

Bangkok Insurance Public Company Limited
Report and financial statements
31 December 2018

Independent Auditor's Report

To the Shareholders of Bangkok Insurance Public Company Limited

Opinion

I have audited the accompanying financial statements of Bangkok Insurance Public Company Limited ("the Company"), which comprise the statement of financial position, in which the equity method is applied, as at 31 December 2018, and the related statements of comprehensive income, changes in owner's equity and cash flows, in which the equity method is applied, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and also audited the separate financial statements of Bangkok Insurance Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bangkok Insurance Public Company Limited as at 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond to each matter are described below.

Gross premium written

In 2018, the Company had gross premium written of Baht 17,326 million. The Company accepted insurance from retail customers through brokers and agents and there have been a large number of insurance policies written. Calculation and recognition of gross premium written as earned revenue were dependent upon the information technology (IT) systems. I therefore focused on examining that gross premium written was correctly recognised as actually incurred.

I assessed and tested, on a sampling basis, the IT controls relevant to calculation and recognition of gross premium written. I checked, on a sampling basis, key data in reports relevant to insurance premium and reviewed the insurance policies and endorsement transactions occurring during the accounting period and after the reporting period-end. In addition, I performed analytical procedures on disaggregate gross premium written by insurance types, and tested key manual adjustments made through journal vouchers.

Loss reserves

As at 31 December 2018, the Company had loss reserves of Baht 6,460 million (included as a part of insurance contract liabilities), representing 25 percent of total liabilities. Loss reserves included both claims incurred and reported and claims incurred but not yet reported. Such reserves were calculated using actuarial method, which involved certain assumptions that required the management to exercise a high level of considerable judgment in estimation of such reserves. I therefore focused on adequacy of loss reserves.

I assessed and tested, on a sampling basis, the operation of the Company's internal controls relevant to recognition of loss reserves. I assessed and tested, on a sampling basis, key assumptions and calculation of loss reserves. I checked, on a sampling basis, claim data against documents of major claims. I performed analytical procedures on frequency of claims and average loss per claim. Furthermore, I involved the experts to perform an independent actuarial review of certain model points used in calculation of loss reserves.

Allowances for doubtful accounts and impairment

As at 31 December 2018, the Company had outstanding balances of premium receivables, reinsurance assets (loss reserves refundable from reinsurers), and reinsurance receivables totaling Baht 9,102 million (before allowances for doubtful accounts and impairment of Baht 61 million), representing 15 percent of total assets. In estimating allowances for doubtful accounts and impairment on such assets, the management is required to exercise judgement on certain assumptions used in calculation of losses that may be incurred on irrecoverable debts and assets. I therefore focused on adequacy of such allowances.

I assessed and tested, on a sampling basis, the operation of internal controls of the Company in relation to recording of collections from the brokers, agents and reinsurers, the calculation and recognition of allowance for doubtful accounts. Furthermore, I tested, on a sampling basis, data and method used in calculation of allowance for doubtful accounts, calculation of aging status and calculation of such allowances.

Allowance for impairment on investments

As at 31 December 2018, the Company had investments in associates and general investments, stated at cost less allowance for impairment in the separate financial statements, totaling Baht 817 million. In consideration of allowance for impairment, the management is required to exercise a high level of considerable judgment in selection of valuation methods and assumptions used for valuation such as discounted rate, growth rate, expected future revenue and so on. Such fair value assessment related to an estimation of future cash flows each entity would generate, which were uncertain. I therefore focused on adequacy of allowance for impairment on investments.

I assessed the valuation models used by the Company's management and tested, on a sampling basis, key assumptions used in valuation by comparing the applied discounted rates with industry's information and comparing the expected cash flows with historical financial performance and industry's trend and tested the fair value calculation.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Nonglak Pumnoi
Certified Public Accountant (Thailand) No. 4172

EY Office Limited
Bangkok: 20 February 2019

Bangkok Insurance Public Company Limited

Statements of financial position

As at 31 December 2018

(Unit: Baht)

	Note	Financial statements			
		in which the equity method is applied		Separate financial statements	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
Assets					
Cash and cash equivalents	6	419,566,786	399,583,620	419,566,786	399,583,620
Premium receivables - net	7	2,704,395,600	2,401,046,091	2,704,395,600	2,401,046,091
Accrued investment income		41,426,814	94,695,499	41,426,814	94,695,499
Reinsurance assets - net	8	6,100,713,107	5,487,395,925	6,100,713,107	5,487,395,925
Reinsurance receivables - net	9	236,156,098	239,202,038	236,156,098	239,202,038
Investment assets					
Investments in securities - net	10	47,951,308,972	47,819,624,499	47,951,308,972	47,819,624,499
Loans - net	11	1,440,401,559	1,359,308,172	1,440,401,559	1,359,308,172
Investments in associates	12.1	227,741,827	214,935,714	129,395,722	134,395,122
Investment properties - net	13	152,436,405	169,666,034	152,436,405	169,666,034
Premises and equipment - net	14	814,168,460	1,007,214,174	814,168,460	1,007,214,174
Intangible assets - net	15	164,773,921	226,579,175	164,773,921	226,579,175
Other assets					
Land and building leasehold rights - net		43,940,582	48,954,088	43,940,582	48,954,088
Others		323,179,168	634,575,332	323,179,168	634,575,332
Total assets		60,620,209,299	60,102,780,361	60,521,863,194	60,022,239,769

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

Bangkok Insurance Public Company Limited
Statements of financial position (continued)
As at 31 December 2018

(Unit: Baht)

	Financial statements				
	Note	in which the equity method is applied		Separate financial statements	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
Liabilities and owners' equity					
Liabilities					
Insurance contract liabilities	17	14,735,598,920	13,762,343,603	14,735,598,920	13,762,343,603
Due to reinsurers	18	2,178,929,186	2,051,516,569	2,178,929,186	2,051,516,569
Income tax payable		168,637,153	112,217,882	168,637,153	112,217,882
Employee benefit obligations	19	381,189,307	351,202,663	381,189,307	351,202,663
Deferred tax liabilities	16.1	4,724,428,194	5,039,465,161	4,704,758,973	5,023,357,043
Other liabilities					
Premiums received in advance		1,868,685,541	1,802,396,156	1,868,685,541	1,802,396,156
Commission payables		367,452,819	333,856,726	367,452,819	333,856,726
Accrued expenses		574,301,037	635,001,045	574,301,037	635,001,045
Liabilities under finance lease agreements	20	53,864,179	65,006,724	53,864,179	65,006,724
Others		691,758,762	804,331,887	691,758,762	804,331,887
Total liabilities		25,744,845,098	24,957,338,416	25,725,175,877	24,941,230,298
Owners' equity					
Share capital	21				
Registered, issued and paid up					
106,470,000 ordinary shares of Baht 10 each		1,064,700,000	1,064,700,000	1,064,700,000	1,064,700,000
Share premium		1,442,500,000	1,442,500,000	1,442,500,000	1,442,500,000
Retained earnings					
Appropriated					
Statutory reserve	22	106,470,000	106,470,000	106,470,000	106,470,000
Other reserve		3,100,000,000	3,100,000,000	3,100,000,000	3,100,000,000
Unappropriated		7,302,708,577	6,381,856,699	7,224,031,693	6,317,424,225
Other component of owners' equity		21,858,985,624	23,049,915,246	21,858,985,624	23,049,915,246
Total owners' equity		34,875,364,201	35,145,441,945	34,796,687,317	35,081,009,471
Total liabilities and owners' equity		60,620,209,299	60,102,780,361	60,521,863,194	60,022,239,769

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

Directors

Bangkok Insurance Public Company Limited

Statements of comprehensive income

For the years ended 31 December 2018

(Unit: Baht)

	Note	Financial statements			
		in which the equity method is applied		Separate financial statements	
		2018	2017	2018	2017
Profit or loss:					
Revenues					
Gross premium written		17,326,215,295	15,940,906,580	17,326,215,295	15,940,906,580
Less: Premium ceded to reinsurers		(5,388,103,958)	(4,982,376,554)	(5,388,103,958)	(4,982,376,554)
Net premium written		11,938,111,337	10,958,530,026	11,938,111,337	10,958,530,026
Add (less): Unearned premium reserves (increased) decreased from prior year		(637,785,310)	82,785,957	(637,785,310)	82,785,957
Net earned premium		11,300,326,027	11,041,315,983	11,300,326,027	11,041,315,983
Fee and commission income		1,136,747,542	1,063,698,165	1,136,747,542	1,063,698,165
Shares of profits from investments in associates, accounted for under the equity method	12.2	16,993,029	12,017,730	-	-
Net investment revenue		1,144,107,573	1,139,395,395	1,144,107,573	1,143,850,928
Gains on investments		85,476,176	124,136,764	84,663,692	124,136,764
Other income		159,512,046	180,074,950	159,512,046	180,074,950
Total revenues		13,843,162,393	13,560,638,987	13,825,356,880	13,553,076,790
Expenses					
Gross claims		7,983,442,473	8,249,798,042	7,983,442,473	8,249,798,042
Less: Claim recovery from reinsurers		(2,398,329,036)	(2,551,926,817)	(2,398,329,036)	(2,551,926,817)
Commissions and brokerages		2,305,877,022	2,100,215,926	2,305,877,022	2,100,215,926
Other underwriting expenses		1,994,321,073	1,920,333,784	1,994,321,073	1,920,333,784
Operating expenses	24	1,080,794,420	986,582,063	1,080,794,420	986,582,063
Investment expenses		88,456,441	89,715,156	88,456,441	89,715,156
Finance costs		3,265,991	3,618,163	3,265,991	3,618,163
Total expenses	25	11,057,828,384	10,798,336,317	11,057,828,384	10,798,336,317
Profits before income tax expenses		2,785,334,009	2,762,302,670	2,767,528,496	2,754,740,473
Less: Income tax expenses	16.2	(378,525,685)	(359,205,203)	(374,964,582)	(357,692,764)
Profits for the years		2,406,808,324	2,403,097,467	2,392,563,914	2,397,047,709
Other comprehensive income:					
Items to be recognised in profit or loss in subsequent periods:					
Gains (losses) on revaluation of available-for-sale investments		(1,488,662,027)	1,228,210,096	(1,488,662,027)	1,228,210,096
Add (less): Income taxes		297,732,405	(245,642,019)	297,732,405	(245,642,019)
Items to be recognised in profit or loss in subsequent periods - net of income taxes		(1,190,929,622)	982,568,077	(1,190,929,622)	982,568,077
Items not to be recognised in profit or loss in subsequent periods:					
Actuarial gains (losses)		5,779,442	(4,236,253)	5,779,442	(4,236,253)
Add (less): Income taxes		(1,155,888)	847,251	(1,155,888)	847,251
Items not to be recognised in profit or loss in subsequent periods - net of income taxes		4,623,554	(3,389,002)	4,623,554	(3,389,002)
Other comprehensive income (loss) for the years		(1,186,306,068)	979,179,075	(1,186,306,068)	979,179,075
Total comprehensive income for the years		1,220,502,256	3,382,276,542	1,206,257,846	3,376,226,784
Earnings per share:					
27					
Basic earnings per share					
Profits for the years		22.61	22.57	22.47	22.51

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

Bangkok Insurance Public Company Limited

Statements of cash flows

For the years ended 31 December 2018

(Unit: Baht)

