

ANNUAL REPORT

2019



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นวกิจประกันภัย

The Navakij Insurance Public Company Limited

VISION

- To operate a sustainable business with reasonable profit objectives while promoting social stability and ethical integrity.
- To be a leading enterprise of non-life insurance business with a network of offices, highly competent personnel, good services and the best technology.
- To provide quality insurance coverage and quality protection for the benefit of policyholders, employees, shareholders and the general public.

MISSION

- Provide good and high quality services to customers with fairness and integrity.
- Innovate and develop new insurance products for the changing needs of society.
- Focus on quality of service and reasonable cost control to achieve utmost efficiency in the development of management system.
- Support and develop a good working environment and promote unity among employees as well as maintaining competitive benefits and compensation suitable for social environment.
- Invest in human resource development and encourage employees to be professional and maintain high ethical standard.
- Develop and implement new technology to effectively improve our service to the customers.



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FINANCIAL HIGHLIGHTS

For the fiscal year ended 31 December

Financial Statements (The equity method is applied)				
	Unit	2019	2018	2017
Financial Position				
Total assets	million baht	5,703.30	5,228.00	5,164.95
Total liabilities	million baht	3,636.81	3,120.82	2,992.53
Company shareholders' equity	million baht	2,066.49	2,107.18	2,172.42
Investment in securities	million baht	3,044.19	2,820.82	2,960.75
Dividend per share	Baht	1.28	1.79	1.80
Paid-up capital	Share	35,000,000	34,000,000	33,000,000
Authorized capital	Share	35,000,000	34,000,000	33,000,000
Operating Performance				
Gross written premium	million baht	3,023.91	2,892.62	2,635.82
Net written premium	million baht	2,278.50	2,192.43	2,010.22
Earned premium	million baht	2,209.45	2,094.44	2,086.21
Fee and commission income	million baht	182.36	197.96	179.93
Net loss incurred	million baht	1,434.81	1,218.97	1,350.34
Underwriting expenses include operating expenses	million baht	2,542.89	2,286.59	2,296.14
Underwriting profit (loss) after deducting operating expenses	million baht	(151.09)	5.81	(30.00)
Investment and other Income (loss)	million baht	180.69	98.87	159.53
Profit before income tax expenses	million baht	29.60	104.68	129.53
Income tax expenses	million baht	(0.04)	18.17	18.88
Net profit	million baht	29.64	86.51	110.65
Liquidity Ratio				
Liquidity ratio	Times	1.35	1.37	1.39
Collection period for premium due and uncollected	Days	54	53	54

Financial Statements
(The equity method is applied)

	Unit	2019	2018	2017
Profitability Ratio				
Retention rate	Percent	75.35	75.79	76.27
Loss ratio	Percent	64.94	58.20	64.73
Underwriting profit margin	Percent	9.54	18.01	14.01
Underwriting expenses ratio	Percent	51.45	50.97	45.34
Return on investment	Percent	5.65	3.28	5.14
Net written premium to shareholders' fund	Times	1.09	1.02	0.93
Net profit margin	Percent	1.15	3.62	4.56
Return on equity	Percent	1.42	4.04	5.12
Earning per share*	Baht	0.85	2.47	3.16
Efficiency Ratio				
Return on assets	Percent	0.54	1.66	2.06
Assets turnovers	Times	0.47	0.46	0.45
Financial Position Ratio				
Debt to equity ratio	Times	1.76	1.48	1.38
Policy Liability to Capital Fund	Times	1.25	1.04	0.99
Unearned premium reserve to equity	Times	0.79	0.74	0.66
Unearned reserve to total assets	Percent	28.80	29.67	27.70
Dividend payout ratio	Percent	151.79	70.51	53.68

* The Company adjusted number of shares used to calculate earnings per share as if the stock dividend has been issued since the first day of the year of the offer.

Message from the Chairman of the Board

2019 was an exceptionally challenging year for the Company. In the midst of high competition, the Company has continuously enhanced its network quality, expanded its coverage area, and developed its innovative and reliable services to serve the increasing demand from the global trend in technology and telecommunication.

With our vast years of experience, the Company has evolved, grown and adjusted its strategy to the market's evolution, as well as investing in business' diversification and globalization. It has brought us closer to our vision to be the leading enterprise of non-life insurance business. Board of Directors believes that our efforts in network enhancement with new services and innovations, focusing on market dynamics, customer satisfaction, more selective on the motor insurance side focusing on renewals and fair claims practices, will continue to drive the Company to sustain its revenue growth and profitability in the future.

NAVAKIJ is committed to learning and creating substantial added value to its businesses. The contribution by all stakeholders in this process is essential to the Company's operation over last eight decades, we ensure that our partners grow together with us for mutual sustainable growth and maintain the highest possible standard of service with effectiveness and efficiency.

Board of Directors consistently integrates sustainability in our business, implementing the principles of good corporate governance, encourage and foster a social responsibility and environment impacts mindset among listed companies. In addition, we are very delighted that "NAVAKIJ" has been ranked "EXCELLENT" for Corporate Governance in 2019 as evaluated by Thai Institute of Directors. This award has expressed our management commitment to continuous good governance principles.

On behalf of the Board of Directors, I thank our management and employees for the immense amount of work they have done and the positive changes implemented in 2019. Their persistence and motivation has built a solid base for the further successful development of "NAVAKIJ". I also thank our business partners for their ongoing support and trust in our longstanding relationships. We also extend our thanks to our shareholders who repeatedly foster our common vision to be the leading enterprise of non-life insurance business.



Suchin Wanglee
Chairman of the Board of Directors



Message from the Chief Executive Officer and the President

The year 2019 was full of headwinds for many businesses, including insurance. The US-China trade war, appreciation of the Thai Baht against the US Dollar and political tensions in the country, resulted in changes in the actions and business plans of consumers and manufacturers. Despite the challenges, “NAVAKIJ” handled each issue throughout the year with minimal adverse impact to our business.

With regard to the Company’s financial performance in 2019, the growth of the Company’s direct premium was 5 percent with a net profit of Baht 31 million. The Company is committed to pursuing growth through the continuous improvement of good quality products, service excellence and innovative propositions with an aspiration to make our customers satisfied and happy with our products and services including impressive experiences through the Company’s channels of distribution that are developed in line with Thailand’s developments towards becoming a digital society. These goals have been translated into the Company’s actionable strategies and plans which are anchored around the aim of optimizing customer satisfaction in all dimensions.

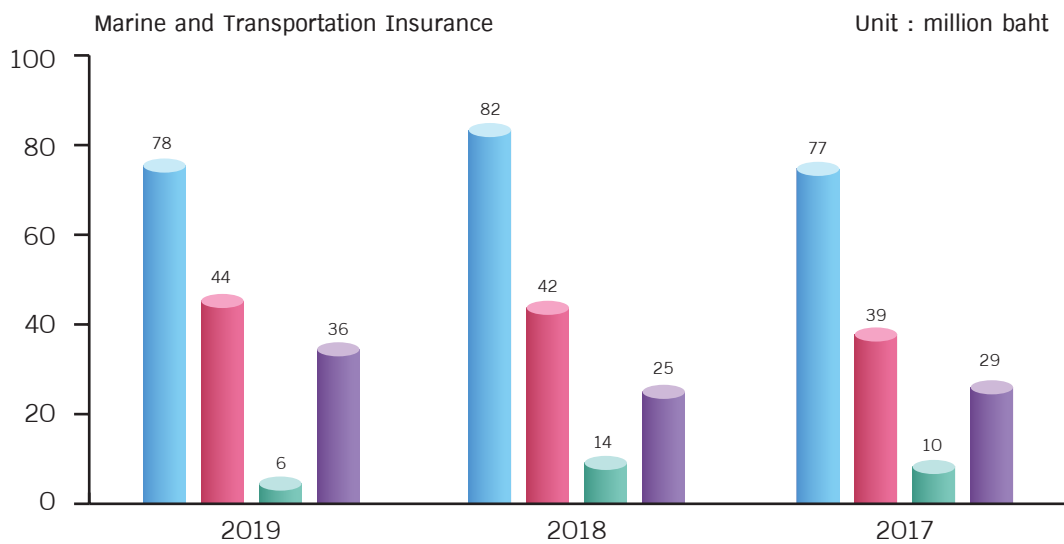
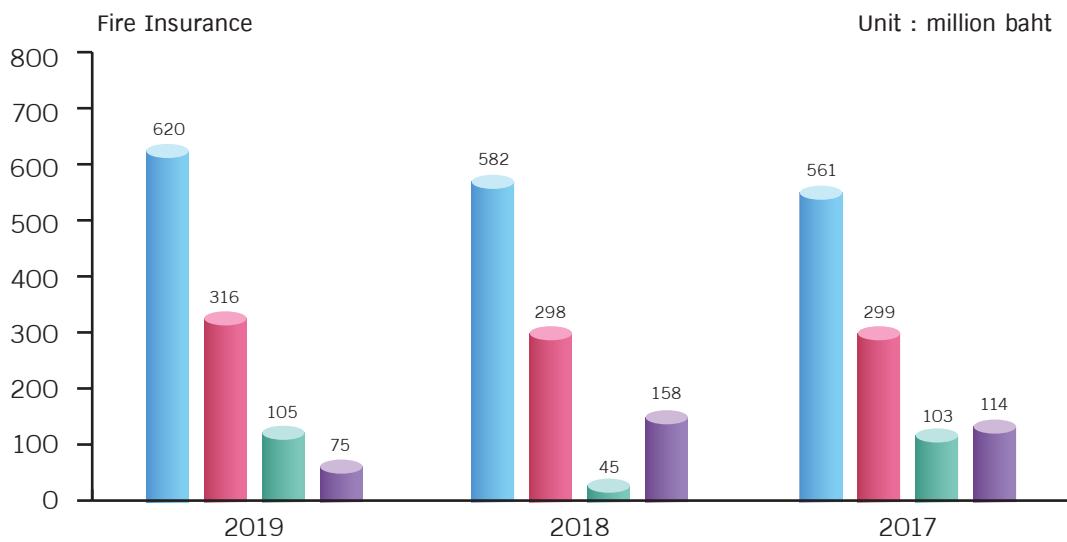
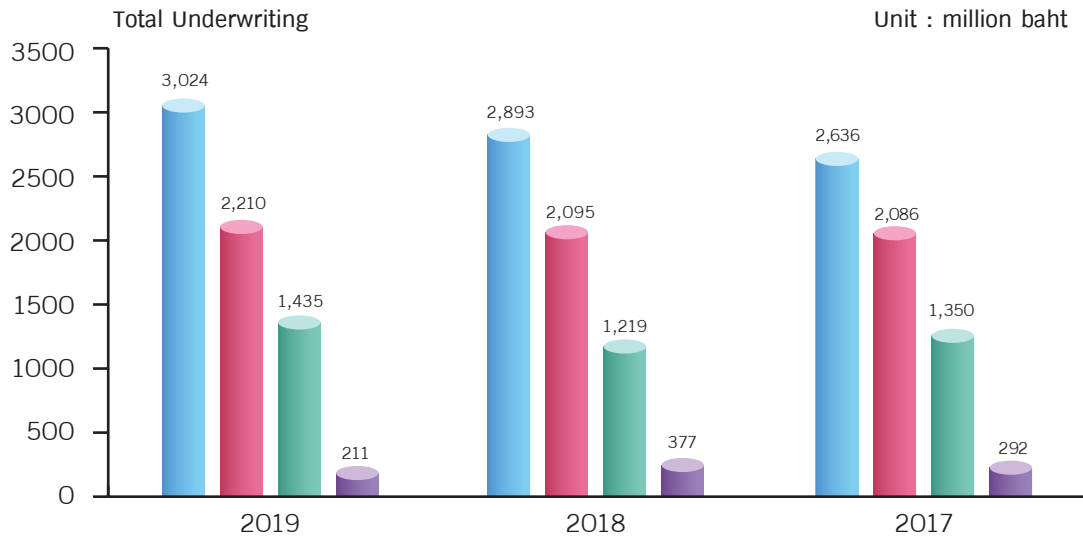
The Company revisits its strategies and policies annually. Driven by the aim of fostering solid growth and prosperity through transparent business operations in accordance with the principles of good corporate governance. In 2020, the Company’s business plans will continue expanding in scale which is to focus on non-motor businesses, setting fair and adequate premiums, increasing the efficiency of claims management as well as cost-efficiency to secure profits that are in line with our business goals.

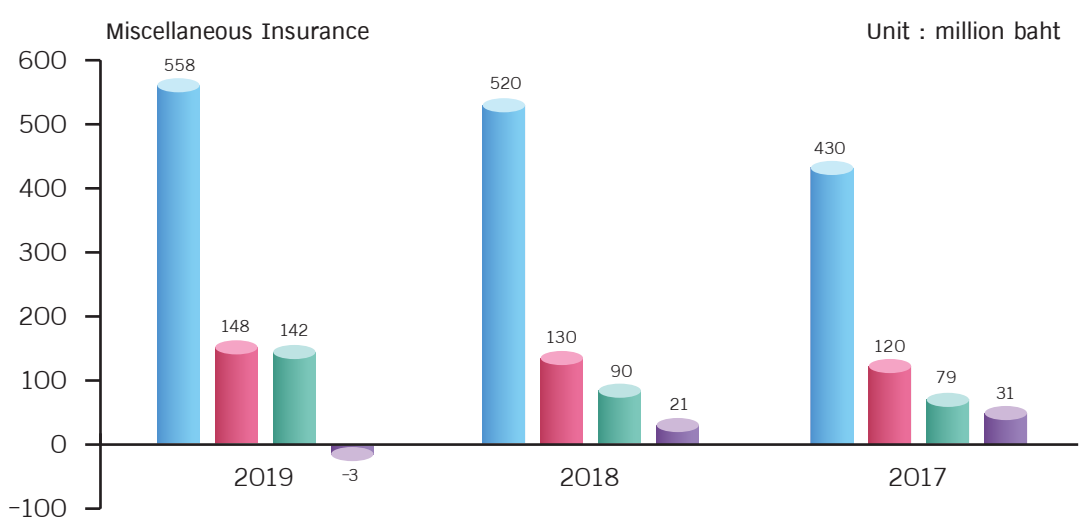
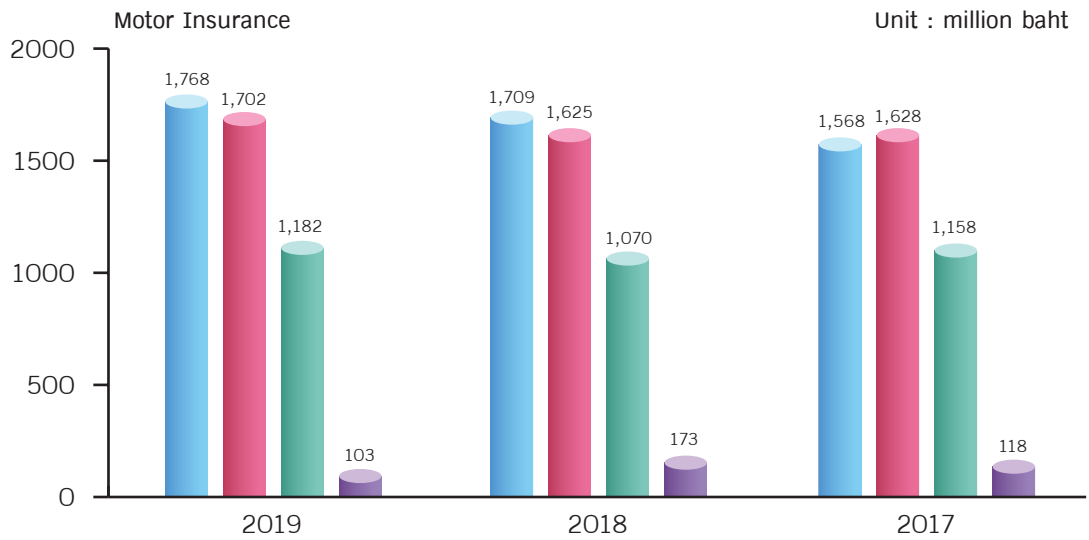
NAVAKIJ is determining to further develop and improve the quality of our products and services in order to retain our customers’ trust. We strongly believe that the experiences and determination of our managements and employees shall lead the Company towards the sustainable growth. On behalf of the managements and employees, I would like to thank you all shareholders, customers, business partners and investors for your continued support of our business operation and good governance with long-term sustainability over our past 86 years.



Pitiphong Bisalputra
CEO & President

Operating Results from Underwriting





The Remuneration, Nomination and Governance Committee's Report

In 2019, the Remuneration, Nomination and Governance Committee (the "Committee"), held four meetings and meeting attendance of the individual member is as follows:

Mr. Pramon	Sutivong	Chairman	Meeting Attendance	4/4 times
Mr. Kiet	Srichomkwan	Member	Meeting Attendance	4/4 times
Mr. Phornpong	Phornprapha	Member	Meeting Attendance	3/4 times

In 2019, Mr. Pramon Suivong has tendered his resignation from the Committee's chairman and the Board of Directors' meeting has resolved appointing Mr. Nipol Tangjeerawong; non-executive director, to be a member of the Committee for replacement and also appointing me to be the chairman of the Committee, as a result the Committee consists of two independent directors and a non-executive director, in line with the Committee's charter specified that the Committee shall comprise of no fewer than three members, of which the Committee's chairman and at least two-third of the total Committee members must be independent directors.

The Committee's performance of its duties complies with the Committee's charter, corporate governance principles, nomination and consideration for the remuneration of directors and the top executives, is summarized as follows:

1. The role of remuneration

Proposed to the board of directors and shareholders' meeting on the remuneration structure for the Board and Committees in the form of bonus and meeting fee as in the previous year. The bonus shall compensate directors with consideration to the operation result and dividend payment. The remuneration of senior executive has been proposed to be in line with the average salary increase of the Company.

2. The role of nomination

Proposed to re-appoint the directors and committees those retired by rotation to serve another term in the board of directors. Although the independent director hold more than nine consecutive years, he still has an independent opinion expressing on the Company's operation. Proposed the appointment of director in replacement of the resigned director and considered the employment contract of the CEO and President who has retired on 31 December 2019. The Committee also proposed to appoint more directors in the executive board to enhance the efficiency and to ensure the Board's effectiveness in their responsibilities.

3. The role of governance

Reviewed the implementation of the corporate governance policy and the code of conduct as well as the policies and guidelines to stakeholders. Therefore, the implementation of recommended practices of the regulator was appropriately considered in relation to the Company's business.



Kiet Srichomkwan

Chairman of the Remuneration, Nomination and Governance Committee

Audit Committee's Report

The Audit Committee (the "Committee") comprises a team of independent directors who are all expert of accountancy, finance and organization management, namely Professor Hiran Radeesri, Chairman of the Committee, and two members; Mr. Pramon Sutivong and Mr. Kiet Srichomkwan.

During 2019, the Committee held ten meetings and its members' attendance was 100 percent by those three members.

The Committee's performance of its duties and responsibilities assigned by the board of directors and comply with the Committee charter, is summarized as follows:

1. Review of the financial statements for the year 2018 and the quarterly financial statements for the year 2019

The Committee had jointed meetings with the Company's executive officers e.g. vice president of finance, vice president of office of internal audit as well as the Company's external auditor, to discuss and answer questions on the preparation of financial statements in order to comply with relevant law and standard of accounting principles. The meeting was held to ensure that the audited financial statements were accurate conforming to accounting principles standard and disclosed information were adequate, complete and reliable. Feedbacks and suggestions from the external auditor were considered and applied to achieve optimum benefit to the Company. In addition, the Committee held one meeting with the Company's external auditor specifically to ensure the financial statements were prepared without any intervention and the Company's external auditor was independent. Executive vice president who is the chief financial officer confirmed that the Company's accounting system was effective and were confident that collection and recording of transactions were complete, conforming to accounting principles standard of the time. From reviewing the statements and explanation received from the persons in charge and the external auditor, the Committee formed an opinion that the financial statements were completely and accurately prepared according to the Thai Financial Reporting Standards and also in line with the stipulations of the Office of Insurance Commission (OIC).

2. Review of the adequacy of internal control systems

The Committee reviewed and assessed the system together with the external auditor through reports of office of internal audit on regular basis. There is no significant deficiency and the internal control system is reasonably adequate and appropriate. The Committee reviewed and assessed the annual internal audit plan which follows the risk assessment result and approved budget of office of internal audit and laurels of the vice president of office of internal audit. From a review of the internal control system conducted by the Committee, it had an opinion that the internal control system was adequate and appropriate.



3. Review of the related-party transaction or the transactions that may lead to conflict of interest

The Committee reviewed on the compliance with laws, rules and regulations of relevant regulatory bodies. During 2019, the Company had significant business transactions with related parties arose in the ordinary course of business that compliance checklist has been implemented to ensure compliance with the rules and regulations of related laws with adequately and appropriate.

4. Review of good corporate governance and regulatory compliance

The Committee reviewed the efficiency and effectiveness of good governance and the compliance with rules and regulations and related laws and it was found that the directors, executives, and employees had complied with the policy and all relevant laws and regulations. The Company, therefore, is a member of Thailand's Private Sector Collective Action Coalition against Corruption and the anti-corruption policy has been implemented properly to its business.

5. Risk management

Risk management committee was formed and assigned to formulate and manage risk management plan of the Company. The Committee assessed with the Company's executives to ensure that the plan was implemented effectively and to provide recommendations to the board of directors for adjustment in order to enhance the plan effectiveness and to comply with OIC's regulations and guidelines.

6. The Committee reviewed its charter on a yearly basis to be in line with a change in risk condition and current situation and also evaluated their performance, of which the assessment result is ranked in a good level and recommended to regularly update.

7. Appointment of the external auditor for 2020

The Committee evaluated the external auditor performance during the past year, of which result is satisfactory. It also considered their independence and qualifications and was of opinion that they were conformed to criteria regulated by Securities and Exchange Commission. Therefore, the Committee recommended the board of directors to appoint Ms. Somjai Khunapasut, C.P.A. Registration No. 4499 or Ms. Rachada Yongsawadvanich, C.P.A. Registration No. 4951 or Ms. Narissara Chaisuwan, C.P.A. Registration No. 4812 or Ms. Wanwilai Phetsang, C.P.A. Registration No. 5315, all from EY Office Limited, to be the Company's external auditor for the year 2020 and also proposed audit fees and others, totaling of 2.50 million Baht, submitted to the annual general meeting of shareholders for approval.

The Committee forms an opinion that the Company observed good governance principles in conducting its business, with efficiency in risk management, accuracy and credibility of financial statements and accountancy in compliance with law and regulations which related to its business. The Company also has proper systems of internal controls and monitoring to assess business situation on regular basis.



Professor Hiran Radeesri
Chairman of the Audit Committee

Report of the Board of Directors' Responsibilities for the Financial Statements

Board of directors put strong emphasis on principles of good corporate governance and supervised financial reports presented in the annual report. Such financial reports were stated in accordance with Thai Financial Reporting Standards, applying the appropriate accounting policies and consistently adhered with careful discretion and best estimation in the preparation. Besides, significant information disclosed sufficiently in the notes to financial statements benefited to shareholders and investors in a transparent manner.

The board of directors has provided and maintained the appropriate and efficient internal control system to reasonably ensure that the accounting data are accurate, complete, and sufficient to maintain its assets and to prevent fraud and materially irregular operation.

The audit committee that comprises of independent directors have been assigned by the board of directors to take charge of the Company's financial reports and internal control quality matters. The audit committee's views regarding this issue is disclosed in this annual report under the section of the audit committee's report.

The board of directors is of the opinion that the overall internal control system of the Company is sufficient and appropriate and can build the confidence that the financial statements of NKI for the year ended 31 December 2019 are reliable, comply with relevant laws and regulations as well as in accordance with Thai Financial Reporting Standards.

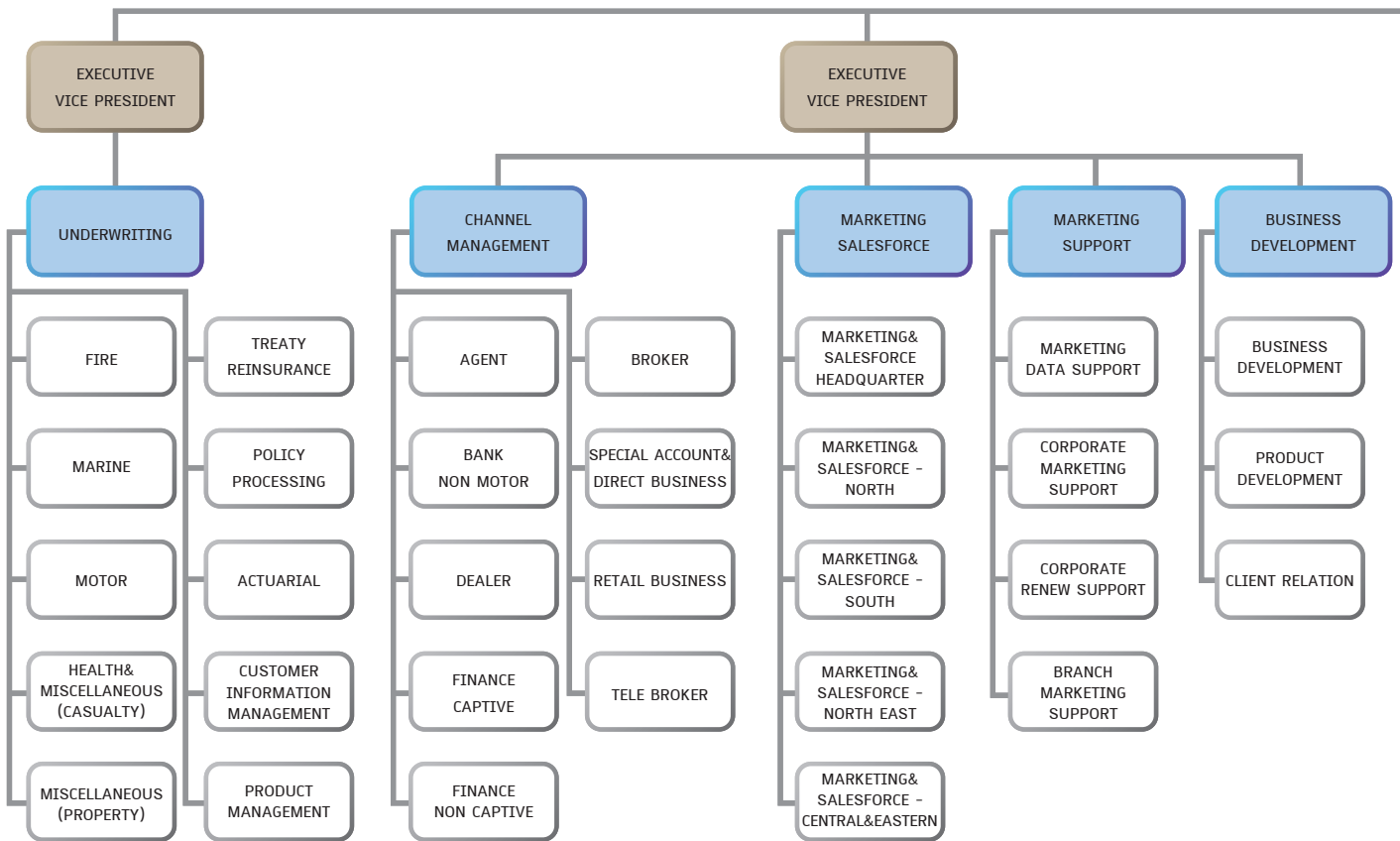
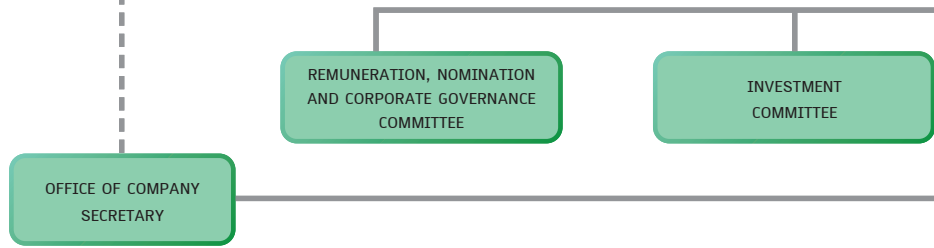


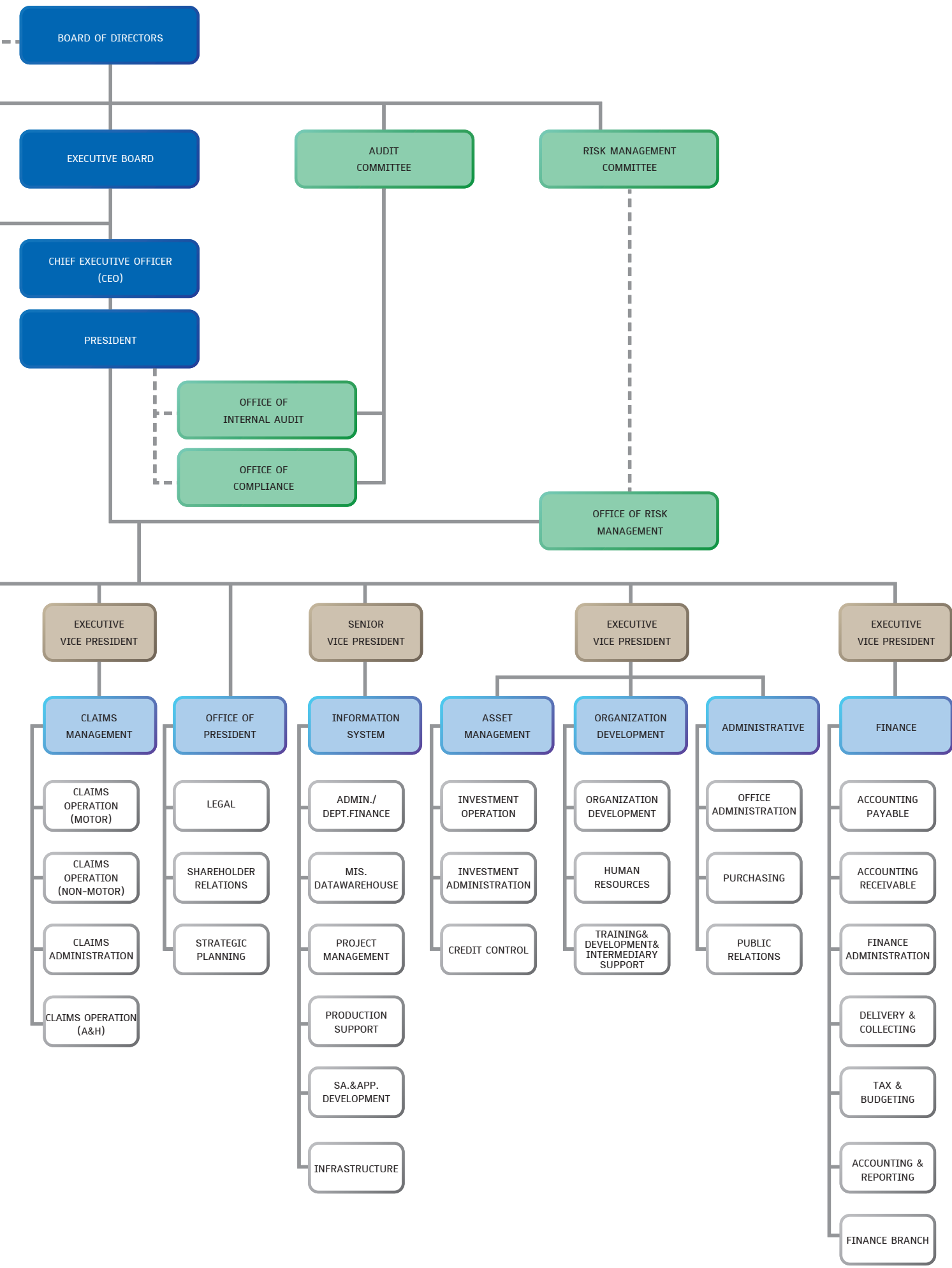
Suchin Wanglee
Chairman of the Board of Directors



