

Sompo Insurance (Thailand) Public Company Limited
Report and financial statements
31 December 2021



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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 2021, 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 2021, 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: 18 March 2022

Sompo Insurance (Thailand) Public Company Limited**Statement of financial position**

As at 31 December 2021

		(Unit: Baht)	
	Note	2021	2020
Assets			
Cash and cash equivalents	7	312,068,207	261,899,141
Premium receivables	8, 30	567,863,807	516,749,852
Accrued investment income		10,271,902	10,033,652
Reinsurance assets	9	1,395,020,640	1,371,395,268
Receivables from reinsurance contracts	10, 30	305,000,728	57,829,696
Debt financial assets	11	2,557,198,198	2,844,916,916
Equity financial assets	12	22,817,582	14,645,361
Equipment	13	19,454,406	31,208,680
Right-of-use assets	14.1	72,294,654	31,106,101
Intangible assets	15	759,856,569	785,916,371
Deferred tax assets	16.1	2,885,284	5,944,790
Prepaid premium ceded		35,084,413	166,030,357
Other assets	17, 30	383,443,470	363,019,694
Total assets		6,443,259,860	6,460,695,879

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 2021

		(Unit: Baht)	
	Note	2021	2020
Liabilities and equity			
Liabilities			
Insurance contract liabilities	18	2,540,098,492	2,217,755,798
Due to reinsurers	19, 30	1,320,984,974	1,157,137,574
Lease liabilities	14.2	77,682,387	34,124,872
Payable under the Distribution Agreement	15.1	284,984,865	754,336,572
Income tax payable		33,213,306	-
Employee benefit obligations	20	34,550,091	36,657,513
Premium received in advance		39,814,681	176,446,365
Accrued commission	30	87,272,962	70,175,910
Others liabilities	21, 30	162,608,500	220,163,542
Total liabilities		4,581,210,258	4,666,798,146
Equity			
Share capital	22		
Registered			
18,103,153 ordinary shares of Baht 100 each			
(2020: 40,200,200 ordinary shares of Baht 100 each)		1,810,315,300	4,020,020,000
Issued and paid-up			
18,103,153 ordinary shares of Baht 100 each			
(2020: 40,200,200 ordinary shares of Baht 100 each)		1,810,315,300	4,020,020,000
Retained earnings			
Appropriated - statutory reserve	23	-	8,881,806
Unappropriated (deficits)		34,117,170	(2,246,083,428)
Other components of equity		17,617,132	11,079,355
Total equity		1,862,049,602	1,793,897,733
Total liabilities and equity		6,443,259,860	6,460,695,879

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

河野 親由

Yoshiyuki Kawanishi

Directors



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

Sompo Insurance (Thailand) Public Company Limited

Statement of income

For the year ended 31 December 2021

		(Unit: Baht)	
	Note	2021	2020
Income			
Gross premium written		3,504,124,760	2,877,895,115
Less: Premium ceded to reinsurers		(2,263,879,227)	(2,000,366,523)
Net premium written		1,240,245,533	877,528,592
Less: Unearned premium reserves increase from prior year		(246,026,949)	(39,050,248)
Net earned premium		994,218,584	838,478,344
Fee and commission income from reinsurers		599,471,612	539,687,679
Net investment income	24	43,927,135	38,620,696
Gain on financial instruments		147,198	106,373
Other income		5,691,728	5,130,409
Total income		1,643,456,257	1,422,023,501
Expenses			
Gross claim and loss adjustment expenses		719,169,345	823,688,070
Less: Claim recovery from reinsurers		(240,776,034)	(375,461,107)
Commission and brokerage expenses		468,842,053	383,990,648
Other underwriting expenses		226,741,543	140,093,151
Operating expenses	25	344,491,677	428,699,585
Financial costs		9,661,509	3,213,449
Expected credit loss	26	573,471	513,345
Total expenses	27	1,528,703,564	1,404,737,141
Profit before income tax		114,752,693	17,286,360
Less: Income tax expenses	16.2	(56,742,670)	(3,119,521)
Profit for the year		58,010,023	14,166,839
Earnings per share			
	29		
Basic earning per share		1.46	0.43
Weighted average number of ordinary share (Shares)		39,715,881	32,970,692

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 2021

		(Unit: Baht)	
	Note	2021	2020
Profit for the year		<u>58,010,023</u>	<u>14,166,839</u>
Other comprehensive income:			
Items not to be recognised in statement of income for in subsequent period			
Gain (loss) on equity instruments designated to be measured at fair value through other comprehensive income		8,172,221	(12,999,117)
Actuarial gain (loss)		4,505,087	(3,878,994)
Add (less): Income tax		<u>(2,535,462)</u>	<u>3,375,622</u>
Total items not to be recognised in statement of income in subsequent period - net of tax (loss)		<u>10,141,846</u>	<u>(13,502,489)</u>
Total other comprehensive income for the year (loss)		<u>10,141,846</u>	<u>(13,502,489)</u>
Total comprehensive income for the year		<u><u>68,151,869</u></u>	<u><u>664,350</u></u>