	Financial statements			
	in which the equity method is applied		Separate financial statements	
	2018	2017	2018	2017
Cash flows from (used in) operating activities				
Direct premium written	16,461,556,628	15,392,124,508	16,461,556,628	15,392,124,508
Cash paid for reinsurance	(1,799,859,965)	(1,841,990,078)	(1,799,859,965)	(1,841,990,078)
Interest income	311,794,907	265,851,686	311,794,907	265,851,686
Dividend income	885,479,482	836,831,550	885,479,482	836,831,550
Other investment income	138,777,640	144,950,917	138,777,640	144,950,917
Other income	20,687,675	28,721,022	20,687,675	28,721,022
Losses incurred on direct insurance	(7,284,589,574)	(7,067,453,485)	(7,284,589,574)	(7,067,453,485)
Commissions and brokerages on direct insurance	(2,116,421,723)	(1,995,364,314)	(2,116,421,723)	(1,995,364,314)
Other underwriting expenses	(2,253,122,646)	(2,150,901,461)	(2,253,122,646)	(2,150,901,461)
Operating expenses	(771,630,545)	(863,454,209)	(771,630,545)	(863,454,209)
Investment expenses	(60,994,247)	(63,021,693)	(60,994,247)	(63,021,693)
Income taxes	(341,026,466)	(358,179,343)	(341,026,466)	(358,179,343)
Investments in securities	(3,683,798,452)	(570,883,107)	(3,683,798,452)	(570,883,107)
Loans	(82,483,794)	68,063,438	(82,483,794)	68,063,438
Investments in associates	5,949,741	-	5,949,741	-
Deposits at financial institutions	2,147,188,267	(220,919,909)	2,147,188,267	(220,919,909)
Net cash provided by operating activities	1,577,506,928	1,604,375,522	1,577,506,928	1,604,375,522
Cash flows from (used in) investing activities				
Cash flows from				
Premises and equipment	253,009	7,250,460	253,009	7,250,460
Cash from investing activities	253,009	7,250,460	253,009	7,250,460
Cash flows used in				
Premises and equipment	(49,877,264)	(99,717,388)	(49,877,264)	(99,717,388)
Intangible assets	(17,319,507)	(34,245,822)	(17,319,507)	(34,245,822)
Cash used in investing activities	(67,196,771)	(133,963,210)	(67,196,771)	(133,963,210)
Net cash used in investing activities	(66,943,762)	(126,712,750)	(66,943,762)	(126,712,750)
Cash flows from (used in) financing activities				
Dividends paid	(1,490,580,000)	(1,490,563,473)	(1,490,580,000)	(1,490,563,473)
Net cash used in financing activities	(1,490,580,000)	(1,490,563,473)	(1,490,580,000)	(1,490,563,473)
Net increase (decrease) in cash and cash equivalents	19,983,166	(12,900,701)	19,983,166	(12,900,701)
Cash and cash equivalents at beginning of the years	399,583,620	412,484,321	399,583,620	412,484,321
Cash and cash equivalents at end of the years	419,566,786	399,583,620	419,566,786	399,583,620

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

Bangkok Insurance Public Company Limited

Statements of changes in owners' equity

For the years ended 31 December 2018

(Unit: Baht)

Financial statements in which the equity method is applied							
Note	Issued and paid-up share capital	Share premium	Retained earnings			Other component of equity	
			Appropriated		Unappropriated	Revaluation surplus on available-for-sale investments - net of income taxes	Total
			Statutory reserve	Other reserve			
Balance as at 1 January 2017	1,064,700,000	1,442,500,000	106,470,000	3,100,000,000	5,472,711,707	22,067,347,169	33,253,728,876
Dividend paid	28	-	-	-	(1,490,563,473)	-	(1,490,563,473)
Profit for the year	-	-	-	-	2,403,097,467	-	2,403,097,467
Other comprehensive income (loss) for the year	-	-	-	-	(3,389,002)	982,568,077	979,179,075
Balance as at 31 December 2017	<u>1,064,700,000</u>	<u>1,442,500,000</u>	<u>106,470,000</u>	<u>3,100,000,000</u>	<u>6,381,856,699</u>	<u>23,049,915,246</u>	<u>35,145,441,945</u>
Balance as at 1 January 2018	1,064,700,000	1,442,500,000	106,470,000	3,100,000,000	6,381,856,699	23,049,915,246	35,145,441,945
Dividend paid	28	-	-	-	(1,490,580,000)	-	(1,490,580,000)
Profit for the year	-	-	-	-	2,406,808,324	-	2,406,808,324
Other comprehensive income (loss) for the year	-	-	-	-	4,623,554	(1,190,929,622)	(1,186,306,068)
Balance as at 31 December 2018	<u>1,064,700,000</u>	<u>1,442,500,000</u>	<u>106,470,000</u>	<u>3,100,000,000</u>	<u>7,302,708,577</u>	<u>21,858,985,624</u>	<u>34,875,364,201</u>

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

Bangkok Insurance Public Company Limited
Statements of changes in owners' equity (continued)
For the years ended 31 December 2018

(Unit: Baht)

		Separate financial statements					Other component of equity	
		Issued and paid-up share capital	Share premium	Retained earnings		Unappropriated	Revaluation surplus	Total
Note	Statutory reserve			Other reserve	on available-for-sale investments - net of income taxes			
				Appropriated				
Balance as at 1 January 2017		1,064,700,000	1,442,500,000	106,470,000	3,100,000,000	5,414,328,991	22,067,347,169	33,195,346,160
Dividend paid	28	-	-	-	-	(1,490,563,473)	-	(1,490,563,473)
Profit for the year		-	-	-	-	2,397,047,709	-	2,397,047,709
Other comprehensive income (loss) for the year		-	-	-	-	(3,389,002)	982,568,077	979,179,075
Balance as at 31 December 2017		<u>1,064,700,000</u>	<u>1,442,500,000</u>	<u>106,470,000</u>	<u>3,100,000,000</u>	<u>6,317,424,225</u>	<u>23,049,915,246</u>	<u>35,081,009,471</u>
Balance as at 1 January 2018		1,064,700,000	1,442,500,000	106,470,000	3,100,000,000	6,317,424,225	23,049,915,246	35,081,009,471
Dividend paid	28	-	-	-	-	(1,490,580,000)	-	(1,490,580,000)
Profit for the year		-	-	-	-	2,392,563,914	-	2,392,563,914
Other comprehensive income (loss) for the year		-	-	-	-	4,623,554	(1,190,929,622)	(1,186,306,068)
Balance as at 31 December 2018		<u>1,064,700,000</u>	<u>1,442,500,000</u>	<u>106,470,000</u>	<u>3,100,000,000</u>	<u>7,224,031,693</u>	<u>21,858,985,624</u>	<u>34,796,687,317</u>

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

Bangkok Insurance Public Company Limited

Notes to financial statements

For the years ended 31 December 2018

1. Corporate information

Bangkok Insurance Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand, and listed on the Stock Exchange of Thailand. The Company’s major shareholder is Bangkok Bank Public Company Limited whereby as at 31 December 2018 and 2017, such major shareholder held 9.97% of the issued and paid-up ordinary shares of the Company. The Company is principally engaged in the provision of non-life insurance. The Company’s registered office is located at No. 25, Bangkok Insurance Building, South Sathon Road, Tung Ma Ha Mek, Sathon, Bangkok.

2. Basis for preparation of 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 accounting and reporting guidelines prescribed by the Office of Insurance Commission (“OIC”), and in accordance with the format of financial statements specified in the 2015 Notification of the Office of Insurance Commission (“OIC”) regarding criteria, procedures, terms and conditions for preparation and submission of financial statements and operating performance reports of non-life insurance companies dated 4 March 2015.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding the significant 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 such financial statements in Thai language.

2.1 The financial statements in which the equity method is applied

The Company has prepared the financial statements, in which equity method is applied, which have presented investments in associates under the equity method.

2.2 Separate financial statements

The Company has prepared its separate financial statements, which have presented investments in associates under the cost method.

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. 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 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

TFRS 4 (revised 2018) Insurance contracts

This standard provides an option to the qualifying insurers under such standard to use a temporary exemption from adoption of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures and to adopt the Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business (when issued) instead for the financial reporting period beginning before 1 January 2022 or before the effective date of TFRS 17 Insurance Contracts (when issued).

The management of the Company is currently determining an option which may impact on the financial statements in the year when it is adopted.

3.3 Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted, and also currently determining an option as allowed by TFRS 4 (revised 2018) Insurance Contracts.

4. Significant accounting policies

4.1 Revenue recognition

(a) Gross premium written

Gross premium written consists of direct premium and reinsurance premium less premium of the canceled policies and premium refunded to the policy holders and is adjusted by unearned premium reserves.

Direct premium is recognised as revenue when the insurance policy comes into effect. For long-term insurance policies with a coverage period of longer than 1 year, premiums are recorded as premiums received in advance and will be gradually recognised as revenue on a yearly basis over the coverage period.

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

(b) Commission and brokerage fee income

Commission and brokerage fees from ceded premium are recognised as revenue over the period in which the related services are rendered.

(c) Investment revenues

Interest on investments, both in the form of lending or investing in debt securities and deposits, is recognised as revenue on an accrual basis. Interest on loans is recognised as revenue over the term of the loans based on the amount of outstanding principal. No accrual is made for loans with interest default over six continuous months. Interest on investments in debt securities is recognised as revenue on the effective interest rate over the investment holding periods. Interest on deposits is recognised as revenue over the term of deposits on an accrual basis.

Dividends on investments are recognised as revenues when the right to receive the dividend is established.

(d) Gains (losses) on investments

Gains (losses) on investments are recognised as revenue or expense on the transaction dates.

4.2 Expenses recognition

(a) Premium ceded to reinsurers

Premium ceded to reinsurers are recognised as expenses when the insurance risk is transferred to another reinsurer at amount per policy.

(b) Gross claims

Gross claims consist of claims and losses adjustment expenses of direct insurance and reinsurance for both reported and not reported claims, which include the amounts of claims, related expenses, and loss adjustments of current and prior period claims incurred during the year, less residual value and other recoveries (if any) and claims refundable from reinsurers.

Gross claims of direct insurance are recognised upon the receipt of the claims advice from the insured, based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimated is not however, to exceed the sum-insured under the relevant policy.

Claims refundable from reinsurers are recognised as deduction item against gross claims when claims are recorded by the condition in the relevant reinsurance contract.

(c) Commission and brokerage expenses

Commission and brokerage expenses are expended when incurred.

(d) Other underwriting expenses

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

(e) Operating expenses

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

4.3 Product classification

The Company classifies insurance contracts and reinsurance contracts based on the nature of the insurance contract. Insurance contracts are those contracts where the insurer has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. To determine whether a significant insurance risk has been accepted, the insurer compares the benefits payable after an insured event with the benefits payable if the insured event did not occur. If the criteria are not met, the Company classifies the insurance contract and reinsurance contract as an investment contract. Investment contracts have the legal form of insurance contracts and transfer financial risk to the insurer, but not significant insurance risk. Financial risks are specified as interest rate risk, exchange rate risk, or price risk.

The Company classifies contracts based on assessment of the significance of the insurance risk at inception of contract, for each contract. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime. A contract classified as an investment contract at inception can be reclassified as an insurance contract after inception if the insurance risk becomes significant.

4.4 Cash and cash equivalents

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

4.5 Premium receivables and allowance of doubtful accounts

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

4.6 Reinsurance assets

Reinsurance assets are stated at the amounts of insurance reserves refundable from reinsurers, which consist of (a) loss reserves and (b) unearned premium reserves that are estimated based on related reinsurance contracts in accordance with insurance reserve calculation law.

The Company sets up an allowance for impairment, of reinsurance assets based on losses that may be incurred due to irrecoverable, taking into account collection experience, aged of balance, and the status of receivables from reinsurers as at the end of the reporting periods. Increase (decrease) in an allowance for impairment is recorded as an increase (a decrease) to expenses during the years in profit or loss.

4.7 Reinsurance receivables and due to reinsurers

- (a) Reinsurance receivables are stated at the outstanding balances of amounts due from reinsurers and amounts deposited on reinsurance.

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

- (b) Due to reinsurers are stated at the outstanding balance of amounts due to reinsurers and amounts withheld on reinsurance.

Amounts due to reinsurers consist of outward premium payables and other reinsurance payables to reinsurers, excluding claims.

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

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

4.8 Investment assets

- (a) Investments in securities

Available-for-sale investments are stated at fair value. Changes in the fair value of these investments are recorded in other comprehensive income, and will be recorded in profit or loss when the investments are disposed of.

