

Sompo Insurance (Thailand) Public Company Limited
Report and financial statements
31 December 2023

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 2023, 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 2023, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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



Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499

EY Office Limited
Bangkok: 18 March 2024

Sompo Insurance (Thailand) Public Company Limited**Statements of financial position****As at 31 December 2023 and 2022**

		(Unit: Baht)	
	Note	2023	2022
Assets			
Cash and cash equivalents	7	278,905,055	390,909,011
Premium receivables	8, 30	578,130,955	739,404,074
Accrued investment income		16,591,021	10,800,439
Reinsurance assets	9	1,422,795,107	1,491,741,693
Receivables from reinsurance contracts	10, 30	124,727,622	186,071,205
Debt financial assets	11	2,846,218,463	2,568,611,196
Equity financial assets	12	14,016,421	27,801,409
Equipment	13	15,869,571	22,776,032
Right-of-use assets	14.1	26,666,583	45,510,301
Intangible assets	15	622,132,952	759,316,680
Deferred tax assets	16.1	221,248,445	52,013,706
Prepaid premium ceded		4,786,138	10,986,929
Other assets	17, 30	235,456,584	338,135,415
Total assets		6,407,544,917	6,644,078,090

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

Sompo Insurance (Thailand) Public Company Limited

Statements of financial position (continued)

As at 31 December 2023 and 2022

(Unit: Baht)

	Note	2023	2022
Liabilities and equity			
Liabilities			
Insurance contract liabilities	18	3,129,539,672	2,966,507,455
Due to reinsurers	19, 30	970,009,641	1,254,254,480
Lease liabilities	14.2	32,062,697	50,881,346
Income tax payable		-	30,286,925
Employee benefit obligations	20	43,680,863	35,917,317
Premium received in advance		11,280,230	19,700,434
Accrued commission	30	77,513,000	93,764,890
Others liabilities	21, 30	153,531,764	200,965,683
Total liabilities		4,417,617,867	4,652,278,530
Equity			
Share capital			
Registered			
18,103,153 ordinary shares of Baht 100 each		1,810,315,300	1,810,315,300
Issued and paid-up			
18,103,153 ordinary shares of Baht 100 each		1,810,315,300	1,810,315,300
Retained earnings			
Appropriated - statutory reserve	22	9,495,915	7,730,599
Unappropriated		159,539,631	152,149,467
Other components of equity		10,576,204	21,604,194
Total equity		1,989,927,050	1,991,799,560
Total liabilities and equity		6,407,544,917	6,644,078,090

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

Aditya Vibrock

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Directors  **SOMPO**

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

Sompo Insurance (Thailand) Public Company Limited

Statements of income

For the years ended 31 December 2023 and 2022

		(Unit: Baht)	
	Note	2023	2022
Income			
Gross premium written		4,022,108,660	4,178,490,930
Less: Premium ceded to reinsurers		(2,283,220,214)	(2,651,049,378)
Net premium written		1,738,888,446	1,527,441,552
Less: Unearned premium reserves increase from prior year		(88,306,327)	(203,784,908)
Net earned premium		1,650,582,119	1,323,656,644
Fee and commission income from reinsurers		607,125,034	655,623,102
Net investment income	23	61,619,400	44,798,265
Gain on financial instruments		27,454	-
Other income		5,332,389	6,586,509
Total income		2,324,686,396	2,030,664,520
Expenses			
Gross claim and loss adjustment expenses		1,546,512,037	1,039,359,242
Less: Claim recovery from reinsurers		(555,775,228)	(382,117,921)
Commission and brokerage expenses		568,115,545	528,043,969
Other underwriting expenses		281,636,152	299,528,987
Operating expenses	24	579,379,775	396,866,388
Financial costs		1,141,773	5,603,541
Reversal expected credit loss	25	(64,546)	(911,802)
Total expenses	26	2,420,945,508	1,886,372,404
Profit before income tax		(96,259,112)	144,292,116
Income tax benefits (expenses)	16.2	131,565,440	(20,193,256)
Profit for the year		35,306,328	124,098,860
Earnings per share			
	28		
Basic earning per share		1.95	6.86

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

Sompo Insurance (Thailand) Public Company Limited**Statements of comprehensive income**

For the years ended 31 December 2023 and 2022

		(Unit: Baht)	
	Note	2023	2022
Profit for the year		<u>35,306,328</u>	<u>124,098,860</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		(13,784,988)	4,983,827
Actuarial gain (loss)		(1,438,560)	2,080,045
Add (less): Income tax	16.2	<u>3,044,710</u>	<u>(1,412,774)</u>
Total items not to be recognised in statement of income in subsequent period - net of tax (loss)		<u>(12,178,838)</u>	<u>5,651,098</u>
Total other comprehensive income for the year (loss)		<u>(12,178,838)</u>	<u>5,651,098</u>
Total comprehensive income for the year		<u><u>23,127,490</u></u>	<u><u>129,749,958</u></u>

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

Sompo Insurance (Thailand) Public Company Limited

Statements of changes in equity

For the years ended 31 December 2023 and 2022

	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) Total
		Appropriated - statutory reserve	Unappropriated		
Balance as at 1 January 2022	1,810,315,300	-	34,117,170	17,617,132	1,862,049,602
Transferred to statutory reserve (Note 22)	-	7,730,599	(7,730,599)	-	-
Profit for the year	-	-	124,098,860	-	124,098,860
Other comprehensive income for the year	-	-	1,664,036	3,987,062	5,651,098
Total comprehensive income for the year	-	-	125,762,896	3,987,062	129,749,958
Balance as at 31 December 2022	<u>1,810,315,300</u>	<u>7,730,599</u>	<u>152,149,467</u>	<u>21,604,194</u>	<u>1,991,799,560</u>
Balance as at 1 January 2023	1,810,315,300	7,730,599	152,149,467	21,604,194	1,991,799,560
Transferred to statutory reserve (Note 22)	-	1,765,316	(1,765,316)	-	-
Dividend paid (Note 29)	-	-	(25,000,000)	-	(25,000,000)
Profit for the year	-	-	35,306,328	-	35,306,328
Other comprehensive income for the year (loss)	-	-	(1,150,848)	(11,027,990)	(12,178,838)
Total comprehensive income for the year (loss)	-	-	34,155,480	(11,027,990)	23,127,490
Balance as at 31 December 2023	<u>1,810,315,300</u>	<u>9,495,915</u>	<u>159,539,631</u>	<u>10,576,204</u>	<u>1,989,927,050</u>