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 2021

	Issued and paid up share capital	Retained earnings		Other components of equity - equity instruments designated to be measured at fair value through other comprehensive income	(Unit: Baht)
		Appropriated - statutory reserve	Unappropriated (Deficits)		Total
Balance as at 1 January 2020	3,120,020,000	8,881,806	(2,257,147,072)	21,478,649	893,233,383
Increase in share capital of the Company (Note 22)	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)	(13,502,489)
Total comprehensive income for the year (loss)	-	-	11,063,644	(10,399,294)	664,350
Balance as at 31 December 2020	<u>4,020,020,000</u>	<u>8,881,806</u>	<u>(2,246,083,428)</u>	<u>11,079,355</u>	<u>1,793,897,733</u>
Balance as at 1 January 2021	4,020,020,000	8,881,806	(2,246,083,428)	11,079,355	1,793,897,733
Decrease in share capital of the Company (Note 22)	(2,209,704,700)	(8,881,806)	2,218,586,506	-	-
Profit for the year	-	-	58,010,023	-	58,010,023
Other comprehensive income for the year	-	-	3,604,069	6,537,777	10,141,846
Total comprehensive income for the year	-	-	61,614,092	6,537,777	68,151,869
Balance as at 31 December 2021	<u>1,810,315,300</u>	<u>-</u>	<u>34,117,170</u>	<u>17,617,132</u>	<u>1,862,049,602</u>

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 2021

	(Unit: Baht)	
	2021	2020
Cash flows from (used in) operating activities		
Direct premium written	3,163,427,678	2,707,174,105
Cash paid for reinsurance	(1,261,937,614)	(676,914,339)
Interest income	43,830,018	36,941,170
Dividend income	22,500	15,000
Other income	6,047,532	5,616,501
Loss incurred on direct insurance	(687,126,461)	(877,392,971)
Commission and brokerage expenses on direct insurance	(412,407,191)	(350,583,611)
Other underwriting expenses	(226,396,796)	(150,181,859)
Operating expenses	(341,518,037)	(365,191,651)
Cash received from financial assets	1,910,372,686	1,071,952,633
Cash paid for financial assets	(1,608,411,578)	(2,408,644,963)
Net cash flow from (used in) operating activities	585,902,737	(1,007,209,985)
Cash flows from (used in) investing activities		
Cash receipt from sales of equipment	68,700	289,252
Cash paid for purchase of equipment	(613,935)	(10,986,994)
Cash paid for purchase of intangible assets	(27,099,263)	(12,903,124)
Net cash flows used in investing activities	(27,644,498)	(23,600,866)
Cash flows from (used in) financing activities		
Cash received from the increase of share capital	-	900,000,000
Repayment of lease liabilities	(29,951,126)	(30,941,998)
Repayment of payable under the distribution agreement	(478,038,247)	-
Cash flows from (used in) financing activities	(507,989,373)	869,058,002
Expected credit loss	(99,800)	(237,570)
Net increase (decrease) in cash and cash equivalents	50,169,066	(161,990,419)
Cash and cash equivalents at beginning of year	261,899,141	423,889,560
Cash and cash equivalents at end of year	312,068,207	261,899,141

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 2021

1. General information

1.1 General information of the Company

Sompo Insurance (Thailand) Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Sompo Japan 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 may be impacting 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 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 adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

3.2 Financial reporting standards that became effective for fiscal year beginning on or after 1 January 2022

The Federation of Accounting Professions issued a number of revised financial reporting standards, which are effective for fiscal year beginning on or after 1 January 2022. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and, for some standards, providing temporary reliefs or temporary exemptions for users.

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

4. Significant accounting policies

4.1 Revenue recognition

(a) Premium income

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

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

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

(b) Fee and commission income

Fee and commission income from ceded premium are recognised as income when services have been rendered to the reinsurers.

(c) Investment income

Interest income

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

Dividends income

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

(d) Gain (loss) on financial instruments

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

4.2 Expenses recognition

(a) Ceded premium

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

(b) Claims and loss adjustment expenses

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

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

Claims and loss adjustment expenses of direct insurance are recognised upon the receipt of the claims advice from the insured, based on the 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.

(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.

4.3 Classification of insurance contracts

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

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

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

4.4 Cash and cash equivalents

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

4.5 Premium receivables and allowance of doubtful accounts

Premium receivables from direct insurance are stated at net realisable value. The Company set up an allowance for doubtful accounts based on the estimated loss that may incur in collection of the premium receivables, on the basis of collection experiences, analysis of debtor aging and a review of current status of the premium receivables as at the end of reporting period.

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

4.6 Reinsurance assets

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

The Company set up an allowance for doubtful accounts of reinsurance assets when indicator of the impairment has occurred based on the estimated loss that may incur in collection of the reinsurance assets, on the basis of collection experiences, analysis of debtor aging and a review of current status of the reinsurer as at the end of reporting period.

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

4.7 Receivables from reinsurance contracts and amount due to reinsurers

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

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

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

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

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

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

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

4.8 Financial assets - investments

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

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

Fair value

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

Investment income and disposal of investments

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

Dividends on these investments are recognised in statement of income.

4.9 Allowance for expected credit loss of financial assets

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

At every reporting date, the Company assesses whether there has been a significant increase in the credit risk of financial assets since initial recognition 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.

4.10 Recognition and derecognition of financial instruments

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

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

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

4.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is 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.

4.12 Equipment and depreciation

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

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

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

Depreciation is included in statement of income.

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

4.13 Leases

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

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

Right-of-use assets

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

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

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

4.14 Intangible assets and amortisation

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

Intangible asset with finite life is amortised on the straight-line basis over the economic useful life and tested for impairment whenever there is 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.

4.15 Impairment of non-financial assets

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

An impairment loss is recognised in statement of income.

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

4.16 Insurance contract liabilities

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

(a) **Loss reserves and outstanding claims**

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

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

(b) Premium reserve

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

(1) Unearned premium reserve

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

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

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

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

(2) Unexpired risk reserve

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

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

4.17 Employee benefits

(a) Short-term employee benefits

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

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

Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

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

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

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

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

4.18 Income tax

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

Current tax

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

Deferred tax

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

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

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

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

4.19 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.

4.20 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.

4.21 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.

4.22 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.