Held-to-maturity investments are recorded at amortised cost. The premium/discount is amortised/accreted by the effective interest rate method with the amortised/accreted amount presented as an adjustment to the interest income.

Investments in non-marketable equity securities, which are classified as general investments, are stated at cost net of allowance for impairment (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the year of the Stock Exchange of Thailand. The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association. The fair value of investment units is determined from their net asset value.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as revaluation surplus or deficit on available-for-sale investments in owners' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the cost of the investment is recognised in profit or loss. The weighted average method is used for computation of the cost of an investment.

The Company records purchases and sales of investments in equity securities on trade dates and records purchases and sales of investments in debt securities on settlement dates.

(b) Loans

Loans are stated at net realisable value. Allowance for doubtful accounts on loans is provided for the estimated losses that may be incurred in collection of loans based on an evaluation of the current status of the debtors taking into consideration the recovery risk and the value of collateral. Increase (decrease) in allowance for doubtful accounts is recognised as expenses in statements of income.

(c) Investment in associates

Investments in associates as presented in the financial statements, in which the equity method is applied, is recorded initially at cost and adjusted to reflect the proportionate share of the associate's operating results and is deducted by dividend income.

Investments in associates as presented in the separate financial statements is stated at cost net of allowance for impairment (if any). Loss on impairment is recorded as an expense in profit or loss.

(d) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for impairment loss (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over the estimated useful life of 30 years (over the lease period). Depreciation of the investment properties is recognised as expense in profit or loss.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

4.9 Premises and equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any).

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

Buildings	- 20 years and 33 years (over the lease period)
Condominium units	- 20 years
Furniture, fixture and office equipment	- 3 years, 4 years and 5 years (over the lease period)
Motor vehicles	- 4 years and 5 years (over the lease period)

Depreciation is recognised in profit or loss. No depreciation is provided for land and construction in progress.

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

4.10 Intangible assets and amortisation

Intangible assets acquired are recognised at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and allowance for impairment (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year-end. The amortisation expense is charged to profit or loss. No amortisation is provided for computer softwares under development.

Intangible assets with finite useful lives, which are computer softwares, have the economic lives of 3, 5 and 10 years.

4.11 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of property, buildings and equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised in profit or loss 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.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses 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 estimations used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

4.12 Insurance contract liabilities

Insurance contract liabilities consist of loss reserve and premium reserves.

(a) Loss reserves

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

Outstanding claim provision are calculated using an actuarial method based on a best estimate of claims which are expected to be paid in respect of losses occurring before or as at the end of the reporting periods for both reported and not reported losses including loss adjustment expense. The different of the calculated outstanding claim provision which are higher than the loss reserve that recognised into financial statement, the Company has additionally provided reserves for claims incurred but not yet reported (IBNR).

(b) Premium reserves

Premium reserves are the higher amounts of unearned premium reserves and unexpired risk reserves. As at the end of the reporting periods, the Company compares the amounts of unexpired risk reserves with unearned premium reserves, and if the amount of unexpired risk reserves is higher that of the unearned premium reserve, the difference is recognised to present the amounts of unexpired risk reserves in the financial statements.

(1) Unearned premium reserves

Unearned premium reserves are calculated based on direct premium before deducting premium ceded as follows:

Fire, marine, transportation (hull), motor and miscellaneous	- Monthly average basis (the one-twenty fourth basis)
Transportation (cargo), travelling accident with coverage periods of not over six-months	- 100% of premiums as from the effective date of the inforce policies over the insurance coverage period
Bail bond	- 70% of premiums as from the effective date of the inforce policies over the insurance coverage period

Outward unearned premium reserve is calculated based on reinsurance premium ceded, as the same method as direct insurance, that transfer insurance risk to reinsurer throughout the coverage period of insurance contract.

(2) Unexpired risk reserves

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

4.13 Employee benefits

(a) Defined contribution plan

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.

(b) Defined benefit plan 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 long-term employee benefit plans are determined based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income and adjusted directly to retained earnings and those arising from other long-term benefits are recognised immediately in profit and loss.

4.14 Provisions

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

4.15 Long-term leases

Leases of equipment and vehicles which transfer substantially all the risks and rewards of ownership to the Company, as a lessee, are classified as finance lease. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to profit or loss over the lease period. The equipment acquired under finance leases is depreciated over the lower of useful life of the leased asset or the lease periods.

Leases of buildings and equipment which do not transfer substantially all the risks and rewards of ownership to the Company, as the lessee, are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

4.16 Foreign currencies

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

Transactions in foreign currency are translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of reporting periods. Gains and losses on exchange are recorded as revenues or expenses in profit or loss.

4.17 Income taxes

Income tax expenses represent the sum of corporate income taxes currently payable and deferred income taxes.

(a) Current income taxes

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

(b) Deferred income taxes

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

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

The Company records deferred income taxes directly to equity if they relate to items that are recorded directly to equity.

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

4.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case where there is no active market of an identical asset or liability or when a quoted market price is not available, the Company measures 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 categorise 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 periods that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

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

5.1 Allowances for doubtful accounts and impairment

In determining allowances for doubtful accounts and impairment on premium receivables, reinsurance assets, and reinsurance receivables, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

5.2 Allowance for impairment on investments

The Company sets aside allowance for impairment on available-for-sale investments, general investments and investments in associates when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires the management judgement.

5.3 Premises and equipment and depreciation

In calculating depreciation of buildings and equipment, the management is required to make estimates of the useful lives and residual values of the Company’s buildings and equipment and to review estimate useful lives and residual values when circumstance changes.

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

5.4 Intangible assets and allowance for impairment

The initial recognition and measurement of intangible assets, and subsequent impairment testing require management to make estimates of cash flows to be generated by the asset, including the choice of a suitable discount rate used in calculation of the present value for those cash flows.

5.5 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences 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 estimated future taxable profits.

5.6 Loss reserves

At the end of the reporting periods, the Company has to estimate loss reserves taking into account two parts, which are the claims incurred and reported, and the claims incurred but not yet reported (IBNR), the latter of which require actuarial technique such as the Chain Ladder and Bornheutter-Ferguson methods in estimation of reserves. The main assumptions underlying such techniques relate to historical experience, including the development of claim estimates, losses incurred and paid, average costs per claim and number of claims, etc. However, such estimates are forecasts of future outcomes, and actual results could differ.

5.7 Unexpired risk reserves

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

5.8 Provisions for employee benefits

Provisions for employee benefit are 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, based on their best knowledge of current events and arrangements.

5.9 Leases

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

5.10 Litigation

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

5.11 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.

5.12 Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The inputs to these models are taken from observable markets, and include consideration of credit risk (the Company and its counterparty), liquidity risk, correlation and longer-term volatility of financial instruments. Changes in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

6. Cash and cash equivalents

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2018	2017
Cash on hand	2,617,841	2,579,000
Deposits at banks with no fixed maturity date	156,948,945	127,004,620
Deposits at banks with fixed maturity date	260,000,000	270,000,000
Total cash and cash equivalents	<u>419,566,786</u>	<u>399,583,620</u>

As at 31 December 2018 and 2017, saving deposits and fixed deposits carried interests at the rates between 0.38 and 1.45 percent per annum and 0.38 and 1.35 percent per annum, respectively.

7. Premium receivables

As at 31 December 2018 and 2017, the balances of premium receivables from direct insurance were classified by aging from the maturity date under the stipulated law of the premium collection as follows:

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2018	2017
Not yet due	2,038,484,982	1,837,930,662
Overdue not longer than 30 days	248,579,644	201,204,808
Overdue 31 days to 60 days	137,293,396	95,178,596
Overdue 61 days to 90 days	61,646,610	59,087,727
Overdue 91 days to 1 year	218,390,968	207,644,298
Overdue longer than 1 year	30,036,344	22,411,427
Total	2,734,431,944	2,423,457,518
Less: Allowance for doubtful accounts	(30,036,344)	(22,411,427)
Premium receivables - net	<u>2,704,395,600</u>	<u>2,401,046,091</u>

For premium receivables due from agents and brokers, the Company has stipulated the collection guidelines in accordance with the Premium Collection Law whereby the Company has taken legal proceedings with agents and brokers on a case by case basis for overdue premiums.

8. Reinsurance assets

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2018	2017
Insurance reserves refundable from reinsurers		
Loss reserves	3,660,483,908	3,345,545,432
Unearned premium reserves	2,446,253,125	2,148,429,161
Total	6,106,737,033	5,493,974,593
Less: Allowance for impairment	(6,023,926)	(6,578,668)
Reinsurance assets - net	6,100,713,107	5,487,395,925

As at 31 December 2018 and 2017, Insurance reserves refundable from reinsurers included insurance reserves refundable from reinsurers due to flood situation in 2011 amounting to Baht 21.0 million and Baht 31.5 million, respectively.

9. Reinsurance receivables

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2018	2017
Amounts deposited on reinsurance	35,099,642	37,091,956
Amounts due from reinsurers	226,081,731	239,405,655
Total	261,181,373	276,497,611
Less: Allowance for doubtful accounts	(25,025,275)	(37,295,573)
Receivables on reinsurance contracts - net	236,156,098	239,202,038

As at 31 December 2018 and 2017, amounts due from reinsurers were classified by aging as follows:

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2018	2017
Not over 12 months	205,646,552	211,909,966
Overdue from 1 year to 2 years	15,090,659	7,766,248
Overdue longer than 2 years	5,344,520	19,729,441
Total amounts due from reinsurers	226,081,731	239,405,655
Less: Allowance for doubtful accounts	(25,025,275)	(37,295,573)
Amounts due from reinsurers - net	<u>201,056,456</u>	<u>202,110,082</u>

10. Investments in securities

10.1 Classified by type of investment

	(Unit: Baht)			
	Financial statements in which the equity method is applied and Separate financial statements			
	31 December			
	2018		2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Available-for-sale investments				
Government and state enterprise securities	5,454,238,258	5,450,775,315	1,954,375,379	1,964,880,052
Private sector debt securities	1,094,386,616	1,101,496,223	1,313,390,745	1,337,918,329
Equity securities	7,487,243,189	34,807,328,555	6,977,967,772	35,755,329,572
Total	14,035,868,063	41,359,600,093	10,245,733,896	39,058,127,953
Add: Unrealised gains	27,323,732,030	-	28,812,394,057	-
Total available-for-sale investments	<u>41,359,600,093</u>	<u>41,359,600,093</u>	<u>39,058,127,953</u>	<u>39,058,127,953</u>
Held-to-maturity investments				
Deposits at financial institutions which matured over 3 months	5,904,387,597		8,051,575,864	
Total held-to-maturity investments	<u>5,904,387,597</u>		<u>8,051,575,864</u>	
General investments				
Domestic equity securities	602,635,058		603,435,058	
Foreign equity securities	201,689,384		201,689,384	
Total	804,324,442		805,124,442	
Less: Allowance for impairment	(117,003,160)		(95,203,760)	
General investments - net	<u>687,321,282</u>		<u>709,920,682</u>	
Investment in securities - net	<u>47,951,308,972</u>		<u>47,819,624,499</u>	

On 12 May 2018, the Board of Directors Meeting No. 2/2018 of the Company resolved to approve the sale of 1,159,950 ordinary shares in EMCS Thai Company Limited, for Baht 50 per share, totaling Baht 58.0 million, to Thai Reinsurance Public Company Limited and the Company already received payment from sale of such investment on 7 August 2018.

