

Bangkok Insurance Public Company Limited
Report and financial statements
31 December 2019

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 2019, 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 2019, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

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 were described below.

Gross premium written

In 2019, the Company had gross premium written of Baht 21,009 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 2019, the Company had loss reserves of Baht 5,631 million (included as a part of insurance contract 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 2019, the Company had outstanding balances of premium receivables, reinsurance assets (loss reserves refundable from reinsurers), and reinsurance receivables totaling Baht 6,003 million (before allowances for doubtful accounts and impairment of Baht 64 million). 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 2019, the Company had investments in associates and general investments, stated at cost less allowance for impairment in the separate financial statements, totaling Baht 856 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 such 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.

Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 20 February 2020

Bangkok Insurance Public Company Limited**Statement of financial position****As at 31 December 2019**

(Unit: Baht)

	Financial statements				
	Note	in which the equity method is applied		Separate financial statements	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Assets					
Cash and cash equivalents	6	138,824,094	419,566,786	138,824,094	419,566,786
Premium receivables - net	7	2,781,688,227	2,704,395,600	2,781,688,227	2,704,395,600
Accrued investment income		71,681,658	41,426,814	71,681,658	41,426,814
Reinsurance assets - net	8	5,652,331,757	6,100,713,107	5,652,331,757	6,100,713,107
Reinsurance receivables - net	9	393,520,487	236,156,098	393,520,487	236,156,098
Investment assets					
Investments in securities - net	10	44,958,408,793	47,951,308,972	44,958,408,793	47,951,308,972
Loans - net	11	1,313,733,175	1,440,401,559	1,313,733,175	1,440,401,559
Investments in associates	12.1	246,370,557	227,741,827	129,395,722	129,395,722
Investment properties - net	13	135,206,776	152,436,405	135,206,776	152,436,405
Premises and equipment - net	14	740,711,978	814,168,460	740,711,978	814,168,460
Intangible assets - net	15	116,379,604	164,773,921	116,379,604	164,773,921
Other assets					
Land and building leasehold rights - net		38,927,075	43,940,582	38,927,075	43,940,582
Others		739,299,170	323,179,168	739,299,170	323,179,168
Total assets		57,327,083,351	60,620,209,299	57,210,108,516	60,521,863,194

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

Bangkok Insurance Public Company Limited
Statement of financial position (continued)
As at 31 December 2019

(Unit: Baht)

	Financial statements				
	Note	in which the equity method is applied		Separate financial statements	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Liabilities and owners' equity					
Liabilities					
Insurance contract liabilities	17	15,609,540,384	14,735,598,920	15,609,540,384	14,735,598,920
Due to reinsurers	18	2,553,721,341	2,178,929,186	2,553,721,341	2,178,929,186
Income tax payable		136,230,766	168,637,153	136,230,766	168,637,153
Employee benefit obligations	19	710,874,638	381,189,307	710,874,638	381,189,307
Deferred tax liabilities	16.1	3,476,762,989	4,724,428,194	3,453,368,022	4,704,758,973
Other liabilities					
Premiums received in advance		1,810,511,932	1,868,685,541	1,810,511,932	1,868,685,541
Commission payables		416,503,130	367,452,819	416,503,130	367,452,819
Accrued expenses		683,969,720	574,301,037	683,969,720	574,301,037
Liabilities under finance lease agreements	20	40,059,231	53,864,179	40,059,231	53,864,179
Others		865,812,134	691,758,762	865,812,134	691,758,762
Total liabilities		26,303,986,265	25,744,845,098	26,280,591,298	25,725,175,877
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	23	7,000,000,000	3,100,000,000	7,000,000,000	3,100,000,000
Unappropriated		4,223,458,003	7,302,708,577	4,126,084,666	7,224,031,693
Other component of owners' equity		17,185,969,083	21,858,985,624	17,189,762,552	21,858,985,624
Total owners' equity		31,023,097,086	34,875,364,201	30,929,517,218	34,796,687,317
Total liabilities and owners' equity		57,327,083,351	60,620,209,299	57,210,108,516	60,521,863,194

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

Directors

Bangkok Insurance Public Company Limited
Statement of comprehensive income
For the year ended 31 December 2019

(Unit: Baht)

	Note	Financial statements			
		in which the equity method is applied		Separate financial statements	
		2019	2018	2019	2018
Profit or loss:					
Revenues					
Gross premium written		21,008,919,254	17,326,215,295	21,008,919,254	17,326,215,295
Less: Premium ceded to reinsurers		(6,564,361,462)	(5,388,103,958)	(6,564,361,462)	(5,388,103,958)
Net premium written		14,444,557,792	11,938,111,337	14,444,557,792	11,938,111,337
Less: Unearned premium reserves increased from prior year		(1,260,958,528)	(637,785,310)	(1,260,958,528)	(637,785,310)
Earned premium		13,183,599,264	11,300,326,027	13,183,599,264	11,300,326,027
Fee and commission income		1,253,218,538	1,136,747,542	1,253,218,538	1,136,747,542
Shares of profits from investments in associates, accounted for under the equity method	12.2	23,370,566	16,993,029	-	-
Investment revenue		1,226,490,451	1,144,107,573	1,226,490,451	1,144,107,573
Gains on investments		281,138,063	85,476,176	281,138,063	84,663,692
Other income		182,847,401	159,512,046	182,847,401	159,512,046
Total revenues		16,150,664,283	13,843,162,393	16,127,293,717	13,825,356,880
Expenses					
Gross claims		9,125,530,494	7,983,442,473	9,125,530,494	7,983,442,473
Less: Claim recovery from reinsurers		(1,996,776,128)	(2,398,329,036)	(1,996,776,128)	(2,398,329,036)
Commissions and brokerages		2,717,316,602	2,305,877,022	2,717,316,602	2,305,877,022
Other underwriting expenses		2,348,505,171	1,994,321,073	2,348,505,171	1,994,321,073
Operating expenses	25	1,078,262,779	1,080,794,420	1,078,262,779	1,080,794,420
Investment expenses		89,314,693	88,456,441	89,314,693	88,456,441
Finance costs		2,553,215	3,265,991	2,553,215	3,265,991
Total expenses	26	13,364,706,826	11,057,828,384	13,364,706,826	11,057,828,384
Profits before income tax expenses		2,785,957,457	2,785,334,009	2,762,586,891	2,767,528,496
Less: Income tax expenses	16.2	(334,675,988)	(378,525,685)	(330,001,875)	(374,964,582)
Profits for the years		2,451,281,469	2,406,808,324	2,432,585,016	2,392,563,914
Other comprehensive income:					
Items to be recognised in profit or loss in subsequent periods:					
Shares of other comprehensive losses from associates	12.2	(4,741,836)	-	-	-
Losses on revaluation of available-for-sale investments		(5,836,528,840)	(1,488,662,027)	(5,836,528,840)	(1,488,662,027)
Total Items to be recognised in profit or loss in subsequent periods		(5,841,270,676)	(1,488,662,027)	(5,836,528,840)	(1,488,662,027)
Add: Income taxes		1,168,254,135	297,732,405	1,167,305,768	297,732,405
Items to be recognised in profit or loss in subsequent periods - net of income taxes		(4,673,016,541)	(1,190,929,622)	(4,669,223,072)	(1,190,929,622)
Items not to be recognised in profit or loss in subsequent periods:					
Actuarial gains (losses)		(174,940,054)	5,779,442	(174,940,054)	5,779,442
Add (less): Income taxes		34,988,011	(1,155,888)	34,988,011	(1,155,888)
Items not to be recognised in profit or loss in subsequent periods - net of income taxes		(139,952,043)	4,623,554	(139,952,043)	4,623,554
Other comprehensive loss for the years		(4,812,968,584)	(1,186,306,068)	(4,809,175,115)	(1,186,306,068)
Total comprehensive income (loss) for the years		(2,361,687,115)	1,220,502,256	(2,376,590,099)	1,206,257,846
Earnings per share:					
28					
Basic earnings per share					
Profits for the years		23.02	22.61	22.85	22.47