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

Sompo Insurance (Thailand) Public Company Limited

Statements of cash flows

For the years ended 31 December 2023 and 2022

	(Unit: Baht)	
	2023	2022
Cash flows from (used in) operating activities		
Direct premium written	3,952,893,400	3,777,695,673
Cash paid for reinsurance	(1,318,049,471)	(1,355,063,879)
Interest income	55,818,665	44,255,089
Dividend income	30,000	22,500
Other income	5,307,375	5,402,466
Loss incurred on direct insurance	(1,235,628,514)	(918,053,061)
Commission and brokerage expenses on direct insurance	(547,218,076)	(506,981,875)
Other underwriting expenses	(262,483,162)	(320,008,841)
Operating expenses	(306,156,767)	(262,045,421)
Income tax income (expenses)	(81,997,256)	18,390,615
Cash received from financial assets	1,401,002,021	741,299,000
Cash paid for financial assets	(1,653,853,669)	(760,887,083)
Net cash flow from operating activities	9,664,546	464,025,183
Cash flows from (used in) investing activities		
Cash received from sales of equipment	25,466	1,184,043
Cash paid for purchase of equipment	(665,961)	(13,432,739)
Cash paid for purchase of intangible assets	(66,304,451)	(52,699,844)
Net cash flows used in investing activities	(66,944,946)	(64,948,540)
Cash flows from (used in) financing activities		
Dividend paid	(25,000,000)	-
Repayment of lease liabilities	(29,853,068)	(30,382,224)
Repayment of payable under the distribution agreement	-	(289,961,752)
Cash flows used in financing activities	(54,853,068)	(320,343,976)
Expected credit loss decrease	129,512	108,137
Net increase (decrease) in cash and cash equivalents	(112,003,956)	78,840,804
Cash and cash equivalents at beginning of year	390,909,011	312,068,207
Cash and cash equivalents at end of year	278,905,055	390,909,011

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

Sompo Insurance (Thailand) Public Company Limited

Notes to financial statements

For the years ended 31 December 2023 and 2022

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. The Company’s major shareholders are C.K.T Holding Company Limited, a company registered and incorporated in Thailand, holding 51% of the Company’s issued and paid-up capital, and Sompo Holdings (Asia) Pte. Ltd., a company registered in Singapore, holding 49%. (31 December 2022: The Company’s major shareholders was C.K.T. Holding Company Limited, holding 51%, and with Sompo Japan Insurance Inc., Holding 49%. In October 2023, Sompo Japan Insurance Inc. sold all of its shares to Sompo Holdings (Asia) Pte. Ltd.)

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

2. Basis for preparation of the financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547, and in accordance with Thai accounting practices related to insurance, and the guidelines prescribed by the Office of Insurance Commission (“OIC”), and in accordance with the format of financial statements prescribed in the Notification of the OIC regarding criteria, procedures, terms and conditions for preparation and submission of financial statements of non-life insurance companies BE 2566, dated 8 February 2023.

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

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.

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year 2023, the Company has adopted the revised financial reporting standards which are effective for fiscal year beginning on or after 1 January 2023. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2024

The Federation of Accounting Professions issued a number of revised financial reporting standards, which are effective for fiscal years beginning on or after 1 January 2024. Most of the changes of these revised financial reporting standards direct towards clarifying accounting treatment and providing accounting guidance for users of the standards, except for TFRS 17 Insurance Contracts which will supersede TFRS 4 Insurance Contracts. This standard will be effective for fiscal year beginning on or after 1 January 2025 and involved changes in key principles, summarised below.

TFRS 17 Insurance Contracts

This financial reporting standard establishes key principles for the recognition, measurement, presentation and disclosure of insurance contracts. An entity shall recognise a group of insurance contracts it issues from the earliest of the beginning of the coverage period of the group of contracts and the date when the first payment from a policyholder in the group becomes due. For a group of onerous contracts, these contracts will recognise loss at the date when the group becomes onerous.

Upon initial recognition, this standard requires the adoption of the General Measurement Model, the Variable Fee Approach, or Premium Allocation Approach if contracts meet certain requirements under this standard. In measuring value by the General Measurement Model, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows represent the estimates of future cash flows, which arise from substantive rights and obligations that exist during the reporting period, and a risk adjustment for non-financial risk. The contractual service margin represents the unearned profit that the entity will recognise as it provides insurance contract services in the future. In addition, this standard requires the entity to present and disclose more information related both qualitative and quantitative information.

However, the Company's management is in the process of assessment of the impact to the financial statements for the year in which such financial reporting standard will be effective.

4. Significant accounting policies

4.1 Revenue recognition

(a) Premium income

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

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

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

(b) Fee and commission income

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

(c) Investment income

Interest income

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

Dividends income

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

(d) Gain (loss) on financial instruments

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

4.2 Expenses recognition

(a) Ceded premium to reinsurers

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

(b) Claims and loss adjustment expenses

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

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

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

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

(c) Commission and brokerage expenses

Commission and brokerage are expensed when incurred.

(d) Other underwriting expenses

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

(e) Operating expenses

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

(f) Finance cost

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

4.3 Classification of insurance contracts

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

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

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

4.4 Cash and cash equivalents

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

4.5 Premium receivables and allowance of doubtful accounts

Premium receivables from direct insurance are stated at its net realisable value. The Company sets up an allowance for doubtful accounts based on the estimated loss that may be incurred due to inability to make collection, taking into account collection experiences, analysis of debtor aging and a review of current status of the premium receivables as at the end of reporting period.

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

4.6 Reinsurance assets

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

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

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

4.7 Receivables from reinsurance contracts and amounts 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 expenses during the year.

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

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

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

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

4.8 Financial assets - investments

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

Financial assets - debt instruments

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

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

Financial assets - equity instruments

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

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

At the end of the reporting period, investments in equity instruments designated at fair value through other comprehensive income are presented in the statement of financial position at fair value.

Fair value

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

Investment income and disposal of investments

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

Dividends on these investments are recognised in statement of income.

4.9 Allowance for expected credit loss of financial assets

The Company recognises expected credit loss on its financial assets that are debt instruments, which are cash and cash equivalent, financial assets that are 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, and calculates the expected credit loss.

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

4.10 Recognition and derecognition of financial instruments

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

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

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

4.11 Offsetting of financial instruments

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

4.12 Equipment and depreciation

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

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

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

Depreciation is recognised as expense in statement of income.

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

4.13 Leases

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

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

Right-of-use assets

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

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

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

4.14 Intangible assets and amortisation

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

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

Intangible asset with finite useful life are as follows:

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

No amortisation is calculated on computer software in progress.

4.15 Impairment of non-financial assets

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

An impairment loss is recognised in statement of income.

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

4.16 Insurance contract liabilities

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

(a) Loss reserves and outstanding claims

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

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

(b) Premium reserves

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

(1) Unearned premium reserves

Unearned premium reserves 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 reserves of reinsurance is calculated based on ceded premium for reinsurer as the same method with direct insurance that transfers 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 reserves

Unexpired risk reserves is the reserves for the future claims, and related expenses that may be incurred in respect of in-force policies. Unexpired risk reserves 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 reserves with unearned premium reserves, and if unexpired risk reserves is higher than unearned premium reserves, the variance is recognised as unexpired risk reserves in the financial statements.

