

ANNUAL REPORT  
**2016**



บพจ.  
**นวกิจประกันภัย**

The Navakij Insurance Public Company Limited

## Vision

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

## Mission

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



# Contents

- |           |  |           |   |
|-----------|--|-----------|---|
| <b>2</b>  | Financial Highlights   | <b>15</b> | Board of Directors and The Management Profiles                                  |
| <b>4</b>  | Message from the Chairman                                      | <b>23</b> | Shareholders and Management Structure   |
| <b>5</b>  | Message from the CEO and President                             | <b>35</b> | Economic and Non-life Insurance Industry Trends                                 |
| <b>6</b>  | Operating Results from Underwriting                            | <b>37</b> | Nature of Business  |
| <b>8</b>  | The Company's Market Share                                     | <b>38</b> | Risk Management   |
| <b>9</b>  | The Remuneration, Nomination and Governance Committee's Report | <b>42</b> | Management Discussion and Analysis  |
| <b>10</b> | Audit Committlee's Report                                      | <b>47</b> | Sustainable Development   |
| <b>12</b> | Organizational Structure                                       | <b>59</b> | Report of the Board of Director's Responsibilities for the Financial Statements |
| <b>14</b> | The Company's General Information                              | <b>60</b> | Financial Statements  |



# FINANCIAL HIGHLIGHTS

For the fiscal year ended 31 December

		Separate Financial Statements		
	Unit	2016	2015	2014
<b>Financial Position</b>				
Total assets	million Baht	5,532.20	5,623.14	4,986.30
Total liabilities	million Baht	3,436.21	3,558.23	2,880.89
Company shareholders' equity	million Baht	2,095.99	2,064.91	2,105.41
Investment in securities	million Baht	3,111.99	3,314.90	2,650.93
Dividend per share	Baht	1.00	2.31	3.32
Paid-up capital	Share	33,000,000	32,000,000	31,000,000
Authorized capital	Share	33,000,000	32,000,000	31,000,000
<b>Operating Performance</b>				
Gross written premium	million Baht	2,839.04	3,368.93	2,685.88
Net written premium	million Baht	2,199.55	2,816.43	2,175.30
Net Earned premium	million Baht	2,547.95	2,428.50	2,017.56
Fee and Commission income	million Baht	147.83	136.71	164.93
Net loss incurred	million Baht	1,786.69	1,528.09	1,166.35
Underwriting expenses include operating expenses	million Baht	2,835.37	2,701.12	2,106.97
Underwriting profit (loss) after operating expenses have been deducted	million Baht	(139.59)	(135.91)	90.09
Investment and other Income (loss)	million Baht	210.93	263.05	197.81
Profit before income tax expenses	million Baht	71.34	127.14	273.33
Income tax expenses	million Baht	4.05	18.20	55.82
Net profit	million Baht	67.29	108.94	217.51
<b>Liquidity Ratio</b>				
Liquidity ratio	Times	1.32	1.34	1.48
Collection period for premium due and uncollected	Days	57	46	43

		Separate Financial Statements		
	Unit	2016	2015	2014
<b>Profitability Ratio</b>				
Retention rate	%	77.47	83.60	80.99
Loss ratio	%	70.12	62.92	57.81
Underwriting profit margin	%	8.54	9.84	18.00
Underwriting expenses ratio	%	41.16	48.30	48.98
Return on investment	%	6.48	7.76	7.15
Net written premium to shareholders' fund	Times	1.06	1.35	1.05
Net profit margin	%	2.31	3.85	9.14
Return on equity	%	3.23	5.22	10.48
Earning per share*	Baht	2.04	3.30	6.59
<b>Efficiency Ratio</b>				
Return on assets	%	1.21	2.05	3.82
Assets turnovers	Times	0.52	0.53	0.42
<b>Financial Position Ratio</b>				
Debt to equity ratio	Times	1.64	1.72	1.37
Policy Liability to Capital Fund	Times	1.16	1.26	0.97
Unearned premium reserve to equity	Times	0.74	0.87	0.65
Unearned reserve to total assets	%	27.99	32.05	27.45
Dividend payout ratio	%	49.04	67.93	47.35

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



## Message from the Chairman

Thus was another year of Thailand economic sluggishness. The economic growth by leaps and bounds that we had anticipated at the beginning of 2016 did not come to fruition, and the optimistic forecasts were in vain. Many industries, needless to say, insurance included were affected by the continual economic slowdown. This was enhanced by the heightened cautiousness in dispensable income of the consumers. In order to stay competitive, insurance providers needed to develop and introduce products that coherently suit the changing needs of their consumers; which resulted in multiplied levels of competitiveness particularly within the motor insurance segment.

