

Sompo Insurance (Thailand) Public Company Limited
Report and financial statements
31 December 2020



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Independent Auditor's Report

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

Opinion

I have audited the accompanying financial statements of Sompoo Insurance (Thailand) Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2020, and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sompoo Insurance (Thailand) Public Company Limited as at 31 December 2020, 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: 19 March 2021

Sompo Insurance (Thailand) Public Company Limited**Statement of financial position****As at 31 December 2020**

		(Unit: Baht)	
	Note	2020	2019
Assets			
Cash and cash equivalents	8	261,899,141	423,889,560
Premium receivables	9, 32	516,749,852	518,903,221
Accrued investment income		10,033,652	8,275,338
Reinsurance assets	10	1,371,395,268	1,422,827,851
Receivables from reinsurance contracts	11, 32	57,829,696	65,919,987
Debt financial assets	12	2,844,916,916	-
Equity financial assets	13	14,645,361	-
Investments in securities - net	14	-	1,518,995,492
Equipment	16	31,208,680	32,510,804
Right-of-use assets	17.1	31,106,101	-
Intangible assets	18	785,916,371	31,842,256
Deferred tax assets	19	5,944,790	4,949,467
Prepaid premium ceded		166,030,357	129,288,556
Other assets	20, 32	363,019,694	300,663,979
Total assets		6,460,695,879	4,458,066,511

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 2020

	Note	2020	2019
(Unit: Baht)			
Liabilities and equity			
Liabilities			
Insurance contract liabilities	21	2,217,755,798	2,223,072,786
Due to reinsurers	22, 32	1,157,137,574	911,782,510
Lease liabilities	17.2	34,124,872	284,538
Payable under the Distribution Agreement	18.1	754,336,572	-
Employee benefit obligations	23	36,657,513	31,075,373
Premium received in advance		176,446,365	185,130,196
Accrued commission	32	70,175,910	65,953,502
Other liabilities	32	220,163,542	161,243,634
Total liabilities		4,666,798,146	3,578,542,539
Equity			
Share capital	24		
Registered			
40,200,200 ordinary shares of Baht 100 each			
(2019: 31,200,200 ordinary shares of Baht 100 each)		4,020,020,000	3,120,020,000
Issued and paid-up			
40,200,200 ordinary shares of Baht 100 each			
(2019: 31,200,200 ordinary shares of Baht 100 each)		4,020,020,000	3,120,020,000
Retained earnings			
Appropriated - statutory reserve	25	8,881,806	8,881,806
Unappropriated (deficits)		(2,246,083,428)	(2,255,958,458)
Other components of equity	15	11,079,355	6,580,624
Total equity		1,793,897,733	879,523,972
Total liabilities and equity		6,460,695,879	4,458,066,511

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

河野 親由

Kenji Kawanishi



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

Sompo Insurance (Thailand) Public Company Limited

Statement of income

For the year ended 31 December 2020

		(Unit: Baht)	
	Note	2020	2019
Income			
Gross premium written		2,877,895,115	2,820,573,967
Less: Premium ceded to reinsurers		(2,000,366,523)	(1,987,750,839)
Net premium written		877,528,592	832,823,128
Add (less): Unearned premium reserves (increase) decrease from prior year		(39,050,248)	46,602,363
Net earned premium		838,478,344	879,425,491
Fee and commission income from reinsurers		539,687,679	525,415,303
Net investment income	26	38,620,696	40,349,329
Gain on financial instruments		106,373	77,754
Other income		5,130,409	7,218,999
Total income		1,422,023,501	1,452,486,876
Expenses			
Gross claim and loss adjustment expenses		823,688,070	1,007,327,006
Less: Claim recovery from reinsurers		(375,461,107)	(464,173,710)
Commission and brokerage expenses		383,990,648	375,527,569
Other underwriting expenses		140,093,151	131,817,471
Operating expenses	27	428,699,585	339,196,632
Financial costs		3,213,449	-
Expected credit loss	29	513,345	-
Total expenses	28	1,404,737,141	1,389,694,968
Profit before income tax		17,286,360	62,791,908
Add (less): Income tax benefit (expenses)	19	(3,119,521)	1,481,993
Profit for the year		14,166,839	64,273,901
Earnings per share			
Basic earning per share	31	0.43	2.06

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 2020

	Note	(Unit: Baht)	
		2020	2019
Profit for the year		14,166,839	64,273,901
Other comprehensive income:			
Items to be recognised in statement of income for subsequent periods:			
Gain on change in value of available-for-sale investments		-	8,444,155
Less: Income tax effect		-	(1,688,831)
Total items to be recognised in statement of income for subsequent periods - net of tax		-	6,755,324
Items not to be recognised in statement of income for subsequent periods:			
Loss on changes in value of equity instrument designated at fair value through other comprehensive income		(12,999,117)	-
Actuarial loss		(3,878,994)	(2,682,230)
Add: Income tax effect		3,375,622	536,446
Total items not to be recognised in statement of income for subsequent periods - net of tax (loss)		(13,502,489)	(2,145,784)
Total other comprehensive income for the year (loss)		(13,502,489)	4,609,540
Total comprehensive income for the year		664,350	68,883,441

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

Sompo Insurance (Thailand) Public Company Limited

Statement of changes in equity

For the year ended 31 December 2020

	Other components of equity						(Unit: Baht)
	Issued and paid up share capital	Retained earnings		Surplus on changes in available-for-sale investments	Equity instruments designated to be measured at fair value through other comprehensive income		
		Appropriated - statutory reserve	Unappropriated (Deficits)			Total	
Balance as at 1 January 2019	3,120,020,000	8,881,806	(2,318,086,575)	(174,700)	-	(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	-	6,755,324	4,609,540
Total comprehensive income for the year	-	-	62,128,117	6,755,324	-	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	-	6,580,624	879,523,972
Balance as at 1 January 2020	3,120,020,000	8,881,806	(2,255,958,458)	6,580,624	-	6,580,624	879,523,972
Cumulative effect of changes in accounting policies (Note 4)	-	-	(1,188,614)	(6,580,624)	21,478,649	14,898,025	13,709,411
Balance as at 1 January 2020 - after adjusted	3,120,020,000	8,881,806	(2,257,147,072)	-	21,478,649	21,478,649	893,233,383
Increase in share capital of the Company (Note 24)	900,000,000	-	-	-	-	-	900,000,000
Profit for the year	-	-	14,166,839	-	-	-	14,166,839
Other comprehensive income for the year (loss)	-	-	(3,103,195)	-	(10,399,294)	(10,399,294)	(13,502,489)
Total comprehensive income for the year (loss)	900,000,000	-	11,063,644	-	(10,399,294)	(10,399,294)	900,664,350
Balance as at 31 December 2020	4,020,020,000	8,881,806	(2,246,083,428)	-	11,079,355	11,079,355	1,793,897,733

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 2020

	(Unit: Baht)	
	2020	2019
Cash flows from (used in) operating activities		
Direct premium written	2,707,174,105	2,715,910,089
Cash paid for reinsurance	(676,914,339)	(671,974,691)
Interest income	36,941,170	39,735,030
Dividend income	15,000	15,000
Other income	5,616,501	8,502,260
Loss incurred on direct insurance	(877,392,971)	(1,193,344,218)
Commission and brokerage expenses on direct insurance	(350,583,611)	(349,366,472)
Other underwriting expenses	(150,181,859)	(130,932,100)
Operating expenses	(365,191,651)	(358,147,805)
Cash received from financial assets	1,071,952,633	-
Cash paid for financial assets	(2,408,644,963)	-
Investments in securities	-	229,779,428
Net cash flow from (used in) operating activities	(1,007,209,985)	290,176,521
Cash flows from (used in) investing activities		
Cash receipt from sales of equipment	289,252	1,108,294
Cash paid for purchase of equipment	(10,986,994)	(9,044,700)
Cash paid for purchase of intangible assets	(12,903,124)	(6,572,517)
Net cash flows used in investing activities	(23,600,866)	(14,508,923)
Cash flows from (used in) financing activities		
Cash received from the increase of share capital	900,000,000	-
Repayment of lease liabilities	(30,941,998)	-
Cash flows from financing activities	869,058,002	-
Expected credit loss	(237,570)	-
Net increase (decrease) in cash and cash equivalents	(161,990,419)	275,667,598
Cash and cash equivalents at beginning of year	423,889,560	148,221,962
Cash and cash equivalents at end of year	261,899,141	423,889,560