5. Significant accounting judgements and estimates

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

5.1 Recognition and derecognition of assets and liabilities

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

5.2 Allowances for expected credit loss of financial assets

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

5.3 Allowance for doubtful accounts

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

5.4 Fair value of financial instruments

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

5.5 Intangible assets and amortisation

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows 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.

5.6 Deferred tax assets

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

5.7 Loss reserves and outstanding claims

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

5.8 Unexpired risk reserve

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

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

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

5.10 Leases

The management is required to exercise judgement in estimating its incremental borrowing rate to discount lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

5.11 Litigations

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

6. Classification of financial assets and financial liabilities

As at 31 December 2021 and 2020, carrying amounts of financial assets and financial liabilities were classified as follow.

	(Unit: Baht)		
	2021		
	income	Financial instruments measured at amortised cost	Total
Financial assets			
Cash and cash equivalents	-	312,068,207	312,068,207
Accrued investment income	-	10,271,902	10,271,902
Debt financial assets	-	2,557,198,198	2,557,198,198
Equity financial assets	22,817,582	-	22,817,582
Financial liabilities			
Lease liabilities	-	77,682,387	77,682,387
			(Unit: Baht)
	2020		
	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

7. Cash and cash equivalents

	(Unit: Baht)	
	2021	2020
Cash on hand	31,000	31,000
Deposits at banks with no fixed maturity date	312,374,578	262,105,711
Total cash and cash equivalents	312,405,578	262,136,711
Less: Allowance for expected credit loss	(337,371)	(237,570)
Cash and cash equivalents - net	312,068,207	261,899,141

As at 31 December 2021, bank deposits in saving accounts carried interest between 0.05 and 0.50 percent per annum (2020: between 0.05 and 0.50 percent per annum).

8. Premium receivables

As at 31 December 2021 and 2020, 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)	
	2021	2020
Not yet due	321,139,283	380,140,640
Not over 30 days	167,460,508	71,595,437
Over 31 days to 60 days	40,758,143	37,631,812
Over 61 days to 90 days	6,445,768	7,067,809
Over 91 days	32,439,104	21,257,226
Total	568,242,806	517,692,924
Less: Allowance for doubtful accounts	(378,999)	(943,072)
Total premium receivables - net	567,863,807	516,749,852

For premium receivables due from agents and brokers, the Company has stipulated the collection guideline in accordance with the law of the premium collection. For overdue premium receivables, the Company has the legal process with such agents and brokers.

9. Reinsurance assets

	(Unit: Baht)	
	2021	2020
Insurance recoverable from reinsurers		
- Loss reserves	338,040,804	427,756,030
- Unearned premium reserves	1,056,979,836	943,639,238
Total reinsurance assets	<u>1,395,020,640</u>	<u>1,371,395,268</u>

10. Receivables from reinsurance contracts

	(Unit: Baht)	
	2021	2020
Amounts due from reinsurers	305,000,728	63,097,754
Less: Allowance for doubtful accounts	-	(5,268,058)
Total receivables from reinsurance contracts - net	<u>305,000,728</u>	<u>57,829,696</u>

The balances as at 31 December 2021 and 2020 of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)	
	2021	2020
Not yet due	261,862,622	45,182,674
Not over 1 year	42,929,076	14,427,000
Over 1 year to 2 years	82,316	3,477,319
Over 2 years	126,714	10,761
Total amounts due from reinsurers	305,000,728	63,097,754
Less: Allowance for doubtful accounts	-	(5,268,058)
Total receivables from reinsurance contracts - net	<u>305,000,728</u>	<u>57,829,696</u>

11. Debt financial assets

11.1 Classified by type of financial assets

	(Unit: Baht)	
	2021	2020
	Amortised cost	Amortised cost
Debt instruments measured at amortised cost		
Government and state enterprise securities	362,543,198	339,623,986
Private debt securities	958,896,944	943,370,292
Deposits at financial institutions which amounts maturing over 3 months	1,237,974,621	1,563,671,597
Total	2,559,414,763	2,846,665,875
Less: Allowance for expected credit loss	(2,216,565)	(1,748,959)
Total debt financial assets - net	2,557,198,198	2,844,916,916

11.2 Classified by stage of credit risk

	(Unit: Baht)					
	2021			2020		
	Gross carrying value	Allowance for expected credit loss recognised in profit or loss	Net carrying value	Gross carrying value	Allowance for expected credit loss recognised in profit or loss	Net carrying value
Debt instruments measured at amortised cost						
Stage 1 - Debt securities with no significant increase in credit risk	2,559,414,763	(2,216,565)	2,557,198,198	2,846,665,875	(1,748,959)	2,844,916,916

11.3 Financial assets with restrictions and commitments

As at 31 December 2021 and 2020, 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)			
	2021		2020	
	Amortised cost	Fair value	Amortised cost	Fair value
Assets pledged				
Government bonds	18.8	21.3	18.8	22.4
Assets reserve as non - life insurance reserve				
Government bonds	192.1	205.2	193.8	214.4
Assets subject to other restriction				
Saving lottery which pledged	3.5	3.5	3.2	3.2
Total	214.4	230.0	215.8	240.0

12 Equity financial assets

12.1 Classified by type of financial assets

	(Unit: Baht)			
	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Equity instruments designated to be measured at fair value through other comprehensive income				
Non-listed equity instruments	796,166	22,817,582	796,166	14,645,361
Add: Unrealised gain	22,021,416		13,849,195	
Total equity financial assets - net	22,817,582		14,645,361	

During the years 2021 and 2020, the Company did not dispose the equity instruments designated to be measured at fair value through other comprehensive income from the account.