4.17 Employee benefits

(a) Short-term employee benefits

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

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

Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

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

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

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

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

4.18 Income tax

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

Current income tax

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

Deferred tax

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

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

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

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

4.19 Related party transactions

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

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

4.20 Foreign currencies

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

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

4.21 Provisions

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

4.22 Fair value measurement

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

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

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

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

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

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

5. Significant accounting judgements and estimates

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

5.1 Recognition and derecognition of assets and liabilities

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

5.2 Allowances for expected credit loss of financial assets

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

5.3 Allowance for doubtful accounts

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

5.4 Fair value of financial instruments

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

5.5 Intangible assets and amortisation

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

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

5.6 Deferred tax assets

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

5.7 Loss reserves and outstanding claims

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

5.8 Unexpired risk reserves

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

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

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

5.10 Leases

The management is required to exercise judgement in estimating its incremental borrowing rate to discount lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar securities, 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 2023 and 2022, carrying amounts of financial assets and financial liabilities were classified as follows:

	(Unit: Baht)		
	2023		
	Equity instruments designated to be measured at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
Financial assets			
Cash and cash equivalents	-	278,905,055	278,905,055
Accrued investment income	-	16,591,021	16,591,021
Debt financial assets	-	2,846,218,463	2,846,218,463
Equity financial assets	14,016,421	-	14,016,421
Financial liabilities			
Lease liabilities	-	32,062,697	32,062,697
			(Unit: Baht)
	2022		
	Equity instruments designated to be measured at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
Financial assets			
Cash and cash equivalents	-	390,909,011	390,909,011
Accrued investment income	-	10,800,439	10,800,439
Debt financial assets	-	2,568,611,196	2,568,611,196
Equity financial assets	27,801,409	-	27,801,409
Financial liabilities			
Lease liabilities	-	50,881,346	50,881,346

7. Cash and cash equivalents

	(Unit: Baht)	
	2023	2022
Cash on hand	31,000	31,000
Deposits at banks with no fixed maturity date	278,973,777	391,107,245
Total cash and cash equivalents	279,004,777	391,138,245
Less: Allowance for expected credit loss	(99,722)	(229,234)
Cash and cash equivalents - net	278,905,055	390,909,011

As at 31 December 2023, bank deposits in saving accounts carried interest between 0.18 and 1.15 percent per annum (2022: between 0.10 and 0.75 percent per annum).

8. Premium receivables

As at 31 December 2023 and 2022, 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)	
	2023	2022
Not yet due	460,779,650	335,794,218
Not over 30 days	57,433,143	251,372,797
Over 31 days to 60 days	30,661,728	39,841,295
Over 61 days to 90 days	4,929,062	5,909,786
Over 91 days	24,706,371	106,864,977
Total	578,509,954	739,783,073
Less: Allowance for doubtful accounts	(378,999)	(378,999)
Total premium receivables - net	578,130,955	739,404,074

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)	
	2023	2022
Insurance reserves recoverable from reinsurers		
- Loss reserves	469,499,267	318,234,869
- Unearned premium reserves	953,295,840	1,173,506,824
Total reinsurance assets	<u>1,422,795,107</u>	<u>1,491,741,693</u>

10. Receivables from reinsurance contracts

	(Unit: Baht)	
	2023	2022
Amounts due from reinsurers	<u>124,727,622</u>	<u>186,071,205</u>

The balances as at 31 December 2023 and 2022 of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)	
	2023	2022
Not yet due	86,769,879	142,065,863
Not over 1 year	33,038,952	41,138,145
Over 1 year to 2 years	2,563,344	2,855,709
Over 2 years	2,355,447	11,488
Total amounts due from reinsurers	<u>124,727,622</u>	<u>186,071,205</u>

11. Debt financial assets

11.1 Classified by type of financial assets

	(Unit: Baht)	
	2023	2022
	Amortised cost	Amortised cost
Debt instruments measured at amortised cost		
Government and state enterprise securities	482,646,109	286,286,312
Private debt securities	1,677,638,210	1,126,417,507
Deposits at financial institutions with maturity over 3 months	687,412,264	1,157,328,138
Total	2,847,696,583	2,570,031,957
Less: Allowance for expected credit loss	(1,478,120)	(1,420,761)
Total debt financial assets - net	2,846,218,463	2,568,611,196

11.2 Classified by stage of credit risk

	(Unit: Baht)					
	2023			2022		
	Gross carrying value	Allowance for expected credit loss recognised in statement of income	Net carrying value	Gross carrying value	Allowance for expected credit loss recognised in statement of income	Net carrying value
Debt instruments measured at amortised cost						
Stage 1 - Debt securities with no significant increase in credit risk	2,847,696,583	(1,478,120)	2,846,218,463	2,570,031,957	(1,420,761)	2,568,611,196

11.3 Disposal of investments in debt instruments

During the year ended 31 December 2023, the Company disposed of its investments in debt instruments measured at amortised cost before their maturity date. This was due to the Company's belief that cash received from the sale would approximate to the remaining contractual cash inflows. Realised gain or loss recognised in the income statement, arising from derecognition, are presented separately as follows:

	(Unit: Baht)			
	For the year ended 31 December 2023			
	Gains from derecognition	Losses from derecognition	Total	Reason for derecognition
Investments derecognised				
Government securities	38,393	(10,939)	27,454	Disposal

11.4 Financial assets with restrictions and commitments

As at 31 December 2023 and 2022, the following assets have been pledged as security and policy reserves 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)			
	2023		2022	
	Amortised cost	Fair value	Amortised cost	Fair value
Assets pledged				
Government bonds	18.9	19.8	18.9	20.5
Assets reserve as insurance reserves				
Government bonds	257.7	261.5	190.5	196.7
Assets subject to other restriction				
Saving lottery	0.8	0.8	1.7	1.7
Total	<u>277.4</u>	<u>282.1</u>	<u>211.1</u>	<u>218.9</u>

12 Equity financial assets

12.1 Classified by type of financial assets

	(Unit: Baht)			
	2023		2022	
	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	14,016,421	796,166	27,801,409
Add: Unrealised gain	<u>13,220,255</u>		<u>27,005,243</u>	
Total equity financial assets - net	<u>14,016,421</u>		<u>27,801,409</u>	

During the years 2023 and 2022, 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 2022	27,962,213	73,408,617	11,419,885	112,790,715
Additions	-	13,432,739	-	13,432,739
Disposals	-	(1,368,798)	(4,324,000)	(5,692,798)
31 December 2022	27,962,213	85,472,558	7,095,885	120,530,656
Additions	116,183	549,778	-	665,961
Disposals	-	(932,710)	-	(932,710)
31 December 2023	28,078,396	85,089,626	7,095,885	120,263,907
Accumulated depreciation				
1 January 2022	21,997,981	60,715,330	10,622,998	93,336,309
Depreciation for the year	2,215,972	7,582,176	259,480	10,057,628
Depreciation on disposals	-	(1,315,318)	(4,323,995)	(5,639,313)
31 December 2022	24,213,953	66,982,188	6,558,483	97,754,624
Depreciation for the year	1,475,253	5,837,286	259,480	7,572,019
Depreciation on disposals	-	(932,307)	-	(932,307)
31 December 2023	25,689,206	71,887,167	6,817,963	104,394,336
Net book value				
31 December 2022	3,748,260	18,490,370	537,402	22,776,032
31 December 2023	2,389,190	13,202,459	277,922	15,869,571
Depreciation for the year				
2022				10,057,628
2023				7,572,019

As at 31 December 2023, certain equipment items of the Company have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounting to Baht 83.1 million (2022: Baht 75.8 million).