Pitiphong Bisalputra
CEO & President

ORGANIZATIONAL STRUCTURE





The Company's General Information

The Company's Information

Stock Code	NKI
Type of Business	Non-life Insurance
Registration No.	0107536000862
Year of Establishment	23 September 1933
First Trade Date	24 August 1990
Registered Capital	350 million Baht, comprised of 35 million shares @10 Baht par value
Paid-up Capital	350 million Baht
Headquarter Address	25 th -27 th Floor, Sathorn Nakorn Tower, 100/47-55, 1 st Floor, Sathorn Thani Building, 90/3-6 North Sathorn Road, Silom, Bangrak, Bangkok 10500
Corporate Headquarters	Telephone (66) 2664 7777 Fax (66) 2636 7999 Accident Notification: 1748
Website	www.navakij.co.th
Shareholder Relations	office_president@navakij.co.th

Investment in other companies at 10 percent or more of paid-up capital (Direct shareholding)

Company Name	The Falcon Insurance Plc.
Type of Business	Non-life Insurance
Listed Share	Common stock 10 million shares @10 Baht par value
Paid-up Stock	Common stock 10 million shares @10 Baht par value
Shareholding Structure	NKI holds 1.2 million shares or 12 percent of paid-up stock
Headquarter Address	33/4 Building A, The 9 th Towers, 24 th - 25 th Floor, Rama 9 Road, Huay Khwang, Bangkok 10310
Telephone	(66) 2676 9888
Fax	(66) 2676 9898
Company Name	TKI General Insurance Co., Ltd.
Type of Business	Non-life Insurance
Listed Share	Common stock 8 million shares @2,000 LAK par value
Paid-up Stock	Common stock 8 million shares @2,000 LAK par value
Shareholding Structure	NKI holds 2.6 million shares or 32.5 percent of paid-up stock
Headquarter Address	Level 4, Zone A Office Unit, The Iconic, Unit 11, Phonxay Road, Phonxay Village, Saysettha District, Vientiane Capital, 01000, Lao PDR
Telephone	(856) 21 417707
Fax	(856) 21 417705

Company Name	TKI Life Insurance Co., Ltd.
Type of Business	Life Insurance
Listed Share	Common stock 8 million shares @2,000 LAK par value
Paid-up Stock	Common stock 8 million shares @2,000 LAK par value
Shareholding Structure	NKI holds 2.6 million shares or 32.5 percent of paid-up stock
Headquarter Address	Level 4, Zone A office Unit, The Iconic, Unit 11, Phonxay Road, Phonxay Village, Saysettha District, Vientiane Capital, 01000, Lao PDR
Telephone	(856) 21 417707
Fax	(856) 21 417705

Other References

Securities Registrar	Thailand Securities Depository Co., Ltd. 93 Ratchadsaphisek Road, Dindaeng, Bangkok 10400 Telephone (66) 2009 9000 Fax (66) 2009 9991
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External Auditor	Miss Somjai Khunapasut C.P.A. Registration No. 4499 EY Office Limited 33 rd Floor, Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Bangkok 10110 Telephone (66) 2264 0777 Fax (66) 2264 0789-90
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Board of Directors and Executive Profiles

Board of Directors

Mr. Suchin Wanglee

Chairman of the Board of Directors, Director, Advisor to the Investment Committee and Advisor to the Executive Board

Age	83 years
Date of Appointment	29 April 1993
The Latest Reelection	27 April 2017
Highest Education Degree	Bachelor Degree in Electronic Engineering, Northrop Institute of Technology, USA
NKI Shareholding	13.56 percent
Director and Executive Training Program	
Thai Institute of Directors Association	- Director Accreditation Program 2013 - Role of the Chairman Program 2011
OIC Advanced Insurance Institute	- Thailand Insurance Leadership Program, class 2/2012
Urban Green Development Institute Bangkok	- Top Executive Program in Urban Green Development 2011
Commerce Academy	- Top Executive Program in Commerce and Trade 2010
Capital Market Academy	- Capital Market Academy Leadership Program, class 9/2009
Harvard University, USA	- Executive Course
Position in Other Listed Company (4)	
Sermasuk Plc.	2013-Present Audit Committee Member 2012-Present Chairman of the Compensation Committee 2011-Present Vice Chairman 2010-Present Director
BTS Group Holding Plc.	2010-Present Director, Audit Committee Member and Nomination & Remuneration Committee Member
Thai Metal Drums MFG. Plc.	2018-Present Chairman 1989-Present Director
Thaire Life Assurance Plc.	1999-Present Chairman
Position in Other Non-Listed Company (11)	
5-year Past Experiences	
T.I.I. Co., Ltd.	2008-2019 Director and Chairman
Varopakorn Plc.	1994-2019 Director
Nuchapon Co., Ltd.	1990-2017 Director
Thai Reinsurance Plc.	1978-2016 Director and Chairman
The Falcon Insurance Plc.	2007-2014 Chairman 1970-2014 Director

Mr. Pitiphong Bisalputra

Director, Chairman of the Investment Committee, Chairman of the Executive Board, Risk Management Committee Member, Chief Executive Officer and President

Age	55 years
Date of Appointment	25 April 2002
The Latest Reelection	27 April 2017
Highest Education Degree	Master Degree in Business Administration, University of Hartford, USA
NKI Shareholding	0.46 percent

Director and Executive Training Program

Thai Institute of Directors Association	- Successful Formulation and Execution of Strategy 2009
	- Director Certification Program 2003
The Association National Defence College of Thailand under The Royal Patronage of His Majesty the King	- Advanced Diploma in Security Management Program
	- National Defence College, The National Defence Course Class 57

Position in Other Listed Company (2)

Varopakorn Plc.	2019-Present	Director
Thai Metal Drums MFG. Plc.	2018-Present	Director, Audit Committee Member and Remuneration & Nomination Committee Member

Position in Other Non-Listed Company (12)**5-year Past Experiences**

Aqua Master Solution Co., Ltd.	1987-2017	Director
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Professor Hiran Radeesri**Independent Director and Chairman of the Audit Committee**

Age	90 years	
Date of Appointment	24 August 1999	
The Latest Reelection	25 April 2019	
Highest Education Degree	Honorary Doctorate in Accounting, Thammasat University	
NKI Shareholding	None	
Director and Executive Training Program		
Thai Institute of Directors Association	- Successful Formulation and Execution of Strategy 2009	
	- Director Certification Program 2000	
Capital Market Academy	- Capital Market Academy Leadership Program, class 5/2007	
Yale School of Management, USA	- Certificate, Corporate Director Education Program 2002	
Position in Other Listed Company (1)		
Dusit Thani Plc.	1999-Present	Chairman of the Audit Committee
Position in Other Non-Listed Company (2)		
5-year Past Experiences		
Thai Com Plc.	2001-2018	Chairman of the Audit Committee
The Stock Exchange of Thailand	2002-2017	Expert on Corporate Governance and Social Responsibility

Mr. Kiet Srichomkwan**Independent Director, Audit Committee Member and Chairman of the Remuneration, Nomination and Governance Committee**

Age	82 years
Date of Appointment	23 November 1999
The Latest Reelection	27 April 2017
Highest Education Degree	Bachelor Degree in Business Administration, Western New Mexico University, USA
NKI Shareholding	0.12 percent
Director and Executive Training Program	
Thai Institute of Directors Association	- Director Certification Program Update 2015
	- Role of the Chairman Program, Role of Nomination and Governance Committee 2012
	- Monitoring the System of Internal Control and Risk Management, Monitoring Fraud Risk Management, Monitoring the Internal Audit Function 2010
	- Monitoring the Quality of Financial Reporting 2009
	- Improving the Quality of Financial Reporting 2006
	- Audit Committee Program 2004

Director and Executive Training Program

Thai Institute of Directors Association	- Finance for Non-Finance Director, Director Accreditation Program 2003
	- Director Certification Program 2002
Commerce Academy	- Top Executive Program in Commerce and Trade 2009

Position in Other Listed Company (1)

VGI Global Media Plc.	2016-Present	Director and Audit Committee Member
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Position in Other Non-Listed Company (8)

5-year Past Experiences	None
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Mr. Nipol T.Jeerawong

Director, Chairman of the Risk Management Committee, Remuneration, Nomination and Governance Committee Member, Investment Committee Member and Advisor to the Chairman of the Board

Age	68 years	
Date of Appointment	29 April 1992	
The Latest Reelection	25 April 2019	
Highest Education Degree	Bachelor Degree in Statistics and Mini MBA, Thammasat University	
NKI Shareholding	0.28 percent	
Director and Executive Training Program		
Thai Institute of Directors Association	- Board Matters and trends 2017 - Director Certification Refresher Program 2008 - Director Certification Program 2002	
Thailand Energy Academy	- The Executive Program in Energy Literacy for a Sustainable Future 2019	
Capital Market Academy	- Capital Market Academy Leadership Program, class 13/2011	
The Association of National Defence College of Thailand under The Royal Patronage of His Majesty the King	- National Defence College, The State, Private Sector and Political Sector Course Class 2005	
Sasin Graduate Institute of Business Administration of Chulalongkorn University	- Senior Executive Program (SEP-10)	
Scandia Management Program, Sweden	- Insurance Management Program	
Swiss Insurance Training Center, Switzerland	- General and Insurance Management	
Position in Other Listed Company	None	
Position in Other Non-Listed Company (1)		
5-year Past Experiences		
Eastern Water Resources Development and Management Plc.	2017-2018	Advisor to the Board Advisor to the Investment Committee Advisor to the Remuneration Committee
	2016-2017	Director
The Navakij Insurance Plc.	2007-2014	CEO and Chairman of the Investment Committee
	1997-2007	President
The Falcon Insurance Plc.	2006-2014	Advisor

Mrs. Wanida Chansikarin

Independent Director and Audit Committee Member

Age	59 years
Date of Appointment	18 December 2019
Highest Education Degree	- Bachelor Degree in Accounting, Rajamangala University of Technology - Bachelor Degree in Finance, Sukhothai Thammathirat Open University - Diploma in Auditing, Thammasat University

NKI Shareholding	0.01 percent
Director and Executive Training Program	
Thai Institute of Directors Association	- Audit Committee Program 2006 - Director Accreditation Program 2004
Position in Other Listed Company (1)	
Thai Metal Drums MFG. Plc.	2018-Present Audit Committee Chairman
Position in Other Non-Listed Company (7)	
5-year Past Experiences	None

Mr. Phornpong Phornprapha Independent Director and Remuneration, Nomination and Governance Committee Member

Age	69 years
Date of Appointment	26 April 2007
The Latest Reelection	27 April 2017
Highest Education Degree	Bachelor Degree in Business Administration, California State University, USA
NKI Shareholding	None
Director and Executive Training Program	
Thai Institute of Directors Association	None
Position in Other Listed Company	None
Position in Other Non-Listed Company (23)	
5-year Past Experiences	None

Mr. Chan Soo Lee Independent Director

Age	59 years
Date of Appointment	29 April 2003
The Latest Reelection	24 April 2018
Highest Education Degree	Bachelor Degree in Electronic & Computer, National University of Singapore, Singapore
NKI Shareholding	0.99 percent
Director and Executive Training Program	
Thai Institute of Directors Association	- Director Accreditation Program 2013
Position in Other Listed Company	None
Position in Other Non-Listed Company (5)	
5-year Past Experiences	None

Mr. Thamnu Wanglee Director

Age	82 years
Date of Appointment	29 April 1992
The Latest Reelection	25 April 2019
Highest Education Degree	Diploma, E.M.I. Electronic College, England
NKI Shareholding	1.28 percent
Director and Executive Training Program	
Thai Institute of Directors Association	- Director Accreditation Program 2006
Position in Other Listed Company	None
Position in Other Non-Listed Company (3)	
5-year Past Experiences	None

Mr. Vuttichai Wanglee**Director**

Age	78 years
Date of Appointment	29 April 1992
The Latest Reelection	24 April 2018
Highest Education Degree	Bachelor Degree in Industrial Engineering, Boston University, USA
NKI Shareholding	1.78 percent
Director and Executive Training Program	
Thai Institute of Directors Association	- Director Accreditation Program 2011
Position in Other Listed Company	None
Position in Other Non-Listed Company (5)	
5-year Past Experiences	None

Ms. Jittinan Wanglee**Director**

Age	47 years
Date of Appointment	29 April 2003
The Latest Reelection	24 April 2018
Highest Education Degree	Master Degree in Business Administration, Babson College, USA
NKI Shareholding	0.68 percent
Director and Executive Training Program	
Thai Institute of Directors Association	- Director Accreditation Program 2007
Position in Other Listed Company	None
Position in Other Non-Listed Company (9)	
5-year Past Experiences	None

Dr. Saran Wanglee

Director, Executive Board Member
Executive Vice President; Business Development, Channel Management, Marketing Salesforce and Marketing Support

Age	38 years
Date of Appointment	18 December 2019
The Latest Reelection	Doctor of Philosophy in Business Administration: Marketing,
Highest Education Degree	Sasin Graduate Institute of Business Administration of Chulalongkorn University
NKI Shareholding	0.54 percent
Director and Executive Training Program	
Thai Institute of Directors Association	- Financial Statements for Directors 2015
OIC Advanced a Insurance Institute	- Thailand Insurance Leadership Program, class 5/2015
King Prajadhipok's Institute	- The Intermediate Certificate Course, Young Leadership in Democratic Governance, class 3/2013
Position in Other Listed Company	None
Position in Other Non-Listed Company (12)	
5-year Past Experiences	
The Falcon Insurance Plc.	2014-2019 Advisor

Ms. Charuwan Chabchamrun**Director and Company Secretary**

Vice President; Office of Company Secretary, Office of Compliance and Office of President

Age	49 years
Date of Appointment	26 February 2015
The Latest Reelection	25 April 2019
Highest Education Degree	Bachelor of Arts, Chulalongkorn University
NKI Shareholding	None
Director and Executive Training Program	
Thai Institute of Directors Association	<ul style="list-style-type: none"> - Board Matters and Trends 2018 - Company Secretary Program 2015 - Director Accreditation Program 2014
Position in Other Listed Company	None
Position in Other Non-Listed Company	None
5-year Past Experiences	None

Executive as the definition defined by SEC

Ms. Anukul Thitikulrat**Executive Vice President-Finance (Chief Financial Officer)**

Risk Management Committee and Executive Board Members

Age	57 years
Commence in	Year 2002
Highest Education Degree	Master Degree in Business Administration, Chulalongkorn University
NKI Shareholding	None
Director and Executive Training Program	
Thai Institute of Directors Association	None
Thai Listed Companies Association	<ul style="list-style-type: none"> - Automation & RPA (Robot Process Automation) for Accounting - How important are intangible assets impairment - Supervisory review quarterly financial reports
Thai General Insurance Association	<ul style="list-style-type: none"> - Thai Financial Reporting Standards 17 (TFRS 17)
Position in Other Listed Company	None
Position in Other Non-Listed Company	None
5-year Past Experiences	None

Mrs. Nalina Bodharamik**Executive Vice President-Underwriting**

Risk Management Committee and Executive Board Members

Age	49 years
Commence in	Year 2009
Highest Education Degree	Master Degree in Business Administration, University of West Florida, USA
NKI Shareholding	None
Director and Executive Training Program	
Thai Institute of Directors Association	None
Position in Other Listed Company	None
Position in Other Non-Listed Company	None
5-year Past Experiences	None

Mr. Anak Wanglee

Executive Vice President; Assets Management, Organization Development,
Administrative and Information System
Risk Management Committee, Investment Committee and Executive Board Members

Age	42 years
Commence in	Year 2014
Highest Education Degree	M.S. Information System, Northeastern University, USA M.A. Economics, Boston University, USA
NKI Shareholding	0.19 percent
Director and Executive Training Program	
Thai Institute of Directors Association	None
Position in Other Listed Company	None
Position in Other Non-Listed Company (7)	
5-year Past Experiences	None

Mr. Anin Wanglee

Executive Vice President-Claims Management
Acting, Vice President of Claims Management
Executive Board Member

Age	40 years
Commence in	Year 2009
Highest Education Degree	M.B.A. Bently College, Massachusetts, USA
NKI Shareholding	0.29 percent
Director and Executive Training Program	
Thai Institute of Directors Association	- Director Accreditation Program 2015
Position in Other Listed Company (1)	
Thai Metal Drums MFG. Plc.	2015-Present Director and Audit Committee Member
Position in Other Non-Listed Company (5)	
5-year Past Experiences	None

Shareholders and Management Structure

Shareholders Structure

Top ten major shareholders as of 30 December 2019

Shareholders	Shareholding	
	No. of Shares	Percentage of Total Number of Shares
1. Mr. Suchin Wanglee Group ⁽¹⁾	4,936,330	14.10
2. The United Indemnity Company Limited	2,489,372	7.11
3. Thanasarn Sombat (Thai) Company Limited	1,770,015	5.06
4. Mr. Nataphol Srichomkwan	1,648,944	4.71
5. Siam Motors Company Limited	1,414,000	4.04
6. Mrs. Saijit Wanglee Group ⁽²⁾	1,014,622	2.90
7. Mr. Pradit Rodloytuk	1,011,946	2.89
8. Wanglee Company Limited	952,408	2.72
9. Poon Phol Company Limited	933,330	2.67
10. Mr. Chan Chi Keung	779,739	2.23
Other Shareholders	18,049,294	51.57

Note: (1) Mr. Suchin Wanglee Group consists of 1) Mr. Suchin Wanglee holds 3,522,485 shares 2) Mrs. Rujiraporn Wanglee holds 1,225,000 shares 3) Dr. Saran Wanglee holds 188,845 shares
(2) Mrs. Saijit Wanglee Group consists of 1) Mrs. Saijit Wanglee holds 639,244 shares 2) Ms. Jittinan Wanglee holds 238,685 shares 3) Mr. Nattachai Wanglee holds 136,693 shares

Dividend policy

The Company has a policy to pay dividend at the rate of not less than 40 percent of the net profit base on consolidate financial statements, the separate financial statement has no accumulated loss and after it is resolved by the opinion of the Board and the general meeting of shareholders.

Management Structure

1. Board of directors consists of the following:

- | | | |
|----|---------------------------|--|
| 1. | Mr. Suchin Wanglee | Chairman of the Board & Non-executive Director |
| 2. | Mr. Pitiphong Bisalputra | Executive Director |
| 3. | Professor Hiran Radeesri | Independent Director & Chairman of the Audit Committee |
| 4. | Mr. Kiet Srichomkwan | Independent Director, Audit Committee Member & Chairman of the Remuneration, Nomination & Governance Committee |
| 5. | Mr. Nipol T. Jeerawong | Non-Executive Director, Chairman of the Risk Management Committee & Remuneration, Nomination & Governance Committee Member |
| 6. | Mrs. Wanida* Chansikarin | Independent Director & Audit Committee Member |
| 7. | Mr. Phornpong Phornprapha | Independent Director & Remuneration, Nomination & Governance Committee Member |
| 8. | Mr. Chan Soo Lee | Independent Director |
| 9. | Mr. Thamnu Wanglee | Non-Executive Director |

10. Mr. Vuttichai	Wanglee	Non-Executive Director
11. Ms. Jittinan	Wanglee	Non-Executive Director
12. Dr. Saran*	Wanglee	Executive Director
13. Ms. Charuwan	Chabchamrun	Executive Director & Company Secretary

Note: * Mrs. Wanida Chansikarin & Dr. Saran Wanglee have been appointed as the Company's director since 18 December 2019.

Duties and Responsibilities of the Board of directors

1. To oversee that the Company's operations are operated in accordance with the objects, the articles of association of the Company, and the resolutions of the shareholders' meeting, as well as the regulations specified by related laws in good faith and with due care to preserve the greatest interests of the Company.

2. To consider and approve vision, mission, strategies, business directions and goals including important business policies, as well as overseeing and superintend the management to be in line with the vision or framework with effectiveness and efficiency.

3. To regularly monitor, evaluate and approve the implementation of the corporate governance framework, code of ethics and the code of conduct of the Company at least once a year.

4. To approve the organizational structure that maintain a balance of power between supervisory and management functions.

5. To oversee that the Company has set up a control system for risk management, internal control and compliance with regulatory, as well as to provide units or personnel with an independent duty to act in the audit practice to ensure the efficient and transparent management.

6. To supervise setting up a control system for financial reports and reliability of audit evidence.

7. To appoint the subcommittees to be adequate and appropriate of its duties to support the Board in their responsibility as well as to consider the composition of the subcommittees and any significantly changes that may affect their performance.

8. To oversee disclosure of information regarding good governance, financial reports and important matters in accordance with the rules and regulations of relevant regulatory bodies, accurately, completely and timely.

9. To oversee selection of directors and set up the efficient succession plan of the top executives.

10. To appoint or delegate any power to any other person(s) to conduct the Company's business subject to the control of and within the time frame as may be specified by the Board.

11. To oversee assessing the performance of the Board and its subcommittees annually.

12. To approve connected transactions and any transactions in compliance with the laws and regulations specified by all regulatory agencies such as OIC, SEC etc., to prevent transactions that may have a conflict of interest.

13. To approve the acquisition and disposition of assets and any transactions in compliance with the laws and regulations specified by all regulatory agencies such as OIC, SEC etc., to prevent transactions that may have a conflict of interest.

14. To approve a significant matters submitted by the management such as business plan, budget or any project that the transaction value is greater than the authority of the management.

15. To approve the criteria for annual special bonus payment for the employees.

16. To appoint the Company Secretary to ensure that the Board and the Company perform their duties in accordance with related laws and relevant rules and regulations

2. The Committees

1) **Audit Committee** consists of a team of independent directors. Term of office is three years and subject to a three-year term which all members as below names list will be vacated the office on due term in November 2021.

1. Professor Hiran ⁽¹⁾	Radeesri	Chairman
2. Mr. Kiet	Srichomkwan	Member
3. Mrs. Wanida ⁽²⁾	Chansikarin	Member

Mr. Phisit Photisatian, vice president, office of internal audit, is a secretary to the Committee.

Note: (1) He has expertise and vast experience in accounting, finance practice and experienced to review creditability of the financial report.

(2) Mrs. Wanida Chansikarin has been appointed as member of the audit committee since 18 December 2019.

Duties and Responsibilities of the Audit Committee

1. To review the Company's financial reports to ensure the quality that are completely and accurately prepared according to the accounting standards.
 2. To review the Company's internal control system and internal audit systems to ensure the efficient and to approve the appointment, transfer, removal and considering compensation and merit increases of internal audit chief as well as to define duties and responsibilities of internal audit unit.
 3. To review that the Company's operations are operated in accordance with the laws and regulations specified by SEC, SET, OIC as well as other related laws.
 4. To consider, select, nominate and lay-off an independent person to be the Company's external auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with the auditor at least once a year.
 5. To review connected transactions or any transactions in compliance with the laws and regulations specified by SET, to prevent transactions that may have a conflict of interest, to ensure the transactions are reasonable and to preserve the greatest interest of the Company.
 6. To review the efficiency of the Company's risk management system.
 7. To report the Committee's performance to the board of directors at least 4 times a year.
 8. To prepare report of the Committee that would be signed by the Committee's Chairman to be disclosed in the Company's annual report. The report must consist of at least following items;
 - 8.1 An opinion on the accuracy, completeness and creditability of the Company's financial reports
 - 8.2 An opinion on the adequacy of the Company's internal control system
 - 8.3 An opinion on complying with the laws and regulations specified by all regulatory agencies and others relating to the Company's operations
 - 8.4 An opinion on the suitability of the auditor
 - 8.5 An opinion on the transactions that may have a conflict of interest
 - 8.6 Number of the Committee's meetings and the attendance of each member
 - 8.7 An opinion or overview comment received by the Committee from its performance of duties in accordance with the charter
 - 8.8 Other transactions which the shareholders and general investors should be known, subject to the scope of duties and responsibilities assigned by the Company's board of directors
 9. To perform any other tasks as assigned by the board of directors thereof with the approval of the Committee.
 10. In performing of their duties, if it is found or suspected that there is a transaction or any of the following acts which may materially affect the Company's financial condition and operating results, the Committee shall report to the board of directors for rectification within the period of time that the Committee thinks fit;
 - 10.1 The transactions that may have a conflict of interest
 - 10.2 Any fraud, irregularity, or material defect in the internal control system
 - 10.3 An infringement of the laws and regulations specified by all regulatory agencies and others relating to the Company's operations
- If the Company's board of directors or management fails to make a rectification within the period of time under the first paragraph, any member of the Committee may report on the transaction or act under the first paragraph to SEC or SET and the Committee must be reported to OIC immediately.
11. If the external auditor discovers any suspicious circumstance that the director, manager or any other person responsible for the operation of the Company commits an offense as defined by laws and the auditor informed the fact relating to such circumstance to the Committee in order to continue the inspection without delay, the Committee shall inspect the circumstance and report the result of preliminary inspection to SEC and the external auditor within 30 days from the date received the external auditor noticed. The suspicious circumstance to be reported and the process to uncover facts of such circumstance shall be as specified by the Capital Market Supervisory Board.

The Committee holds at least six meetings a year.

2) **Remuneration, Nomination and Governance Committee** consists of two-third of independent directors, of which the Committee's chairman is an independent director, and hold a term of 3 years. All members as below names list will be vacated the office on due term in February 2022.

- | | | | |
|----|---------------|-------------|----------|
| 1. | Mr. Kiet | Srichomkwan | Chairman |
| 2. | Mr. Phornpong | Phornprapha | Member |
| 3. | Mr. Nipol* | T.Jeerawong | Member |

Note: * Mr. Nipol T.Jeerawong has been appointed as the Committee's member since 18 December 2019.

Duties and Responsibilities of Remuneration

1. Propose to the board of directors' meeting or shareholder's meeting (as it may be) to consider approval of structure and procedures of remunerations for the board of directors, the committees and top executives.
2. Consider and fix bonus for the board of directors and the committees and propose to the board of directors and shareholders' meeting for approval.
3. Consider and fix bonus for top executives and propose to the board of directors for approval.
4. Consider and review authority and duties of the remunerating to appropriate and comply with legal, regulations and regulatory agencies such as OIC, SET and SEC etc.

Duties and Responsibilities of Nomination

1. Determine criteria and procedures for selection of nominees to serve as the Company's directors, member of the committees and top executives and propose to the board of directors for approval.
2. Recruit and nominate a qualified person to serve as the Company's director, the committees and top executives when retiring by rotation or the position is vacant and propose to the board of directors' meeting or shareholder's meeting for approval.
3. Review structure and composition of the board of directors to be appropriate to the organization and accountability to the shareholders.
4. Consider and review authority and duties of the nominating to appropriate and comply with legal, regulations or regulatory agencies such as OIC, SET and SEC etc.

Duties and Responsibilities of Governance

1. To consider and review whether policy and practice concerning the corporate governance policy and the code of conduct of the Company are appropriate and adequate and propose to the Board for approval.
2. To monitor and evaluate the implementation of the corporate governance policy and the code of conduct of directors and staffs at least once a year.
3. To consider the appointing of working group to support relating works to the corporate governance and the code of conduct suitability.

The Committee holds at least two meetings a year.

3) **Risk Management Committee** consists of the Company's directors or top executives and holds a term of three years. All members as below names list will be vacated the office on due term in February 2022.

- | | | | |
|----|---------------|--------------|----------|
| 1. | Mr. Nipol | T. Jeerawong | Chairman |
| 2. | Mr. Pitiphong | Bisalputra | Member |
| 3. | Ms. Anukul | Thitikulrat | Member |
| 4. | Mrs. Nalina | Bodharamik | Member |
| 5. | Mr. Anak | Wanglee | Member |

Duties and Responsibilities of the Risk Management Committee

1. Review and propose risk management policy and risk appetite to the board of directors for approval.
2. Oversee development and ensure that all division/department within the Company perform by the risk management system.
3. Review the risk management reports and periodically follow up on major risks and make sure the Company has managed risks appropriately and with efficiency.
4. Submit to the board of directors, a report of overall risk exposure to the Company including review whether the internal audit system is appropriate to manage exposure from major risks.

5. Give advice to all division/department of the risk management sector, consider and resolve development system of the risk management.

The Committee holds at least four meetings a year.

4) Investment Committee consists of the Company's executives who served as chief executive officer and president and vice president of asset management department and the other must be appointed by the board of directors. Term of office shall effective consistent with the status of the Company's executive officers.

- | | | | |
|----|---------------|--------------|----------|
| 1. | Mr. Pitiphong | Bisalputra | Chairman |
| 2. | Mr. Nipol | T. Jeerawong | Member |
| 3. | Mr. Anak | Wanglee | Member |

Mr. Suchin Wanglee is an advisor to the Committee.

Duties and Responsibilities of the Investment Committee

1. To set investment policy and submit to the board of directors for approval.
2. To review investment plans to comply with the policies designed by the board of directors, the Company's risk management strategy and to ensure its consistency and compliance with regulations of OIC and related laws.
3. To consider and define guidelines for investment risk management strategy.
4. To consider and set investment procedures for the Company.
5. To oversee the investment management in accordance with the policies, plans, procedures and risk management strategy approved by the board of directors.
6. To review and adjust investment policy and investment plans so as to fit in with a change in investment climate and propose a revised investment policy to the board of directors for approval.
7. To consider approval of investment in securities.
8. To consider approval of general loan.
9. To consider approval of disposition of real property.

The Committee holds at least four meetings a year.

5) Executive Board consists of the Company's following executive officers who have been appointed by the board of directors. Term of office shall effective consistent with the status of the Company's executive officers.

- | | | | |
|----|---------------|-------------|----------|
| 1. | Mr. Pitiphong | Bisalputra | Chairman |
| 2. | Ms. Anukul | Thitikulrat | Member |
| 3. | Mrs. Nalina | Bodharamik | Member |
| 4. | Mr. Anak | Wanglee | Member |
| 5. | Mr. Anin | Wanglee | Member |
| 6. | Dr. Saran | Wanglee | Member |

Mr. Suchin Wanglee is an advisor to the Committee.