10.2 Remaining periods to maturity of debt securities

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements as at 31 December							
	2018				2017			
	Period to maturity				Period to maturity			
	1 year	1 - 5 years	Over 5 years	Total	1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investment								
Government and state enterprise securities	4,783,588,079	470,650,179	200,000,000	5,454,238,258	896,326,724	858,048,655	200,000,000	1,954,375,379
Private enterprise debt securities	313,059,850	781,326,766	-	1,094,386,616	360,077,574	953,313,171	-	1,313,390,745
Total	5,096,647,929	1,251,976,945	200,000,000	6,548,624,874	1,256,404,298	1,811,361,826	200,000,000	3,267,766,124
Add (less): Unrealised gains (losses)	2,839,521	5,345,623	(4,538,480)	3,646,664	8,688,797	26,806,180	(462,720)	35,032,257
Total available-for-sale investments	5,099,487,450	1,257,322,568	195,461,520	6,552,271,538	1,265,093,095	1,838,168,006	199,537,280	3,302,798,381
Held-to-maturity investments								
Deposits at financial institutions which mature over 3 months	5,904,387,597	-	-	5,904,387,597	8,051,575,864	-	-	8,051,575,864
Total held-to-maturity investments	5,904,387,597	-	-	5,904,387,597	8,051,575,864	-	-	8,051,575,864

10.3 Revaluation surplus on available-for-sale investments

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the year ended 31 December	
	2018	2017
Revaluation surplus on available-for-sale investments - beginning of the years	28,812,394,057	27,584,183,961
Gains (losses) on revaluation during the years	(1,410,192,766)	1,317,176,684
Gains on sales of available-for-sale investments during the years transferred to be recognised in profit or loss	(78,469,261)	(88,966,588)
Revaluation surplus on available-for-sale investments - end of the years	27,323,732,030	28,812,394,057
Less: Income taxes	(5,464,746,406)	(5,762,478,811)
Revaluation surplus on available-for-sale investments - net of income taxes	21,858,985,624	23,049,915,246

10.4 Investments subject to restriction

As at 31 December 2018 and 2017, the Company placed certain investments as a security with the Registrar and placed with the bank to secure bank overdraft facilities and others as required in the normal course of business of the Company as described in Note 30 to the financial statements.

11. Loans and interest receivables

As at 31 December 2018 and 2017, the balances of loans and interest receivables, classified by overdue years, were as follows:

(Unit: Baht)

Overdue years	Financial statements in which the equity method is applied and Separate financial statements						
	31 December 2018						
	Mortgaged loans		Other loans		Total		Total
Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest ⁽¹⁾		
Not yet due	1,253,405,661	476,224	8,802,775	-	1,262,208,436	476,224	1,262,684,660
Overdue							
Less than 3 months	36,991,385	349,371	-	-	36,991,385	349,371	37,340,756
6 - 12 months	22,684,946	-	-	-	22,684,946	-	22,684,946
Longer than 12 months	119,246,754	-	-	-	119,246,754	-	119,246,754
Total	1,432,328,746	825,595	8,802,775	-	1,441,131,521	825,595	1,441,957,116
Less: Allowance for doubtful account	(729,962)	-	-	-	(729,962)	-	(729,962)
Loans and interest receivables - net	1,431,598,784	825,595	8,802,775	-	1,440,401,559	825,595	1,441,227,154

⁽¹⁾ Shown as a part of "accrued investment income" in the statements of financial position

(Unit: Baht)

Overdue years	Financial statements in which the equity method is applied and Separate financial statements						
	31 December 2017						
	Mortgaged loans		Other loans		Total		Total
Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest ⁽¹⁾		
Not yet due	1,169,395,263	925,744	6,233,720	-	1,175,628,983	925,744	1,176,554,727
Overdue							
Less than 3 months	30,200,000	147,484	-	-	30,200,000	147,484	30,347,484
Longer than 12 months	153,479,189	-	-	-	153,479,189	-	153,479,189
Loans and interest receivables	1,353,074,452	1,073,228	6,233,720	-	1,359,308,172	1,073,228	1,360,381,400

⁽¹⁾ Shown as a part of "accrued investment income" in the statements of financial position

Credit limits granted to each employee under the Company's employee welfare plan are not exceeding 30 times of employee's salary and Baht 1,000,000 for personal guarantee loans with interest being charged at the rate of 3.0% per annum, and not exceeding 60 times of employee's salary and Baht 5,000,000 for mortgaged loans with interest being charged at the rate of 2.5% per annum.

As at 31 December 2018 and 2017, the balances of employee loans were Baht 109.8 million and Baht 53.9 million, respectively.

12. Investments in associates

12.1 Details of associates

Company's name	Nature of business	Country of incorporation	Paid-up share capital as at		Shareholding	
			31 December 2018	31 December 2017	31 December 2018	31 December 2017
			(USD)	(USD)	(%)	(%)
Asia Insurance (Cambodia) Plc.	Non-life insurance	Cambodia	7,000,000	7,000,000	22.92	22.92
Asian Insurance International (Holding) Limited	Holding company	Bermuda	5,740,000	5,740,000	41.70	41.70
Bangkok Insurance (Lao) Company Limited	Non-life insurance	Lao	2,000,000	2,000,000	38.00	45.00

(Unit: Baht)

Company's name	Financial statements in which the equity method is applied				Separate financial statements	
	31 December		31 December		31 December	
	2018	2017	2018	2017	2018	2017
Asia Insurance (Cambodia) Plc.	84,194,779	73,608,791	30,202,059	30,202,059	30,202,059	30,202,059
Asian Insurance International (Holding) Limited	119,980,265	113,598,568	72,054,063	72,054,063	72,054,063	72,054,063
Bangkok Insurance (Lao) Company Limited	23,566,783	27,728,355	27,139,600	32,139,000	27,139,600	32,139,000
Total	227,741,827	214,935,714	129,395,722	134,395,122	129,395,722	134,395,122

On 29 March 2018, the Company sold the shares of Bangkok Insurance (Lao) Company Limited which held by the Company, equivalent to 7 percent of the total shares of such company.

12.2 Shares of profits (losses) and dividends income

(Unit: Baht)

Company's name	Financial statements			
	in which the equity method is applied		Separate financial statements	
	Share of profits (losses) from investments in associates for the years ended 31 December		Dividend received during the years ended 31 December	
	2018	2017	2018	2017
Asia Insurance (Cambodia) Plc.	10,585,988	8,202,358	-	4,455,533
Asian Insurance International (Holding) Limited	6,381,697	4,130,389	-	-
Bangkok Insurance (Lao) Company Limited	25,344	(315,017)	-	-
Total	16,993,029	12,017,730	-	4,455,533

12.3 Financial information of associates

Summarised information from statements of financial position

(Unit: Million Baht)

	Asia Insurance (Cambodia) Plc.		Asian Insurance International (Holding) Limited		Bangkok Insurance (Lao) Company Limited	
	31 December		31 December		31 December	
	2018	2017	2018	2017	2018	2017
Total assets	449.7	398.9	212.9	211.9	296.3	105.7
Total liabilities	(65.2)	(58.8)	-	-	(238.5)	(50.3)
Net assets	384.5	340.1	212.9	211.9	57.8	55.4
Shareholding percentage (%)	22.9	22.9	41.7	41.7	38.0	45.0
Shares of net assets of the associates	88.1	78.0	88.8	88.4	22.0	24.9
Carrying values based on the equity method	84.2	73.6	120.0	113.6	23.6	27.7

Summarised information from statements of comprehensive income or loss

(Unit: Million Baht)

	Asia Insurance (Cambodia) Plc.		Asian Insurance International (Holding) Limited		Bangkok Insurance (Lao) Company Limited	
	For the years ended 31 December		For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017	2018	2017
Revenue	108.2	104.7	3.0	0.5	19.1	19.1
Profit (loss) for the years	46.2	40.8	2.5	(0.0)	0.6	(3.5)
Total comprehensive income (loss) for the years	46.2	40.8	2.5	(0.0)	0.6	(3.5)

As at 31 December 2018 and 2017, the Company recorded investment in an associate under the equity method (in the financial statements in which the equity method is applied) based on the financial information, as prepared by the associate's management. However, the Company obtained the 2017 financial statements of the associate, which were audited by the associate's auditor, and showed the amounts that are not significantly different from the financial information prepared by the associate's management used in equity accounting in that year.

13. Investment properties

The investment properties of the Company, which are offices for rent, as at 31 December 2018 and 2017 were presented below.

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2018	2017
Cost	533,653,195	533,653,195
Less: Accumulated depreciation	(381,216,790)	(363,987,161)
Net book value	<u>152,436,405</u>	<u>169,666,034</u>

Reconciliations of the net book value of investment properties for the years ended 31 December 2018 and 2017 were presented below.

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2018	2017
Net book value at beginning of the years	169,666,034	186,895,663
Depreciation charged	(17,229,629)	(17,229,629)
Net book value at end of the years	<u>152,436,405</u>	<u>169,666,034</u>

The fair values of the investment properties as at 31 December 2018 and 2017 were stated below:

	(Unit: Million Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2018	2017
Office building for rent	170.3	206.0

The fair values of the investment properties were appraised by an independent valuer using the income approach. The key assumptions used in such appraisal are yield rate, inflation rate, long-term vacancy rate and long-term growth rate in rental fee, etc.

Revenues and expenses related to investment properties were recognised in profit or loss as below:

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the year ended 31 December	
	2018	2017
Rental income	137,200,016	142,899,162
Direct operating expenses which generated rental income	66,479,617	69,327,896
Total expenses	66,479,617	69,327,896

14. Premises and equipment

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements						Total
	Land	Buildings	Condominium units	Furniture, fixture and office equipment	Motor vehicles	Construction in progress	
Cost							
1 January 2017	206,132,665	828,306,000	8,750,941	1,710,429,472	144,317,024	43,483,290	2,941,419,392
Additions	-	-	-	79,588,140	19,102,226	19,208,276	117,898,642
Disposals	-	-	-	(20,232,475)	(24,505,020)	-	(44,737,495)
Transfers in (out)	-	-	-	35,301,718	-	(35,301,718)	-
31 December 2017	206,132,665	828,306,000	8,750,941	1,805,086,855	138,914,230	27,389,848	3,014,580,539
Additions	-	-	-	22,492,752	13,060,000	14,324,512	49,877,264
Disposals	-	-	-	(1,071,297)	(13,671,257)	-	(14,742,554)
Transfers in (out)	-	-	-	24,369,344	-	(24,369,344)	-
31 December 2018	206,132,665	828,306,000	8,750,941	1,850,877,654	138,302,973	17,345,016	3,049,715,249
Accumulated depreciation							
1 January 2017	-	533,861,302	8,721,312	1,172,403,335	68,722,892	-	1,783,708,841
Depreciation for the year	-	27,340,542	-	215,890,723	25,005,942	-	268,237,207
Depreciation for the disposals	-	-	-	(20,176,354)	(24,403,329)	-	(44,579,683)
31 December 2017	-	561,201,844	8,721,312	1,368,117,704	69,325,505	-	2,007,366,365
Depreciation for the year	-	26,350,450	-	190,809,498	25,658,620	-	242,818,568
Depreciation for the disposals	-	-	-	(1,071,286)	(13,566,858)	-	(14,638,144)
31 December 2018	-	587,552,294	8,721,312	1,557,855,916	81,417,267	-	2,235,546,789
Net book value							
31 December 2017	206,132,665	267,104,156	29,629	436,969,151	69,588,725	27,389,848	1,007,214,174
31 December 2018	206,132,665	240,753,706	29,629	293,021,738	56,885,706	17,345,016	814,168,460
Depreciation for the year:							
2017							268,237,207
2018							242,818,568

As at 31 December 2018 and 2017, certain equipment items were fully depreciated but are still in use. The original cost before deducting accumulated depreciation of those assets amounted to Baht 1,175.6 million and Baht 1,024.4 million, respectively.

As at 31 December 2018 and 2017, the Company had vehicles under finance lease agreements with net book values amounting to Baht 51.0 million and Baht 62.1 million, respectively.

