

Sompo Insurance (Thailand) Public Company Limited
Report and financial statements
31 December 2019



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Independent Auditor's Report

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

Opinion

I have audited the accompanying financial statements of Sampo Insurance (Thailand) Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2019, and the related statements of income, comprehensive income, changes in owner's 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 Sampo Insurance (Thailand) Public Company Limited as at 31 December 2019, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

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: 16 March 2020

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

		(Unit: Baht)	
	Note	2019	2018
Assets			
Cash and cash equivalents	6	423,889,560	148,221,962
Premium receivables	7, 24	518,903,221	478,719,979
Accrued investment income		8,275,338	7,598,285
Reinsurance assets	8	1,422,827,851	1,682,255,871
Receivables from reinsurance contracts	9, 24	65,919,987	85,866,433
Investment assets - Investments in securities	10	1,518,995,492	1,742,019,594
Equipment	11	32,510,804	39,292,604
Intangible assets	12	31,842,256	26,128,178
Deferred tax assets	13	4,949,467	4,619,859
Amounts due from related companies	24	1,151,563	659,554
Prepaid premium ceded		129,288,556	95,383,461
Other assets	14	299,512,416	224,000,263
Total assets		4,458,066,511	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 December 2019

		(Unit: Baht)	
	Note	2019	2018
Liabilities and equity			
Liabilities			
Insurance contract liabilities	15	2,223,072,786	2,552,422,348
Due to reinsurers	16, 24	911,782,510	865,617,941
Employee benefit obligations	17	31,075,373	20,983,176
Liabilities under finance lease agreements	18	284,538	1,295,373
Amounts due to related companies	24	27,255,471	29,134,896
Premium received in advance		185,130,196	86,527,919
Accrued commission		42,623,098	40,553,047
Others liabilities		157,318,567	127,590,812
Total liabilities		3,578,542,539	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	19	8,881,806	8,881,806
Unappropriated (deficits)		(2,255,958,458)	(2,318,086,575)
Other components of equity	10	6,580,624	(174,700)
Total equity		879,523,972	810,640,531
Total liabilities and equity		4,458,066,511	4,534,766,043

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

Directors

Sompo Insurance (Thailand) Public Company Limited

Statement of income

For the year ended 31 December 2019

		(Unit: Baht)	
	Note	2019	2018
Income			
Gross premium written		2,820,573,967	2,863,493,281
Less: Premium ceded to reinsurers		(1,987,750,839)	(1,969,438,021)
Net premium written		832,823,128	894,055,260
Add: Unearned premium reserves			
decrease from prior year		46,602,363	138,918,615
Net earned premium		879,425,491	1,032,973,875
Fee and commission income from reinsurers		525,415,303	553,158,869
Net investment income		40,349,329	40,861,886
Gain (loss) from investment		77,754	(5,270)
Other income		7,218,999	8,923,531
Total income		1,452,486,876	1,635,912,891
Expenses			
Gross claim and loss adjustment expenses		1,007,327,006	1,563,024,716
Less: Claim recovery from reinsurers		(464,173,710)	(779,126,949)
Commission and brokerage expenses		375,527,569	386,603,495
Other underwriting expenses		131,817,471	125,077,364
Operating expenses	20	339,196,632	324,234,745
Total expenses	21	1,389,694,968	1,619,813,371
Profit before income tax		62,791,908	16,099,520
Add: Income tax benefit	13	1,481,993	400,634
Profit for the year		64,273,901	16,500,154
Earnings per share			
	23		
Basic earning per share		2.06	0.53

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

Sompo Insurance (Thailand) Public Company Limited**Statement of comprehensive income****For the year ended 31 December 2019**

		(Unit: Baht)	
	Note	2019	2018
Profit for the year		<u>64,273,901</u>	<u>16,500,154</u>
Other comprehensive income:			
Other comprehensive income to be reclassified to statement of income in subsequent periods			
Gain (loss) on change in value of available-for-sale investments		8,444,155	(5,199,023)
Add (less): Income tax effect	13	<u>(1,688,831)</u>	<u>1,039,805</u>
Other comprehensive income to be reclassified to statement of income in subsequent periods - net of income tax (loss)		<u>6,755,324</u>	<u>(4,159,218)</u>
Other comprehensive income not be reclassified to statement of income in subsequent periods			
Actuarial gain (loss)		(2,682,230)	2,512,543
Add (less): Income tax effect	13	<u>536,446</u>	<u>(502,508)</u>
Other comprehensive income not be reclassified to statement of income in subsequent periods - net of income tax (loss)		<u>(2,145,784)</u>	<u>2,010,035</u>
Total other comprehensive income for the year (loss)		<u>4,609,540</u>	<u>(2,149,183)</u>
Total comprehensive income for the year		<u><u>68,883,441</u></u>	<u><u>14,350,971</u></u>

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

Sompo Insurance (Thailand) Public Company Limited

Statement of changes in owner's equity

For the year ended 31 December 2019

(Unit: Baht)

	Issued and paid up share capital	Retained earnings		Other components of equity	Total
		Appropriated - statutory reserve	Unappropriated (Deficits)		
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 year	-	-	16,500,154	-	16,500,154
Other comprehensive income for the year (loss)	-	-	2,010,035	(4,159,218)	(2,149,183)
Total comprehensive income for the year (loss)	-	-	18,510,189	(4,159,218)	14,350,971
Balance as at 31 December 2018	3,120,020,000	8,881,806	(2,318,086,575)	(174,700)	810,640,531
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 year	-	-	64,273,901	-	64,273,901
Other comprehensive income for the year (loss)	-	-	(2,145,784)	6,755,324	4,609,540
Total comprehensive income for the year	-	-	62,128,117	6,755,324	68,883,441
Balance as at 31 December 2019	3,120,020,000	8,881,806	(2,255,958,458)	6,580,624	879,523,972