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

Bangkok Insurance Public Company Limited

Statement of cash flows

For the year ended 31 December 2019

(Unit: Baht)

	Financial statements			
	in which the equity method is applied		Separate financial statements	
	2019	2018	2019	2018
Cash flows from (used in) operating activities				
Direct premium written	19,883,141,451	16,461,556,628	19,883,141,451	16,461,556,628
Cash paid for reinsurance	(1,868,805,306)	(1,799,859,965)	(1,868,805,306)	(1,799,859,965)
Interest income	289,872,609	311,794,907	289,872,609	311,794,907
Dividend income	906,362,998	885,479,482	906,362,998	885,479,482
Other investment income	160,870,846	138,777,640	160,870,846	138,777,640
Other income	21,793,042	20,687,675	21,793,042	20,687,675
Losses incurred on direct insurance	(9,118,523,131)	(7,284,589,574)	(9,118,523,131)	(7,284,589,574)
Commissions and brokerages on direct insurance	(2,488,209,094)	(2,116,421,723)	(2,488,209,094)	(2,116,421,723)
Other underwriting expenses	(2,688,188,320)	(2,253,122,646)	(2,688,188,320)	(2,253,122,646)
Operating expenses	(874,754,756)	(783,448,692)	(874,754,756)	(783,448,692)
Investment expenses	(63,649,243)	(60,994,247)	(63,649,243)	(60,994,247)
Income taxes	(410,264,470)	(341,026,466)	(410,264,470)	(341,026,466)
Investments in securities	(2,561,341,952)	(1,536,610,185)	(2,561,341,952)	(1,536,610,185)
Loans	126,103,220	(82,483,794)	126,103,220	(82,483,794)
Investments in associates	-	5,949,741	-	5,949,741
Net cash provided by operating activities	1,314,407,894	1,565,688,781	1,314,407,894	1,565,688,781
Cash flows from (used in) investing activities				
Cash flows from				
Premises and equipment	223,443	253,009	223,443	253,009
Cash from investing activities	223,443	253,009	223,443	253,009
Cash flows used in				
Premises and equipment	(124,427,269)	(38,059,117)	(124,427,269)	(38,059,117)
Intangible assets	(9,691,596)	(17,319,507)	(9,691,596)	(17,319,507)
Cash used in investing activities	(134,118,865)	(55,378,624)	(134,118,865)	(55,378,624)
Net cash used in investing activities	(133,895,422)	(55,125,615)	(133,895,422)	(55,125,615)
Cash flows from (used in) financing activities				
Dividends paid	(1,461,255,164)	(1,490,580,000)	(1,461,255,164)	(1,490,580,000)
Net cash used in financing activities	(1,461,255,164)	(1,490,580,000)	(1,461,255,164)	(1,490,580,000)
Net increase (decrease) in cash and cash equivalents	(280,742,692)	19,983,166	(280,742,692)	19,983,166
Cash and cash equivalents at beginning of the years	419,566,786	399,583,620	419,566,786	399,583,620
Cash and cash equivalents at end of the years	138,824,094	419,566,786	138,824,094	419,566,786

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

Bangkok Insurance Public Company Limited

Statement of changes in owners' equity

For the year ended 31 December 2019

(Unit: Baht)

Financial statements in which the equity method is applied

Note	Issued and paid-up		Retained earnings			Other component of equity					
						Share of other comprehensive loss from associates		Revaluation surplus on available-for-sale investments - net		Total	Total
						- net of income taxes		of income taxes			
						share capital	Share premium	Statutory reserve	Other reserve	Unappropriated	
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	23,049,915,246	35,145,441,945		
Dividend paid	29	-	-	-	(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)	(1,190,929,622)	(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>-</u>	<u>21,858,985,624</u>	<u>21,858,985,624</u>	<u>34,875,364,201</u>		
Balance as at 1 January 2019	1,064,700,000	1,442,500,000	106,470,000	3,100,000,000	7,302,708,577	-	21,858,985,624	21,858,985,624	34,875,364,201		
Retained earnings appropriated to be other reserve	23	-	-	3,900,000,000	(3,900,000,000)	-	-	-	-		
Dividend paid	29	-	-	-	(1,490,580,000)	-	-	-	(1,490,580,000)		
Profit for the year	-	-	-	-	2,451,281,469	-	-	-	2,451,281,469		
Other comprehensive loss for the year	-	-	-	-	(139,952,043)	(3,793,469)	(4,669,223,072)	(4,673,016,541)	(4,812,968,584)		
Balance as at 31 December 2019	<u>1,064,700,000</u>	<u>1,442,500,000</u>	<u>106,470,000</u>	<u>7,000,000,000</u>	<u>4,223,458,003</u>	<u>(3,793,469)</u>	<u>17,189,762,552</u>	<u>17,185,969,083</u>	<u>31,023,097,086</u>		

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

Bangkok Insurance Public Company Limited

Statement of changes in owners' equity (continued)

For the year ended 31 December 2019

(Unit: Baht)

Separate financial statements								
	Note	Issued and paid-up share capital	Share premium	Retained earnings			Other component of equity	Total
				Appropriated		Unappropriated	Revaluation surplus	
				Statutory reserve	Other reserve		on available-for-sale investments - net of income taxes	
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	29	-	-	-	-	(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>
Balance as at 1 January 2019		1,064,700,000	1,442,500,000	106,470,000	3,100,000,000	7,224,031,693	21,858,985,624	34,796,687,317
Retained earnings appropriated to be								
other reserve	23	-	-	-	3,900,000,000	(3,900,000,000)	-	-
Dividend paid	29	-	-	-	-	(1,490,580,000)	-	(1,490,580,000)
Profit for the year		-	-	-	-	2,432,585,016	-	2,432,585,016
Other comprehensive loss for the year		-	-	-	-	(139,952,043)	(4,669,223,072)	(4,809,175,115)
Balance as at 31 December 2019		<u>1,064,700,000</u>	<u>1,442,500,000</u>	<u>106,470,000</u>	<u>7,000,000,000</u>	<u>4,126,084,666</u>	<u>17,189,762,552</u>	<u>30,929,517,218</u>

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

Bangkok Insurance Public Company Limited
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For the year ended 31 December 2019

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Bangkok Insurance Public Company Limited

Notes to financial statements

For the year ended 31 December 2019

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 2019 and 2018, 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 period, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations 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 adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements. However, the new standard involves changes to key principles, which are 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
IFRIC 13 (revised 2017)	Customer Loyalty Programmes
IFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
IFRIC 18 (revised 2017)	Transfers of Assets from Customers

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

This standard does not have any significant impact on these financial statements.

