by type of investments

	(Unit: Baht)			
	31 March 2019		31 December 2018	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Available-for-sale investments				
Government and state enterprise securities	18,821,028	18,825,972	7,007,425	7,003,203
Private debt enterprise securities	644,236,168	644,972,652	650,784,167	650,570,014
Total	663,057,196	663,798,624	657,791,592	657,573,217
Add (less): Unrealised gain (loss)	741,428		(218,375)	
Total available-for-sale investments	663,798,624		657,573,217	
Held-to-maturity investments				
Government and state enterprise securities	452,464,571		367,928,585	
Private debt enterprise securities	270,000,000		305,000,000	
Saving lottery	26,700,000		26,700,000	
Deposits at financial institutions	299,472,989		384,021,626	
Total held-to-maturity investments	1,048,637,560		1,083,650,211	
Other investments				
Equity securities	2,693,910		2,693,910	
Less: Allowance for impairment	(1,897,744)		(1,897,744)	
Total other investments, net	796,166		796,166	
Total investments in securities, net	1,713,232,350		1,742,019,594	

7.2 Other components of equity - revaluation surplus (deficit) on change in value of investments

(Unit: Baht)

	For the three-month	
	period ended 31 March 2019	For the year ended 31 December 2018
Balance - beginning of the period	(174,700)	3,984,518
Change during the period		
Unrealised gain (loss) during the period	953,318	(5,204,293)
Realised loss included in statement of income	6,485	5,270
Other comprehensive income (loss)	959,803	(5,199,023)
Related income tax	(191,960)	1,039,805
Net comprehensive income for the period (loss)	767,843	(4,159,218)
Balance - end of the period	593,143	(174,700)

7.3 Investment subject to restriction

As at 31 March 2019, the Company has pledged saving lottery of Baht 1.7 million (31 December 2018: Baht 1.7 million) as bail bond in case of where insured drivers have been charged with criminal offence. In addition, certain government bonds which have cost of Baht 214.1 million (31 December 2018: Baht 214.5 million) has been pledged and reserved with the Registrar in accordance with the Non-life Insurance Act as disclosed in Notes 17 and 18.

8. Equipment

(Unit: Baht)

	Leasehold	Office	Motor vehicles	Total
	improvement	equipment		
Net book value as at 1 January 2019	7,954,922	30,733,969	603,713	39,292,604
Acquisition during the period - at cost	12,770	335,109	-	347,879
Disposal during the period - net book value	-	(1)	(971)	(972)
Depreciation charge for the period	(735,802)	(2,910,860)	(83,757)	(3,730,419)
Net book value as at 31 March 2019	7,231,890	28,158,217	518,985	35,909,092

(Unaudited but reviewed)

9. Intangible assets

(Unit: Baht)

	Computer software	Rights under the bancassurance agreement	Total
Net book value as at 1 January 2019	11,117,652	15,010,526	26,128,178
Acquisition/transfer during the period - at cost	32,400	-	32,400
Amortisation charge for period	(383,698)	-	(383,698)
Net book value as at 31 March 2019	10,766,354	15,010,526	25,776,880

10. Deferred tax assets / income tax expenses**10.1 Deferred tax assets/liabilities**

The components of deferred tax assets and deferred tax liabilities as at 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Deferred tax assets		
Allowance for loss on impairment of investments in securities	379,549	379,549
Post employee benefit obligations	4,453,220	4,196,635
Unrealised loss on change in value of available-for-sale investments	-	43,675
Total	4,832,769	4,619,859
Deferred tax liabilities		
Unrealised gain on change in value of available-for-sale investments	148,285	-
Total	148,285	-
Deferred tax assets - net	4,684,484	4,619,859

As at 31 March 2019, the Company has unused tax losses of Baht 73.9 million and temporary differences available to be utilized as tax deductions in the future of Baht 456.4 million (31 December 2018: Baht 117.1 million and Baht 478.1 million, respectively). The Company did not record deferred tax assets since the Company's assessment is that there may not be sufficient taxable profit available in the future to utilise these items.