Note: Executive board members number 4-6 have been appointed since 13 August 2019.

Duties and Responsibilities of the Executive Board

1. To control and supervise the Company and its subsidiaries' operation that are carried out according to the policies and major operating plans, with utmost efficiency and effectiveness, as assigned by the Board.
2. To perform vision, mission, strategies, business direction and goals, budget, guidelines and operational plans, management structures including important business policies of the Company and its subsidiaries and report of such to the Board.
3. To control and supervise the Company and its subsidiaries to conduct in compliance with the Securities and Exchange Act, the Non-Life Insurance Act, the Public Company Act and other related applicable regulations thereof.
4. To control and supervise the Company to follow generally accepted accounting standards and prepare financial statements to show accurately and reasonably the financial and operation results of the Company and its subsidiaries.
5. To evaluate and analyse operational risks of the Company and its subsidiaries and make appropriate measures to manage such risk and inform the Board thereof.
6. To perform any other tasks as assigned by the Board thereof.

Authority

1. To manage the Company and its subsidiaries' operation according to the policy, budget and operating plans.
2. To delegate the management authority to the respective responsible executives of the Company and its subsidiaries according to level of command.
3. To manage and handle all matters related to underwriting, claims management, investment and general management.
4. To purchase, hire, sell and transfer assets, and to approve expenditure within the limit of 50 million Baht.
5. To authorize expenditure that exceeds the budget but not over 20 percent of the budget.
6. In the event that the Board has given authority to the executive board or in the event that the executive board has given authority to the President and/or any executives to act on behalf of the Company or its subsidiaries, the authority given so does not include the power to approve transactions that the assignee or the involved person may have interest, or conflict of interest with the Company or its subsidiaries.

The Committee holds at least two meetings a month.

3. Executive consists of:

1. Mr. Pitiphong	Bisalputra	Chief Executive Officer and President
2. Ms. Anukul	Thitikulrat	Executive Vice President – Finance
3. Mrs. Nalina	Bodharamik	Executive Vice President – Underwriting
4. Mr. Anak	Wanglee	Executive Vice President – Assets Management, Organization Development, Administrative & Information System
5. Mr. Anin	Wanglee	Executive Vice President – Claims Management
6. Dr. Saran	Wanglee	Executive Vice President – Business Development, Marketing Salesforce, Channel Management & Marketing Support

Duties and Responsibilities of the Chief Executive Officer

1. To monitor and provide advises to the president and the management in managing the Company to achieve its vision and overall objectives set by the board of directors, will all units in the organization cooperatively to achieve their respectively responsible objectives.
2. To motivate and/or oversee participation from all members of the organization towards common directions and objectives.
3. To establish understandings of roles and duties of the management with the board of directors to work towards a common direction.
4. To provide recommendations to the management including review and oversee management direction and business strategies as a whole including normal business operation plans before presenting to the board of directors.
5. To oversee the adequacy of strategies, annual budget and operation plans in accordance with the Board's policy.
6. To oversee development of good culture and sound environment in work place for the Company's personnel with taking in consideration of their pride and respect for human dignity including having code of moral and equal treatment for them.
7. To consider and evaluate the president's performance and report it directly to the board of directors and/or assigned sub-committees.
8. Cooperating with the president to consider and evaluate performance of executives to ensure fairness.

Duties and Responsibilities of the President

1. To perform policy, strategic direction, business plan and annual budget of the Company and propose to the board of directors for approval and to proceed as the resolutions approved by the board of directors.
2. To report the Company's operating performance by monthly and quarterly compared to business plan and budget with suggestion to the board of directors.
3. To approve the Company's expenditure with limit of not over 1 million Baht. He must be reported to the Executive Board in case of inconsistent with the authority.
4. Other matters assigned by the board of directors.

4. Company Secretary

Ms. Charuwan Chabchamrun, the Company's director and vice president, was appointed by the board of directors since 15 May 2014, to serve as the company secretary as her qualifications in term of skills and knowledge fulfil the functions for which she has been appointed. Office of Company Secretary supports the Company secretarial work to be efficiency and effectiveness as well as compliance with the principles of good corporate governance.

Duties and Responsibilities of Company Secretary

1. Organizing the meetings of shareholders and the Board as stipulated by law, the Company's Articles of Association, and other guidelines.
2. Preparing the minutes of shareholders' meetings and the minutes of the Board's meetings as well as filing documents.
3. Ensuring disclosure of the Company's operations and the Board activities to comply with rules and regulations of SET and SEC.
4. Providing appropriate advice to the Board regarding related laws, the Company's rules and regulations, as well as monitoring to comply with accuracy on a regular basis.
5. Communicating to the Company's shareholders to acknowledge the Company's news and general information.

5. Nomination of Directors and the Top executives

The remuneration, nomination and governance committee will nominate new directors who shall replace those retiring by rotation or otherwise based on the following procedures:

1) Independent Director

The Company defined definition of independent directors as well prescribed by the Office of Securities and Exchange Commission, these qualifications are as follows:

1. Shall not hold shares exceeding one percent of the total number of voting share of the Company, its parent company, subsidiary, associate, major shareholders or controlling person, including shares held by related persons of such independent director.
2. Shall neither be nor have ever been a director with management authority, employee, staff member, advisor who receives a salary or is a controlling person of the Company, its parent company, subsidiary, associate, same-tier subsidiary company, major shareholder or controlling person unless the foregoing status has ended not less than two years prior to the date of becoming a director.
3. Shall not be a person related by blood relation or legal registration as father, mother, spouse, sibling, or child, including spouse of child, of an executive, major shareholder, controlling person, or person to be nominated as executive or controlling person of the Company or its subsidiary.
4. Shall neither have nor have ever had a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person. The term of business relationship being subject to indebtedness payable to the other party in amount of three percent or more of the net tangible assets of the Company or twenty million Baht or more, whichever is lower, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director.
5. Shall not be nor have ever been an auditor of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director.
6. Shall not be nor have ever been a provider of any professional services including legal advisor or financial advisor who receives service fees exceeding two million Baht per year from the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director.
7. Shall not be a director appointed as representative of the board of directors, major shareholder or shareholder who is related to a major shareholders of the Company.
8. Shall not undertake any business in the same nature and in competition with the business of the Company or its subsidiary, nor be a significant partner in a partnership or director with management authority, employee, staff member or advisor who receives salary or hold shares exceeding one percent of the total number of shares with voting rights of another company which undertakes business in the same nature and in competition with the business of the Company or its subsidiary.
9. Shall not have any other characteristic that limits his/her ability to express independent opinions regarding the Company's operations.

The Business Relationship of Independent Directors

The board of directors approved the rules to waive the prohibitive business relationship of independent directors. The value size is not more than three percent of the value of Net Tangible Assets (NTA) of the Company and the business relationships must be an ordinary business and must support the Company's operations in the general condition the Company should treat contract parties in the same situation. Furthermore, the business relationship is not going to provide the benefit and the effect with independent opinions that may lead to conflict of interest. The steps of supervision are as follows.

- To review and report the business relationship of independent direction of which size are more than three percent of the value of NTA of the Company to the board of directors to review the independence.
- To illustrate the business relationship of independent directors during the board of directors and the shareholders' meeting to nominate independent directors.
- To disclose the business relationship of the independent directors in the Annual Report and Form 56-1 or the criteria specified in the notification.

2) Nomination of Director and the Top Executive

The remuneration, nomination and governance committee is responsible for election and nominate the qualified person to be the Company's director and chief executive officer as well as president, and shall propose to the Board and shareholders' meeting for approval respectively, as the case may be.

At the meeting of shareholders, there shall be not less than one-half the total number of votes of the shareholders attending the meeting and having the rights to vote and shareholders shall consider and elect each board member individually, except the director having interests in any matter shall have no right to vote on such matter and leave the meeting room.

Quality of the Director

1. Directors must posse the qualifications as specified by law such as the Public Company Act, the Securities and Stock Exchange Act and the Non-Life Insurance Act.
2. Directors should be competent with skills and extensive experience to benefit the Company's operations. Directors must have willingness and good ethical business practices.
3. Directors should have the ability to exercise sound and independent judgments, and free from the management and other interest groups.
4. Directors should dedicate appropriate time to the Company that he/she serves as director and perform his/her duty with due care.

6. NKI's Shareholding of the Board of Directors and Executives

Ordinary Shares (Shares)						
Name lists	As of 30 December 2019		As of 28 December 2018		Increase (Decrease) during Financial Year	
	Held Personally	Held by Spouse/ Minor Child	Held Personally	Held by Spouse/ Minor Child	Held Personally	Held by Spouse/ Minor Child
1. Mr. Suchin Wanglee	3,522,485	1,225,000	3,421,843	1,190,000	100,642	35,000
2. Mr. Pitiphong Bisalputra	160,042	-	150,471	-	9,571	-
3. Prof. Hiran Radeesri	-	-	-	-	-	-
4. Mr. Kiet Srichomkwan	41,793	-	40,599	-	1,194	-
5. Mr. Nipol T.Jeerawong	57,875	39,602	56,222	48,768	1,653	(9,166)
6. Mrs. Wanida Chansikarin ⁽¹⁾	3,702	-	-	-	-	-
7. Mr. Phornpong Phornprapha	-	-	-	-	-	-
8. Mr. Chan Soo Lee	345,466	-	335,596	-	9,870	-
9. Mr. Thamnu Wanglee	429,688	16,896	417,412	16,414	12,276	482
10. Mr. Vuttichai Wanglee	610,168	14,115	592,735	13,712	17,433	403
11. Ms. Jittinan Wanglee	238,685	-	231,866	-	6,819	-
12. Dr. Saran Wanglee	188,845	-	178,450	-	10,395	-
13. Ms. Charuwan Chabchamrun	-	-	-	-	-	-
14. Ms. Anukul Thitikulrat	-	-	-	-	-	-
15. Mrs. Nalina Bodharamik	-	-	-	-	-	-
16. Mr. Anak Wanglee	65,990	-	59,106	-	6,884	-
17. Mr. Anin Wanglee	100,043	-	92,186	-	7,857	-

- Note**
1. Mrs. Wanida Chansikarin has been appointed as the Company's director since 18 December 2019 (First report).
 2. The Company's shareholders received the stock dividend on 21 May 2019 at the ratio of 34 existing shares to 1 newly issued share.

7. Meeting Attendance of the Board of Directors and the Committees in 2019

Directors	Board of Directors/ Non-executive Director	Audit Committee	Remuneration, Nomination & Governance Committee	Risk Management Committee	Investment Committee	Executive Board
1. Mr. Suchin Wanglee	6/6 1/1	-	-	-	-	-
2. Mr. Pitiphong Bisalputra	6/6 -	-	-	5/5	4/4	48/50
3. Prof. Hiran Radeesri	6/6 1/1	10/10	-	-	-	-
4. Mr. Pramon Sutivong	5/6 0/1	10/10	4/4	-	-	-
5. Mr. Nipol T. Jeerawong	6/6 1/1	-	-	5/5	3/4	-
6. Mr. Kiet Srichomkwan	6/6 1/1	10/10	4/4	-	-	-
7. Mr. Phornpong Phornprapha	4/6 0/1	-	3/4	-	-	-
8. Mr. Chan Soo Lee	5/6 1/1	-	-	-	-	-
9. Mr. Thamnu Wanglee	4/6 0/1	-	-	-	-	-
10. Mr. Vuttichai Wanglee	4/6 1/1	-	-	-	-	-
11. Ms. Jiittinan Wanglee	6/6 1/1	-	-	-	-	-
12. Mr. Kaet Wanglee	4/6 0/1	-	-	-	-	-
13. Ms. Charuwan Chabchamrun	6/6 -	-	-	-	-	-
14. Ms. Anukul Thitikulrat	- -	-	-	5/5	-	44/50
15. Mrs. Nalina Bodharamik	- -	-	-	5/5	-	45/50
16. Mr. Anak Wanglee	- -	-	-	5/5	4/4	17/50
17. Mr. Anin Wanglee	- -	-	-	-	-	15/50
18. Dr. Saran Wanglee	- -	-	-	-	-	15/50

Note:

1. Mr. Pramon Sutivong served as the director till 16 December 2019.
2. Mr. Kaet Wanglee served as the director till 24 September 2019.
3. Mrs. Wanida Chansikarin has been appointed as the director and member of the audit committee since 18 December 2019, there was no meeting attendance performance in 2019.
4. Dr. Saran Wanglee has been appointed as the director since 18 December 2019, there was no board meeting attendance performance in 2019.
5. The executive board members number 16-18 have been appointed since 13 August 2019.

8. Remuneration of Directors and Executives in 2019

1) Cash Remuneration

The remuneration, nomination and governance committee is responsible for reviewing the remuneration of directors and the Company's top executives and propose to the meeting of the board of directors and/or shareholders for approval.

Remuneration of Directors

The remuneration of directors is determined by the board of directors and has been approved by the shareholders, with consideration to the duties, responsibilities and performance of directors, by comparing to the same type of industry and at the level closely applicable in the industry including dividend payment.

Meeting allowances:	Paid to directors who attend the meeting, payable to the chairman and other directors in amounting of 30,000 Baht and 20,000 Baht per meeting respectively
Bonus:	Pay to the Board as a whole at approximately five percent of dividend payment, payable to the chairman and the CEO at the rate of two times of the Board members rate.

Remuneration of the Committees

Meeting allowances paid to the members who attend each meeting as follows:

The audit committee

Chairman	30,000 Baht
Other members	20,000 Baht

The remuneration, nomination and governance committee, the risk management committee and the investment committee

Chairman	20,000 Baht
Other members	10,000 Baht

Executive Remuneration

The remuneration, nomination and governance committee is responsible for reviewing the remuneration for CEO and president and propose to the board of directors for approval. Such remuneration will be appropriately fixed based on the remuneration structure of the Company, including his/her performance and consistency with the duties and responsibilities assigned.

The CEO and the president shall determine the appropriate amount of remuneration for the Company's executive officers at a level of vice president and higher, with consideration of his/her performance and the Company's operation result.

In 2019, the total remuneration for seven executives in the form of salaries and bonuses amounted to 29,567,470 Baht.

2) Other Remuneration

Other Remuneration of Directors

-None-

Other Remuneration of the Executive

The Company has established a provident fund which the Company has contributed at the rate of five percent of the salary. For 2019, the Company made contributions of 795,570 Baht to provident fund for the 7 executives.

The remuneration is paid to the Board of Directors and the Committees in 2019

Remuneration (Baht)

Directors	Board of Director/ Non-executive Directors	Audit Committee	Remuneration, Nomination & Governance Committee	Risk Management Committee	Investment Committee	Director's Bonus	Total
1. Mr. Suchin Wanglee ¹	180,000	30,000	-	-	-	406,666.67	616,666.67
2. Mr. Pitiphong Bisalputra ²	120,000	-	-	50,000	80,000	406,666.67	656,666.67
3. Prof. Hiran Radeesri ³	120,000	20,000	300,000	-	-	203,333.33	643,333.33
4. Mr. Pramon Sutivong ⁴	100,000	-	200,000	60,000	-	203,333.33	563,333.33
5. Mr. Nipol T. Jeerawong ⁵	120,000	20,000	-	100,000	30,000	203,333.33	473,333.33
6. Mr. Kiet Srichomkwan	120,000	20,000	200,000	30,000	-	203,333.33	573,333.33
7. Mr. Phornpong Phornprapha	80,000	-	-	30,000	-	203,333.33	313,333.33
8. Mr. Chan Soo Lee	100,000	20,000	-	-	-	203,333.33	323,333.33
9. Mr. Thamnu Wanglee	80,000	-	-	-	-	203,333.33	283,333.33
10. Mr. Vuttichai Wanglee	80,000	20,000	-	-	-	203,333.33	303,333.33
11. Ms. Jittinan Wanglee	120,000	20,000	-	-	-	203,333.33	343,333.33
12. Mr. Kaet Wanglee ⁶	80,000	-	-	-	-	203,333.33	283,333.33
13. Ms. Charuwan Chabchamrun	120,000	-	-	-	-	203,333.33	323,333.33
14. Ms. Anukul Thitikulrat	-	-	-	50,000	-	-	50,000
15. Mrs. Nalina Bodharamik	-	-	-	50,000	-	-	50,000
16. Mr. Anak Wanglee	-	-	-	50,000	40,000	-	90,000
Total	1,420,000	150,000	700,000	120,000	300,000	150,000	3,050,000

Note:

- Chairman of the Board, excluding the remuneration as an advisor to the executive board in term of salary, bonus and provident fund, totaling 9,969,960 Baht.
- Chief Executive Officer and Chairman of the investment committee.
- Chairman of the audit committee.
- Chairman of the remuneration, nomination and governance committee, served as the director till 16 December 2019 (The Committee had four meetings in 2019 but meeting allowance was paid for three meetings)
- Chairman of the risk management, excluding the remuneration as advisor to the Chairman of the Board in term of salary, bonus and provident fund, totaling 6,142,000 Baht.
- Mr. Kaet Wanglee served as the director till 24 September 2019.
- Mrs. Wanida Chansikarin and Dr. Saran Wanglee have been appointed as the director since 18 December 2019, there was no meeting attendance performance in 2019.

9. Related Party Transactions

The Company's business transactions with related parties are conducted in such a way to ensure that they are fair and at arms' length and normal business terms. The compliance checklist has been implemented to ensure compliance with the rules and regulations of related laws with adequately and appropriate. They are disclosed in notes to the financial statements, under item 29.

However, the Company shall proceed by implementing fair method, transparent and complying with the rules and regulations of relevant regulatory bodies.

Economic and Non-Life Insurance Industry Trends

Thailand's Economy in 2019

Economic Growth

Thailand's economic growth rate in 2019 was 2.4 percent, which the value of merchandise exports contracted by 3.2 percent. Private consumption and investment expanded by 4.5 percent and 2.2 percent respectively. Headline inflation stood at 0.7 percent and the current account recorded a surplus of 6.8 percent of GDP.

Economic Stability

Domestic stability in terms of general inflation in 2019 stood at 0.8 percent, unemployment rate remained low at 1.1 percent of the total labor force. The current account recorded a surplus of USD 9.1 billion which is equivalent to 6.8 percent of GDP. On the expenditure side, the economy was driven by an expansion of private consumption, as well as an accelerated private investment, and government expenditure while export volume declined following the global slowdown and the trade protection impacts. Private consumption expenditure continued to expand at a satisfactory rate of 4.3 percent, supported by low interest rate and inflation, favorable employment conditions, and government measures to support low income group, in line with the expansion of key indicators especially household electricity consumption index, sales of benzene, gasohol and diesel index, and the import of textiles index, which grew by 8.3, 4.7, and 5.0 percent, respectively. However, the passenger car sales declined by 6.5 percent. The Consumer Confidence Index, pertaining the overall economic situation, stood at 60.8 point. Government consumption expenditure accelerated growth of 2.2 percent from the previous quarter. Total Investment expanded by 2.7 percent, which private investment gradually accelerated of 2.8 percent, supported by the acceleration of investment in machinery and equipment grew by 3.1 percent, whilst the investment in construction remained consistent. Public investment increased by 2.3 percent, which public investment expanded by 5.6 percent and state-owned enterprises investment expanded by 0.8 percent.

Thailand's Economy in 2020

Economic Growth

Thailand's economy in 2020 is expected to grow in the range of 1.5-2.5 percent, softening from 2019 due to impacts from the coronavirus (Covid-19) outbreak, the drought conditions, and the delay in fiscal year 2020 budget. Nevertheless, the economy will be supported by (i) a gradual global economic recovery following easing trade tensions and reduced risks of a no-deal Brexit (ii) a favourable expansions of private consumption and investment of both private and public (iii) key government stimulus measures, and (iv) a low growth base in the last quarter of 2019. In all, it is expected that export value will expand by 1.4 percent while private consumption and total investment will increase by 3.5 and 3.6 percent respectively. Headline inflation will lie in the range of 0.4-1.4 percent and the current account will register a surplus of 5.3 percent of GDP.

Economic Stability

In 2020, inflation rate is expected to be 1.0 percent. Regarding external stability, it is expected that the current account will record a surplus of 5.6 percent of GDP. Consumption: (i) Private consumption expenditure is expected to grow by 3.7 percent, compared with 4.3 percent in 2019, mainly due to the deceleration of the high base in the first half of 2019 which was attributable to high growth of domestic car sales. Nevertheless, private consumption expenditure tends to exhibit a favorable expansion supported by remaining low interest rate, inflation, and unemployment rate, and the government measures to support low-come people, and farmers. (ii) Government consumption expenditure is estimated to expand by 2.6 percent, accelerated by 2.2 percent in 2019, consistent with the government budget framework under the FY2020 annual budget that increases by 3.9 percent from FY2019 annual budget. Total investment is expected to grow by 4.8 percent, accelerating from 2.7 percent in 2019. Public investment is projected to increase by 6.5 percent, accelerating from 2.3 percent in 2019 in line with the 18.9 percent growth of the capital budget framework under the FY2020 annual budget. Private investment is expected to grow by 4.2 percent, compared with 2.8 percent in 2019 supported by (i) the increase value of projects that applied for promotion certificate by BOI particularly in the EEC area, (ii) the investment in the Public-Private Partnership (PPP) projects, and (iii) the production relocation of entrepreneurs to curb down the impacts from the trade measures that is supported by the government policy under "Thailand Plus Package" scheme. Exports value of goods in US dollar terms is anticipated to grow by 2.3 percent, compare with a 2.0 percent contraction in 2019 that is expected to increase by 2.4 percent, recovering from a contraction of 2.3 percent in 2019, due to the global economy and world trade volume recovery. For exports of services, it shows the momentum to expand continually from the latter half of 2019 due to the recovery of number and revenues from foreign tourists. Therefore, the export volume of goods and services is projected to grow by 3.5 percent, accelerating from a 1.4 percent contraction in 2019.

The Non-Life Insurance Industry in 2019 and trends for 2020

The non-life insurance industry growth rate for the third quarter of 2019 was 4.51 percent, with direct premium of 177,176 million baht; fire insurance premium of 7,752 million baht, marine and transportation premium of 3,813 million baht, motor insurance premium of 105,196 million baht, and miscellaneous insurance premium of 60,415 million baht. Total assets of the industry were 470,747 million baht, increased by 1.15 percent, mostly are investment assets of 414,352 million baht which is equivalent to 88.02 percent of the total assets. The direct premium is expected to be 240,197 million baht in the end of 2019. These are driven mainly by changes in the direction of trade, production and international investment that will result in exports continued to expand at a satisfactory rate. A gradual recovery of investment following the acceleration of public investment, and private investment continued to expand at a satisfactory rate, continual strong growths in household consumption as well as the supporting the expansion of tourism sector.

The trends for 2020

In 2020, the non-life insurance industry is expected to grow at a rate of approximately 5.6 percent following the expansion of the Thai economy forecasted to expand by 2.8 percent (Fiscal Policy Office and Bank of Thailand), mainly contributed by the expansion of private consumption and government expenditure as well as expediting the implementation of transport and logistics infrastructure projects, these will strengthen investors' confidence and encourage private investment.

Marine and Transportation Insurance is expected to grow in the range of 2.5-3.5 percent, in line with the economic expansion in key trading partners and the global recovery. Nevertheless, key risk is expected to persist in 2020 and needed to be consistently monitored such as the US trade sanctions on Iran that may affect the global economy particularly key trading partners may grow slower than the base case scenario and may affect the export-related costs to increase due to the higher crude oil price.

Motor Insurance is expected to grow in the range of 5.8-6.8 percent, supporting by (i) the commercial and passenger car sales are expected to slightly increase due to automakers have launched new car at the end of 2019 including car dealers will focus on the cost of the vehicle and customers' income to get a car loan (ii) the average new car price is so high (iii) motor insurance premiums may increase to be consistent with increasing losses, caused by: (1) to be in line with underwriting losses over the last few years (2) higher loss reserve of the coverage for motor vehicle victim that will take effect from April 1, 2020 in case of loss of life or permanent disability, and (3) increasing in the repairs cost and spare parts.

Fire Insurance is expected to grow in the range of 0.8-1.8 percent. The supporting factors for growth includes (i) A clearer direction of Residential property stimulus measures (ii) real estate sales should grow in 2020 compared to the previous year caused by special offers of properties provided by property developers including low interest rates for mortgage loans. Nonetheless, the sales may not increase significantly due to the implementation of the loan-to-value (LTV) since 2019 and tax collection for land and buildings uncertainty.

IAR Insurance (Industrial All Risks) is expected to grow continually in the range of 4.9-5.9 percent. The supporting factors for growth includes (i) Key government stimulus measures; facilitating investors from other countries to invest in Thailand, by publicizing investment privileges, competency and connectivity of transport and logistics infrastructure, and the potentials of the special economic zones (ii) accelerating the expansion of mega projects, for example a high-speed train, Mass Transit System, Meter gauge rail development, and infrastructure construction projects and (iii) the increase in property insurance premiums and the concept that the government sector may force by law to do insurance for their properties.

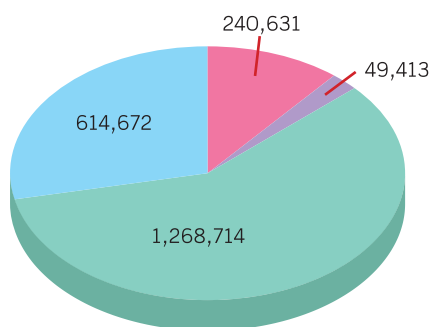
Health and Personal Accident (PA) Insurance is expected to grow in the range of 9.6-10.6 percent and 3.9-4.9 percent respectively. Health and PA tend to grow continuously compared to other types of insurance as a result of various factors such as (i) a full-fledge ageing society over the next two years (ii) medical inflation (iii) rising health awareness (IV) tax benefit on health insurance (V) innovation of products and services that meet specific need of the insured as well as proposal from OIC to the government to provide PA for its officials.

Travel Insurance is expected to grow in the range of 7.4-8.4 percent. The supporting factors for growth includes (i) the expansion and increase of international routes of low-cost airlines including price competitions and variety package tours support abroad tourism and (ii) necessary to have travel insurance and a marketing tool for insurance as well as after sales services that meet the insured's needs.

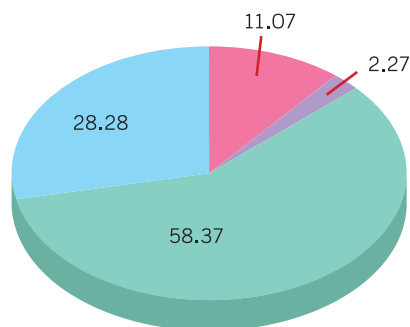
Crop Insurance is expected to grow at least 15 percent. The supporting factors for growth includes the increase in premiums of in-season rice and maize that have been contributed by the government sector as well as the idea to expand coverage to others crops and to provide a combined package.

Miscellaneous Insurance is expected to grow in the range of 5.1-6.1 percent as a whole. The supporting factors for growth includes (i) liability insurance is projected to grow in the range of 9.5-10.5 percent from public liability insurance and bail bond insurance is expected to grow in the range of 2.5-3.5 percent.

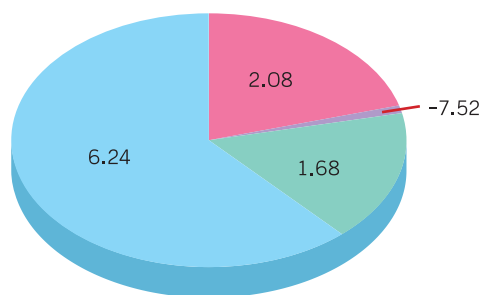
The Company’s market shares as of 30 September 2019



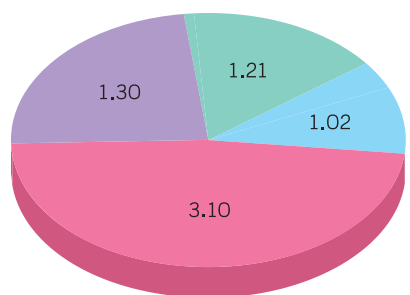
Direct Premium (Thousand Baht)
Total 2,173,430



Product proportion (percent)



Growth (percent)
Total 2.74 percent



Market share (percent)
Total 1.23 percent



Nature of Business

Business Overview

The Navakij Insurance Public Company Limited (the “Company”) has been engaged in the non-life insurance business since the 23rd of September 1933. Founded by the Wanglee Family, the Company was initially known as Luang Lee Insurance Company Limited. At the initial period, there were only two classes of insurance provided by the Company, fire and marine insurance. The Company changed its name to The Navakij Insurance Public Company Limited on 15 August 1985. On 24 August 1990, the Company was listed in the Stock Exchange of Thailand with a paid up capital of forty million baht and as a result, increased its capital to eighty million baht in 1992 and on 20 August 1993, the Company converted its status to a public limited company.

The Company has developed its business with achieving sustainable growth over past 86 years. Presently, its paid up capital is 350 million baht.

Underwriting is the core function of the Company. The Company engages in most of non-life insurance i.e. fire, marine and transportation, motor and miscellaneous.

Underwriting

- Direct insurance: The direct business comes from agents, brokers, broker firms and branch offices and which accounts for over 90 percent of the total written premiums.
- Reinsurance and retrocession is ceded to and accepted from other insurance companies to spread risks.

Investment

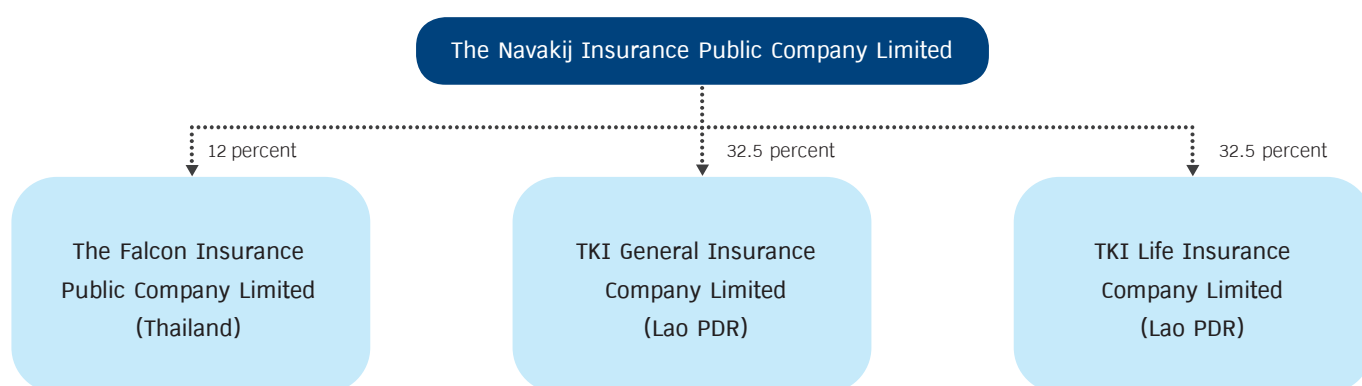
In addition to underwriting, the Company also spends its income on investment in compliance with the type of investment and with limits for lines of investment as specified by regulations of the Office of Insurance Commission (OIC). The majority of the investment is in deposits with financial institutions, promissory notes, government bonds, debentures, stocks and unit trusts.