TFRS 4 (revised 2018) Insurance contracts

This standard provides an additional option to insurers that meet certain criteria stipulated in the standard, whereby they can be temporarily exempted from adoption of certain measures under TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which applicable for the financial reporting period beginning in or after 1 January 2020, and can instead adopt the Thai Accounting Guidance applicable for insurance business related to financial instruments and disclosures for the financial reporting period beginning before 1 January 2022 or before the effective date of TFRS 17 Insurance Contracts (when issued).

This standard does not have any significant impact on these financial statements.

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

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

Financial reporting standards related to financial instruments

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

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

Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business was issued to comply with TFRS 4 (revised 2018) Insurance contracts, which allows insurers who meet certain criteria stipulated in TFRS 4 to delay adoption of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which are applicable for the financial reporting period beginning on or after 1 January 2020, and to adopt the Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business instead.

This accounting guidance has some differences from TFRS 9, with the significant differences being as described below.

- Classification and measurement of financial assets: These are to be classified as trading securities, available-for-sale securities, held to maturity debt securities, and loans and receivables, with no requirement to take into account the assessment of the Company's business model and the characteristics of the contractual cash flows.
- Loss on impairment, gain or loss on derecognition, and gain and loss on fair value hedges for available-for-sale equity securities items are to be recognised in profit or loss.
- The embedded derivatives in financial assets that are hybrid contracts are to be separated from host contract if they meet all criteria for separation.

In addition, the accounting guidance has some differences from TFRS 7 with respect to disclosures.

According to the Company's statement of financial position as of 31 December 2017, the Company had liabilities, in connection with insurance services under the scope of TFRS 4: Insurance Contracts, of 80% or more but less than 90% of the carrying value of total liabilities and the Company does not have a significant operations in non-insurance related business. For such reasons, the Company meets certain criteria stipulated in TFRS 4, which allows the Company to adopt the Thai Accounting Guidance related to financial instruments and disclosures applicable for insurance business instead of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which are effective for the financial reporting beginning on or after 1 January 2020, and the Company's management has already considered to adopt such Thai Accounting Guidance. The Company's management expects that there will be key changes in the following matters to the Company's financial statements from the adoption of this Thai Accounting Guidance.

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

The Company will classify and measure its general investments at fair value through other comprehensive income. The Company's management expects that the effect to other components of owners' equity as at 1 January 2020 increased by approximately Baht 2,700 million (the amount before tax).

- Recognition of credit losses

The Company is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Company's management expects that the effect from this topic to the statement of financial position as at 1 January 2020 is immaterial.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Company plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The Company's management expects that the effect from the adoption of this accounting standard to the statement of financial position as at 1 January 2020 will be the increase of the Company's assets by approximately Baht 700 million and the increase of Company's liabilities by the same amount.

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.

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 as additional reserves to present the amounts of premium reserves equal to unexpired risk reserves. The increase or decrease in premium reserves from prior year is recognised in profit or loss.

(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 premium ceded to reinsurers, using the same method applied for direct insurance policies the insurance risk transfer of which is already made throughout the coverage period of insurance policies.

(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 leasee, are classified as finance leasee. 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 leasee, 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	
	2019	2018
Cash on hand	2,757,651	2,617,841
Deposits at banks with no fixed maturity date	136,066,443	156,948,945
Deposits at banks with fixed maturity date	-	260,000,000
Total cash and cash equivalents	<u>138,824,094</u>	<u>419,566,786</u>

As at 31 December 2019 and 2018, saving deposits and fixed deposits carried interests at the rates between 0.38 and 1.00 percent per annum and 0.38 and 1.45 percent per annum, respectively.

7. Premium receivables

As at 31 December 2019 and 2018, 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	
	2019	2018
Not yet due	2,188,799,648	2,038,484,982
Overdue not longer than 30 days	195,942,961	248,579,644
Overdue 31 days to 60 days	135,525,381	137,293,396
Overdue 61 days to 90 days	49,159,936	61,646,610
Overdue 91 days to 1 year	212,260,301	218,390,968
Overdue longer than 1 year	42,248,589	30,036,344
Total	2,823,936,816	2,734,431,944
Less: Allowance for doubtful accounts	(42,248,589)	(30,036,344)
Premium receivables - net	<u>2,781,688,227</u>	<u>2,704,395,600</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	
	2019	2018
Insurance reserves refundable from reinsurers		
Loss reserves	2,765,218,837	3,660,483,908
Unearned premium reserves	2,887,905,883	2,446,253,125
Total	5,653,124,720	6,106,737,033
Less: Allowance for impairment	(792,963)	(6,023,926)
Reinsurance assets - net	<u>5,652,331,757</u>	<u>6,100,713,107</u>

9. Reinsurance receivables

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2019	2018
Amounts deposited on reinsurance	36,121,644	35,099,642
Amounts due from reinsurers	377,941,757	226,081,731
Total	414,063,401	261,181,373
Less: Allowance for doubtful accounts	(20,542,914)	(25,025,275)
Receivables on reinsurance contracts - net	<u>393,520,487</u>	<u>236,156,098</u>

As at 31 December 2019 and 2018, 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	
	2019	2018
Not over 12 months	360,467,712	205,646,552
Overdue from 1 year to 2 years	15,688,418	15,090,659
Overdue longer than 2 years	1,785,627	5,344,520
Total amounts due from reinsurers	377,941,757	226,081,731
Less: Allowance for doubtful accounts	(20,542,914)	(25,025,275)
Amounts due from reinsurers - net	357,398,843	201,056,456

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			
	2019		2018	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Available-for-sale investments				
Government and state enterprise securities	3,660,914,548	3,690,676,052	5,454,238,258	5,450,775,315
Private sector debt securities	956,075,746	968,224,384	1,094,386,616	1,101,496,223
Equity securities	6,906,515,015	28,351,808,063	7,487,243,189	34,807,328,555
Total	11,523,505,309	33,010,708,499	14,035,868,063	41,359,600,093
Add: Unrealised gains	21,487,203,190	-	27,323,732,030	-
Total available-for-sale investments	33,010,708,499	33,010,708,499	41,359,600,093	41,359,600,093
Held-to-maturity investments				
Deposits at financial institutions which matured over 3 months	11,220,681,007		5,904,387,597	
Total held-to-maturity investments	11,220,681,007		5,904,387,597	
General investments				
Domestic equity securities	648,593,658		602,635,058	
Foreign equity securities	153,208,389		201,689,384	
Total	801,802,047		804,324,442	
Less: Allowance for impairment	(74,782,760)		(117,003,160)	
General investments - net	727,019,287		687,321,282	
Investment in securities - net	44,958,408,793		47,951,308,972	