15. Intangible assets

(Unit: Baht)

Financial statements in which the equity method is applied
and Separate financial statements

	Computer softwares	Computer softwares under development	Total
Cost			
1 January 2017	527,275,297	26,503,521	553,778,818
Addition	18,319,061	3,640,011	21,959,072
Disposals/ Write off	(31,238,608)	-	(31,238,608)
Transfer in (out)	26,503,521	(26,503,521)	-
31 December 2017	540,859,271	3,640,011	544,499,282
Addition	14,699,587	-	14,699,587
Transfer in (out)	3,640,011	(3,640,011)	-
31 December 2018	559,198,869	-	559,198,869
Accumulated amortisation			
1 January 2017	251,438,081	-	251,438,081
Amortisation	72,738,306	-	72,738,306
Amortisation for the disposals	(6,256,280)	-	(6,256,280)
31 December 2017	317,920,107	-	317,920,107
Amortisation	76,504,841	-	76,504,841
31 December 2018	394,424,948	-	394,424,948
Net book value			
31 December 2017	222,939,164	3,640,011	226,579,175
31 December 2018	164,773,921	-	164,773,921
Amortisation for the years			
2017			72,738,306
2018			76,504,841

As at 31 December 2018 and 2017, certain computer softwares were fully amortised but are still in use. The original cost before deducting accumulated amortisation of those assets amounted to Baht 145.1 million and Baht 124.7 million, respectively.

16. Deferred tax asset/liabilities and income tax expenses

16.1 Deferred tax assets/liabilities

As at 31 December 2018 and 2017, the components of deferred tax assets and liabilities consisted of tax effects arising from the following transactions.

	Financial statements in which the equity method is applied as at 31 December		Changes in deferred tax assets and liabilities for the year ended 31 December	
	2018	2017	2018	2017
(Unit: Baht)				
Deferred tax assets arose from:				
Allowance for impairment on investments	23,400,632	19,040,752	4,359,880	1,404,320
Premium reserves	210,854,551	161,663,994	49,190,557	(5,573,786)
Loss reserves of claims incurred and reported	366,197,366	403,860,729	(37,663,363)	(25,054,587)
Loss reserves of claims incurred but not yet reported	60,661,254	66,265,177	(5,603,923)	(2,855,052)
Provision for long-term employee benefits	77,536,894	70,383,677	7,153,217	15,599,123
Others	22,635,769	18,050,583	4,585,186	(2,861,648)
Total	761,286,466	739,264,912		
Deferred tax liabilities arose from:				
Gains on revaluation of available-for-sale investments	5,464,746,406	5,762,478,811	297,732,405	(245,642,019)
Actuarial gains	1,299,033	143,144	(1,155,889)	847,251
Shares of profits from investments in associates	19,669,221	16,108,118	(3,561,103)	(1,512,439)
Total	5,485,714,660	5,778,730,073		
Deferred tax liabilities	4,724,428,194	5,039,465,161		
Total changes			315,036,967	(265,648,837)
Changes are recognised:				
- in profit or loss			18,460,450	(20,854,069)
- in other comprehensive income			296,576,517	(244,794,768)
			315,036,967	(265,648,837)

(Unit: Baht)

	Separate financial statements		Changes in deferred tax assets and liabilities for the year ended	
	as at 31 December		31 December	
	2018	2017	2018	2017
Deferred tax assets arose from:				
Allowance for impairment on investments	23,400,632	19,040,752	4,359,880	1,404,320
Premium reserves	210,854,551	161,663,994	49,190,557	(5,573,786)
Loss reserves of claims incurred and reported	366,197,366	403,860,729	(37,663,363)	(25,054,587)
Loss reserves of claims incurred but not yet reported	60,661,254	66,265,177	(5,603,923)	(2,855,052)
Provision for long-term employee benefits	77,536,894	70,383,677	7,153,217	15,599,123
Others	22,635,769	18,050,583	4,585,186	(2,861,648)
Total	<u>761,286,466</u>	<u>739,264,912</u>		
Deferred tax liabilities arose from:				
Gains on revaluation of available-for-sale investments	5,464,746,406	5,762,478,811	297,732,405	(245,642,019)
Actuarial gains	1,299,033	143,144	(1,155,889)	847,251
Total	<u>5,466,045,439</u>	<u>5,762,621,955</u>		
Deferred tax liabilities	<u>4,704,758,973</u>	<u>5,023,357,043</u>		
Total changes			<u>318,598,070</u>	<u>(264,136,398)</u>
Changes are recognised:				
- in profit or loss			22,021,553	(19,341,630)
- in other comprehensive income			<u>296,576,517</u>	<u>(244,794,768)</u>
			<u>318,598,070</u>	<u>(264,136,398)</u>

16.2 Income tax expenses

Income tax expenses for the years ended 31 December 2018 and 2017 were made up as follows:

(Unit: Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Current income taxes:				
Corporate income tax charge	(396,986,135)	(338,351,134)	(396,986,135)	(338,351,134)
Deferred income taxes:				
Deferred income taxes relating to origination and reversal of temporary differences	18,460,450	(20,854,069)	22,021,553	(19,341,630)
Income tax expenses reported in profit or loss	<u>(378,525,685)</u>	<u>(359,205,203)</u>	<u>(374,964,582)</u>	<u>(357,692,764)</u>

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2018 and 2017 and the applicable tax rate were as follows:

(Unit: Baht)

	Financial statements in which the equity method is applied		Separate financial Statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Accounting profits before income tax expenses	<u>2,785,334,009</u>	<u>2,762,302,670</u>	<u>2,767,528,496</u>	<u>2,754,740,473</u>
Applicable tax rate	20%	20%	20%	20%
Income taxes at the applicable tax rate	(557,066,802)	(552,460,534)	(553,505,699)	(550,948,095)
Net tax effect on tax-exempted revenues and non tax-deductible expenses	178,541,117	194,669,387	178,541,117	194,669,387
Others	-	(1,414,056)	-	(1,414,056)
Income tax expenses reported in profit or loss	<u>(378,525,685)</u>	<u>(359,205,203)</u>	<u>(374,964,582)</u>	<u>(357,692,764)</u>

17. Insurance contract liabilities

(Unit: Baht)

Financial statements in which the equity method is applied
and Separate financial statements

	31 December 2018		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
Claims incurred and reported	6,086,143,516	(3,584,081,265)	2,502,062,251
Claims incurred but not reported	373,684,987	(70,378,717)	303,306,270
Premium reserves			
Unearned premium reserves	8,275,770,417	(2,446,253,125)	5,829,517,292
Total	<u>14,735,598,920</u>	<u>(6,100,713,107)</u>	<u>8,634,885,813</u>

(Unit: Baht)

Financial statements in which the equity method is applied
and Separate financial statements

	31 December 2017		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
Claims incurred and reported	6,024,121,001	(3,272,231,190)	2,751,889,811
Claims incurred but not reported	398,061,459	(66,735,574)	331,325,885
Premium reserves			
Unearned premium reserves	7,340,161,143	(2,148,429,161)	5,191,731,982
Total	<u>13,762,343,603</u>	<u>(5,487,395,925)</u>	<u>8,274,947,678</u>

The Company entered into reinsurance agreements in order to mitigate insurance risk. Although positions are managed on a net basis by management. However, insurance contract liabilities disclosures have been made on both gross and net basis.

17.1 Loss reserves

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2018	2017
Beginning balances	6,422,182,460	6,081,530,837
Claim incurred during the years	8,246,102,565	8,453,995,159
Change in loss reserves of claimed incurred in prior years	(180,557,798)	(140,591,841)
Changes in assumptions in calculating loss reserves	(28,061,358)	619,713
Claims and loss adjustment expenses paid during the years	(7,999,837,366)	(7,973,371,408)
Ending balances	<u>6,459,828,503</u>	<u>6,422,182,460</u>

As at 31 December 2018 and 2017, the Company, which is a reinsurer under the reinsurance contracts, had loss reserves under such contracts totaling Baht 240.1 million and Baht 246.7 million, respectively.

As at 31 December 2018 and 2017, loss reserves included loss reserves incurred as a result of the flood situation in 2011 amounting to Baht 25.1 million and Baht 46.3 million, respectively.

17.2 Claims development table

(a) Gross claims table

									(Unit: Million Baht)
Accident year/Reporting year	Prior to 2012	2012	2013	2014	2015	2016	2017	2018	Total
Loss reserves:									
- as at accident year		8,244	5,097	6,854	7,101	7,157	8,454	8,246	
- Next one year		9,127	5,562	7,359	7,382	7,407	8,004		
- Next two years		8,584	5,928	6,846	6,947	7,295			
- Next three years		8,397	5,709	6,693	6,949				
- Next four years		8,334	5,672	6,655					
- Next five years		8,259	5,685						
- Next six years		8,235							
Cumulative claim estimates		8,235	5,685	6,655	6,949	7,297	7,962	8,523	
Cumulative payments		(8,200)	(5,647)	(6,562)	(6,650)	(6,961)	(6,921)	(4,716)	
Total	435	35	38	93	299	336	1,041	3,807	6,084
Inward treaty									264
Unallocated loss adjustment expenses									112
Total gross loss reserves									6,460

(b) Net claims table

									(Unit: Million Baht)
Accident year/Reporting year	Prior to 2012	2012	2013	2014	2015	2016	2017	2018	Total
Loss reserves:									
- as at accident year		3,554	4,251	5,082	5,414	5,415	5,724	5,491	
- Next one year		3,784	4,521	5,267	5,720	5,549	5,736		
- Next two years		3,712	4,500	5,119	5,389	5,275			
- Next three years		3,701	4,283	4,983	5,383				
- Next four years		3,566	4,261	4,979					
- Next five years		3,546	4,262						
- Next six years		3,546							
Cumulative claim estimates		3,546	4,261	4,978	5,383	5,275	5,694	5,702	
Cumulative payments		(3,545)	(4,259)	(4,959)	(5,318)	(5,212)	(5,390)	(3,906)	
Total	179	1	2	19	65	63	304	1,796	2,429
Inward treaty									264
Unallocated loss adjustment expenses									112
Total net loss reserves									2,805

17.3 Assumption

Assumptions used in measurement of assets, liabilities, revenues, and expenses incurred on insurance contracts are summarised below;

(a) Assumptions of claims experience

At the end of the reporting periods, the Company estimates loss reserves using historical experience and actuarial technique, which is a standard that is generally accepted. In estimation of loss reserves, they are classified as gross (before reinsurance) and net (after reinsurance) reserves, by accident year, and duration of claim development. The Company uses the higher value between those determined from the Payment Method and the Incurred Method but excluding disaster losses. However, in calculation using the above-mentioned data, the management is required to exercise judgement to exclude all large claims in order to eliminate the fluctuations in loss development factor but include certain relevant large claims on a case-by-case basis where appropriate.

(b) Assumptions of related expenses

The Company estimates the unallocated loss adjustment expenses (ULAE) based on Claim Department's incurred expenses, for example, salaries, employee benefits, and technology costs, which is set as a ratio of ULAE to claims paid.

17.4 Unearned premium reserves

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2018	2017
Beginning balances	7,340,161,143	7,399,140,681
Premium written during the years	17,326,215,295	15,940,906,580
Premium earned during the years	(16,390,606,021)	(15,999,886,118)
Ending balances	<u>8,275,770,417</u>	<u>7,340,161,143</u>

17.5 Unexpired risk reserves

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2018	2017
Beginning balances	4,340,868,488	4,279,482,220
Estimated claims for the years	3,554,999,407	3,287,671,653
Risk expired during the years	(2,773,655,342)	(3,226,285,385)
Ending balances	5,122,212,553	4,340,868,488

18. Due to reinsurers

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2018	2017
Amounts withheld on reinsurance	1,031,419,571	1,045,802,502
Amounts due to reinsurers	1,147,509,615	1,005,714,067
Total due to reinsurers	2,178,929,186	2,051,516,569

19. Employee benefit obligations

Changes in employee benefit obligations, which were compensations on employee retirement, for the years ended 31 December 2018 and 2017 were as follows:

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2018	2017
Employee benefit obligations at beginning of the years	351,202,663	318,970,794
Included in profit or loss:		
Current service costs	40,336,101	28,564,608
Interest costs	14,048,107	12,758,832
Included in other comprehensive income or loss:		
Actuarial (gains) losses arising from:		
- Demographic assumptions changes	5,765,729	5,472,052
- Experience adjustments	(11,545,171)	(1,235,799)
Benefits paid during the years	(18,618,122)	(13,327,824)
Employee benefit obligations at end of the years	<u>381,189,307</u>	<u>351,202,663</u>

As at 31 December 2018 and 2017, the Company expected to pay Baht 9.7 million and Baht 11.2 million, respectively, of long-term employee benefits over the next 1-year period.