14. Lease

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

14.1 Right-of-use assets

(Unit: Baht)

	Lease buildings	Office equipment	Motor vehicles	Total
Net book value as at 1 January 2022	62,461,473	4,780,854	5,052,327	72,294,654
Acquisitions during the year	-	-	2,513,891	2,513,891
Depreciation for the year	(24,202,163)	(1,764,321)	(3,331,760)	(29,298,244)
Net book value as at 31 December 2022	38,259,310	3,016,533	4,234,458	45,510,301
Acquisitions during the year	-	2,200,966	8,243,214	10,444,180
Disposals during the year - net book value	-	(106,243)	-	(106,243)
Depreciation for the year	(24,202,163)	(1,744,642)	(3,234,850)	(29,181,655)
Net book value as at 31 December 2023	14,057,147	3,366,614	9,242,822	26,666,583

14.2 Lease liabilities

(Unit: Baht)

	Lease buildings	Office equipment	Motor vehicles	Total
Lease liabilities as at 1 January 2022	67,628,500	4,886,435	5,167,452	77,682,387
Acquisitions during the year	-	-	2,513,891	2,513,891
Financial cost for the year	811,663	122,731	132,898	1,067,292
Lease payments during the year	(25,020,430)	(1,839,360)	(3,522,434)	(30,382,224)
Lease liabilities as at 31 December 2022	43,419,733	3,169,806	4,291,807	50,881,346
Acquisitions during the year	-	2,200,966	8,243,214	10,444,180
Disposals due to termination of agreements	-	(125,074)	-	(125,074)
Financial cost for the year	432,956	101,063	181,294	715,313
Lease payments during the year	(24,760,030)	(1,800,907)	(3,292,131)	(29,853,068)
Lease liabilities as at 31 December 2023	19,092,659	3,545,854	9,424,184	32,062,697

(Unit: Baht)

	2023			
	Lease	Office	Motor vehicles	Total
	buildings	equipment		
Lease payments	19,167,951	3,744,559	9,991,177	32,903,687
Less: Deferred interest expenses	(75,292)	(198,705)	(566,993)	(840,990)
Net	19,092,659	3,545,854	9,424,184	32,062,697
Less: Portion due within one year	(14,443,350)	(1,816,560)	(2,966,037)	(19,225,947)
Lease liabilities - net of current portion	4,649,309	1,729,294	6,458,147	12,836,750

(Unit: Baht)

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

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

(Unit: Baht)

	2023	2022
Depreciation of right-of-use assets	29,181,655	29,298,244
Financial cost on lease liabilities	715,313	1,067,292
Short term lease expenses and leases of low-value assets	5,938,241	4,559,527
Total expenses	35,835,209	34,925,063

The Company had total cash outflows for leases for the year ended 31 December 2023 of Baht 35.8 million (2022: Baht 34.9 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 2022	53,302,046	75,184,049	767,457,940	895,944,035
Additions	1,513,800	51,186,044	-	52,699,844
31 December 2022	54,815,846	126,370,093	767,457,940	948,643,879
Additions	31,075,546	35,228,905	-	66,304,451
Transfer in/(transfer out)	144,774,666	(144,774,666)	-	-
Write off	(178,192,277)	(16,734,332)	-	(194,926,609)
31 December 2023	52,473,781	90,000	767,457,940	820,021,721
Accumulated amortisation				
1 January 2022	33,252,436	-	58,640,663	91,893,099
Amortisation for the year	2,639,634	-	50,600,099	53,239,733
31 December 2022	35,892,070	-	109,240,762	145,132,832
Amortisation for the year	11,078,731	-	50,600,099	61,678,830
Accumulated amortisation for the write off	(8,922,893)	-	-	(8,922,893)
31 December 2023	38,047,908	-	159,840,861	197,888,769
Allowance for impairment loss				
1 January 2022	3,094,416	41,099,951	-	44,194,367
31 December 2022	3,094,416	41,099,951	-	44,194,367
Allowance for impairment loss - write off	(3,094,416)	(41,099,951)	-	(44,194,367)
31 December 2023	-	-	-	-
Net book value				
31 December 2022	15,829,360	85,270,142	658,217,178	759,316,680
31 December 2023	14,425,873	90,000	607,617,079	622,132,952
Amortisation for the year				
2022				53,239,733
2023				61,678,830

On 21 December 2023, a meeting of the Company's Board of Directors approved the written-off of computer software with a net book value amounting to Baht 141.8 million. The resolution was made due to the termination of a project because it was expected that the benefits obtained would be less than the projected additional costs.

As at 31 December 2023, certain computer software items of the Company has been fully amortisation but are still in use. The gross carrying amount before deducting accumulated amortisation of those assets amounting to Baht 24.4 million (2022: Baht 23.8 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, as consideration for the Bank and the group company granting the Company access to the distribution channel for insurance products and also acting as the insurance agents for the Company over the agreement term. The Company has therefore recognised the net present value of the amount to be paid in order to obtain the right under the agreement with directly related expenses as an intangible asset totaling Baht 767 million. The payment period is as specified in the agreement, depending on the premium amount the counterparty is able to gain for each period. The rights will be amortised over the term of the agreement. Under the terms and conditions of this Agreement, the Company has to pay commission and other fees, which will be recognised as expenses on an accrual basis in the statement of income in the period they are incurred.

As at 31 December 2023, the carrying value of the access right to distribution channel were Baht 607.6 million (2022: Baht 658.2 million).