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 2020

1. General information

1.1 General information of the Company

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

1.2 The Covid-19 pandemic

The Covid-19 pandemic is continuing to evolve, and is directly and indirectly affecting businesses in many sectors, resulting in an economic slowdown and instability in money markets and capital markets. This situation may bring uncertainties and have an impact on the environment in which the Company operates. The Company’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

2. Basis for preparation of the financial statements

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

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

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

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised (revised 2019) and new 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. The adoption of these financial reporting standards does not have any significant impact on the Company's financial information, except for the new standard involves 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

Financial Reporting Standard Interpretations

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

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

Accounting Guidance related to financial instruments and disclosures applicable to insurance business was issued to comply with TFRS 4 (revised 2019) Insurance contracts, which allows insurers who meet certain criteria stipulated in this TFRS to temporarily 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 2020, and to adopt the Accounting Guidance related to financial instruments and disclosures applicable to insurance business instead the adoption of TFRS 9 and TFRS 7 for the financial reporting period beginning before 1 January 2023 or before the effective date of TFRS 17 Insurance Contracts.

The Company's management has decided that, even though the Company meets the criteria stipulated in TFRS 4 enabling it to apply Accounting Guidance related to financial instruments, adoption of the financial reporting standards related to financial instruments, would be more appropriate. The Company therefore decided to adopt the full set of financial reporting standards related to financial instruments. The impact of the adoption of these standards on the Company's financial statements can be summarised as follows.

Classification and measurement of financial assets

Financial assets - Debt instruments

The Company classifies financial assets - debt instruments as financial assets that are subsequently to be measured at either amortised cost or fair value in accordance with the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, based the facts and circumstances as of the date these financial reporting standards were initially adopted. As at 1 January 2020, the Company classified financial assets that are all debt instruments as financial assets are measured at amortised cost, when both of the following conditions are met: the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets - Equity instruments

All investments in equity instruments are measured at fair value in the statement of financial position. The Company classifies investments in equity instruments of non-listed companies as financial assets which designated to be measure at fair value through other comprehensive income.

Classification and measurement of financial liabilities

The adoption of this standards does not have any significant impact on classification of the Company's financial liabilities. The Company continues to classify these as financial liabilities measured at amortised cost.

Impairment of financial assets

The adoption of TFRS 9 requires the Company to move from incurred loss provisioning, under previous accounting policy, to expected loss provisioning, whereby it recognises an allowance for expected credit loss on its financial assets and it is no longer necessary for a credit impaired event to have occurred. The Company has decided to apply the general approach to determine expected credit loss on financial assets.

Transition

The Company has adopted this group of standards recognising the cumulative effect of initial adoption as adjustments against retained earnings or other components of equity as at 1 January 2020, with no restatement of the comparative information. Therefore the presentation of items of the year 2019 is not comparable with the financial statements of the year 2020.

The cumulative effects of the changes in accounting policies are described in Note 4 to financial statements.

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 adopting the same principles as those of TAS 17.

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

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

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

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy. Its objectives are to provide temporary relief measures solely for entities providing assistance to debtors impacted by the situations that affect the Thai economy, such as Covid-19, economic conditions, trade wars and drought, and to provide an alternative for all entities providing assistance to debtors in accordance with measures to assist debtors specified in the circular of the Bank of Thailand (“BOT”) No. BOT.RPD.(23)C. 276/2563 “Guidelines on providing assistance to debtors impacted by situations that affect the Thai economy” and the circular of the BOT No. BOT.RPD.(01)C. 380/2563 “Measures to provide additional assistance to debtors during the Covid-19 situation” or any other measures announced by the BOT. Such entities include credit card business, business providing loans secured against vehicle registrations, personal loan business under the supervision of the BOT and certain entities not under the supervision of the BOT, such as leasing, hire-purchase, motorcycle hire-purchase and factoring business. Entities providing assistance to debtors in accordance with the BOT’s measures and electing to apply this Accounting Guidance have to apply all temporary relief measures in this Guidance.

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

The Company has not adopted such Accounting Guidance.

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

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

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

The Company has not adopted such Accounting Guidance.

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

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

The management has evaluated that these standards do not have any significant impact on the Company's financial statements in the year when they are adopted.

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

As described in Note 3 to the financial statements, during the current year, the Company has adopted Thai financial reporting standards (TFRS) related to financial instruments and TFRS 16. The cumulative effect of initially applying these standards is recognised as an adjustment to retained earnings and other components of equity as at 1 January 2020. Therefore, the comparative information was not restated.

The impacts on the beginning balances of retained earnings and other components of equity for the year 2020 from changes in accounting policies due to the adoption of these financial reporting standard were presented as follows:

(Unit: Baht)

	31 December 2019	The impact of			1 January 2020
		TFRS to financial instruments		TFRS 16	
		Classification	Measurement		
Statement of					
<u>financial position</u>					
Assets					
Cash and cash					
equivalents	423,889,560	-	(451,436)	-	423,438,124
Accrued investment					
income	8,275,338	-	(14,057)	-	8,261,281
Debt financial assets	-	1,518,199,325	(9,246,055)	-	1,508,953,270
Equity financial assets	-	796,166	26,848,312	-	27,644,478
Investments in					
securities - net	1,518,995,492	(1,518,995,492)	-	-	-
Equipment	32,510,804	-	-	(224,872)	32,285,932
Right-of-use assets	-	-	-	61,939,837	61,939,837
Deferred tax assets	4,949,467	-	(3,427,352)	-	1,522,115
Other assets	299,512,416	-	-	(977,986)	298,534,430
Liabilities					
Lease liabilities	284,538	-	-	60,736,979	61,021,517
Equity					
Retained earnings -					
Unappropriated					
(deficits)	(2,255,958,458)	-	(1,188,614)	-	(2,257,147,072)
Other components of					
equity	6,580,624	-	14,898,025	-	21,478,649

4.1 Financial instruments

Details of the impact on retained earnings and other components of equity as at 1 January 2020 due to the adoption of financial reporting standards related to financial instruments were presented as follows:

	(Unit: Baht)
<u>Retained earnings - Unappropriated</u>	
Recognition of an allowance for expected credit loss on financial assets	(1,485,769)
Add: Relating income tax	<u>297,155</u>
Total	<u>(1,188,614)</u>
<u>Other components of equity</u>	
Reclassification of available-for-sale as financial assets measured at amortised cost	(8,225,780)
Fair value measurement of investments in equity instruments of non-listed companies	26,848,312
Less: Relating income tax	<u>(3,724,507)</u>
Total	<u>14,898,025</u>

The Classification and measurement of financial assets in accordance with Thai financial reporting standards related to financial instruments as at 1 January 2020, and with the classification and measurement under the former basis, are as follows.

(Unit: Baht)

Classification and measurement under the former basis as at 31 December 2019	Classification and measurement in accordance with TFRS 9 as at 1 January 2020			
Carrying amounts under the former basis	Equity instruments designated at fair value through other comprehensive income (FVOCI)	Financial instrument measured at amortised cost	Total	
Financial assets				
Cost				
Cash and cash equivalents	423,889,560	-	423,438,124	423,438,124
Accrued investment income	8,275,338	-	8,261,281	8,261,281
Investments in securities				
Available for sale securities				
Debt instruments	778,719,664	-	769,845,438	769,845,438
Held to maturity securities				
Debt instruments	739,479,662	-	739,107,832	739,107,832
Other investments				
Equity instruments	796,166	27,644,478	-	27,644,478

As at 1 January 2020, the Company has designated all financial liabilities as financial liabilities measured at amortised cost.

