###### **The Navakij Insurance Public Company Limited**

**Notes to financial statements**

**For the year ended 31 December 2020**

**1. General information**

**1.1 Corporate 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 24 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.

**1.2 The COVID-19 pandemic**

The COVID-19 pandemic is continuing to evolve, and is directly and indirectly affecting businesses in many sectors, resulting in an economic slowdown and instability in money markets and capital markets. This situation may bring uncertainties and may have an impact on the environment in which the Company operates. The Company’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

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

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547, and in accordance with Thai accounting practices related to insurance and the guidelines 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 (No.2) B.E. 2562 dated 4 April 2019.

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 2019) and new financial reporting standards and interpretations 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. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements, except for the new standards 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 |

Financial Reporting Standard Interpretations

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

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company’s business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments.

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

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 this TFRS to delay adoption of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which are applicable for the financial reporting periods beginning on or after 2020, and to adopt the Accounting Guidance related to financial instruments and disclosures applicable to insurance business instead the adoption of TFRS 9 and TFRS 7 for the financial reporting period beginning before 1 January 2022 or before the effective date of TFRS 17 Insurance Contracts.

According to the Company’s statements of financial position as at 31 December 2017, insurance contract liabilities under the scope of TFRS 4 Insurance Contracts comprise more than 90% of the carrying value of total liabilities, which meets criteria stipulated in TFRS 4, and there was no change in the Company’s core activities in the following accounting periods. As a result, the Company is eligible to adopt the Accounting Guidance related to financial instruments and disclosures applicable to insurance business. The Company’s management believe that adoption of the Accounting Guidance is appropriate in the current circumstances and the Company has, therefore, elected to adopt such Accounting Guidance.

There will be impact in the following matters to the Company’s financial statements from the adoption of this Accounting Guidance.

Classification and measurement of financial assets

The Company shall classify financial assets as trading investments, available-for-sale investments, held-to-maturity debt instruments, and receivables and loans by not taking into consideration of its business model and the characteristics of the contractual cash flows.

* Classification and measurement of trading investments that are listed equity instruments and debt instruments which are measured at fair value through profit or loss (“FVPL”), the Company considers and decides to continue classifying them as trading investments which are measured at FVPL.
* Classification and measurement of available-for-sale investments that are listed equity instruments and debt instruments which are measured at fair value through other comprehensive income (“FVOCI”), the Company considers and decides to continue classifying them as available-for-sale investments which are measured at FVOCI. Gain or loss on disposal are recognised in profit or loss.
* Classification and measurement of investments in non-listed equity instruments, these investments were classified as other investments under the former discontinued accounting standard, and have been reclassified as available-for-sale investments and presented at fair value. Gain or loss from changes in fair value are recognised in other comprehensive income. Gain or loss on disposal are recognised in profit or loss.
* Investments in debt instruments and loans, which the Company holds to collect contractual cash flow (both principal and interest), the Company classifies and presents them as held-to-maturity investments and loans, respectively, and measures at amortised cost.

Classification and measurement of financial liabilities

The adoption of this Accounting Guidance does not have any impact to classification of financial liabilities. The Company continues to classify them as financial liabilities and measures at amortised cost.

Impairment of financial assets

This Accounting Guidance requires the Company to move from incurred loss provisioning, under former accounting policy, to expected loss provisioning by recognising an allowance for expected credit loss on its financial assets with no longer necessary for a credit-impaired event to have occurred. The Company considers to adopt the general approach and the simplified approach to determine expected credit loss on financial assets, depending on type of financial assets.

Transition

The Company initially adopted this Accounting Guidance whereby the adjustment of the cumulative effect was made against retained earnings or other components of equity as at 1 January 2020, and the comparative information was not restated. Therefore, the presentation of items of the year 2019 is not comparable with the financial statements of the year 2020.

The cumulative effect of the changes in accounting policies is described in Note 4 to the financial statements.

**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 the same principles as TAS 17.

The Company initially adopted these financial reporting standards whereby the adjustments of 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 cumulative effect of the changes in accounting policies is described in Note 4 to the financial statements.

**Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy**

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy. Its objectives are to provide temporary relief measures solely for entities providing assistance to debtors impacted by the situations that affect the Thai economy, such as COVID-19, economic conditions, trade wars and drought, and to provide an alternative for all entities providing assistance to debtors in accordance with measures to assist debtors specified in the circular of the Bank of Thailand (“BOT”) No. BOT.RPD.(23)C. 276/2563 “Guidelines on providing assistance to debtors impacted by situations that affect the Thai economy” and the circular of the BOT No. BOT.RPD.(01)C. 380/2563 “Measures to provide additional assistance to debtors during the COVID-19 situation” or any other measures announced by the BOT. Such entities include credit card business, business providing loans secured against vehicle registrations without collateral, personal loan business under the supervision of the BOT and certain entities not under the supervision of the BOT, such as leasing, hire-purchase, motorcycle hire-purchase and factoring business. Entities providing assistance to debtors in accordance with the BOT’s measures and electing to apply this accounting guidance have to apply all temporary relief measures in this Accounting Guidance.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by the situations that affect the Thai economy for providing assistance to debtors during the period from 1 January 2020 to 31 December 2021 or until the BOT makes changes with which the entity is to comply.

The Company has not adopted such Accounting Guidance.

**Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic**

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

During the period from the first quarter to the third quarter of 2020, the Company elected to apply the temporary relief measures on accounting alternatives relating to measurement of the fair value of investments in non-listed equity instruments as of the period end date by using the fair value as at 1 January 2020.

In the fourth quarter of 2020, the Company assessed the impact and decided to discontinue the applying of the temporary relief measures, and then measured the fair value of investments in non-listed equity instruments as at year-end at fair value.

**3.2 Financial reporting standards that became effective for fiscal year beginning on or after 1 January 2021**

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal year beginning on or after 1 January 2021. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company has evaluated that these standards do not have any significant impact on the Company’s financial statements in the year when they are adopted.

**4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards and accounting guidances**

As described in Note 3.1 to the financial statements, during the current year, the Company has adopted Financial reporting standards related to financial instruments (TAS 32 Financial Instruments: Presentation), Accounting Guidance related to financial instruments and disclosures applicable to insurance business and TFRS 16. The cumulative effect of initially applying these standards is recognised as an adjustment to retained earnings or other components of equity as at 1 January 2020. Therefore, the comparative information was not restated.

The impacts on the beginning balance of retained earnings and other components of equity for the year 2020 from changes in accounting policies due to the adoption of these Accounting Guidance and standards are presented as follows:

|  | (Unit: Baht) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | | Financial statements in which the equity method is applied | | | | |
|  | |  | The impacts of | | |  |
|  | | 31 December 2019 | TAS 32 and Accounting Guidance related to financial instruments | | TFRS 16 | 1 January 2020 |
|  | |  | Classification | Measurement |  |  |
| **Statements of financial position** | |  |  |  |  |  |
| **Assets** | |  |  |  |  |  |
| Cash and cash equivalents | | 139,646,681 | - | (47,866) | - | 139,598,815 |
| Accrued investment income | | 7,992,591 | - | (2,403) | - | 7,990,188 |
| Investments in securities | | 3,044,185,647 | - | 129,701,235 | - | 3,173,886,882 |
| Property, building and equipment | | 242,549,566 | - | - | (18,738,076) | 223,811,490 |
| Right-of-use assets | | - | - | - | 75,089,163 | 75,089,163 |
| Intangible assets | | 53,359,278 | - | - | (1,339,423) | 52,019,855 |
| Deferred tax assets | | 213,721,758 | - | (20,918,761) | - | 192,802,997 |
| Other assets - Claims receivable from litigants | | 118,749,174 | - | (25,057,163) | - | 93,692,011 |
| Other assets - Others | | 128,901,665 | - | - | (1,889,164) | 127,012,501 |
| **Liabilities** | |  |  |  |  |  |
| Lease liabilities | | - | - | - | 68,992,420 | 68,992,420 |
| Liabilities under finance lease agreements | | 15,869,920 | - | - | (15,869,920) | - |
| **Equity** | |  |  |  |  |  |
| Retained earnings - unappropriated | | 1,047,820,233 | - | (20,430,043) | - | 1,027,390,190 |
| Other components of equity | | (33,608,438) | - | 104,105,085 | - | 70,496,647 |

|  | (Unit: Baht) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | | Separate financial statements | | | | |
|  | |  | The impacts of | | |  |
|  | | 31 December 2019 | TAS 32 and Accounting Guidance related to financial instruments | | TFRS 16 | 1 January 2020 |
|  | |  | Classification | Measurement |  |  |
| **Statements of financial position** | |  |  |  |  |  |
| **Assets** | |  |  |  |  |  |
| Cash and cash equivalents | | 139,646,681 | - | (47,866) | - | 139,598,815 |
| Accrued investment income | | 7,992,591 | - | (2,403) | - | 7,990,188 |
| Investments in securities | | 2,988,961,052 | - | 184,925,830 | - | 3,173,886,882 |
| Property, building and equipment | | 242,549,566 | - | - | (18,738,076) | 223,811,490 |
| Right-of-use assets | | - | - | - | 75,089,163 | 75,089,163 |
| Intangible assets | | 53,359,278 | - | - | (1,339,423) | 52,019,855 |
| Deferred tax assets | | 210,473,910 | - | (31,963,680) | - | 178,510,230 |
| Other assets - Claims receivable from litigants | | 118,749,174 | - | (25,057,163) | - | 93,692,011 |
| Other assets - Others | | 128,901,665 | - | - | (1,889,164) | 127,012,501 |
| **Liabilities** | |  |  |  |  |  |
| Lease liabilities | | - | - | - | 68,992,420 | 68,992,420 |
| Liabilities under finance lease agreements | | 15,869,920 | - | - | (15,869,920) | - |
| **Equity** | |  |  |  |  |  |
| Retained earnings - unappropriated | | 1,000,237,594 | - | (20,430,043) | - | 979,807,551 |
| Other components of equity | | (28,259,002) | - | 148,284,761 | - | 120,025,759 |

**4.1 Accounting Guidance related to financial instruments and disclosures applicable to insurance business**

Details of the impact on equity as at 1 January 2020 due to the initial adoption of Accounting Guidance related to financial instruments and disclosures applicable to insurance business are presented as follows:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Baht) | |
|  | Financial  statements in which the equity method is applied | Separate  financial statements |
| **Retained earnings - Unappropriated** |  |  |
| Recognition of an allowance for expected credit loss on financial assets | (25,537,554) | (25,537,554) |
| Relating income tax | 5,107,511 | 5,107,511 |
| Total | (20,430,043) | (20,430,043) |
| **Other components of equity** |  |  |
| Fair value measurement of investments in equity instruments of non-listed companies | 129,799,094 | 185,023,689 |
| Recognition of an allowance for expected credit loss on financial assets | 332,262 | 332,262 |
| Relating income tax | (26,026,271) | (37,071,190) |
| Total | 104,105,085 | 148,284,761 |