13. Equipment

	(Unit: Baht)			
	Leasehold improvement	Office equipment	Motor vehicles	Total
Cost				
1 January 2020	23,295,297	91,346,897	10,122,485	124,764,679
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
Additions	8,300	605,635	-	613,935
Disposals	-	(9,945,653)	-	(9,945,653)
31 December 2021	27,962,213	73,408,617	11,419,885	112,790,715
Accumulated depreciation				
1 January 2020	16,322,163	66,297,299	9,859,285	92,478,747
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
Depreciation for the year	2,600,938	8,933,529	259,480	11,793,947
Depreciation on disposals	-	(9,371,391)	-	(9,371,391)
31 December 2021	21,997,981	60,715,330	10,622,998	93,336,309
Net book value				
31 December 2020	8,556,870	21,595,443	1,056,367	31,208,680
31 December 2021	5,964,232	12,693,287	796,887	19,454,406
Depreciation for the year				
2020				13,133,190
2021				11,793,947

As at 31 December 2021, 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 54.8 million (2020: Baht 58.4 million).

14. Lease

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

14.1 Right-of-use assets

	(Unit: Baht)			
	Lease buildings	Office equipment	Motor vehicles	Total
Net book value as at 1 January 2020	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)
Depreciation for the year	(28,710,867)	(1,752,773)	(3,091,156)	(33,554,796)
Net book value as at 31 December 2020	16,714,609	6,157,667	8,233,825	31,106,101
Acquisitions during the year	72,606,489	445,219	-	73,051,708
Disposal due to cancellation of agreements	(660,852)	-	-	(660,852)
Disposal during the year - net book value	-	(55,989)	-	(55,989)
Depreciation for the year	(26,198,773)	(1,766,043)	(3,181,498)	(31,146,314)
Net book value as at 31 December 2021	62,461,473	4,780,854	5,052,327	72,294,654

14.2 Lease liabilities

	(Unit: Baht)			
	Lease buildings	Office equipment	Motor vehicles	Total
Lease liabilities as at 1 January 2020	43,471,140	6,928,647	10,621,730	61,021,517
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)
Financial cost for the year	831,452	205,865	286,974	1,324,291
Lease payments during the year	(25,811,915)	(1,873,683)	(3,256,400)	(30,941,998)
Lease liabilities as at 31 December 2020	19,501,633	6,302,290	8,320,949	34,124,872
Acquisitions during the year	72,606,489	445,219	-	73,051,708
Disposal due to cancellation of agreements	(502,852)	-	-	(502,852)
Financial cost for the year	576,310	176,972	206,503	959,785
Lease payments during the year	(24,553,080)	(2,038,046)	(3,360,000)	(29,951,126)
Lease liabilities as at 31 December 2021	67,628,500	4,886,435	5,167,452	77,682,387

(Unit: Baht)

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

(Unit: Baht)

	2020			
	Lease	Office	Motor vehicles	Total
	buildings	equipment		
Lease payments	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

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

	(Unit: Baht)	
	2021	2020
Depreciation of right-of-use assets	31,146,314	33,554,796
Financial cost on lease liabilities	959,785	1,324,291
Short term lease expenses and leases of low-value assets	4,429,189	3,636,242
Total expenses	36,535,288	38,515,329

The Company had total cash outflows for leases for the year ended 31 December 2021 of Baht 34.4 million (2020: Baht 34.6 million), including the cash outflow related to short-term lease, and leases of low-value assets.

15. Intangible assets

(Unit: Baht)

	Computer software	Computer software in progress	Rights under the bancassurance agreement	Total
Cost				
1 January 2020	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
Additions	1,221,272	25,884,690	-	27,105,962
Disposals	(71,245)	-	-	(71,245)
31 December 2021	53,302,046	75,184,049	767,457,940	895,944,035
Accumulated amortisation				
1 January 2020	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
Amortisation for the year	2,558,964	-	50,600,099	53,159,063
Amortisation for the disposals	(64,544)	-	-	(64,544)
31 December 2021	33,252,436	-	58,640,663	91,893,099
Allowance for impairment loss				
31 December 2020	3,094,416	41,099,951	-	44,194,367
31 December 2021	3,094,416	41,099,951	-	44,194,367
Net book value				
31 December 2020	18,299,587	8,199,408	759,417,376	785,916,371
31 December 2021	16,955,194	34,084,098	708,817,277	759,856,569
Amortisation for the year				
2020				10,468,123
2021				53,159,063

As at 31 December 2021, 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 23.7 million (2020: Baht 23.3 million).

15.1 Rights under the bancassurance agreement

On 19 September 2017, the Company entered into a Distribution Agreement (“Agreement”) with a Commercial bank and certain companies in that Group. The Agreement is effective from 4 November 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 2021, the carrying value of the access right to distribution network were Baht 708.8 million (2020: Baht 759.4 million).

As at 31 December 2021, the payable under the Distribution Agreement was Baht 285.0 million (2020: Baht 754.3 million) whereby the movement was as below.

	(Unit: Baht)
	<u>2021</u>
Balance - beginning of the year	754,336,572
Add: amortisation of deferred interest expenses	8,686,540
Less: payment	<u>(478,038,247)</u>
Balance - end of the year	<u>284,984,865</u>

16. Deferred tax assets / income tax expenses

16.1 Deferred tax assets/liabilities

The components of deferred tax assets and deferred tax liabilities as at 31 December 2021 and 2020 are as follows:

	(Unit: Baht)			
	Changes in deferred tax assets and liabilities that are recognised in profit or loss for the years ended 31 December			
	2021	2020	2021	2020
Deferred tax assets				
Allowance for expected credit loss	-	399,823	(399,823)	102,669
Allowance for loss on impairment of investments in securities	379,549	379,549	-	-
Right-of-use assets and lease liabilities	-	603,754	(603,754)	603,754
Post employee benefit obligations	6,910,018	7,331,503	479,533	340,630
Total	7,289,567	8,714,629		
Deferred tax liabilities				
Gain on changes in value of equity instruments designated to be measured at fair value through other comprehensive income	4,404,283	2,769,839	-	-
Total	4,404,283	2,769,839		
Deferred tax assets - net	2,885,284	5,944,790		
Changes in deferred tax assets and liabilities that are recognised in profit or loss			(524,044)	1,047,053

As at 31 December 2021, the Company has temporary differences to be utilised as tax deductions in the future of Baht 635.2 million (2020: Baht 466.7 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.