Business Objectives

The Company's strategies and policies have been reviewed annually. The Company's business plan for the year 2020 which has been reviewed by the management and approved by the board of directors, aims to expand business in scale continuously, focus on non-motor businesses, set fair and adequate premiums, increase the efficiency of claims management, and control operating costs to increase profits that are in line with the Company's business goals as well as determine to further develop and improve the quality of products and services in order to retain our customers' trust.

The Company's mid-term objective focuses on sustainable growth of its market share, reducing business expenses and maintaining its current return on equity. The Company's long-term objective is to establish its presence in the individual as well as small and medium size business sectors of non-life insurance industry in line with the Company's vision and mission.

Shareholding Proportion of the Company



Risk Management

The Company focuses on the principles risk factors as follows:

Strategic Risk

1. The competitiveness and the liberalization of the insurance industry

Currently there is a greater competition in the non-life insurance business which can be seen in the concentration of large and medium sized companies. Entry in ASEAN economic community in 2020 plays a major role in the increase of competition for insurance companies abroad and domestic of both which have strong financial standings, modern technology and new innovative products for the consumer. Therefore, these companies have a potential for a higher market share supported by a strong financial backing allowing them to compete in terms of pricing, strategy and quality of service. To stay competitive, insurance companies must adjust accordingly with those given conditions.

The strategies are

1. The Company emphasizes the existing customers group and focuses on the motor insurance business which has the high potential growth and make the market share of the Company's total insurance premium higher than the non-motor insurance.
2. The Company expands the market-based to the retail customers group and also has micro-insurance products to serve the customers' needs.
3. Adjusting competitive strategy by looking for new and high potential marketing channels. Developing new products to effectively respond to changes in customers' needs, economy, and social conditions. The Company will develop the new products to support this regarding situation.

2. Reputation and image

The risk arises from expectation from stakeholders that the Company may not response to all issues such as the expectation of claims settlement or services that may result in the loss of trust, reputation and image of the Company.

To mitigate this, the Company concerns on strategic vision and reputation through the cooperation between the Board of Directors and top executives. Therefore, we are having several sources of information and experience sharing which is relevant to identify the possible risk of Company's reputation.

3. Risks from selecting target customers that are suitable for the Company's strategy, and the technology that supports new products to suit for the specific risk of customer group

The selection of target customers is very important for today's business operations, so determining the target customers are important. The Company should give precedence to manage costs including target customers to be suitable with the Company's strategy as specified in order to build a better customer base in the future and create the sustainable competitiveness in business. In addition, technology is an important part to be used to analyze, plan, and make decisions by processing the Company's data and to modify the data processing according to various situations for the Company's goals.

The Company manages the risk by

1. Setting the target of the new product, insurance premiums and loss ratio.
2. Emphasizing the new product that is profitable and high potential growth.
3. Making the new marketing channels and analyze customers' demand for new products.
4. Monitoring the insurance premium growth rate and loss ratio in accordance with the Company target and make the evaluation.

Insurance Risk

1. **Increasing of amount and frequency of loss.** The impact of external factors whether physical or geographical factors, natural perils, disasters, accident, terrorism and burglary may bring disaster to lives and damage to property insured.

2. **Ethics and moral.** The risk may arise from insureds who intend to take advantage of insurance company. In this respect, insurers may have to pay for a higher settlement than the fair amount.

The Company adopts measures to deal with the above risks by

1. Analyzing on the basis of loss ratio and combined ratio by monitoring and controlling to be in the Company criteria.
2. Implementing strict risk selection criteria, client groups and type of business which conform to the risk appetite of loss ratio. The Company analyzes the reinsurance retention appropriately in order to increase profitability and absorb risks that may occur.
3. Reinsuring to spread risk exposure by placing treaty and facultative reinsurance with local and overseas financial secured companies. In addition, it also purchases excess of loss reinsurance to reduce exposure to catastrophe losses and to protect its operation and financial status.

Liquidity Risk

The risk arises from a securities or assets that cannot be traded in time, amount and price required to enable the Company to have cash to pay loans or meet its obligations as they become due. Liquidity is critical to insurance operation as it can create damages in terms of monetary as well as non-monetary damages such as reputation, image, and credibility to clients, business partners, public and industry.

The Company establishes policy to manage liquidity risk on investment operation by

1. Making investment on securities that are liquid such as fixed income securities from government sector or private sector that has good credit rating. It also spreads out investment funding and balances the portfolio with taking into account time horizons and fund needs to pay loans and meet obligations, managing account receivable, account payable, remaining useful life of assets and changes in value of assets, deals with the remaining useful life of assets and liabilities was taken into consideration and anticipated quantity and duration properly needed in circumstances whether inside and outside the Company.
2. Maintaining adequate shareholders' equity to meet its liabilities and have an appropriate ratio to handle exposure from business and operation risks and provides other funding sources for its contingency plans for handling liquidity crisis.
3. Responsibilities and line of report to those who manage liquidity risk are clearly defined as well as establish reporting system to generate an early warning report to executives for transactions that are not conform to the Company's policy or promptly, timely and accurately report warning signs to key risk indicators.

Operational risk

1. **Personnel:** There exists limited skilled and specialized workforce for insurance industry. The strategies are to support continuing growth in career path through training programs both domestic and international, to sponsored higher education scholarship, to keep high potential employees to work permanently.
2. **Processing system:** The risk arises from the insufficient or inappropriate internal control system also including the classification of responsibility ineffectively as well as there exists no guideline for examining any person who commits an offense under Anti-Money Laundering Act and Counter-Terrorism and Proliferation of Weapons of Mass Destruction Financing Act that may cause the Company to be fined and discredited.

The strategies are

- 1) To endorse and establish code of work ethics based on good governance on a continuous basis.
 - 2) Work manual, authority to exercise power and responsibilities are clearly defined in writing and periodically revised.
 - 3) To build up a culture that values corporate risk management and work integrity and ethics.
3. **Technology:** Statistical data and information of clients were lost or leaked to outsiders or competitors, the Company will suffer negative image. The operation will be interrupted if problems occurred to the central computer that will lead to system failure or losing all data.

There are effective information security solutions to protect electronic information and contingency plan for central computer unit. There is a back-up system in preparation for emergency disaster. A contingency business continuity plan has been designed and tested on a yearly basis.

In addition, procedures and regulations that have been clearly defined and practiced in respect of security of data and system are

- 1) **Software Security and Data,** the Company installs a program to check and detect computer viruses, firewall and the patch programs from each particular program producers to get rid of bugs and errors in the computer system. Two sets of backup data are kept. They are updated daily, monthly and yearly at secured outside locations in preparation for emergency disaster.
- 2) **Hardware and Network,** the Company has a contingency plan to use an outside backup site if disaster occurs.

3) Physical security of the central computer unit, the Company provides backup power system to support short term power outage. It also has a generator capable of keeping the unit live should we experience longer term power outage. The Company has installed fire alarm system and fire extinguishers specifically for electronic system protection.

4) Personnel security, the Company establishes clearly defined procedures identifying those who can access to send mail out of the office, setting limit to sending mail, and reporting mail sent.

5) The Company has done computer audit to improve procedures and working processes by external computer auditor in accordance with international standard procedures.

4. External Factors: Outsider effect that can impact the Company's operation and financial status which include social (third party), market conditions, political environment and natural disaster e.g. fire, flood or earthquake.

The Company manages these external factors by carefully selecting of partnership management and increasing more diligence for the record of claims arising from moral hazard as well as the KYC: know your customer should be done before the issue of every new policy following the principles of risk management and also comply with Anti-Money Laundering Act and Counter-Terrorism and Proliferation of Weapons of Mass Destruction Financing Act.

5. Fraud Risk: Means the act or omission to act of fraud in order to gain unlawful benefits, regardless of whether the beneficiary of the fraud is a fraudulent person or any other involved person. In this regarding includes internal fraud and external fraud, which has been identified as part of the operational risk.

The Company manages the fraud risk by

1. The Company has specified the event and source of fraud risks, which effected on income, capital fund, reputation, or existence of the company.
2. The Company has prescribed the procedures for fraud risk assessment, and implement.
3. The Company manages fraud risks, by performing at least the following items;
 - 1) To set a standard and do evaluation for qualifications and suitability of directors, and employees regularly at least once a year.
 - 2) To set a policy for categorizing customers and customer due diligence (CDD).
 - 3) To set procedures for managing compensation claims to reduce fraud risk.
 - 4) To set a guideline for assessing the qualifications of agents and brokers.
 - 5) To monitor the operations of insurance agents and brokers.
 - 6) In the case of the Company uses services from third parties, the Company prepares a policy for outsourcing services to monitor risk from third-party services.
4. The Company prepares a policy for reporting fraud (whistle-blowing).
5. The Company has appointed an independent person to perform an investigation on any suspicious event and report the investigation result to the audit committee quarterly at least. If the audit committee receives the report and found that the fraud has a serious impact on the financial status, performance or company reputation, the audit committee shall report to the board of directors in order to solve the problem in the appropriate period. In case that the board of directors or the management does not make improvements within the time specified by the audit committee, the audit committee shall report to the OIC.
6. The Company prepares a database for internal and external fraud for monitoring fraud.
7. The Company revisits its policy at least once a year.
8. The Company prepares a report summarizing its implementation of insurance fraud risk policies and procedures, which have been approved by the risk management committee and submitted to the board of directors, at least once a year.

Market Risk

The risk arises from decreasing in value of securities from fluctuations in exchange rates, interest rate and security prices as well as from external factors such as economic, social and political situations.

The Company manages the market risk by diversifying the portfolio and spreading investment funding to include various lines of investment as well as categories of business in order to reduce fluctuations in aggregate value of investment. It closely monitors and regularly assesses factors that may cause fluctuations to value of investment instruments in order to make a proper investment transaction according to situation. It has policy not to invest in speculative securities that price fluctuation is high but concentrates on blue-chip securities and ones that have steady yield. The Company has an investment committee who considers and sets up investment policy, in addition to the Office of Insurance Commission's rule of practice in order to reduce exposure from the loss of investment funding. The committee considers and reviews structure of the portfolio mix on a regular basis.

Asset and Liability Management Risk

A mismatch between assets and liabilities either due to liquidity or changes in interest rates, stock prices and property prices, especially a loss reserve, unearned premium reserve, premium received in advance and duration of asset is longer than the average life of liability which affected the Company's financial standing and liquidity.

The strategy is defining asset and liability management as a mechanism to address the investment risk in line with investment policy, investment plan and procedure of the Company as well as guideline for investment in other business set by the Company's investment committee and have been approved by the Board of Directors in order to ensure that the Company has a suitable asset and liability management, investment in equity securities, cash ratio and liquid assets.

Credit Risk

The counterparty is unable to meet the agreement which has been stated in the contract and the probability that the counterparty's credit rating is downgraded.

1. **Investment:** More than 50 percent of the Company assets is securities investment, so the Company is taking on the risk should the issuer is default.

The strategy is making selection of investment base on credit rating of issuers of fixed income securities, assigned by reliable outside credit rating agencies such as TRIS and FITCH. It is the Company policy to invest in fixed income securities at least "Investment Grade" quality. All invested fixed income securities will be periodically monitored for an adjustment of the debtors' credit rating and relevant information will be gathered to review business potential of the issuers. It also regularly monitors and reviews the limit for investment to ensure adequate investment limit of individual line is maintained at all time.

2. **Reinsurance:** The reinsurance companies cannot pay claim recovery to the Company as specified in the contract so the Company's liquidity is affected consequently. However, the Company will consider and choose only the A- credit rating reinsurer and will be periodically monitored for an adjustment of the credit rating of reinsurance companies.

Concentration Risk

The risk arises from the value of specific assets concentration is too high including investment and reinsurer. As the issuer and reinsurer have credit difficulties and unable to pay obligation, the Company will have liquidity problem subsequently.

1. **Investment:** The Company is investing in both equity and security market in order to get high return as targeted. Therefore, the investment on one specific equity in order to get high return might cause the big loss when the value of equity is dramatically decreased.

The concentration restriction is applicable through the investment diversification. The Company is investing on various types of securities which is categorized by the level of risk. We are strictly tightening the concentration policy because it might affect the severity to the Company in term of liquidity, reinsurance risk, and Capital Adequacy Ratio and Risk Based Capital.

2. **Reinsurance:** The Company is facing the risk if reinsuring more than 45 percent of total sum reinsured with only one reinsurer. In the case that reinsurer is bankrupt, the Company will possibly be defaulted from the reinsurer.

The Company has the reinsurance counterparty with both local and international. The reinsurance policy of the Company is restricted though the ceiling of the amount of reinsurance. The diversification to each reinsurer does not exceed 45 percent of the aggregate sum reinsured of the Company.

Legal and Regulatory Risk

The Company abuses, neglects or an offense to comply with the law, the rules and regulations stipulated by the regulatory specifications. **The strategies are**

1. The Company requires all employees to follow the relevant regulations properly as their responsibilities.
2. The Company communicates and gives the understanding to the employee to the effect and the loss that will be occurred according to the law discipline.
3. The Company records and pursues the laws and regulations issued.
4. Each division in the organization set their work instructions to prevent offense against the serious law such as Anti-Money Laundering Act and Counter Terrorism Financing Act.

Group Risk

The risk that the financial status of affiliated company impacts to other associates companies. Currently, the Company has investments in insurance companies in Laos. PDR.

The strategy is complying with investment plan and procedure and guideline for investment in other business defined in the risk management policy as well as relevant laws and regulations to prevent the Company's operation from causing any damage.

Emerging Risk

Risk has not happened yet but is likely to happen in the future according to the changing of the environment. This risk may occur gradually and has low probability but if it happens, this will cause a large damage to the Company. This risk is based on statistically and expectation of the reliable evidence.

The risk management plan is applicable through the product development in order to cover cost of loss and restricting the threshold of underwriting process.

Management Discussion and Analysis

Summary of Operating Results in 2019 compared to 2018 according to the financial statements in which the equity method is applied

As of December 2019, the Company's operating results represented a net profit of 29.65 million Baht compared to last year of 86.51 million Baht. Return on Equity was 1.42 percent compared to last year reported of 4.04 percent. Earnings per share was 0.85 Baht compared to last year having 2.47 Baht per share.

Gross written premium was 3,023.91 million Baht, an increase of 131.29 million Baht or 4.54 percent compared to the previous year.

Total income consisted of underwriting income and income on investment and other, totaling of 2,572.50 million Baht, an increase of 181.22 million Baht or 7.58 percent from the previous year, of which the underwriting income was 2,391.81 million Baht, an increase of 99.41 million Baht or 4.34 percent whilst the investment and other income was 180.69 million Baht, an increase of 81.81 million Baht or 82.75 percent.

Total expenses consisted of underwriting expense before operating expenses and the operating expenses amount of 2,542.89 million Baht, an increase of 256.30 million Baht or 11.21 percent comparing with the previous year, of which the underwriting expense before operating expenses was 2,180.92 million Baht, an increase of 265.67 million Baht or 13.87 percent whilst the operating expenses was 361.97 million, a slightly decrease of 9.37 million Baht or 2.52 percent compared to the same period last year.

Major Factors Attributed to Operating Results in 2019 are as follows:

1. Operating Results from Underwriting

In 2019, the Company's underwriting profit before operating expenses was 210.89 million Baht, a decrease of 166.26 million Baht or 44.08 percent. Underwriting profit margin was 9.54 percent and 18.01 percent in 2019 and 2018 respectively. Nevertheless, the operating results after deducting operating expenses represented the loss of 151.09 million Baht compared to the same period last year represented the underwriting profit of 5.81 million Baht, a decrease of 156.89 million Baht or 2,702.78 percent.

1.1 Underwriting Income

In 2019, the Company's underwriting income was 2,391.81 million Baht, an increase of 99.41 million Baht or 4.34 percent from the previous year, mainly due to:

Gross written premium was 3,023.91 million Baht, an increase of 131.29 million Baht or 4.54 percent compared to the same period last year of 2,892.62 million Baht, resulted from increasing in direct premium for fire, motor, and miscellaneous insurance while outward premium was 745.41 million Baht, an increase of 45.22 million Baht or 6.46 percent from last year. Net written premium was 2,278.50 million Baht, an increase of 86.08 million Baht or 3.93 percent compared to the same period last year. Retention rate was 75.35 percent, lower than that of 75.79 percent in the previous year.

The Company's earned premium was 2,209.45 million Baht, an increase of 115.02 million Baht or 5.49 percent compared to the same period last year due to an increase in earned premium of all line of business.

Fee and commission income was 182.36 million Baht, a decrease of 15.61 million Baht or 7.88 percent. The ratio of fee and commission income was 24.46 percent and 28.27 percent in 2019 and 2018 respectively.

1.2 Underwriting Expenses Before Operating Expenses

As of December 2019, the Company's underwriting expenses before operating expenses was 2,180.92 million Baht, an increase of 265.67 million Baht or 13.87 percent comparing with the same period last year of 1,915.25 million Baht.

The underwriting expenses before operating expenses included:

(1) Claims and loss adjustment expenses was 1,434.81 million Baht, an increase of 215.84 million Baht comparing with the previous year of 1,218.97 million Baht that represented loss ratio of 64.94 percent, higher than that of 58.20 percent in the previous year. This was due to the increase of claims and loss adjustment expenses of fire, motor, and miscellaneous insurance.

(2) Commission and brokerage expenses were 470.81 million Baht, an increase of 19.76 million Baht comparing with the same period last year. These expenses were a variation to direct written premium and reinsurance premium which represented the gross written premium in 2019 of 3,023.91 million Baht, increased by 4.54 percent compared to the same period last year of 2,892.62 million Baht.

(3) Other underwriting expenses which was a variation to the written premium was 275.30 million Baht, an increase of 30.07 million Baht or 12.26 percent compared to the same period last year.

1.3 Profits from Underwriting before Operating Expenses

Fire Insurance

As of December 2019, fire underwriting profit before operating expenses was 74.85 million Baht, a decrease of 83.53 million Baht or 52.74 percent compared to the same period last year.

Fire written premium was 620.18 million Baht, an increase of 38.46 million Baht or 6.61 percent from the previous year. Net written premium was 326.60 million Baht, an increase of 15.21 million Baht or 4.88 percent. Retention rate was 52.66 percent in 2019, lower than that of 53.53 percent in 2018.

Underwriting income was 379.03 million Baht, a decrease of 6.48 million Baht from last year. Earned premium was 315.93 million Baht, an increase of 17.51 million Baht or 5.87 percent, fee and commission income was 63.10 million Baht, a decrease of 23.99 million Baht or 27.54 percent compared to the same period last year. The ratio of fee and commission income was 21.49 percent in 2019 compared to 32.22 percent in 2018.

Underwriting expenses before operating expenses was 304.18 million Baht, an increase of 77.05 million Baht or 33.92 percent from last year, as a result of increasing in claims and loss adjustment expenses amount of 104.67 million Baht, an increase of 60.21 million Baht or 135.40 percent from the previous year that represented the loss ratio of 33.13 percent in 2019 compared to 14.90 percent in 2018. Commission and brokerage expenses was 142.99 million Baht, an increase of 4.44 million Baht from the last year. Other underwriting expense was 56.52 million Baht, an increase of 12.40 million Baht from the previous year.

Marine and Transportation Insurance

As of December 2019, underwriting profit before operating expenses of marine and transportation was 35.91 million Baht, an increase of 11.40 million Baht or 46.53 percent compared to the same period last year.

The written premium was 78.38 million Baht, a decrease of 4.01 million Baht or 4.87 percent from the last year. Net written premium was 43.64 million Baht, increased by 0.79 million Baht or 1.85 percent from the previous year as a result of increasing in retention rate from 52.01 percent in 2018 to 55.68 percent in 2019.

Underwriting income was 59.01 million Baht, an increase of 3.97 million Baht or 7.22 percent from the previous year. Earned premium was 43.89 million Baht, an increase of 2.17 million Baht or 5.19 percent from the last year. Fee and commission income was 15.12 million Baht, increased by 1.80 million Baht or 13.55 percent compared to the same period last year.

Underwriting expenses before operating expenses was 23.10 million Baht, a decrease of 7.43 million Baht or 24.35 percent from the previous year, as a result of the reduction of claims and loss adjustment expenses amount of 6.15 million Baht, a decrease of 7.82 million Baht or 55.97 percent from the previous year. Commission and brokerage expenses was 11.19 million Baht, a slightly decrease of 0.26 million Baht from last year. Other underwriting expense was 5.76 million Baht, an increase of 0.64 million Baht from the previous year.

Motor Insurance

As of December 2019, motor underwriting profit before operating expenses was 103.39 million Baht, a decrease of 69.48 million Baht or 40.19 percent compared to the same period last year.

Motor written premium was 1,767.67 million Baht, an increase of 58.65 million Baht or 3.43 percent compared to the same period last year. Net written premium was 1,756.21 million Baht, an increase of 56.65 million Baht from the previous year.

Underwriting income was 1,704.34 million Baht, an increase of 77.73 million Baht or 4.78 percent due to a rise in the amount of earned premium by 77.50 million Baht or 4.77 percent. Fee and commission income was 2.27 million Baht, an increase of 0.23 million Baht from the last year.

Underwriting expenses before operating expenses was 1,600.95 million Baht, an increase of 147.21 million Baht or 10.13 percent from last year, caused by the increasing in claims and loss adjustment expenses amount of 1,182.07 million Baht, an increase of 111.97 million Baht or 10.46 percent. The loss ratio was 69.45 percent in 2019 compared to 65.87 percent in 2018. Commission and brokerage expenses was 255.93 million Baht, an increase of 16.12 million Baht from last year. Other underwriting expense was 162.95 million Baht, an increase of 19.12 million Baht comparing with the previous year.

Miscellaneous

As of December 2019, underwriting before operating expenses represented loss of 3.26 million Baht, a decrease of 24.65 million Baht or 115.26 percent compared to same period last year.

Written premium was 557.68 million Baht, an increase of 38.19 million Baht or 7.35 percent compared to same period last year. Net written premium was 152.05 million Baht, increased by 13.49 million Baht or 9.69 percent from the previous year. Retention rate was 27.27 percent, higher than that of 26.69 percent in the previous year.

Underwriting income was 249.43 million Baht, an increase of 24.19 million Baht or 10.74 percent from the previous year as a result of increasing in earned premium of 17.84 million Baht or 13.75 percent. Fee and commission income was 101.87 million Baht, an increase of 6.35 million Baht or 6.65 percent compared to the same period last year that the ratio of fee and commission income was 25.11 percent in 2019 similarly to 2018.

Underwriting expenses before operating expenses was 252.69 million Baht, an increase of 48.84 million Baht or 23.96 percent from the last year as a result of increasing in claims and loss adjustment expenses amount of 141.92 million Baht, an increase of 51.48 million Baht that represented the loss ratio of 96.17 percent in 2019 compared to 69.71 percent in 2018. Commission and brokerage expenses amount of 60.70 million Baht, a slightly decrease from the previous year and other underwriting expenses amount of 50.07 million Baht, a decrease of 2.09 million Baht from the previous year.

1.4 Operating Expenses

As of December 2019, the Company's operating expenses was 361.98 million Baht, a decrease of 9.37 million Baht compared to the same period last year.

2. Investment Income and Other

As of December 2019, the Company's investments income, profit on investments, and other income was 180.69 million Baht, an increase of 81.81 million Baht or 82.75 percent compared to the same period last year of 98.87 million Baht, caused by the interest and dividend income and profit on investment increased by 11.00 percent and 598.28 percent respectively compared to the same period last year. The increase in profits on investments was due to investment types reclassification of some listed securities in the Stock Exchange of Thailand; from available-for-sale investment to trade investment as a result of the Company's investment policy adjustment to fit in with a change in investment climate and stock market fluctuations. Therefore, the difference between cost and fair value of 60.40 million baht was recorded on the transfer date. Return on investment was 5.65 percent in 2019 compared to 3.28 percent in 2018. Other income was 8.79 million Baht, an increase of 2.56 million Baht or 41.20 percent from the previous year. Share of loss from investments in associates was 2.02 million Baht and 3.59 million Baht in 2019 and 2018 respectively.

Factors Affecting Future Results of Operations

1. Economic Situation

The economy of Thailand and the World are a significant factor in conducting business of the Company. During recession, the Company's clients; consisting of direct customers, companies and public organizations, may reduce or cancel or not renew their policies. Therefore, to reduce such risk, the Company developed its products and services together with looking for new channels of distribution in order to reach more policy holders.

2. Natural perils and Disasters

The impact of present condition geography will result in an increase of natural perils, disasters, accident that may bring damage to lives and property insured. The Company adopts measures to deal with this risk by implements strict risk selection criteria, client groups and type of business as well as control the risk aggregation for situated in the same locations.

Financial Status

1. Composition of Assets and Liabilities

As of 31 December 2019, financial statements in which the equity method is applied represented the Company's total assets of 5,703.30 million Baht, an increase of 475.31 million Baht or 9.09 percent compared to year 2018 of 5,228 million Baht. The significantly changed are as follows:

- Cash and cash equivalents was 139.65 million Baht, equivalent to 2.45 percent of total assets, increased by 20.20 million Baht or 16.91 percent compared to year 2018.
- Premium receivable was 460.19 million Baht, equivalent to 8.07 percent of total assets, an increase of 18.90 million Baht or 4.28 percent compared to year 2018.
- Reinsurance assets was 659.62 million Baht, equivalent to 11.57 percent of total assets, an increase of 207.70 million Baht or 45.96 percent compared to year 2018.
- Reinsurance receivables was 532.73 million Baht, equivalent to 9.34 percent of total assets, a decrease of 46.39 million Baht or 8.01 percent compared to year 2018.
- Investment assets were 3,044.19 million Baht, equivalent to 53.38 percent of total assets, an increase of 223.36 million Baht or 7.92 percent compared to year 2018.
- Property, building, and equipment was 242.55 million baht, equivalent to 4.25 percent of total assets, a decrease of 15.81 million Baht or 6.12 percent compared to year 2018.

- Intangible assets was 53.36 million Baht equivalent to 0.94 percent of total assets, a decrease of 4.06 million Baht or 7.07 percent compared to year 2018
- The Company deposited for the rice scheme amount of 73.69 million Baht, equivalent to 1.29 percent of total assets, an increase of 51.96 million Baht or 239.08 percent compared to year 2018.

Total liabilities were 3,636.81 million Baht, an increase of 515.99 million Baht or 16.53 percent compared to the same period last year of 3,120.82 million Baht. The mainly changed was due to:

- Liabilities under insurance contracts was 2,581.11 million Baht, equivalent to 45.26 percent of total liabilities and equity, an increase of 384.79 million Baht or 17.52 percent compared to the same period last year.
- Due to Reinsurers amount of 761.02 million Baht, equivalent to 13.34 percent of total liabilities and equity, an increase of 86.59 million Baht or 12.84 percent compared to the same period last year.
- Employee benefit obligations amount of 61.30 million baht, equivalent to 1.07 percent of total liabilities and equity, an increase of 11.22 million Baht or 22.41 percent compared to the same period last year.
- Fee and commission payables amount of 86.73 million Baht, equivalent to 1.52 percent of total liabilities and equity, an increase of 14.93 million Baht or 20.80 percent compared to the same period last year.
- Accrued expense amount of 44.58 million baht, equivalent to 0.78 percent of total liabilities and equity, a decrease of 39.18 million Baht or 46.77 percent compared to the same period last year.

2. Assets Quality

2.1 Investment in Securities

As of 31 December 2019, investment in securities in the financial statements in which the equity method is applied was 3,044.19 million Baht and fair value is less than cost price, mainly are (i) Government bonds and treasury bills at the cost price of 625.67 million Baht, (ii) Debentures at the cost price of 710.24 million Baht, (iii) Listed shares at the cost price of 732.62 million Baht, (IV) Unit-trusts at the cost price of 389.22 million Baht. The Company had revised the fair value of financial instruments as of 31 December 2019 that represented unrealized loss on change in value of investment in securities of 35.32 million Baht as well as the recognition of loss for impairment of unit-trusts was recorded by 15.35 million Baht. Therefore, deposit at financial institutions and saving lottery was 495 million Baht and non-listed shares of 142.10 million Baht.

2.2 Property, Building and Equipment, net

In 2019, the book value of property, buildings and equipment before deducting accumulated depreciation was 608.95 million Baht. The net book value after deducting accumulated depreciation of 366.40 million baht, was 242.55 million Baht. During 2019, the book value decreased by 15.80 million Baht caused by additional acquisition and distribution. In 2019, the Company invested in the core IT system and equipment amount of 3.02 million Baht to develop operational flow more effectively and also invested in vehicles to support the operations amount of 5.20 million Baht. The Company had depreciation and amortization to 23.99 million Baht.

Intangible assets before deducting amortization for the year 2019 was 126.68 million baht, accumulated amortization was 73.32 million Baht and the net book value of intangible assets was 53.36 million Baht. In 2019, the Company increased its intangible assets; computer software amounted to 0.15 million Baht.

2.3 Premium Receivable

In 2019, the net premium receivable was 460.19 million Baht, an increase of 18.90 million Baht from the last year. Due from insured and due from agents and brokers totaled to 456.83 million Baht that was not yet due and not over 30 days premium of 439.55 million Baht or 96.22 percent. Premium due date was 54 days. The Company, therefore, has continuously developed its premium collection system.

The Company set up an allowance for doubtful accounts for loss that may be incurred due to inability to make collection, taking into account collection experience and the status of receivables from reinsurers as at the end of the reporting period. In 2019, the allowance for doubtful accounts of 5.64 million Baht was set to serve the risk may be occurred.

2.4 Other Assets

In 2019, claims receivable from litigants was 286.41 million Baht, an increase of 18.74 million Baht compared to the same period last year of 267.67 million Baht.

Allowance for doubtful accounts was 167.66 million Baht in 2019 compared to 150.26 million Baht in 2018, its ratio was 58.84 percent and 56.14 percent respectively.

The Company deposited amount of 73.69 million Baht for the rice scheme in 2019, an increase of 51.96 million Baht from the previous year.

3. Liquidity

During the year 2019, the Company's net cash from operating activities was 81.90 million Baht. Net cash used in investing activities amount of 2.53 million Baht, financing activities amount of 59.17 million Baht, of which 51 million baht to support dividend payment.

As of 31 December 2019, the Company's liquidity ratio stood at 1.35 times, fewer than the last year of 1.37 times. Nonetheless, the Company's liquid assets are cash and cash equivalents, including highly liquid investments which can be readily converted to high-quality liquid assets, cash, and cash equivalent.

In 2019, the Company's capital expenditures included information systems development and buying vehicles to continually serve its business expansion.

4. Source of Fund

As of 31 December 2019, the Company total liabilities was 3,636.81 million Baht, total equity was 2,066.49 million Baht which is equivalent to 1.76 times of debt to equity ratio, higher than that 1.48 times of 2018. The majority of funds used in business operations came from a combination of shareholders' equity and income generated from operations. The major liabilities are loss reserves and outstanding claims and unearned premium reserve.