10.2 Remaining periods to maturity of debt securities

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements							
	31 December 2019				31 December 2018			
	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	2,425,502,175	1,035,412,373	200,000,000	3,660,914,548	4,783,588,079	470,650,179	200,000,000	5,454,238,258
Private enterprise debt securities	515,000,000	441,075,746	-	956,075,746	313,059,850	781,326,766	-	1,094,386,616
Total	2,940,502,175	1,476,488,119	200,000,000	4,616,990,294	5,096,647,929	1,251,976,945	200,000,000	6,548,624,874
Add (less): Unrealised gains (losses)	5,120,552	26,076,630	10,712,960	41,910,142	2,839,521	5,345,623	(4,538,480)	3,646,664
Total available-for-sale investments	2,945,622,727	1,502,564,749	210,712,960	4,658,900,436	5,099,487,450	1,257,322,568	195,461,520	6,552,271,538
Held-to-maturity investments								
Deposits at financial institutions which mature over 3 months	11,220,681,007	-	-	11,220,681,007	5,904,387,597	-	-	5,904,387,597
Total held-to-maturity investments	11,220,681,007	-	-	11,220,681,007	5,904,387,597	-	-	5,904,387,597

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 years ended 31 December	
	2019	2018
Revaluation surplus on available-for-sale investments - beginning of the years	27,323,732,030	28,812,394,057
Losses on revaluation during the years	(5,596,795,014)	(1,410,192,766)
Gains on sales of available-for-sale investments during the years transferred to be recognised in profit or loss	(239,733,826)	(78,469,261)
Revaluation surplus on available-for-sale investments - end of the years	21,487,203,190	27,323,732,030
Less: Income taxes	(4,297,440,638)	(5,464,746,406)
Revaluation surplus on available-for-sale investments - net of income taxes	17,189,762,552	21,858,985,624

10.4 Investments subject to restriction

As at 31 December 2019 and 2018, 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 31 to the financial statements.

11. Loans and interest receivables

As at 31 December 2019 and 2018, 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 2019						
	Mortgaged loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest ⁽¹⁾	Total
Not yet due	935,150,944	1,877,964	8,266,671	-	943,417,615	1,877,964	945,295,579
Overdue							
Less than 3 months	235,481,062	1,200,732	-	-	235,481,062	1,200,732	236,681,794
3 - 6 months	24,703,997	491,317	-	-	24,703,997	491,317	25,195,314
6 - 12 months	2,118,031	-	-	-	2,118,031	-	2,118,031
Longer than 12 months	109,307,595	-	-	-	109,307,595	-	109,307,595
Total	1,306,761,629	3,570,013	8,266,671	-	1,315,028,300	3,570,013	1,318,598,313
Less: Allowance for doubtful account	(1,295,125)	-	-	-	(1,295,125)	-	(1,295,125)
Loans and interest receivables - net	<u>1,305,466,504</u>	<u>3,570,013</u>	<u>8,266,671</u>	<u>-</u>	<u>1,313,733,175</u>	<u>3,570,013</u>	<u>1,317,303,188</u>

⁽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 2018						
	Mortgaged loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest ⁽¹⁾	Total
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	<u>1,431,598,784</u>	<u>825,595</u>	<u>8,802,775</u>	<u>-</u>	<u>1,440,401,559</u>	<u>825,595</u>	<u>1,441,227,154</u>

⁽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 2019 and 2018, the balances of employee loans were Baht 129.8 million and Baht 109.8 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		31 December	
			2019	2018	2019	2018
			(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	38.00

(Unit: Baht)

Company's name	Financial statements in which the equity method is applied		Separate financial statements	
	31 December		31 December	
	2019	2018	2019	2018
Asia Insurance (Cambodia) Plc.	93,039,941	84,194,779	30,202,059	30,202,059
Asian Insurance International (Holding) Limited	127,065,698	119,980,265	72,054,063	72,054,063
Bangkok Insurance (Lao) Company Limited	26,264,918	23,566,783	27,139,600	27,139,600
Total	246,370,557	227,741,827	129,395,722	129,395,722

12.2 Shares of profits, share of other comprehensive loss, and dividends income

(Unit: Baht)

Company's name	Financial statements in which the equity method is applied				Separate financial statements	
	Share of profits		Share of other comprehensive losses		Dividend received	
	from investments in associates		from investments in associates			
	For the years ended 31 December		For the years ended 31 December		For the years ended 31 December	
	2019	2018	2019	2018	2019	2018
Asia Insurance (Cambodia) Plc.	8,845,162	10,585,988	-	-	-	-
Asian Insurance International (Holding) Limited	11,827,269	6,381,697	(4,741,836)	-	-	-
Bangkok Insurance (Lao) Company Limited	2,698,135	25,344	-	-	-	-
Total	23,370,566	16,993,029	(4,741,836)	-	-	-

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	
	2019	2018	2019	2018	2019	2018
Total assets	517.7	449.7	206.0	212.9	267.1	296.3
Total liabilities	(123.2)	(65.2)	-	-	(210.5)	(238.5)
Net assets	394.5	384.5	206.0	212.9	56.5	57.8
Shareholding percentage (%)	22.9	22.9	41.7	41.7	38.0	38.0
Shares of net assets of the associates	90.4	88.1	85.9	88.8	21.5	22.0
Carrying values based on the equity method	93.0	84.2	127.1	120.0	26.3	23.6

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		For the years ended		For the years ended	
	31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018
Revenue	105.9	108.2	8.9	3.0	28.4	19.1
Profit for the years	39.0	46.2	8.4	2.5	3.6	0.6
Other comprehensive loss for the years	-	-	(11.4)	-	-	-
Total comprehensive income (loss) for the years	39.0	46.2	(3.0)	2.5	3.6	0.6

As at 31 December 2019 and 2018, the Company recorded investment in an associate under the equity method (in the financial statements in which the equity method is applied) based on financial information prepared by the associate's management. However, the Company obtained the 2018 financial statements of the associates, which were audited by their auditors, which presented the amounts different from the financial information prepared by the associate's management used in equity accounting for that year. However, the Company's proportionate difference had no significant impact to the Company's financial statements.

13. Investment properties

The investment properties of the Company, which were offices for rent, as at 31 December 2019 and 2018 were presented below.

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2019	2018
Cost	533,653,195	533,653,195
Less: Accumulated depreciation	(398,446,419)	(381,216,790)
Net book value	135,206,776	152,436,405

Reconciliations of the net book value of investment properties for the years ended 31 December 2019 and 2018 were presented below.

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2019	2018
Net book value at beginning of the years	152,436,405	169,666,034
Depreciation charged	(17,229,629)	(17,229,629)
Net book value at end of the years	<u>135,206,776</u>	<u>152,436,405</u>

The fair values of the investment properties as at 31 December 2019 and 2018 were stated below:

	(Unit: Million Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2019	2018
Office building for rent	259.2	170.3

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	
	2019	2018
Rental income	159,410,653	137,200,016
Direct operating expenses which generated rental income	67,074,265	66,479,617
Total expenses	67,074,265	66,479,617

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 2018	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
Additions	16,604,738	5,652,336	-	30,349,939	21,835,720	58,987,892	133,430,625
Disposals	-	-	-	(19,300)	(10,612,059)	-	(10,631,359)
Transfers in (out)	-	-	-	13,181,500	-	(13,181,500)	-
31 December 2019	222,737,403	833,958,336	8,750,941	1,894,389,793	149,526,634	63,151,408	3,172,514,515
Accumulated depreciation							
1 January 2018	-	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
Depreciation for the year	-	26,279,736	-	154,101,364	26,466,077	-	206,847,177
Depreciation for the disposals	-	-	-	(19,290)	(10,572,139)	-	(10,591,429)
31 December 2019	-	613,832,030	8,721,312	1,711,937,990	97,311,205	-	2,431,802,537
Net book value							
31 December 2018	206,132,665	240,753,706	29,629	293,021,738	56,885,706	17,345,016	814,168,460
31 December 2019	222,737,403	220,126,306	29,629	182,451,803	52,215,429	63,151,408	740,711,978
Depreciation for the year:							
2018							242,818,568
2019							206,847,177

As at 31 December 2019 and 2018, certain equipment items were fully depreciated but are still in use. The original cost before deducting accumulated depreciation of those assets amounted to Baht 1,492.4 million and Baht 1,175.6 million, respectively.