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

Sompo Insurance (Thailand) Public Company Limited**Statement of cash flows**

For the year ended 31 December 2019

	(Unit: Baht)	
	2019	2018
Cash flows from (used in) operating activities		
Direct premium written	2,715,910,089	2,690,728,312
Cash paid for reinsurance	(671,974,691)	(1,134,254,572)
Interest income	39,735,030	41,514,823
Dividend income	15,000	15,000
Other income	8,502,260	8,054,078
Loss incurred on direct insurance	(1,193,344,218)	(1,132,106,714)
Commission and brokerage expenses on direct insurance	(349,366,472)	(350,459,969)
Other underwriting expenses	(130,932,100)	(123,276,087)
Operating expenses	(358,147,805)	(301,424,697)
Investments in securities	229,779,428	207,060,264
Net cash flow from (used in) operating activities	290,176,521	(94,149,562)
Cash flows from (used in) investing activities		
Cash receipt from sales of equipment	1,108,294	-
Cash paid for purchase of equipment	(9,044,700)	(6,479,465)
Cash paid for purchase of intangible assets	(6,572,517)	(42,605,354)
Net cash flows used in investing activities	(14,508,923)	(49,084,819)
Net increase (decrease) in cash and cash equivalents	275,667,598	(143,234,381)
Cash and cash equivalents at beginning of year	148,221,962	291,456,343
Cash and cash equivalents at end of year	423,889,560	148,221,962

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

Sompo Insurance (Thailand) Public Company Limited

Notes to financial statements

For the year ended 31 December 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, 14th 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 prescribed by the Office of Insurance Commission (“OIC”), and in accordance with the format of financial statements specified in the Notification of the OIC regarding criteria, procedures, conditions and terms for preparation and submission of financial statements and operating performance reports of non-life insurance companies B.E. 2559 dated 4 March 2016.

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

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

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal year 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:

TFRS 15 Revenue from Contracts with Customers

TFRS 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 additional 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 Company's financial statements.

3.2 Financial reporting standards that became effective for fiscal year beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal year beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which 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 business

Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business was issued to comply with TFRS 4 (revised 2019) Insurance contracts, which allows insurers who meet certain criteria stipulated in TFRS 4 to delay adoption of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which are applicable for the financial reporting period beginning on or after 1 January 2020, and to adopt the Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business instead.

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 has decided that, even though the Company meets the criteria stipulated in TFRS 4, enabling it to use Thai Accounting Guidance, it would be more appropriate to adopt Financial reporting standards related to financial instruments, the Company therefore will apply the standards related to financial instruments.

The management of the Company expects the adoption of these accounting standards related to financial instruments effect to the financial statements on the following.

- Classification and measurement of investments in equity securities of non-listed companies (other investments)

The Company is to measure investments in equity securities of non-listed companies (other investments) at fair value and to classify the investments as financial assets at fair value through other comprehensive income. If the Company elects to present subsequent changes in the fair value of the investment through other comprehensive income, the election is irrevocable.

- Classification and measurement of investments in available-for-sale securities

The Company has debt securities which are classified as available-for-sale securities and measured at fair value through other comprehensive income. The Company has decided to reclassify these investments as financial assets at amortised cost. In this case, the cumulative gain (loss) on change in the value of reclassified available-for-sale investments that were previously presented in other comprehensive income is to be reversed as assumed that these investments are classified as amortised cost at the beginning.

- Recognition of credit losses

The Company is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred.

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

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 Company plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020 (if any), and the comparative information was not restated. The Company expects the effect of the adoption of this accounting standard to the statement of financial position as at 1 January 2020 to be increase the Company's assets by Baht 60 million and the Company's liabilities by Baht 60 million.

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 policy holders.

Direct premium income is recognised on the date the insurance policy comes into effect. For long-term insurance policies with coverage periods of longer than one year, related revenues are recorded as unearned items, and recognised as income over the coverage period each year.

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 services have been rendered to the reinsurers.

Fee and commission income from ceded premium with coverage periods longer than one year are recorded as unearned items and recognised as income over the coverage period each year.

(c) Investment income

Interest income is recognised on an accrual basis based on the effective interest rate. Dividend is recognised when the right to receive the dividend is established.

(d) Gain (loss) on investment

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

4.2 Expenses recognition

(a) Ceded premium

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

For long-term reinsurance policies with coverage periods longer than one year, ceded premium is recorded as prepaid expense and recognised as expense over the coverage period each year.

(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 claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimated is not however, exceed the sum-insured under the relevant policy.

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

(c) Commission and brokerage expenses

Commission and brokerage are expenses when incurred.

Commission and brokerage fees paid for policies with coverage periods longer than one year are recorded as prepaid expense, and recognised as expense over the coverage period each year.

(d) Other underwriting expenses

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

(e) Operating expenses

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

4.3 Classification of insurance contracts

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

4.4 Cash and cash equivalents

Cash and cash equivalents consist of cash in 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 incur in collection of the premium receivables, on the basis of collection experiences, 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 refundable 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 incur in collection of the reinsurance assets, on the basis of 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 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 to the same entity (receivables from reinsurance contracts or amounts due to reinsurers) when the following criteria for offsetting are met.

- (1) The entity has a legal right to offset amounts presented in the 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 Investments in securities

- (a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in statement of comprehensive income, and will be recorded in statement of income when the securities are sold.
- (b) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income. The debt securities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity.
- (c) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on impairment (if any).

The fair value of debt instrument is determined based on yield rate quoted by the Thai Bond Market Association.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in statement of income.

An impairment loss (if any) is recognised in statement of income.

4.9 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	- 3 - 5 years
Motor vehicles	- 4 - 5 years

Depreciation is included 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 on disposal of an asset is included in statement of income when the asset is derecognised.

4.10 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 a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible asset is reviewed at least at each financial year end. The amortisation expense is charged to statement of income.

Intangible asset with finite useful life are as follows:

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

No amortisation is provided on computer software in progress and rights under the bancassurance agreement that are not yet reached the effective date.

4.11 Insurance contract liabilities

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

(a) Loss reserves and outstanding claims

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

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

(b) 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 difference is recognised as unexpired risk reserve in the financial statements.

4.12 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 and other employee benefit plans. 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.