16.2 Income tax expenses

Income tax expenses for the years ended 31 December 2021 and 2020 are as follows:

	(Unit: Baht)	
	2021	2020
Current income tax:		
Current income tax charge for the year	56,396,444	4,166,574
Adjustment in respect of current income tax of previous year	(177,818)	-
Deferred tax:		
Relating to origination and reversal of temporary differences	524,044	(1,047,053)
Income tax expenses reported in the statement of income	<u>56,742,670</u>	<u>3,119,521</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2021 and 2020 are as follows:

	(Unit: Baht)	
	2021	2020
Deferred tax relating to:		
Gain (loss) on changes in value of investments	1,634,444	(2,599,823)
Actuarial gain (loss)	901,018	(775,799)
Total	<u>2,535,462</u>	<u>(3,375,622)</u>

The reconciliations between income tax expenses and the product of accounting profit for the years ended 31 December 2021 and 2020 and the applicable tax rate are as follows:

	(Unit: Baht)	
	2021	2020
Accounting profit before tax expenses	<u>114,752,693</u>	<u>17,286,360</u>
Applicable tax rate	20%	20%
Accounting profit before tax multiple by applicable tax rate	22,950,539	3,457,272
Adjustment in respect of current income tax of previous year	(177,818)	-
Tax loss utilised during the year	-	(8,524,768)
Temporary differences not recognised as deferred tax	33,700,437	6,020,853
Non-taxable income and non-deductible expenses	<u>269,512</u>	<u>2,166,164</u>
Income tax expenses reported in the statement of income	<u>56,742,670</u>	<u>3,119,521</u>

17. Other assets

	(Unit: Baht)	
	2021	2020
Withholding tax refundable	135,323,889	134,985,464
Input tax refundable	55,093,781	20,688,917
Suspense input tax	35,237,361	29,677,095
Deposits on rice field insurance scheme	87,609,049	115,326,587
Prepaid commission expenses	41,202,908	37,697,322
Others	28,976,482	24,644,309
Total other assets	<u>383,443,470</u>	<u>363,019,694</u>

18. Insurance contract liabilities

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

	(Unit: Baht)		
	2020		
	Insurance contract liabilities	Reinsurance on liabilities	Net
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	<u>1,451,119,306</u>	<u>(943,639,238)</u>	<u>507,480,068</u>
Total	<u>2,217,755,798</u>	<u>(1,371,395,268)</u>	<u>846,360,530</u>

During the years 2021 and 2020, 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.

18.1 Assumptions

Assumptions used for estimation of loss reserves are as follows:

(a) Assumptions regarding claims experience

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

(b) Assumptions regarding related expenses

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

18.2 Loss reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2021	2020
Beginning balance	766,636,492	855,789,385
Claims expenses for the year	695,032,907	883,856,885
Change in loss reserves of prior year	(59,551,129)	(150,446,292)
Change in assumptions	42,759,593	34,492,207
Claims expenses paid during the year	(715,266,224)	(857,055,693)
Ending balance	<u>729,611,639</u>	<u>766,636,492</u>

As at 31 December 2021, the Company has loss reserves and outstanding claims under reinsurance contracts amounting to Baht 18.5 million (2020: Baht 110.8 million).

18.3 Claims development table

(a) Gross claims table

(Unit: Million Baht)

Accident year / Reporting year	Before 2012	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of cumulative												
ultimate claims incurred												
- at end of accident year	56,083.3	208.4	281.3	523.9	662.9	980.0	1,644.3	1,714.2	1,215.6	1,181.3	1,072.5	
- Next one year	51,293.2	221.5	285.1	471.8	657.8	971.6	1,527.3	1,573.5	956.1	869.4		
- Next two years	46,490.5	207.7	291.0	444.4	656.0	958.2	1,497.4	1,490.0	895.3			
- Next three years	46,652.1	205.6	282.6	442.9	655.2	950.1	1,486.6	1,508.2				
- Next four years	46,651.5	205.5	282.6	442.4	655.2	948.8	1,487.1					
- Next five years	46,638.0	205.2	282.5	440.0	658.0	948.8						
- Next six years	46,302.4	205.1	278.2	440.0	658.0							
- Next seven years	46,283.2	205.1	278.2	440.0								
- Next eight years	46,260.3	204.3	278.2									
- Next nine years	46,257.0	204.3										
- Next ten years	46,257.4											
Estimate of cumulative												
ultimate claims incurred	46,257.4	204.3	278.2	440.0	658.0	948.8	1,487.1	1,508.2	895.3	869.4	1,072.5	54,619.2
Cumulative payment to date	(46,257.0)	(204.2)	(278.2)	(439.6)	(657.9)	(948.8)	(1,478.0)	(1,493.3)	(861.3)	(788.5)	(482.8)	(53,889.6)
Total loss reserves	0.4	0.1	-	0.4	0.1	-	9.1	14.9	34.0	80.9	589.7	729.6

(b) Net claims table

(Unit: Million Baht)