As at 31 December 2018 and 2017, the weighted average durations of the liabilities on long-term employee benefits were 11.4 years and 11.4 years, respectively.

The key assumptions used for actuarial calculation on the valuation dates were summarised below:

	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2018	2017
	(%)	(%)
Discount rates	4.0	4.0
Future salary incremental rate	6.0	6.0
Employee turnover rates (depending on age)	1.7 - 22.0	1.6 - 24.0

The results of sensitivity analysis based on key assumptions were summarised below:

(Unit: Million Baht)

	Financial statements in which the equity method is applied and Separate financial statements			
	Increase (decrease) in employee benefit obligations as at 31 December 2018		Increase (decrease) in employee benefit obligations as at 31 December 2017	
	+ 1 %	- 1 %	+ 1 %	- 1 %
Discount rate	(37.9)	44.5	(45.8)	53.7
Future salary incremental rate	40.7	(35.4)	49.8	(43.3)
Employee turnover rate	(14.7)	16.3	(17.6)	19.5

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company has additional liabilities for long-term employee benefits of Baht 64.4 million. The Company will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

20. Liabilities under finance lease agreements

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2018	2017
Liabilities under finance lease agreements	58,226,442	70,996,144
Less: Deferred interest expenses	(4,362,263)	(5,989,420)
Total	53,864,179	65,006,724
Less: Portion due within one year	(21,992,721)	(21,867,909)
Liabilities under finance lease agreements - net of current portion	<u>31,871,458</u>	<u>43,138,815</u>

As at 31 December 2018 and 2017, the Company entered into the finance lease agreements with leasing companies for rental of equipment and motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are on an average of 4 - 5 years.

As at 31 December 2018 and 2017, Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements		
	31 December 2018		
	within 1 year	1 - 5 years	Total
Future minimum lease payments	24,322,271	33,904,171	58,226,442
Deferred interest expenses	(2,329,550)	(2,032,713)	(4,362,263)
Present value of future minimum lease payments	<u>21,992,721</u>	<u>31,871,458</u>	<u>53,864,179</u>

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements		
	31 December 2017		
	<u>within 1 year</u>	<u>1-5 years</u>	<u>Total</u>
Future minimum lease payments	24,814,935	46,181,209	70,996,144
Deferred interest expenses	(2,947,026)	(3,042,394)	(5,989,420)
Present value of future minimum lease payments	<u>21,867,909</u>	<u>43,138,815</u>	<u>65,006,724</u>

21. Share capital

As at 31 December 2018 and 2017, the Company's registered, issue and paid-up share capital consisted of 106,470,000 ordinary shares with a par value of Baht 10 each.

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% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

23. Segment information/major customers

23.1 Segment information reporting

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the Chief Operating Decision Maker in order to make decisions about the allocation of resources to the segment and assess its performance. The Chief Operating Decision Maker has been identified as Chairman.

For management purposes, the Company is organised into business units based on its products, which consisted of Fire, Marine and transportation, Motor, and Miscellaneous.

The Chief Operating Decision Maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss, total assets and total liabilities and on a basis consistent with that used to measure operating profit or loss, total assets and total liabilities in the financial statements.

(Unit: Baht)

Financial statements in which equity method is applied					
For the year ended 31 December 2018					
	Fire	Marine and transportation	Motor	Miscellaneous	Total
Underwriting revenues					
Gross premium written	1,610,346,954	436,105,533	6,888,129,666	8,391,633,142	17,326,215,295
Less: Premium ceded to reinsurers	(508,754,084)	(219,351,192)	(184,033,726)	(4,475,964,956)	(5,388,103,958)
Net premium written	1,101,592,870	216,754,341	6,704,095,940	3,915,668,186	11,938,111,337
Less: Unearned premium reserves increased from prior year	(12,493,890)	(9,698,518)	(526,583,490)	(89,009,412)	(637,785,310)
Earned premium	1,089,098,980	207,055,823	6,177,512,450	3,826,658,774	11,300,326,027
Commission and brokerage fee income	209,059,626	85,563,085	50,927,484	791,197,347	1,136,747,542
Total underwriting income	1,298,158,606	292,618,908	6,228,439,934	4,617,856,121	12,437,073,569
Underwriting expenses					
Net claims	162,443,395	50,014,959	3,918,055,885	1,454,599,198	5,585,113,437
Commission and brokerage expenses	351,716,776	45,012,854	1,017,636,680	891,510,712	2,305,877,022
Other underwriting expenses	229,768,691	63,530,844	818,459,991	882,561,547	1,994,321,073
Total underwriting expenses	743,928,862	158,558,657	5,754,152,556	3,228,671,457	9,885,311,532
Profit from underwriting	554,229,744	134,060,251	474,287,378	1,389,184,664	2,551,762,037
Shares of profits from investments in associates					16,993,029
Investment revenue					1,144,107,573
Gains on investments					85,476,176
Other income					159,512,046
Operating expenses					(1,080,794,420)
Investment expenses					(88,456,441)
Finance costs					(3,265,991)
Profit before income tax expenses					2,785,334,009
Less: Income tax expenses					(378,525,685)
Profit for the year					2,406,808,324

(Unit: Baht)

Financial statements in which equity method is applied					
For the year ended 31 December 2017					
	Fire	Marine and transportation	Motor	Miscellaneous	Total
Underwriting revenues					
Gross premium written	1,553,267,752	427,815,934	6,101,855,585	7,857,967,309	15,940,906,580
Less: Premium ceded to reinsurers	(474,984,893)	(224,070,768)	(175,098,813)	(4,108,222,080)	(4,982,376,554)
Net premium written	1,078,282,859	203,745,166	5,926,756,772	3,749,745,229	10,958,530,026
Add (less): Unearned premium reserves (increased) decreased from prior year	14,895,406	(3,380,303)	256,797,511	(185,526,657)	82,785,957
Earned premium	1,093,178,265	200,364,863	6,183,554,283	3,564,218,572	11,041,315,983
Commission and brokerage fee income	219,126,485	78,421,101	45,531,267	720,619,312	1,063,698,165
Total underwriting income	1,312,304,750	278,785,964	6,229,085,550	4,284,837,884	12,105,014,148
Underwriting expenses					
Net claims	161,464,740	30,615,865	3,975,314,148	1,530,476,472	5,697,871,225
Commission and brokerage expenses	355,952,450	45,514,354	887,104,425	811,644,697	2,100,215,926
Other underwriting expenses	250,115,184	62,977,070	760,391,374	846,850,156	1,920,333,784
Total underwriting expenses	767,532,374	139,107,289	5,622,809,947	3,188,971,325	9,718,420,935
Profit from underwriting	544,772,376	139,678,675	606,275,603	1,095,866,559	2,386,593,213
Shares of profits from investments in associates					12,017,730
Investment revenue					1,139,395,395
Gains on investments					124,136,764
Other income					180,074,950
Operating expenses					(986,582,063)
Investment expenses					(89,715,156)
Finance costs					(3,618,163)
Profit before income tax expenses					2,762,302,670
Less: Income tax expenses					(359,205,203)
Profit for the year					2,403,097,467

The following table presented the Company's operating segment assets and liabilities as at 31 December 2018 and 2017.

(Unit: Baht)

Financial statements in which the equity method is applied							
	Fire	Marine and transportation	Motor	Miscellaneous	Total segments	Unallocated	Total
Assets							
As at 31 December 2018	603,858,249	193,570,534	924,619,709	7,193,042,244	8,915,090,736	51,705,118,563	60,620,209,299
As at 31 December 2017	644,824,302	245,621,730	759,939,181	6,330,752,962	7,981,138,175	52,121,642,186	60,102,780,361
Liabilities							
As at 31 December 2018	3,277,391,494	284,219,492	5,442,711,078	9,636,542,299	18,640,864,363	7,103,980,735	25,744,845,098
As at 31 December 2017	3,349,900,257	354,963,279	5,024,733,940	8,819,112,529	17,548,710,005	7,498,628,411	24,957,338,416

23.2 Geographic information

The Company operates in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

23.3 Major customers

In 2018 and 2017, the Company has gross premium written from one major customer in amount of Baht 2,696 million and Baht 2,748 million, respectively.

24. Operating expenses

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2018	2017
Personnel expenses	440,353,822	429,829,528
Premises and equipment expenses	355,871,319	370,627,270
Taxes and duties	4,089,538	1,940,409
Bad debts and doubtful accounts (reversal)	6,652,781	(129,316,020)
Other operating expenses	273,826,960	313,500,876
Total operating expenses	<u>1,080,794,420</u>	<u>986,582,063</u>

25. Expenses by nature

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2018	2017
Net claims	5,184,686,029	5,314,786,349
Commissions and brokerage expenses	2,305,877,022	2,100,215,926
Other underwriting expenses	562,357,425	535,187,194
Personnel expenses	1,194,305,056	1,151,241,211
Premises and equipment expenses	752,805,835	781,692,658
Other operating expenses	1,053,665,888	910,620,834
Investment expenses	865,138	973,982
Finance costs	3,265,991	3,618,163
Total	<u>11,057,828,384</u>	<u>10,798,336,317</u>

26. Provident fund

The Company and its employees jointly established a provident fund under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the Company on a monthly basis, at rates ranging from 5% to 10% of the employees' basic salaries, based on the length of employment. The fund is managed by a fund manager which has been approved by the Ministry of Finance. During the years ended 31 December 2018 and 2017, the Company recognised the contributed Baht 62.6 million and Baht 56.9 million, respectively, to the fund.

27. Earnings per share

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

28. Dividends paid

Dividends declared during the years 2018 and 2017 were as follow:

	Approved by	Total dividend (Million Baht)	Dividend per share (Baht)
The 3 rd interim dividend for 2018	Meeting No. 5/18 of Board of Directors on 9 November 2018	319.4	3.00
The 2 nd interim dividend for 2018	Meeting No. 4/18 of Board of Directors on 10 August 2018	319.4	3.00
The 1 st interim dividend for 2018	Meeting No. 2/18 of Board of Directors on 11 May 2018	319.4	3.00
Annual dividend for 2017	Annual General Meeting No. 25 of the Shareholders on 27 April 2018	532.3	5.00
Total dividends for the year 2018		<u>1,490.5</u>	<u>14.00</u>
	Approved by	Total dividend (Million Baht)	Dividend per share (Baht)
The 3 rd interim dividend for 2017	Meeting No. 4/17 of Board of Directors on 10 November 2017	319.4	3.00
The 2 nd interim dividend for 2017	Meeting No. 3/17 of Board of Directors on 11 August 2017	319.4	3.00
The 1 st interim dividend for 2017	Meeting No. 2/17 of Board of Directors on 12 May 2017	319.4	3.00
Annual dividend for 2016	Annual General Meeting No. 24 of the Shareholders on 28 April 2017	532.3	5.00
Total dividend for the year 2017		<u>1,490.5</u>	<u>14.00</u>

29. Related party transactions

29.1 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 relationship between the Company and its related parties are summarised below:

Name of related parties	Type of business	Relationship with the Company
Asia Insurance (Cambodia) Plc.	Non-life insurance	Associate
Asian Insurance International (Holding) Limited	Holding company	Associate
Bangkok Insurance (Lao) Company Limited	Non-life insurance	Associate
Bangkok Bank Pcl.	Banking	Related by way of having common directors and shareholding
Bangkok Aviation Fuel Services Pcl.	Energy and Utilities	Related by way of having common directors and shareholding
Asia Plus Group Holdings Pcl.	Securities	Related by way of having common directors and shareholding
Fuel Pipeline Transportation Co., Ltd.	Energy and Utilities	Related by way of having common directors and shareholding
Thai Indo Kordsa Co., Ltd.	Manufacture of Textiles	Related by way of having common directors and shareholding
Bangkok Life Assurance Pcl.	Life insurance	Related by way of having common directors and shareholding
Thai Orix Leasing Co., Ltd.	Finance	Related by way of having common directors and shareholding
Asia Insurance (Investments) Limited	Holding company	Related by way of having common directors and shareholding
Thai Reinsurance Pcl. ⁽¹⁾	Insurance	Related by way of having common directors and shareholding
Charoong Thai Wire and Cable Pcl. ⁽¹⁾	Electrical products	Related by way of having common directors and shareholding
Furukawa Metal (Thailand) Pcl. ⁽¹⁾	Electrical products	Related by way of having common directors and shareholding
Bumrungrad Hospital Pcl.	Health care services	Related by way of having common directors and shareholding
Bangkok Glass Co., Ltd. ⁽¹⁾	Packaging	Related by way of having common directors and shareholding
Sorachai Vivatn Co., Ltd.	Property development	Related by way of having common directors and shareholding
Bangpa-in golf Co., Ltd. ⁽¹⁾	Entertainment and Leisure	Related by way of having common directors and shareholding
Thai Metal Processing Co., Ltd. ⁽¹⁾	Electronic parts	Related by way of having common directors and shareholding
Asia Sermkij Co., Ltd. ⁽¹⁾	Finance	Related by way of having common directors and shareholding
AIOI Bangkok Insurance Pcl.	Non-life insurance	Related by way of shareholding
EMCS Thai Co., Ltd. ⁽²⁾	Professional services	Related by way of shareholding
Bualuang Securities Pcl.	Securities	Subsidiary of the major shareholder of the Company

⁽¹⁾ This entity had been considered a related party until 16 June 2017, which was the date when there was no more common director and percentage of cross-shareholding was also less than 10% of the issued and paid-up share capital. However, such company had been considered a related party since 9 November 2018, which was the date when there was common directors and shareholding.

⁽²⁾ This company had been ceased to be the Company's related party since 7 August 2017, the date on which the Company sold all its entire investment in such company.

29.2 Significant related party transactions

During the years ended 31 December 2018 and 2017, the Company had significant business transactions with its related parties. Such transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course business between the Company and those parties are as follows:

(Unit: Thousand Baht)

	For the years ended		Pricing policy
	31 December		
	2018	2017	
<u>Transactions with associates</u>			
<i>Revenues</i>			
Dividend income ⁽¹⁾	-	4,456	The declared amount
<u>Transactions with related companies</u>			
<i>Revenues</i>			
Premium written	573,748	498,816	Normal commercial terms for underwriting
Fee and commission income	172,190	106,160	Normal commercial terms for reinsurance depending on type of insurance and reinsurance contract
Interest income ⁽¹⁾	64,450	88,435	Similar rates as financial institutions and related companies offer to their general customers
Dividend income ⁽¹⁾	584,560	604,786	The declared amount
Rental income ⁽²⁾	2,608	1,685	Same rates the Company offered to its general customers
<i>Expenses</i>			
Premium ceded to reinsurers	545,774	356,970	Normal commercial terms for reinsurance depending on types of insurance and reinsurance contracts
Net claims (reversal)	(246,888)	(189,907)	As actually incurred
Commissions and brokerages	50,870	34,362	Normal commercial terms for underwriting
Management fee for private fund ⁽³⁾	268	282	Similar rates the related party offered to its general customers
Fee for trading securities ⁽³⁾	509	565	Similar rates which the related party offered to general customers
<i>Owner's equity</i>			
Dividend paid	180,693	180,691	The declared amount

⁽¹⁾ Presented in "Net investment revenue" in statements of comprehensive income

⁽²⁾ Presented in "Other income" in statements of comprehensive income

⁽³⁾ Presented in "Operating expenses" in statements of comprehensive income

29.3 Outstanding balances

As at 31 December 2018 and 2017, the Company had the following significant balances with its related companies.

	(Unit: Thousand Baht)	
	31 December	
	2018	2017
<u>Transactions with associates</u>		
General investments - equity securities	98,346	80,541
<u>Transactions with related companies</u>		
Deposits at financial institutions	3,872,992	5,301,523
Premium receivables	35,040	21,129
Accrued interest receivables - debentures (including in accrued investment income)	-	151
Reinsurance assets		
Amounts deposited on reinsurance	6,817	5,622
Amounts due from reinsurers	9,771	14,259
Available-for-sale investments		
Equity securities	29,570,730	30,166,833
Debentures	-	102,990
General investments - equity securities	680,231	471,658
Other assets		
Deposits and golf club membership fees	37,186	37,565
Due to reinsurers		
Amounts withheld on reinsurance	101,783	106,248
Amounts due to reinsurers	38,403	32,128
Other Liabilities		
Liabilities under finance lease agreements	173	486
Accounts payable on purchases of securities	1,789	1,672

29.4 Directors' and key management's benefits

During the years ended 31 December 2018 and 2017, the Company had employee benefit expenses incurred on their directors and key management as below.

(Unit: Million Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2018	2017
Short-term benefits	96.6	93.5
Post-employment benefits	9.4	(0.4)
Total	106.0	93.1

30. Assets subject to restriction and commitment

As at 31 December 2018 and 2017, the Company had the following assets placed with the Registrar as securities and insurance reserves in accordance with the Non-life Insurance Act and as placed with the bank as collateral.

(Unit: Million Baht)

	Financial statements in which the equity method is applied and Separate financial statements			
	31 December			
	2018		2017	
	Cost	Fair value	Cost	Fair value
Placed as securities				
Government bonds	14.0	14.0	14.0	14.1
Placed as insurance reserves				
Ordinary shares	35.2	175.6	35.2	169.8
Government bonds	926.0	924.1	766.0	778.6
Debentures	100.0	104.0	250.0	259.3
	1,061.2	1,203.7	1,051.2	1,207.7
Placed to secure bank overdraft facilities				
Deposited at financial institutions	30.0	30.0	30.0	30.0
Placed to secure performance bonds				
Government and state enterprise bonds	38.1	38.2	49.3	50.6
Placed to secure bank guarantees				
Deposited at financial institutions	20.0	20.0	20.0	20.0

31. Contribution to the General Insurance Fund

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2018	2017
Accumulated contribution at the beginning of the years	275,017,078	236,600,804
Contribution during the years	41,821,662	38,416,274
Accumulated contribution at the end of the years	<u>316,838,740</u>	<u>275,017,078</u>

32. Commitments and contingent liabilities

32.1 Operating lease commitments

The Company entered into several lease agreements in respect of the lease of land and office building space. The terms of the agreements are 33 years for land and more than 3 years for office building space.

As at 31 December 2018 and 2017, future minimum lease payments required under those non-cancellable operating lease contracts were as follows.

(Unit: Million Baht)

	31 December	
Payable	2018	2017
Within 1 year	31	24
Over 1 year and not over 5 years	114	102
Over 5 years	90	118

32.2 Capital Commitments

As at 31 December 2018 and 2017, there were outstanding capital commitments contracted for decoration, construction building, and computer software development amounting to Baht 4.9 million and Baht 12.7 million, respectively.

32.3 Litigation

As at 31 December 2018 and 2017, the Company had litigation claims totaling approximately Baht 3,369.9 million and Baht 4,093.6 million, respectively, as an insurer. The outcomes of the cases have not yet been finalised whereby the maximum responsibility of such claims limits at the lower of the sum insured or the sum sued totaling Baht 1,114.4 million and Baht 1,317.9 million, respectively. However, the Company has considered and estimated for losses that may arise from those cases amounting to approximately Baht 302.7 million and Baht 428.2 million, respectively, which were already recognised in “Insurance contract liabilities” in the statements of financial position as at those dates.

33. Risks of non-life insurance company

33.1 Insurance risk

The Company gives a high priority to insurance risk since accepting insurance is the Company’s core business. Therefore, the Company set a policy to underwrite insurance prudently and in line with the real insurance risk, a policy to manage claim promptly and on a fairness basis, and a policy to have insurance ceded in line with other types of risk such as credit risk, taking into accounts creditability of reinsurer, which shall have credit rating not less than the Company’s determined policy and concentration risk, taking into accounts the proportion of product mix and the reinsurance concentration not to be exceeding the settling limit.

Concentration of insurance contracts liabilities segregated by insurance type were shown below.

(Unit: Baht)

	31 December 2018					
	Gross premium reserves	Outward premium reserves	Net	Gross loss reserves	Outward loss reserves	Net
Fire	801,726,606	(233,089,883)	568,636,723	509,285,949	(225,027,099)	284,258,850
Marine and transportation	134,963,706	(63,436,183)	71,527,523	87,415,831	(41,484,769)	45,931,062
Motor	3,668,100,160	(92,127,938)	3,575,972,222	1,709,651,215	(33,732,220)	1,675,918,995
Miscellaneous	3,670,979,945	(2,057,599,121)	1,613,380,824	4,153,475,508	(3,354,215,894)	799,259,614
Total	8,275,770,417	(2,446,253,125)	5,829,517,292	6,459,828,503	(3,654,459,982)	2,805,368,521

(Unit: Baht)

31 December 2017

	Outward		Net	Gross loss	Outward loss	Net
	Gross premium reserves	premium reserves		reserves	reserves	
Fire	786,521,576	(230,378,743)	556,142,833	622,579,970	(262,133,657)	360,446,313
Marine and transportation	124,385,709	(62,556,704)	61,829,005	173,570,932	(107,211,603)	66,359,329
Motor	3,135,290,603	(85,901,871)	3,049,388,732	1,847,925,961	(40,847,938)	1,807,078,023
Miscellaneous	3,293,963,255	(1,769,591,843)	1,524,371,412	3,778,105,597	(2,928,773,566)	849,332,031
Total	7,340,161,143	(2,148,429,161)	5,191,731,982	6,422,182,460	(3,338,966,764)	3,083,215,696

Sensitivity analysis is performed to analyse the risk that insurance liabilities will increase or decrease as a result of changes in the assumptions used in calculating for both gross and net loss reserves, profit before income taxes, and owner's equity. The risk may occur because the frequency and severity of damage, or loss adjustment expenses may not be as expected.

(Unit: Million Baht)

31 December 2018

	Assumption change	Increase (decrease)	Increase (decrease)	Increase (decrease)	Increase (decrease)
		in provision for gross claim liabilities	in provision for net claim liabilities	in profit before taxes	in owner's equity
Average claim expenses	+10 %	824.6	549.1	(549.1)	(439.3)
Average claim expenses	-10 %	(824.6)	(549.1)	549.1	439.3
Average number of claim	+10 %	824.6	549.1	(549.1)	(439.3)
Average number of claim	-10 %	(824.6)	(549.1)	549.1	439.3

(Unit: Million Baht)

31 December 2017

	Assumption change	Increase (decrease)	Increase (decrease)	Increase (decrease)	Increase (decrease)
		in provision for gross claim liabilities	in provision for net claim liabilities	in profit before taxes	in owner's equity
Average claim expenses	+10 %	845.4	572.4	(572.4)	(457.9)
Average claim expenses	-10 %	(845.4)	(572.4)	572.4	457.9
Average number of claim	+10 %	845.4	572.4	(572.4)	(457.9)
Average number of claim	-10 %	(845.4)	(572.4)	572.4	457.9

33.2 Risk management

(a) Credit risk

Concentrations of the credit risk with respect to premium receivables and amounts due from reinsurance are considered low due to the large number of customers comprising the customer base and their dispersion across different industries and geographic regions in Thailand.

The Company has considered the financial status and credit rating of all reinsurance companies and purchased reinsurance policies from many trustworthy companies that are capable of reinsurance, which helps distribute the risk. In addition, it has cautiously scrutinized the reinsurance conditions through its department that is well versed in the reinsurance business, including having its legal department consider legal issues, in order to minimize such risk and also possesses an efficient process of closely following up its outstanding premiums from the insured, agent and broker, apart from requiring the agent and broker to submit collateral within the specified credit limit allowed by the Company.