4.13 Income tax

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

Current tax

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

Deferred tax

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

The Company recognises deferred tax liabilities for all taxable temporary differences while 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.

4.14 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 interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.15 Long-term leases

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are recorded as liabilities, while the interest element is charged to statement of income over the lease period. The asset acquired under finance leases is depreciated over the estimated useful lives of assets.

Leases of building which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in statement of income on a straight line basis over the estimated lease term.

4.16 Foreign currencies

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

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

Gain and loss on exchange are included in determining income.

4.17 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of equipment 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. Such reversal is recognised in statement of income.

4.18 Provisions

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

4.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure 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 at 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 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, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

5.3 Impairment of investments in securities

The Company treats investments in securities as impaired when management considers that such investments has an indication of impairment. The determination of indication of investments requires judgement of the management.

5.4 Equipment and depreciation

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

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

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 to be generated by the asset and to choose a suitable discount rate in order to calculate the present value of those cash flows.

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 a best estimate of the claims 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 increase rate, mortality rate and staff turnover rate.

5.10 Leases

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

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.

5.12 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 volatility of financial instruments. Change in assumptions about these factors could affect the fair value and disclosures of fair value hierarchy.

6. Cash and cash equivalents

	(Unit: Baht)	
	2019	2018
Cash on hand	31,000	21,000
Deposits at banks with no fixed maturity date	283,720,340	148,200,962
Deposits at banks with fixed maturity date	140,138,220	-
Cash and cash equivalents	<u>423,889,560</u>	<u>148,221,962</u>

As at 31 December 2019, bank deposits in saving accounts and fixed deposit accounts carried interest between 0.10 and 1.50 percent per annum (2018: between 0.10 and 1.00 percent per annum).

7. Premium receivables

As at 31 December 2019 and 2018, 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)	
	2019	2018
Not yet due	362,815,122	384,904,425
Not over 30 days	64,502,295	60,820,694
Over 31 days to 60 days	33,033,438	22,784,395
Over 61 days to 90 days	50,601,969	4,735,330
Over 91 days	8,329,396	5,854,134
Total	519,282,220	479,098,978
Less: Allowance for doubtful accounts	(378,999)	(378,999)
Total premium receivables - net	518,903,221	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.

8. Reinsurance assets

	(Unit: Baht)	
	2019	2018
Insurance recoverable from insurance companies		
- Loss reserves	523,974,270	844,986,923
- Unearned premium reserves	898,853,581	837,268,948
Total reinsurance assets	1,422,827,851	1,682,255,871

9. Receivables from reinsurance contracts

	(Unit: Baht)	
	2019	2018
Amounts due from reinsurers	65,919,987	85,866,433
Total receivables from reinsurance contracts	65,919,987	85,866,433

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

	(Unit: Baht)	
	2019	2018
Not yet due	58,807,938	48,220,667
Not over 1 year	6,686,149	37,309,280
Over 1 year to 2 years	411,987	336,476
Over 2 years	13,913	10
Total amounts due from reinsurers	65,919,987	85,866,433

10. Investments in securities

10.1 Classified by type of investment

	(Unit: Baht)			
	2019		2018	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Available-for-sale investments				
Government and state enterprise securities	991,845	991,993	7,007,425	7,003,203
Private debt enterprise securities	769,502,039	777,727,671	650,784,167	650,570,014
Total	770,493,884	778,719,664	657,791,592	657,573,217
Add (less): Unrealised gain (loss)	8,225,780		(218,375)	
Total available-for-sale investments	778,719,664		657,573,217	
Held-to-maturity investments				
Government and state enterprise securities	214,136,652		367,928,585	
Private debt enterprise securities	190,000,000		305,000,000	
Saving lottery	26,700,000		26,700,000	
Deposits at financial institutions	308,643,010		384,021,626	
Total held-to-maturity investments	739,479,662		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	796,166		796,166	
Total investments in securities				
- net	1,518,995,492		1,742,019,594	

10.2 Remaining period of debt securities

(Unit: Baht)

	2019			
	Period to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years	
<u>Available-for-sale investments</u>				
Government and state enterprise securities				
Government and state enterprise securities	991,845	-	-	991,845
Add: Unrealised gain	148	-	-	148
Total	991,993	-	-	991,993
Private debt enterprise securities				
Debentures	279,096,718	461,952,052	28,453,269	769,502,039
Add: Unrealised gain	1,163,508	6,501,163	560,961	8,225,632
Total	280,260,226	468,453,215	29,014,230	777,727,671
Total available-for-sale investments	281,252,219	468,453,215	29,014,230	778,719,664
<u>Held-to-maturity investments</u>				
Government and state enterprise securities				
Government and state enterprise securities	-	81,076,919	133,059,733	214,136,652
Saving lottery	5,300,000	21,400,000	-	26,700,000
Total	5,300,000	102,476,919	133,059,733	240,836,652
Private debt enterprise securities				
Debentures	50,000,000	140,000,000	-	190,000,000
Deposits at financial institutions which amounts maturing over 3 months				
Deposits at financial institutions	308,643,010	-	-	308,643,010
Total held-to-maturity investments	363,943,010	242,476,919	133,059,733	739,479,662

(Unit: Baht)

	2018			
	Period to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years	
Available-for-sale investments				
Government and state enterprise securities				
Government and state enterprise securities	999,613	6,007,812	-	7,007,425
Add (less): Unrealised gain (loss)	44	(4,266)	-	(4,222)
Total	999,657	6,003,546	-	7,003,203
Private debt enterprise securities				
Debentures	50,136,116	600,648,051	-	650,784,167
Add (less): Unrealised gain (loss)	29,698	(243,851)	-	(214,153)
Total	50,165,814	600,404,200	-	650,570,014
Total available-for-sale investments	51,165,471	606,407,746	-	657,573,217
Held-to-maturity investments				
Government and state enterprise securities				
Government and state enterprise securities	233,618,488	-	134,310,097	367,928,585
Saving lottery	7,700,000	19,000,000	-	26,700,000
Total	241,318,488	19,000,000	134,310,097	394,628,585
Private debt enterprise securities				
Debentures	115,000,000	190,000,000	-	305,000,000
Deposits at financial institutions which amounts maturing over 3 months				
Deposits at financial institutions	384,021,626	-	-	384,021,626
Total held-to-maturity investments	740,340,114	209,000,000	134,310,097	1,083,650,211