We at the Company are full aware of the competitive nature of the domestic insurance industry. Farther we also realize that in order to maintain existing consumers as well as increase market share whilst remaining industry competitive, we may see multiple mergers and/or consolidations of smaller domestic players.

Given the edgy circumstance mentioned above, The Navakij Insurance Public Company Limited has imposed up-close governance of its management to ensure operations that are both of quality and cautiousness. During the year, the Company had altered its organisational structure and management policies to best reflect the situations at hand whilst maintaining our core qualities which are service, operations, human resources, and competitiveness.

To the extent that the Company had received the detrimental effects of the overall lacklustre condition of the Thai Economy, we remain in satisfactory financial conditions. In 2016 the Company increased its capital by ten million Baht via the issuance of one million ordinary shares at ten Baht par value. This capital was then distributed as dividends to existing shareholders. The Company now has a full paid up capital of 330 million Baht.

The Company places great importance on its management strategies and services such that the Company could maximize its potential benefits to our stakeholders. And for 2017 the Company will pursue insurance products and workflows that should generate significant profit increase. We are confident that we will continue to deliver exceptional reliability and a service that is second to none to our policy holders. This will be reflected in the increase in the Company's ability to renew existing policies. Moreover, and as always, the Company's emphasis on solid corporate governance is another of our priorities. Not only do we implement the changes imposed by regulatory bodies such as the

Stock Exchange of Thailand, and the Office of Insurance Commission, we also adapt internally to ensure that our corporation continues to operate efficiently within the updated framework changes. Last year we were the only insurance company to be awarded the "Excellent" rating for its corporate governance from the Thai Institute of Directors.

On behalf of the Board of Directors, I would like to express my sincere gratitude to those who have supported Navakij, to those who trust in our transparency and fairness which have gone un-withered for over eighty years. I would like to thank all our shareholders who have trust us in the laid down policies for the management team. And finally, very heartfelt thank you to every single personnel at Navakij who have dedicated time and other resources in order to carry out their responsibilities beyond what was required of them professionally throughout the difficult times that the Company had endure. You are the strength of the Company that will ensure our success in the coming years.

**Suchin Wanglee**  
Chairman of the Board of Directors

# Message from the CEO and President



The Thai economy throughout 2016 could be considered as “recovery phase”. Therefore one expects the figures to be better than of 2015; the main drivers of recovery are exports and agriculture. Both are supporting factors in the foundation of populous income and household spending. Government spending could be another key driver should the investments on transport infrastructure take off. Needless to say, we anticipate tourism to be on a more supporting role for growth for 2016.

The general insurance industry has the tendency to grow from the previous year primarily through government driven schemes. Examples include government subsidised rice insurance scheme had proven successful in 2016, and nano accidental insurance for the low income segment. But at the same time our industry also faced various risks and volatilities such as the combination of more competitive premium as well as heightened cost of claims. In particular the rise in cost of claims is rising at a greater rate at which premium is becoming more competitive; this gap will continue to widen forcing insurers to become much leaner. Rate of growth of new cars has also slowed down, implying that the total sum insured of the auto industry is getting smaller as cars depreciates. Because the market has become very competitive, many insurers have been struggling to increase premiums let alone maintain them.

As for Navakij, as a leading insurer, we were also impacted no differently from the market at large. Nonetheless we are confident that our performance is firming above average as compared to the rest of the industry. The performance for the fiscal year 2016 was in line with the size of non-life insurance industry and the Company’s ranking was at the 26<sup>th</sup> of the industry. We ended the year with the gross written premium of 2,839 million Baht. The underwriting profit was 218 million Baht, down 9% YoY, investment returns was 202 million Baht, and net profit of 67 million Baht which was a 38% decrease YoY, mostly due to the increase in the increased cost of motor claims and operation expenses. Both of these issues had been addressed at the strategic and operational levels. We have become more selective in partnership management with our intermediaries as well as implement check and balance on the claims management side. On the operation expense side, we focused selective alternatives for capital intensive items namely our IT system and employee salaries. We implemented all these measures with vigilant control over our risk profile meaning that our financial standings firmly comply with the risk-based capital: RBC imposed by the OIC and as of September 2016 our Capital Adequacy Ratio (CAR) was at 428.34% which was significantly higher than the 140% OIC minimum requirement.

During 2016 we reduced our stake in the Falcon Insurance Public Company Limited from 20% down to 12% of the paid up capital because we did not exercise our right as incumbent shareholder when Falcon increased its capital.

With regards to service to our partners and policy holders, we remain adamant to provide convenience for all throughout every region of the country. A service of quality and consistent standard, where customer satisfaction is the key measure of success. Convenient, quick, and just services that we provide coincides with the OIC Insurance Development Plan Vol.3 which concern about sustainable growth and more creditable of the business.