The following table shows a reconciliation of the closing allowance for impairment as at 31 December 2019, recognised in accordance with TAS 101 Doubtful Accounts and Bad Debts and TAS 105 Accounting for Investments in Debt and Equity Securities, to the opening allowance for expected credit loss as at 1 January 2020, determined in accordance with TFRS 9. Such changes are due to remeasurement of allowance for expected credit loss under requirement of this financial reporting standard.

	(Unit: Baht)		
	Allowance for impairment as at 31 December 2019	Remeasurement	Allowance for expected credit loss as at 1 January 2020
Amortised cost			
Cash and cash equivalents	-	451,436	451,436
Accrued investment income	-	14,057	14,057
Debt instruments	-	1,020,276	1,020,276
Total	-	1,485,769	1,485,769

4.2 Leases

Upon initial application of TFRS 16, the Company recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at 1 January 2020. For leases previously classified as finance leases, the Company recognised the carrying amount of the right-of-use assets and lease liabilities based on the carrying amounts of the lease assets and lease liabilities before the date of initial application of TFRS 16.

	(Unit: Baht)
Operating lease commitments as at 31 December 2019	61,256,072
Less: Short-term leases and leases of low-value assets	(3,389,378)
Less: Contracts reassessed as service agreements	(376,965)
Add: Others	5,383,882
Less: Deferred interest expenses	(2,136,632)
Increase in lease liabilities due to initially TFRS 16 adoption	60,736,979
Liabilities under finance lease agreements as at 31 December 2019	284,538
Lease liabilities as at 1 January 2020	61,021,517
Incremental borrowing rate (% per annum)	3.00% - 7.38%

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

	(Unit: Baht)
Lease buildings	44,414,520
Office equipment	6,868,981
Motor vehicles	10,656,336
Total right-of-use assets	61,939,837

5. Significant accounting policies

5.1 Revenue recognition

(a) Premium income

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

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

Dividends received

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

- (d) Gain (loss) on financial instruments

Profit (loss) on disposal or write off of debt instruments measured at amortised cost. The Company recognises in profit or loss on the transaction date.

5.2 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 shall not 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 expenses, and recognised as expenses 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.

(f) Finance cost

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

5.3 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.

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

5.4 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.

5.5 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, analysis of debtor aging and a review of current status of the premium receivables as at the end of reporting period.

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

5.6 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.

5.7 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.

5.8 Financial assets - investments

Accounting policies adopted since 1 January 2020

The Company has classified its financial assets as at the initially transactions as financial assets - debt instruments and equity instruments as follows:

Financial assets - debt instruments

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

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

Financial assets - equity instruments

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

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

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

Fair value

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

Investment income and disposal of investments

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

Dividends on these investments are recognised in statement of income, unless the dividends clearly represent a recovery of part of the cost of the investments.

Accounting policies adopted prior 1 January 2020

The Company classified investments in debt instruments as available-for-sale or held-to-maturity, and investments in equity instruments of non-listed companies are classified as general investments as follows:

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

- (d) On disposal of an investment, the difference between the net proceeds from the disposal and the carrying amount of the investment is recognised in statement of income.
- (e) The fair value of government bonds, state enterprise securities and private debt securities is calculated using the formula determined by the Thai Bond Market Association.

5.9 Allowance for expected credit loss of financial assets

From 1 January 2020, the Company recognises expected credit loss on its financial assets that are debt instruments, such as cash and cash equivalent, financial assets that debt instruments measured at amortised cost, by applying the general approach in accordance with TFRS9. The Company recognises an allowance for expected credit loss at the amount equivalent to the lifetime expected credit loss when there has been a significant increase in credit risk since the initial recognition date but that are not credit-impaired or that are impaired. However, if there has not been a significant increase in credit risk since initial recognition date, the Company recognised allowance for expected credit loss at the amount equivalent to the expected credit loss in the next 12 months.

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

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

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

5.10 Derecognition of financial instruments

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

5.11 Offsetting of financial instruments

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

5.12 Equipment and depreciation

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

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

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

Depreciation is 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.

5.13 Leases

Accounting policies adopted since 1 January 2020

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

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

Right-of-use assets

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

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

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

Accounting policies adopted before 1 January 2020

Leases of buildings and 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 lease assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other payables, while the interest element is charged to statements of income over the lease period. The premises or equipment acquired under finance leases is depreciated over the useful life of the asset.

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

5.14 Intangible assets and amortisation

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

Intangible asset with finite life is amortised on 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 58 days

No amortisation is provided on computer software in progress.

5.15 Impairment of non-financial assets

At the end of each reporting date, the Company performs impairment reviews in respect of the building and equipment, right-of-use assets and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in statement of income.

In the assessment of asset impairment, if there is any indication that previously recognised impairment loss may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Reversal is recognised in statement of income.

5.16 Insurance contract liabilities

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

(a) Loss reserves and outstanding claims

Outstanding claims are recorded at the amount to be 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.

5.17 Employee benefits

(a) Short-term employee benefits

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

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

Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

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

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

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

5.18 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.

5.19 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

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

5.20 Foreign currencies

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.

5.21 Provisions

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

5.22 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.

6. 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:

6.1 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.

6.2 Allowances for expected credit loss of financial assets

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

6.3 Allowance for doubtful accounts

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

6.4 Fair value of financial instruments

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

6.5 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.

In addition, in case of the intangible assets that are the rights under the bancassurance agreement, the management is required to exercise judgement in estimation of economic value expected to be received by an actuarial method, which involves various assumptions used to forecast future events and useful life.

6.6 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.

6.7 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.

6.8 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.

6.9 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.

6.10 Leases

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

6.11 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.

7. Classification of financial assets and financial liabilities

As at 31 December 2020, carrying amounts of financial assets and financial liabilities were classified as follow.

	(Unit: Baht)		
	Equity securities designed at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
Financial assets			
Cash and cash equivalents	-	261,899,141	261,899,141
Accrued investment income	-	10,033,652	10,033,652
Debt financial assets	-	2,844,916,916	2,844,916,916
Equity financial assets	14,645,361	-	14,645,361
Financial liabilities			
Lease liabilities	-	34,124,872	34,124,872

8. Cash and cash equivalents

	(Unit: Baht)	
	2020	2019
Cash on hand	31,000	31,000
Deposits at banks with no fixed maturity date	262,105,711	283,720,340
Deposits at banks with fixed maturity date	-	140,138,220
Total cash and cash equivalents	262,136,711	423,889,560
Less: Allowance for expected credit loss	(237,570)	-
Net Cash and cash equivalents	261,899,141	423,889,560

As at 31 December 2020, bank deposits in saving accounts carried interest between 0.05 and 0.50 percent per annum (2019: between 0.10 and 1.50 percent per annum).

9. Premium receivables

As at 31 December 2020 and 2019, 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)	
	2020	2019
Not yet due	380,140,640	362,815,122
Not over 30 days	71,595,437	64,502,295
Over 31 days to 60 days	37,631,812	33,033,438
Over 61 days to 90 days	7,067,809	50,601,969
Over 91 days	21,257,226	8,329,396
Total	517,692,924	519,282,220
Less: Allowance for doubtful accounts	(943,072)	(378,999)
Total premium receivables - net	516,749,852	518,903,221

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.