The classification and measurement of financial assets in accordance with Accounting Guidance related to financial instruments and disclosures applicable to insurance business, and with the classification and measurement under the former basis, are as follows:

|  |  | (Unit: Baht) | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| Financial statements in which the equity method is applied | | | | | | |
| Classification and measurement under the former basis as at 31 December 2019 | | Classification and measurement in accordance with Accounting Guidance as at 1 January 2020 | | | | |
|  |  | Trading investments | Available-for-sale investments | Held-to-maturity investments | Amortised cost | Total |
| **Financial assets** |  |  |  |  |  |  |
| **Cost** |  |  |  |  |  |  |
| Cash and cash equivalents | 139,646,681 | - | - | - | 139,598,815 | 139,598,815 |
| Accrued investment income | 7,992,591 | - | - | - | 7,990,188 | 7,990,188 |
| Held-to-maturity investments |  |  |  |  |  |  |
| Debt instruments | 495,000,000 | - | - | 494,902,141 | - | 494,902,141 |
| Other investments |  |  |  |  |  |  |
| Equity instruments | 142,105,795 | - | 271,904,889 | - | - | 271,904,889 |
| Loans and interest receivables | 949,846 | - | - | - | 949,846 | 949,846 |
| Other assets - Claims receivable from litigants | 118,749,174 | - | - | - | 93,692,011 | 93,692,011 |
| Other assets - Brokers receivables | 67,819,301 | - | - | - | 67,819,301 | 67,819,301 |
| **Fair value** |  |  |  |  |  |  |
| Trading investments |  |  |  |  |  |  |
| Equity instruments | 453,175,347 | 453,175,347 | - | - | - | 453,175,347 |
| Unit trusts | 156,267,420 | 156,267,420 | - | - | - | 156,267,420 |
| Available-for-sale investments |  |  |  |  |  |  |
| Debt instruments | 1,341,250,748 | - | 1,341,250,748 | - | - | 1,341,250,748 |
| Equity instruments | 240,479,597 | - | 240,479,597 | - | - | 240,479,597 |
| Unit trusts | 215,906,740 | - | 215,906,740 | - | - | 215,906,740 |

|  | (Unit: Baht) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| Separate financial statements | | | | | | |
| Classification and measurement under the former basis as at 31 December 2019 | | Classification and measurement in accordance with Accounting Guidance as at 1 January 2020 | | | | |
|  |  | Trading investments | Available-for-sale investments | Held-to-maturity investments | Amortised cost | Total |
| **Financial assets** |  |  |  |  |  |  |
| **Cost** |  |  |  |  |  |  |
| Cash and cash equivalents | 139,646,681 | - | - | - | 139,598,815 | 139,598,815 |
| Accrued investment income | 7,992,591 | - | - | - | 7,990,188 | 7,990,188 |
| Held-to-maturity investments |  |  |  |  |  |  |
| Debt instruments | 495,000,000 | - | - | 494,902,141 | - | 494,902,141 |
| Other investments |  |  |  |  |  |  |
| Equity instruments | 86,881,200 | - | 271,904,889 | - | - | 271,904,889 |
| Loans and interest receivables | 949,846 | - | - | - | 949,846 | 949,846 |
| Other assets - Claims receivable from litigants | 118,749,174 | - | - | - | 93,692,011 | 93,692,011 |
| Other assets - Brokers receivables | 67,819,301 | - | - | - | 67,819,301 | 67,819,301 |
| **Fair value** |  |  |  |  |  |  |
| Trading investments |  |  |  |  |  |  |
| Equity instruments | 453,175,347 | 453,175,347 | - | - | - | 453,175,347 |
| Unit trusts | 156,267,420 | 156,267,420 | - | - | - | 156,267,420 |
| Available-for-sale investments |  |  |  |  |  |  |
| Debt instruments | 1,341,250,748 | - | 1,341,250,748 | - | - | 1,341,250,748 |
| Equity instruments | 240,479,597 | - | 240,479,597 | - | - | 240,479,597 |
| Unit trusts | 215,906,740 | - | 215,906,740 | - | - | 215,906,740 |

As at 1 January 2020, the Company has designated all financial liabilities as financial liabilities measured at amortised cost.

The following table shows a reconciliation of the closing allowance for impairment as at 31 December 2019, recognised in accordance with TAS 101 Doubtful Accounts and Bad Debts and TAS 105 Accounting for Investments in Debt and Equity Securities to the opening allowance for expected credit loss as at 1 January 2020, determined in accordance with Accounting Guidance related to financial instruments. Such changes are due to remeasurement of allowance for expected credit loss under requirement of this Accounting Guidance.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | (Unit: Baht) |
|  | Financial statements in which the equity method is applied and Separate financial statements | | |
|  | Allowance for impairment as at 31 December 2019 | Increase | Allowance for impairment as at 1 January 2020 |
| **Amortised cost** |  |  |  |
| Cash and cash equivalents | - | 47,866 | 47,866 |
| Accrued investment income | - | 2,403 | 2,403 |
| Held-to-maturity investments in debt instruments which are measured at amortised cost | - | 97,859 | 97,859 |
| Claims receivable from litigants | 167,664,639 | 25,057,163 | 192,721,802 |
| **Fair value** |  |  |  |
| Available-for-sale investments which are measured at FVOCI |  |  |  |
| Debt instruments | - | 332,263 | 332,263 |
| Equity instruments | 15,353,224 | - | 15,353,224 |
|  | 183,017,863 | 25,537,554 | 208,555,417 |

**4.2 Leases**

Upon initial application of TFRS 16, the Company recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate at 1 January 2020. For leases previously classified as finance leases, the Company recognised the carrying amount of the right-of-use assets and lease liabilities based on the carrying amounts of the lease assets and lease liabilities immediately before the date of initial application of TFRS 16.

|  |  |
| --- | --- |
|  | (Unit: Baht) |
|  | Financial statements in which the equity method is applied and Separate financial statements |
| Operating lease commitments as at 31 December 2019 | 16,653,624 |
| Add: Option to extend lease term | 44,403,407 |
| Less: Short-term leases and leases of low-value assets | (433,191) |
| Less: Contracts reassessed as service agreements | (133,594) |
| Less: Others | (147,180) |
| Less: Deferred interest expenses | (7,220,566) |
| Increase in lease liabilities due to TFRS 16 first time adoption | 53,122,500 |
| Liabilities under finance lease agreements as at 31 December 2019 | 15,869,920 |
| Lease liabilities as at 1 January 2020 | 68,992,420 |
| Weighted average incremental borrowing rate (% per annum) | 0.33 - 6.64 |

The adjustments of right-of-use assets due to TFRS 16 adoption as at 1 January 2020 including items transferred from other assets are summarised below:

|  |  |
| --- | --- |
|  | (Unit: Baht) |
|  | Financial statements in which the equity method is applied and Separate financial statements |
| Lease buildings | 52,103,958 |
| Office equipment | 8,888,482 |
| Motor vehicles | 12,757,300 |
| Computer software | 1,339,423 |
| Total right-of-use assets | 75,089,163 |

**5. Significant accounting policies**

**5.1 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.

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

**5.2 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) Interest income and dividends received from investments

*Interest income*

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

*Dividends received*

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

(d) Profit (loss) on investments

Profit (loss) on investments consist of profit (loss) on disposal of investments and impairments of investments net of related expenses. Profit (loss) on investments are recognised as revenues or expenses on the transaction date.

(e) Fair value gain (loss)

Fair value gain (loss) consist of gain (loss) from the change in fair value of financial instrument. The Company recognises in profit or loss on the fair value measurement date.

**5.3 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.

(f) Finance cost

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

**5.4 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.

**5.5 Premium receivables and allowance for doubtful accounts**

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

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

**5.6 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 loss 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.

**5.7 Reinsurance receivables and due to reinsurers**

(a) Reinsurance receivables 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.

**5.8 Financial instruments**

(a) Investments in securities

Trading investments are stated at fair value. Change in the fair value of these investments are recorded in profit or loss. Investments are classified as trading investments if the Company intends to sell them in the near future.

Available-for-sale investments are stated at fair value. Change in the fair value of these investments are recorded in other comprehensive income.

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

Investments in non-marketable equity instruments (non-listed company) are stated at fair value and classified as available-for-sale investments. Change in the fair value of these investments are recorded in other comprehensive income. (Before 1 January 2020, investments in non-marketable equity instruments were classified as other investments and stated at cost.)

The fair value of marketable securities is based on the latest bid price of the last working day of the period. The fair value of debt instruments 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 fair value of non-marketable equity instruments is determined using generally accepted pricing model or approximated to their net book value if the fair value cannot be reliably estimated.

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.

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.

At end of reporting period, available-for-sale investments and investments in held-to-maturity debt instruments are stated net of an allowance for impairment or an allowance for expected credit loss (if any).

(b) Loans and interest receivables

Loans and interest receivables are stated at amortised cost and net of allowance for expected credit loss (if any).

Before 1 January 2020, 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 analysis and evaluation of the current status of the debtors taking into consideration the recovery risk and the value of collateral.

(c) Classification and measurement of financial liabilities

At initial recognition the Company’s financial liabilities are recognised at fair value net of transaction costs and classified as liabilities to be subsequently measured at amortised cost.

(d) Derecognition of financial instruments

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

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

(e) Impairment of financial assets

Since 1 January 2020, the Company recognises expected credit loss on its financial assets measured at amortised cost and financial assets that are debt instruments which are classified as available-for-sale investments using general approach in accordance with Accounting Guidance related to financial instruments. The Company recognises an allowance for expected credit loss at the amount equal to the lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition but that are not credit-impaired or that are impaired. However, if there has not been a significant increase in credit risk since initial recognition, the Company recognised allowance for expected credit loss at the amount equal to the expected credit loss in the next 12 months.

At every reporting date, the Company assesses whether there has been a significant increase in the credit risk of financial assets since initial recognition by considering internal and external credit ratings of the counterparties and overdue status such as over 30 days past due, and if the debtor is more than 90 days past due it is assessed to be credit-impaired.

Expected credit loss is calculated using probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Company assessed PD and LGD by considering the historical loss experience adjusted with current observable data and reasonable and supportable forward-looking information. The Company determines EAD using gross carrying value at the reporting date.

Loss on impairment of financial assets that are equity instruments and unit trusts which are classified as available-for-sale investments is recognised immediately in profit or loss when there is objective evidence of impairment, determined on the basis of evidence that indicates the cost of investments may not be recovered and there is a significant or prolonged decline in fair value of investments to below its costs.

For other financial assets or contract assets that do not contain a significant financing component, the Company applies a simplified approach to determine the lifetime expected credit loss. It is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

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

**5.9 Investments in associates**

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

Investments in 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 expenses in the statement of income.

**5.10 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 (the difference between the net compensation from disposal of an assets and the carrying amounts) is included in statements of income when the asset is derecognised.

**5.11 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.

No amortisation is provided on computer software under development.

**5.12 Leases**

*Accounting policies adopted since 1 January 2020*

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

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

***Right-of-use assets***

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

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

|  |  |  |
| --- | --- | --- |
| Lease buildings | - | 3 - 6 years |
| Office equipment | - | 5 years |
| Motor vehicles | - | 5 years |
| Computer software | - | 10 years |

***Lease liabilities***

Lease liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments and amounts expected to be payable under residual value guarantees.

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

***Short-term leases and leases of low-value assets***

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

*Accounting policies adopted before 1 January 2020*

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.

**5.13 Impairment of non-financial assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the investments in associates, property, building and equipment, right-of-use asset or other 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. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm’s length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in statements of income.

**5.14 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 loss occurring before or as at the end of the reporting periods for both reported and not reported loss 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 statements of income

1. 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.

**5.15 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.

**5.16 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.

**5.17 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.

**5.18 Income tax**

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

**Current tax**

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

**Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and 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.

**5.19 Related party transactions**

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

They also include 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.

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

**6. 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:

**6.1 Allowance for doubtful accounts on premium receivables and amounts due from reinsurers**

In determining an allowance for doubtful accounts on 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.

**6.2 Allowance for impairment on equity instruments and unit trusts classified as available-for-sale investments and measured at FVOCI**

The Company treats equity instruments and unit trusts classified as available-for-sale investments and measured at FVOCI as impaired when there has been a significant or prolonged decline in the fair value or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

**6.3 Allowances for expected credit loss of financial assets**

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

**6.4 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.

**6.5 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.

**6.6 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 various factors. 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.

**6.7 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.

**6.8 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.

**6.9 Determining the lease term and estimating the incremental borrowing rate of leases**

In determining the lease term, the management is required to exercise judgement in assessing whether the Company is reasonably certain to exercise the option to extend or terminate the lease considering all relevant facts and circumstances that create an economic incentive for the Company to exercise either the extension or termination option.

The Company cannot readily determine the interest rate implicit in the lease, therefore, the management is required to exercise judgement in estimating its incremental borrowing rate to discount lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

**6.10 Allowance for impairment of non-financial assets**

In determining allowance for impairment of a non-financial assets, the management is required to exercise judgements regarding determination of the recoverable amount of the asset, both fair value less costs of disposal calculation and value in use calculation. The calculation is based on a discounted cash flow model which requires various assumptions such as the discount rate used for the model, the expected future cash-inflows and the growth rate used for extrapolation purposes. Change in assumptions could affect the value in use calculation.

**6.11 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.

**6.12 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.

**6.13 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.

**7. Cash and cash equivalents**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2020 | 2019 |
| Cash on hand | 307,000 | 312,000 |
| Deposits at banks with no fixed maturity date | 263,316,544 | 139,334,681 |
| Total cash and cash equivalents | 263,623,544 | 139,646,681 |
| Less: Allowance for expected credit loss | (87,235) | - |
| Total cash and cash equivalents, net | 263,536,309 | 139,646,681 |

As at 31 December 2020, bank deposits in saving and current accounts carried interest between 0.05 and 0.55 percent per annum (2019: between 0.13 and 1.30 percent per annum).