Concentrations of the credit risk with respect to secured loans are considered low due to the large number of customers comprising the customer base and their dispersion across different industries and geographic regions in Thailand. In addition the values of the securities placed as collateral are adequate for the Company to receive complete payment of debt and the ratio of loans to collateral values is in accordance with the notification of the OIC. The Company will consider its debtors' financial status and ability to pay debt based on a sound credit analysis standard. Meanwhile, loan to value will be determined so that it is not beyond the legal limit, apart from following up a cash flow in which a payment is made in each month, and debtors' consistency of debt payment.

The maximum exposure to credit risk is limited to the book value of assets after deduction of allowance for doubtful accounts as stated in the statements of financial position.

(b) Interest rate risk

The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions, investments in securities and loans.

The Company's exposure to interest rate risk relates to loans is low because most of loans bear floating interest rate. Whenever market rate is significantly higher than the rate in loans' agreement, the Company can adjust the interest without deniable by borrower according to the defined criteria in loan agreement between the Company and borrower for loans which bear fixed interest rate.

The Company has closely followed up the determination of the policy interest rates of the Bank of Thailand, direction of a change in the United States' Federal Reserve's interest rates, and return rates in the debt securities market in order to define the investment duration in accordance with the fluctuation of interest rates. In addition, the Company also has a policy of occupying debt instruments until they are due so as to minimize the risks incurred by instrument price volatility, apart from managing its bank deposits so that they have due amounts every month and in an approximate amount, which helps reduce a reinvestment risk.

As at 31 December 2018 and 2017, significant assets and liabilities classified by type of interest rate were summarised in the table below;

(Unit: Baht)

	31 December 2018						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate
	Maturity date or repricing date						
	Within 1 year	1-5 years	Over 5 years				(% per annum)
Financial assets							
Cash and cash equivalents	260,000,000	-	-	156,948,945	2,617,841	419,566,786	0.38 - 1.45
Investments in securities							
Government and state enterprise securities	4,785,100,709	470,213,086	195,461,520	-	-	5,450,775,315	1.43 - 3.18
Private enterprise debt securities	314,386,741	787,109,482	-	-	-	1,101,496,223	2.21 - 4.62
Equity securities	-	-	-	-	35,494,649,837	35,494,649,837	-
Deposits at financial institutions	5,904,387,597	-	-	-	-	5,904,387,597	1.25 - 1.85
Loans	-	-	109,792,580	1,330,608,979	-	1,440,401,559	4.00 - 7.00
Assets under insurance contracts							
Premium receivables	-	-	-	-	2,704,395,600	2,704,395,600	-
Reinsurance assets - loss reserves	-	-	-	-	3,654,459,982	3,654,459,982	-
Reinsurance receivables	-	-	-	-	236,156,098	236,156,098	-
Liabilities under insurance contracts							
Insurance contract liabilities - loss reserves	-	-	-	-	6,459,828,503	6,459,828,503	-
Due to reinsurers	-	-	-	-	2,178,929,186	2,178,929,186	-

(Unit: Baht)

31 December 2017

	Fixed interest rates						
	Maturity date or repricing date						
	Within	1-5	Over	Floating	Non-interest	Total	Effective
	1 year	years	5 years	interest rate	bearing		
							(% per annum)
Financial assets							
Cash and cash equivalents	270,000,000	-	-	127,004,620	2,579,000	399,583,620	0.38 - 1.35
Investments in securities							
Government and state enterprise securities	899,427,207	865,915,565	199,537,280	-	-	1,964,880,052	1.34 - 4.50
Private enterprise debt securities	365,665,888	972,252,441	-	-	-	1,337,918,329	2.21 - 4.71
Equity securities	-	-	-	-	36,465,250,254	36,465,250,254	-
Deposits at financial institutions	8,051,575,864	-	-	-	-	8,051,575,864	1.25 - 2.00
Loans	-	-	53,891,402	1,305,416,770	-	1,359,308,172	4.00 - 7.00
Assets under insurance contracts							
Premium receivables	-	-	-	-	2,401,046,091	2,401,046,091	-
Reinsurance assets - loss reserves	-	-	-	-	3,338,966,764	3,338,966,764	-
Reinsurance receivables	-	-	-	-	239,202,038	239,202,038	-
Liabilities under insurance contracts							
Insurance contract liabilities - loss reserves	-	-	-	-	6,422,182,460	6,422,182,460	-
Due to reinsurers	-	-	-	-	2,051,516,569	2,051,516,569	-

(c) Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from foreign currency denominated underwriting, reinsurance with foreign reinsurers and investments in foreign associates that are denominated in foreign currencies. The Company does not utilise forward foreign currency contracts to mitigate its exposure to foreign currency risk.

The Company may use financial instruments to prevent exchange rate risks, for instance, Cross Currency and Interest Rate Swap, Interest Rate Swap, and Foreign Exchange Forward, in order to minimize the risks in accordance with the market situation and in line with the regulator's requirements. Furthermore, the Company has also developed its information technology system so as to be used to evaluate the level of investment risk through various assessment methods and models, for example, Value at Risk, Sensitivity Analysis, and Stress Test to ensure that the Company still has financial standing flexible enough to counter the damage which may occur.

As at 31 December 2018 and 2017, the balances of assets and liabilities denominated in foreign currencies were summarised below.

Foreign currency	Assets		Liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017
	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Baht per 1 foreign currency unit)	
US dollar	451.2	416.4	397.9	382.6	32.404	32.641
HK dollar	7.0	6.4	-	-	4.135	4.174
Indonesian rupiahs	2.6	1.8	-	-	0.002	0.002
English euro	-	0.6	1.0	1.5	37.073	38.975
Japanese yen	0.2	0.2	-	-	0.293	0.289
Vietnam dong	0.2	-	-	-	0.001	0.001

(d) Equity position risk

Equity position risk is the risk that change in the market prices of equity securities will result in fluctuations in revenues and in the value of financial assets.

The Company will choose to invest in equity securities of which the issuers possess robust financial status and an ability to make a profit, with steady growth potential, as well as in the business deriving the benefits of the government policy. Additionally, the Company will mostly occupy equity instruments for its long-term investments, which will be able to reduce price volatility of equity instruments.

As at 31 December 2018 and 2017, the Company had risk from its investments in equity securities of which the price would change with reference to market conditions.

(e) Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the occurrence of a financial loss.

The Company has allocated a portion of investment as a bank deposit with high liquidity, which is reserved for operating expenses, while the deposit is defined to be due in each period, in conformity with a demand for spending in accordance with a plan for the cash flow management, financial reception and payment based on an obligation established. As to the other portion, the Company has allotted investment in stocks required by the market, with high liquidity and an ability to be realized as cash conveniently, as well as at the value approximate to the fair value.

Counting from the financial position date, the periods to maturity of assets and liabilities held as at 31 December 2018 and 2017 were as follows:

(Unit: Baht)

	31 December 2018					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
Financial assets						
Cash and cash equivalents	159,566,786	260,000,000	-	-	-	419,566,786
Investments in securities	-	11,003,875,047	1,257,322,568	195,461,520	35,494,649,837	47,951,308,972
Loans	-	762,249,307	337,580,279	340,571,973	-	1,440,401,559
Assets under insurance contracts						
Premium receivables	-	2,704,395,600	-	-	-	2,704,395,600
Reinsurance assets - loss reserves	-	2,337,937,543	1,316,522,439	-	-	3,654,459,982
Reinsurance receivables	-	236,156,098	-	-	-	236,156,098
Liabilities under insurance contracts						
Insurance contract liabilities - loss reserves	-	4,132,669,575	2,327,158,928	-	-	6,459,828,503
Due to reinsurers	-	2,178,929,186	-	-	-	2,178,929,186

(Unit: Baht)

	31 December 2017					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
Financial assets						
Cash and cash equivalents	129,583,620	270,000,000	-	-	-	399,583,620
Investments in securities	-	9,316,668,959	1,838,168,006	199,537,280	36,465,250,254	47,819,624,499
Loans	-	830,280,484	171,857,749	357,169,939	-	1,359,308,172
Assets under insurance contracts						
Premium receivables	-	2,401,046,091	-	-	-	2,401,046,091
Reinsurance assets - loss reserves	-	1,994,813,696	1,344,153,068	-	-	3,338,966,764
Reinsurance receivables	-	239,202,038	-	-	-	239,202,038
Liabilities under insurance contracts						
Insurance contract liabilities - loss reserves	-	3,836,832,899	2,585,349,561	-	-	6,422,182,460
Due to reinsurers	-	2,051,516,569	-	-	-	2,051,516,569

33.3 Fair value of financial assets

As of 31 December 2018 and 2017, the Company had the following financial assets that were measured at fair value or cost but fair value are disclosed by using different levels of inputs as follows:

(Unit: Baht)

	31 December 2018				Carrying Value
	Fair Value				
	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value					
Investments in securities					
Government and state					
enterprise securities	-	5,450,775,315	-	5,450,775,315	5,450,775,315
Private enterprise debt					
securities	-	1,101,496,223	-	1,101,496,223	1,101,496,223
Equity securities	33,941,921,401	865,407,154	-	34,807,328,555	34,807,328,555
Financial asset for which fair value are disclosed					
Cash and cash equivalent	419,566,786	-	-	419,566,786	419,566,786
Investment in securities					
Held-to-maturity investments	5,904,387,597	-	-	5,904,387,597	5,904,387,597
Other investments - net	-	-	2,781,108,871	2,781,108,871	687,321,282
Loans	-	-	1,366,559,540	1,366,559,540	1,440,401,559
Investment properties - net	-	-	170,296,350	170,296,350	152,436,405

(Unit: Baht)

	31 December 2017				Carrying Value
	Fair Value				
	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value					
Investments in securities					
Government and state					
enterprise securities	-	1,964,880,052	-	1,964,880,052	1,964,880,052
Private enterprise debt					
securities	-	1,337,918,329	-	1,337,918,329	1,337,918,329
Equity securities	34,857,099,364	898,230,208	-	35,755,329,572	35,755,329,572
Financial asset for which fair value are disclosed					
Cash and cash equivalent	399,583,620	-	-	399,583,620	399,583,620
Investment in securities					
Held-to-maturity investments	8,051,575,864	-	-	8,051,575,864	8,051,575,864
Other investments - net	-	-	2,346,704,102	2,346,704,102	709,920,682
Loans	-	-	1,313,079,868	1,313,079,868	1,359,308,172
Investment properties - net	-	-	205,998,916	205,998,916	169,666,034

The fair value hierarchy of financial assets presents according to Note 4.19 to financial statements. During the years, there were no transfers within the fair value hierarchy.

The methods and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

- (a) Financial assets which have short-term maturity, including cash and cash equivalents, are presented at fair value, which approximate their carrying values as stated in the statements of financial position.
- (b) Investments in equity securities are presented at fair value, which is derived from market price. In case of non-marketable equity securities, the fair value is determined using price per book value or discount cash flow techniques discounted by the Weighted Average Cost of Capital (WACC) appropriate to each security, except for investment units, which are not listed on the Stock Exchange of Thailand, their fair values are determined using the net asset value per unit announced by the fund managers.
- (c) Investments in debts securities are presented at market prices or determined using the yield curve as announced by the Thai Bond Market Association.
- (d) Long-term loans are presented at fair value, which is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- (e) Investment properties are presented at fair values, which are appraised by an independent valuer using the income approach. The key assumptions used in such appraisal are yield rate, inflation rate, long-term vacancy rate and long-term growth rate in rental fee.

34. Capital management

The primary objectives of the Company's capital management are to ensure that it preserves the ability to continue its business as a going concern and to maintain capital reserve in accordance with Notifications of the Office of Insurance Commission.

35. Approval of interim financial statements

These financial statements were authorised for issue by the Company's Executive Directors on 20 February 2019.