10. Reinsurance assets

	(Unit: Baht)	
	2020	2019
Insurance recoverable from insurance companies		
- Loss reserves	427,756,030	523,974,270
- Unearned premium reserves	943,639,238	898,853,581
Total reinsurance assets	1,371,395,268	1,422,827,851

11. Receivables from reinsurance contracts

	(Unit: Baht)	
	2020	2019
Amounts due from reinsurers	63,097,754	65,919,987
Less: Allowance for doubtful accounts	(5,268,058)	-
Total receivables from reinsurance contracts - net	57,829,696	65,919,987

The balances as at 31 December 2020 and 2019 of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)	
	2020	2019
Not yet due	45,182,674	58,807,938
Not over 1 year	14,427,000	6,686,149
Over 1 year to 2 years	3,477,319	411,987
Over 2 years	10,761	13,913
Total amounts due from reinsurers	63,097,754	65,919,987
Less: Allowance for doubtful accounts	(5,268,058)	-
Total receivables from reinsurance contracts - net	57,829,696	65,919,987

12. Investments in debt securities

12.1 Classified by type of investments

	(Unit: Baht)
	2020
	Amortised cost
Debt instruments measured at amortised cost	
Government and state enterprise securities	339,623,986
Private debt enterprise securities	943,370,292
Deposits at financial institutions which amounts maturing over 3 months	1,563,671,597
Total	2,846,665,875
Less: Allowance for expected credit loss	(1,748,959)
Total debt instruments measured at amortised cost	2,844,916,916

12.2 Classified by stage of credit risk

(Unit: Baht)

	2020		
	Gross carrying value	Allowance for expected credit loss which is recognised in the profit or loss	Carrying value
Debt instruments measured at amortised cost			
Stage 1 - Debt securities without a significant increase in credit risk	2,846,665,875	(1,748,959)	2,844,916,916
Total	2,846,665,875	(1,748,959)	2,844,916,916

13 Equity financial assets

13.1 Classified by type of financial assets

(Unit: Baht)

	2020	
	Cost	Fair Value
Equity instruments designated at fair value through other comprehensive income		
Non-listed equity instruments	796,166	14,645,361
Total equity financial assets	796,166	14,645,361

Since 1 January 2020, investments in equity securities of non-listed companies have been reclassified to investments in equity instruments designated at fair value through other comprehensive income. The Company recognised changes in fair value through other comprehensive income, which will be recognised in retained earnings upon disposal of the investments.

During the year 2020, the Company did not dispose the equity instruments designated at fair value through other comprehensive income from the account.

14. Investments in securities

14.1 Classified by type of investments

(Unit: Baht)

	2019	
	Cost/ Amortised cost	Fair value
Available-for-sale investments		
Government and state enterprise securities	991,845	991,993
Private debt enterprise securities	769,502,039	777,727,671
Total	770,493,884	778,719,664
Add: Unrealised gain	8,225,780	
Total available-for-sale investments	778,719,664	
Held-to-maturity investments		
Government and state enterprise securities	214,136,652	
Private debt enterprise securities	190,000,000	
Saving lottery	26,700,000	
Deposits at financial institutions	308,643,010	
Total held-to-maturity investments	739,479,662	
Other investments		
Equity securities	2,693,910	
Less: Allowance for impairment	(1,897,744)	
Total other investments	796,166	
Total investments in securities - net	1,518,995,492	

15. Other components of equity

(Unit: Baht)

	For the years ended 31 December	
	2020	2020
Equity instruments designated at fair value through other comprehensive income		
Balance - beginning of the year	-	-
Cumulative effect of the changes in new accounting policies	21,478,649	-
Changes during the year		
Unrealised loss during the year	(12,999,117)	-
Related income tax	2,599,823	-
Net other comprehensive income for the year	(10,399,294)	-
Balance - end of the year	11,079,355	-
Available-for-sale investments		
Balance - beginning of the year	6,580,624	(174,700)
Cumulative effect of the changes in new accounting policies	(6,580,624)	-
Changes during the year		
Unrealised gain during the year	-	8,521,909
Gain recognised in statement of income	-	(77,754)
Other comprehensive income	-	8,444,155
Related income tax	-	(1,688,831)
Net other comprehensive income for the year	-	6,755,324
Balance - end of the year	-	6,580,624
Total	11,079,355	6,580,624

16. Equipment

	(Unit: Baht)			
	Leasehold improvement	Office equipment	Motor vehicles	Total
Cost				
1 January 2019	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
Adjustments of right-of-use assets due to TFRS 16 first time adoption	-	(1,238,000)	-	(1,238,000)
Additions	4,658,616	6,352,698	1,297,400	12,308,714
Disposals	-	(14,950,960)	-	(14,950,960)
31 December 2020	27,953,913	82,748,635	11,419,885	122,122,433
Accumulated depreciation				
1 January 2019	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
Adjustments of right-of-use assets due to TFRS 16 first time adoption	-	(1,013,128)	-	(1,013,128)
Depreciation for the year	3,074,880	9,554,077	504,233	13,133,190
Depreciation on disposals	-	(14,698,184)	-	(14,698,184)
31 December 2020	19,397,043	61,153,192	10,363,518	90,913,753
Net book value				
31 December 2019	6,973,134	25,274,470	263,200	32,510,804
31 December 2020	8,556,870	21,595,443	1,056,367	31,208,680
Depreciation for the year				
2019				14,457,916
2020				13,133,190

As at 31 December 2020, 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 58.4 million (2019: Baht 60.5 million).

17. Right-of-use assets

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

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

	(Unit: Baht)			
	Lease buildings	Office equipment	Motor vehicles	Total
As at 1 January 2020 - beginning of the year	-	-	-	-
Cumulative effect of changes from initial adoption	44,414,520	6,868,981	10,656,336	61,939,837
As at 1 January 2020 - after adjustments	44,414,520	6,868,981	10,656,336	61,939,837
Acquisitions during the year	2,485,339	1,041,461	668,645	4,195,445
Disposal due to cancellation of agreements	(1,474,383)	-	-	(1,474,383)
Disposal during the year - net book value	-	(2)	-	(2)
Amortisation for the year	(28,710,867)	(1,752,773)	(3,091,156)	(33,554,796)
As at 31 December 2020	16,714,609	6,157,667	8,233,825	31,106,101

17.2 Lease liabilities

	(Unit: Baht)			
	Lease buildings	Office equipment	Motor vehicles	Total
As at 1 January 2020 - beginning of the year	-	284,538	-	284,538
Cumulative effect of changes from initial adoption	43,471,140	6,644,109	10,621,730	60,736,979
As at 1 January 2020 - after adjustments	43,471,140	6,928,647	10,621,730	61,021,517
Add: Acquisitions during the year	2,485,339	1,041,461	668,645	4,195,445
Less: Disposal due to cancellation of agreements	(1,474,383)	-	-	(1,474,383)
Add: Financial cost for the year	831,452	205,865	286,974	1,324,291
Less: Lease payments during the year	(25,811,915)	(1,873,683)	(3,256,400)	(30,941,998)
As at 31 December 2020	19,501,633	6,302,290	8,320,949	34,124,872

(Unit: Baht)

	31 December 2020			Total
	Lease buildings	Office equipment	Motor vehicles	
Lease liabilities	19,741,401	6,668,573	8,663,092	35,073,066
Less: Deferred interest expenses	(239,768)	(366,283)	(342,143)	(948,194)
Total	19,501,633	6,302,290	8,320,949	34,124,872
Less: Portion due within one year	(19,207,549)	(1,804,273)	(3,153,498)	(24,165,320)
Lease liabilities - net of current portion	294,084	4,498,017	5,167,451	9,959,552

17.3 Expenses related to lease agreements recognised in statement of income

(Unit: Baht)

	For the year ended 31 December 2020
Amortisation of right-of-use assets	33,554,796
Interest expenses on lease liabilities	1,324,291
Short term lease and low value of assets expenses	3,636,242
Total expenses	38,515,329

The Company had total cash outflows for leases for the year ended 31 December 2020 of Baht 34.6 million, including the cash outflow related to short-term lease, leases of low-value assets. Moreover, the Company had non-cash additions to right-of-use assets and lease liabilities of Baht 2.7 million.