As at 31 December 2019 and 2018, the Company had vehicles under finance lease agreements with net book values amounting to Baht 37.6 million and Baht 51.0 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 2018	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
Addition	4,166,596	5,525,000	9,691,596
31 December 2019	563,365,465	5,525,000	568,890,465
Accumulated amortisation			
1 January 2018	317,920,107	-	317,920,107
Amortisation	76,504,841	-	76,504,841
31 December 2018	394,424,948	-	394,424,948
Amortisation	58,085,913	-	58,085,913
31 December 2019	452,510,861	-	452,510,861
Net book value			
31 December 2018	164,773,921	-	164,773,921
31 December 2019	110,854,604	5,525,000	116,379,604
Amortisation for the years			
2018			76,504,841
2019			58,085,913

As at 31 December 2019 and 2018, certain computer softwares were fully amortised but are still in use. The original cost before deducting accumulated amortisation of those assets amounted to Baht 252.2 million and Baht 145.1 million, respectively.

16. Deferred tax asset/liabilities and income tax expenses

16.1 Deferred tax assets/liabilities

As at 31 December 2019 and 2018, the components of deferred tax assets and liabilities consisted of tax effects arising from the following transactions.

(Unit: Baht)

	Financial statements in which the equity method is applied		Changes in deferred tax assets and liabilities	
	31 December		For the year ended 31 December	
	2019	2018	2019	2018
Deferred tax assets arose from:				
Allowance for impairment on investments	14,956,552	23,400,632	(8,444,080)	4,359,880
Premium reserves	262,530,541	210,854,551	51,675,990	49,190,557
Loss reserves of claims incurred and reported	353,916,560	366,197,366	(12,280,806)	(37,663,363)
Loss reserves of claims incurred but not yet reported	59,125,734	60,661,254	(1,535,520)	(5,603,923)
Provision for long-term employee benefits	142,174,928	76,237,861	65,937,067	5,997,328
Others	11,368,301	22,635,769	(11,267,468)	4,585,186
Total	<u>844,072,616</u>	<u>759,987,433</u>		
Deferred tax liabilities arose from:				
Gains on revaluation of available-for-sale investments	4,297,440,638	5,464,746,406	1,167,305,768	297,732,405
Shares of profits from investments in associates	23,394,967	19,669,221	(3,725,746)	(3,561,103)
Total	<u>4,320,835,605</u>	<u>5,484,415,627</u>		
Deferred tax liabilities	<u>3,476,762,989</u>	<u>4,724,428,194</u>		
Total changes			<u>1,247,665,205</u>	<u>315,036,967</u>
Changes are recognised:				
- in profit or loss			44,423,059	18,460,450
- in other comprehensive income			<u>1,203,242,146</u>	<u>296,576,517</u>
			<u>1,247,665,205</u>	<u>315,036,967</u>

(Unit: Baht)

	Separate financial statements		Changes in deferred tax assets and liabilities	
	31 December		For the year ended 31 December	
	2019	2018	2019	2018
Deferred tax assets arose from:				
Allowance for impairment on investments	14,956,552	23,400,632	(8,444,080)	4,359,880
Premium reserves	262,530,541	210,854,551	51,675,990	49,190,557
Loss reserves of claims incurred and reported	353,916,560	366,197,366	(12,280,806)	(37,663,363)
Loss reserves of claims incurred but not yet reported	59,125,734	60,661,254	(1,535,520)	(5,603,923)
Provision for long-term employee benefits	142,174,928	76,237,861	65,937,067	5,997,328
Others	11,368,301	22,635,769	(11,267,468)	4,585,186
Total	<u>844,072,616</u>	<u>759,987,433</u>		
Deferred tax liabilities arose from:				
Gains on revaluation of available-for-sale investments	4,297,440,638	5,464,746,406	1,167,305,768	297,732,405
Total	<u>4,297,440,638</u>	<u>5,464,746,406</u>		
Deferred tax liabilities	<u>3,453,368,022</u>	<u>4,704,758,973</u>		
Total changes			<u>1,251,390,951</u>	<u>318,598,070</u>
Changes are recognised:				
- in profit or loss			49,097,172	22,021,553
- in other comprehensive income			<u>1,202,293,779</u>	<u>296,576,517</u>
			<u>1,251,390,951</u>	<u>318,598,070</u>

16.2 Income tax expenses

Income tax expenses for the years ended 31 December 2019 and 2018 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	
	2019	2018	2019	2018
Current income taxes:				
Corporate income tax charge	(379,099,047)	(396,986,135)	(379,099,047)	(396,986,135)
Deferred income taxes:				
Deferred income taxes relating to origination and reversal of temporary differences	44,423,059	18,460,450	49,097,172	22,021,553
Income tax expenses reported in profit or loss	<u>(334,675,988)</u>	<u>(378,525,685)</u>	<u>(330,001,875)</u>	<u>(374,964,582)</u>

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2019 and 2018 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	
	2019	2018	2019	2018
Accounting profits before income tax expenses	<u>2,785,957,457</u>	<u>2,785,334,009</u>	<u>2,762,586,891</u>	<u>2,767,528,496</u>
Applicable tax rate	20%	20%	20%	20%
Income taxes at the applicable tax rate	(557,191,491)	(557,066,802)	(552,517,378)	(553,505,699)
Adjustment in respect of current income tax of prior year	(902,192)	(291,677)	(902,192)	(291,677)
Income tax refunds	40,288,812	-	40,288,812	-
Net tax effect on tax-exempted revenues and non tax-deductible expenses	<u>183,128,883</u>	<u>178,832,794</u>	<u>183,128,883</u>	<u>178,832,794</u>
Income tax expenses reported in profit or loss	<u>(334,675,988)</u>	<u>(378,525,685)</u>	<u>(330,001,875)</u>	<u>(374,964,582)</u>

17. Insurance contract liabilities

(Unit: Baht)

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

	31 December 2019		
	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
Claims incurred and reported	5,286,881,805	(2,715,777,667)	2,571,104,138
Claims incurred but not reported	344,276,876	(48,648,207)	295,628,669
Premium reserves			
Unearned premium reserves	9,978,381,703	(2,887,905,883)	7,090,475,820
Total	<u>15,609,540,384</u>	<u>(5,652,331,757)</u>	<u>9,957,208,627</u>

(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>

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	
	2019	2018
Beginning balances	6,459,828,503	6,422,182,460
Claim incurred during the years	9,430,899,690	8,246,102,565
Change in loss reserves of claimed incurred in prior years	(162,150,764)	(180,557,798)
Changes in assumptions in calculating loss reserves	(128,430,547)	(28,061,358)
Claims and loss adjustment expenses paid during the years	<u>(9,968,988,201)</u>	<u>(7,999,837,366)</u>
Ending balances	<u>5,631,158,681</u>	<u>6,459,828,503</u>