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

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Balance - beginning of the year	(174,700)	3,984,518
Change during the year		
Unrealised gain (loss) recognised during the year	8,521,909	(5,204,293)
Realised loss (gain) recognised in statement of income	(77,754)	5,270
Other comprehensive income (loss)	8,444,155	(5,199,023)
Related income tax	(1,688,831)	1,039,805
Net comprehensive income for the year (loss)	6,755,324	(4,159,218)
Balance - end of the year	6,580,624	(174,700)

10.4 Investment subject to restriction

As at 31 December 2019, the Company has pledged saving lottery of Baht 2.5 million (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 (2018: Baht 214.5 million) have been pledged with the Registrar of the Office of Insurance Commission as disclosed in Notes 25 and 26.

11. Equipment

	(Unit: Baht)			
	Leasehold improvement	Office equipment	Motor vehicles	Total
Cost				
1 January 2018	19,251,172	82,395,614	15,723,459	117,370,245
Additions	2,219,775	6,415,658	-	8,635,433
Disposals	-	(1,421,682)	-	(1,421,682)
31 December 2018	21,470,947	87,389,590	15,723,459	124,583,996
Additions	1,824,350	5,852,746	-	7,677,096
Disposals	-	(657,439)	(5,600,974)	(6,258,413)
31 December 2019	23,295,297	92,584,897	10,122,485	126,002,679
Accumulated depreciation				
1 January 2018	10,505,604	46,270,779	14,187,493	70,963,876
Depreciation for the year	3,010,421	11,765,117	932,253	15,707,791
Depreciation on disposals	-	(1,380,275)	-	(1,380,275)
31 December 2018	13,516,025	56,655,621	15,119,746	85,291,392
Depreciation for the year	2,806,138	11,312,237	339,541	14,457,916
Depreciation on disposals	-	(657,431)	(5,600,002)	(6,257,433)
31 December 2019	16,322,163	67,310,427	9,859,285	93,491,875
Net book value				
31 December 2018	7,954,922	30,733,969	603,713	39,292,604
31 December 2019	6,973,134	25,274,470	263,200	32,510,804
Depreciation for the year				
2018				15,707,791
2019				14,457,916

As at 31 December 2019, 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 amounted to approximately Baht 60.5 million (2018: Baht 44.4 million).

12. Intangible assets

(Unit: Baht)

	Computer software	Computer software in progress	Rights under the bancassurance agreement	Total
Cost				
1 January 2018	39,871,329	17,001,841	-	56,873,170
Additions	2,708,718	24,886,110	15,010,526	42,605,354
Write-off	-	(444,000)	-	(444,000)
Transfer in/(out)	344,000	(344,000)	-	-
31 December 2018	42,924,047	41,099,951	15,010,526	99,034,524
Additions	7,380,816	-	-	7,380,816
31 December 2019	50,304,863	41,099,951	15,010,526	106,415,340
Accumulated amortisation				
1 January 2018	26,914,796	-	-	26,914,796
Amortisation for the year	1,797,183	-	-	1,797,183
31 December 2018	28,711,979	-	-	28,711,979
Amortisation for the year	1,666,738	-	-	1,666,738
31 December 2019	30,378,717	-	-	30,378,717
Allowance for impairment loss				
31 December 2018	3,094,416	41,099,951	-	44,194,367
31 December 2019	3,094,416	41,099,951	-	44,194,367
Net book value				
31 December 2018	11,117,652	-	15,010,526	26,128,178
31 December 2019	16,831,730	-	15,010,526	31,842,256
Amortisation for the year				
2018				1,797,183
2019				1,666,738

As at 31 December 2019, 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 amounted to approximately Baht 24.3 million (2018: Baht 23.6 million).

13. Deferred tax assets / income tax expense

13.1 Deferred tax assets/liabilities

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

	(Unit: Baht)	
	2019	2018
Deferred tax assets		
Allowance for loss on impairment of investments in securities	379,549	379,549
Post employee benefit obligations	6,215,074	4,196,635
Unrealised loss on change in value of investments - available-for-sale investments	-	43,675
Total	6,594,623	4,619,859
Deferred tax liabilities		
Unrealised gain on change in value of investments - available-for-sale investments	1,645,156	-
Total	1,645,156	-
Deferred tax assets - net	4,949,467	4,619,859

As at 31 December 2019, the Company has unused tax loss of Baht 45.5 million and temporary differences available to be utilised as tax deductions in the future of Baht 481.2 million (2018: unused tax loss of Baht 117.1 million and temporary differences for tax deductions of Baht 486.1 million). 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.

The expiry date of unused tax loss are summarised as below:

	(Unit: Million Baht)	
	2019	2018
31 December 2021	-	0.5
31 December 2022	45.5	116.6
	45.5	117.1

13.2 Income tax expense

Income tax expense (benefit) for the years ended 31 December 2019 and 2018 is calculated at the rate of 20% of accounting profit or loss before tax for the year, after adding back certain provisions and expenses which are disallowable for tax computation purposes and deducting dividend income which is exempted from tax, and adjusting with changes in deferred tax assets.