18. Intangible assets

(Unit: Baht)

	Computer software	Computer software in progress	Rights under the bancassurance agreement	Total
Cost				
1 January 2019	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
Additions	4,417,980	8,199,408	752,447,414	765,064,802
Disposals	(2,570,824)	-	-	(2,570,824)
31 December 2020	52,152,019	49,299,359	767,457,940	868,909,318
Accumulated amortisation				
1 January 2019	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
Amortisation for the year	2,427,559	-	8,040,564	10,468,123
Amortisation for the disposals	(2,048,260)	-	-	(2,048,260)
31 December 2020	30,758,016	-	8,040,564	38,798,580
Allowance for impairment loss				
31 December 2019	3,094,416	41,099,951	-	44,194,367
31 December 2020	3,094,416	41,099,951	-	44,194,367
Net book value				
31 December 2019	16,831,730	-	15,010,526	31,842,256
31 December 2020	18,299,587	8,199,408	759,417,376	785,916,371
Amortisation for the year				
2019				1,666,738
2020				10,468,123

As at 31 December 2020, 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 23.3 million (2019: Baht 24.3 million).

18.1 Rights under the bancassurance agreement

On 19 September 2017, the Company entered into a Distribution agreement (“Agreement”) with a Commercial bank and certain companies of the Group. The Agreement is effective from 4 November 2020 to 31 December 2035. Under this Agreement, the Company is committed to pay the fees and applicable taxes, in consideration of the Bank and the group company granting the Company access to the distribution network for insurance products and also acting as the insurance agents for the Company over the agreement term. The Company has therefore recognised the net present value of the amount to be paid in order to obtain the right under the agreement with directly related expenses as an intangible asset totaling Baht 767 million. The payment period is as specified in the agreement, depending on the premium amount the counterparty is able to gain for each period. The rights will be amortised over the term of the agreement. Under the terms and conditions of this Agreement, the Company has to pay commission and other fees, which will be recognised as expenses on an accrual basis in the statement of income in the period they are incurred.

As at 31 December 2020, the carrying values of the access right to distribution network were Baht 759.4 million and net payables under the Distribution Agreement were Baht 754.3 million.

Movement of the bancassurance agreement payable are summarised below:

	(Unit: Baht)
	<u>31 December 2020</u>
Balance - as at 4 November 2020	752,447,414
Add: Interest expenses recognised during the year	<u>1,889,158</u>
Balance - as at 31 December 2020	<u><u>754,336,572</u></u>

19. Deferred tax assets / income tax expenses

19.1 Deferred tax assets/liabilities

The components of deferred tax assets and deferred tax liabilities as at 31 December 2020 and 2019 are as follows:

	(Unit: Baht)	
	2020	2019
Deferred tax assets		
Allowance for expected credit loss	399,823	-
Allowance for loss on impairment of investments in securities	379,549	379,549
Right-of-use assets and lease liabilities	603,754	-
Post employee benefit obligations	7,331,503	6,215,074
Total	<u>8,714,629</u>	<u>6,594,623</u>
Deferred tax liabilities		
Unrealised gain on changes in value of investments designated to be measured at fair value through other comprehensive income	2,769,839	-
Unrealised gain on change in value of investments - available-for-sale investments	-	1,645,156
Total	<u>2,769,839</u>	<u>1,645,156</u>
Deferred tax assets - net	<u>5,944,790</u>	<u>4,949,467</u>

As at 31 December 2020, the Company has unused tax loss available to be utilised as tax deductions in the future of Baht 466.7 million (2019: unused tax loss of Baht 45.5 million (which will be expired in 2022) and temporary differences for tax deductions of Baht 436.6 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.

19.2 Income tax expenses

Income tax expenses (benefit) for the years ended 31 December 2020 and 2019 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 expenses (benefit) for the years ended 31 December 2020 and 2019 are as follows:

	(Unit: Baht)	
	2020	2019
Current income tax:		
Current income tax charge for the year	4,166,574	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(1,047,053)	(1,481,993)
Income tax expenses (benefit) reported in the statement of income	<u>3,119,521</u>	<u>(1,481,993)</u>

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

	(Unit: Baht)	
	2020	2019
Deferred tax relating to:		
Loss on changes in value of equity instruments designated to be measured at fair value through other comprehensive income	(2,599,823)	-
Gain on revaluation of available-for-sale securities	-	1,688,831
Actuarial loss	(775,799)	(536,446)
Total	<u>(3,375,622)</u>	<u>1,152,385</u>

The reconciliations between income tax expenses (benefit) and the product of accounting profit for the years ended 31 December 2020 and 2019 and the applicable tax rate are as follows:

	(Unit: Baht)	
	2020	2019
Accounting profit before tax expenses	17,286,360	62,791,908
Applicable tax rate	20%	20%
Accounting profit before tax multiple by applicable tax rate	3,457,272	12,558,382
Tax loss utilised during the year	(8,524,768)	(14,305,320)
Temporary differences not recognised as deferred tax	6,020,853	(560,202)
Exempted income and non-deductible expenses	2,166,164	825,147
Income tax expenses (benefit) reported in the statement of income	3,119,521	(1,481,993)

20. Other assets

	(Unit: Baht)	
	2020	2019
Revenue Department receivables	136,876,067	149,830,690
Suspense input tax	29,677,095	23,158,855
Deposits on rice field insurance scheme	115,326,587	44,432,311
Others	81,139,945	83,242,123
Total other assets	363,019,694	300,663,979

21. Insurance contract liabilities

(Unit: Baht)

	2020		Net
	Insurance contract liabilities	Reinsurance on liabilities	
Loss reserves			
- Claims incurred and reported	390,256,021	(226,278,653)	163,977,368
- Claims incurred but not reported	376,380,471	(201,477,377)	174,903,094
Unearned premium reserves	1,451,119,306	(943,639,238)	507,480,068
Total	2,217,755,798	(1,371,395,268)	846,360,530

(Unit: Baht)

	2019		Net
	Insurance contract liabilities	Reinsurance on liabilities	
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

During the years 2020 and 2019, 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.

21.1 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.

21.2 Loss reserves

(Unit: Baht)

	For the years ended 31 December	
	2020	2019
Beginning balance	855,789,385	1,200,121,218
Claims expenses for the year	883,856,885	1,064,077,095
Change in loss reserves of prior year	(150,446,292)	(250,591,027)
Change in assumptions	34,492,207	146,577,179
Claims expenses paid during the year	(857,055,693)	(1,304,395,080)
Ending balance	766,636,492	855,789,385

As at 31 December 2020, the Company has loss reserves and outstanding claims under reinsurance contracts amounting to Baht 110.8 million (2019: Baht 52.1 million).

21.3 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	2020	
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	1,181.3	
- Next one year	696.3	50,596.9	221.5	285.1	471.8	657.8	971.6	1,527.3	1,573.5	956.1		
- Next two years	683.0	45,807.5	207.7	291.0	444.4	656.0	958.2	1,497.4	1,490.0			
- Next three years	1,184.4	45,467.7	205.6	282.6	442.9	655.2	950.1	1,486.6				
- Next four years	1,184.9	45,466.6	205.5	282.6	442.4	655.2	948.8					
- Next five years	1,178.2	45,459.8	205.2	282.5	440.0	658.0						
- Next six years	840.1	45,462.3	205.1	278.2	440.0							
- Next seven years	821.6	45,461.6	205.1	278.2								
- Next eight years	798.9	45,461.4	204.3									
- Next nine years	796.6	45,460.4										
Estimate of cumulative												
ultimate claims incurred	796.6	45,460.4	204.3	278.2	440.0	658.0	948.8	1,486.6	1,490.0	956.1	1,181.3	53,900.3
Cumulative payment to date	(796.5)	(45,460.4)	(204.3)	(278.2)	(439.7)	(657.9)	(948.7)	(1,477.9)	(1,439.3)	(832.1)	(598.7)	(53,133.7)
Total loss reserves	0.1	-	-	-	0.3	0.1	0.1	8.7	50.7	124.0	582.6	766.6