Accident year / Reporting year	Before 2012	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of cumulative												
ultimate claims incurred												
- at end of accident year	2,544.0	74.3	115.5	206.9	389.0	687.5	1,014.8	847.5	637.5	580.1	608.8	
- Next one year	2,388.8	67.8	119.5	209.4	397.1	718.9	965.8	784.0	544.4	473.3		
- Next two years	2,168.8	65.0	122.0	207.9	397.0	706.2	940.5	753.9	522.0			
- Next three years	2,161.6	64.4	118.6	208.5	396.7	702.1	933.3	752.7				
- Next four years	2,160.7	64.4	118.6	208.5	396.7	702.3	933.2					
- Next five years	2,160.8	64.3	118.6	208.4	397.3	702.3						
- Next six years	2,162.9	64.3	118.6	208.4	397.3							
- Next seven years	2,161.3	64.3	118.6	208.3								
- Next eight years	2,160.0	63.8	118.6									
- Next nine years	2,159.4	63.8										
- Next ten years	2,159.4											
Estimate of cumulative												
ultimate claims incurred	2,159.4	63.8	118.6	208.3	397.3	702.3	933.2	752.7	522.0	473.3	608.8	6,939.7
Cumulative payment to date	(2,159.3)	(63.8)	(118.6)	(208.3)	(397.3)	(702.3)	(931.7)	(741.9)	(500.1)	(431.5)	(293.3)	(6,548.1)
Total loss reserves	0.1	-	-	-	-	-	1.5	10.8	21.9	41.8	315.5	391.6

18.4 Unearned premium reserves

(Unit: Baht)

	For the years ended 31 December	
	2021	2020
Beginning balance	1,451,119,306	1,367,283,401
Premium written for the year	3,504,124,760	2,877,895,115
Premium earned for the current year	(3,144,757,213)	(2,794,059,210)
Ending balance	<u>1,810,486,853</u>	<u>1,451,119,306</u>

19. Due to reinsurers

(Unit: Baht)

	For the years ended 31 December	
	2021	2020
Amounts withheld on reinsurance	617,261,346	627,392,375
Other reinsurance payable	703,723,628	529,745,199
Total due to reinsurers	<u>1,320,984,974</u>	<u>1,157,137,574</u>

20. Employee benefit obligations

Provision for long-term employee benefits, which is compensations on employee retirement, and other long-term employee benefits for the years ended 31 December 2021 and 2020 are as follows:

(Unit: Baht)

	For the years ended 31 December	
	2021	2020
Provision for long-term employee benefits at beginning of year	36,657,513	31,075,373
Amount recognised in statement of income:		
Current service cost	6,695,859	9,571,797
Interest cost	525,094	535,659
Past service cost	-	9,179,181
Amount recognised in statements of comprehensive income:		
Actuarial loss (gain) arising from		
Financial assumptions changes	(2,346,501)	946,407
Experience adjustments	(2,158,586)	2,932,587
Benefits paid during the year	<u>(4,823,288)</u>	<u>(17,583,491)</u>
Provision for long-term employee benefits at end of year	<u>34,550,091</u>	<u>36,657,513</u>

The Company expects to pay Baht 0.2 million of long-term employee benefits during the next year (2020: Baht 3.3 million).

As at 31 December 2021, the weighted average duration of the payment for long-term employee benefits is 11 years (2020: 11 years).

Principal actuarial assumptions at the valuation date were as follows:

	2021	2020
	(% per annum)	(% per annum)
Discount rate	2.10	1.50
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 2021 and 2020 are summarised below:

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

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

21. Other liabilities

	(Unit: Baht)	
	2021	2020
Commission received in advance	36,898,447	68,722,567
Accrued expenses	55,215,904	68,979,746
Short - term employee benefits	29,521,571	20,497,826
Other payables	700,179	20,929,810
Undue output tax	17,796,728	16,086,736
Others	22,475,671	24,946,857
Total other liabilities	<u>162,608,500</u>	<u>220,163,542</u>

22. 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

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

Reconciliation of ordinary share capital

	2021		2020	
	Number of shares (shares)	Total Amount (Baht)	Number of shares (shares)	Total Amount (Baht)
<u>Registered share capital</u>				
Ordinary share capital at beginning of the year	40,200,200	4,020,020,000	31,200,200	3,120,020,000
Increase in share capital during the year	-	-	9,000,000	900,000,000
Decrease in share capital during the year	<u>(22,097,047)</u>	<u>(2,209,704,700)</u>	-	-
Ordinary share capital at end of the year	<u>18,103,153</u>	<u>1,810,315,300</u>	<u>40,200,200</u>	<u>4,020,020,000</u>
<u>Issued and paid-up share capital</u>				
Ordinary share capital at beginning of the year	40,200,200	4,020,020,000	31,200,200	3,120,020,000
Increase in share capital during the year	-	-	9,000,000	900,000,000
Decrease in share capital during the year	<u>(22,097,047)</u>	<u>(2,209,704,700)</u>	-	-
Ordinary share capital at end of the year	<u>18,103,153</u>	<u>1,810,315,300</u>	<u>40,200,200</u>	<u>4,020,020,000</u>

23. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

24. Net investment income

	(Unit: Baht)	
	2021	2020
Interest income from debt instruments	45,377,151	39,939,058
Dividend income from equity instruments	22,500	15,000
Less: Investment expenses	(1,472,516)	(1,333,362)
Net investment income	<u>43,927,135</u>	<u>38,620,696</u>

25. Operating expenses

	(Unit: Baht)	
	2021	2020
Personnel expenses	195,909,355	238,330,804
Premises and equipment expenses	56,150,606	64,693,063
Taxes and duties	2,543,560	1,560,846
Bad debts and doubtful accounts (reversal)	(5,995,803)	6,008,268
Other operating expenses	95,883,959	118,106,604
Total operating expenses	<u>344,491,677</u>	<u>428,699,585</u>