16. Deferred tax assets and deferred tax liabilities / income tax expenses

16.1 Deferred tax assets/liabilities

The components of deferred tax assets and deferred tax liabilities as at 31 December 2023 and 2022 are as follows:

	(Unit: Baht)			
	2023	2022	Changes in deferred tax assets and liabilities recognised in the statements of income for the years ended 31 December	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Deferred tax assets/(liabilities)				
Allowance for expected credit loss	319,248	332,157	(12,909)	332,157
Allowance for loss on impairment of investments in securities	379,549	379,549	-	-
Right-of-use assets and lease liabilities	1,079,223	1,074,209	5,014	1,074,209
Rights under the bancassurance agreement	2,462,680	2,667,763	(205,083)	2,667,763
Intangible assets - computer software	25,461,192	-	25,461,192	-
Loss reserves	115,445,856	24,158,719	91,287,137	24,158,719
Unearned premium reserve	70,008,575	21,618,895	48,389,680	21,618,895
Post employee benefit obligations	8,736,173	7,183,463	1,264,997	689,454
Loss on changes in value of equity instruments designated to be measured at fair value through other comprehensive income	<u>(2,644,051)</u>	<u>(5,401,049)</u>	-	-
Deferred tax assets - net	<u>221,248,445</u>	<u>52,013,706</u>		
Changes in deferred tax assets and liabilities recognised in the statement of income			<u>166,190,028</u>	<u>50,541,197</u>

As at 31 December 2022, the Company had temporary differences of Baht 585.1 million to be utilised as tax deductions in the future. The Company did not record this amount as deferred tax assets since the Company assessed that there may not be sufficient taxable profit available in the future to utilise these items. However, due to the Company's ongoing performance improvement, it will generate sufficient taxable profit in the future to benefit from these temporary difference. Consequently the Company recorded these differences in the current year.

16.2 Income tax expenses

Income tax expenses (benefits) for the years ended 31 December 2023 and 2022 are as follows:

	(Unit: Baht)	
	2023	2022
Current income tax:		
Current income tax charge for the year	35,581,267	73,049,075
Adjustment in respect of current income tax of previous year	(956,679)	(2,314,622)
Deferred tax:		
Deferred tax relating to origination and reversal of temporary differences	(166,190,028)	(50,541,197)
Income tax expenses (benefits) reported in the statement of income	<u>(131,565,440)</u>	<u>20,193,256</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2023 and 2022 are as follows:

	(Unit: Baht)	
	2023	2022
Deferred tax relating to:		
Gain (loss) on changes in value of investments	(2,756,998)	996,765
Actuarial gain (loss)	(287,712)	416,009
Total	<u>(3,044,710)</u>	<u>1,412,774</u>

The reconciliations between income tax expenses (benefits) and the product of accounting profit for the years ended 31 December 2023 and 2022 and the applicable tax rate are as follows:

	(Unit: Baht)	
	2023	2022
Accounting profit (loss) before income tax expenses	<u>(96,259,112)</u>	<u>144,292,116</u>
Applicable tax rate	20%	20%
Accounting profit (loss) before tax multiple by applicable tax rate	(19,251,822)	28,858,423
Adjustment in respect of current income tax of previous year	(956,679)	(2,314,622)
Temporary differences recognised as deferred tax	(117,028,135)	(7,703,947)
Non-taxable income and non-deductible expenses	<u>5,671,196</u>	<u>1,353,402</u>
Income tax expenses (benefits) reported in the statement of income	<u>(131,565,440)</u>	<u>20,193,256</u>

17. Other assets

	(Unit: Baht)	
	2023	2022
Withholding tax refundable	82,954,381	65,868,640
Input tax refundable	23,980,368	33,910,356
Suspense input tax	24,748,396	38,404,040
Deposits on rice field insurance scheme	7,023,122	106,947,977
Prepaid commission expenses	64,012,779	63,323,483
Others	32,737,538	29,680,919
Total other assets	235,456,584	338,135,415

18. Insurance contract liabilities

	(Unit: Baht)		
	2023		
	Insurance contract liabilities	Liabilities recovered from reinsurance	Net
Loss reserves			
- Claims incurred and reported	554,962,188	(268,633,295)	286,328,893
- Claims incurred but not reported	575,683,392	(200,865,972)	374,817,420
Unearned premium reserves	1,998,894,092	(953,295,840)	1,045,598,252
Total	3,129,539,672	(1,422,795,107)	1,706,744,565
			(Unit: Baht)
			2022
	Insurance contract liabilities	Liabilities recovered from reinsurance	Net
Loss reserves			
- Claims incurred and reported	336,326,248	(124,160,081)	212,166,167
- Claims incurred but not reported	499,382,458	(194,074,788)	305,307,670
Unearned premium reserves	2,130,798,749	(1,173,506,824)	957,291,925
Total	2,966,507,455	(1,491,741,693)	1,474,765,762

During the years 2023 and 2022, the management of the Company entered into reinsurance agreements in order to mitigate insurance risk. Although positions are managed on net basis by management, insurance contract liabilities disclosures have been made on both gross and net basis in order to provide comprehensive set of disclosures.

18.1 Assumptions

Assumptions used for estimation of loss reserves are as follows:

(a) Assumptions regarding claims experience

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

(b) Assumptions regarding related expenses

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

18.2 Loss reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2023	2022
Beginning balance	835,708,706	729,611,639
Claims expenses incurred during the year	1,437,314,408	839,131,342
Change in loss reserves of claim incurred in prior year	(16,942,864)	75,937,488
Change in assumptions	76,300,934	80,242,395
Claims expenses paid during the year	(1,201,735,604)	(889,214,158)
Ending balance	1,130,645,580	835,708,706

As at 31 December 2023, the Company has loss reserves and outstanding claims under reinsurance contracts amounting to Baht 42.0 million (2022: Baht 16.7 million).

18.3 Claims development table

(a) Gross claims table

(Unit: Million Baht)

Accident year / Reporting year	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	
Estimate of cumulative													
ultimate claims incurred													
- At end of accident year		523.9	662.9	980.0	1,644.3	1,714.2	1,215.6	1,181.3	1,072.5	1,350.2	1,748.6		
- Next one year		471.8	657.8	971.6	1,527.3	1,573.5	956.1	869.4	845.0	1,211.9			
- Next two years		444.4	656.0	958.2	1,497.4	1,490.0	895.3	819.2	799.2				
- Next three years		442.9	655.2	950.1	1,486.6	1,508.2	867.1	809.8					
- Next four years		442.4	655.2	948.8	1,487.1	1,506.5	862.5						
- Next five years		440.0	658.0	948.8	1,486.1	1,504.7							
- Next six years		440.0	658.0	948.0	1,486.3								
- Next seven years		440.0	658.0	947.7									
- Next eight years		439.9	658.0										
- Next nine years		439.7											
Estimate of cumulative													
ultimate claims incurred													
		439.7	658.0	947.7	1,486.3	1,504.7	862.5	809.8	799.2	1,211.9	1,748.6		
Cumulative payment to date		(439.4)	(657.9)	(947.7)	(1,477.0)	(1,503.7)	(859.9)	(807.0)	(795.6)	(1,099.3)	(750.5)		
Total loss reserves		0.2	0.3	0.1	-	9.3	1.0	2.6	2.8	3.6	112.6	998.1	1,130.6

(b) Net claims table

(Unit: Million Baht)