Income tax expense (benefit) for the years ended 31 December 2019 and 2018 are as follows:

	(Unit: Baht)	
	2019	2018
Current income tax:		
Current income tax charge for the year	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(1,481,993)	(400,634)
Income tax benefit reported in the statement of income	(1,481,993)	(400,634)

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	(Unit: Baht)	
	2019	2018
Deferred tax relating to:		
Unrealised gain (loss) on revaluation of available-for-sale securities	1,688,831	(1,039,805)
Actuarial gain (loss)	(536,446)	502,508
	1,152,385	(537,297)

The reconciliations between income tax expense (benefit) and the product of accounting profit for the years ended 31 December 2019 and 2018 and the applicable tax rate are as follows:

	(Unit: Baht)	
	2019	2018
Accounting profit before tax expenses	62,791,908	16,099,520
Applicable tax rate	20%	20%
Accounting profit before tax multiple by applicable tax rate	12,558,382	3,219,904
Tax loss utilised during year	(14,305,320)	(14,742,682)
Temporary differences not recognised as deferred tax	(560,202)	10,662,753
Exempted income and non-deductible expenses	825,147	459,391
Income tax benefit reported in the statement of income	(1,481,993)	(400,634)

14. Other assets

	(Unit: Baht)	
	2019	2018
Revenue Department receivable	149,830,690	118,940,179
Suspense input tax	23,158,855	20,747,693
Deposits on rice field insurance scheme	44,432,311	16,471,038
Others	82,090,560	67,841,353
Total other assets	299,512,416	224,000,263

15. Insurance contract liabilities

(Unit: Baht)

	2019		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
- Claims incurred and reported	513,901,121	(321,703,367)	192,197,754
- Claims incurred but not reported	341,888,264	(202,270,903)	139,617,361
Unearned premium reserves	1,367,283,401	(898,853,581)	468,429,820
Total	2,223,072,786	(1,422,827,851)	800,244,935

(Unit: Baht)

	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

During the years 2019 and 2018, the management of the Company entered into reinsurance agreements in order to mitigate insurance risk. Although positions are managed on net basis by management. However, insurance contract liabilities disclosures have been made on both gross and net basis in order to provide comprehensive set of disclosures.

15.1 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, excluding data related to the severe floods in 2011. The management expects there to be no further development of claims beyond the loss reserves already recorded in the financial statements. Claims relating to the 2011 floods relate to a retrocession pool and were recorded based on latest estimated total loss and the Company's share of the pool risk.

(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.

15.2 Loss reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Beginning balance	1,200,121,218	832,593,230
Claims expenses for the year	1,064,077,095	1,774,780,348
Change in loss reserves of prior year	(250,591,027)	(325,871,729)
Change in assumptions	146,577,179	71,565,451
Claims expenses paid during the year	(1,304,395,080)	(1,152,946,082)
Ending balance	<u>855,789,385</u>	<u>1,200,121,218</u>

As at 31 December 2019, the Company has loss reserves and outstanding claims under reinsurance contracts amounting to Baht 52.1 million (2018: Baht 203.1 million).

15.3 Claims development table

(a) Gross claims table

(Unit: Million Baht)

Accident year / Reporting year	Before										Total
	2011	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Estimate of cumulative											
ultimate claims incurred											
- at end of accident year	738.4	55,344.9	208.4	281.3	523.9	662.9	980.0	1,644.3	1,714.2	1,215.6	
- Next one year	696.3	50,596.9	221.5	285.1	471.8	657.8	971.6	1,527.3	1,573.5		
- Next two years	683.0	45,807.5	207.7	291.0	444.4	656.0	958.2	1,497.4			
- Next three years	1,184.4	45,467.7	205.6	282.6	442.9	655.2	950.1				
- Next four years	1,184.9	45,466.6	205.5	282.6	442.4	655.2					
- Next five years	1,178.2	45,459.8	205.2	282.5	440.0						
- Next six years	840.1	45,462.3	205.1	278.2							
- Next seven years	821.6	45,461.6	205.1								
- Next eight years	798.9	45,461.4									
Estimate of cumulative											
ultimate claims incurred	798.9	45,461.4	205.1	278.2	440.0	655.2	950.1	1,497.4	1,573.5	1,215.6	53,075.4
Cumulative payment to date	(797.8)	(45,461.0)	(205.1)	(277.7)	(439.7)	(654.7)	(948.6)	(1,468.8)	(1,370.9)	(595.3)	(52,219.6)
Total loss reserves	1.1	0.4	-	0.5	0.3	0.5	1.5	28.6	202.6	620.3	855.8

(b) Net claims table

(Unit: Million Baht)

Accident year / Reporting year	Before										Total
	2011	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Estimate of cumulative											
ultimate claims incurred											
- at end of accident year	184.2	2,359.8	74.3	115.5	206.9	389.0	687.5	1,014.8	847.5	637.5	
- Next one year	182.7	2,206.1	67.8	119.5	209.4	397.1	718.9	965.8	784.0		
- Next two years	183.9	1,984.9	65.0	122.0	207.9	397.0	706.2	940.5			
- Next three years	186.8	1,974.8	64.4	118.6	208.5	396.7	702.1				
- Next four years	187.3	1,973.4	64.4	118.6	208.5	396.7					
- Next five years	184.6	1,976.2	64.3	118.6	208.4						
- Next six years	184.6	1,978.3	64.3	118.6							
- Next seven years	183.7	1,977.6	64.3								
- Next eight years	182.6	1,977.4									
Estimate of cumulative											
ultimate claims incurred	182.6	1,977.4	64.3	118.6	208.4	396.7	702.1	940.5	784.0	637.5	6,012.1
Cumulative payment to date	(182.3)	(1,977.1)	(64.3)	(118.2)	(208.4)	(396.7)	(701.5)	(930.4)	(735.4)	(366.0)	(5,680.3)
Total loss reserves	0.3	0.3	-	0.4	-	-	0.6	10.1	48.6	271.5	331.8

15.4 Unearned premium reserves

(Unit: Baht)

	For the years ended 31 December	
	2019	2018
Beginning balance	1,352,301,130	1,515,724,641
Premium written for the year	2,820,573,967	2,863,493,281
Premium earned for the current year	(2,805,591,696)	(3,026,916,792)
Ending balance	1,367,283,401	1,352,301,130

16. Due to reinsurers

(Unit: Baht)

	2019	2018
	Amounts withheld on reinsurance	557,775,292
Other reinsurance payable	354,007,218	324,040,182
Total due to reinsurers	911,782,510	865,617,941

17. Employee benefit obligations

Provision for long-term employee benefits, which is compensations on employee retirement and other long-term employee benefits, are as follows:

(Unit: Baht)

	For the years ended 31 December	
	2019	2018
Provision for long-term employee benefits at beginning of year	20,983,176	21,492,547
Amount recognised in statement of income:		
Current service cost	4,380,667	1,720,195
Interest cost	751,039	478,777
Past service cost	4,051,461	-
Amount recognised in statements of comprehensive income:		
Actuarial loss (gain) arising from		
Financial assumptions changes	4,263,368	(828,784)
Experience adjustments	(1,581,138)	(1,683,759)
Benefits paid during the year	(1,773,200)	(195,800)
Provision for long-term employee benefits at end of year	31,075,373	20,983,176

Amount of long-term employee benefit expenses included in statements of income were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Claim and loss adjustment expenses	1,318,335	175,426
Other underwriting expenses	1,846,433	326,684
Operating expenses	6,018,399	1,696,862
Total expenses recognised in statements of income	9,183,167	2,198,972

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 has additional long-term employee benefit liabilities of Baht 4.1 million as a result. The Company has reflected the effect of the change by recognising past service costs as expenses in the statement of income of this year.

The Company expects to pay Baht 3.3 million of long-term employee benefits during the next year.

As at 31 December 2019, the weighted average duration of the payment for long-term employee benefits is 12 years (2018: 11 years).

Principal actuarial assumptions at the valuation date were as follows:

	2019	2018
	(% per annum)	(% per annum)
Discount rate	1.70	3.00
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 significant assumptions that affect the present value of the long-term employee benefit obligations as at 31 December 2019 and 2018 are summarised below:

2019				
	Assumption	Increase	Assumption	Increase
	increase	(decrease) in obligation amount	decrease	(decrease) in obligation amount
	(Percent per annum)	Million Baht	(Percent per annum)	Million Baht
Discount rate	1.0	(3.4)	1.0	4.0
Future salary increase rate	1.0	3.6	1.0	(3.1)
Staff turnover rate	5.0	(13.5)	5.0	8.4

2018				
	Assumption	Increase	Assumption	Increase
	increase	(decrease) in obligation amount	decrease	(decrease) in obligation amount
	(Percent per annum)	Million Baht	(Percent per annum)	Million Baht
Discount rate	1.0	(2.1)	1.0	2.4
Future salary increase rate	1.0	2.2	1.0	(2.0)
Staff turnover rate	5.0	(5.4)	5.0	4.7

18. Liabilities under finance lease agreements

	(Unit: Baht)	
	2019	2018
Liabilities under finance lease agreements	300,535	1,356,911
Less: Deferred interest expenses	(15,997)	(61,538)
Total	284,538	1,295,373

As at 31 December 2019 and 2018, the Company has entered into the finance lease agreements with leasing company, for rental of printer for use in its operation whereby it is committed to pay rental fee on monthly basis. The term of the agreements are 5 years.

As at 31 December 2019 and 2018, future minimum lease payments required under the finance lease agreements was as follows:

	(Unit: Thousand Baht)					
	2019			2018		
	Not over 1 year	1 - 5 years	Total	Not over 1 year	1 - 5 years	Total
Future minimum lease payments	211.0	89.5	300.5	1,056.4	300.5	1,356.9
Deferred interest expenses	(10.4)	(5.6)	(16.0)	(45.5)	(16.0)	(61.5)
Present value of future minimum lease payments	200.6	83.9	284.5	1,010.9	284.5	1,295.4

19. 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.

20. Operating expenses

	(Unit: Baht)	
	2019	2018
Personnel expenses	192,224,279	163,270,388
Premises and equipment expenses	45,478,488	43,986,085
Taxes and duties	1,146,008	5,552,429
Bad debts and doubtful accounts	23,717	451,991
Other operating expenses	100,324,140	110,973,852
Total operating expenses	339,196,632	324,234,745

21. Expenses by nature

	(Unit: Baht)	
	2019	2018
Claim and loss adjustment expenses	495,889,538	741,347,120
Commission and brokerage expenses	375,527,569	386,603,495
Contribution expenses	18,738,451	17,087,397
Other underwriting expenses	63,291,073	66,190,781
Employees expenses	265,480,695	225,918,469
Premises and equipment expenses	52,838,218	51,233,405
Allowance for impairment loss	-	44,194,367
Bad debts and doubtful accounts	23,717	451,991
Advertising and promotion expenses	19,788,145	12,270,994
Others expenses	98,117,562	74,515,352
Total expenses by nature	<u>1,389,694,968</u>	<u>1,619,813,371</u>

22. 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 2019, the Company contributed Baht 7.6 million (2018: Baht 6.4 million) to the fund.

23. Earnings per share

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

24. Related party transactions

24.1 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.

<u>Name of related parties</u>	<u>Nature of relationship</u>
Sompo Japan Nipponkoa Insurance Inc	Parent company
Sompo Brokers (Thailand) Company Limited	By way of having common shareholder in the same group
Sompo Insurance Singapore Pte. Ltd.	By way of having common shareholder in the same group
Sompo International Holdings Ltd.	By way of having common shareholder in the same group

24.2 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:

	2019	2018	(Unit: Million Baht) Pricing policy
Transactions with parent company			
Premium ceded	1,287.7	1,248.8	Reinsurance rate depending on type of insurance and reinsurance contracts
Fee and commission income	407.2	417.3	Reinsurance rate depending on type of insurance and reinsurance contracts
Claim recovery	109.5	415.7	According to terms of reinsurance contracts depending on type of insurance and reinsurance
Transactions with related companies			
Premium ceded	1.6	11.8	Reinsurance rate depending on type of insurance and reinsurance contracts
Fee and commission income	0.3	0.8	Reinsurance rate depending on type of insurance and reinsurance contracts
Commission paid on direct insurance	123.6	111.0	In accordance with the Notification by the Registrar regarding "Commission rate for Non-life insurance"
Claim recovery (reversal)	(24.9)	(1.4)	According to terms of reinsurance contracts depending on type of insurance and reinsurance

The Company had the following related party outstanding balances as at 31 December 2019 and 2018.