**8. Premium receivables**

As at 31 December 2020 and 2019, 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)

|  |  |  |
| --- | --- | --- |
|  | 2020 | 2019 |
| Not yet due | 411,362,456 | 391,625,782 |
| Not over 30 days | 56,626,095 | 47,929,031 |
| Over 31 days to 60 days | 17,974,664 | 13,363,642 |
| Over 61 days to 90 days | 2,878,475 | 3,817,421 |
| Over 91 days to 1 year | 8,715,044 | 4,874,366 |
| Over 1 year | 4,288,660 | 4,215,739 |
| Total premium receivables | 501,845,394 | 465,825,981 |
| Less: Allowance for doubtful accounts | (6,429,780) | (5,637,148) |
| Total premium receivables, net | 495,415,614 | 460,188,833 |

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

**9. Reinsurance assets**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2020 | 2019 |
| Insurance reserve refundable from reinsurers |  |  |
| Claims reserve | 153,880,298 | 298,792,366 |
| Unearned premium reserve | 376,637,713 | 360,823,804 |
| Reinsurance assets | 530,518,011 | 659,616,170 |

**10. Reinsurance receivables**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2020 | 2019 |
| Amounts deposit on reinsurance | 145,408 | 59,817 |
| Amounts due from reinsurers | 598,676,333 | 532,672,026 |
| Total | 598,821,741 | 532,731,843 |

As at 31 December 2020 and 2019, the balances of amounts due from reinsurers are classified by aging as follows:

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2020 | 2019 |
| Not yet due | 251,573,288 | 424,238,134 |
| Not over 1 year | 269,586,242 | 106,220,217 |
| Over 1 year to 2 years | 77,429,861 | 1,704,343 |
| Over 2 years | 86,942 | 509,332 |
| Total amounts due from reinsurers | 598,676,333 | 532,672,026 |

**11. Investments** **in securities**

**11.1 Classified by type of investments**

|  | (Unit: Baht) | | | |
| --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | | |
|  | 2020 | | 2019 | |
|  | Cost/ |  | Cost/ |  |
|  | Amortised cost | Fair value | Amortised cost | Fair value |
| **Trading investments which are measured at FVPL** |  |  |  |  |
| Government and state enterprise securities | - | - | 5,440,000 | 5,440,000 |
| Equity instruments | 445,368,008 | 424,182,917 | 451,337,108 | 447,735,347 |
| Unit trusts | 156,267,420 | 116,102,300 | 156,267,420 | 156,267,420 |
| Total | 601,635,428 | 540,285,217 | 613,044,528 | 609,442,767 |
| Less: Unrealised loss | (61,350,211) |  | (3,601,761) |  |
| **Total** | 540,285,217 |  | 609,442,767 |  |

|  | (Unit: Baht) | | | |
| --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | | |
|  | 2020 | | 2019 | |
|  | Cost/ |  | Cost/ |  |
|  | Amortised cost | Fair value | Amortised cost | Fair value |
| **Available-for-sale investments which are measured at FVOCI** |  |  |  |  |
| Government and state enterprise securities | 979,883,319 | 980,893,657 | 679,590,742 | 677,750,938 |
| Private debt securities | 364,869,420 | 367,437,373 | 675,238,297 | 679,475,371 |
| Equity instruments | 262,837,897 | 194,781,440 | 260,526,131 | 224,504,036 |
| Non-listed equity instruments | 104,905,795 | 199,921,121 | - | - |
| Foreign equity instruments | 37,200,000 | 41,909,004 | - | - |
| Unit trusts | 255,585,212 | 199,229,535 | 232,958,890 | 215,906,740 |
| Total | 2,005,281,643 | 1,984,172,130 | 1,848,314,060 | 1,797,637,085 |
| Less: Unrealised loss | (5,516,854) |  | (35,323,751) |  |
| Less: Allowance for expected credit loss | (239,435) |  | - |  |
| Less: Allowance for impairment | (15,353,224) |  | (15,353,224) |  |
| **Total** | 1,984,172,130 |  | 1,797,637,085 |  |
| **Held-to-maturity investments which are measured at amortised cost** |  |  |  |  |
| Government and state enterprise securities | 30,000,000 |  | 10,000,000 |  |
| Deposits and certificate of deposits at financial institutions which are matured over 3 months | 688,126,506 |  | 485,000,000 |  |
| Total | 718,126,506 |  | 495,000,000 |  |
| Less: Allowance for expected credit loss | (190,218) |  | - |  |
| **Total** | 717,936,288 |  | 495,000,000 |  |
| **Other investments** |  |  |  |  |
| Equity instruments | - |  | 144,673,295 |  |
| Less: Allowance for impairment | - |  | (2,567,500) |  |
| **Total** | - |  | 142,105,795 |  |
| **Total investments in securities** | 3,242,393,635 |  | 3,044,185,647 |  |

|  | (Unit: Baht) | | | |
| --- | --- | --- | --- | --- |
|  | Separate financial statements | | | |
|  | 2020 | | 2019 | |
|  | Cost/ |  | Cost/ |  |
|  | Amortised cost | Fair value | Amortised cost | Fair value |
| **Trading investments which are measured at FVPL** |  |  |  |  |
| Government and state enterprise securities | - | - | 5,440,000 | 5,440,000 |
| Equity instruments | 445,368,008 | 424,182,917 | 451,337,108 | 447,735,347 |
| Unit trusts | 156,267,420 | 116,102,300 | 156,267,420 | 156,267,420 |
| Total | 601,635,428 | 540,285,217 | 613,044,528 | 609,442,767 |
| Less: Unrealised loss | (61,350,211) |  | (3,601,761) |  |
| **Total** | 540,285,217 |  | 609,442,767 |  |
| **Available-for-sale investments which are measured at FVOCI** |  |  |  |  |
| Government and state enterprise securities | 979,883,319 | 980,893,657 | 679,590,742 | 677,750,938 |
| Private debt securities | 364,869,420 | 367,437,373 | 675,238,297 | 679,475,371 |
| Equity instruments | 262,837,897 | 194,781,440 | 260,526,131 | 224,504,036 |
| Non-listed equity instruments | 49,681,200 | 199,921,121 | - | - |
| Foreign equity instruments | 37,200,000 | 41,909,004 | - | - |
| Unit trusts | 255,585,212 | 199,229,535 | 232,958,890 | 215,906,740 |
| Total | 1,950,057,048 | 1,984,172,130 | 1,848,314,060 | 1,797,637,085 |
| Add (less): Unrealised gain (loss) | 49,707,741 |  | (35,323,751) |  |
| Less: Allowance for expected credit loss | (239,435) |  | - |  |
| Less: Allowance for impairment | (15,353,224) |  | (15,353,224) |  |
| **Total** | 1,984,172,130 |  | 1,797,637,085 |  |
| **Held-to-maturity investments which are measured at amortised cost** |  |  |  |  |
| Government and state enterprise securities | 30,000,000 |  | 10,000,000 |  |
| Deposits and certificate of deposits at financial institutions which are matured over 3 months | 688,126,506 |  | 485,000,000 |  |
| Total | 718,126,506 |  | 495,000,000 |  |
| Less: Allowance for expected credit loss | (190,218) |  | - |  |
| **Total** | 717,936,288 |  | 495,000,000 |  |
| **Other investments** |  |  |  |  |
| Equity instruments | - |  | 89,448,700 |  |
| Less: Allowance for impairment | - |  | (2,567,500) |  |
| **Total** | - |  | 86,881,200 |  |
| **Total investments in securities** | 3,242,393,635 |  | 2,988,961,052 |  |

**11.2 Classified by stage of credit risk**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | Financial statements in which the equity method is applied and separate financial statements | |
|  | 2020 | |
|  | Fair value | Allowance for expected credit loss which is recognised in profit or loss |
| **Available-for-sale investments which are measured at FVOCI** |  |  |
| Stage 1 - Debt securities with no significant increase in credit risk |  |  |
| Government and state enterprise securities | 980,893,657 | - |
| Private debt securities | 367,437,373 | (239,435) |
| **Total** | 1,348,331,030 | (239,435) |

|  |  |  |  |
| --- | --- | --- | --- |
| (Unit: Baht) | | | |
|  | Financial statements in which the equity method is applied and separate financial statements | | |
|  | 2020 | | |
|  | Carrying value -gross | Allowance for expected credit loss which is recognised in profit or loss | Net carrying value |
| **Held-to-maturity investments which are measured at amortised cost** |  |  |  |
| Stage 1 - Debt securities with no significant increase in credit risk |  |  |  |
| Government and state enterprise securities | 30,000,000 | (6,105) | 29,993,895 |
| Deposits and certificate of deposits at financial institutions which are matured over 3 months | 688,126,506 | (184,113) | 687,942,393 |
| **Total** | 718,126,506 | (190,218) | 717,936,288 |

**11.3 Classified by remaining period of debt instruments**

As at 31 December 2020 and 2019, investments in debt instruments which are measured at FVOCI and amortised cost has period to maturity counting from the year end date as follows:

(Unit: Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied and separate financial statements | | | | | |
|  | 2020 | | | 2019 | | |
|  | Period to maturity | |  | Period to maturity | |  |
|  | 1 year | 1 - 5 years | Total | 1 year | 1 - 5 years | Total |
| **Available-for-sale investments which are measured at FVOCI** |  |  |  |  |  |  |
| Government and state enterprise securities | 958,501,714 | 21,381,605 | 979,883,319 | 625,675,716 | 35,000,000 | 660,675,716 |
| Private enterprise securities | 309,869,420 | 55,000,000 | 364,869,420 | 405,238,297 | 270,000,000 | 675,238,297 |
| Total | 1,268,371,134 | 76,381,605 | 1,344,752,739 | 1,030,914,013 | 305,000,000 | 1,335,914,013 |
| Add: Unrealised gain | 2,937,142 | 880,584 | 3,817,726 | 2,164,491 | 3,172,244 | 5,336,735 |
| Less: Allowance for expected credit loss | (202,123) | (37,312) | (239,435) | - | - | - |
| **Total** | 1,271,106,153 | 77,224,877 | 1,348,331,030 | 1,033,078,504 | 308,172,244 | 1,341,250,748 |
| **Held-to-maturity investments which are measured at amortised cost** |  |  |  |  |  |  |
| Government and state enterprise securities | - | 30,000,000 | 30,000,000 | 10,000,000 | - | 10,000,000 |
| Deposits and certificate of deposits at financial institutions which are matured over 3 months | 688,126,506 | - | 688,126,506 | 485,000,000 | - | 485,000,000 |
| Total | 688,126,506 | 30,000,000 | 718,126,506 | 495,000,000 | - | 495,000,000 |
| Less: Allowance for expected credit loss | (184,113) | (6,105) | (190,218) | - | - | - |
| **Total** | 687,942,393 | 29,993,895 | 717,936,288 | 495,000,000 | - | 495,000,000 |

**11.4 Fair value of investments in debt instruments**

In classification and measurement of financial assets under the Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business, the Company are not required to take into consideration its business model and the characteristics of the contractual cash flows, however, if the financial assets has been classified and measured in accordance with TFRS 9, the effects would have been as follows:

(Unit: Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied and separate financial statements | | | |
|  | 2020 | | | |
|  | The contractual terms of financial assets give rise on specified dates to cash flows that are not solely payments of principal and interest on the outstanding principal | | The contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal | |
|  | Fair value | Changes in fair value during year | Fair value | Changes in fair value during year |
| **Available-for-sale investments which are measured at FVOCI** |  |  |  |  |
| Government and state enterprise securities | - | - | 980,893,657 | 254,802 |
| Private enterprise securities | - | - | 367,437,373 | (2,013,246) |
| Unit trusts | 47,097,559 | (4,914,725) | - | - |
| **Held-to-maturity investments which are measured at amortised cost** |  |  |  |  |
| Government and state enterprise securities | - | - | 30,549,530 | 442,204 |
| Deposits and certificate of deposits at financial institutions which are matured over 3 months | - | - | 688,126,506 | - |
| **Total** | 47,097,559 | (4,914,725) | 2,067,007,066 | (1,316,240) |

**11.5 Other components of equity - surplus (deficit) on changes in value of investments in securities**

(Unit: Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | Separate financial statements | |
|  | For the years ended 31 December | | For the years ended 31 December | |
|  | 2020 | 2019 | 2020 | 2019 |
| Balance - beginning of the year | (28,259,002) | (15,797,649) | (28,259,002) | (15,797,649) |
| Cumulative effects of changes in accounting policies - net relating income tax | 104,105,085 | - | 148,284,761 | - |
| Changes during the year |  |  |  |  |
| Unrealised gain (loss) during the year | (92,153,065) | 67,762,069 | (92,153,065) | 67,762,069 |
| Realised gain that included in profit or loss | (8,171,394) | (83,338,760) | (8,171,394) | (83,338,760) |
|  | (100,324,459) | (15,576,691) | (100,324,459) | (15,576,691) |
| Relating income tax | 20,064,893 | 3,115,338 | 20,064,893 | 3,115,338 |
| Net comprehensive income for the year (loss) | (80,259,566) | (12,461,353) | (80,259,566) | (12,461,353) |
| Balance - end of the year | (4,413,483) | (28,259,002) | 39,766,193 | (28,259,002) |

**11.6 Investments subject to restriction**

As at 31 December 2020 and 2019, 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 31 and 32 to the financial statements.