(b) Net claims table

(Unit: Million Baht)

Accident year / Reporting year	Before											Total
	2011	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
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	580.1	
- Next one year	182.7	2,206.1	67.8	119.5	209.4	397.1	718.9	965.8	784.0	544.4		
- Next two years	183.9	1,984.9	65.0	122.0	207.9	397.0	706.2	940.5	753.9			
- Next three years	186.8	1,974.8	64.4	118.6	208.5	396.7	702.1	933.3				
- Next four years	187.3	1,973.4	64.4	118.6	208.5	396.7	702.3					
- Next five years	184.6	1,976.2	64.3	118.6	208.4	397.3						
- Next six years	184.6	1,978.3	64.3	118.6	208.4							
- Next seven years	183.7	1,977.6	64.3	118.6								
- Next eight years	182.6	1,977.4	63.8									
- Next nine years	182.4	1,977.0										
Estimate of cumulative												
ultimate claims incurred	182.4	1,977.0	63.8	118.6	208.4	397.3	702.3	933.3	753.9	544.4	580.1	6,461.5
Cumulative payment to date	(182.3)	(1,977.0)	(63.8)	(118.6)	(208.4)	(397.3)	(702.3)	(931.7)	(738.3)	(494.8)	(308.1)	(6,122.6)
Total loss reserves	0.1	-	-	-	-	-	-	1.6	15.6	49.6	272.0	338.9

21.4 Unearned premium reserves

(Unit: Baht)

	For the years ended 31 December	
	2020	2019
Beginning balance	1,367,283,401	1,352,301,130
Premium written for the year	2,877,895,115	2,820,573,967
Premium earned for the current year	(2,794,059,210)	(2,805,591,696)
Ending balance	1,451,119,306	1,367,283,401

22. Due to reinsurers

(Unit: Baht)

	2020	2019
	Amounts withheld on reinsurance	627,392,375
Other reinsurance payable	529,745,199	354,007,218
Total due to reinsurers	1,157,137,574	911,782,510

23. 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	
	2020	2019
Provision for long-term employee benefits		
at beginning of year	31,075,373	20,983,176
Amount recognised in statement of income:		
Current service cost	9,571,797	4,380,667
Interest cost	535,659	751,039
Past service cost	9,179,181	4,051,461
Amount recognised in statements of comprehensive		
income:		
Actuarial loss (gain) arising from		
Financial assumptions changes	946,407	4,263,368
Experience adjustments	2,932,587	(1,581,138)
Benefits paid during the year	(17,583,491)	(1,773,200)
Provision for long-term employee benefits		
at end of year	36,657,513	31,075,373

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

	(Unit: Baht)	
	For the years ended 31 December	
	2020	2019
Claim and loss adjustment expenses	5,059,051	1,318,335
Other underwriting expenses	3,662,611	1,846,433
Operating expenses	10,564,975	6,018,399
Total expenses recognised in statements of income	19,286,637	9,183,167

The Company expects to pay Baht 3.3 million of long-term employee benefits during the next year (2019: Baht 3.3 million).

As at 31 December 2020, the weighted average duration of the payment for long-term employee benefits is 11 years (2019: 12 years).

Principal actuarial assumptions at the valuation date were as follows:

	2020	2019
	(% per annum)	(% per annum)
Discount rate	1.50	1.70
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 2020 and 2019 are summarised below:

	2020			
	Assumption increase	Increase (decrease) in obligation amount	Assumption decrease	Increase (decrease) in obligation amount
	(Percent per annum)	Million Baht	(Percent per annum)	Million Baht
Discount rate	1.0	(3.7)	1.0	4.3
Future salary increase rate	1.0	3.8	1.0	(3.3)
Staff turnover rate	5.0	(14.9)	5.0	9.7

2019

	Increase		Increase	
	Assumption increase	(decrease) in obligation amount	Assumption 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

24. Share capital

On 6 October 2020, the Extraordinary General Meeting of shareholders No. 2/2020 of the Company approved the increase its registered share capital from Baht 3,120 million to Baht 4,020 million, through the issuance of 9 million common shares with a par value of Baht 100 per share, total amounting to Baht 900 million. The Company received full payment for the shares on 8 October 2020 and registered the increase in its registered share capital with the Ministry of Commerce on 21 October 2020

25. 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.

26. Net investment income

During the years ended 31 December 2020 and 2019, the Company has the following net investment income.

	(Unit: Baht)	
	2020	2019
Interest income from debt instruments	39,939,058	41,541,440
Dividend income from equity instruments	15,000	15,000
Total investment income	39,954,058	41,556,440
Less: Investment expenses	(1,333,362)	(1,207,111)
Net investment income	38,620,696	40,349,329

27. Operating expenses

	(Unit: Baht)	
	2020	2019
Personnel expenses	238,330,804	192,224,279
Premises and equipment expenses	64,693,063	45,478,488
Taxes and duties	1,560,846	1,146,008
Bad debts and doubtful accounts	6,008,268	23,717
Other operating expenses	118,106,604	100,324,140
Total operating expenses	<u>428,699,585</u>	<u>339,196,632</u>

28. Expenses by nature

	(Unit: Baht)	
	2020	2019
Claim and loss adjustment expenses	392,441,693	495,889,538
Commission and brokerage expenses	383,990,648	375,527,569
Contribution expenses	19,984,540	18,738,451
Other underwriting expenses	59,684,179	63,291,073
Employees expenses	328,489,881	265,480,695
Premises and equipment expenses	73,343,366	52,838,218
Bad debts and doubtful accounts	6,008,268	23,717
Advertising and promotion expenses	20,206,589	19,788,145
Finance costs	3,213,449	-
Expected credit loss	513,345	-
Other expenses	116,861,183	98,117,562
Total expenses by nature	<u>1,404,737,141</u>	<u>1,389,694,968</u>

29. Allowance for expected credit loss

	(Unit: Baht)	
	2020	2019
Cash and cash equivalents	(213,866)	-
Accrued investment income	(1,472)	-
Debt instruments measured at amortised cost	728,683	-
Total	<u>513,345</u>	<u>-</u>

30. 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 2020, the Company contributed Baht 9.1 million (2019: Baht 7.6 million) to the fund.

31. 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.

	(Unit: Baht)	
	For the years ended 31 December	
	2020	2019
Profit for the year (Baht)	14,166,839	64,273,901
Weighted average number of ordinary shares at the end of the year (shares)	32,970,692	31,200,200
Profit per share (Baht/share)	0.43	2.06

32. Related party transactions

32.1 Nature of relationship

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The relationships between the Company and its related parties are summarised below.

Name of related parties	Nature of relationship
Sompo Japan Insurance Inc (Formerly known as "Sompo Japan Nipponkoa Insurance Inc")	Parent company
Sompo Brokers (Thailand) Company Limited	Common shareholder in the same group
Sompo Insurance Singapore Pte. Ltd.	Common shareholder in the same group
Sompo Holdings (Asia) Pte. Ltd.	Common shareholder in the same group
Sompo Holding Inc.	Common shareholder in the same group
Sompo International Holdings Ltd.	Common shareholder in the same group

32.2 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:

	2020	2019	Pricing policy
(Unit: Million Baht)			
Transactions with parent company			
Premium ceded	1,289.8	1,287.7	Reinsurance rate depending on type of insurance and reinsurance contracts
Fee and commission income	405.6	407.2	Reinsurance rate depending on type of insurance and reinsurance contracts
Claim recovery	216.8	109.5	According to terms of reinsurance contracts depending on type of insurance and reinsurance
Transactions with related companies			
Premium ceded	42.3	1.6	Reinsurance rate depending on type of insurance and reinsurance contracts
Fee and commission income	4.7	0.3	Reinsurance rate depending on type of insurance and reinsurance contracts
Commission paid on direct insurance	112.7	123.6	In accordance with the Notification by the Registrar regarding "Commission rate for Non-life insurance"
Claim recovery (reversal)	1.6	(24.9)	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 2020 and 2019.