	(Unit: Million Baht)	
	2019	2018
Transactions with parent company		
Receivables from reinsurance contracts	10.9	9.4
Amounts due from related companies	0.4	0.4
Due to reinsurers - amounts withheld on reinsurance	444.6	468.2
Due to reinsurers - other reinsurance payable	193.3	188.2
Transactions with related companies		
Premium receivables	151.6	166.1
Receivables from reinsurance contracts	1.8	1.1
Amounts due from related companies	0.8	0.3
Due to reinsurers - amounts withheld on reinsurance	1.1	1.9
Due to reinsurers - other reinsurance payable	0.3	0.2
Amounts due to related companies - accrued commission	27.3	29.1

Directors and management's remuneration

During the years ended 31 December 2019 and 2018, the Company had employee benefit expenses of its directors and management personnel as following.

	(Unit: Million Baht)	
	2019	2018
Short-term benefits	25.8	17.7
Long-term benefits	1.2	0.7
Total	27.0	18.4

25. Assets pledged with the Registrar

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

	(Unit: Baht)			
	2019		2018	
	Cost/ amortised cost	Fair value	Cost/ amortised cost	Fair value
Government bonds	18,783,984	22,080,636	18,761,140	20,716,457

26. Assets reserved with the Registrar

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

(Unit: Baht)

	2019		2018	
	Cost/		Cost/	
	amortised cost	Fair value	amortised cost	Fair value
Government bonds	195,352,668	213,465,032	195,727,331	201,235,858

27. Contribution to the General Insurance Fund

(Unit: Baht)

	For the years ended 31 December	
	2019	2018
	Accumulated contribution at the beginning of the year	42,703,346
Contribution during the year	6,643,787	6,683,386
Accumulated contribution at the end of the year	49,347,133	42,703,346

28. Commitments and contingent liabilities

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

(Unit: Million Baht)

	2019	2018
Payable within:		
Within than 1 year	30.5	18.8
1 to 5 years	30.8	27.3

28.2 Bank guarantees

As at 31 December 2019, there were outstanding bank guarantees of approximately Baht 2.6 million (2018: 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.

28.3 Litigations

As at 31 December 2019, the Company has been sued for damaged totaling approximately Baht 20.0 million (2018: Baht 124.8 million) as insurer. The total maximum sum insured per the relevant policies is Baht 212.5 million (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 14.2 million (2018: Baht 18.6 million) in the financial statements.

29. Risk and risk management policy

29.1 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 2019 and 2018, segregated by insurance type, are shown below.

(Unit: Million Baht)

	2019			2018		
	Premium reserves			Premium reserves		
	Gross	Outward	Net	Gross	Outward	Net
Fire	4.1	(1.0)	3.1	4.4	(1.0)	3.4
Marine and transportation	50.3	(30.4)	19.9	44.9	(23.3)	21.6
Motor	239.5	-	239.5	262.4	-	262.4
Personal accident	28.9	(3.1)	25.8	75.8	(22.3)	53.5
Miscellaneous	1,044.5	(864.4)	180.1	964.8	(790.7)	174.1
Total	1,367.3	(898.9)	468.4	1,352.3	(837.3)	515.0

(Unit: Million Baht)

	2019			2018		
	Loss reserves			Loss reserves		
	Gross	Outward	Net	Gross	Outward	Net
Fire	1.5	(0.4)	1.1	0.6	(0.3)	0.3
Marine and transportation	65.7	(44.2)	21.5	22.5	(10.3)	12.2
Motor	221.0	(8.9)	212.1	206.2	(1.7)	204.5
Personal accident	9.0	(3.8)	5.2	50.6	(16.3)	34.3
Miscellaneous	558.6	(466.7)	91.9	920.2	(816.4)	103.8
Total	855.8	(524.0)	331.8	1,200.1	(845.0)	355.1

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

The results of the sensitivity analysis from the assumption change that effect to the loss reserves as at 31 December 2019 and 2018 are summarised below.

(Unit: Million Baht)

		2019			
		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 loss ratio	Increase 5%	25.1	18.3	(18.3)	(18.3)
Initial expected loss ratio	Decrease 5%	(25.1)	(18.3)	18.3	18.3
Incurred development factor	Increase 5%	15.2	9.5	(9.5)	(9.5)
Incurred development factor	Decrease 5%	(15.7)	(9.7)	9.7	9.7
Paid development factor	Increase 5%	2.2	0.5	(0.5)	(0.5)
Paid development factor	Decrease 5%	(2.5)	(0.6)	0.6	0.6
Claims handing expenses	Increase 5%	1.3	1.3	(1.3)	(1.3)
Claims handing expenses	Decrease 5%	(1.3)	(1.3)	1.3	1.3

(Unit: Million Baht)

		2018			
		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 loss ratio	Increase 5%	11.6	8.1	(8.1)	(8.1)
Initial expected loss ratio	Decrease 5%	(11.6)	(8.1)	8.1	8.1
Incurred development factor	Increase 5%	43.8	26.3	(26.3)	(26.3)
Incurred development factor	Decrease 5%	(40.8)	(22.7)	22.7	22.7
Paid development factor	Increase 5%	1.7	2.1	(2.1)	(2.1)
Paid development factor	Decrease 5%	(1.9)	(2.3)	2.3	2.3
Claims handing expenses	Increase 5%	1.3	1.3	(1.3)	(1.3)
Claims handing expenses	Decrease 5%	(1.3)	(1.3)	1.3	1.3

29.2 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 liability 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 net of bad debt allowance as presented in the financial position.

Credit concentration risk with respect to premium receivables is insignificant because the Company's customer base is dispersed across different industries and geographic regions in Thailand. The maximum exposure to risk is the carrying value of assets as presented in the statement of financial position. The credit risk arising from reinsurance premium receivables, the Company selects reinsurers based on minimum financial requirements for reinsurers and the credit rating assigned by credit rating agencies.