10.2 Income tax expenses

Income tax expenses for the three-month periods ended 31 March 2019 and 2018 are as follows:

	(Unit: Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Current income tax:		
Current income tax charge for the period	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(256,585)	(193,438)
Income tax benefit reported in the statement of income	(256,585)	(193,438)

The reconciliations between income tax benefit and the product of accounting profit for the three-month periods ended 31 March 2019 and 2018 and the applicable tax rate are as follows:

	(Unit: Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Accounting profit before income tax expenses	23,578,583	27,164,326
Applicable tax rate	20%	20%
Accounting profit before income tax expenses multiple by applicable tax rate	4,715,717	5,432,865
Tax effect of:		
Tax loss brought forward utilise during period	(8,626,337)	(5,053,191)
Temporary differences not treated as deductible expenses, and not expected to be utilised (benefit)	3,594,650	(604,532)
Non-taxable income and non-deductible expenses	59,385	31,420
Income tax benefit reported in the statement of income	(256,585)	(193,438)

(Unaudited but reviewed)

11. Other assets

	(Unit: Baht)	
	31 March 2019	31 December 2018
Revenue Department receivable	95,208,275	118,940,179
Suspense input tax	26,326,945	20,747,693
Others	77,234,283	84,312,391
Total other assets	198,769,503	224,000,263

12. Insurance contract liabilities

	(Unit: Baht)		
	31 March 2019		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
- Claims incurred and reported	998,551,727	(774,051,894)	224,499,833
- Claims incurred but not reported	197,269,393	(81,457,433)	115,811,960
Unearned premium reserves	1,141,678,985	(662,766,672)	478,912,313
Total	2,337,500,105	(1,518,275,999)	819,224,106

	(Unit: Baht)		
	31 December 2018		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
- Claims incurred and reported	1,004,810,134	(768,391,465)	236,418,669
- Claims incurred but not reported	195,311,084	(76,595,458)	118,715,626
Unearned premium reserves	1,352,301,130	(837,268,948)	515,032,182
Total	2,552,422,348	(1,682,255,871)	870,166,477

(Unaudited but reviewed)

12.1 Loss reserves

(Unit: Baht)

	For the three-month period ended 31 March 2019	For the year ended 31 December 2018
Beginning balance	1,200,121,218	832,593,230
Claims expenses for the period	387,180,237	1,774,780,348
Change in loss reserves of prior period's claims	(187,190,718)	(325,871,729)
Change in assumption in calculating loss reserves	-	71,565,451
Claims paid during the period	(204,289,617)	(1,152,946,082)
Ending balance	<u>1,195,821,120</u>	<u>1,200,121,218</u>

As at 31 March 2019, the Company has loss reserves and outstanding claims under reinsurance contracts amounting to Baht 201.5 million (31 December 2018: Baht 203.1 million).

12.2 Unearned premium reserves

(Unit: Baht)

	For the three-month period ended 31 March 2019	For the year ended 31 December 2018
Beginning balance	1,352,301,130	1,515,724,641
Premium written for the period	504,452,086	2,863,493,281
Premium earned for the current period	(715,074,231)	(3,026,916,792)
Ending balance	<u>1,141,678,985</u>	<u>1,352,301,130</u>

13. Due to reinsurers

(Unit: Baht)

	31 March 2019	31 December 2018
Amounts withheld on reinsurance	468,918,983	541,577,759
Other reinsurance payable	343,492,445	324,040,182
Total due to reinsurers	<u>812,411,428</u>	<u>865,617,941</u>

14. Operating expenses

	(Unit: Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Personnel expenses	46,175,871	41,856,189
Premises and equipment expenses	11,178,681	10,269,992
Taxes and duties	285,220	436,969
Bad debts	11,646	-
Other operating expenses	13,637,066	11,643,805
Total operating expenses	71,288,484	64,206,955

15. Earnings per share

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

16. Related party transactions

During the periods, 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:

	(Unit: Million Baht)		Transfer pricing policy
	For the three-month periods		
	ended 31 March		
	2019	2018	
Transactions with related companies			
Premium ceded	170.6	228.2	Reinsurance rate depending on type of insurance and reinsurance contract
Commission received	57.9	67.8	Reinsurance rate depending on type of insurance and reinsurance contract
Commission paid on direct insurance	19.5	20.5	In accordance with the Notification by the Registrar regarding "Commission rate for Non-life insurance"
Claim recovery	21.6	50.7	According to terms of reinsurance agreements depending on types of insurance and reinsurance

(Unaudited but reviewed)

The outstanding balances with related parties as at 31 March 2019 and 31 December 2018 are presented in the following accounts.

	(Unit: Million Baht)	
	31 March 2019	31 December 2018
Transactions with related companies		
Premium receivables	89.7	166.1
Receivables from reinsurance contracts	3.0	10.5
Amounts due from related companies	1.0	0.7
Amounts withheld on reinsurance	397.9	470.1
Amounts due to reinsurance	181.9	188.4
Amounts due to related companies	14.1	29.1

Directors and management's remuneration

During the three-month periods ended 31 March 2019 and 2018, the Company had employment benefit expenses of its directors and management personnel as following.

	(Unit: Million Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Short-term benefits	2.9	3.8
Long-term benefits	0.1	0.2
Total	3.0	4.0

17. Assets pledged with the Registrar

As at 31 March 2019 and 31 December 2018, the following assets have been pledged with the Registrar in accordance with the Non-Life Insurance Act.

	(Unit: Baht)			
	31 March 2019		31 December 2018	
	Cost/ amortised cost	Fair value	Cost/ amortised cost	Fair value
Government bonds	18,766,694	20,784,645	18,761,140	20,716,457

18. Assets reserved with the Registrar

As at 31 March 2019 and 31 December 2018, the following assets have been placed as policy reserves with the Registrar in accordance with the Non-Life Insurance Act.

(Unit: Baht)

	31 March 2019		31 December 2018	
	Cost/		Cost/	
	amortised cost	Fair value	amortised cost	Fair value
Government bonds	195,319,526	201,266,489	195,727,331	201,235,858

19. Commitments and contingent liabilities**19.1 Operating lease agreements**

The Company has entered into several lease agreements in respect of the office rental and related service agreements. The terms of the agreements are generally between 1 and 5 years.

As at 31 March 2019 and 31 December 2018, future minimum lease payments required under these non-cancellable operating lease contracts were as follows.

(Baht: Million Baht)

	31 March 2019	31 December 2018
Payable within:		
Within 1 year	22.3	18.8
1 to 5 years	28.1	27.3

19.2 Bank guarantees

As at 31 March 2019 and 31 December 2018, there were outstanding bank guarantees of approximately Baht 3.1 million issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

19.3 Litigation

As at 31 March 2019, the Company has been sued for damaged totaling approximately Baht 125.5 million (31 December 2018: Baht 124.8 million) as insurer. The total maximum sum insured per the relevant policies is Baht 47.1 million (31 December 2018: Baht 44.7 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 18.6 million (31 December 2018: Baht 18.6 million) in the financial statements.

20. Fair value of financial instruments

As at 31 March 2019 and 31 December 2018, the Company had the following financial assets that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	31 March 2019		31 December 2018	
	Level 2	Total	Level 2	Total
Available-for-sale investments				
Government and state enterprise securities	18.8	18.8	7.0	7.0
Private debt enterprise securities	645.0	645.0	650.6	650.6

Fair value of investments in government and state enterprise securities and private debt securities determined by using the yield curve as announced by the Thai Bond Market Association.

21. Events after the reporting period - Amendments to the law relating to the legal severance pay rates

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Company have additional long-term employee benefit liabilities of Baht 4.1 million as a result. The Company will reflect the effect of the change by recognising past service costs as expenses in the income statement of the period in which the law is effective, which is the second quarter of 2019.

22. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 15 May 2019.