5. Shareholders' Equity

As of 31 December 2019, shareholders' equity was 2,066.49 million Baht, a decrease of 40.69 million Baht or 1.93 percent compared to the same period last year. This was due to (i) dividend payment for the year 2018, amounting to 61 million Baht (ii) operating profit for the year 2019 of 29.65 million Baht and (iii) the reduction of other components of equity of 15.21 million Baht.

6. Commitments and Liabilities and Management of Off-Balance Sheet Transactions

As of 31 December 2019, the Company has been sued for damages totaling approximately 52.20 million Baht. However, the Company's obligations in respect of these lawsuits do not exceed the maximum sum insured per the relevant policies, which is 22.20 million Baht. Nonetheless, the Company has set aside reserve for contingent loss amounting to 22.10 million Baht, and there were bank guarantees amounting to 2.80 million Baht, and a certificate issued in the Company's name amounting to 4.70 million Baht, as required in the normal course of the Company's business.

Auditor's fee

1. Auditing Fees

Fees paid for review and audit of the financial statements during the 2019 accounting year totaled to 1,690,000 Baht.

2. Other Fees

Other service fees paid for review and audit of the Risk Based Capital Report as required by Office of Insurance Commission totaled to 585,000 Baht.

Sustainable Development

The Company enforces and upholds good governance and directing the Company to be socially responsible entity includes placing great value and resourcing to the risk management aspects of insurance business that the Board views governance and social responsibility as the key drivers for value creation and long term sustainability of the Company. Navakij's sustainability framework is built upon the Company's vision; to operate a sustainable business with promoting social stability and ethical integrity, to provide quality insurance coverage and quality protection for the benefit of policyholders and all shareholders including to be a leading enterprise of non-life insurance business, and the foundation of four core values; Creative Thinking, Accountability, Collaboration, and Excellent Service. These two drivers are reinforced by two critical enablers; Good Governance and Social Responsibility Mindset.

The Company continues to operate under strict vigil of corporate governance. We operate in compliance with all relevant regulatory bodies and legal frameworks while at the same time instill a corporate culture that is free from all forms of corruption. We are actively in our CSR programs in order to contribute back to society. We actively care for the environment, support youth sports and education, employee safety, anti-corruption, and efficient use of energy. Through research and development, several new policies have come to fruition allowing consumers "pick and choose" the most appropriate coverage given different circumstances.

The Company produces a sustainable development report, as part of its annual report consistent with 9 guidelines of The Stock Exchange of Thailand (SET) as follows:

1. Corporate Governance

Guidelines on Corporate Governance

The Company's principles of good corporate governance have been approved by the board of directors that we comply with the latest reviewed took place in 2019. In year 2019, the Thai Institute of Directors Association awarded the Company with corporate governance rating of "excellent" in its survey of SET listed companies and the Company also achieved a rating of "Excellent" in the 2019 Annual General Meeting of Shareholders Checklist Survey that the Company adhered to the principles of good corporate governance as follows:

Rights of Shareholders

- The Company encourages its shareholders, including institutional investors, to attend the general shareholders meeting for participation in any decision making relating to their benefits.
- 2019 Annual General Meeting of Shareholders (2019 AGM) was organized on 25 April 2019, at the Grand Hall, 28th floor, the Bangkok Club, Sathorn City Tower, whereby Chairman of the Board, all chairpersons of the committees and the Company's chief executive officer were presented in the meeting.
- Allow shareholders to send their question to the Company prior to the meeting date as criteria determined by the Company and disclosed them on the Company's website.
- Encourage the use of proxy form B which shareholders are able to specify their votes that is attached to the notice of the meeting and also downloaded from the Company's website.
- Encourage the Company to use secure, fast, precise and accurate technology in the shareholders meeting, including barcode system in recording attendee registration, printing ballots for the agenda required the shareholders meeting to approve and certify and processing voting results. In addition, shareholders are able to register after the meeting has been commenced and be able to vote for agenda that a resolution is not yet made.
- The chairman of the meeting provided opportunities for the shareholders to express their opinions and ask questions related to the Company's operations and the meeting agenda but there was no shareholder asking a question.
- The Company informed the SET the resolutions of each agenda of 2019 AGM by indicating the votes as "approved" "disapproved" "abstained" and "voided ballot" from voting.
- The minutes of shareholders' meeting was sent to SET within 14 days after the meeting, and also posted on the Company's website promptly for shareholders to acknowledge, express their opinions and verify.

Equitable Treatment of Shareholders

- The Company released 2019 AGM notice, with detailed agenda and explanatory circulars both Thai and English, and presented in the Company's website on 20 March 2019.

- In advance of 2019 AGM date, during 17 September–31 December 2018, The Company set criteria and procedures for the proposal of any agenda item and the nomination of candidates by minority shareholders that the Company informed its shareholders via newsletter to SET and posted on the Company's website. However, no shareholders proposed any agenda item or candidate.
- Chairman of the remuneration, nomination and governance committee encouraged members of the Board to nominate qualified person to be director in place of those retiring by rotation.
- Chairman of the meeting conducted 2019 AGM as agenda prepared in the notice chronologically, without adding any agenda item other than those specified in the notice.
- The shareholders were entitled to vote based on the amount of shares held whereby one share was equal to one vote.
- The shareholders are able to elect each director individually on the agenda of an election of directors in place of those retiring by rotation.
- The Company wrote the internal control policy that has been communicated as notification to everyone in the Company to protect against abuse of inside information.
- Every director and executive regularly submit to the office of company secretary a report on their ownership of the Company's shares as regulation specified by SEC and the information shall be disclosed in every meeting of the board of directors.
- Every director and executive are prohibited from trading the Company's security during two weeks prior to the disclosure the Company's information and/or financial reports to the public.
- The director who had conflicts of interest must report to the board of directors meeting before considering the agenda item and to abstain from voting and/or leave the meeting.

Roles of the Stakeholders

Guidelines to various stakeholders are as follows:

• Shareholders

The Company is strongly committed to provide values and maintain business growth to preserve the greatest interest of the shareholders, including disclose information to shareholders correctly, completely, and transparently.

• Employee

The Company believes that our employees are the most important asset. We treat employees fairly and are determined to ensure that every employee is proud of and were confident in the organization. The Company sets the appropriate compensation and provision of fringe benefits to employees not only complies with but also exceeds relevant standard mandatory requirements, e.g. provident fund, health and accident insurance, annual health check-up, safe and sanitary workplace environment, employee recreational activities, and in-house physical workout facility to promote mutual recreation among employees as well as continually developing progress on career paths including provide both local and overseas scholarships and training courses year plan for employee at each level.

The Company takes into account the safety of its employees so as to provide continually the knowledge regarding workplace safety and hygiene guidelines throughout the year 2019 and the Company's had zero work-related accidents.

• Customers

The Company policy is to respond to customer's satisfaction and to maintain the customers' long-term relationships. We provide advice for appropriate and adequate coverage at a fair price through quality insurance policy and compensations are paid with fairness. The Company's information is disclosed correctly to the customers and Customer Service Center was set up to provide assistance to clients in handling their complaints.

• Suppliers

The Company treats supplier/trade partners with transparency and notifies them to acknowledge of the level-playing field. No nepotism is allowed in our Company. These supplier/trade partners will be given opportunities to comment and propose suggestions concerning any and all joint business issues. To ensure that the rights of business partners are protected, the Company will treat supplier/trade partners' secrets as strictly confidential. Selection of suppliers shall be in line with the policy for treatment of trading partners based upon seven criteria:

- ▶ Affidavit
- ▶ Pricing
- ▶ Technical capability
- ▶ Expertise and experience

- ▶ Quality of goods and services
- ▶ Business reputation
- ▶ Service policy

- **Competitors**

The Company operates its business within a competitive context by being fair and strictly following the law, never defaming other insurance companies and harnessing other intellectual properties. The Company emphasizes the quality and efficiency of its services, stressing the greatest benefit to the customers.

- **Creditors**

The Company has a policy to operate efficiently and to extremely maintains the capability to redemption, to maintain the reputation and creditability of the Company and fair basis of both sides, do not violate the rights of the creditors and to comply with terms agreed including promptly to discuss with the creditors to find suitable and quick solutions to their mutual benefit.

- **Community, Society and Environment**

The Company realizes its responsibilities to society and to the preservation of environment. The Company promotes awareness of social responsibility and supports many activities that benefit the community as well as encourages all stakeholders of the Company's participation in community development and social sustainability, such as granting scholarships to poor students with a good school-record and supporting a fund for the rehabilitation of academy. Furthermore, the Company has also offered training program of environment and various activities to its management and staff to participate, as well as realize the significance of conducting themselves in a way would benefit society. All activities have been continuously implemented and effectively carried out.

- **Human Rights**

The Company has a policy determining not to involve human rights violation, realizes and respects equal rights by following the principles of human rights protected by the Constitution of the Kingdom of Thailand. The Company will not take any action that violates human dignity, personal right and liberty, and will avoid discrimination with regard to people's origin, race, physical condition or health, economic or social status, education and training, or personal characteristics that are unrelated to work.

- **Intellectual Property or Copyright**

The Company had defined policy and guidelines to prevent non-infringement of intellectual property or copyright and an act on the computer offense commission and notified them to the Company's employees together with inspection their using software programs to prevent the misuse or piracy. The Company has an efficient control process for the practices of its employees in compliance with rules and regulations that the Company's confidential business data must not be disclosed to outsiders without the Company's permission. The Company shall be liable for the damage that may arise from carelessness or ignorance, with fairness and reasonable, and will address to relevant person as the Company's procedures.

Disclosure and Transparency

The Company recognizes the importance of information disclosure due to it greatly affects decision-making by investors and stakeholders and has a policy to strictly disclose information transparent, accurate, complete, reliable and timely in accordance with the rules and regulations of SET, SEC, OIC and other relevant regulatory bodies.

The Company provides various channels to communicate with shareholders, investors and other interested parties in order to access to the information expediently, such as the form 56-1, annual reports, quarterly financial reports, the Company's website, interviewing and making conference call as well as organizing press conference to update important events and new products of the Company to acknowledged thoroughly by the public.

Shareholder Relations division was set up to represent the Company in communicating information useful to shareholders, investors and relevant parties, may contact at +66 2664 7777 Ext. 7719, 1905 and 1906 or submit questions by e-mail to office_president@navakij.co.th or via the Company's website at www.navakij.co.th.

In 2019, the Company had no record of changing the financial statements by SEC and did not face any sanctions by regulations for failures to make announcement within the requisite time period for material events.

Responsibilities of the Board of Directors

Structure of the Board of Directors

- Directors should be competent with various skill mixes and integrity. At least one director shall be an expert in the area of non-life insurance business that consistent with the Company's strategies, at least one in the area of accounting and finance, and at least one in the area of information technology.
- The Board shall comprise of directors who competent with skills and extensive experience to benefit the Company's operation. The number of directors is currently limited to thirteen, comprising ten non-executive directors and three executive directors. Five directors are qualified as independent directors, namely, Professor Hiran Radeesri, Mr. Kiet Srichomkwan, Mrs. Wanida Chansikarin, Mr. Phornpong Phornprapha and Mr. Chan Soo Lee. The proportion is one-third of total number of directors.
- Directors shall have a term of three years and any director vacating the office on due term may be re-elected.
- The board of directors agreed that the chairman of the board of directors and CEO has separate functions and responsibilities and are not the same person, to enable independent performance of the managements' checks and balances.

Limit of board seats in publicly listed companies

A Board member cannot hold more than five directorship positions in publicly listed companies. The CEO and President cannot either hold more than five directorship or the executive positions at other company, or hold a directorship in other rival incorporation or any related business with the Company. Nevertheless, those positions must be approved by the board of directors.

Board of Directors' Meetings

- The Board holds at least seven meetings a year, one of which is for non-executive directors only. All meetings will be scheduled at the beginning of the year. The extraordinary meetings are allowed if required. Moreover, the Board shall receive a monthly report on the Company's performance for the month when meetings are not scheduled.
- The Chairman of the Board, the topmost position of executive and an independent director shall consider and agree to the meeting agenda and all members of the Board are entitled to propose the agenda items.
- The Company Secretary is responsible for the agenda and supporting documents that shall be sent to all members not less than seven days before the date of meeting, except in the case of emergency.
- Each meeting takes at least two hours, and the Chairman will allow every director to express his/her opinion openly before proceeding with the vote and concluding a resolution of the meeting in each agenda.
- The Company's executive will attend the meeting to clarify and answer queries of the Board on the issues that he/she is directly responsible for, and give the Board chance to know more about him/her as well as be useful for preparing succession plans.
- The Board has access to additional information, under prearranged conditions, via CEO, president, company secretary or executive designated as a contact person.
- The company secretary is responsible for preparing the minutes and propose to the chairman of the Board to consider before propose to all directors to consider and certify in the next Board's meeting. After approval and duly signed by the chairman, minutes are stored securely at office of company secretary. Electronics copies of the documents are also maintained to facilitate the directors and relevant persons for the purpose of examination.
- In 2019, one non-executive directors' meeting was organized to discuss the Company's direction and business operations management.

Performance Evaluation of the Board of Directors

The board of directors is required to evaluate their performance annually which consists of whole and individual self-assessments, to express his/her view on the performance of the board of directors as a whole and to consider and review the results, problems and obstacles on its performance over the past year, as following procedures:

1. The company secretary performs and reviews self-assessment evaluations to be accuracy, completeness and in line with the best practices of relevant regulatory bodies.
2. The company secretary submits the self-assessment to the directors to evaluate their performance.
3. The company secretary summarizes and reports the assessment result to the board of directors' meeting and ensures to improve for the effective performance.

The performance evaluation of the board of directors contains six major topics those are (i) Board structures and qualifications, (ii) Roles, duties and responsibilities of the Board, (iii) Board of directors' meetings, (iv) The director's function, (v) Relationship with executives and (vi) Self-improvement of directors and executives. For the self-assessment of the board of directors on an individual basis contains three major topics those are (i) Qualifications of the director, (ii) Roles, duties and responsibilities of the director, (iii) Board of directors' meetings.

The assessment criteria divided into five levels based on percentage; excellent (90-100), very good (80-89), good (70-79), satisfactory (60-69), need improvement (50-59). The assessment result can be conducted that the directors performed their duties in compliance with the principles of good governance and the code of conduct, the average score was 92.39 percent for the self-assessment as a whole and 94.21 percent for individual self-assessment.

Performance Evaluation of the Committees

The committees at the board level comprising of the audit committee and the remuneration, nomination and governance committee, are required to perform self-assessment once a year. The self-assessment of the committees as a whole contains three major topics those are (i) Board structure and qualifications, (ii) Roles, duties and responsibilities of the committees, (iii) The committees meeting. The assessment criteria divided into five levels based on percentage; excellent (90-100), very good (80-89), good (70-79), satisfactory (60-69), need improvement (50-59). The assessment result of the audit committee and the remuneration, nomination and governance committee was excellent, the average score was 100 percent and 89.58 percent respectively.

Development Programs for the Directors and Executives

Directors' handbook prepared by the Company contains listed company directors' handbook, the principles of good corporate governance for listed companies, good corporate governance and best practice for insurance companies, related Act for the directors and the Company's general information, how to operate the Company and what is required and expected as a director.

The Board encourages its directors and executives to attend training courses organized by various institutions in order to broaden their knowledge and perspective that become useful in their roles within the Company. In 2019, Mr. Nipol T. Jeerawong, non-executive director, attended the course organized by Thailand Energy Academy; The Executive Program in Energy Literacy for a Sustainable Future during 11 July 2019 to 28 November 2019.

The Board, therefore, established a development program for senior executives and the program has been reported by the President on a regular basis that the senior executives shall assign successors in case they cannot perform their duties.

Internal Control and Risk Management

The board of directors has established measure to control the use and prevent misuse of internal information especially as regards insider trading for the board of directors, the management and related employees involved the significant internal information including their spouses and children who are minors.

The board of directors assigned the audit committee to be responsible for reviewing the Company's internal control system to ensure the efficient, properly and sufficient of the Company's operational flow including administration, operation, finance and accounting and compliance with relevant laws and regulations in line with the guideline of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Control activities are as follows:

1. Authorization is designed to provide reasonable assurance that all transactions are within the limits set by policy or that exceptions to policy and are granted by the appropriate officials in order to minimize risk.
2. Clearly separated functions and responsibilities consistent with the organization structure, to enable independent performance of the managements' checks and balances as well as the appropriate length of a job rotation should be taken.
3. Connected transactions or any transactions in compliance with the laws and regulations specified by SEC must get approval from the audit committee.
4. Set the policy on guidelines for staff on how to use computer networks to encourage them to realize the security of information technology and to check whether authorized access has been implemented.
5. Controlled technology activities have been designed and developed to support the objective of internal control system based on Control Objective for Information and Related Technology (COBIT).
6. The Office of Compliance is responsible for reviewing how the Company's operations are operated in accordance with the laws and regulations specified by SEC, SET, OIC as well as other related laws.

7. Submit the notice to all members of the Board and the management to cease trading of NKI security during two weeks prior to the disclosure of the Company's information and/or financial reports.

8. The directors and the executives must prepare their reports to the Company at Office of Company Secretary for the purpose of using it to check transactions with the Company and connected transactions as follows:

8.1 Report on interest; (i) First submission after being appointed as director or executive, (ii) Every time there is a change on their interests, (iii) Review and report at every year end; the company secretary will gather and submit them to Chairman of the Board and Chairman of the Audit Committee for acknowledgement.

8.2 Report on changes of securities holdings (Form 59) via SEC's online system and inform the company secretary accordingly.

8.3 Report on the securities holdings of the directors and the executives shall include in the agenda of every board of directors' meeting.

9. The Company makes regulations in its code of conduct on safe guarding confidential information and all employees must sign an agreement to comply with the policy on confidential data and prevent them from misuse of internal information. The disciplinary penalties for violations are clearly stated in the employee's manual. Maximum penalty is termination without any compensation.

10. The Company created a manual for business continuity plan (BCP) and provided a practical testing of BCP at the disaster recovery site and the outcome was satisfactory. In addition, it also made the risk management policy and a 3-year plan in compliance with the OIC regulations.

The application of the Corporate Governance Code for listed companies 2017

The board of directors has properly considered and reviewed at least once a year the application of the CG Code Principles and Sub-Principles.

Compliance on the Principles of Good Corporate Governance

The Company continues to have a strong commitment to the principles of good corporate governance of relevant regulatory bodies including CG Code that are suitable for the Company's business, except for the following issues:

1. The Chairman is not an independent director, since in the non-life insurance industry, the core business of the Company, strongly needs a knowledgeable chairman with long business experienced person to lead the Company to achieve its goals of stability and sustainable growth. Nonetheless, the Chairman is not executive director, the CEO and President is authorized to monitor the whole policies and take responsibility for managing the Company's operations.

2. The board of directors composed of 38.46 percent of independent directors. Nonetheless, there is a clear separation of duties and responsibilities among the Board and management, giving rise to a concise and transparent management, maximum benefit for the Company and fairness to all shareholders. However, the Company will follow the most of these principles that fit to the Company's business characteristics.

3. The Board has a policy for independent directors to hold a term of three years and shall not hold office more than three consecutive terms or not exceeding nine years unless the Board considers otherwise and those directors remain to provide their opinion independently and comply with relevant guidelines. Nevertheless, the four independent directors hold a term more than nine consecutive years, due to those directors have properly and specific qualifications benefit to the Company, and it is not simply for nominating of a new director. Nonetheless, the Board would be proposed to the shareholders meeting for reasonable and necessity to re-appoint those directors to serve another term in the Board of Directors.

4. The Company did not participate in the event "opportunity day" which was organized by SET. However, the Company allowed the media and analysts to interview and find out about the Company's business performance, important events and new products.

2. Operate Business with Fairness

We believe that virtuous operation and accounting, for the rights of all stakeholders, successfully add sustainable values to both the Company and its shareholders as follows:

1) Provide advice for appropriate and adequate coverage at a fair price.

2) Define criteria to select suppliers with transparency, and notify them to acknowledge the level-playing field. No nepotism. Selection of suppliers shall in line with the policy for treatment of trading partners.

3) The Company treats employee fairly, in terms of their opportunities, compensation, benefits and training.

4) The Company complies with term agreed and made payment regularly on time.

5) The Company has set a policy to its directors, executives and employees to avoid making connected transactions, related transactions or transactions that may cause conflict of interest.

In addition, may raise by send mail to the Company's board of directors at 100/47-55, 90/3-6, North Sathorn Road, Silom, Bangrak, Bangkok 10500.

Consideration and Process

1. The information of the matter must be substantially true and clear enough for the investigation process.
2. The matter disclosure and the investigation process are kept confidential. Concerns and complaints of staff will be responsible only by those related to investigation. Concerns related to executives are disclosed directly to the Audit Committee for investigation and report the findings directly to the Audit Committee.
3. President shall appoint three vice presidents who are independent from concerns and complaints as the committee for the investigation.
4. The investigation committee will provide the management approach including remedies for damage and propose to the President for operation approval.
5. The investigation must be conducted with fair treatment of the accused.
6. The duration of the investigation depends on the complexity of the issues and the sufficiency of the evidence.
7. The investigation committee shall report the result of investigation and remedies for damage to the audit committee quarterly.

4. Respect to Human Rights

The Company policy is neither to support nor to respect issues that may put the organization and its employees to be involved in human rights violation, realizes and respects equal rights by following the principles of human rights protected by the Constitution of the Kingdom of Thailand. The Company will not take any actions that violate human dignity, personal right and liberty, and will avoid discrimination with regard to people's origin, race, physical condition or health, economic or social status, education and training, or personal characteristics that are unrelated to work. This is done by using the following guidelines:

- 1) Set recruitment criteria regardless of race, religion and sexual orientations.
- 2) Have sexual equality, and forbid sexual oppression and harassment.
- 3) Give the freedom of thought and participation in political activities as long as it does not affect or damage the organization.
- 4) Give the right to file complaints and provide written procedures in the employee handbook for employees who have faced various issues to submit complaints. The right of complaint includes channels for other parties such as third party stakeholders.
- 5) Provide a welfare committee to oversee employee well-being and ensure that they are entitled to equal legal rights.

5. Treating Employee Fairly

Employee remuneration and welfare

- 1) Arrange appropriate and fair compensation structure, consistent with duties and responsibilities.
- 2) Increase annual salary by being fair and in line with the Company's business performance, cost of living, competency level and performance assessment result.
- 3) Arrange welfare compliance with related laws and others appropriately, to support and response the employees' needs to have a good quality of work life, such as sickness benefit, accident and health insurance, provident fund, emergency loan etc.
- 4) Employee welfare committee is responsible for the consideration and review a scheme of welfare and benefits as guidelines for the employees, and to implement them correctly and efficiently. The committee consists of representative of the employee and the employer.

Training and Development

The Company has a policy to encourage employees to enhance their knowledge and potential in line with the Company's core competency, to grow in their career paths and to serve the Company's business expansion, of which guidelines was defined as follows:

- 1) Define training courses yearly plan in both functional and management competencies to the employees of each level.
- 2) Map out a concrete succession plan and talent management to establish and maintain for high potential and performance employees. Define individual development plan that the employees have to participate in training, seminar and observation courses organized in both local and overseas.
- 3) Store valuable knowledge in term of electronics system, for the benefit of employees' learning.
- 4) Support the Company's staff to share their knowledge and work experience as well as solve problems together, to enhance more efficient work process.

Policy concerns of Safety and Health Issues

- 1) Promotion and maintenance of healthy conditions both physically and mentally in the workplace.
- 2) Prevention of employees' declining health resulting from work.
- 3) Protection of employees against working in hazardous workplace which could result in illness and injury.
- 4) Placing of employees in appropriate working environment.
- 5) Adaptation of work appropriate to the nature of the work and the workers.

6. Product Responsibility

The Company stresses the importance of responding to customer needs that cause to achieve the Company goals. We also try to seek other technique to serve the customer needs more efficiently; to emphasize on prompt service with the policy to reach accident site within thirty minutes for survey of motor insurance policies and process claims payment strictly as conditions specified in the policies, to sell of quality insurance policy, to provide advice for appropriate and adequate coverage at fair price and provide customer service center to accommodate clients to report a claim quickly 24 hours together with giving non-life insurance information through Navakij Call Center 1748 and the Company also sends surveys form to the clients who had motor claims in order to evaluate and improvement to service.

There was no significant complaint report arise from the Company's services received throughout the year 2019. The Company also provides various information benefits consumer such as insurance news, public relations news in marketing and corporate social responsibilities and frequently asked questions.

7. Environmental Responsibility

Despite being a predominantly service industry with no direct impact on the environment, however the company has set a policy pertaining to social and environmental well-being as follows:

- 1) Conduct business with an aim to benefit economy and society as a whole.
- 2) Comply with the law and regulations as well as cooperate with authorities in projects.
- 3) Support the underprivileged and victims of natural disasters.
- 4) Promote awareness of social and environmental responsibility.

The Company has encouraged employee awareness of saving energy and reduction to global warming policies e.g.

- Use recycled paper on both sides.
- Print document that require printing only.
- Turn off main air-conditioning system 30 minutes before lunch break and ending of office hour.
- Turn off the lights every time existing from the working areas or meeting rooms and turn off the main lighting during lunch.
- Use energy saving light bulbs for the Company's office.
- Turning off computer screens when not in use.
- All the Company's cars use gasohol as opposed to petrol.

8. Community Development

Social Activities

- 1) Collaborated with the Thai Red Cross Society, Poon Phol Co., Ltd. and Sathorn Thani Complex, blood donation amounting to 406,400 cc. was collected from 1,214 donors.
- 2) Supported a project "Body, Organs and Eyes Donation", operated by Chulalongkorn Memorial Hospital, the Thai Red Cross Society Organ Donation Center and Thai Red Cross Eye Bank.

Quality of Life Development

- 1) Distributed relief kits, supported health and dentistry check-up to families who affected by cold weather in the wilderness area of Loei Province, in conjunction with members and associate Relief and Community Health Bureau, The Thai Red Cross Society.
- 2) Distributed N95 respirators to Chiang Mai Kindergarten School to protect the respiratory tract from pollution and infection.
- 3) Donated second-hand clothes as part of "Secondhand Clothing" project at The Mirror Foundation that will be sorted and distributed to the needy and impoverished, young and old.
- 4) Distributed cloth bags to six public hospitals in the Southern Thailand to support reducing plastic bags activity.
- 5) Cooperated with Navatham Foundation in donating cash to help disaster victims (storm Podul) in Thailand.

- 6) Supported a project “Fun Run for The 40th Anniversary of Baan Tantawan”, a collaborative with National Institute for Child and Family Development, Mahidol University.
- 7) Participated in Anti-Corruption Organization of Thailand’s “force...volunteers to fight cheating” to be another force that moves the country and moves forward to be a transparent organization.
- 8) Participated in a project of Bangkok Commercial Asset Management Public Company Limited’s “Plant Perennials and Economic Trees” on the 20th Anniversary, 1,000 trees planting in Kamphaeng Phet Province and 20,000 trees planting in Krabi Province.
- 9) Donated Marine Department Office 5 Phuket Branch 200 life jackets to support “Old4New Lifejacket Program”.

Educational Supports

- 1) Provided scholarships for undergraduate degree students in Nakhon Sawan Rajabhat University.
- 2) Donated books supporting a project “Bookshelves in Children’s home” of the Foundation for Children.

9. Socially Responsible Innovation

The Company is determining to further develop and improve the quality of our products and service in order to retain our customers’ trust and continues to leverage on technological advancements that are become widely available and relevant to the insurance industry and also gives emphasize to social responsibilities issues. We streamlined our information technology and develop its innovative and reliable services to serve the increasing demand from the global trend in technology and telecommunication, and we also concern the economy situations both domestic and overseas.



Independent Auditor's Report

To the Shareholders of The Navakij Insurance Public Company Limited

Opinion

I have audited the accompanying financial statements, in which the equity method is applied, of The Navakij Insurance Public Company Limited, which comprise the statement of financial position as at 31 December 2019, and the related statements of income, comprehensive income, changes in owner's equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of The Navakij Insurance Public Company Limited.

In my opinion, the financial statements, in which the equity method is applied, referred to above present fairly, in all material respects, the financial position of The Navakij Insurance Public Company Limited as at 31 December 2019, its financial performance and cash flows for the year then ended and the separate financial statements of The Navakij Insurance Public Company Limited 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 for each matter are described below.

Insurance premium recognition

In 2019, the Company had revenue from insurance premiums amounting to Baht 3,024 million, which were derived from retail insured and had a large number of policies. The insurance premiums are collected from variety customers and insurance premiums amount rely on the processing of information technology system. I therefore focused on the recognition of insurance premiums with respect to the amount and appropriate timing.

I have assessed and tested the internal controls of information technology system and its internal controls with respect to underwriting, insurance premiums calculation and revenue recognition of insurance premiums by making enquiry of responsible executives, gaining an understanding and selecting representative samples to test the operation of the designed controls with respond to the amount and timing of revenue recognition in financial statements. In addition, I selected representative samples of insurance policies to assess whether revenue recognition was consistent with conditions specified in the insurance policies and whether it was in compliance with the Company's policy. I reviewed the insurance policies and endorsement transactions occurring during the accounting period, before and after period-end, which were recognized as revenues of the Company. In addition, I performed analytical procedures to compare insurance premiums recognised throughout the period and tested on sampling basis for accounting entries related to insurance premiums made through journal vouchers.

Insurance contract liabilities – claim reserves and outstanding claims

Insurance contract liabilities – claim reserves and outstanding claims account is highly significant to the financial statements. As at 31 December 2019, the Company had claim reserves and outstanding claims amounted to Baht 938 million (representing 26 percent of total liabilities). Claim reserves and outstanding claims normally includes both claims incurred and reported and claims incurred but not reported, which were calculated by the Company's management using actuarial techniques. The key assumptions applied were based on historical data and required the management to exercise substantial judgement in estimating such reserves so I addressed the adequacy of claim reserves and outstanding claims as a key audit matter. In addition, such claim reserves and outstanding claims are directly relevant to claim reserves refundable from reinsurers which were also calculated by the Company's management using actuarial techniques. As at 31 December 2019, the Company had claim reserves refundable from reinsurers amounting to Baht 299 million.

I have assessed and tested the internal controls relevant to claims, loss adjustments, estimation of claim reserves and outstanding claims, and reinsurance by making enquiry of responsible executives regarding the criteria and assumptions used in the estimates made by the actuary. I selected, on a sampling basis, data used by the actuary in calculating the reserves, performed random test on major claims file, and performed analytical procedures on the frequency of claims and average loss per claim. In addition, I reviewed the actuarial report to assess whether it was consistent with the reserve recognised, assessed the assumptions and methods used in the calculation of the reserves, test the data used and compared the assumptions to those used in the prior year. Moreover, I also reviewed the estimates of insurance reserves refundable from reinsurers.

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.



Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499
EY Office Limited
Bangkok: 25 February 2020

Statements of financial position

The Navakij Insurance Public Company Limited

Statements of financial position

As at 31 December 2019

(Unit: Baht)					
	Note	Financial statements 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	139,646,681	119,443,830	139,646,681	119,443,830
Premium receivables	7	460,188,833	441,292,191	460,188,833	441,292,191
Accrued investment income		7,992,591	7,176,640	7,992,591	7,176,640
Reinsurance assets	8	659,616,170	451,918,948	659,616,170	451,918,948
Reinsurance receivables	9	532,731,843	579,118,997	532,731,843	579,118,997
Investment assets					
Investments in securities	10	3,044,185,647	2,820,823,822	2,988,961,052	2,765,599,227
Loans	11	949,846	592,076	949,846	592,076
Investments in associates	12	27,016,839	32,466,779	43,256,079	43,256,079
Property, building and equipment	13	242,549,566	258,354,225	242,549,566	258,354,225
Intangible assets	14	53,359,278	57,420,913	53,359,278	57,420,913
Deferred tax assets	15.1	213,721,758	181,256,430	210,473,910	179,098,570
Other assets					
Claims receivable from litigants	16	118,749,174	117,409,834	118,749,174	117,409,834
Deposits on rice field insurance scheme		73,691,390	21,732,674	73,691,390	21,732,674
Others		128,901,665	138,987,912	128,901,665	138,987,912
Total assets		5,703,301,281	5,227,995,271	5,661,068,078	5,181,402,116

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

Statements of financial position (Continued)

The Navakij Insurance Public Company Limited
 Statements of financial position (Continued)
 As at 31 December 2019

		(Unit: Baht)				
		Financial statements in which the equity method is applied		Separate financial statements		
Note		31 December 2019	31 December 2018	31 December 2019	31 December 2018	
Liabilities and equity						
Liabilities						
	Insurance contract liabilities	17	2,581,112,521	2,196,320,380	2,581,112,521	2,196,320,380
	Due to reinsurers	18	761,022,233	674,431,561	761,022,233	674,431,561
	Income tax payable		9,095,850	-	9,095,850	-
	Employee benefit obligations	19	61,300,779	50,076,495	61,300,779	50,076,495
Other liabilities						
	Fee and commission payables		86,728,688	71,796,074	86,728,688	71,796,074
	Accrued expenses		44,578,080	83,753,471	44,578,080	83,753,471
	Liabilities under finance lease agreements	20	15,869,920	17,990,612	15,869,920	17,990,612
	Others		77,106,342	26,451,936	77,106,342	26,451,936
	Total liabilities		<u>3,636,814,413</u>	<u>3,120,820,529</u>	<u>3,636,814,413</u>	<u>3,120,820,529</u>
Equity						
	Share capital	21				
	Registered					
	35,000,000 ordinary shares of Baht 10 each (2018: 34,000,000 ordinary shares of Baht 10 each)		<u>350,000,000</u>	<u>340,000,000</u>	<u>350,000,000</u>	<u>340,000,000</u>
	Issued and paid up					
	35,000,000 ordinary shares of Baht 10 each (2018: 34,000,000 ordinary shares of Baht 10 each)		350,000,000	340,000,000	350,000,000	340,000,000
	Share premium		647,275,073	647,260,093	647,275,073	647,260,093
Retained earnings						
	Appropriated					
	Statutory reserve	22	35,000,000	34,000,000	35,000,000	34,000,000
	General reserve		20,000,000	20,000,000	20,000,000	20,000,000
	Unappropriated		1,047,820,233	1,084,314,951	1,000,237,594	1,035,119,143
	Other components of equity		<u>(33,608,438)</u>	<u>(18,400,302)</u>	<u>(28,259,002)</u>	<u>(15,797,649)</u>
	Total equity		<u>2,066,486,868</u>	<u>2,107,174,742</u>	<u>2,024,253,665</u>	<u>2,060,581,587</u>
	Total liabilities and equity		<u>5,703,301,281</u>	<u>5,227,995,271</u>	<u>5,661,068,078</u>	<u>5,181,402,116</u>

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

Statements of income

The Navakij Insurance Public Company Limited
 Statements of 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
Income					
Gross premium written		3,023,909,573	2,892,615,189	3,023,909,573	2,892,615,189
Less: Premiums ceded to reinsurers		(745,406,466)	(700,186,941)	(745,406,466)	(700,186,941)
Net premium written		2,278,503,107	2,192,428,248	2,278,503,107	2,192,428,248
Less: Unearned premium reserves increase					
from prior year		(69,054,376)	(97,994,405)	(69,054,376)	(97,994,405)
Net earned premium		2,209,448,731	2,094,433,843	2,209,448,731	2,094,433,843
Fee and commission income		182,357,986	197,963,712	182,357,986	197,963,712
Share of loss from investments in associate	12.3	(2,016,461)	(3,586,129)	-	-
Investments income, net	10.5	94,143,100	84,810,439	94,143,100	84,810,439
Profit on investments		83,373,624	11,424,248	83,373,624	11,424,248
Fair value loss		(3,601,761)	-	(3,601,761)	-
Other income		8,788,113	6,224,008	8,788,113	6,224,008
Total income		2,572,493,332	2,391,270,121	2,574,509,793	2,394,856,250
Expenses					
Gross claim and loss adjustment expenses		1,995,403,288	1,651,995,475	1,995,403,288	1,651,995,475
Less: Claim recovery from reinsurers		(560,594,048)	(433,030,489)	(560,594,048)	(433,030,489)
Commission and brokerage expenses		470,810,354	451,055,713	470,810,354	451,055,713
Other underwriting expenses		275,298,002	245,226,814	275,298,002	245,226,814
Operating expenses	23	361,975,263	371,345,251	361,975,263	371,345,251
Total expenses		2,542,892,859	2,286,592,764	2,542,892,859	2,286,592,764
Profit before income tax expenses		29,600,473	104,677,357	31,616,934	108,263,486
Income tax revenues (expenses)	15.2	44,949	(18,167,336)	(358,343)	(19,674,533)
Profit for the year		29,645,422	86,510,021	31,258,591	88,588,953
Earnings per share					
Basic earnings per share	26	0.85	2.47	0.89	2.53

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

Statements of comprehensive income

The Navakij Insurance Public Company Limited
 Statements 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 for the year		<u>29,645,422</u>	<u>86,510,021</u>	<u>31,258,591</u>	<u>88,588,953</u>
Other comprehensive income					
Other comprehensive income to be reclassified to profit and loss in subsequent periods					
Exchange differences on translation of financial statements in foreign currency (loss)					
	12.3	(3,433,479)	(962,290)	-	-
Loss on changes in value of available-for-sale investments					
		(15,576,691)	(126,843,480)	(15,576,691)	(126,843,480)
Income tax effect					
		3,802,034	26,019,359	3,115,338	25,368,696
Other comprehensive income to be reclassified to profit and loss in subsequent periods - net of tax (loss)					
		<u>(15,208,136)</u>	<u>(101,786,411)</u>	<u>(12,461,353)</u>	<u>(101,474,784)</u>
Other comprehensive income not to be reclassified to profit and loss in subsequent periods					
Actuarial loss					
		(5,175,265)	(606,221)	(5,175,265)	(606,221)
Income tax effect					
		1,035,053	121,244	1,035,053	121,244
Other comprehensive income not to be reclassified to profit and loss in subsequent periods - net of tax (loss)					
		<u>(4,140,212)</u>	<u>(484,977)</u>	<u>(4,140,212)</u>	<u>(484,977)</u>
Total comprehensive income for the year (loss)		<u><u>10,297,074</u></u>	<u><u>(15,761,367)</u></u>	<u><u>14,657,026</u></u>	<u><u>(13,370,808)</u></u>

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

Statements of changes in equity

The Navakij Insurance Public Company Limited
Statements of changes in equity
For the year ended 31 December 2019

	Financial statements in which the equity method is applied										(Unit: Baht)	
	Issued and paid-up share capital	Share premium	Retained earnings			Unappropriated	Exchange differences on translation of financial statements in foreign currency	Other components of equity				Total
			Statutory reserve	Appropriated	General reserve			Surplus (deficit) on changes in value of available-for-sale investments	Total other components of equity			
Balance as at 1 January 2018	330,000,000	647,245,520	33,000,000	1,058,789,835	20,000,000	(2,291,026)	85,677,135	83,386,109		2,172,421,464		
Increase in share capital	10,000,000	14,573	-	-	-	-	-	-	-	10,014,573		
Unappropriated retained earnings transferred to statutory reserve	-	-	1,000,000	(1,000,000)	-	-	-	-	-	-		
Dividend paid (Note 27)	-	-	-	(59,499,928)	-	-	-	-	-	(59,499,928)		
Profit for the year	-	-	-	86,510,021	-	-	-	-	-	86,510,021		
Other comprehensive income for the year (loss)	-	-	-	(484,977)	-	(311,627)	(101,474,784)	(101,786,411)		(102,271,388)		
Balance as at 31 December 2018	340,000,000	647,260,093	34,000,000	1,084,314,951	20,000,000	(2,602,653)	(15,797,649)	(18,400,302)		2,107,174,742		
Balance as at 1 January 2019	340,000,000	647,260,093	34,000,000	1,084,314,951	20,000,000	(2,602,653)	(15,797,649)	(18,400,302)		2,107,174,742		
Increase in share capital (Note 21)	10,000,000	14,980	-	-	-	-	-	-	-	10,014,980		
Unappropriated retained earnings transferred to statutory reserve	-	-	1,000,000	(1,000,000)	-	-	-	-	-	-		
Dividend paid (Note 27)	-	-	-	(60,999,928)	-	-	-	-	-	(60,999,928)		
Profit for the year	-	-	-	29,645,422	-	-	-	-	-	29,645,422		
Other comprehensive income for the year (loss)	-	-	-	(4,140,212)	-	(2,746,783)	(12,461,353)	(15,208,136)		(19,348,348)		
Balance as at 31 December 2019	350,000,000	647,275,073	35,000,000	1,047,820,233	20,000,000	(5,349,436)	(28,259,002)	(33,608,438)		2,066,486,868		

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

Statements of changes in equity (Continued)

The Navakij Insurance Public Company Limited
Statements of changes in equity (continued)
For the year ended 31 December 2019

	Separate financial statements							(Unit: Baht)
	Issued and paid-up share capital	Share premium	Retained earnings		Unappropriated	Other components of equity - surplus (deficit) on changes in value of available-for-sale investments	Total	
			Appropriated					
			Statutory reserve	General reserve				
Balance as at 1 January 2018	330,000,000	647,245,520	33,000,000	20,000,000	1,007,515,095	85,677,135	2,123,437,750	
Increase in share capital	10,000,000	14,573	-	-	-	-	10,014,573	
Unappropriated retained earnings transferred to statutory reserve	-	-	1,000,000	-	(1,000,000)	-	-	
Dividend paid (Note 27)	-	-	-	-	(59,499,928)	-	(59,499,928)	
Profit for the year	-	-	-	-	88,588,953	-	88,588,953	
Other comprehensive income for the year (loss)	-	-	-	-	(484,977)	(101,474,784)	(101,959,761)	
Balance as at 31 December 2018	340,000,000	647,260,093	34,000,000	20,000,000	1,035,119,143	(15,797,649)	2,060,581,587	
Balance as at 1 January 2019	340,000,000	647,260,093	34,000,000	20,000,000	1,035,119,143	(15,797,649)	2,060,581,587	
Increase in share capital (Note 21)	10,000,000	14,980	-	-	-	-	10,014,980	
Unappropriated retained earnings transferred to statutory reserve	-	-	1,000,000	-	(1,000,000)	-	-	
Dividend paid (Note 27)	-	-	-	-	(60,999,928)	-	(60,999,928)	
Profit for the year	-	-	-	-	31,258,591	-	31,258,591	
Other comprehensive income for the year (loss)	-	-	-	-	(4,140,212)	(12,461,353)	(16,601,565)	
Balance as at 31 December 2019	350,000,000	647,275,073	35,000,000	20,000,000	1,000,237,594	(28,259,002)	2,024,253,665	

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

Statements of cash flows

The Navakij Insurance Public Company Limited
 Statements of cash flows
 For the year ended 31 December 2019

(Unit: Baht)

	Financial statements		Separate financial statements	
	in which the equity method is applied			
	2019	2018	2019	2018
Cash flows from (used in) operating activities				
Direct premium written	3,006,438,290	2,830,656,173	3,006,438,290	2,830,656,173
Cash paid for reinsurance	(51,088,489)	(199,983,304)	(51,088,489)	(199,983,304)
Interest income	30,505,574	33,421,120	30,505,574	33,421,120
Dividend income	58,319,027	53,118,665	58,319,027	53,118,665
Other income	6,015,791	5,580,958	6,015,791	5,580,958
Loss incurred and loss adjustment expenses on				
direct insurance	(1,759,776,924)	(1,696,899,284)	(1,759,776,924)	(1,696,899,284)
Other underwriting expenses	(446,387,309)	(455,149,511)	(446,387,309)	(455,149,511)
Operating expenses	(260,016,583)	(245,226,813)	(260,016,583)	(245,226,813)
Income tax expenses	(326,854,259)	(263,911,054)	(326,854,259)	(263,911,054)
Investments in securities	(20,231,850)	493,908	(20,231,850)	493,908
Loans	(249,664,105)	82,511,153	(249,664,105)	82,511,153
Deposits and certificate of deposits at				
financial institutions	95,000,000	(45,000,000)	95,000,000	(45,000,000)
Net cash from operating activities	81,901,392	99,689,691	81,901,392	99,689,691
Cash flows from (used in) investing activities				
Purchases of property, building and equipment	(3,016,845)	(1,880,221)	(3,016,845)	(1,880,221)
Purchases of intangible assets	(150,006)	(32,826,600)	(150,006)	(32,826,600)
Disposals of property, building and equipment	639,587	649,310	639,587	649,310
Net cash used in investing activities	(2,527,264)	(34,057,511)	(2,527,264)	(34,057,511)
Cash flows from (used in) financing activities				
Cash received from share capital issuance	14,980	14,573	14,980	14,573
Repayment of liabilities under finance lease agreements	(8,186,329)	(7,160,815)	(8,186,329)	(7,160,815)
Dividend paid	(50,999,928)	(49,499,928)	(50,999,928)	(49,499,928)
Net cash used in financing activities	(59,171,277)	(56,646,170)	(59,171,277)	(56,646,170)
Net increase in cash and cash equivalents	20,202,851	8,986,010	20,202,851	8,986,010
Cash and cash equivalents at beginning of year	119,443,830	110,457,820	119,443,830	110,457,820
Cash and cash equivalents at end of year	139,646,681	119,443,830	139,646,681	119,443,830

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

The Navakij Insurance Public Company Limited
Notes to financial statements
For the year ended 31 December 2019

1. **General information**

The Navakij Insurance Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the non-life insurance and has 25 branches located in provinces. The registered office of the Company, which is the head office, is at 100/47-55, and 90/3-6, North Sathorn Road, Silom, Bangrak, Bangkok.

2. **Basis for preparation of the financial statements**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547, and in accordance with Thai accounting practices related to insurance and the guidelines prescribed by the Office of Insurance Commission (“OIC”), and in accordance with the format of financial statements specified in the Notification of the OIC regarding criteria, procedures, terms and conditions for preparation and submission of financial statements and operating performance reports of non-life insurance companies B.E. 2559 dated 4 March 2016, which became effective as from 1 January 2016 onwards.

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

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

2.1 **Financial statements in which the equity method is applied**

The Company prepares the financial statements, in which equity method is applied, by presented investment in associates under the equity method.

2.2 **Separate financial statements**

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

3. **New financial reporting standards**

3.1 **Financial reporting standards that became effective in the current year**

During the year, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal year 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 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
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being 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 the Company's 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 the Company's financial statements.

3.2 Financial reporting standards that will become effective for fiscal year beginning on or after 1 January 2020

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

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TRIC 16	Hedges of a Net Investment in a Foreign Operation
TRIC 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 2019) 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.

The Company's management has decided to adopt Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business after deciding that the Company meets the criteria stipulated in TFRS 4 Insurance contracts, making it eligible to adopt the Thai Accounting Guidance, and that adopting this Thai Accounting Guidance is more appropriate in the current situation.

The Company's management expects the adoption of this Thai Accounting Guidance to result in the financial statement in important matters as following.

- Classification and measurement of investments in equity instruments of non-listed companies - The Company is to classify the investments as available-for-sale investment and to measure the investment at fair value through other comprehensive income.
- 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 management of the Company is currently evaluating the impact of this Thai Accounting Guidance on the financial statements in the year when it is adopted.

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 (if any), and the comparative information was not restated.

The management of the Company is currently evaluating the impact of this standard on the financial statements in the year when they are adopted.

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 canceled policies and premiums refunded to policyholders.

Direct premium is recognised as income on the date the insurance policy comes into effect at the amount specify in the policies.

Reinsurance premium is recognised as income on the date the insurance policy comes into effect, or when the reinsurer places the statement of accounts with the Company.

(b) Fee and commission income

Fee and commission income from ceded premium are recognised as income when incurred.

(c) Investment income

Interest income and dividends on investment

Interest income is recognised as revenue on an accrual basis based on the effective interest rate. Dividends are recognised as revenue when the right to receive the dividends is established.

Interest income on loan

Interest income on loan is recognised as revenue on an accrual basis, based on the amount of principal outstanding.

- (d) Profit (loss) on investment
Profit (loss) on investment is recognised as revenue or expense on the transaction date.

4.2 Expenses recognition

- (a) Premiums ceded to reinsurer
Premiums ceded to reinsurer is recognised as expenses when the insurance risk is transferred to another insurer at amount per policy.

- (b) Claim and loss adjustment expense
Claim and loss adjustment expense consist of claim and loss adjustment expenses of direct insurance and reinsurance of both reported and not reported, and include the amounts of claim, related expenses, and claim adjustments of current and prior period incurred during the year, less residual value and other recoveries (if any), and claim recovery from reinsurers.

Claims recovery from reinsurer is recognised when claim and loss adjustment expenses are recorded as the condition in the relevant reinsurance contract.

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

Claim and loss adjustment expenses of reinsurance are recognised when the reinsurer places the loss advice with the Company.

- (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 classified insurance 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 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, on a contract by - contract basis. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime. 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 investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.5 Premium receivables and allowance for doubtful accounts

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

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

4.6 Reinsurance assets

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

The Company set up an allowance for doubtful accounts of reinsurance assets when had indicator for impairment, based on losses that may be incurred due to uncollectible, 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 allowance for doubtful accounts is recorded as expenses during the year.

4.7 Reinsurance receivables and due to reinsurers

- (a) Reinsurance assets are stated at the outstanding balance of amount due from reinsurers and amounts deposit on reinsurance.

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

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

Amounts due to reinsurers consist of reinsurance premiums, and other items payable to reinsurers, excluding loss reserve from reinsurance.

The Company presents net of reinsurance to the same entity (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 Investments in securities

Investments in trading securities are stated at fair value. Changes in the fair value of these investments are recorded in statement of income. Investments are classified as investments in trading securities if the Company intends to sell them in the near future.

Investments in available-for-sale securities are stated at fair value. Change in the fair value of these securities are recorded in statements of comprehensive income, and will be recorded in the statements of income when the securities are sold.

Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.

Investments in non-marketable equities securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment (if any).

The fair value of marketable security is based on the latest bid price of the last working day of the year. The fair value of debt instrument is determined based on yield rate quoted by the Thai Bond Market Association. The fair value of unit trust is determined from its net asset value.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in the statements of income.

Loss on impairment of investments (if any) is recorded as an expenses in the statement of income.

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 statements of income or recorded as revaluation surplus or deficit in other components of equity, depending on the type of investment that is reclassified.

4.9 Loans and allowance for doubtful accounts

Loans are stated at net realisable value. Allowance for doubtful accounts is provided for the estimated loss 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.

4.10 Investments in associates

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

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

4.11 Property, buildings and equipment /Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for impairment of assets (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, 40	years
Condominium units	-	20, 40	years
Buildings improvement	-	5, 10, 20	years
Office furniture, fixture and equipment	-	5	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation.

An item of land, buildings 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 statements of income when the asset is derecognised.

4.12 Intangible assets and amortisation

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss (if any).

Intangible assets with finite life is amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible asset are reviewed at least at each financial year end. The amortisation expense is charged to statements of income.

The useful life of intangible assets with finite useful life which is computer software is 3, 5 and 10 years.

4.13 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of the land, buildings and equipment or intangible assets whenever events or changes in circumstances indicate that an

asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in statements of income.

In the assessment of asset impairment if there is any indication that previously recognised impairment loss may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased in 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 period. Such reversal is recognised immediately in statements of income.

4.14 Insurance contract liabilities

Insurance contract liabilities consist of claim reserve and outstanding claims and premium reserves.

(a) Claim reserve and outstanding claims

Outstanding claims are recorded at the amount to be actually paid. Loss reserves are provided upon receipt of claim advices from the insured based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimate is however, not to 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, after deducting salvage values and other recoverable values. The different of the calculated outstanding claim provision which are higher than the loss reserve that recognised into financial statement, are recognised as reserves for claims incurred but not yet reported (IBNR).

(b) Premium reserves

Premium reserves consist of unearned premium reserve and unexpired risk reserve.

(1) Unearned premium reserve

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

Transportation (cargo), travelling accident with coverage periods of not over six-months	- 100% of premium as from the date policy is effective, throughout the period of insurance coverage
Others	- Daily average basis by the period of coverage under policy

Outward unearned premium reserve is calculated based on reinsurance premium ceded, as the same method as direct insurance, and recognised for the policy that transfer insurance risk to reinsurer.

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

(2) Unexpired risk reserve

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

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

4.15 Employee benefits

(a) Short-term employee benefits

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

(b) Post-employment benefits

Defined contribution plans

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

Defined benefit plans

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.

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

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

4.16 Income tax

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

Current tax

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

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their 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 to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences can be utilised.

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

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

4.17 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.

4.18 Long-term lease

Leases of premises or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the lease assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other payables, while the interest element is charged to statements of income over the lease period. The premises or equipment acquired under finance leases is depreciated over the useful life of the asset.

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

4.19 Foreign currencies

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

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

Gain and loss on exchange are included in determining income.

4.20 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.

4.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure their assets and liabilities except in case of 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 determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with 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 Allowance for doubtful accounts on receivables/ loans/ premium receivables/ amounts due from reinsurers

In determining an allowance for doubtful accounts on receivables, loans, premium receivables and amounts due from reinsurers, 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 Impairment of investments in securities

The Company treats investments as impaired when management considers that such investments has an indication of impairments. The determination of indication of investments requires judgement of the management.

5.3 Land, buildings and equipment/ Depreciation

In determining 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 there are any changes.

In addition, the management is required to review land, buildings and equipment for impairment on a periodical basis and record impairment loss when it is determined that their recoverable amount is lower than the carrying amount. This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

5.4 Intangible assets and amortisation

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of 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 estimate future taxable profit.

5.6 Loss reserves and outstanding claims

At the end of each reporting period, the Company has to estimate loss reserves and outstanding claims taking into account two factors. These are claims incurred and reported, and the claims incurred but not yet reported (IBNR). The ultimate loss of outstanding claims is established using a range of standard actuarial claims projection techniques.

The main assumptions underlying these techniques relate to historical experience, including the development of claims estimates, paid and incurred loss, average costs per claim and claim numbers, etc. To perform the calculation, it is necessary to perform analysis based on the type of insurance and to use the services of an actuary expertise, experience, and an understanding of the insurance business and the Company's products. Nevertheless, such estimates are forecasts of future outcomes, and actual results could differ.

5.7 Unexpired risk reserve

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

5.8 Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

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

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

6. Cash and cash equivalents

	(Unit: Baht)	
	2019	2018
Cash on hand	312,000	312,000
Deposits at banks with no fixed maturity date	139,334,681	119,131,830
Cash and cash equivalents	<u>139,646,681</u>	<u>119,443,830</u>

As at 31 December 2019, bank deposits in saving and current accounts carried interest between 0.13 and 1.30 percent per annum (2018: between 0.13 and 1.75 percent per annum).

7. Premium receivables

As at 31 December 2019 and 2018, the balances of premium receivables from direct insurance are classified by aging from the maturity date under the stipulated law of the premium collection as follows:

	(Unit: Baht)	
	2019	2018
Not yet due	391,625,782	365,126,489
Not over 30 days	47,929,031	54,626,429
Over 31 days to 60 days	13,363,642	11,265,304
Over 61 days to 90 days	3,817,421	2,685,869
Over 91 days to 1 year	4,874,366	8,346,282
Over 1 year	4,215,739	4,478,688
Total premium receivables	465,825,981	446,529,061
Less: Allowance for doubtful accounts	(5,637,148)	(5,236,870)
Total premium receivables, net	<u>460,188,833</u>	<u>441,292,191</u>

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

8. Reinsurance assets

	(Unit: Baht)	
	2019	2018
Insurance reserve refundable from reinsurers		
Claims reserve	298,792,366	113,339,539
Unearned premium reserve	360,823,804	338,579,409
Reinsurance assets	<u>659,616,170</u>	<u>451,918,948</u>

9. Reinsurance receivables

	(Unit: Baht)	
	2019	2018
Amounts deposit on reinsurance	59,817	28,003
Amounts due from reinsurers	532,672,026	579,090,994
Total	<u>532,731,843</u>	<u>579,118,997</u>

As at 31 December 2019 and 2018, the balances of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)	
	2019	2018
Not yet due	424,238,134	404,581,921
Not over 1 year	106,220,217	173,087,457
Over 1 year to 2 years	1,704,343	1,290,503
Over 2 years	509,332	131,113
Total amounts due from reinsurers	<u>532,672,026</u>	<u>579,090,994</u>

10. Investments in securities

10.1 Classified by type of investments

	(Unit: Baht)			
	Financial statements in which the equity method is applied			
	2019		2018	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading investments				
Government and state enterprise securities	5,440,000	5,440,000	-	-
Equity securities	607,604,528	604,002,767	-	-
Total	613,044,528	609,442,767	-	-
Less: Unrealised loss	(3,601,761)		-	
Total trading investments	<u>609,442,767</u>		<u>-</u>	
Available-for-sale investments				
Government and state enterprise securities	679,590,742	677,750,938	423,921,108	414,038,221
Private debt securities	675,238,297	679,475,371	724,356,810	724,147,933
Equity securities	493,485,021	440,410,776	1,016,129,394	950,531,873
Total	1,848,314,060	1,797,637,085	2,164,407,312	2,088,718,027
Less: Unrealised loss	(35,323,751)		(19,747,061)	
Less: Allowance for impairment	(15,353,224)		(55,942,224)	
Total available-for-sale investments	<u>1,797,637,085</u>		<u>2,088,718,027</u>	
Held-to-maturity investments				
Government and state enterprise securities	10,000,000		10,000,000	
Deposits and certificate of deposits at financial institutions which matured over 3 months	485,000,000		580,000,000	
Total held-to-maturity investments	<u>495,000,000</u>		<u>590,000,000</u>	
Other investments				
Equity securities	144,673,295		144,673,295	
Less: Allowance for impairment	(2,567,500)		(2,567,500)	
Total other investments	<u>142,105,795</u>		<u>142,105,795</u>	
Total investments in securities	<u>3,044,185,647</u>		<u>2,820,823,822</u>	

(Unit: Baht)

	Separate financial statements			
	2019		2018	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading investments				
Government and state enterprise securities	5,440,000	5,440,000	-	-
Equity securities	607,604,528	604,002,767	-	-
Total	613,044,528	609,442,767	-	-
Less: Unrealised loss	(3,601,761)		-	
Total trading investments	609,442,767		-	
Available-for-sale investments				
Government and state enterprise securities	679,590,742	677,750,938	423,921,108	414,038,221
Private debt securities	675,238,297	679,475,371	724,356,810	724,147,933
Equity securities	493,485,021	440,410,776	1,016,129,394	950,531,873
Total	1,848,314,060	1,797,637,085	2,164,407,312	2,088,718,027
Less: Unrealised loss	(35,323,751)		(19,747,061)	
Less: Allowance for impairment	(15,353,224)		(55,942,224)	
Total available-for-sale investments	1,797,637,085		2,088,718,027	
Held-to-maturity investments				
Government and state enterprise securities	10,000,000		10,000,000	
Deposits and certificate of deposits at financial institutions which matured over 3 months	485,000,000		580,000,000	
Total held-to-maturity investments	495,000,000		590,000,000	
Other investments				
Equity securities	89,448,700		89,448,700	
Less: Allowance for impairment	(2,567,500)		(2,567,500)	
Total other investments	86,881,200		86,881,200	
Total investments in securities	2,988,961,052		2,765,599,227	

As at 31 December 2019 and 2018, equity securities in other investments caption included investments in a foreign company of USD 1.1 million, or Baht 37.2 million.

10.2 Classified by remaining period of debt securities

Investments in debt securities as at 31 December 2019 and 2018 will be matured redemption as follows:

	(Unit: Baht)					
	Financial statements in which the equity method is applied and separate financial statements					
	2019			2018		
	Period to maturity		Total	Period to maturity		Total
1 year	1 – 5 years	1 year		1 – 5 years		
Available-for-sale investments						
Government and state enterprise securities	625,675,716	35,000,000	660,675,716	370,393,668	25,235,662	395,629,330
Private enterprise securities	405,238,297	270,000,000	675,238,297	205,225,360	519,131,450	724,356,810
Total	1,030,914,013	305,000,000	1,335,914,013	575,619,028	544,367,112	1,119,986,140
Add (less): Unrealised gain (loss)	2,164,491	3,172,244	5,336,735	268,070	(293,906)	(25,836)
Total available-for-sale investments	1,033,078,504	308,172,244	1,341,250,748	575,887,098	544,073,206	1,119,960,304
Held-to-maturity investments						
Government and state enterprise securities	10,000,000	-	10,000,000	-	10,000,000	10,000,000
Deposits and certificate of deposits at financial institutions which matured over 3 months	485,000,000	-	485,000,000	530,000,000	50,000,000	580,000,000
Total held-to-maturity investments	495,000,000	-	495,000,000	530,000,000	60,000,000	590,000,000

10.3 Other components of equity - surplus (deficit) on changes in value of 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
Balance - beginning of the year	(15,797,649)	85,677,135
Changes during the year		
Unrealised gain (loss) during the year	67,762,069	(115,419,232)
Realised gain that included in statement of income (included gain on reclassification type of investments)	(83,338,760)	(11,424,248)
	(15,576,691)	(126,843,480)
Relating income tax	3,115,338	25,368,696
Net comprehensive income for the year (loss)	(12,461,353)	(101,474,784)
Balance - end of the year	(28,259,002)	(15,797,649)

During the year, the Company considered and transferred a part of its investments in company, listed on the Stock Exchange of Thailand, from “Available-for-sale investments” to “Trading investments” due to the change in its investment policy in respond to the Company’s investment situation and fluctuation of the share price in the stock market. The Company transferred available-for-sale investments amounting to Baht 614.8 million to trading investments. The differences between cost and fair value as at the transfer date amounting to Baht 60.4 million were recognised as a gain from reclassification of investments in statements of income for the year ended 31 December 2019.