As at 31 December 2019 and 2018, the Company, which is a reinsurer under the reinsurance contracts, had loss reserves under such contracts totaling Baht 181.7 million and Baht 240.1 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	2019	Total
Loss reserves:										
- as at accident year		8,244	5,097	6,854	7,101	7,157	8,454	8,246	9,431	
- Next one year		9,127	5,562	7,359	7,382	7,407	8,004	8,239		
- Next two years		8,584	5,928	6,846	6,947	7,295	7,564			
- Next three years		8,397	5,709	6,693	6,949	7,130				
- Next four years		8,334	5,672	6,655	6,870					
- Next five years		8,259	5,685	6,631						
- Next six years		8,235	5,682							
- Next seven years		8,234								
Cumulative ultimate claim		8,234	5,682	6,631	6,870	7,129	7,555	8,219	9,672	
Cumulative payments		(8,219)	(5,648)	(6,575)	(6,749)	(7,022)	(7,282)	(7,558)	(5,906)	
Total	283	15	33	56	121	107	273	661	3,766	5,315
Inward treaty										200
Unallocated loss										
adjustment expenses										116
Total gross loss reserves										5,631

(b) Net claims table

(Unit: Million Baht)

Accident year/Reporting year	Prior to 2012	2012	2013	2014	2015	2016	2017	2018	2019	Total
Loss reserves:										
- as at accident year		3,554	4,251	5,082	5,414	5,415	5,724	5,491	6,972	
- Next one year		3,784	4,521	5,267	5,720	5,549	5,736	5,403		
- Next two years		3,712	4,500	5,119	5,389	5,275	5,554			
- Next three years		3,701	4,283	4,983	5,383	5,272				
- Next four years		3,566	4,261	4,979	5,363					
- Next five years		3,546	4,262	4,982						
- Next six years		3,546	4,261							
- Next seven years		3,556								
Cumulative ultimate claim		3,556	4,261	4,982	5,363	5,271	5,554	5,405	7,133	
Cumulative payments		(3,555)	(4,259)	(4,966)	(5,351)	(5,234)	(5,503)	(5,271)	(5,018)	
Total	183	1	2	16	12	37	51	134	2,115	2,551
Inward treaty										200
Unallocated loss										
adjustment expenses										116
Total net loss reserves										2,867

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	
	2019	2018
Beginning balances	8,275,770,417	7,340,161,143
Premium written during the years	21,008,919,254	17,326,215,295
Premium earned during the years	(19,306,307,968)	(16,390,606,021)
Ending balances	<u>9,978,381,703</u>	<u>8,275,770,417</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	
	2019	2018
Beginning balances	5,122,212,553	4,340,868,488
Estimated claims for the years	4,698,993,645	3,554,999,407
Risk expired during the years	(3,473,661,271)	(2,773,655,342)
Ending balances	<u>6,347,544,927</u>	<u>5,122,212,553</u>

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	
	2019	2018
Amounts withheld on reinsurance	1,105,589,102	1,031,419,571
Amounts due to reinsurers	1,448,132,239	1,147,509,615
Total due to reinsurers	<u>2,553,721,341</u>	<u>2,178,929,186</u>

19. Employee benefit obligations

Changes in employee benefit obligations, which were compensations on employee retirement, for the years ended 31 December 2019 and 2018 were as follows:

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2019	2018
Employee benefit obligations at beginning of the years	381,189,307	351,202,663
Included in profit or loss:		
Current service costs	51,921,357	40,336,101
Interest costs	9,123,845	14,048,107
Part service costs	114,403,291	-
Included in other comprehensive income or loss:		
Actuarial (gains) losses arising from:		
- Demographic assumptions changes	9,617,819	5,765,729
- Financial assumption changes	164,498,754	-
- Experience adjustments	823,481	(11,545,171)
Benefits paid during the years	(20,703,216)	(18,618,122)
Employee benefit obligations at end of the years	710,874,638	381,189,307

As at 31 December 2019 and 2018, the Company expected to pay Baht 39.3 million and Baht 9.7 million, respectively, of long-term employee benefits over the next 1-year period.

As at 31 December 2019 and 2018, the weighted average durations of the liabilities on long-term employee benefits were 12.6 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	
	2019	2018
	(%)	(%)
Discount rates	1.7	4.0
Future salary incremental rate	6.0	6.0
Employee turnover rates (depending on age)	1.3 - 19.0	1.7 - 22.0

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 2019		Increase (decrease) in employee benefit obligations as at 31 December 2018	
	+ 1 %	- 1 %	+ 1 %	- 1 %
Discount rate	(79.5)	95.0	(37.9)	44.5
Future salary incremental rate	86.3	(74.1)	40.7	(35.4)
Employee turnover rate	(32.9)	36.8	(14.7)	16.3

On 5 April 2019, the Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment. The Company's management approved the plan change to comply with the new law and it therefore resulted in having additional employee benefit obligations of Baht 114.4 million. The Company already reflected the effect of the change by recognising as past service costs in profit or loss.

20. Liabilities under finance lease agreements

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2019	2018
Liabilities under finance lease agreements	43,111,244	58,226,442
Less: Deferred interest expenses	(3,052,013)	(4,362,263)
Total	40,059,231	53,864,179
Less: Portion due within one year	(17,288,288)	(21,992,721)
Liabilities under finance lease agreements - net of current portion	<u>22,770,943</u>	<u>31,871,458</u>

As at 31 December 2019 and 2018, 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 2019 and 2018, 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 2019		
	within 1 year	1 - 5 years	Total
Future minimum lease payments	18,930,099	24,181,145	43,111,244
Deferred interest expenses	(1,641,811)	(1,410,202)	(3,052,013)
Present value of future minimum lease payments	<u>17,288,288</u>	<u>22,770,943</u>	<u>40,059,231</u>

(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	21,992,721	31,871,458	53,864,179

21. Share capital

As at 31 December 2019 and 2018, 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. Other reserves

On 26 April 2019, the Annual General Meeting No. 26 of the Company's shareholders approved the appropriation of unappropriated retained earnings of Baht 3,900 million to other reserve.

24. Segment information/major customers

24.1 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 2019				
	Fire	Marine and transportation	Motor	Miscellaneous	Total
Underwriting revenues					
Gross premium written	1,524,952,478	604,281,322	8,989,740,545	9,889,944,909	21,008,919,254
Less: Premium ceded to reinsurers	(486,216,586)	(346,766,122)	(248,611,476)	(5,482,767,278)	(6,564,361,462)
Net premium written	1,038,735,892	257,515,200	8,741,129,069	4,407,177,631	14,444,557,792
Add (less): Unearned premium reserves (increased) decrease from prior year	19,381,959	(13,954,366)	(1,027,630,520)	(238,755,601)	(1,260,958,528)
Earned premium	1,058,117,851	243,560,834	7,713,498,549	4,168,422,030	13,183,599,264
Commission and brokerage fee income	232,556,952	83,317,522	72,161,195	865,182,869	1,253,218,538
Total underwriting income	1,290,674,803	326,878,356	7,785,659,744	5,033,604,899	14,436,817,802
Underwriting expenses					
Net claims	136,045,873	95,054,308	5,057,164,743	1,840,489,442	7,128,754,366
Commission and brokerage expenses	313,486,799	49,573,498	1,369,776,841	984,479,464	2,717,316,602
Other underwriting expenses	273,707,474	89,563,383	976,526,160	1,008,708,154	2,348,505,171
Total underwriting expenses	723,240,146	234,191,189	7,403,467,744	3,833,677,060	12,194,576,139
Profit from underwriting	567,434,657	92,687,167	382,192,000	1,199,927,839	2,242,241,663
Shares of profits from investments in associates					23,370,566
Investment revenue					1,226,490,451
Gains on investments					281,138,063
Other income					182,847,401
Operating expenses					(1,078,262,779)
Investment expenses					(89,314,693)
Finance costs					(2,553,215)
Profit before income tax expenses					2,785,957,457
Less: Income tax expenses					(334,675,988)
Profit for the year					2,451,281,469

(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

The following table presented the Company's operating segment assets and liabilities as at 31 December 2019 and 2018.