**11.7 Investments income**

During the years ended 31 December 2020 and 2019, 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 | |
|  | 2020 | 2019 |
| Interest income from debt securities | 28,920,171 | 35,824,073 |
| Dividends received from equity securities | 33,025,047 | 58,319,027 |
| Investments income | 61,945,218 | 94,143,100 |

**11.8 Profit on investments**

During the years ended 31 December 2020 and 2019, the Company has profit on investments as follows:

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | Financial statements in which the equity method is applied and separate financial statements | |
|  | For the years ended 31 December | |
|  | 2020 | 2019 |
| Gain on disposal of investments | 7,441,488 | 29,618,761 |
| Gain on reclassification type of investments | - | 60,354,863 |
| Loss on impairment of investments | - | (6,600,000) |
| Profit on investments | 7,441,488 | 83,373,624 |

During the year 2019, 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 on reclassification of investments, and presented as past of profit on investments in statements of income for the year ended 31 December 2019.

**12. Loans and interest receivables**

As at 31 December 2020, the balances of loans and interest receivables, classified by stage of credit risk, were as follows:

(Unit: Baht)

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2020 | | |
| Classification | Mortgaged loans | Others | Total |
| Stage 1 - Loans with no a significant increase in credit risk | 170,173 | 474,362 | 644,535 |
| Total loans and interest receivables | 170,173 | 474,362 | 644,535 |
| Less: Allowance for expected credit loss | - | - | - |
| Loans and interest receivables - net | 170,173 | 474,362 | 644,535 |

As at 31 December 2019, the balances of loans classified by aging were as follows:

(Unit: Baht)

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2019 | | |
| Outstanding period | Mortgaged loans | Others | Total |
| Not yet due | 209,950 | 739,896 | 949,846 |
| Total loans and interest receivables | 209,950 | 739,896 | 949,846 |

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.

**13. Investments in associates**

**13.1 Details of associates**

As at 31 December 2020 and 2019, the Company has investments in TKI General Insurance Company Limited and TKI Life Insurance Company Limited, which are incorporated in Laos, as detailed below:

(Unit: Baht)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Nature of |  | | Financial statements in which the equity method is applied | | Separate financial statements | |
| Company’s name | business | Shareholding percentage | | Book value | | Cost/Book value | |
|  |  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
|  |  | (%) | (%) |  |  |  |  |
| TKI General Insurance Company Limited | Non-life insurance | 32.50 | 32.50 | 11,956,098 | 13,392,311 | 21,628,040 | 21,628,040 |
| TKI Life Insurance Company Limited | Life insurance | 32.50 | 32.50 | 12,854,710 | 13,624,528 | 21,628,039 | 21,628,039 |
| Total |  |  |  | 24,810,808 | 27,016,839 | 43,256,079 | 43,256,079 |
| Less: Allowance for impairment | |  |  | - | - | (9,918,103) | - |
| Investments in associates - net | |  |  | 24,810,808 | 27,016,839 | 33,337,976 | 43,256,079 |

**13.2 Financial information of associates**

**Summarised information about financial position**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | |
|  | 2020 | | 2019 | |
|  | TKI General Insurance Company Limited | TKI Life Insurance Company Limited | TKI General Insurance Company Limited | TKI Life Insurance Company Limited |
| Total assets | 51,918,175 | 43,725,452 | 53,516,674 | 44,067,450 |
| Total liabilities | (15,130,183) | (4,172,497) | (12,309,563) | (2,145,826) |
| Net assets | 36,787,992 | 39,552,955 | 41,207,111 | 41,921,624 |
| Shareholding percentage (%) | 32.50 | 32.50 | 32.50 | 32.50 |
| Book value of the associates based on equity method | 11,956,098 | 12,854,710 | 13,392,311 | 13,624,528 |

**Summarised information of comprehensive income**

(Unit: Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | For the years ended 31 December | | | |
|  | 2020 | | 2019 | |
|  | TKI General Insurance Company Limited | TKI Life Insurance Company Limited | TKI General Insurance Company Limited | TKI Life Insurance Company Limited |
| Revenues | 8,599,640 | 9,126,742 | 7,064,713 | 7,344,527 |
|  |  |  |  |  |
| Loss for the year | (2,628,761) | (364,251) | (3,977,962) | (2,226,534) |
| Other comprehensive income - exchange differences on translation of financial statements in foreign currency | (1,790,358) | (2,004,418) | (5,167,926) | (5,396,625) |
| Total comprehensive income (loss) | (4,419,119) | (2,368,669) | (9,145,888) | (7,623,159) |

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

**13.3 Shares of loss from investments in associated companies and dividend received**

During the years ended 31 December 2020 and 2019, 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)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | | | Separate financial statements | |
| Associates | Share of loss from profit and loss | | Exchange differences on translation from other comprehensive income | | Dividend received | |
|  | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| TKI General Insurance Company Limited | (854,347) | (1,292,838) | (581,866) | (1,679,576) | - | - |
| TKI Life Insurance Company Limited | (118,382) | (723,623) | (651,436) | (1,753,903) | - | - |
|  | (972,729) | (2,016,461) | (1,233,302) | (3,433,479) | - | - |

**14. Property, building and equipment**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | (Unit: Baht) |
|  |  |  |  |  | Furniture, |  | Assets |  |
|  |  |  |  | Building | fixtures and | Motor | under |  |
|  | Land | Buildings | Condominium | improvements | equipment | vehicles | construction | Total |
| **Cost** |  |  |  |  |  |  |  |  |
| 1 January 2019 | 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 |
| Adjustments due to TFRS 16 first time adoption | - | - | - | - | (9,988,100) | (18,854,300) | - | (28,842,400) |
| Additions | - | - | - | 16,822 | 2,335,209 | 2,224,094 | - | 4,576,125 |
| Disposals | - | - | - | (373,348) | (1,266,787) | (642,000) | - | (2,282,135) |
| 31 December 2020 | 5,385,371 | 24,521,452 | 270,282,501 | 120,849,799 | 110,995,367 | 50,364,492 | - | 582,398,982 |
| **Accumulated depreciation** |  |  |  |  |  |  |  |  |
| 1 January 2019 | - | 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 |
| Adjustments due to TFRS 16 first time adoption | - | - | - | - | (4,007,324) | (6,097,000) | - | (10,104,324) |
| Depreciation for the year | - | 698,098 | 3,022,719 | 4,524,566 | 5,472,107 | 2,066,908 | - | 15,784,398 |
| Depreciation on disposals | - | - | - | (354,106) | (1,264,698) | (635,580) | - | (2,254,384) |
| 31 December 2020 | - | 11,636,500 | 158,432,771 | 54,311,534 | 101,438,149 | 44,004,562 | - | 369,823,516 |
| **Net book value** |  |  |  |  |  |  |  |  |
| 31 December 2019 | 5,385,371 | 13,583,050 | 114,872,449 | 71,065,251 | 18,676,981 | 18,966,464 | - | 242,549,566 |
| 31 December 2020 | 5,385,371 | 12,884,952 | 111,849,730 | 66,538,265 | 9,557,218 | 6,359,930 | - | 212,575,466 |
| **Depreciation for the year** |  |  |  |  |  |  |  |  |
| 2019 |  |  |  |  |  |  |  | 23,994,179 |
| 2020 |  |  |  |  |  |  |  | 15,784,398 |

As at 31 December 2020, 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 359.0 million (2019: Baht 269.3 million).

# **15. Leases**

The Company has lease contracts for various items used in its operations. Leases generally have lease terms between 1 - 6 years.

# **15.1 Right-of-use assets**

Movement of right-of-use assets for the year ended 31 December 2020 is summarised below:

(Unit: Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Lease buildings | Office equipment | Motor vehicles | Computer software | Total |
| As at 31 December 2019 *(1)* | 1,889,164 | 5,980,776 | 12,757,300 | 1,339,423 | 21,966,663 |
| Adjustments due to TFRS 16 first time adoption | 50,214,794 | 2,907,706 | - | - | 53,122,500 |
| As at 1 January 2020 | 52,103,958 | 8,888,482 | 12,757,300 | 1,339,423 | 75,089,163 |
| Increase during year | - | 901,021 | - | - | 901,021 |
| Adjustments | (434,509) | - | - | - | (434,509) |
| Depreciation for the year | (11,407,191) | (2,972,130) | (3,733,151) | (168,300) | (18,280,772) |
| As at 31 December 2020 | 40,262,258 | 6,817,373 | 9,024,149 | 1,171,123 | 57,274,903 |

*(1) Presented as part of property, building and equipment, intangible assets and other assets.*

**15.2 Lease liabilities**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2020 | 2019 |
| Lease liabilities | 59,972,816 | 16,896,322 |
| Less: Deferred interest expenses | (5,699,185) | (1,026,402) |
| Total | 54,273,631 | 15,869,920 |
| Less: Portion due within one year | (12,899,259) | (7,723,618) |
| Lease liabilities - net of current portion | 41,374,372 | 8,146,302 |

**15.3 Expenses relating to leases that are recognised in statement of income**

|  |  |
| --- | --- |
|  | (Unit: Baht) |
|  | For the year ended 31 December 2020 |
| Depreciation of right-of-use assets | 17,990,252 |
| Finance costs on lease liabilities | 3,037,773 |
| Expense relating to short-term leases | 198,972 |
| Expense relating to leases of low-value assets | 794,585 |
| Total expenses | 22,021,582 |

**15.4 Others**

The Company had total cash outflows for leases for the year ended 31 December 2020 of Baht 19.3 million, including the cash outflow related to short-term lease and leases of low-value assets. Moreover, the Company had non-cash additions to right-of-use assets and lease liabilities of Baht 0.9 million.

**16. Intangible assets**

As at 31 December 2020 and 2019, the net book value of intangible assets are presented below.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | (Unit: Baht) |
|  | Computer Software | Computer software under improvement | Total |
| **Cost** |  |  |  |
| 1 January 2019 | 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 |
| Adjustments due to TFRS 16 first time adoption | (1,700,000) | - | (1,700,000) |
| Additions | 1,178,169 | 1,169,450 | 2,347,619 |
| Disposals/cancelled during the year | (822,000) | (31,214,500) | (32,036,500) |
| 31 December 2020 | 93,085,015 | 2,206,050 | 95,291,065 |
| **Accumulated amortisation** |  |  |  |
| 1 January 2019 | 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 |
| Adjustments due to TFRS 16 first time adoption | (360,577) | - | (360,577) |
| Amortisation for the year | 3,321,750 | - | 3,321,750 |
| 31 December 2020 | 76,281,841 | - | 76,281,841 |
| **Net book value** |  |  |  |
| 31 December 2019 | 21,108,178 | 32,251,100 | 53,359,278 |
| 31 December 2020 | 16,803,174 | 2,206,050 | 19,009,224 |

As at 31 December 2020, 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 53.4 million (2019: Baht 52.4 million)