10.4 Investments subject to restriction

As at 31 December 2019 and 2018, the Company placed some investments as a security with the Registrar and pledged some investments as bail bond in cases where insured drivers have been charged with criminal offence as described in Note 30 and 31 to the financial statements.

10.5 Net investment income

During the years ended 31 December 2019 and 2018, the Company has investment income 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
Interest income from debt securities	35,824,073	31,691,773
Dividends received from equity securities	58,319,027	53,118,666
Investment income	<u>94,143,100</u>	<u>84,810,439</u>

11. Loans

As at 31 December 2019 and 2018, the balances of loans are aged by principal as follows:

Outstanding year	(Unit: Baht)					
	2019			2018		
	Mortgage loans	Other loans	Total	Mortgage loans	Other loans	Total
Not yet due	209,950	739,896	949,846	247,337	344,739	592,076
Total loans	<u>209,950</u>	<u>739,896</u>	<u>949,846</u>	<u>247,337</u>	<u>344,739</u>	<u>592,076</u>

These are loans provided to employees in accordance with the employee welfare scheme, with a credit facility not to exceed 5 times employee's base salary with a limit of Baht 50,000 for loans secured by personal guarantees, and a credit facility not to exceed 80% of the appraised value of collateral for secured loans. Interest on these loans is charged at rates of 7.0% and 6.5% per annum, respectively.

12. Investments in associates

12.1 Details of associates

As at 31 December 2019 and 2018, the Company has investments in TKI General Insurance Company Limited and TKI Life Insurance Company Limited, which are incorporated in Laos, as detailed below:

Company's name	Nature of business	Shareholding percentage	(Unit: Baht)				
			Financial statements in which the equity method is applied		Separate financial statements		
			Book value		Cost/Book value		
			2019	2018	2019	2018	
		2019	2018	2019	2018	2019	2018
		(%)	(%)				
TKI General Insurance Company Limited	Non-life insurance	32.50	32.50	13,392,311	16,364,725	21,628,040	21,628,040
TKI Life Insurance Company Limited	Life insurance	32.50	32.50	13,624,528	16,102,054	21,628,039	21,628,039
				<u>27,016,839</u>	<u>32,466,779</u>	<u>43,256,079</u>	<u>43,256,079</u>

12.2 Financial information of associate

Summarised information about financial position

(Unit: Baht)

	2019		2018	
	TKI General Insurance Company Limited	TKI Life Insurance Company Limited	TKI General Insurance Company Limited	TKI Life Insurance Company Limited
Total assets	53,516,674	44,067,450	58,747,967	50,540,877
Total liabilities	(12,309,563)	(2,145,826)	(8,394,968)	(996,094)
Net assets	41,207,111	41,921,624	50,352,999	49,544,783
Shareholding percentage (%)	32.50	32.50	32.50	32.50
Book value of the associate based on equity method	13,392,311	13,624,528	16,364,725	16,102,054

Summarised information of comprehensive income

(Unit: Baht)

	For the years ended 31 December			
	2019		2018	
	TKI General Insurance Company Limited	TKI Life Insurance Company Limited	TKI General Insurance Company Limited	TKI Life Insurance Company Limited
Revenues	7,064,713	7,344,527	4,481,638	3,951,732
Loss for the years	(3,977,962)	(2,226,534)	(5,616,636)	(5,417,607)
Other comprehensive income - exchange differences on translation of financial statements in foreign currency	(5,167,926)	(5,396,625)	(1,493,268)	(1,467,623)
Total comprehensive income (loss)	(9,145,888)	(7,623,159)	(7,109,904)	(6,885,230)

The financial information of associate companies as the above tables were prepared by the management of such company.

12.3 Shares of loss from investments in associated companies and dividend received

During the years ended 31 December 2019 and 2018, the Company recognised its share of loss from investments in associated companies in the financial statements, in which the equity method is applied, and recognised dividend income in the separate financial statements as follows:

(Unit: Baht)

Associated company	Financial statements in which the equity method is applied				Separate financial statements	
	Share of loss from profit and loss		Exchange differences on translation from other comprehensive income		Dividend received	
	2019	2018	2019	2018	2019	2018
TKI General Insurance Company Limited	(1,292,838)	(1,825,407)	(1,679,576)	(485,312)	-	-
TKI Life Insurance Company Limited	(723,623)	(1,760,722)	(1,753,903)	(476,978)	-	-
	(2,016,461)	(3,586,129)	(3,433,479)	(962,290)	-	-

13. Property, building and equipment

(Unit: Baht)

	Land	Buildings	Condominium	Building improvements	Furniture, fixtures and equipment	Motor vehicles	Assets under construction	Total
Cost								
1 January 2018	5,385,371	24,521,452	270,282,501	121,073,995	114,009,470	63,588,668	425,000	599,286,457
Additions	-	-	-	-	6,322,771	8,994,785	1,218,765	16,536,321
Disposals	-	-	-	(1,163,264)	(1,216,596)	(6,189,252)	-	(8,569,112)
Transfers in (out)	-	-	-	478,400	850,000	-	(1,328,400)	-
31 December 2018	5,385,371	24,521,452	270,282,501	120,389,131	119,965,645	66,394,201	315,365	607,253,666
Additions	-	-	-	-	2,404,733	5,201,300	612,112	8,218,145
Disposals	-	-	-	(110,283)	(2,455,333)	(3,958,803)	-	(6,524,419)
Transfers in (out)	-	-	-	927,477	-	-	(927,477)	-
31 December 2019	5,385,371	24,521,452	270,282,501	121,206,325	119,915,045	67,636,698	-	608,947,392
Accumulated depreciation								
1 January 2018	-	9,556,146	149,411,173	44,083,527	80,108,940	45,688,081	-	328,847,867
Depreciation for the year	-	700,804	3,030,370	4,501,534	13,461,972	6,919,749	-	28,614,429
Depreciation on disposals	-	-	-	(1,163,261)	(1,211,459)	(6,188,135)	-	(8,562,855)
31 December 2018	-	10,256,950	152,441,543	47,421,800	92,359,453	46,419,695	-	348,899,441
Depreciation for the year	-	681,452	2,968,509	2,829,553	11,332,974	6,181,691	-	23,994,179
Depreciation on disposals	-	-	-	(110,279)	(2,454,363)	(3,931,152)	-	(6,495,794)
31 December 2019	-	10,938,402	155,410,052	50,141,074	101,238,064	48,670,234	-	366,397,826
Net book value								
31 December 2018	5,385,371	14,264,502	117,840,958	72,967,331	27,606,192	19,974,506	315,365	258,354,225
31 December 2019	5,385,371	13,583,050	114,872,449	71,065,251	18,676,981	18,966,464	-	242,549,566
Depreciation for the year								
2018								28,614,429
2019								23,994,179

As at 31 December 2019, the Company had certain items of buildings and equipment which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to Baht 269.3 million (2018: Baht 235.8 million).

14. Intangible assets

As at 31 December 2019 and 2018, the net book value of intangible assets are presented below.

(Unit: Baht)

	Computer Software	Computer software under improvement	Total
Cost			
1 January 2018	97,703,340	-	93,703,340
Additions	575,500	32,251,100	32,826,600
31 December 2018	94,278,840	32,251,100	126,529,940
Additions	150,006	-	150,006
31 December 2019	94,428,846	32,251,100	126,679,946
Accumulated amortisation			
1 January 2018	64,567,296	-	64,567,296
Amortisation for the year	4,541,731	-	4,541,731
31 December 2018	69,109,027	-	69,109,027
Amortisation for the year	4,211,641	-	4,211,641
31 December 2019	73,320,668	-	73,320,668
Net book value			
31 December 2018	25,169,813	32,251,100	57,420,913
31 December 2019	21,108,178	32,251,100	53,359,278

As at 31 December 2019, the Company had certain items of computer software which have been fully amortised but are still in use. The gross carrying amount before deducting accumulated amortisation of those assets amounted to Baht 52.4 million (2018: Baht 52.2 million)

15. Deferred tax assets and income tax expenses

15.1 Deferred tax assets

The components of deferred tax assets and liabilities as at 31 December 2019 and 2018 are as follows:

	(Unit: Baht)			
	Financial statements in which the equity method is applied		Changes in deferred tax assets and liabilities recognised in statements of income for the years ended 31 December	
	Balance as at 31 December		years ended 31 December	
	2019	2018	2019	2018
Deferred tax assets				
Unearned premium reserve	74,092,132	67,167,246	6,924,886	5,022,541
Allowance for loss on impairment of investments	3,584,145	11,701,945	(8,117,800)	6,437,800
Allowance for doubtful accounts	33,823,425	30,232,537	3,590,888	2,221,371
Loss reserves	56,798,988	38,117,274	18,681,714	(12,528,250)
Provision for loss incurred but not reported (IBNR)	8,523,399	6,735,653	1,787,746	(156,355)
Employee benefit obligations	14,367,576	20,515,299	(7,182,776)	7,630,330
Unutilised tax loss	-	-	-	(27,728,525)
Share of loss from investments in associates	3,247,848	2,157,860	403,292	1,507,197
Unrealised loss on changes in value of available-for-sale securities	7,064,750	3,949,412		
Fair value loss	720,352	-	720,352	-
Others	14,460,579	2,241,620	12,218,959	616,087
Total	216,683,194	182,818,846		
Deferred tax liabilities				
Difference of investment cost arising from reclassification	2,633,173	-	(2,633,173)	-
Others	328,263	1,562,416	1,234,153	(114,705)
Total	2,961,436	1,562,416		
Deferred tax assets - net	213,721,758	181,256,430		
Total change			27,628,241	(17,092,509)

(Unit: Baht)

	Separate financial statements			
	Balance as at 31 December		Changes in deferred tax assets and liabilities recognised in statements of income for the years ended 31 December	
	2019	2018	2019	2018
Deferred tax assets				
Unearned premium reserve	74,092,132	67,167,246	6,924,886	5,022,541
Allowance for loss on impairment of investments	3,584,145	11,701,945	(8,117,800)	6,437,800
Allowance for doubtful accounts	33,823,425	30,232,537	3,590,888	2,221,371
Loss reserves	56,798,988	38,117,274	18,681,714	(12,528,250)
Provision for loss incurred but not reported (IBNR)	8,523,399	6,735,653	1,787,746	(156,355)
Employee benefit obligations	14,367,576	20,515,299	(7,182,776)	7,630,330
Unutilised tax loss	-	-	-	(27,728,525)
Unrealised loss on changes in value of available-for-sale securities	7,064,750	3,949,412		
Fair value loss	720,352	-	720,352	-
Others	14,460,579	2,241,620	12,218,959	616,087
Total	213,435,346	180,660,986		
Deferred tax liabilities				
Difference of investment cost arising from reclassification	2,633,173	-	(2,633,173)	-
Others	328,263	1,562,416	1,234,153	(114,705)
Total	2,961,436	1,562,416		
Deferred tax assets - net	210,473,910	179,098,570		
Total change			27,224,949	(18,599,706)

15.2 Income tax expenses

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

(Unit: Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	2019	2018	2019	2018
Current income tax:				
Current income tax charge for the year	27,552,492	1,074,827	27,552,492	1,074,827
Adjustment in respect of current income tax of previous year	30,800	-	30,800	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(27,628,241)	17,092,509	(27,224,949)	18,599,706
Income tax expenses (revenues) reported in statements of income	(44,949)	18,167,336	358,343	19,674,533

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

(Unit: Baht)

	Financial statements in which the			
	equity method is applied		Separate financial statements	
	2019	2018	2019	2018
Deferred tax from				
Exchange differences on translating of financial statements in foreign currency	686,696	650,663	-	-
Unrealised loss on changes in value of available-for-sale securities	3,115,338	25,368,696	3,115,338	25,368,696
Actuarial loss	1,035,053	121,244	1,035,053	121,244
Total	4,837,087	26,140,603	4,150,391	25,489,940

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2019 and 2018 are as follows:

(Unit: Baht)

	Financial statements in which the			
	equity method is applied		Separate financial statements	
	2019	2018	2019	2018
Accounting profit before tax	29,600,473	104,677,357	31,616,934	108,263,486
Applicable tax rate	20%	20%	20%	20%
Tax expenses at the applicable tax rate	5,920,095	20,935,471	6,323,387	21,652,697
Adjustment in respect of current income tax of previous year	30,800	-	30,800	-
Effects of:				
Exempted expenses	4,634,058	8,798,837	4,634,058	8,798,837
Allowed additional expense deductions	(857,292)	(1,636,301)	(857,292)	(1,636,301)
Others	(9,772,610)	(9,930,671)	(9,772,610)	(9,140,700)
Income tax expenses (revenues) reported in statements of income	(44,949)	18,167,336	358,343	19,674,533

16. Claims receivable from litigants

Claims receivable from litigants classified by the year of the claims incurred are as follows:

(Unit: Baht)

	2019	2018
Claim years		
Year 2019	85,444,014	-
Year 2018	43,179,550	83,822,782
Year 2017	34,705,577	44,475,373
Year 2016	33,918,630	41,501,799
Year 2015	28,141,929	30,195,124
Prior to 2015	61,024,113	67,678,573
Total claims receivable from litigants	286,413,813	267,673,651
Less: Allowance for doubtful accounts	(167,664,639)	(150,263,817)
Claims receivable from litigants, net	118,749,174	117,409,834

17. Insurance contract liabilities

(Unit: Baht)

	2019		Net
	Insurance contract liabilities	Reinsurance assets	
Claim reserves and outstanding claims			
Claim incurred and reported	836,756,895	(239,739,440)	597,017,455
Claim incurred but not reported	101,669,919	(59,052,926)	42,616,993
Premium reserves			
Unearned premium reserves	1,642,685,707	(360,823,804)	1,281,861,903
Total	2,581,112,521	(659,616,170)	1,921,496,351

(Unit: Baht)

	2018		Net
	Insurance contract liabilities	Reinsurance assets	
Claim reserves and outstanding claims			
Claim incurred and reported	575,263,180	(77,347,542)	497,915,638
Claim incurred but not reported	69,670,264	(35,991,997)	33,678,267
Premium reserves			
Unearned premium reserves	1,551,386,936	(338,579,409)	1,212,807,527
Total	2,196,320,380	(451,918,948)	1,744,401,432

During the years 2019 and 2018, the management of the Company entered into reinsurance agreements in order to mitigate insurance risk. Although positions are managed on a net basis by management, insurance contract liabilities disclosures have been made on both a gross and net basis in order to provide a comprehensive set of disclosures.

17.1 Claim reserves and outstanding claims

(Unit: Baht)

	For the years ended 31 December	
	2019	2018
Beginning balance	644,933,444	709,416,742
Claim expenses for the year	2,122,093,137	1,808,398,264
Change in claim reserves and outstanding claims		
from the prior year	(74,981,925)	(56,865,078)
Change in assumption for calculating claim reserves	31,999,655	(15,868,930)
Claim paid during the year	(1,785,617,497)	(1,800,147,554)
Ending balance	938,426,814	644,933,444

As at 31 December 2019, the Company has claim reserves and outstanding claims under reinsurance contracts at Baht 6.3 million (2018: Baht 8.3 million).

17.2 Claim development table

(a) Gross claims table

(Unit: Million Baht)

Reporting year/Accident year	Prior to 2012	2012	2013	2014	2015	2016	2017	2018	2019	Total
Claim estimates:										
- as at accident year		1,269	1,379	1,409	1,956	2,187	1,761	1,754	2,143	
- Next one year		1,232	1,396	1,388	1,941	2,199	1,749	1,715		
- Next two years		1,213	1,359	1,385	1,961	2,200	1,742			
- Next three years		1,211	1,361	1,386	1,957	2,189				
- Next four years		1,213	1,358	1,379	1,953					
- Next five years		1,211	1,359	1,378						
- Next six years		1,211	1,356							
- Next seven years		1,211								
Ultimate claim reserves		1,211	1,356	1,378	1,953	2,189	1,742	1,715	2,143	
Cumulative payment to date		(1,208)	(1,353)	(1,374)	(1,946)	(2,181)	(1,724)	(1,655)	(1,324)	
Total	5	3	3	4	7	8	18	60	819	927
Claim for inward treaty										6
Unallocated loss adjustment expenses										5
Total claim reserves and outstanding claims before reinsurance										<u>938</u>

(b) Net claims table

(Unit: Million Baht)

Reporting year/Accident year	Prior to 2012	2012	2013	2014	2015	2016	2017	2018	2019	Total
Claim estimates:										
- as at accident year		997	1,209	1,270	1,681	1,901	1,500	1,330	1,541	
- Next one year		1,008	1,236	1,262	1,660	1,853	1,470	1,309		
- Next two years		999	1,203	1,253	1,680	1,856	1,462			
- Next three years		998	1,205	1,254	1,678	1,852				
- Next four years		999	1,202	1,253	1,673					
- Next five years		997	1,202	1,251						
- Next six years		997	1,199							
- Next seven years		996								
Ultimate claim reserves		996	1,199	1,251	1,673	1,852	1,462	1,309	1,541	
Cumulative payment to date		(994)	(1,196)	(1,248)	(1,667)	(1,845)	(1,450)	(1,258)	(1,001)	
Total	5	2	3	3	6	7	12	51	540	629
Claim for inward treaty										6
Unallocated loss adjustment expenses										5
Total claim reserves and outstanding claims after reinsurance										<u>640</u>

17.3 Methodology and assumption

The methodology and assumptions adopted for the gross and net valuations of insurance contract liabilities (claim reserves and outstanding claims) as at 31 December 2019 and 2018 are presented as follows:

(a) Outstanding claims provision

1. Direct and inward facultative business

The Company used 3 actuarial methods as follows:

- 1.1 Chain Ladder method based on both claims paid and claims incurred
- 1.2 Bornhuetter-Ferguson method ("BF") based on both claims paid and claims incurred
- 1.3 Expected Loss Ratio method ("ELR")

The Company mostly relies on the Chain Ladder method on claims incurred to derive the best estimate of claims liability. The BF and ELR methods are also used where appropriate. Loss Development Factors (“LDF”) are selected based on a range of criteria, which include the pattern of historical claims payments and claims incurred. In most instances, the loss development factors selected are based on various average loss development factors for each development year. The Company also takes into consideration whether averages may not be appropriate, for reasons such as the average not reflecting the Company’s operational changes, the average being inappropriate due to distortion by large claims, or the average being contrary to a trend in the recent ratios.

Both qualitative and quantitative factors are taken by the Company into consideration in the selection of LDF to produce claim reserves that appropriately reflect the Company’s future claims liability as at the valuation date.

2. Inward treaty business

The Company uses a basic approach in estimating claims reserves provision for inward treaty business. This approach assumes that the claims reserves requirements for the inward treaty business would be proportionally similar to those of the direct and inward facultative business. The Company therefore use the percentage of gross outstanding case reserves to apply with inward treaty contracts.

(b) Estimation of unallocated loss adjustment expenses reserve

In determining the unallocated loss adjustment expenses (ULAE) reserve, the Company used total expenses to estimate the claim expenses. ULAE is calculated from the ratio of ULAE to the average of paid losses and reported losses which is based on the assumption that half of a claim’s ULAE is expended when a loss is reported, and half when it is paid.

The ULAE ratios are computed for motor and non-motor classes separately and are applied onto the best estimate of gross claim liability (excluding flood claims in 2011) to obtain the ULAE reserves for claims liability.

ULAE reserve is computed as the sum of the ULAE ratio multiplied by half of the case reserve and outstanding claims, plus the ULAE ratio multiplied by the incurred but not reported (IBNR) reserve.

(c) Economic assumptions

The Company has not discounted for future investment earnings, and has not explicitly inflation adjusted claim amounts payable in the future. However, the Company has implicitly allowed for future claims inflation to the extent that this is evident in past claims development.

(d) Other assumptions

The Company has assumed that claims development patterns are generally consistent and stable over the years and also assumed that the past inflation pattern will continue into future projected years. For claims prior to accident year 2004, the Company has reached their ultimate claim so there would be no IBNR from these claims.

17.4 Unearned premium reserves

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Beginning balance	1,551,386,936	1,430,673,668
Premium written for the year	3,023,909,573	2,892,615,189
Premium earned for the current year	(2,932,610,802)	(2,771,901,921)
Ending balance	<u>1,642,685,707</u>	<u>1,551,386,936</u>

18. Due to reinsurers

	(Unit: Baht)	
	2019	2018
Amounts withheld on reinsurance	277,788,790	241,495,346
Amounts due to reinsurers	483,233,443	432,936,215
Total due to reinsurers	<u>761,022,233</u>	<u>674,431,561</u>

19. Employee benefit obligations

The movement of provision for employee benefit obligations for the years ended 31 December 2019 and 2018 was as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Employee benefit obligations at beginning of year	50,076,495	45,818,627
Included in statement of income:		
Current service cost	5,164,320	4,261,476
Interest cost	1,772,466	1,357,171
Past service cost	11,393,299	-
Total items included in statement of income	18,330,085	5,618,647
Included in statement of comprehensive income:		
Actuarial loss (gain) arising from		
Demographic assumption change	2,975,592	(2,049,433)
Financial assumption change	859,491	(229,361)
Experience adjustment	1,340,182	2,885,015
Total items included in statement of comprehensive income	5,175,265	606,221
Benefits paid during the year	(12,281,066)	(1,967,000)
Employee benefit obligations at end of year	61,300,779	50,076,495

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 12 years, and the Company expected to pay Baht 4.9 million of long-term employee benefits during the next year (2018: 11 years and Baht 10.1 million, respectively).

Significant actuarial assumptions are summarised below:

	(Unit: % per annum)	
	2019	2018
Discount rate	1.7	2.7
Salary increase rate	5.5	6.3
Staff turnover rate	0.0 - 21.0	0.0 - 23.0

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below:

	(Unit: Baht)	
	2019	
	Rate increase 0.5% per annum	Rate decrease 0.5% per annum
Discount rate	Liabilities decrease 2,283,402	Liabilities increase 2,433,929
Salary increase rate	Liabilities increase 2,331,864	Liabilities decrease 2,213,594
Staff turnover rate	Liabilities decrease 2,475,373	Liabilities increase 2,627,661
	(Unit: Baht)	
	2018	
	Rate increase 0.5% per annum	Rate decrease 0.5% per annum
	Discount rate	Liabilities decrease 1,602,842
Salary increase rate	Liabilities increase 1,633,063	Liabilities decrease 1,556,611
Staff turnover rate	Liabilities decrease 1,762,215	Liabilities increase 1,862,959

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 and the Company has additional long-term employee benefit liabilities of Baht 11.4 million as a result. The Company has reflected the effect of the change by recognising past service costs as expenses in the income statement in this year.

20. Liabilities under finance lease agreements

	(Unit: Baht)	
	2019	2018
Liabilities under finance lease agreements	16,896,322	19,474,450
Less: Deferred interest expenses	(1,026,402)	(1,483,838)
Total	15,869,920	17,990,612
Less: Portion due within one year	(7,723,618)	(6,848,505)
Liabilities under finance lease agreement		
- net of current portion	8,146,302	11,142,107

The Company has entered into finance lease agreements with the leasing companies to lease motor vehicles, equipment, and computer software for use in its operations, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally 3 - 4 years.

Future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Baht)		
	2019		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	8,286,385	8,609,937	16,896,322
Deferred interest expenses	(562,767)	(463,635)	(1,026,402)
Present value of future minimum lease payments	7,723,618	8,146,302	15,869,920

	(Unit: Baht)		
	2018		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	7,646,506	11,827,944	19,474,450
Deferred interest expenses	(798,001)	(685,837)	(1,483,838)
Present value of future minimum lease payments	6,848,505	11,142,107	17,990,612

21. Share capital

On 25 April 2019, the 2019 Annual General Meeting of shareholders approved an increase of the Company's registered share capital from Baht 340 million to be Baht 350 million (35 million shares of Baht 10 each) by newly issues the ordinary shares in amount of 1 million shares with the par value at Baht 10 per share to support the stock dividend payment, and approved to allocate indivisible share remaining after such allocated the stock dividend to the Navakij Insurance Provident Fund. The Company registered the increase of share capital with the Ministry of Commerce on 10 June 2019

22. Statutory reserve

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

23. Operating expenses

	(Unit: Baht)	
	2019	2018
Personnel expenses which is not expenses for underwriting and claims	218,353,422	223,126,655
Premises and equipment expenses	82,438,760	88,210,735
Taxes and duties	2,890,383	2,834,711
Bad debts and doubtful accounts	18,909,644	10,363,521
Other operating expenses	39,383,054	46,809,629
Total operating expenses	<u>361,975,263</u>	<u>371,345,251</u>

24. Expenses by nature

	(Unit: Baht)	
	2019	2018
Net claim and loss adjustment expenses	1,386,851,580	1,170,417,055
Commissions and brokerage expenses	470,810,354	451,055,713
Other underwriting expenses	236,754,612	206,464,234
Personnel expenses	304,854,472	310,437,166
Premises and equipment expenses	82,438,760	88,210,735
Bad debts and doubtful accounts	18,909,644	10,363,521
Other operating expenses	42,273,437	49,644,340
Total	<u>2,542,892,859</u>	<u>2,286,592,764</u>

25. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 5 percent of basic salary. The fund, which is managed by Tisco Asset Management Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2019, the Company contributed Baht 9.1 million (2018: Baht 8.4 million) to the fund.

26. Earnings per share

Basic earnings per share is calculated by dividing profit for the year (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares as a result of the increase in share capital arising from the issue of stock dividend.

On 25 April 2019, the 2019 Annual General Meeting of shareholders approved to pay a cash dividend of Baht 1.50 per share, and stock dividend of 1 million shares to the existing shareholders. For the purpose of calculating earnings per share, the Company adjusted the number of ordinary shares used to calculate the earnings per share, as though it had issued the stock dividend at the beginning of the reporting periods.

	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
		(Restated)		(Restated)
Number of ordinary shares issued during the year (Shares)	35,000,000	34,000,000	35,000,000	34,000,000
Number of stock dividend additional issue in 2019 (Shares)	-	1,000,000	-	1,000,000
Total (Shares)	<u>35,000,000</u>	<u>35,000,000</u>	<u>35,000,000</u>	<u>35,000,000</u>
Profit for the year (Baht)	29,645,422	86,510,021	31,258,591	88,588,953
Earnings per share (Baht per share)	0.85	2.47	0.89	2.53

27. Dividends

Dividends declared during the years ended 31 December 2019 and 2018 consisted of the following:

	Approved by	Total dividends (Million Baht)	Dividends per share (Baht)
Dividends from 2018 net profit (Cash dividends of Baht 1.50 per share and stock dividends of Baht 0.29 per share)	Annual General Meeting of the shareholders on 25 April 2019	61.0	1.79
Dividends from 2017 net profit (Cash dividends of Baht 1.50 per share and stock dividends of Baht 0.30 per share)	Annual General Meeting of the shareholders on 24 April 2018	59.5	1.80

28. Segment information

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 of the Executive Board.

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

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.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

	(Unit: Baht)				
	Financial statements in which the equity method is applied				
	For the year ended 31 December 2019				
	Fire	Marine and transportation	Motor	Miscellaneous	Total
Underwriting income					
Gross premium written	620,182,221	78,376,805	1,767,674,426	557,676,121	3,023,909,573
Less: Premiums ceded to reinsurers	(293,582,142)	(34,737,289)	(11,467,207)	((405,619,828)	(745,406,466)
Net premium written	326,600,079	43,639,516	1,756,207,219	152,056,293	2,278,503,107
Add (less): Unearned premium reserves (increase) decrease from prior year	(10,673,203)	248,506	(54,134,600)	(4,495,079)	(69,054,376)
Net earned premium	315,926,876	43,888,022	1,702,072,619	147,561,214	2,209,448,731
Fee and commission income	63,101,887	15,120,216	2,271,008	101,864,875	182,357,986
Total underwriting income	379,028,763	59,008,238	1,704,343,627	249,426,089	2,391,806,717
Underwriting expenses					
Claim and loss adjustment expenses - net	104,672,104	6,146,770	1,182,075,060	141,915,306	1,434,809,240
Commission and brokerage expenses	142,994,133	11,184,269	255,924,830	60,707,122	470,810,354
Other underwriting expenses	56,515,612	5,762,820	162,951,109	50,068,461	275,298,002
Total underwriting expenses before operating expenses	304,181,849	23,093,859	1,600,950,999	252,690,889	2,180,917,596
Profit (loss) from underwriting before operating expenses	74,846,914	35,914,379	103,392,628	(3,264,800)	210,889,121
Operating expenses					(361,975,263)
Loss from underwriting					(151,086,142)
Share of loss from investments in associates					(2,016,461)
Investment income					94,143,100
Profit on investments					83,373,624
Fair value loss					(3,601,761)
Other income					8,788,113
Profit before income tax expenses					29,600,473
Income tax expenses					44,949
Profit for the year					29,645,422

(Unit: Baht)

Financial statements in which the equity method is applied					
For the year ended 31 December 2018					
	Fire	Marine and transportation	Motor	Miscellaneous	Total
Underwriting income					
Gross premium written	581,722,178	82,387,288	1,709,017,434	519,488,289	2,892,615,189
Less: Premiums ceded to reinsurers	(270,327,693)	(39,539,689)	(9,458,680)	(380,860,879)	(700,186,941)
Net premium written	311,394,485	42,847,599	1,699,558,754	138,627,410	2,192,428,248
Less: Unearned premium reserves increase from prior year	(12,978,930)	(1,126,576)	(74,982,555)	(8,906,344)	(97,994,405)
Net earned premium	298,415,555	41,721,023	1,624,576,199	129,721,066	2,094,433,843
Fee and commission income	87,090,333	13,315,959	2,045,601	95,511,819	197,963,712
Total underwriting income	385,505,888	55,036,982	1,626,621,800	225,232,885	2,292,397,555
Underwriting expenses					
Claim and loss adjustment expenses – net	44,465,334	13,961,423	1,070,108,168	90,430,061	1,218,964,986
Commission and brokerage expenses	138,559,217	11,440,411	239,801,831	61,254,254	451,055,713
Other underwriting expenses	44,109,835	5,124,503	143,833,425	52,159,051	245,226,814
Total underwriting expenses before operating expenses	227,134,386	30,526,337	1,453,743,424	203,843,366	1,915,247,513
Profit from underwriting before operating expenses	158,371,502	24,510,645	172,878,376	21,389,519	377,150,042
Operating expenses					(371,345,251)
Profit from underwriting					5,804,791
Share of loss from investments in associates					(3,586,129)
Investment income					84,810,439
Profit on investments					11,424,248
Other income					6,224,008
Profit before income tax expenses					104,677,357
Income tax expenses					(18,167,336)
Profit for the year					86,510,021

Segment assets and liabilities of the Company's operating segments as at 31 December 2019 and 2018 are as follows:

(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	448,635,328	23,203,045	229,715,862	418,250,768	1,119,805,003	4,583,496,278	5,703,301,281
As at 31 December 2018	320,240,588	32,612,682	221,502,993	318,854,876	893,211,139	4,334,784,132	5,227,995,271
Liabilities							
As at 31 December 2019	622,197,490	27,737,728	1,486,373,090	444,804,212	2,581,112,520	1,055,701,893	3,636,814,413
As at 31 December 2018	459,777,493	36,661,931	1,373,411,492	326,469,464	2,196,320,380	924,500,149	3,120,820,529

Geographic information

The Company is operated its business in Thailand only, as a result, all of the revenues and assets as reflected in these financial statements pertain to the aforementioned geographical reportable.