(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 2019	429,558,778	225,335,908	1,042,583,012	6,926,471,876	8,623,949,574	48,703,133,777	57,327,083,351
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
Liabilities							
As at 31 December 2019	2,963,050,178	372,716,932	6,575,489,501	9,953,314,954	19,864,571,565	6,439,414,700	26,303,986,265
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

24.2 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.

24.3 Major customers

In 2019 and 2018, the Company has gross premium written from one major customer in amount of Baht 2,611.7 million and Baht 2,695.7 million, respectively.

25. Operating expenses

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2019	2018
Personnel expenses	527,332,507	440,353,822
Premises and equipment expenses	292,412,811	355,871,319
Taxes and duties	768,957	4,089,538
Bad debts and doubtful accounts	14,042,236	6,652,781
Other operating expenses	243,706,268	273,826,960
Total operating expenses	<u>1,078,262,779</u>	<u>1,080,794,420</u>

26. Expenses by nature

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2019	2018
Net claims	6,671,058,797	5,184,686,029
Commissions and brokerage expenses	2,717,316,602	2,305,877,022
Other underwriting expenses	696,378,249	562,357,425
Personnel expenses	1,367,520,800	1,194,305,056
Premises and equipment expenses	665,018,555	752,805,835
Other operating expenses	1,241,448,226	1,053,665,888
Investment expenses	3,412,382	865,138
Finance costs	2,553,215	3,265,991
Total	<u>13,364,706,826</u>	<u>11,057,828,384</u>

27. 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 2019 and 2018, the Company recognised the contributed Baht 68.0 million and Baht 62.6 million, respectively, to the fund.

28. 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.

29. Dividends paid

Dividends declared during the years 2019 and 2018 were as follow:

	Approved by	Total dividend (Million Baht)	Dividend per share (Baht)
The 3 rd interim dividend for 2019	Meeting No.4/19 of Board of Directors on 8 November 2019	319.4	3.00
The 2 nd interim dividend for 2019	Meeting No. 3/19 of Board of Directors on 9 August 2019	319.4	3.00
The 1 st interim dividend for 2019	Meeting No. 2/19 of Board of Directors on 10 May 2019	319.4	3.00
Annual dividend for 2018	Annual General Meeting No. 26 of the Shareholders on 26 April 2019	532.3	5.00
Total dividends for the year 2019		1,490.5	14.00

	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		1,490.5	14.00

30. Related party transactions

30.1 Nature of relationship

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

The 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
Bualuang Securities Pcl.	Securities	Subsidiary of the major shareholder of the Company

⁽¹⁾ This entity has been considered a related party since 9 November 2018, which was the date when there was common directors and its shares were also held by Company.

30.2 Significant related party transactions

During the years ended 31 December 2019 and 2018, 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		
	2019	2018	
<u>Transactions with associates and related companies</u>			
<i>Income</i>			
Premium written	608,415	573,748	Normal commercial terms for underwriting
Fee and commission income	192,645	172,190	Normal commercial terms for reinsurance depending on type of insurance and reinsurance contract
Interest income ⁽¹⁾	73,806	64,450	Similar rates as financial institutions and related companies offer to their general customers
Dividend income ⁽¹⁾	634,847	584,560	The declared amount
Rental income ⁽²⁾	4,833	2,608	Same rates the Company offered to its general customers
<i>Expenses</i>			
Premium ceded to reinsurers	600,404	545,774	Normal commercial terms for reinsurance depending on types of insurance and reinsurance contracts
Net claims (reversal)	(207,177)	(246,888)	As actually incurred
Commissions and brokerages	61,500	50,870	Normal commercial terms for underwriting
Management fee for private fund ⁽³⁾	139	268	Similar rates the related party offered to its general customers
Fee for trading securities ⁽³⁾	1,067	509	Similar rates which the related party offered to general customers
<i>Owner's equity</i>			
Dividend paid	190,696	180,693	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

30.3 Outstanding balances

As at 31 December 2019 and 2018, the Company had the following significant balances with its related companies.

	(Unit: Thousand Baht)	
	31 December	
	2019	2018
<u>Associated companies</u>		
Investment in associates - cost	129,396	129,396
<u>Related companies</u>		
Deposits at financial institutions	5,559,220	3,872,992
Premium receivables	37,480	35,040
Reinsurance assets		
Amounts deposited on reinsurance	7,090	6,817
Amounts due from reinsurers	14,138	9,771
Available-for-sale investments		
Equity securities	23,257,829	29,570,730
General investments	600,377	550,835
Loans	157,578	157,978
Other assets		
Deposits and golf club membership fees	36,293	37,186
Account receivable on sales of securities	79	-
Due to reinsurers		
Amounts withheld on reinsurance	104,373	101,783
Amounts due to reinsurers	45,810	38,403
Insurance contract liabilities		
Loss reserves	318	-
Other Liabilities		
Liabilities under finance lease agreements	36	173
Accounts payable on purchases of securities	2,923	1,789

30.4 Directors' and key management's benefits

During the years ended 31 December 2019 and 2018, 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	
	2019	2018
Short-term benefits	94.8	99.1
Post-employment benefits	4.3	9.4
Total	99.1	108.5

31. Assets subject to restriction and commitment

As at 31 December 2019 and 2018, 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			
	2019		2018	
	Cost	Fair value	Cost	Fair value
Placed as securities				
Government bonds	14.0	14.0	14.0	14.0
Placed as insurance reserves				
Ordinary shares	35.2	153.0	35.2	175.6
Government bonds	1,170.0	1,196.6	926.0	924.1
Debentures	180.0	184.8	100.0	104.0
	1,385.2	1,534.4	1,061.2	1,203.7
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	25.2	25.6	38.1	38.2
Placed to secure bank guarantees				
Deposited at financial institutions	20.0	20.0	20.0	20.0

32. 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

	2019	2018
Accumulated contribution at the beginning of the years	316,838,740	275,017,078
Contribution during the years	50,147,691	41,821,662
Accumulated contribution at the end of the years	<u>366,986,431</u>	<u>316,838,740</u>

33. Commitments and contingent liabilities

33.1 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 2019 and 2018, future minimum lease payments required under those non-cancellable operating lease contracts were as follows.

(Unit: Million Baht)

Payable	31 December	
	2019	2018
Within 1 year	32	31
Over 1 year and not over 5 years	111	114
Over 5 years	63	90

33.2 Capital Commitments

As at 31 December 2019 and 2018, there were outstanding capital commitments contracted for decoration, construction building, and computer software development amounting to Baht 34.5 million and Baht 4.9 million, respectively.