Accident year / Reporting year	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	
Estimate of cumulative													
ultimate claims incurred													
- At end of accident year		206.9	389.0	687.5	1,014.8	847.5	637.5	580.1	608.8	850.6	1,196.0		
- Next one year		209.4	397.1	718.9	965.8	784.0	544.4	473.3	473.6	688.6			
- Next two years		207.9	397.0	706.2	940.5	753.9	522.0	439.4	431.9				
- Next three years		208.5	396.7	702.1	933.3	752.7	500.3	438.6					
- Next four years		208.5	396.7	702.3	933.2	750.3	500.2						
- Next five years		208.4	397.3	702.3	933.2	749.3							
- Next six years		208.4	397.3	702.2	932.9								
- Next seven years		208.3	397.3	702.1									
- Next eight years		208.3	397.3										
- Next nine years		208.3											
Estimate of cumulative													
ultimate claims incurred													
		208.3	397.3	702.1	932.9	749.3	500.2	438.6	431.9	688.6	1,196.0		
Cumulative payment to date		(208.3)	(397.3)	(702.1)	(931.3)	(749.0)	(500.0)	(436.1)	(425.9)	(641.7)	(592.5)		
Total loss reserves		0.1	-	-	-	1.6	0.3	0.2	2.5	6.0	46.9	603.5	661.1

18.4 Unearned premium reserves

(Unit: Baht)

	For the years ended 31 December	
	2023	2022
Beginning balance	2,130,798,749	1,810,486,853
Premium written for the year	4,022,108,660	4,178,490,930
Premium earned for the current year	(4,154,013,317)	(3,858,179,034)
Ending balance	1,998,894,092	2,130,798,749

19. Due to reinsurers

(Unit: Baht)

	2023	2022
	Amounts withheld on reinsurance	483,544,489
Other reinsurance payable	486,465,152	703,957,818
Total due to reinsurers	970,009,641	1,254,254,480

20. Employee benefit obligations

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, and other long-term employee benefits, for the years ended 31 December 2023 and 2022 are as follows:

(Unit: Baht)

	For the years ended 31 December	
	2023	2022
Defined benefit obligations at beginning of year	35,917,317	34,550,091
Amount recognised in statement of income:		
Current service cost	6,793,914	5,783,147
Interest cost	1,038,503	723,409
Actuarial loss arising from		
Financial assumptions changes	464,914	126,701
Experience adjustments	158,515	62,368
Amount recognised in statements of comprehensive income:		
Actuarial loss (gain) arising from		
Financial assumptions changes	(434,153)	(3,253,501)
Experience adjustments	1,872,713	1,173,456
Benefits paid during the year	(2,130,860)	(3,248,354)
Defined benefit obligations at end of year	43,680,863	35,917,317

The Company expects to pay Baht 1.4 million of long-term employee benefits and other long-term employee benefits during the next year (2022: Baht 0.2 million).

As at 31 December 2023, the weighted average duration of the payment for long-term employee benefits is 11 years (2022: 11 years).

Key actuarial assumptions at the valuation date were as follows:

	2023	2022
	(% per annum)	(% per annum)
Discount rate	3.00	2.90
Future salary increase rate	6.00	6.00
Staff turnover rate (depending on age)	0.00 - 15.00	0.00 - 15.00

The result of sensitivity analysis for key assumptions that affect the present value of the long-term employee benefit obligations as at 31 December 2023 and 2022 are summarised below:

	2023			
	Assumption	Increase (decrease) in	Assumption	Increase (decrease) in
	increase	obligation amount	decrease	obligation amount
	(Percent per annum)	Million Baht	(Percent per annum)	Million Baht
Discount rate	1.0	(4.3)	1.0	5.0
Future salary increase rate	1.0	4.3	1.0	(3.8)
Staff turnover rate	5.0	(17.8)	5.0	10.2
	2022			
	Assumption	Increase (decrease) in	Assumption	Increase (decrease) in
	increase	obligation amount	decrease	obligation amount
	(Percent per annum)	Million Baht	(Percent per annum)	Million Baht
Discount rate	1.0	(3.8)	1.0	4.4
Future salary increase rate	1.0	3.8	1.0	(3.3)
Staff turnover rate	5.0	(15.4)	5.0	9.6

21. Other liabilities

	(Unit: Baht)	
	2023	2022
Commission received in advance	43,383,440	41,262,854
Accrued expenses	37,508,515	81,363,846
Short - term employee benefits	6,327,203	33,754,755
Other payables	2,202,060	1,481,840
Undue output tax	16,888,640	16,515,299
Others	47,221,906	26,587,089
Total other liabilities	<u>153,531,764</u>	<u>200,965,683</u>

22. Statutory reserve

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

During the year ended 31 December 2023, the Company had set aside the statutory reserve of Baht 1.8 million from its net profit (2022: Baht 7.7 million).

23. Net investment income

	(Unit: Baht)	
	For the years ended 31 December	
	2023	2022
Interest income from debt instruments	64,005,921	46,771,250
Dividend income from equity instruments	30,000	22,500
Less: Investment expenses	(2,416,521)	(1,995,485)
Total	<u>61,619,400</u>	<u>44,798,265</u>

24. Operating expenses

	(Unit: Baht)	
	For the years ended 31 December	
	2023	2022
Personnel expenses	228,622,657	226,750,609
Premises and equipment expenses	266,380,283	104,002,520
Taxes and duties	3,412,590	5,972,263
Other operating expenses	80,964,245	60,140,996
Total	<u>579,379,775</u>	<u>396,866,388</u>

25. Allowance for expected credit loss (reversal)

(Unit: Baht)

	For the years ended 31 December	
	2023	2022
Allowance for expected credit loss from		
Cash and cash equivalents	(129,512)	(108,137)
Accrued investment income	7,607	(7,861)
Debt instruments measured at amortised cost	57,359	(795,804)
Total	<u>(64,546)</u>	<u>(911,802)</u>

26. Expenses by nature

(Unit: Baht)

	For the years ended 31 December	
	2023	2022
Claim and loss adjustment expenses	940,897,251	613,193,304
Commission and brokerage expenses	568,115,545	528,043,969
Contribution expenses	24,563,443	23,571,657
Other underwriting expenses	205,885,301	212,688,681
Employees expenses	300,980,855	299,653,362
Premises and equipment expenses	286,846,990	123,047,338
Advertising and promotion expenses	26,320,151	17,483,208
Financial costs	1,141,773	5,603,541
Reversal expected credit loss	(64,546)	(911,802)
Other expenses	66,258,745	63,999,146
Total expenses by nature	<u>2,420,945,508</u>	<u>1,886,372,404</u>

27. Provident fund

The Company and its employees jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company contributed to the fund monthly at the rate of 5% of basic salary while the employees contributed to the fund at the rate of 5 - 15% of basic salary. The fund is managed by TISCO Asset Management Company Limited and Krungsri Asset Management Company Limited and will be paid to employees upon termination in accordance with the rules of the fund. During the year 2023, the Company contributed Baht 9.1 million (2022: Baht 8.0 million) to the fund.