(b) Market price risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Company's financial position. The Company had no financial instruments denominated in foreign currencies, market risk is therefore confined only to interest rate risk and equity position risk.

Interest rate risk

Interest rate risk is the risk that the value of financial 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 security portfolio. If market interest rates are on an upward trend, the debt security 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.

Significant financial assets as at 31 December 2019 and 2018 classified by type of interest rates are summarised in the table below, with those financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date (whichever date is earlier).

(Unit: Million Baht)

	2019					
	Fixed interest rate			Floating interest rate	Total	Interest rate
	Maturity date or repricing date					
	Within 1 year	1 - 5 years	Over 5 years			
						(% p.a.)
Financial assets						
Cash equivalents	-	-	-	423.9	423.9	0.10 - 1.50
Investments in securities						
Government and state enterprise securities	1.0	81.1	133.0	-	215.1	2.40 - 4.88
Private debt enterprise securities	330.3	608.4	29.0	-	967.7	2.13 - 5.35
Saving lottery	5.3	21.4	-	-	26.7	0.27 - 0.33
Deposits at financial institutions which amount is matured over 3 months	308.6	-	-	-	308.6	1.25 - 1.80

(Unit: Million Baht)

	2018					
	Fixed interest rate			Floating interest rate	Total	Interest rate
	Maturity date or repricing date					
	Within 1 year	1 - 5 years	Over 5 years			
						(% p.a.)
Financial assets						
Cash equivalents	-	-	-	148.2	148.2	0.10 - 1.00
Investments in securities						
Government and state enterprise securities	234.6	6.0	134.3	-	374.9	1.57 - 4.88
Private debt enterprise securities	165.2	790.4	-	-	955.6	1.86 - 5.30
Saving lottery	7.7	19.0	-	-	26.7	0.27 - 0.33
Deposits at financial institutions which amount is matured over 3 months	384.0	-	-	-	384.0	1.25 - 1.75

Cash, premium receivables, other investments, reinsurance asset - loss reserves, amounts due from reinsurers, amounts due to reinsurers and insurance contract liabilities - loss reserves are assets and liabilities which are not subject to interest, so they do not expose to the risk from movement in market interest rate.

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 instrument 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 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 the accordance of 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 remedy 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 assets and liabilities as of 31 December 2019 and 2018 are as follow:

(Unit: Million Baht)

	2019					Total
	At call	Less than 1 year	1 - 5 years	Over 5 years	Unspecified	
<u>Financial assets</u>						
Cash and cash equivalents	283.8	140.1				423.9
Investments in securities	-	645.2	710.9	162.1	0.8	1,519.0
<u>Assets under insurance contracts</u>						
Premium receivables	-	518.9	-	-	-	518.9
Loss reserves recovery from reinsurers	-	374.3	149.7	-	-	524.0
Receivables from reinsurance contracts	-	65.9	-	-	-	65.9
<u>Liabilities under insurance contracts</u>						
Loss reserves	-	675.5	180.3	-	-	855.8
Amounts due to reinsurers	-	911.8	-	-	-	911.8

(Unit: Million Baht)

	2018					Total
	At call	Less than		Over		
		1 year	1 - 5 years	5 years	Unspecified	
<u>Financial assets</u>						
Cash and cash equivalents	148.2	-	-	-	-	148.2
Investments in securities	-	791.5	815.4	134.3	0.8	1,742.0
<u>Assets under insurance contracts</u>						
Premium receivables	-	478.7	-	-	-	478.7
Loss reserves recovery from reinsurers	-	278.5	566.5	-	-	845.0
Receivables from reinsurance contracts	-	85.9	-	-	-	85.9
<u>Liabilities under insurance contracts</u>						
Loss reserves	-	446.8	753.3	-	-	1,200.1
Amounts due to reinsurers	-	865.6	-	-	-	865.6

29.3 Fair values of financial instruments

As at 31 December 2019 and 2018, 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, using different levels of inputs as following:

(Unit: Million Baht)

	2019				Total
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Available-for-sale investments					
Government and state enterprise securities	1.0	-	1.0	-	1.0
Private debt enterprise securities	777.7	-	777.7	-	777.7
Financial assets disclosed at fair value					
Cash and cash equivalents	423.9	423.9	-	-	423.9
Held-to-maturity investments					
Government and state enterprise securities	214.2	-	235.5	-	235.5
Private debt enterprise securities	190.0	-	192.0	-	192.0
Saving lottery	26.7	26.7	-	-	26.7
Deposits at financial institutions	308.6	308.6	-	-	308.6
Other investments	0.8	-	-	41.3	41.3

(Unit: Million Baht)

	2018				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Available-for-sale investments					
Government and state enterprise securities	7.0	-	7.0	-	7.0
Private debt enterprise securities	650.6	-	650.6	-	650.6
Financial assets disclosed at fair value					
Cash and cash equivalents	148.2	148.2	-	-	148.2
Held-to-maturity investments					
Government and state enterprise securities	367.9	-	375.4	-	375.4
Private debt enterprise securities	305.0	-	305.1	-	305.1
Saving lottery	26.7	26.7	-	-	26.7
Deposits at financial institutions	384.0	384.0	-	-	384.0
Other investments	0.8	-	-	39.6	39.6

The fair value hierarchy of financial assets presents according to Note 4.19 to the financial statements.

The method used for fair value measurement depends upon the characteristics of the financial instruments. Fair value is determined with reference to the latest quoted market price or determined using an appropriate valuation technique. The Company establishes the fair value of its financial instruments by adopting the following methods:

- a) Financial assets which have short-term maturity, including cash and cash equivalents and deposits at financial institutions, their fair value are estimated based on the carrying value. Fair value of saving lottery is assumed to approximate their book value due to the interest rate of them is nearly with current market interest rate.
- b) Investments in debts securities (government and state enterprise securities and private debt securities), their fair value are generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.
- c) For investments in non-marketable securities, the fair values are determined by using net book value of that company.

30. Capital management

The primary objectives of the Company's capital management are to ensure that preserves ability to continue its business as a going concern, 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.

31. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 16 March 2020.