33.3 Litigation

As at 31 December 2019 and 2018, the Company had litigation claims totaling approximately Baht 2,968.4 million and Baht 3,369.9 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 779.2 million and Baht 1,114.4 million, respectively. However, the Company has considered and estimated for losses that may arise from those cases amounting to approximately Baht 105.4 million and Baht 302.7 million, respectively, which were already recognised in “Insurance contract liabilities” in the statements of financial position as at those dates.

34. Risks of non-life insurance company

34.1 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 2019					
	Gross premium reserves	Outward premium reserves	Net	Gross loss reserves	Outward loss reserves	Net
Fire	781,063,295	(231,808,531)	549,254,764	239,977,150	(63,676,049)	176,301,101
Marine and transportation	147,856,149	(62,374,260)	85,481,889	139,354,679	(71,901,330)	67,453,349
Motor	4,729,787,965	(126,185,223)	4,603,602,742	1,795,192,708	(36,270,602)	1,758,922,106
Miscellaneous	4,319,674,294	(2,467,537,869)	1,852,136,425	3,456,634,144	(2,592,577,893)	864,056,251
Total	9,978,381,703	(2,887,905,883)	7,090,475,820	5,631,158,681	(2,764,425,874)	2,866,732,807

(Unit: Baht)

31 December 2018

	Gross premium	Outward premium	Net	Gross loss	Outward loss	Net
	reserves	reserves		reserves	reserves	
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

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. 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 2019

Assumption change	Increase (decrease) in provision for gross claim liabilities	Increase (decrease) in provision for net claim liabilities	Increase (decrease) in profit before taxes	Increase (decrease) in owner's equity
	Average claim expenses +10 %	943.1	697.2	(697.2)
Average claim expenses -10 %	(943.1)	(697.2)	697.2	557.8
Average number of claim +10 %	943.1	697.2	(697.2)	(557.8)
Average number of claim -10 %	(943.1)	(697.2)	697.2	557.8

(Unit: Million Baht)

31 December 2018

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

34.2 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 2019 and 2018, significant assets and liabilities classified by type of interest rate were summarised in the table below;

(Unit: Baht)

	31 December 2019						
	Fixed interest rates			Floating	Non-interest	Total	Effective
	Maturity date or repricing date						
	Within 1 year	1-5 years	Over 5 years	interest rate	bearing		interest rate
							(% per annum)
Financial assets							
Cash and cash equivalents	-	-	-	136,066,443	2,757,651	138,824,094	0.38 - 1.00
Investments in securities							
Government and state enterprise securities	2,428,209,736	1,051,753,356	210,712,960	-	-	3,690,676,052	1.25 - 2.36
Private enterprise debt securities	517,412,991	450,811,393	-	-	-	968,224,384	2.21 - 4.62
Equity securities	-	-	-	-	29,078,827,350	29,078,827,350	-
	11,220,681,00						
Deposits at financial institutions	7	-	-	-	-	11,220,681,007	0.38 - 1.85
Loans	255,419	7,872,259	121,675,959	1,183,929,538	-	1,313,733,175	2.50 - 7.00
Assets under insurance contracts							
Premium receivables	-	-	-	-	2,781,688,227	2,781,688,227	-
Reinsurance assets - loss reserves	-	-	-	-	2,764,425,874	2,764,425,874	-
Reinsurance receivables	-	-	-	-	393,520,487	393,520,487	-
Liabilities under insurance contracts							
Insurance contract liabilities - loss reserves	-	-	-	-	5,631,158,681	5,631,158,681	-
Due to reinsurers	-	-	-	-	2,553,721,341	2,553,721,341	-

(Unit: Baht)

31 December 2018

	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		interest rate
							(% 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	114,994	5,859,449	103,818,137	1,330,608,979	-	1,440,401,559	2.50 - 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	-

(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 2019 and 2018, the balances of assets and liabilities denominated in foreign currencies were summarised below.

Foreign currency	Assets		Liabilities		Average exchange rate	
	31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018
	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Baht per 1 foreign currency unit)	
US dollar	565.2	451.2	566.6	397.9	30.108	32.404
Philippine peso	24.7	-	13.4	-	0.592	0.617
HK dollar	7.4	7.0	0.5	-	3.865	4.135
Vietnam dong	5.3	0.2	-	-	0.001	0.001
Indonesia rupiahs	4.8	2.6	1.2	-	0.002	0.002
Poundsterling	2.3	-	1.9	-	39.444	41.004
Euro	1.4	-	2.1	1.0	33.678	37.073
Japanese yen	0.8	0.2	0.1	-	0.275	0.293
Malaysia ringgit	0.5	-	-	-	7.300	7.781
India Rupee	0.4	-	0.4	-	0.413	0.460
Australia	0.1	-	0.1	-	21.013	22.802
Taiwan dollar	-	-	19.6	-	1.002	1.054
Pakistan	-	-	0.5	-	0.195	0.232

(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 2019 and 2018, 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 2019 and 2018 were as follows:

(Unit: Baht)

	31 December 2019					Total
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	
Financial assets						
Cash and cash equivalents	138,824,094	-	-	-	-	138,824,094
Investments in securities	-	14,166,303,734	1,502,564,749	210,712,960	29,078,827,350	44,958,408,793
Loans	-	840,025,328	256,557,974	217,149,873	-	1,313,733,175
Assets under insurance contracts						
Premium receivables	-	2,781,688,227	-	-	-	2,781,688,227
Reinsurance assets - loss reserves	-	1,768,825,033	995,600,841	-	-	2,764,425,874
Reinsurance receivables	-	393,520,487	-	-	-	393,520,487
Liabilities under insurance contracts						
Insurance contract liabilities - loss reserves	-	3,603,111,420	2,028,047,261	-	-	5,631,158,681
Due to reinsurers	-	2,553,721,341	-	-	-	2,553,721,341

(Unit: Baht)

	31 December 2018					Total
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	
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

34.3 Fair value of financial assets

As of 31 December 2019 and 2018, 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:

	31 December 2019				(Unit: Baht)
	Fair Value				Carrying
	Level 1	Level 2	Level 3	Total	Value
Financial assets measured at fair value					
Investments in securities					
Government and state					
enterprise securities	-	3,690,676,052	-	3,690,676,052	3,690,676,052
Private enterprise debt					
securities	-	968,224,384	-	968,224,384	968,224,384
Equity securities	28,298,106,063	53,702,000	-	28,351,808,063	28,351,808,063
Financial asset for which fair value are disclosed					
Cash and cash equivalent	138,824,094	-	-	138,824,094	138,824,094
Investment in securities					
Held-to-maturity investments	11,220,681,007	-	-	11,220,681,007	11,220,681,007
Other investments - net	-	-	3,440,555,305	3,440,555,305	727,019,287
Loans	-	-	1,251,184,707	1,251,184,707	1,313,733,175
Investment properties - net	-	-	259,246,197	259,246,197	135,206,776
					(Unit: Baht)
	31 December 2018				
	Fair Value				Carrying
	Level 1	Level 2	Level 3	Total	Value
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

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.

35. 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.

36. Approval of interim financial statements

These financial statements were authorised for issue by the Company's Executive Directors on 20 February 2020.