	(Unit: Million Baht)	
	2020	2019
Transactions with parent company		
Receivables from reinsurance contracts	10.8	10.9
Other assets	-	0.4
Due to reinsurers - amounts withheld on reinsurance	478.9	444.6
Due to reinsurers - other reinsurance payable	249.2	193.3
Transactions with related companies		
Premium receivables	162.4	151.6
Receivables from reinsurance contracts	0.9	1.8
Other assets	0.6	0.8
Due to reinsurers - amounts withheld on reinsurance	22.5	1.1
Due to reinsurers - other reinsurance payable	10.6	0.3
Accrued commission	25.0	23.3
Other liabilities	9.4	4.0

Directors and management's remuneration

During the years ended 31 December 2020 and 2019, the Company had employee benefit expenses of its directors and management personnel as following.

	(Unit: Million Baht)	
	2020	2019
Short-term benefits	32.8	25.8
Long-term benefits	0.8	1.2
Total	33.6	27.0

33. Assets reserved with the Registrar

As at 31 December 2020 and 2019, the following assets have been pledged as security, policy reserve with the Registrar of the office of Insurance Commission in accordance with the Non-Life Insurance Act, and pledged as bail bond in case of where insured driver have been charged with criminal offence as below.

(Unit: Million Baht)

	2020		2019	
	Amortised cost	Fair value	Amortised cost	Fair value
Assets pledged				
Government bonds	18.8	22.4	18.8	22.1
Assets reserve as non - life insurance reserve				
Government bonds	193.8	214.4	195.4	213.5
Assets subject to other restriction				
Saving lottery which pledged	3.2	3.2	2.5	2.5
Total	215.8	240.0	216.7	238.1

34. Contribution to the General Insurance Fund

(Unit: Baht)

	For the years ended 31 December	
	2020	2019
Accumulated contribution at the beginning of the year	49,347,133	42,703,346
Contribution during the year	6,785,672	6,643,787
Accumulated contribution at the end of the year	56,132,805	49,347,133

35. Commitments and contingent liabilities

35.1 Operating lease and services commitments

As at 31 December 2020, future minimum lease and service payments required under these short-term lease and leases of low-value assets are as follows.

(Unit: Million Baht)

Payable within:	
Within than 1 year	4.2
1 to 4 years	5.1

35.2 Bank guarantees

As at 31 December 2020, there were outstanding bank guarantees of approximately Baht 2.3 million (2019: Baht 2.6 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

35.3 Litigations

As at 31 December 2020, the Company has been sued for damaged totaling approximately Baht 15.3 million (2019: Baht 20.0 million) as insurer. The total maximum sum insured per the relevant policies is Baht 19.8 million (2019: Baht 212.5 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 10.4 million (2019: Baht 14.2 million) in the financial statements.

36. Risk and risk management policy

36.1 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 2020 and 2019, segregated by insurance type, are shown below.

(Unit: Million Baht)

	2020			2019		
	Premium reserves			Premium reserves		
	Gross	Outward	Net	Gross	Outward	Net
Fire	6.8	(0.9)	5.9	4.1	(1.0)	3.1
Marine and transportation	51.3	(32.2)	19.1	50.3	(30.4)	19.9
Motor	247.3	(0.1)	247.2	239.5	-	239.5
Personal accident	41.6	(0.8)	40.8	28.9	(3.1)	25.8
Miscellaneous	1,104.1	(909.6)	194.5	1,044.5	(864.4)	180.1
Total	1,451.1	(943.6)	507.5	1,367.3	(898.9)	468.4

(Unit: Million Baht)

	2020			2019		
	Loss reserves			Loss reserves		
	Gross	Outward	Net	Gross	Outward	Net
Fire	2.0	(0.1)	1.9	1.5	(0.4)	1.1
Marine and transportation	65.8	(28.5)	37.3	65.7	(44.2)	21.5
Motor	196.0	(3.4)	192.6	221.0	(8.9)	212.1
Personal accident	8.5	(0.8)	7.7	9.0	(3.8)	5.2
Miscellaneous	494.3	(394.9)	99.4	558.6	(466.7)	91.9
Total	766.6	(427.7)	338.9	855.8	(524.0)	331.8

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 2020 and 2019 are summarised below.

(Unit: Million Baht)

	2020				
	Assumption change	Changing in claim liabilities		Increase (decrease) in profit before tax	Increase (decrease) in equity
		Increase (decrease) in gross	Increase (decrease) in net of outward		
Initial expected loss ratio	Increase 5%	20.4	17.9	(17.9)	(17.9)
Initial expected loss ratio	Decrease 5%	(20.4)	(17.9)	17.9	17.9
Incurred development factor	Increase 5%	0.6	0.3	(0.3)	(0.3)
Incurred development factor	Decrease 5%	(0.7)	(0.3)	0.3	0.3
Paid development factor	Increase 5%	0.1	-	-	-
Paid development factor	Decrease 5%	(0.1)	-	-	-
Claims handing expenses	Increase 5%	1.6	1.6	(1.6)	(1.6)
Claims handing expenses	Decrease 5%	(1.6)	(1.6)	1.6	1.6

		2019			
		Changing in claim liabilities		Increase	
		Increase	Increase	(decrease) in	Increase
		(decrease) in	(decrease) in	profit before	(decrease)
Assumption		gross	net of outward	tax	in equity
change					
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 handling expenses	Increase 5%	1.3	1.3	(1.3)	(1.3)
Claims handling expenses	Decrease 5%	(1.3)	(1.3)	1.3	1.3

26.2 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 less allowance for doubtful debt as presented in the statement of financial position. The Company separates the credit risk as follows:

1. Credit risk for insurance

- 1.1. Credit risk for reinsurance: The Company attaches importance to the dispersal of insurance risk. In transferring risk to reinsurers, the Company therefore takes into account the financial strength of reinsurers and their ability to meet their obligations when due, and reinsurance is to be made with Thai reinsurers with a minimum capital adequacy ratio of 140% and overseas reinsurers with credit ratings of at least BBB for S&P, A- for AM Best and Baa for Moody's.

1.2. Credit risk from premium receivable: The Company maintains the proportion of premium receivable at an appropriate level, in accordance with the guidelines of the OIC and submits regular risk status reports to the Board of Directors to inform and facilitate action by the related departments.

2. Credit risk from investment assets

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

The Company's criteria used in determining measurement of expected credit loss in the next 12 months are as follows:

Stage I Financial assets with no significant increase in credit risk

Stage II Financial assets with a significant increase in credit risk

Stage III Financial assets with credit impairment

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

(Unit: Million Baht)

	2020			Total
	Financial assets with no significant increase in credit risk	Financial assets with significant increase in credit risk	Financial assets that are credit-impaired	
Cash and cash equivalents				
Investment grade	262.1	-	-	262.1
Allowance for expected credit loss	0.2	-	-	0.2
Debt instruments measured at amortised cost				
Investment grade	2,846.7	-	-	2,846.7
Allowance for expected credit loss	1.7	-	-	1.7
Accrued investment income				
Investment grade	10.0	-	-	10.0
Allowance for expected credit loss	-	-	-	-

The table below shows the movement in the allowance for expected credit loss for the year ended 31 December 2020.

(Unit: Million Baht)

	2020			Total
	Financial assets with no significant increase in credit risk	Financial assets with significant increase in credit risk	Financial assets that are credit-impaired	
Cash and cash equivalents				
Beginning balance	0.4	-	-	0.4
Change due to remeasurement of allowance	(0.1)	-	-	(0.1)
Amounts written off/maturity	(0.1)	-	-	(0.1)
Ending balance	0.2	-	-	0.2
Debt instruments measured at amortised cost				
Beginning balance	1.0	-	-	1.0
Change due to remeasurement of allowance	0.1	-	-	0.1
Newly purchased or acquired financial assets	1.5	-	-	1.5
Amounts written off/maturity	(0.9)	-	-	(0.9)
Ending balance	1.7	-	-	1.7

As at 31 December 2020, the maximum exposure to credit risk of the financial assets (excluding insurance assets) is the carrying amounts before both effect of mitigation through use of master netting and collateral arrangements.