**17. Deferred tax assets and income tax expenses**

**17.1 Deferred tax assets**

The components of deferred tax assets and liabilities as at 31 December 2020 and 2019 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Baht) | |
|  | Financial statements in which the equity method is applied | | | |
|  | Balance as at 31 December | | Changes in deferred tax assets and liabilities recognised in statements of income for the years ended 31 December | |
|  | 2020 | 2019 | 2020 | 2019 |
| **Deferred tax assets** |  |  |  |  |
| Unearned premium reserve | 75,819,992 | 74,092,132 | 1,727,860 | 6,924,886 |
| Allowance for loss on impairment of investments | 3,070,645 | 3,584,145 | - | (8,117,800) |
| Allowance for expected credit loss | 39,862,976 | - | 1,222,537 | - |
| Allowance for doubtful accounts | 453,824 | 33,823,425 | 163,327 | 3,590,888 |
| Loss reserves | 66,105,532 | 56,798,988 | 9,306,544 | 18,681,714 |
| Provision for loss incurred but not reported | 8,916,089 | 8,523,399 | 392,690 | 1,787,746 |
| Employee benefit obligations | 18,700,944 | 14,367,576 | 4,162,172 | (7,182,776) |
| Share of loss from investments in associates | 3,689,053 | 3,247,848 | 194,546 | 403,292 |
| Unrealised loss on changes in value of available-for-sale investments | 1,103,372 | 7,064,750 |  |  |
| Fair value loss | 12,270,042 | 720,352 | 11,549,690 | 720,352 |
| Others | 11,708,847 | 14,460,579 | (2,751,732) | 12,218,959 |
| Total | 241,701,316 | 216,683,194 |  |  |
| **Deferred tax liabilities** |  |  |  |  |
| Difference of investment cost arising from reclassification | 6,822,493 | 2,633,173 | (4,702,820) | (2,633,173) |
| Others | 425,767 | 328,263 | (97,504) | 1,234,153 |
| Total | 7,248,260 | 2,961,436 |  |  |
| Deferred tax assets - net | 234,453,056 | 213,721,758 |  |  |
| Total changes |  |  | 21,167,310 | 27,628,241 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (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 | |
|  | 2020 | 2019 | 2020 | 2019 |
| **Deferred tax assets** |  |  |  |  |
| Unearned premium reserve | 75,819,992 | 74,092,132 | 1,727,860 | 6,924,886 |
| Allowance for loss on impairment of investments | 3,070,645 | 3,584,145 | - | (8,117,800) |
| Allowance for loss on impairment of investments in associates | 1,983,621 | - | 1,983,621 | - |
| Allowance for expected credit loss | 39,862,976 | - | 1,222,537 | - |
| Allowance for doubtful accounts | 453,824 | 33,823,425 | 163,327 | 3,590,888 |
| Loss reserves | 66,105,532 | 56,798,988 | 9,306,544 | 18,681,714 |
| Provision for loss incurred but not reported | 8,916,089 | 8,523,399 | 392,690 | 1,787,746 |
| Employee benefit obligations | 18,700,944 | 14,367,576 | 4,162,172 | (7,182,776) |
| Unrealised loss on changes in value of available-for-sale investments | - | 7,064,750 |  |  |
| Fair value loss | 12,270,042 | 720,352 | 11,549,690 | 720,352 |
| Others | 11,708,847 | 14,460,579 | (2,751,732) | 12,218,959 |
| Total | 238,892,512 | 213,435,346 |  |  |
| **Deferred tax liabilities** |  |  |  |  |
| Unrealised gain on changes in value of available-for-sale investments | 9,941,548 | - |  |  |
| Difference of investment cost arising from reclassification | 6,822,493 | 2,633,173 | (4,702,820) | (2,633,173) |
| Others | 425,767 | 328,263 | (97,504) | 1,234,153 |
| Total | 17,189,808 | 2,961,436 |  |  |
| Deferred tax assets - net | 221,702,704 | 210,473,910 |  |  |
| Total changes |  |  | 22,956,385 | 27,224,949 |

**17.2 Income tax expenses (revenues)**

Income tax expenses (revenues) for the years ended 31 December 2020 and 2019 are made up as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | |
|  | Financial statements in which the equity method is applied | | Separate financial statements | |
|  | 2020 | 2019 | 2020 | 2019 |
| **Current income tax:** |  |  |  |  |
| Current income tax charge for the year | 37,382,714 | 27,552,492 | 37,382,714 | 27,552,492 |
| Adjustment in respect of current income tax of previous year | (940,525) | 30,800 | (940,525) | 30,800 |
| **Deferred tax:** |  |  |  |  |
| Relating to origination and reversal of temporary differences | (21,167,310) | (27,628,241) | (22,956,385) | (27,224,949) |
| **Income tax expenses (revenues) reported in statements of income** | 15,274,879 | (44,949) | 13,485,804 | 358,343 |

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2020 and 2019 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | |
|  | Financial statements in which the equity method is applied | | Separate financial statements | |
|  | 2020 | 2019 | 2020 | 2019 |
| Deferred tax from |  |  |  |  |
| Exchange differences on translating of financial statements in foreign currency - loss | 246,660 | 686,696 | - | - |
| Unrealised loss on changes in value of available-for-sale investments | 20,064,893 | 3,115,338 | 20,064,893 | 3,115,338 |
| Actuarial loss | 171,197 | 1,035,053 | 171,197 | 1,035,053 |
| Total | 20,482,750 | 4,837,087 | 20,236,090 | 4,150,391 |

Reconciliation between income tax expenses (revenues) and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2020 and 2019 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Baht) | |
|  | Financial statements in which the equity method is applied | | Separate financial statements | |
|  | 2020 | 2019 | 2020 | 2019 |
| Accounting profit before tax | 86,599,929 | 29,600,473 | 77,654,555 | 31,616,934 |
| Applicable tax rate | 20% | 20% | 20% | 20% |
| Tax expenses at the applicable tax rate | 17,319,986 | 5,920,095 | 15,530,911 | 6,323,387 |
| Adjustment in respect of current income tax of previous year | (940,525) | 30,800 | (940,525) | 30,800 |
| Effects of: |  |  |  |  |
| Exempted expenses | 4,194,630 | 4,634,058 | 4,194,630 | 4,634,058 |
| Allowed additional expense deductions | (467,449) | (857,292) | (467,449) | (857,292) |
| Others | (4,831,763) | (9,772,610) | (4,831,763) | (9,772,610) |
| Income tax expenses (revenues) reported in statements of income | 15,274,879 | (44,949) | 13,485,804 | 358,343 |

**18. Claims receivable from litigants**

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

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2020 | 2019 |
| **Claim years** |  |  |
| Year 2020 | 99,888,861 | - |
| Year 2019 | 42,686,952 | 85,444,014 |
| Year 2018 | 33,056,616 | 43,179,550 |
| Year 2017 | 30,062,106 | 34,705,577 |
| Year 2016 | 28,169,071 | 33,918,630 |
| Prior to 2016 | 69,225,446 | 89,166,042 |
| Total claims receivable from litigants | 303,089,052 | 286,413,813 |
| Less: Allowance for expected credit loss | (198,792,692) | - |
| Allowance for doubtful accounts | - | (167,664,639) |
| Claims receivable from litigants, net | 104,296,360 | 118,749,174 |

**19. Insurance contract liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| (Unit: Baht) | | | |
|  | 2020 | | |
|  | Insurance contract liabilities | Reinsurance assets | Net |
| Claim reserves and outstanding claims |  |  |  |
| Claim incurred and reported | 761,833,498 | (99,576,123) | 662,257,375 |
| Claim incurred but not reported | 98,884,621 | (54,304,175) | 44,580,446 |
| Premium reserves |  |  |  |
| Unearned premium reserves | 1,778,705,006 | (376,637,713) | 1,402,067,293 |
| Total | 2,639,423,125 | (530,518,011) | 2,108,905,114 |

|  |  |  |  |
| --- | --- | --- | --- |
| (Unit: Baht) | | | |
|  | 2019 | | |
|  | Insurance contract liabilities | Reinsurance assets | Net |
| 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 |

During the years 2020 and 2019, 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.

**19.1 Claim reserves and outstanding claims**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2020 | 2019 |
| Beginning balance | 938,426,814 | 644,933,444 |
| Claim expenses for the year | 1,976,494,863 | 2,122,093,137 |
| Change in claim reserves and outstanding claims from the prior year | (174,781,120) | (74,981,925) |
| Change in assumption for calculating claim reserves | (2,785,298) | 31,999,655 |
| Claim paid during the year | (1,876,637,140) | (1,785,617,497) |
| Ending balance | 860,718,119 | 938,426,814 |

As at 31 December 2020, the Company has claim reserves and outstanding claims under reinsurance contracts at Baht 5.3 million (2019: Baht 6.3 million).

**19.2** **Claim development table**

(a) Gross claims table

(Unit: Million Baht)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Reporting year/Accident year | Prior to 2013 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | | Total |
| Claim estimates: |  |  |  |  |  |  |  |  |  | |  |
| - as at accident year |  | 1,379 | 1,409 | 1,956 | 2,187 | 1,761 | 1,754 | 2,143 | 1,901 | |  |
| - Next one year |  | 1,396 | 1,388 | 1,941 | 2,199 | 1,749 | 1,715 | 2,045 |  | |  |
| - Next two years |  | 1,359 | 1,385 | 1,961 | 2,200 | 1,742 | 1,701 |  |  | |  |
| - Next three years |  | 1,361 | 1,386 | 1,957 | 2,189 | 1,740 |  |  |  | |  |
| - Next four years |  | 1,358 | 1,379 | 1,953 | 2,188 |  |  |  |  | |  |
| - Next five years |  | 1,359 | 1,378 | 1,952 |  |  |  |  |  | |  |
| - Next six years |  | 1,356 | 1,378 |  |  |  |  |  |  | |  |
| - Next seven years |  | 1,357 |  |  |  |  |  |  |  | |  |
| Ultimate claim reserves |  | 1,357 | 1,378 | 1,952 | 2,188 | 1,740 | 1,701 | 2,045 | 1,901 | |  |
| Cumulative payment to date |  | (1,353) | (1,375) | (1,947) | (2,183) | (1,728) | (1,681) | (1,981) | (1,175) | |  |
| Total | 10 | 4 | 3 | 5 | 5 | 12 | 20 | 64 | 726 | | 849 |
| Claim for inward treaty |  |  |  |  |  |  |  |  |  | | 6 |
| Unallocated loss adjustment expenses | | | | | | | | | | 6 | |
| Total claim reserves and outstanding claims before reinsurance | | | | | | | | | | 861 | |

(b) Net claims table

(Unit: Million Baht)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Reporting year/Accident year | Prior to 2013 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | | Total |
| Claim estimates: |  |  |  |  |  |  |  |  |  | |  |
| - as at accident year |  | 1,209 | 1,270 | 1,681 | 1,901 | 1,500 | 1,330 | 1,541 | 1,590 | |  |
| - Next one year |  | 1,236 | 1,262 | 1,660 | 1,853 | 1,470 | 1,309 | 1,471 |  | |  |
| - Next two years |  | 1,203 | 1,253 | 1,680 | 1,856 | 1,462 | 1,296 |  |  | |  |
| - Next three years |  | 1,205 | 1,254 | 1,678 | 1,852 | 1,461 |  |  |  | |  |
| - Next four years |  | 1,202 | 1,253 | 1,673 | 1,852 |  |  |  |  | |  |
| - Next five years |  | 1,202 | 1,251 | 1,672 |  |  |  |  |  | |  |
| - Next six years |  | 1,199 | 1,251 |  |  |  |  |  |  | |  |
| - Next seven years |  | 1,200 |  |  |  |  |  |  |  | |  |
| Ultimate claim reserves |  | 1,200 | 1,251 | 1,672 | 1,852 | 1,461 | 1,296 | 1,471 | 1,590 | |  |
| Cumulative payment to date |  | (1,196) | (1,248) | (1,668) | (1,847) | (1,454) | (1,280) | (1,420) | (994) | |  |
| Total | 9 | 4 | 3 | 4 | 5 | 7 | 16 | 51 | 596 | | 695 |
| Claim for inward treaty |  |  |  |  |  |  |  |  |  | | 6 |
| Unallocated loss adjustment expenses | | | | | | | | | | 6 | |
| Total claim reserves and outstanding claims after reinsurance | | | | | | | | | | 707 | |

**19.3 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 2020 and 2019 are presented as follows:

(a) Outstanding claims provision

1. Direct and inward facultative business

The Company used 3 actuarial methods as follows:

* 1. Chain Ladder method based on both claims paid and claims incurred
  2. Bornhuetter-Ferguson method (“BF”) based on both claims paid and claims incurred
  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 of the historical 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 (ULAE)

In determining the ULAE, the Company used total expenses to estimate the claim expenses. ULAE is calculated from the ratio of ULAE to the average of paid loss and reported loss 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.

1. 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.

1. 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.

**19.4 Unearned premium reserves**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2020 | 2019 |
| Beginning balance | 1,642,685,707 | 1,551,386,936 |
| Premium written for the year | 3,326,060,853 | 3,023,909,573 |
| Premium earned for the current year | (3,190,041,554) | (2,932,610,802) |
| Ending balance | 1,778,705,006 | 1,642,685,707 |

**20. Due to reinsurers**

|  |  |  |
| --- | --- | --- |
|  |  | (Unit: Baht) |
|  | 2020 | 2019 |
| Amounts withheld on reinsurance | 321,305,350 | 277,788,790 |
| Amounts due to reinsurers | 646,353,410 | 483,233,443 |
| Total due to reinsurers | 967,658,760 | 761,022,233 |

**21. Employee benefit obligations**

The movement of provision for employee benefit obligations for the years ended 31 December 2020 and 2019 was as follows:

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2020 | 2019 |
| **Employee benefit obligations at beginning of year** | 61,300,779 | 50,076,495 |
| Included in statement of income: |  |  |
| Current service cost | 5,472,099 | 5,164,320 |
| Interest cost | 1,128,462 | 1,772,466 |
| Past service cost | - | 11,393,299 |
| Total items included in statement of income | 6,600,561 | 18,330,085 |
| Included in statement of comprehensive income: |  |  |
| Actuarial loss (gain) arising from |  |  |
| Demographic assumption change | 7,113,993 | 2,975,592 |
| Financial assumption change | (10,203,509) | 859,491 |
| Experience adjustment | 3,945,499 | 1,340,182 |
| Total items included in statement of comprehensive income | 855,983 | 5,175,265 |
| Benefit paid during the year | (5,181,800) | (12,281,066) |
| **Employee benefit obligations at end of year** | 63,575,523 | 61,300,779 |

As at 31 December 2020, the weighted average duration of the liabilities for long-term employee benefit is 12 years, and the Company expected to pay Baht 5.0 million of long-term employee benefits during the next year (2019: 12 years and Baht 4.9 million, respectively).