26. Allowance for expected credit loss

	(Unit: Baht)	
	2021	2020
Cash and cash equivalents	99,801	(213,866)
Accrued investment income	6,064	(1,472)
Debt instruments measured at amortised cost	467,606	728,683
Total	<u>573,471</u>	<u>513,345</u>

27. Expenses by nature

	(Unit: Baht)	
	2021	2020
Claim and loss adjustment expenses	437,465,336	392,441,693
Commission and brokerage expenses	468,842,053	383,990,648
Contribution expenses	20,392,423	19,984,540
Other underwriting expenses	153,328,914	59,684,179
Employees expenses	267,453,801	328,489,881
Premises and equipment expenses	57,844,311	73,343,366
Bad debts and doubtful accounts (reversal)	(5,995,803)	6,008,268
Advertising and promotion expenses	8,165,682	20,206,589
Financial costs	9,661,509	3,213,449
Expected credit loss	573,471	513,345
Other expenses	110,971,867	116,861,183
Total expenses by nature	<u>1,528,703,564</u>	<u>1,404,737,141</u>

28. Provident fund

The Company and its employees jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both the Company and employees contributed to the fund monthly at the rate of 5% of basic salary. The fund is managed by TISCO Asset Management Company Limited and will be paid to employees upon termination in accordance with the rules of the fund. During the year 2021, the Company contributed Baht 7.9 million (2020: Baht 9.1 million) to the fund.

29. Earnings per share

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

30. Related party transactions

30.1 Nature of relationship

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

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

Name of related parties	Nature of relationship
Sompo Japan Insurance Inc.	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
Sompo Japan Nipponkoa Reinsurance (Hong Kong) Company Limited	Common shareholder in the same group

30.2 Significant related party transactions

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

	2021	2020	Pricing policy
Transactions with parent company			
Premium ceded	1,252.1	1,289.8	Reinsurance rate depending on type of insurance and reinsurance contracts
Fee and commission income	389.2	405.6	Reinsurance rate depending on type of insurance and reinsurance contracts
Claim recovery	44.9	216.8	According to terms of reinsurance contracts depending on type of insurance and reinsurance

(Unit: Million Baht)

			(Unit: Million Baht)
	2021	2020	Pricing policy
Transactions with related companies			
Premium ceded	43.7	42.3	Reinsurance rate depending on type of insurance and reinsurance contracts
Fee and commission income	5.6	4.7	Reinsurance rate depending on type of insurance and reinsurance contracts
Commission paid on direct insurance	103.3	112.7	In accordance with the Notification by the Registrar regarding "Commission rate for Non-life insurance"
Claim recovery	15.7	1.6	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 2021 and 2020.

	(Unit: Million Baht)	
	2021	2020
Transactions with parent company		
Receivables from reinsurance contracts	62.7	10.8
Due to reinsurers - amounts withheld on reinsurance	409.9	478.9
Due to reinsurers - other reinsurance payable	148.5	249.2
Transactions with related companies		
Premium receivables	108.5	162.4
Receivables from reinsurance contracts	11.5	0.9
Other assets	1.4	0.6
Due to reinsurers - amounts withheld on reinsurance	27.2	22.5
Due to reinsurers - other reinsurance payable	2.9	10.6
Accrued commission	15.1	25.0
Other liabilities	5.7	9.4

Directors and management's remuneration

During the years ended 31 December 2021 and 2020, the Company had employee benefit expenses of its directors and management personnel as following.

	(Unit: Million Baht)	
	2021	2020
Short-term benefits	38.1	32.8
Long-term benefits	3.1	0.8
Total	41.2	33.6

31. Contribution to the General Insurance Fund

(Unit: Baht)

	For the years ended 31 December	
	2021	2020
Accumulated contribution at the beginning of the year	56,132,805	49,347,133
Contribution during the year	8,377,933	6,785,672
Accumulated contribution at the end of the year	64,510,738	56,132,805

32. Commitments and contingent liabilities

32.1 Operating lease and services commitments

As at 31 December 2021, there are future minimum lease payments required under short-term or low value lease and service agreements which are not recognised as right-of-use assets.

(Unit: Million Baht)

Payable within:	
Within than 1 year	7.6
1 to 3 years	2.3

32.2 Bank guarantees

As at 31 December 2021, there were outstanding bank guarantees of approximately Baht 2.3 million (2020: Baht 2.3 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

32.3 Litigations

As at 31 December 2021, the Company has been sued for damaged totaling approximately Baht 20.9 million (2020: Baht 15.3 million) as insurer. The total maximum sum insured per the relevant policies is Baht 52.3 million (2020: Baht 19.8 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 9.8 million (2020: Baht 10.4 million) in the financial statements.

33. Risk and risk management policy

33.1 Insurance underwriting risk

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

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

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

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

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

Concentration of insurance contract liabilities as at 31 December 2021 and 2020, segregated by insurance type, are shown below.

(Unit: Million Baht)

	2021			2020		
	Premium reserves			Premium reserves		
	Gross	Outward	Net	Gross	Outward	Net
Fire	51.3	(1.2)	50.1	6.8	(0.9)	5.9
Marine and transportation	66.4	(44.2)	22.2	51.3	(32.2)	19.1
Motor	354.7	(0.2)	354.5	247.3	(0.1)	247.2
Personal accident	54.0	(0.8)	53.2	41.6	(0.8)	40.8
Miscellaneous	1,284.1	(1,010.6)	273.5	1,104.1	(909.6)	194.5
Total	1,810.5	(1,057.0)	753.5	1,451.1	(943.6)	507.5

(Unit: Million Baht)

	2021			2020		
	Loss reserves			Loss reserves		
	Gross	Outward	Net	Gross	Outward	Net
Fire	2.9	(0.3)	2.6	2.0	(0.1)	1.9
Marine and transportation	45.9	(19.6)	26.3	65.8	(28.5)	37.3
Motor	253.6	(5.4)	248.2	196.0	(3.4)	192.6
Personal accident	20.3	(0.7)	19.6	8.5	(0.8)	7.7
Miscellaneous	406.9	(312.0)	94.9	494.3	(394.9)	99.4
Total	729.6	(338.0)	391.6	766.6	(427.7)	338.9

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 2021 and 2020 are summarised below.