	(Unit: Million Baht)
	2020
Cash and cash equivalents	262.1
Debt instruments measured at amortised cost	2,846.7
Accrued investment income	10.0
Total maximum exposure to credit risk	3,118.8

(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 securities portfolio. If market interest rates are on an upward trend, the debt securities investment yield is expected to increase, which causes the market value of debt securities to decrease. In such circumstance, the Company can manage the risk by shortening the average maturity of the debt securities and investing in high-quality debt securities that are highly liquid.

As at 31 December 2020 and 2019, significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

2020

	Fixed interest rate			Floating Interest rate	Non- Interest bearing	Total	Interest rate (% p.a.)
	Maturity date or repricing date						
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	261.9	-	261.9	0.05 - 0.50
Accrued investment income	-	-	-	-	10.0	10.0	-
Debt financial assets	1,950.8	616.0	278.1	-	-	2,844.9	0.50 - 5.35
Equity financial assets	-	-	-	-	14.6	14.6	-
<u>Assets under insurance contracts</u>							
Premium receivables	-	-	-	-	516.7	516.7	-
Loss reserves recoverable from reinsurers	-	-	-	-	427.8	427.8	-
Receivables from reinsurance contracts	-	-	-	-	57.8	57.8	-
<u>Financial liabilities</u>							
Lease liabilities	24.2	9.9	-	-	-	34.1	3.00 - 7.38
<u>Liabilities under insurance contracts</u>							
Insurance contract liabilities - loss reserves and outstanding claims	-	-	-	-	766.6	766.6	-
Due to reinsurers	-	-	-	-	1,157.1	1,157.1	-

(Unit: Million Baht)

	2019						Interest rate (% p.a.)
	Fixed interest rate			Floating interest rate	Non-interest bearing	Total	
	Maturity date or repricing date						
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	423.9	-	423.9	0.10 - 1.50
Accrued investment income	-	-	-	-	8.3	8.3	-
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	308.7	-	-	-	-	308.7	1.25 - 1.80
Other investments	-	-	-	-	0.8	0.8	-
<u>Assets under insurance contracts</u>							
Premium receivables	-	-	-	-	518.9	518.9	-
Loss reserves recoverable from reinsurers	-	-	-	-	524.0	524.0	-
Receivables from reinsurance contracts	-	-	-	-	65.9	65.9	-
<u>Financial liabilities</u>							
Lease liabilities	0.2	0.1	-	-	-	0.3	6.53 - 7.38
<u>Liabilities under insurance contracts</u>							
Insurance contract liabilities - loss reserves and outstanding claims	-	-	-	-	855.8	855.8	-
Due to reinsurers	-	-	-	-	911.8	911.8	-

The sensitivity analysis of the interest rate

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

As at 31 December 2020, there might be reasonable changes in interest rates of bank deposits carrying floating interest rates. Such changes do not have any material impact on the Company's statements of comprehensive income.

Equity price risk

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in 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 financial assets and liabilities as of 31 December 2020 and 2019 are as follow:

(Unit: Million Baht)

	2020					Total
	At call	Less than		Over		
		1 year	1 - 5 years	5 years	Unspecified	
<u>Financial assets</u>						
Cash and cash equivalents	261.9	-	-	-	-	261.9
Accrued investment income	-	10.0	-	-	-	10.0
Debt financial assets	-	1,950.8	616.0	278.1	-	2,844.9
Equity financial assets	-	-	-	-	14.6	14.6
<u>Assets under insurance contracts</u>						
Premium receivables	-	516.7	-	-	-	516.7
Loss reserves recoverable from reinsurers	-	391.9	35.9	-	-	427.8
Receivables from reinsurance contracts	-	57.8	-	-	-	57.8
<u>Financial liabilities</u>						
Lease liabilities	-	24.2	9.9	-	-	34.1
<u>Liabilities under insurance contracts</u>						
Insurance contract liabilities - loss reserves and outstanding claims	-	739.0	27.6	-	-	766.6
Due to reinsurers	-	1,157.1	-	-	-	1,157.1

(Unit: Million Baht)

	2019					Total
	At call	Less than		Over		
		1 year	1 - 5 years	5 years	Unspecified	
<u>Financial assets</u>						
Cash and cash equivalents	283.8	140.1	-	-	-	423.9
Accrued investment income	-	8.3	-	-	-	8.3
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 recoverable from reinsurers	-	374.3	149.7	-	-	524.0
Receivables from reinsurance contracts	-	65.9	-	-	-	65.9
<u>Financial liabilities</u>						
Lease liabilities	-	0.2	0.1	-	-	0.3
<u>Liabilities under insurance contracts</u>						
Insurance contract liabilities - loss reserves and outstanding claims	-	675.5	180.3	-	-	855.8
Due to reinsurers	-	911.8	-	-	-	911.8

36.3 Fair value of financial instruments

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

(Unit: Million Baht)

	2020				Total
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	
<u>Financial assets measured at fair value</u>					
Equity financial assets - Equity instruments designated to be measured at fair value through other comprehensive income					
Non-listed equity instruments	14.6	-	-	14.6	14.6
<u>Financial assets disclosed at fair value</u>					
Cash and cash equivalents	261.9	261.9	-	-	261.9
Accrued investment income	10.0	-	10.0	-	10.0
Debt financial assets - measured at amortised cost					
Government and state enterprise securities	339.7	26.7	337.6	-	364.3
Private debt enterprise securities	942.8	-	957.1	-	957.1
Deposits at financial institutions	1,562.5	1,563.7	-	-	1,563.7
<u>Financial liabilities disclosed at fair value</u>					
Lease liabilities	34.1	-	-	34.1	34.1

(Unit: Million Baht)

	2019				Total
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	
<u>Financial assets measured at fair value</u>					
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
<u>Financial assets disclosed at fair value</u>					
Cash and cash equivalents	423.9	423.9	-	-	423.9
Accrued investment income	8.3	-	8.3	-	8.3
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	-	-	27.6	27.6
<u>Financial liabilities disclosed at fair value</u>					
Lease liabilities	0.3	-	-	0.3	0.3

The fair value hierarchy of financial assets presents according to Note 5.22 to the financial statements.

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

- (a) Financial assets maturing in the short-term, which consist of cash and cash equivalents, accrued investment income, their fair value is estimated based on the book value presented in the statements of financial position.
- (b) Debenture and bond are presented at fair value reference to market prices or determined using the yield curve as announced by the Thai Bond Market Association, and adjusted with expected credit loss.

- (c) Non-listed equity instruments are presented at fair value which is determined using discounted future cash flow model or net book value of that company.
- (d) Fair values of lease liabilities were approximated to their carrying value due to carrying an approximate market rate.

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

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

	(Unit: Baht)
	<u>Equity financial assets</u>
Balance as of 1 January 2020 - stated at cost	796,166
Change due to adoption of new accounting standards	26,848,312
Balance as of 1 January 2020 - stated at fair value	27,644,478
Net loss recognised in other comprehensive income	<u>(12,999,117)</u>
Balance as of 31 December 2020 - stated at fair value	<u>14,645,361</u>

37. 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.

38. Reclassification

The Company reclassified certain line items for the year 2019 for more appropriate comparison with current year's financial statements. However, such reclassifications had no effect to previously reported profit for the year or equity. The reclassification are as follow:

	(Unit: Baht)	
	Reclassified	As previously reported
Assets		
Amounts due from related companies	-	1,151,563
Other assets	300,663,979	299,512,416
Liabilities		
Amounts due to related companies	-	27,255,471
Accrued commission	65,953,502	42,623,098
Other liabilities	161,243,634	157,318,567

39. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 19 March 2021.