Significant actuarial assumptions are summarised below:

|  |  |  |
| --- | --- | --- |
|  | (Unit: % per annum) | |
|  | 2020 | 2019 |
| Discount rate | 1.6 | 1.7 |
| Salary increase rate | 3.1 - 5.8 | 5.5 |
| Staff turnover rate | 0.0 - 16.9 | 0.0 - 21.0 |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2020 and 2019 are summarised below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | |
|  | 31 December 2020 | | | |
|  | Increase in assumption | Employee benefit obligations increase (decrease) | Decrease in assumption | Employee benefit obligations increase (decrease) |
| Discount rate | 1.0% | (4,365,295) | 1.0% | 4,981,713 |
| Salary increase rate | 1.0% | 5,165,439 | 1.0% | (4,619,841) |
| Staff turnover rates | 10.0%(1) | (2,398,044) | 10.0%(1) | 2,602,387 |

(1) 10% of the turnover rate used as assumption.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | |
|  | 31 December 2019 | | | |
|  | Increase in assumption | Employee benefit obligations increase (decrease) | Decrease in assumption | Employee benefit obligations increase (decrease) |
| Discount rate | 0.5% | (2,283,402) | 0.5% | 2,433,929 |
| Salary increase rate | 0.5% | 2,331,864 | 0.5% | (2,213,594) |
| Staff turnover rates | 0.5% | (2,475,373) | 0.5% | 2,627,661 |

**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)

|  |  |  |
| --- | --- | --- |
|  | 2020 | 2019 |
| Personnel expenses which is not expenses for underwriting and claims | 216,164,199 | 218,353,422 |
| Premises and equipment expenses | 69,658,259 | 69,913,329 |
| Taxes and duties | 1,182,044 | 2,890,383 |
| Bad debts and doubtful accounts | 1,654,410 | 18,909,644 |
| Other operating expenses | 49,528,334 | 51,044,148 |
| Total operating expenses | 338,187,246 | 361,110,926 |

**24. Expected credit loss**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | 2020 | 2019 |
| Cash and cash equivalents | 39,369 | - |
| Accrued investments income | 2,895 | - |
| Investments in securities | (469) | - |
| Claims receivable from litigants | 6,070,890 | - |
| Total | 6,112,685 | - |

**25. Expenses by nature**

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit: Baht) | | |
|  | | 2020 | 2019 |
| Net claim and loss adjustment expenses | | 1,395,077,008 | 1,386,851,580 |
| Commissions and brokerage expenses | | 530,733,683 | 470,810,354 |
| Other underwriting expenses | | 200,821,751 | 236,754,612 |
| Personnel expenses | | 303,473,520 | 304,854,472 |
| Premises and equipment expenses | | 69,658,259 | 69,913,329 |
| Bad debts and doubtful accounts | | 1,654,410 | 18,909,644 |
| Expected credit loss | | 6,112,685 | - |
| Finance costs | | 3,037,773 | 864,337 |
| Other operating expenses | | 50,710,377 | 53,934,531 |
| Total | | 2,561,279,466 | 2,542,892,859 |

**26. 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 2020, the Company contributed Baht 9.1 million (2019: Baht 9.1 million) to the fund.

**27. 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.

**28. Dividends**

Dividends declared during the years ended 31 December 2020 and 2019 consisted of the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Approved by | Total dividends | Dividends per share |
|  |  | (Million Baht) | (Baht) |
| Interim dividends from 2019 retained earnings (Cash dividends of Baht 1.29 per share) | Board of Directors Meeting No. 3/2020 on 14 April 2020 | 45.0 | 1.29 |
| 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 |

**29. 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 2020 | | | | |
|  | Fire | Marine and transportation | Motor | Miscellaneous | Total |
| **Underwriting income** |  |  |  |  |  |
| Gross premium written | 656,921,903 | 83,624,957 | 2,007,205,149 | 578,308,844 | 3,326,060,853 |
| Less: Premiums ceded to reinsurers | (293,977,849) | (43,409,360) | (11,784,632) | (419,470,676) | (768,642,517) |
| Net premium written | 362,944,054 | 40,215,597 | 1,995,420,517 | 158,838,168 | 2,557,418,336 |
| Add (less): Unearned premium reserves (increase) decrease from prior year | (33,688,316) | 938,158 | (79,917,629) | (7,537,603) | (120,205,390) |
| Net earned premium | 329,255,738 | 41,153,755 | 1,915,502,888 | 151,300,565 | 2,437,212,946 |
| Fee and commission income | 82,462,686 | 14,196,604 | 2,727,996 | 94,460,233 | 193,847,519 |
| **Total underwriting income** | 411,718,424 | 55,350,359 | 1,918,230,884 | 245,760,798 | 2,631,060,465 |
| **Underwriting expenses** |  |  |  |  |  |
| Claim and loss adjustment expenses - net | 69,964,533 | 4,908,214 | 1,278,651,570 | 87,436,426 | 1,440,960,743 |
| Commission and brokerage expenses | 149,254,540 | 12,161,237 | 310,889,959 | 58,427,947 | 530,733,683 |
| Other underwriting expenses | 54,483,375 | 3,692,089 | 138,760,333 | 45,311,540 | 242,247,337 |
| **Total underwriting expenses**  **before operating expenses** | 273,702,448 | 20,761,540 | 1,728,301,862 | 191,175,913 | 2,213,941,763 |
| **Profit from underwriting before operating expenses** | 138,015,976 | 34,588,819 | 189,929,022 | 54,584,885 | 417,118,702 |
| Operating expenses |  |  |  |  | (338,187,246) |
| **Profit from underwriting** |  |  |  |  | 78,931,456 |
| Share of loss from investments in associates |  |  |  |  | (972,729) |
| Investments income |  |  |  |  | 61,945,218 |
| Profit on investments |  |  |  |  | 7,441,488 |
| Fair value loss |  |  |  |  | (57,748,450) |
| Other income |  |  |  |  | 6,153,404 |
| Finance costs |  |  |  |  | (3,037,773) |
| Expected credit loss |  |  |  |  | (6,112,685) |
| **Profit before income tax expenses** |  |  |  |  | 86,599,929 |
| Income tax expenses |  |  |  |  | (15,274,879) |
| **Profit for the year** |  |  |  |  | 71,325,050 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | (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 |  |  |  |  | (361,110,926) |
| **Loss from underwriting** |  |  |  |  | (150,221,805) |
| Share of loss from investments in associates |  |  |  |  | (2,016,461) |
| Investments income |  |  |  |  | 94,143,100 |
| Profit on investments |  |  |  |  | 83,373,624 |
| Fair value loss |  |  |  |  | (3,601,761) |
| Other income |  |  |  |  | 8,788,113 |
| Finance costs |  |  |  |  | (864,337) |
| **Profit before income tax expenses** |  |  |  |  | 29,600,473 |
| Income tax revenues |  |  |  |  | 44,949 |
| **Profit for the year** |  |  |  |  | 29,645,422 |

Segment assets and liabilities of the Company’s operating segments as at 31 December 2020 and 2019 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 2020 | 368,215,332 | 21,469,656 | 240,740,937 | 395,507,701 | 1,025,933,626 | 5,052,000,545 | 6,077,934,171 |
| 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 |
| **Liabilities** |  |  |  |  |  |  |  |
| As at 31 December 2020 | 535,238,645 | 25,623,259 | 1,669,715,900 | 408,845,321 | 2,639,423,125 | 1,343,954,529 | 3,983,377,654 |
| 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 |

**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 customers’ information**

During the years ended 31 December 2020 and 2019, the Company had gross premium written from major customers as follows:

|  |  |  |
| --- | --- | --- |
| (Unit: Million Baht) | | |
|  | Financial statements in which the equity method is applied | |
|  | For the years ended 31 December | |
|  | 2020 | 2019 |
| Gross premium written *(1)* | 763 | 652 |

*(1)  Presented total amounts of gross premium written from major customers who have premium written more than 10 percent.*

**30. Related party transactions**

**30.1 Nature of relationship**

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

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

|  |  |
| --- | --- |
| Name of related parties | Nature of relationship |
| 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 |
| Thanasarn 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 |
| 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 Petchaboon 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*

**30.2 Significant related party transactions**

During the years ended 31 December 2020 and 2019, 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.

(Unit: Baht)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied and separate financial statements | |  |
|  | For the years ended 31 December | |  |
|  | 2020 | 2019 | Pricing policy |
| **Transactions with associated companies** |  |  |  |
| Reinsurance premium written | 1,834,017 | 1,601,101 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| Commission paid to reinsurance | 435,665 | 312,149 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| **Transactions with related companies** |  |  |  |
| Direct premium written | 71,844,616 | 74,963,282 | Rates as specified in insurance contracts |
| Reinsurance premium written | 14,453,629 | 13,418,256 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| Premium ceded | 23,641,858 | 31,236,962 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| Claim expenses | 17,666,648 | 18,093,100 | Actual incurred |
| Commission paid to reinsurance | 4,912,890 | 4,737,364 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| Commission received | 9,321,160 | 14,129,589 | Ceded rates as specified based on the type of reinsurance and the reinsurance contracts |
| Dividend income | 9,235,180 | 32,017,600 | As declared |
| Rental and service fee for branch office expenses | 406,432 | 454,156 | Contract price |
| Rental income | 170,352 | 224,436 | Contract price |

**30.3 Outstanding balances**

The balances of the accounts between the Company and those related companies as at 31 December 2020 and 2019 are as follows:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Baht) | |
|  | Financial statements in which the equity method is applied and Separate financial statements | |
|  | 2020 | 2019 |
| **Reinsurance receivables - Amounts due from reinsurers** |  |  |
| The Falcon Insurance Plc. | 20,362,658 | 9,478,860 |
| TKI General Insurance Co., Ltd. | 681,418 | 1,195,598 |
| Total | 21,044,076 | 10,674,458 |
| **Investments in securities - Equity securities** |  |  |
| Varopakorn Plc. | 993,413 | 1,793,662 |
| Thai Metal Drum Manufacturing Plc. | 257,776,850 | 293,953,800 |
| BTS Group Holdings Plc. | 37,000,000 | 52,400,000 |
| Thaire Life Assurance Plc. | 23,550,000 | 27,000,000 |
| The Siam Cement Plc. | - | 23,520,000 |
| The Falcon Insurance Plc. | 61,932,000 | 74,071,555(1) |
| Sathorn Thani Co., Ltd. | 16,745,000 | 12,780,000 |
| Rangsit Plaza Co., Ltd. | 11,224,000 | 6,560,000 |
| Total | 409,221,263 | 492,079,017 |
| **Due to reinsurers - Amounts due to reinsurance** |  |  |
| The Falcon Insurance Plc. | 22,038,732 | 14,906,724 |
| TKI General Insurance Co., Ltd. | 229,048 | 286,578 |
| Total | 22,267,780 | 15,193,302 |

**(1)** 2019 separate financial statements are stated at cost of Baht 18,846,960.

**30.4 Directors and management’s benefits**

During the years ended 31 December 2020 and 2019, the Company had employment benefits expenses payable to their directors and management as below.

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2020 | 2019 |
| Short-term benefits | 50,720,645 | 49,393,564 |
| Post-employment benefits | 417,664 | 2,269,369 |
| Total | 51,138,309 | 51,662,933 |

# **31. Assets pledged and reserved with the Registrar**

As at 31 December 2020 and 2019, 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)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2020 | | 2019 | |
|  | Cost | Fair value | Cost | Fair value |
| **Assets pledged** |  |  |  |  |
| Government bonds | 15,000,000 | 16,171,969 | 15,000,000 | 15,098,068 |
| **Assets reserve as non-life insurance reserve** |  |  |  |  |
| Deposits and certificate of deposits at financial institutions | - | - | 250,000,000 | 250,000,000 |
| Government and state enterprise securities | 293,000,000 | 292,693,731 | 20,000,000 | 19,914,109 |

# **32. Other assets with restrictions and commitments**

As at 31 December 2020 and 2019, the Company had pledged the following assets as collateral.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Baht) | | | | |
|  | 2020 | | 2019 | |
|  | 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 |

# **33. Contribution to the General Insurance Fund**

(Unit: Baht)

|  |  |  |
| --- | --- | --- |
|  | For the years ended 31 December | |
|  | 2020 | 2019 |
| Accumulated contribution at the beginning of the year | 66,859,132 | 59,365,559 |
| Contribution during the year | 8,236,155 | 7,493,573 |
| Accumulated contribution at the end of the year | 75,095,287 | 66,859,132 |

# **34. Commitments and contingent liabilities**

**34.1 Capital commitments**

As at 31 December 2020, the Company had capital commitments of approximately Baht 2.7 million (2019: Baht 61.2 million) relating to program computer.