Major customer's information

During the years ended 31 December 2019 and 2018, the Company had gross premium written from major customer as follows:

(Unit: Million Baht)

Financial statements in which the equity method is applied		
For the years ended 31 December		
	2019	2018
Gross premium written ⁽¹⁾	652	984

(1) Presented total amounts of gross premiums written from major customer who has premium written more than 10 percent.

29. Related party transactions

29.1 Nature of relationship

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

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

<u>Name of related parties</u>	<u>Nature of relationship</u>
TKI General Insurance Company Limited	Associated company
TKI Life Insurance Company Limited	Associated company
The United Indemnity Co., Ltd.	7.11% of shares held in the Company
Thanasorn Sombat (Thai) Company Limited	5.06% of shares held in the Company and common directors
The Falcon Insurance Plc.	12.00% of shares held by the Company
Thai Metal Drum Manufacturing Plc.	Common directors and through shareholding
Varopakorn Plc. ⁽¹⁾	Common directors and through shareholding
Rangsit Plaza Co., Ltd.	Common directors and through shareholding
Sathorn Thani Co., Ltd.	Common directors and through shareholding
Siam Motors Co., Ltd.	Common directors and through shareholding
Wanglee Co., Ltd.	Common directors and through shareholding
The Siam Cement Plc. ⁽²⁾	Common directors and through shareholding
Thaire Life Assurance Plc.	Common directors and through shareholding
Rangsit Ruam Patana Co., Ltd.	Common directors and through shareholding
Poon Phol Co., Ltd.	Common directors and through shareholding
Pipatanasin Co., Ltd.	Common directors and through shareholding
Thaicom Plc. ⁽³⁾	Common directors
Dusit Thani Plc.	Common directors
Serm Suk Plc.	Common directors
Chaitip Co., Ltd.	Common directors
Alinkij Siam Co., Ltd	Common directors
Siam Calsonic Co., Ltd.	Common directors
Siam Riken Industrial Co., Ltd.	Common directors
Siam International Corp., Ltd.	Common directors
The Pet Co., Ltd.	Common directors
Toyota Petchaboon Toyota's Dealer Co., Ltd.	Common directors
Thai Pechaboon Co., Ltd.	Common directors
BTS Group Holdings Plc.	Common directors
C.E.S. Co., Ltd.	Common directors
Sittinan Co., Ltd.	A related person of the Company's director is a major shareholder
PIA Interior Co., Ltd.	A related person of the Company's director is a major shareholder

⁽¹⁾ During June - July 2019 not related party

⁽²⁾ Since December 2019 not related party

⁽³⁾ Since March 2018 not related party

29.2 Significant related party transactions

During the years ended 31 December 2019 and 2018, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

	Financial statements in which the equity method is applied and separate financial statements		(Unit: Baht)
	For the years ended 31 December		
	2019	2018	Pricing policy
Transactions with associated companies			
Reinsurance premium written	1,601,101	457,238	Ceded rates as specified based on the type of reinsurance and the reinsurance contracts
Commission paid to reinsurance	312,149	126,921	Ceded rates as specified based on the type of reinsurance and the reinsurance contracts
Transactions with related companies			
Direct premium written	74,963,282	69,564,640	Rates as specified in insurance contracts
Reinsurance premium written	13,418,256	14,694,516	Ceded rates as specified based on the type of reinsurance and the reinsurance contracts
Premium ceded	31,236,962	34,524,352	Ceded rates as specified based on the type of reinsurance and the reinsurance contracts
Claim expenses	18,093,100	13,290,024	Actual incurred
Commission paid to reinsurance	4,737,364	5,217,970	Ceded rates as specified based on the type of reinsurance and the reinsurance contracts
Commission received	14,129,589	15,137,398	Ceded rates as specified based on the type of reinsurance and the reinsurance contracts
Dividend income	32,017,600	21,592,110	As declared
Rental and service fee for branch office expenses	454,156	449,960	Contract price
Rental income	224,436	222,056	Contract price

29.3 Outstanding balances

The balances of the accounts between the Company and those related companies as at 31 December 2019 and 2018 are as follows:

	(Unit: Baht)	
	2019	2018
Reinsurance receivables - amounts due from reinsurers		
The Falcon Insurance Plc.	9,478,860	30,486,318
TKI General Insurance Co., Ltd.	1,195,598	207,700
Total	<u>10,674,458</u>	<u>30,694,018</u>
Investments in securities - equity securities		
Varopakorn Plc.	1,793,662	1,738,472
Thai Metal Drum Manufacturing Plc.	293,953,800	242,473,440
BTS Group Holdings Plc.	52,400,000	66,850,000
Thaire Life Assurance Plc.	27,000,000	48,375,000
The Siam Cement Plc.	23,520,000	26,040,000
The Falcon Insurance Plc.	18,846,960	18,846,960
Sathorn Thani Co., Ltd.	12,780,000	12,780,000
Rangsit Plaza Co., Ltd.	6,560,000	6,560,000
Total	<u>436,854,422</u>	<u>423,663,872</u>

	2019	2018
Due to reinsurers - Amounts due to reinsurance		
The Falcon Insurance Plc.	14,906,724	14,233,124
TKI General Insurance Co., Ltd.	286,578	34,669
Total	<u>15,193,302</u>	<u>14,267,793</u>

29.4 Directors and management's benefits

During the years ended 31 December 2019 and 2018, the Company had employment benefits expenses payable to their directors and management as below.

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Short-term benefits	49,393,564	54,649,991
Post-employment benefits	2,269,369	612,696
Total	<u>51,662,933</u>	<u>55,262,687</u>

30. Assets pledged and reserved with the Registrar

As at 31 December 2019 and 2018, the Company had the following assets pledged with the Registrar of the Office of Insurance Commission in accordance with the Non-life Insurance Act.

	(Unit: Baht)			
	2019		2018	
	Cost	Fair value	Cost	Fair value
Assets pledged				
Government bonds	15,000,000	15,098,068	15,000,000	15,177,520
Assets reserve as non-life insurance reserve				
Deposits and certificate of deposits at financial institutions	250,000,000	250,000,000	245,000,000	245,000,000
Government and state enterprise securities	20,000,000	19,914,109	-	-

31. Other assets with restrictions and commitments

As at 31 December 2019 and 2018, the Company had pledged the following assets as collateral.

	(Unit: Baht)			
	2019		2018	
	Cost	Fair value	Cost	Fair value
Pledged as bail bond in cases where insured drivers have been charged with criminal offense				
Government bonds	100,000	100,654	440,000	440,000

32. Contribution to the General Insurance Fund

	(Unit: Baht)	
	For the years ended 31 December	
	2019	2018
Accumulated contribution at the beginning of the year	59,365,559	52,202,680
Contribution during the year	7,493,573	7,162,879
Accumulated contribution at the end of the year	<u>66,859,132</u>	<u>59,365,559</u>

33. Commitments and contingent liabilities

33.1 Capital commitments

As at 31 December 2019, the Company had capital commitments of approximately Baht 61.2 million (2018: Baht 61.4 million), relating to program computer.

33.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of office building space. The terms of the agreements are generally between 1 year and 3 years.

As at 31 December 2019, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Baht)
Payable within:	
Within 1 year	7,055,376
Over 1 to 3 years	9,598,248

33.3 Letter of Guarantees

As at 31 December 2019, there were bank guarantees amounting to Baht 2.8 million, and a certificate issued in the Company's name amounting to Baht 4.7 million, as required in the normal course of the Company's business (2018: Baht 2.9 million and Baht 6.0 million, respectively).

33.4 Litigation

As at 31 December 2019, the Company has been sued for damages totaling approximately Baht 52.2 million as insurer. The cases have not yet been finalised. However, the Company's obligations in respect of these lawsuits do not exceed the maximum sum insured per the relevant policies, which is Baht 22.2 million, and the Company has set aside reserves for contingent losses amounting to Baht 22.1 million in the financial statements (2018: Baht 157.7 million, Baht 14.8 million and Baht 14.6 million, respectively).

34. Risk management policy

34.1 Insurance risk

Insurance risk refers to the risk resulting from fluctuations in the frequency, the severity and the timing of damage deviations from assumptions that are used to determine premium rates, calculation of reserves and underwriting. The insurance risk causes or is a factor that contributes to the following risks:

- a. Increase in the amount and frequency of loss
The impact of external factors, including physical or geographical factors, natural perils, disasters, accidents, terrorism and burglary may increase damage to lives, physical and property insured by the Company, leading to higher than expected losses. Such risks may result in the premiums received from customers being lower than the actual losses or the claims reserve being inadequate, which may have an impact on the Company's capital at risk.
- b. Suboptimal proportions of types of insurance products
The Company focuses on specific types of insurance products in order to expand its business and retain market share, which means that the Company's revenue and expenses are highly dependent on these insurance products. This in turn increases the Company's average cost of claims. As a result, the Company's risk with respect to revenue or profit, or its capital funds may be affected.
- c. Ethical or moral risk
This is the risk of dishonest actions being taken by insured persons for their personal gains, causing the Company payment of a higher settlement than a fair amount. This may result in a higher of loss ratio than expected and effect to the Company's liquidity risk.

The measures adopted by the Company in response to those above risks are as follows:

1. Analysis on the basis of loss ratio and combined ratio plus expenses incurred in accordance with the ratio specified by the Company.
2. Selection based on client group, nature of business and insurable risk, in accordance with specified criteria that correlate with acceptable risk levels, and analysis of the appropriate retention and ceded ratios to improve potential profitability.
3. Reinsurance to spread risk exposure by placing treaty and facultative reinsurance with local and overseas financial secured companies which have a credit rating of at least A-, and by purchasing excess of loss reinsurance to reduce exposure to catastrophic losses and to protect the Company's operations, financial position and capital level.

4. Management of the composition of the portfolio by writing all classes of insurance products and adjusting the portfolio mix according to market situation and customer demands. Technical knowledge and up to date statistics are used to plan marketing strategies to penetrate target markets by introducing products that are profitable and have high potential to expand.
5. Analysis of the concentration of insurance risk.

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

(Unit: Baht)

	2019			2018		
	Gross premium reserves	Outward premium reserves	Net	Gross premium reserves	Outward premium reserves	Net
Fire	437,327,265	(176,071,600)	261,255,665	412,142,547	(161,560,084)	250,582,463
Marine and transportation	22,386,201	(10,516,682)	11,869,519	23,471,253	(11,353,229)	12,118,024
Motor	945,568,437	(4,316,108)	941,252,329	891,004,955	(3,887,226)	887,117,729
Miscellaneous	237,403,804	(169,919,414)	67,484,390	224,768,181	(161,778,870)	62,989,311
Total	1,642,685,707	(360,823,804)	1,281,861,903	1,551,386,936	(338,579,409)	1,212,807,527

(Unit: Baht)

	2019			2018		
	Gross loss reserves	Outward loss reserves	Net	Gross loss reserves	Outward loss reserves	Net
Fire	184,870,225	(140,520,947)	44,349,278	47,634,946	(27,666,325)	19,968,621
Marine and transportation	5,351,528	(999,383)	4,352,145	13,190,678	(7,985,863)	5,204,815
Motor	540,804,653	(177,948)	540,626,705	482,406,537	(1,729,685)	480,676,852
Miscellaneous	207,400,408	(157,094,088)	50,306,320	101,701,283	(75,957,666)	25,743,617
Total	938,426,814	(298,792,366)	639,634,448	644,933,444	(113,339,539)	531,593,905

6. Sensitivity analysis

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 the calculation of claim liabilities, which will impact the claims liabilities both before and after reinsurance. The risk may occur because the frequency or severity of losses, or loss adjustment expenses are not in line with expectations.

The Company performed analysis of the sensitivity of insurance liabilities to changes in key variables. The variables for which tests were performed were the ultimate loss ratio (“ULR”) in the latest accident year and the unallocated loss adjustment expense ratio (“ULAE”) for the best estimate of insurance liabilities, with selection of variables based on appropriateness and the possibility of occurrence.

The impact on the best estimate of insurance liabilities of changes in key variables is shown in the following table.

(Unit: Million Baht)

	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
Ultimate loss ratio in latest accident year	+ 5%	101	79	(79)	(63)
Ultimate loss ratio in latest accident year	- 5%	(97)	(75)	75	60
ULAE ratio	+ 50%	3	3	(3)	(2)
ULAE ratio	- 50%	(3)	(3)	3	2

	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
Ultimate loss ratio in latest accident year	+ 5%	78	62	(62)	(49)
Ultimate loss ratio in latest accident year	- 5%	(77)	(61)	61	49
ULAE ratio	+ 50%	3	3	(3)	(2)
ULAE ratio	- 50%	(3)	(3)	3	2

34.2 Credit risk

Credit risk is the risk that the Company may suffer a financial loss as a result of a counterparty's inability to comply with the terms of a financial instruments. The Company is exposed to credit risk primarily with respect to investments and reinsurance. The Company manages the risk by adopting appropriate credit control policies and procedures, as follows:

a. Risk from investments

The Company selects investments based on the credit ratings of the issuers of fixed income securities, assigned by reliable outside credit rating agencies such as TRIS and FITCH. It is the Company's policy to invest in fixed income securities of at least "Investment Grade" quality. All invested fixed income securities are periodically monitored for any adjustment in the debtors' credit rating and relevant information is gathered to review the business potential of the issuers. The Company also regularly monitors and reviews the limits set for investment to ensure adequate investment limits are maintained for individual lines at all times.

b. Risk from reinsurers

The Company considers and selects only reinsurers with a credit rating of A- or higher and monthly monitors for any adjustments to the credit ratings of reinsurance companies.

c. Risk from premium receivables collection

The Company possesses an efficient process of closely following up its outstanding premiums from the insured, agents and brokers, in addition to requiring agents and brokers to submit collateral for the specified credit limits allowed by the Company.

The Company therefore did not expect the significant loss from credit risk. The Company's maximum exposure to credit risk is limited to the book value of investments in securities assets, premium receivables, reinsurance receivables, and reinsurance assets less allowance for doubtful accounts as presented in the statements of financial position.

34.3 Market risk

Market risk is the risk that change in interest rates, foreign exchange rates and securities prices may have an effect on the Company's financial position. The Company had no significant financial instruments denominated in foreign currencies; market risk is therefore confined only to interest rate risk and equity position risk.

The Company manages market risk by diversifying its portfolio and spreading its investment funding to include various lines of investment as well as categories of business in order to minimise fluctuations in the aggregate value of its investments. It closely monitors and regularly assesses factors that may cause fluctuations in the value of investment instruments in order to make appropriate investment transactions in the circumstances. The Company has a policy not to invest in speculative securities that are highly exposed to price fluctuations but to focus on blue-chip securities and securities that generate steady yields. The Company has an investment committee who consider and set investment policies in addition to the Office of Insurance Commission's rules, in order to reduce exposure to investment losses, and also review the structure of the portfolio mix on a regular basis.

a. Interest rate risk

Interest rate risk is the risk that the value of assets or liabilities will fluctuate due to changes in market interest rates.

As at 31 December 2019 and 2018, significant assets and liabilities classified by type of interest rates, with those assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date as follows:

(Unit: Baht)

	Financial statements in which the equity method is applied						
	2019						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Maturity date or repricing date						
Within 1 year	1 - 5 years	Over 5 years					
Financial assets							
Cash and cash equivalents	-	-	-	139,334,681	312,000	139,646,681	0.13 - 1.30
Investments in securities							
Government and state							
enterprise securities	636,431,252	35,344,125	-	-	21,415,561	693,190,938	1.34 - 3.41
Private debt securities	406,647,252	272,828,119	-	-	-	679,475,371	1.86 - 3.25
Equity securities	-	-	-	-	1,186,519,338	1,186,519,338	-
Deposits and certificate							
deposits at financial							
institutions	485,000,000	-	-	-	-	485,000,000	0.65 - 2.30
Loans	149,370	800,476	-	-	-	949,846	6.50 - 7.00
Insurance assets							
Premium receivables	-	-	-	-	460,188,833	460,188,833	-
Reinsurance assets -							
claim reserves	-	-	-	-	298,792,366	298,792,366	-
Reinsurance receivables	-	-	-	-	532,731,843	532,731,843	-
Insurance liabilities							
Insurance contract							
liabilities - claim							
reserves and							
outstanding claims	-	-	-	-	938,426,814	938,426,814	-
Due to reinsurers	-	-	-	-	761,022,233	761,022,233	-

Financial statements in which the equity method is applied

	2018						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Maturity date or repricing date						
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	119,131,830	312,000	119,443,830	0.13 - 1.75
Investments in securities							
Government and state enterprise securities	370,064,528	35,307,842	-	-	18,665,851	424,038,221	1.24 - 3.91
Private debt securities	205,382,569	518,765,364	-	-	-	724,147,933	1.60 - 3.94
Equity securities	-	-	-	-	1,092,637,668	1,092,637,668	-
Deposits and certificate deposits at financial institutions	530,000,000	50,000,000	-	-	-	580,000,000	1.30 - 2.30
Loans	78,656	266,083	247,337	-	-	592,076	6.50 - 7.00
<u>Insurance assets</u>							
Premium receivables	-	-	-	-	441,292,191	441,292,191	-
Reinsurance assets - claim reserves	-	-	-	-	113,339,539	113,339,539	-
Reinsurance receivables	-	-	-	-	579,118,997	579,118,997	-
<u>Insurance liabilities</u>							
Insurance contract liabilities - claim reserves and outstanding claims	-	-	-	-	644,933,444	644,933,444	-
Due to reinsurers	-	-	-	-	674,431,561	674,431,561	-

(Unit: Baht)

Separate Financial statements							
2019							
Fixed interest rates							
Maturity date or repricing date							
Within 1 year	1 - 5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)	
Financial assets							
Cash and cash equivalents	-	-	-	139,334,681	312,000	139,646,681	0.13 - 1.30
Investments in securities							
Government and state							
enterprise securities	636,431,252	35,344,125	-	-	21,415,561	693,190,938	1.34 - 3.41
Private debt securities	406,647,252	272,828,119	-	-	-	679,475,371	1.86 - 3.25
Equity securities	-	-	-	-	1,131,294,743	1,131,294,743	-
Deposits and certificate deposits at financial institutions	485,000,000	-	-	-	-	485,000,000	0.65 - 2.30
Loans	149,370	800,476	-	-	-	949,846	6.50 - 7.00
Insurance assets							
Premium receivables	-	-	-	-	460,188,833	460,188,833	-
Reinsurance assets - claim reserves	-	-	-	-	298,792,366	298,792,366	-
Reinsurance receivables	-	-	-	-	532,731,843	532,731,843	-
Insurance liabilities							
Insurance contract liabilities - claim reserves and outstanding claims	-	-	-	-	938,426,814	938,426,814	-
Due to reinsurers	-	-	-	-	761,022,233	761,022,233	-

Separate Financial statements							
2018							
Fixed interest rates							
Maturity date or repricing date							
	Within 1 year	1 - 5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
Financial assets							
Cash and cash equivalents	-	-	-	119,131,830	312,000	119,443,830	0.13 - 1.75
Investments in securities							
Government and state							
enterprise securities	370,064,528	35,307,842	-	-	18,665,851	424,038,221	1.24 - 3.91
Private debt securities	205,382,569	518,765,364	-	-	-	724,147,933	1.60 - 3.94
Equity securities	-	-	-	-	1,037,413,073	1,037,413,073	-
Deposits and certificate							
deposits at financial							
institutions	530,000,000	50,000,000	-	-	-	580,000,000	1.30 - 2.30
Loans	78,656	266,083	247,337	-	-	592,076	6.50 - 7.00
Insurance assets							
Premium receivables	-	-	-	-	441,292,191	441,292,191	-
Reinsurance assets -							
claim reserves	-	-	-	-	113,339,539	113,339,539	-
Reinsurance receivables	-	-	-	-	579,118,997	579,118,997	-
Insurance liabilities							
Insurance contract							
liabilities - claim							
reserves and							
outstanding claims	-	-	-	-	644,933,444	644,933,444	-
Due to reinsurers	-	-	-	-	674,431,561	674,431,561	-

b. 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 assets.

As at 31 December 2019 and 2018, the Company has risk from its investments in securities of which the price will change with reference to market conditions.

34.4 Liquidity risk

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

The Company policies of management of liquidity risk are as follows:

- a. The Company invests in securities that are liquid, such as government sector securities or private sector securities with a low credit risk. It also spreads its investment funding and balances the portfolio, taking into account time horizons and fund needs to pay and meet obligations, management of accounts receivable, accounts payable, the period to maturity of assets and changes in the value of assets, given that, the maturity structure of assets and liabilities is in the appropriate level both volume and period, and correspond to external and internal circumstances surrounding the Company.
- b. Adequate shareholders' equity is maintained to cover liabilities and to manage exposure to business and operation risks. Other funding sources with high liquidity should also be secured as contingency plan.

- c. Responsibilities and lines of reporting to those who manage liquidity risk are clearly defined and a reporting system has been established to generate an early warning report for executives on transactions that do not conform to the Company's policy and to promptly, timely and accurately report warning signs of key risk indicators.

Counting from the financial position date, the periods to maturity of assets and liabilities held as at 31 December 2019 and 2018 are as follows:

(Unit: Baht)

	Financial statements in which the equity method is applied					
	2019					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
Financial assets						
Cash and cash equivalents	139,334,681	-	-	-	312,000	139,646,681
Investments in securities	1,065,829,104	1,528,078,504	308,172,244	-	142,105,795	3,044,185,647
Loans	-	149,370	800,476	-	-	949,846
Insurance assets						
Premium receivables	-	460,188,833	-	-	-	460,188,833
Reinsurance assets - claim reserves	-	238,081,711	51,920,462	8,790,193	-	298,792,366
Reinsurance receivables	-	532,731,843	-	-	-	532,731,843
Insurance liabilities						
Insurance contract liabilities - claim reserves and outstanding claims	-	768,724,410	157,158,358	12,544,046	-	938,426,814
Due to reinsurers	-	761,022,233	-	-	-	761,022,233

(Unit: Baht)

	Financial statements in which the equity method is applied					
	2018					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
Financial assets						
Cash and cash equivalents	119,131,830	-	-	-	312,000	119,443,830
Investments in securities	968,757,725	1,105,887,097	604,073,205	-	142,105,795	2,820,823,822
Loans	-	78,656	266,083	247,337	-	592,076
Insurance assets						
Premium receivables	-	441,292,191	-	-	-	441,292,191
Reinsurance assets - claim reserves	-	89,766,620	19,997,438	3,575,481	-	113,339,539
Reinsurance receivables	-	579,118,997	-	-	-	579,118,997
Insurance liabilities						
Insurance contract liabilities - claim reserves and outstanding claims	-	528,240,945	107,372,959	9,319,540	-	644,933,444
Due to reinsurers	-	674,431,561	-	-	-	674,431,561

(Unit: Baht)

	Separate financial statements					Total
	2019					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	
Financial assets						
Cash and cash equivalents	139,334,681	-	-	-	312,000	139,646,681
Investments in securities	1,065,829,104	1,528,078,504	308,172,244	-	86,881,200	2,988,961,052
Loans	-	149,370	800,476	-	-	949,846
Insurance assets						
Premium receivables	-	460,188,833	-	-	-	460,188,833
Reinsurance assets - claim reserves	-	238,081,711	51,920,462	8,790,193	-	298,792,366
Reinsurance receivables	-	532,731,843	-	-	-	532,731,843
Insurance liabilities						
Insurance contract liabilities - claim reserves and outstanding claims	-	768,724,410	157,158,358	12,544,046	-	938,426,814
Due to reinsurers	-	761,022,233	-	-	-	761,022,233

(Unit: Baht)

	Separate financial statements					Total
	2018					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	
Financial assets						
Cash and cash equivalents	119,131,830	-	-	-	312,000	119,443,830
Investments in securities	968,757,725	1,105,887,097	604,073,205	-	86,881,200	2,765,599,227
Loans	-	78,656	266,083	247,337	-	592,076
Insurance assets						
Premium receivables	-	441,292,191	-	-	-	441,292,191
Reinsurance assets - claim reserves	-	89,766,620	19,997,438	3,575,481	-	113,339,539
Reinsurance receivables	-	579,118,997	-	-	-	579,118,997
Insurance liabilities						
Insurance contract liabilities - claim reserves and outstanding claims	-	528,240,945	107,372,959	9,319,540	-	644,933,444
Due to reinsurers	-	674,431,561	-	-	-	674,431,561

34.5 Fair value measurement for financial assets

As at 31 December 2019 and 2018, the Company had the following financial assets that were measured at fair value, and had financial assets that were measured at cost but has to disclose fair value, using different levels of inputs as follows:

(Unit: Baht)

Financial statements in which the equity method is applied					
2019					
Fair value					
	Level 1	Level 2	Level 3	Total	Book value
<u>Financial assets measured at fair value</u>					
Trading investments					
Government and state enterprise securities	5,440,000	-	-	5,440,000	5,440,000
Equity securities	604,002,767	-	-	604,002,767	604,002,767
Available-for-sale investments					
Government and state enterprise securities	15,975,562	661,775,376	-	677,750,938	677,750,938
Private debt securities	-	679,475,371	-	679,475,371	679,475,371
Equity securities	388,398,492	52,012,284	-	440,410,776	440,410,776
<u>Financial assets which fair value are disclosed</u>					
Cash and cash equivalents	139,646,681	-	-	139,646,681	139,646,681
Held to maturity investments					
Government and state enterprise securities	-	10,107,327	-	10,107,327	10,000,000
Deposits and certificates deposits at financial institutions	-	485,000,000	-	485,000,000	485,000,000
Other investments	-	-	271,904,889	271,904,889	142,105,795
Loans	-	-	949,846	949,846	949,846

(Unit: Baht)

Financial statements in which the equity method is applied					
2018					
Fair value					
	Level 1	Level 2	Level 3	Total	Book value
<u>Financial assets measured at fair value</u>					
Available-for-sale investments					
Government and state enterprise securities	18,225,851	395,812,370	-	414,038,221	414,038,221
Private debt securities	-	724,147,933	-	724,147,933	724,147,933
Equity securities	898,895,627	51,636,246	-	950,531,873	950,531,873
<u>Financial assets which fair value are disclosed</u>					
Cash and cash equivalents	119,443,830	-	-	119,443,830	119,443,830
Held to maturity investments					
Government and state enterprise securities	-	9,961,252	-	9,961,252	10,000,000
Deposits and certificates deposits at financial institutions	-	580,000,000	-	580,000,000	580,000,000
Other investments	-	-	271,224,772	271,224,772	142,105,795
Loans	-	-	592,076	592,076	592,076

(Unit: Baht)

	Separate financial statements				
	2019				
	Fair value				Book value
Level 1	Level 2	Level 3	Total		
<u>Financial assets measured at fair value</u>					
Trading investments					
Government and state enterprise securities	5,440,000	-	-	5,440,000	5,440,000
Equity securities	604,002,767	-	-	604,002,767	604,002,767
Available-for-sale investments					
Government and state enterprise securities	15,975,562	661,775,376	-	677,750,938	677,750,938
Private debt securities	-	679,475,371	-	679,475,371	679,475,371
Equity securities	388,398,492	52,012,284	-	440,410,776	440,410,776
<u>Financial assets which fair value are disclosed</u>					
Cash and cash equivalents	139,646,681	-	-	139,646,681	139,646,681
Held to maturity investments					
Government and state enterprise securities	-	10,107,327	-	10,107,327	10,000,000
Deposits and certificates deposits at financial institutions	-	485,000,000	-	485,000,000	485,000,000
Other investments	-	-	271,904,889	271,904,889	86,881,200
Loans	-	-	949,846	949,846	949,846

(Unit: Baht)

	Separate financial statements				
	2018				
	Fair value				Book value
Level 1	Level 2	Level 3	Total		
<u>Financial assets measured at fair value</u>					
Available-for-sale investments					
Government and state enterprise securities	18,225,851	395,812,370	-	414,038,221	414,038,221
Private debt securities	-	724,147,933	-	724,147,933	724,147,933
Equity securities	898,895,627	51,636,246	-	950,531,873	950,531,873
<u>Financial assets which fair value are disclosed</u>					
Cash and cash equivalents	119,443,830	-	-	119,443,830	119,443,830
Held to maturity investments					
Government and state enterprise securities	-	9,961,252	-	9,961,252	10,000,000
Deposits and certificates deposits at financial institutions	-	580,000,000	-	580,000,000	580,000,000
Other investments	-	-	271,224,772	271,224,772	86,881,200
Loans	-	-	592,076	592,076	592,076

The fair value hierarchy of financial assets as at 31 December 2019 and 2018 presents according to Note 4.21 to financial statements.

The method used for fair value measurement depends upon the characteristics of the financial assets. The Company establishes the fair value of its financial assets by adopting the following methods:

- Financial assets maturing in the short-term, which consist of cash and cash equivalents and deposit at financial institutions, their fair value is estimated based on the book value presented in the statements of financial position.

- (b) For debts securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.
- (c) For equity securities, their fair value is generally derived from quoted market prices. For investments in non-marketable equity securities, their fair value is determined using discounted price per book value approach, discounting expected future cash flow by rate of return and related risks approach, or net book value approach.
- (d) The fair value of fixed rate loans is determined by discounting the expected future cash flows by using the current market interest rate.

35. Capital management

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

36. Event after the reporting period

On 25 February 2020, a meeting of the Board of Directors passed the following resolutions to propose to the Annual General Meeting of shareholders:

1. Approve an increase of the Company's registered capital from Baht 350 million to be Baht 360 million to be divided into 36 million shares with the par value at 10 Baht per share, by newly issue the ordinary shares in amount of 1 million shares with the par value at 10 Baht to support the stock dividend payment.
2. Approve the allocation of profits for cash dividend and stock dividend payment approximately Baht 45 million, as follows:
 - 2.1 Cash dividend will be paid at the rate of Baht 1 per share for the 35 million existing shares, totaling Baht 35 million. Payment is scheduled to be made on 19 May 2020.
 - 2.2 Stock dividend will be paid at the ratio of 35 existing shares per 1 stock dividend, totaling of the stock dividend payment at 1 million shares, at par value Baht 10, totaling Baht 10 million or equivalent to Baht 0.29 per share. In case that any shareholders hold the indivisible share remaining after such allocated, cash will be paid instead of the stock dividend at the rate of Baht 0.29 per share.
 - 2.3 Approve to allocate indivisible share remaining after such allocated the stock dividend to the registered Navakij Insurance Provident Fund.

37. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2020.