28. Earnings per share

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

29. Dividends

During the year 2023, the Company declared the following dividends for payment to shareholders, consist of the following.

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Dividends for year 2022	Annual General Meeting of the shareholders on 26 April 2023	25.00	1.38
Total dividends paid for the year 2023		25.00	1.38

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. ⁽¹⁾	Ultimate parent company
C.K.T Holding Company Limited	Major shareholder
Sompo Holdings (Asia) Pte. Ltd. ⁽¹⁾	Shareholder
Sompo Brokers (Thailand) Company Limited	Common shareholder in the same group
Sompo Insurance Singapore Pte. Ltd.	Common shareholder in the same group
Sompo Holding Inc.	Common shareholder in the same group
Sompo International Holdings Ltd.	Common shareholder in the same group
Sompo Japan Nipponkoa Reinsurance (Hong Kong) Company Limited	Common shareholder in the same group
Universal Sompo General Insurance Co., Ltd.	Common shareholder in the same group
Endurance Assurance Corporation	Common shareholder in the same group
Endurance Worldwide Insurance Ltd.	Common shareholder in the same group
Endurance Specialty Insurance Ltd.	Common shareholder in the same group

⁽¹⁾ On 24 October 2023, Sompo Holdings (Asia) Pte. Ltd. acquired 49 percent of the Company's total shares from Sompo Japan Insurance Inc. As a result, Sompo Holdings (Asia) Pte. currently holds 49 percent of the Company's total shares.

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:

	2023	2022	Pricing policy
(Unit: Million Baht)			
Transactions with ultimate parent company			
Premium ceded	774.7	1,436.6	Reinsurance rate depending on type of insurance and reinsurance contracts
Fee and commission income	174.7	454.7	Reinsurance rate depending on type of insurance and reinsurance contracts
Claim recovery	360.2	85.0	According to terms of reinsurance contracts depending on type of insurance and reinsurance
Dividend paid	12.2	-	As declared
Transactions with parent company			
Dividend paid	12.8	-	As declared
Transactions with related companies			
Reinsurance premium income	46.1	48.2	Reinsurance rate depending on type of insurance and reinsurance contracts
Commission paid on reinsurance	1.8	2.0	Reinsurance rate depending on type of insurance and reinsurance contracts
Premium ceded	738.5	65.7	Reinsurance rate depending on type of insurance and reinsurance contracts
Fee and commission income	302.2	7.9	Reinsurance rate depending on type of insurance and reinsurance contracts
Commission paid on direct insurance	99.5	123.9	In accordance with the Notification by the Registrar regarding "Commission rate for Non-life insurance"
Claim recovery	57.4	15.7	According to terms of reinsurance contracts depending on type of insurance and reinsurance
Management fee	23.1	19.3	At contract price

The Company had the following related party outstanding balances as at 31 December 2023 and 2022.

	(Unit: Million Baht)	
	2023	2022
Transactions with ultimate parent company		
Receivables from reinsurance contracts	16.2	57.6
Other assets	1.4	-
Due to reinsurers - amounts withheld on reinsurance	205.4	294.0
Due to reinsurers - other reinsurance payable	262.9	219.8
Transactions with related companies		
Premium receivables	113.5	162.2
Receivables from reinsurance contracts	11.0	7.4
Other assets	2.4	2.0
Due to reinsurers - amounts withheld on reinsurance	277.6	90.8
Due to reinsurers - other reinsurance payable	65.2	25.4
Accrued commission	12.8	24.2
Other liabilities	6.5	6.1

Directors and management's remuneration

During the years ended 31 December 2023 and 2022, the Company had employee benefit expenses of its directors and management personnel as following.

	(Unit: Million Baht)	
	2023	2022
Short-term benefits	33.2	39.8
Long-term benefits	0.7	0.5
Total	33.9	40.3

31. Contribution to the General Insurance Fund

	(Unit: Baht)	
	For the years ended 31 December	
	2023	2022
Accumulated contribution at the beginning of the year	74,434,114	64,510,738
Contribution during the year	11,744,096	9,923,376
Accumulated contribution at the end of the year	86,178,210	74,434,114

32. Commitments and contingent liabilities

32.1 Operating lease and services commitments

As at 31 December 2023, 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.

<u>Payable within:</u>	(Unit: Million Baht)
	<u>Amount</u>
Within than 1 year	2.3
1 to 3 years	1.7

32.2 Bank guarantees

As at 31 December 2023, there were outstanding bank guarantees of Baht 2.3 million (2022: 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 2023, the Company has been sued for damaged totaling approximately Baht 9.2 million as insurer. 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 2.6 million (2022: Baht 35.4 million and Baht 16.7 million, respectively) in the financial statements. The Company's management believes that such provisions is adequate.

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, revising or discontinuing existing products, relevant departments must discuss and thoroughly review the revenue and expense management, insurance underwriting risk, compliance, sales plans, systems development, and moral risk specific to 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 root cause analysis and examines products with declining 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 2023 and 2022, segregated by insurance type, are shown below.

(Unit: Million Baht)

	2023			2022		
	Premium reserves			Premium reserves		
	Gross	Outward	Net	Gross	Outward	Net
Fire	141.9	(1.1)	140.8	101.9	(1.6)	100.3
Marine and transportation	62.9	(42.2)	20.7	62.7	(37.7)	25.0
Motor	500.3	(0.7)	499.6	456.7	(0.1)	456.6
Personal accident	44.4	(0.5)	43.9	59.9	(0.9)	59.0
Miscellaneous	1,249.4	(908.8)	340.6	1,449.6	(1,133.2)	316.4
Total	1,998.9	(953.3)	1,045.6	2,130.8	(1,173.5)	957.3

(Unit: Million Baht)

	2023			2022		
	Loss reserves			Loss reserves		
	Gross	Outward	Net	Gross	Outward	Net
Fire	7.4	(1.5)	5.9	7.4	(1.7)	5.7
Marine and transportation	53.5	(28.0)	25.5	58.9	(23.0)	35.9
Motor	386.4	(1.2)	385.2	369.5	(10.2)	359.3
Personal accident	19.3	(1.7)	17.6	15.9	(2.6)	13.3
Miscellaneous	664.0	(437.1)	226.9	384.0	(280.7)	103.3
Total	1,130.6	(469.5)	661.1	835.7	(318.2)	517.5

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

The results of the sensitivity analysis from the assumption change that affect to the loss reserves as at 31 December 2023 and 2022 are summarised below.