**34.2 Leases and service agreements commitments**

As at 31 December 2020, future minimum payments required under short-term leases, leases of low-value assets and service agreements were as follows.

|  |  |
| --- | --- |
| Payable within: | (Unit: Baht) |
| Within 1 year | 425,830 |
| Over 1 to 3 years | 567,773 |

**34.3 Letter of Guarantees**

As at 31 December 2020, there were bank guarantees amounting to Baht 2.6 million, and a certificate issued in the Company’s name amounting to Baht 6.5 million, as required in the normal course of the Company’s business (2019: Baht 2.8 million and Baht 4.7 million, respectively).

**34.4 Litigation**

As at 31 December 2020, the Company has been sued for damages totaling approximately Baht 53.2 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 22.5 million, and the Company has set aside reserves for contingent losses amounting to Baht 22.5 million in the financial statements (2019: Baht 52.2 million, Baht 22.2 million and Baht 22.1 million, respectively).

# **35. Risk of insurance company**

**35.1 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:

1. 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.

1. 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. Some types of insurance have high loss ratio, and 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.

1. 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 that helps control retention risk to prevent exposure from the crisis, and to reduce the volatility of 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) | | | | | |
|  | 2020 | | | 2019 | | |
|  | Gross premium reserves | Outward premium reserves | Net | Gross premium reserves | Outward premium reserves | Net |
| Fire | 467,341,473 | (172,397,491) | 294,943,982 | 437,327,265 | (176,071,600) | 261,255,665 |
| Marine and transportation | 19,107,206 | (8,175,845) | 10,931,361 | 22,386,201 | (10,516,682) | 11,869,519 |
| Motor | 1,026,011,142 | (4,841,184) | 1,021,169,958 | 945,568,437 | (4,316,108) | 941,252,329 |
| Miscellaneous | 266,245,185 | (191,223,193) | 75,021,992 | 237,403,804 | (169,919,414) | 67,484,390 |
| Total | 1,778,705,006 | (376,637,713) | 1,402,067,293 | 1,642,685,707 | (360,823,804) | 1,281,861,903 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  | (Unit: Baht) |
|  | 2020 | | | 2019 | | |
|  | Gross loss reserves | Outward loss reserves | Net | Gross loss reserves | Outward loss reserves | Net |
| Fire | 67,897,172 | (42,325,983) | 25,571,189 | 184,870,225 | (140,520,947) | 44,349,278 |
| Marine and transportation | 6,516,053 | (1,412,646) | 5,103,407 | 5,351,528 | (999,383) | 4,352,145 |
| Motor | 643,704,758 | (723,842) | 642,980,916 | 540,804,653 | (177,948) | 540,626,705 |
| Miscellaneous | 142,600,136 | (109,417,827) | 33,182,309 | 207,400,408 | (157,094,088) | 50,306,320 |
| Total | 860,718,119 | (153,880,298) | 706,837,821 | 938,426,814 | (298,792,366) | 639,634,448 |

1. 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)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2020 | | | | |
|  | Assumption change | Increase (decrease) in provision for gross claim liabilities | Increase (decrease) in provision for net claim liabilities | Increase (decrease) in profit before tax | Increase (decrease) in owner’s equity |
| Ultimate loss ratio in latest accident year | +5% | 111 | 88 | (88) | (70) |
| Ultimate loss ratio in latest accident year | -5% | (107) | (84) | 84 | 67 |
| ULAE ratio | +50% | 3 | 3 | (3) | (3) |
| ULAE ratio | -50% | (3) | (3) | 3 | 3 |

(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 tax | 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 |

# **36. Risk management policy**

The Company’s financial risk principally related to insurance assets and liabilities and financial instruments and how they are managed is described below.

**36.1 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 specified terms. The Company is exposed to credit risk primarily with respect to insurance and investments. The Company’s maximum exposure to credit risk is limited to the book value less allowance for impairment as presented in the statements of financial position. The management manages the risk by adopting appropriate credit control policies and procedures, as follows:

a. Credit risk from underwriting such as

(1) 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.

(2) 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.

An impairment analysis of claims receivable from litigants is performed at each reporting date. The expected credit loss rates are based on actual claim statistics over the past 10 - 13 years, by classifying debtors into 2 types, namely insurance company litigants and non-insurance litigants. The calculation of expected credit loss reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

b. Credit 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.

An impairment analysis of investments in debt instruments, cash deposits and accrued investment income is performed at each reporting date. The provision of expected credit loss is calculated by using the General Approach by classifying the investments into stages as follows:

Stage 1 Investment grade debt instruments where there has no significant increase in credit risk. The Company recognises allowance for expected credit loss at an amount equal to the expected credit loss in the next 12 months.

Stage 2 Debt instruments where there has significant increase in credit risk but that are not credit impaired such as a downgrade of credit rating. The Company recognises allowance for expected credit loss at an amount equal to the lifetime expected credit loss of the financial assets.

Stage 3 When there is a significant indication of credit impairment, such as failure to fulfil a contract (overdue principal or interest), borrowers experiencing serious financial problems, the lender relaxing conditions for borrowers and the possibility of borrower bankruptcy, the Company recognises allowance for expected credit loss at an amount equal to the lifetime expected credit loss of the financial assets.

At every reporting date, the Company assesses whether there has been a significant increase in credit risk of financial assets since initial recognition. In the event of a significant change in credit risk, the debt instruments are restaged according to the indications or evidence of the assets being credit-impaired. The calculation of expected credit loss reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

| (Unit: Baht) | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied and Separate financial statements | | | | |
|  | 31 December 2020 | | | | |
|  | Financial assets where there has no significant increase in credit risk (12-mth ECL) | Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired) | Financial assets that are credit-impaired (Lifetime ECL - credit impaired) | Financial assets where applied simplified approach to calculated ECL  (Lifetime ECL - simplified approach) | Total |
| **Cash and cash equivalents** |  |  |  |  |  |
| Investment grade | 263,623,544 | - | - | - | 263,623,544 |
| Non-investment grade | - | - | - | - | - |
| **Total** | 263,623,544 | - | - | - | 263,623,544 |
| Allowance for expected credit loss | 87,235 | - | - | - | 87,235 |
|  |  |  |  |  |  |
| **Available-for-sale investments which are measured at FVOCI** |  |  |  |  |  |
| Investment grade | 1,348,331,030 | - | - | - | 1,348,331,030 |
| Non-investment grade | - | - | - | - | - |
| **Total fair value** | 1,348,331,030 | - | - | - | 1,348,331,030 |
| Allowance for expected credit loss | 239,435 | - | - | - | 239,435 |
|  |  |  |  |  |  |
| **Held-to-maturity investments which are measured at amortised cost** |  |  |  |  |  |
| Investment grade | 718,126,506 | - | - | - | 718,126,506 |
| Non-investment grade | - | - | - | - | - |
| **Total** | 718,126,506 | - | - | - | 718,126,506 |
| Allowance for expected credit loss | 190,218 | - | - | - | 190,218 |
|  |  |  |  |  |  |
| **Accrued investment income** |  |  |  |  |  |
| Investment grade | 6,315,646 | - | - | - | 6,315,646 |
| Non-investment grade | - | - | - | - | - |
| **Total** | 6,315,646 | - | - | - | 6,315,646 |
| Allowance for expected credit loss | 5,298 | - | - | - | 5,298 |
|  |  |  |  |  |  |
| **Loans and interest receivables** |  |  |  |  |  |
| Not yet due | 644,535 | - | - | - | 644,535 |
| **Total** | 644,535 | - | - | - | 644,535 |
| Allowance for expected credit loss | - | - | - | - | - |
|  |  |  |  |  |  |
| **Other assets - Claims receivable from litigants** |  |  |  |  |  |
| Overdue | - | - | - | 303,089,052 | 303,089,052 |
| **Total** | - | - | - | 303,089,052 | 303,089,052 |
| Allowance for expected credit loss | - | - | - | 198,792,692 | 198,792,692 |
|  |  |  |  |  |  |
| **Other assets - Brokers receivables** |  |  |  |  |  |
| Overdue | - | - | - | 66,479,284 | 66,479,284 |
| **Total** | - | - | - | 66,479,284 | 66,479,284 |
| Allowance for expected credit loss | - | - | - | - | - |

The table below shows the movement in the allowance for expected credit loss for the year ended 31 December 2020.

| (Unit: Baht) | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied and Separate financial statements | | | | |
|  | 31 December 2020 | | | | |
|  | Financial assets where there has no significant increase in credit risk (12-mth ECL) | Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired) | Financial assets that are credit-impaired (Lifetime ECL - credit impaired) | Financial assets where applied simplified approach to calculated ECL  (Lifetime ECL - simplified approach) | Total |
| **Cash and cash equivalents** |  |  |  |  |  |
| Beginning balance | - | - | - | - | - |
| Change due to adoption of new accounting standards | 47,866 | - | - | - | 47,866 |
| Change due to remeasurement of allowance for expected credit loss | 39,369 | - | - | - | 39,369 |
| Ending balance | 87,235 | - | - | - | 87,235 |
|  |  |  |  |  |  |
| **Available-for-sale investments which are measured at FVOCI** |  |  |  |  |  |
| Beginning balance | - | - | - | - | - |
| Change due to adoption of new accounting standards | 332,263 | - | - | - | 332,263 |
| Change due to remeasurement of allowance for expected credit loss | 119,377 | - | - | - | 119,377 |
| Newly purchased or acquired financial assets | 12,189 | - | - | - | 12,189 |
| Amounts written off | (224,394) | - | - | - | (224,394) |
| Ending balance | 239,435 | - | - | - | 239,435 |
|  |  |  |  |  |  |
| **Held-to-maturity investments which are measured at amortised cost** |  |  |  |  |  |
| Beginning balance | - | - | - | - | - |
| Change due to adoption of new accounting standards | 97,859 | - | - | - | 97,859 |
| Newly purchased or acquired financial assets | 190,218 | - | - | - | 190,218 |
| Amounts written off | (97,859) | - | - | - | (97,859) |
| Ending balance | 190,218 | - | - | - | 190,218 |
|  |  |  |  |  |  |
| **Accrued investment income** |  |  |  |  |  |
| Beginning balance | - | - | - | - | - |
| Change due to adoption of new accounting standards | 2,403 | - | - | - | 2,403 |
| Change due to remeasurement of allowance for expected credit loss | 3,106 | - | - | - | 3,106 |
| Newly purchased or acquired financial assets | 1,695 | - | - | - | 1,695 |
| Amounts written off | (1,906) | - | - | - | (1,906) |
| Ending balance | 5,298 | - | - | - | 5,298 |
|  | |  |  |  |  |
| **Other assets - Claims receivable from litigants** | |  |  |  |  |
| Beginning balance | - | - | - | 167,664,639 | 167,664,639 |
| Change due to adoption of new accounting standards | - | - | - | 25,057,163 | 25,057,163 |
| Change due to remeasurement of allowance for expected credit loss | - | - | - | 11,691,737 | 11,691,737 |
| Newly purchased or acquired financial assets | - | - | - | 87,779,595 | 87,779,595 |
| Amounts written off | - | - | - | (93,400,442) | (93,400,442) |
| Ending balance | - | - | - | 198,792,692 | 198,792,692 |

As at 31 December 2020, the maximum exposure to credit risk of financial assets (excluding insurance assets) is the gross carrying amounts before deducting allowance for expected credit loss before both the effect of mitigation through use of master netting and collateral arrangements. The details are as follows:

|  |  |
| --- | --- |
|  | (Unit: Baht) |
|  | 31 December 2020 |
| Cash and cash equivalents | 263,536,309 |
| Available-for-sale investments which are measured at FVOCI | 1,348,331,030 |
| Held-to-maturity investments which are measured at amortised cost | 717,936,288 |
| Accrued investment income | 6,310,348 |
| Loans and interest receivables | 644,535 |
| Other assets - Claims receivable from litigants | 104,296,360 |
| Other assets - Brokers receivables | 66,479,284 |
| Total maximum exposure to credit risk | 2,507,534,154 |

**36.2 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 loss, and also review the structure of the portfolio mix on a regular basis.