(Unit: Million Baht)

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

(Unit: Million Baht)

		2020			
		Changing in claim liabilities		Increase	
Assumption	Increase (decrease) in	Increase (decrease) in	Increase (decrease) in	(decrease) in	Increase (decrease)
change	gross	net of outward	profit before	tax	in equity
Initial expected loss ratio	Increase 5%	20.4	17.9	(17.9)	(14.3)
Initial expected loss ratio	Decrease 5%	(20.4)	(17.9)	17.9	14.3
Incurred development factor	Increase 5%	0.6	0.3	(0.3)	(0.2)
Incurred development factor	Decrease 5%	(0.7)	(0.3)	0.3	0.2
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)	(1.3)
Claims handing expenses	Decrease 5%	(1.6)	(1.6)	1.6	1.3

33.2 Financial instruments

(a) Credit risk

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

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

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

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

Stage I Financial assets with no significant increase in credit risk

Stage II Financial assets with a significant increase in credit risk

Stage III Financial assets with credit impairment

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

(Unit: Million Baht)

	2021			Total
	Financial assets with no significant increase in credit risk	Financial assets with significant increase in credit risk	Financial assets that are credit-impaired	
Cash and cash equivalents				
Investment grade	312.4	-	-	312.4
Allowance for expected credit loss	0.3	-	-	0.3
Debt instruments measured at amortised cost				
Investment grade	2,559.4	-	-	2,559.4
Allowance for expected credit loss	2.2	-	-	2.2
Accrued investment income				
Investment grade	10.3	-	-	10.3
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 2021 and 2020.

(Unit: Million Baht)

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

(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 2021 and 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)	
	2021	2020
Cash and cash equivalents	312.4	262.1
Debt instruments measured at amortised cost	2,559.4	2,846.7
Accrued investment income	10.3	10.0
Total maximum exposure to credit risk	2,882.1	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.

1. Interest rate risk

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

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

As at 31 December 2021 and 2020, 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)

2021

	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	-	-	-	312.1	-	312.1	0.05 - 0.50
Accrued investment income	-	-	-	-	10.3	10.3	-
Debt financial assets	1,510.4	712.7	334.1	-	-	2,557.2	0.50 - 6.00
Equity financial assets	-	-	-	-	22.8	22.8	-
<u>Assets under insurance contracts</u>							
Premium receivables	-	-	-	-	567.9	567.9	-
Loss reserves recoverable from reinsurers	-	-	-	-	338.0	338.0	-
Receivables from reinsurance contracts	-	-	-	-	305.0	305.0	-
<u>Financial liabilities</u>							
Lease liabilities	28.9	48.8	-	-	-	77.7	1.57 - 3.00
<u>Liabilities under insurance contracts</u>							
Insurance contract liabilities - loss reserves and outstanding claims	-	-	-	-	729.6	729.6	-
Due to reinsurers	-	-	-	-	1,321.0	1,321.0	-

(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 - 5	Over				
	1 year	years	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	-

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 income and equity, in the condition that other variables held constant.

As at 31 December 2021 and 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 income.

2. Foreign currency risk

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

3. Equity price risk

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in 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 2021 and 2020 are as follow:

(Unit: Million Baht)

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

(Unit: Million Baht)

	2020					Total
	At call	Less than 1 year	1 - 5 years	Over 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

33.3 Fair value of financial instruments

As at 31 December 2021 and 2020, the Company had the following financial assets that were measured at fair value, and had financial assets that were measured at cost but have to disclose fair value, using different levels of inputs as following:

(Unit: Million Baht)

	2021				
	Carrying amount	Fair value			Total
		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	22.8	-	-	22.8	22.8
<u>Financial assets disclosed at fair value</u>					
Cash and cash equivalents	312.1	312.1	-	-	312.1
Accrued investment income	10.3	3.0	7.3	-	10.3
Debt financial assets - measured at amortised cost					
Government and state enterprise securities					
	362.5	25.5	352.5	-	378.0
Private debt securities	957.9	-	967.6	-	967.6
Deposits at financial institutions	1,236.8	1,238.0	-	-	1,238.0

(Unit: Million Baht)

	2020				
	Carrying amount	Fair value			Total
		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	2.8	7.2	-	10.0
Debt financial assets - measured at amortised cost					
Government and state enterprise securities					
	339.6	26.7	337.6	-	364.3
Private debt securities	942.8	-	957.1	-	957.1
Deposits at financial institutions	1,562.5	1,563.7	-	-	1,563.7

The fair value hierarchy of financial assets presents according to Note 4.22 to the financial statements.

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

- (a) Financial assets maturing in 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.

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

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

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

34. 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.

35. Events after the reporting period

As at 9 February 2022, Sompo Japan Insurance Inc., the parent company, sold 51% of its shares in the Company to C.K.T Holding Company Limited, a company registered and incorporated in Thailand. As a result, C.K.T Holding Company Limited holds 51% and Sompo Japan Insurance Inc. holds 49% of the issued and paid-up share capital.

36. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 18 March 2022.