(Unit: Million Baht)

	2023				
	Assumption change	Changing in claim liabilities			
		Increase (decrease) in gross	Increase (decrease) in net of outward	Increase (decrease) in profit before tax	Increase (decrease) in equity
Initial expected ultimate loss ratio	Increase 5%	50.4	44.4	(44.4)	(35.5)
Initial expected ultimate loss ratio	Decrease 5%	(50.4)	(44.4)	44.4	35.5
Loss development factor	Increase 5%	7.3	3.3	(3.3)	(2.6)
Loss development factor	Decrease 5%	(7.7)	(3.5)	3.5	2.8
Claims handling expenses	Increase 5%	2.6	2.6	(2.6)	(2.1)
Claims handling expenses	Decrease 5%	(2.6)	(2.6)	2.6	2.1

2022

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

33.2 Financial instruments

(a) Credit risk

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

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

2. Credit risk from investment assets

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

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

Stage I Financial assets with no significant increase in credit risk

Stage II Financial assets with a significant increase in credit risk

Stage III Financial assets with credit impairment

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

(Unit: Million Baht)

	2023			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	279.0	-	-	279.0
Allowance for expected credit loss	0.1	-	-	0.1
Debt instruments measured at amortised cost				
Investment grade	2,847.7	-	-	2,847.7
Allowance for expected credit loss	1.5	-	-	1.5
Accrued investment income				
Investment grade	16.6	-	-	16.6
Allowance for expected credit loss	-	-	-	-

(Unit: Million Baht)

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

The table below shows the movement in the allowance for expected credit loss for the year ended 31 December 2023 and 2022.

(Unit: Million Baht)

	2023			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	0.1	-	-	0.1
Debt instruments measured at amortised cost				
Beginning balance	1.4	-	-	1.4
Change due to remeasurement of allowance	0.1	-	-	0.1
Newly purchased or acquired financial assets	0.9	-	-	0.9
Amounts written off/maturity	(0.9)	-	-	(0.9)
Ending balance	1.5	-	-	1.5

(Unit: Million Baht)

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

As at 31 December 2023 and 2022, 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)	
	2023	2022
Cash and cash equivalents	278.9	390.9
Debt instruments measured at amortised cost	2,846.2	2,568.6
Accrued investment income	16.6	10.8
Total maximum exposure to credit risk	3,141.7	2,970.3

(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 2023 and 2022, 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)

	2023						
	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	-	-	-	278.9	-	278.9	0.18 - 1.15
Accrued investment income	-	-	-	-	16.6	16.6	-
Debt financial assets	1,126.1	1,373.1	347.0	-	-	2,846.2	1.08 - 5.28
Equity financial assets	-	-	-	-	14.0	14.0	-
<u>Assets under insurance contracts</u>							
Premium receivables	-	-	-	-	578.1	578.1	-
Loss reserves recoverable from reinsurers	-	-	-	-	469.5	469.5	-
Receivables from reinsurance contracts	-	-	-	-	124.7	124.7	-
<u>Financial liabilities</u>							
Lease liabilities	19.2	12.9	-	-	-	32.1	1.57 - 3.75
<u>Liabilities under insurance contracts</u>							
Insurance contract liabilities - loss reserves and outstanding claims	-	-	-	-	1,130.6	1,130.6	-
Due to reinsurers	-	-	-	-	970.0	970.0	-

(Unit: Million Baht)

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

The sensitivity analysis of the interest rate

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

As at 31 December 2023 and 2022, there might be reasonable changes in interest rates but however such changes do not have any material impact on the Company's statements of income.

2. Foreign currency risk

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

3. Equity price risk

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

Since equity securities are not the financial instruments to be additionally 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 or procure sufficient funds to discharge its obligations in a timely manner, resulting in a financial loss.

In managing the cashflow risk, if it is likely that the total amount of liquid assets maintained by the Company will be insufficient or at a level lower than the probable maximum loss, appropriate action to remediate the situation will be developed and prepared for implementation. In order to avoid liquidity risk, the Company thoroughly manages cash flow risk to ensure no assets are to be sold at any time.

The periods remaining to maturity of the Company's financial assets and liabilities as of 31 December 2023 and 2022 are as follows:

(Unit: Million Baht)

	2023					Total
	At call	Less than 1 year	1 - 5 years	Over 5 years	Unspecified	
<u>Financial assets</u>						
Cash and cash equivalents	278.9	-	-	-	-	278.9
Accrued investment income	-	16.6	-	-	-	16.6
Debt financial assets	-	1,126.1	1,373.1	347.0	-	2,846.2
Equity financial assets	-	-	-	-	14.0	14.0
<u>Assets under insurance contracts</u>						
Premium receivables	-	578.1	-	-	-	578.1
Loss reserves recoverable from reinsurers	-	395.8	73.7	-	-	469.5
Receivables from reinsurance contracts	-	124.7	-	-	-	124.7
<u>Financial liabilities</u>						
Lease liabilities	-	19.2	12.9	-	-	32.1
<u>Liabilities under insurance contracts</u>						
Insurance contract liabilities - loss reserves and outstanding claims	-	490.6	571.4	68.6	-	1,130.6
Due to reinsurers	-	970.0	-	-	-	970.0

(Unit: Million Baht)

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

33.3 Fair value of financial instruments

As at 31 December 2023 and 2022, the Company had the following financial assets that were measured at fair value, and had financial assets that were measured at cost but have to disclose fair value, presenting levels of fair value hierarchy as follows:

(Unit: Million Baht)

	2023				
	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	14.0	-	-	14.0	14.0
<u>Financial assets disclosed at fair value</u>					
Cash and cash equivalents	278.9	278.9	-	-	278.9
Accrued investment income	16.6	4.1	12.5	-	16.6
Debt financial assets - measured at amortised cost					
Government and state enterprise securities	482.6	20.8	466.4	-	487.2
Private debt securities	1,667.6	-	1,667.5	-	1,667.5
Deposits at financial institutions	686.9	686.9	-	-	686.9

(Unit: Million Baht)

	2022				
	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	27.8	-	-	27.8	27.8
<u>Financial assets disclosed at fair value</u>					
Cash and cash equivalents	390.9	390.9	-	-	390.9
Accrued investment income	10.8	2.5	8.3	-	10.8
Debt financial assets - measured at amortised cost					
Government and state enterprise securities	286.3	22.0	272.1	-	294.1
Private debt securities	1,125.8	-	1,119.3	-	1,119.3
Deposits at financial institutions	1,156.5	1,156.5	-	-	1,156.5

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

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

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

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

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

	(Unit: Million Baht)
Balance as of 1 January 2023	27.8
Loss recognised in other comprehensive income	(13.8)
Balance as of 31 December 2023	<u>14.0</u>

34. Capital management

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

35. Events after the reporting period

On 18March 2024, a meeting of the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of the shareholders for approval the dividend payment from profit for the year 2023 to the ordinary shareholders totaled 18.1 million shares at a rate of Baht 2.82 per share, or a total of Baht 51.05 million.

36. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 18 March 2024.