1. 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 2020 and 2019, 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 and Separate financial statements | | | | | |
|  | 2020 | | | | | |
|  | Fixed interest rates | |  |  |  |  |
|  | Maturity date or repricing date | |  |  |  |  |
|  | Within 1 year | 1 - 5 years | Floating interest rate | Non-interest bearing | Total | Effective interest rate |
|  |  |  |  |  |  | (% per annum) |
| **Financial assets** |  |  |  |  |  |  |
| Cash and cash equivalents | - | - | 263,229,309 | 307,000 | 263,536,309 | 0.05 - 0.55 |
| Accrued investment income | - | - | - | 6,310,348 | 6,310,348 | - |
| Investments in securities |  |  |  |  |  |  |
| Government and state enterprise securities | 959,331,032 | 51,556,520 | - | - | 1,010,887,552 | 0.38 - 3.65 |
| Private debt securities | 311,775,121 | 55,662,252 | - | - | 367,437,373 | 0.95 - 3.41 |
| Equity instruments | - | - | - | 860,794,482 | 860,794,482 | - |
| Unit trusts | - | - | - | 315,331,835 | 315,331,835 | - |
| Deposits and certificate deposits at financial institutions | 687,942,393 | - | - | - | 687,942,393 | 0.35 - 2.30 |
| Loans and interest receivables | 188,607 | 455,928 | - | - | 644,535 | 6.50 - 7.00 |
| Other assets - Claims receivable from litigants | - | - | - | 104,296,360 | 104,296,360 | - |
| Other assets - Brokers receivables | - | - | - | 66,479,284 | 66,479,284 | - |
| **Insurance assets** |  |  |  |  |  |  |
| Premium receivables | - | - | - | 495,415,614 | 495,415,614 | - |
| Reinsurance assets - claim reserves | - | - | - | 153,880,298 | 153,880,298 | - |
| Reinsurance receivables | - | - | - | 598,821,741 | 598,821,741 | - |
| **Financial liabilities** |  |  |  |  |  |  |
| Lease liabilities | 12,899,259 | 41,374,372 | - | - | 54,273,631 | 0.33 - 6.64 |
| **Insurance liabilities** |  |  |  |  |  |  |
| Insurance contract liabilities - claim reserves and outstanding claims | - | - | - | 860,718,119 | 860,718,119 | - |
| Due to reinsurers | - | - | - | 967,658,760 | 967,658,760 | - |

(Unit: Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied | | | | | |
|  | 2019 | | | | | |
|  | Fixed interest rates | |  |  |  |  |
|  | Maturity date or repricing date | |  |  |  |  |
|  | Within 1 year | 1 - 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 |
| Accrued investment income | - | - | - | 7,992,591 | 7,992,591 | - |
| 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 instruments | - | - | - | 814,345,178 | 814,345,178 | - |
| Unit trusts | - | - | - | 372,174,160 | 372,174,160 | - |
| Deposits and certificate deposits at financial institutions | 485,000,000 | - | - | - | 485,000,000 | 0.65 - 2.30 |
| Loans and interest receivables | 149,370 | 800,476 | - | - | 949,846 | 6.50 - 7.00 |
| Other assets - Claims receivable from litigants | - | - | - | 118,749,174 | 118,749,174 | - |
| Other assets - Brokers receivables | - | - | - | 67,819,301 | 67,819,301 | - |
| **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 | - |
| **Financial liabilities** |  |  |  |  |  |  |
| Liabilities under finance lease agreements | 7,723,618 | 8,146,302 | - | - | 15,869,920 | 0.33 - 6.64 |
| **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 | - |

(Unit: Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Separate financial statements | | | | | |
|  | 2019 | | | | | |
|  | Fixed interest rates | |  |  |  |  |
|  | Maturity date or repricing date | |  |  |  |  |
|  | Within 1 year | 1 - 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 |
| Accrued investment income | - | - | - | 7,992,591 | 7,992,591 | - |
| 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 instruments | - | - | - | 759,120,583 | 759,120,583 | - |
| Unit trusts | - | - | - | 372,174,160 | 372,174,160 | - |
| Deposits and certificate deposits at financial institutions | 485,000,000 | - | - | - | 485,000,000 | 0.65 - 2.30 |
| Loans and interest receivables | 149,370 | 800,476 | - | - | 949,846 | 6.50 - 7.00 |
| Other assets - Claims receivable from litigants | - | - | - | 118,749,174 | 118,749,174 | - |
| Other assets - Brokers receivables | - | - | - | 67,819,301 | 67,819,301 | - |
| **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 | - |
| **Financial liabilities** |  |  |  |  |  |  |
| Liabilities under finance lease agreements | 7,723,618 | 8,146,302 | - | - | 15,869,920 | 0.33 - 6.64 |
| **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 | - |

*Interest rate sensitivity*

The following table demonstrates the sensitivity of the Company’s equity to a reasonably possible change in interest rates which will effect to the fair value of debt instruments as at 31 December 2020.

|  |  |  |
| --- | --- | --- |
|  | Financial statements in which the equity method is applied and Separate financial statements | |
|  | Increase (decrease) | Effect on equity |
|  | (%) | (Million Baht) |
| Available-for-sale investments - Debt instruments | 1% | (6.7) |
| Available-for-sale investments - Debt instruments | (1%) | 6.9 |

The above analysis has been prepared assuming that the amounts of debt instruments and all other variables remain constant. As a result, a change in interest rates affects fair value of investments in debt instruments.

1. 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 2020 and 2019, the Company has risk from its investments in securities of which the price will change with reference to market conditions.

**36.3 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 and 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 2020 and 2019 are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Baht) | | | | | |
|  | Financial statements in which the equity method is applied and Separate financial statements | | | | | |
|  | 2020 | | | | | |
|  | At call | Within 1 year | 1 - 5 years | Over 5 years | Unspecified | Total |
| **Financial assets** |  |  |  |  |  |  |
| Cash and cash equivalents | 263,536,309 | - | - | - | - | 263,536,309 |
| Accrued investment income | - | 6,086,078 | 224,270 | - | - | 6,310,348 |
| Investments in securities | 934,296,192 | 1,959,048,546 | 107,218,772 | - | 241,830,125 | 3,242,393,635 |
| Loans and interest receivables | - | 188,607 | 455,928 | - | - | 644,535 |
| Other assets - Claims receivable from litigants | - | 104,296,360 | - | - | - | 104,296,360 |
| Other assets - Brokers receivables | - | 66,479,284 | - | - | - | 66,479,284 |
| **Insurance assets** |  |  |  |  |  |  |
| Premium receivables | - | 495,415,614 | - | - | - | 495,415,614 |
| Reinsurance assets - claim reserves | - | 132,780,917 | 20,619,228 | 480,153 | - | 153,880,298 |
| Reinsurance receivables | - | 598,821,741 | - | - | - | 598,821,741 |
| **Financial liabilities** |  |  |  |  |  |  |
| Lease liabilities | - | 15,269,448 | 44,703,368 | - | - | 59,972,816 |
| **Insurance liabilities** |  |  |  |  |  |  |
| Insurance contract liabilities - claim reserves and outstanding claims | - | 737,441,797 | 116,980,831 | 6,295,491 | - | 860,718,119 |
| Due to reinsurers | - | 967,658,760 | - | - | - | 967,658,760 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (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 |
| Accrued investment income | - | 7,992,591 | - | - | - | 7,992,591 |
| Investments in securities | 1,065,829,104 | 1,528,078,504 | 308,172,244 | - | 142,105,795 | 3,044,185,647 |
| Loans and interest receivables | - | 149,370 | 800,476 | - | - | 949,846 |
| Other assets - Claims receivable from litigants | - | 118,749,174 | - | - | - | 118,749,174 |
| Other assets - Brokers receivables | - | 67,819,301 | - | - | - | 67,819,301 |
| **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 |
| **Financial liabilities** |  |  |  |  |  |  |
| Liabilities under finance lease agreements | - | 8,286,385 | 8,609,937 | - | - | 16,896,322 |
| **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 | | | | | |
|  | 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 |
| Accrued investment income | - | 7,992,591 | - | - | - | 7,992,591 |
| Investments in securities | 1,065,829,104 | 1,528,078,504 | 308,172,244 | - | 86,881,200 | 2,988,961,052 |
| Loans and interest receivables | - | 149,370 | 800,476 | - | - | 949,846 |
| Other assets - Claims receivable from litigants | - | 118,749,174 | - | - | - | 118,749,174 |
| Other assets - Brokers receivables | - | 67,819,301 | - | - | - | 67,819,301 |
| **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 |
| **Financial liabilities** |  |  |  |  |  |  |
| Liabilities under finance lease agreements | - | 8,286,385 | 8,609,937 | - | - | 16,896,322 |
| **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 |

**36.4 Fair value measurement for financial assets**

As at 31 December 2020 and 2019, the Company had the following financial assets and financial liabilities that were measured at fair value or 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 and Separate financial statements | | | | |
|  | 2020 | | | | |
|  | Fair value | | | |  |
|  | Level 1 | Level 2 | Level 3 | Total | Book value |
| **Financial assets measured at fair value** |  |  |  |  |  |
| Trading investments which are measured at FVPL |  |  |  |  |  |
| Equity instruments | 424,182,917 | - | - | 424,182,917 | 424,182,917 |
| Unit trusts | 116,102,300 | - | - | 116,102,300 | 116,102,300 |
| Available-for-sale investments which are measured at FVOCI |  |  |  |  |  |
| Government and state enterprise securities | - | 980,893,657 | - | 980,893,657 | 980,893,657 |
| Private debt securities | - | 367,437,373 | - | 367,437,373 | 367,437,373 |
| Equity instruments | 194,781,440 | - | 241,830,125 | 436,611,565 | 436,611,565 |
| Unit trusts | 152,131,976 | 47,097,559 | - | 199,229,535 | 199,229,535 |

| (Unit: Baht) | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | Financial statements in which the equity method is applied and Separate financial statement | | | | |
|  | 2019 | | | | |
|  | Fair value | | | |  |
|  | Level 1 | Level 2 | Level 3 | Total | Book value |
| **Financial assets measured at fair value** |  |  |  |  |  |
| Trading investments which are measured at FVPL |  |  |  |  |  |
| Government and state enterprise securities | 5,440,000 | - | - | 5,440,000 | 5,440,000 |
| Equity instruments | 447,735,347 | - | - | 447,735,347 | 447,735,347 |
| Unit trusts | 156,267,420 | - | - | 156,267,420 | 156,267,420 |
| Available-for-sale investments which are measured at FVOCI |  |  |  |  |  |
| 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 instruments | 224,504,036 | - | - | 224,504,036 | 224,504,036 |
| Unit trusts | 163,894,456 | 52,012,284 | - | 215,906,740 | 215,906,740 |

The fair value hierarchy of financial assets and financial liabilities as at 31 December 2020 and 2019 presents according to Note 5.20 to financial statements.

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

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

(b) The fair value of investments in debt instruments is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.

(c) Investments in marketable equity instruments have been presented at fair value by using market price. Investments in non-listed equity instruments are determined using generally accepted pricing model or approximated to their net book values if the fair value cannot be reliably estimated.

(d) Investments in marketable unit trusts have been presented at fair value by using market price. Investments in non-listed unit trusts are determined by using the net asset value as announced by asset management company.

(e) The fair value of fixed rate loans is determined by discounting the expected future cash flows by using the current market interest rate.

(f) Fair values of lease liabilities were approximated to their carrying value due to carrying an approximate market rate.

As at 31 December 2020 and 2019, the Company does not disclosed the fair value of financial assets and financial liabilities which are stated at amortised cost since their fair value is estimated based on the book value.

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

## Reconciliation of recurring fair value measurements of financial assets, categorised within Level 3 of the fair value hierarchy, are as follows.

|  |  |  |
| --- | --- | --- |
|  |  | (Unit: Baht) |
|  | Financial statements in which the equity method is applied | Separate financial statements |
|  | Equity instruments | |
| Balance as of 1 January 2020 - presented at cost | 142,105,795 | 86,881,200 |
| Change due to adoption of new accounting standards | 129,799,094 | 185,023,689 |
| Balance as of 1 January 2020 - present at fair value | 271,904,889 | 271,904,889 |
| Net loss recognised into other comprehensive income | (30,074,764) | (30,074,764) |
| Balance as of 31 December 2020 - present at fair value | 241,830,125 | 241,830,125 |

**37. 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.

**38. Event after the reporting period**

On 23 February 2021, a meeting of the Board of Directors passed the resolutions to propose to the Annual General Meeting of shareholders approving the allocation of profits for cash dividend at the rate of Baht 1.50 per share for the 35 million shares, totaling Baht 52.50 million. Payment is scheduled to be made on 21 May 2021.

**39. Approval of financial statements**

These financial statements were authorised for issue by the Company’s Board of Directors on 23 February 2021.