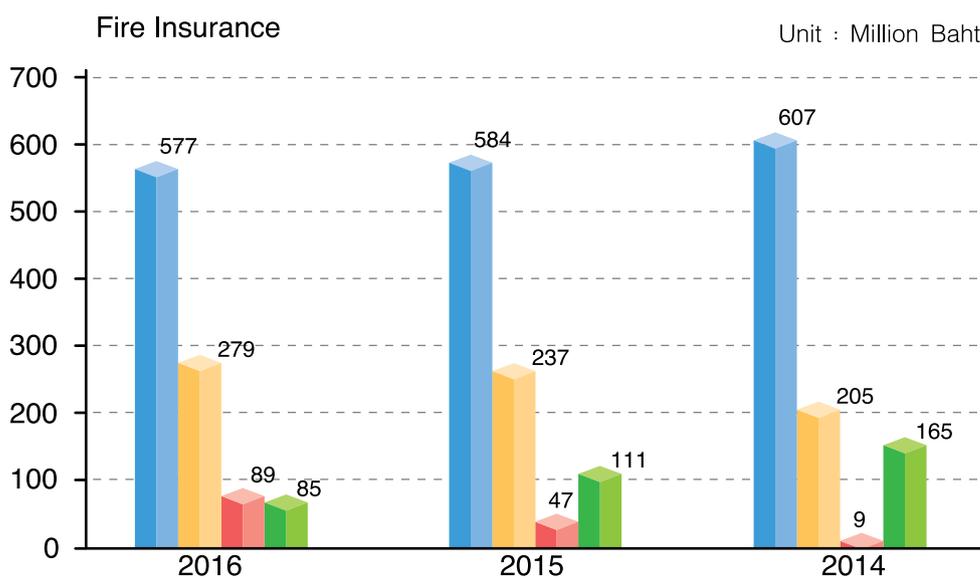
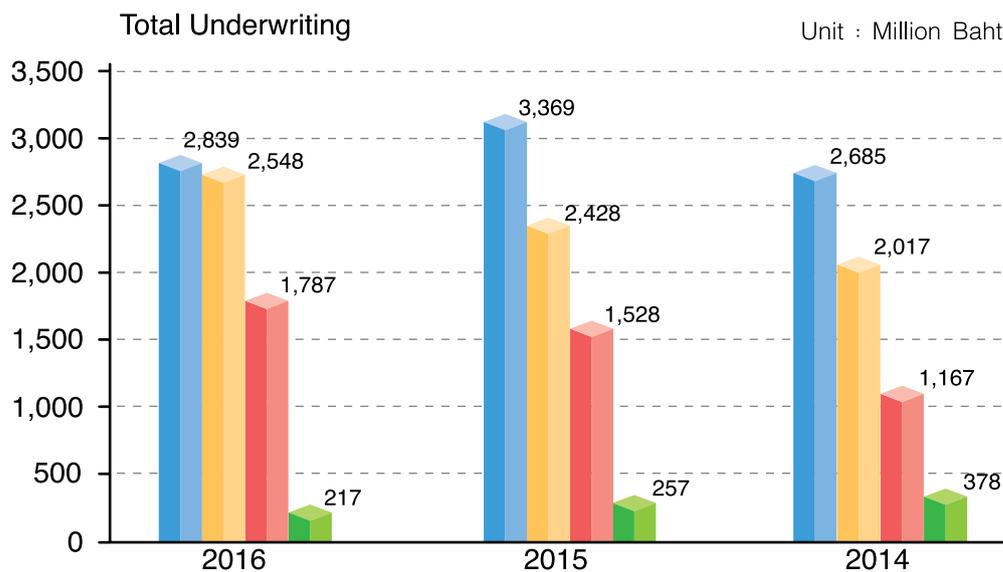
Moreover, the Company has focused on continual improvement in its management, human resources, services, marketing and communications as well as other information all of which are evolving at an unprecedented pace. Through research and development, several new policies have come to fruition allowing consumers “pick and choose” the most appropriate coverage given different circumstances. Both the management and operations structure, chain of commands have been modified in order to become more efficient in the competitively expanding industry.

The Company has been and will always continue to be an active participant in all anti-corruption schemes. The transparency of our management has withstood the test of time where by all stakeholders have been compensated fairly. In terms of regulatory compliance that is required of the Company by the governing institutions, we interpret all the changes and roll our new requirements with utmost diligence.

Throughout the years, Navakij has withstood countless obstacles whilst managed to achieve continuous growth. Our performance may be considered as well above average as compared to the industry. The Company finds its strength in the acceptance from our consumers to moderate out the uncertainty of the future, the trust and support from our shareholders, and from all the employees and management of the Company who have been the Company “possible”. On behalf of the management my sincere gratitude to all of them.

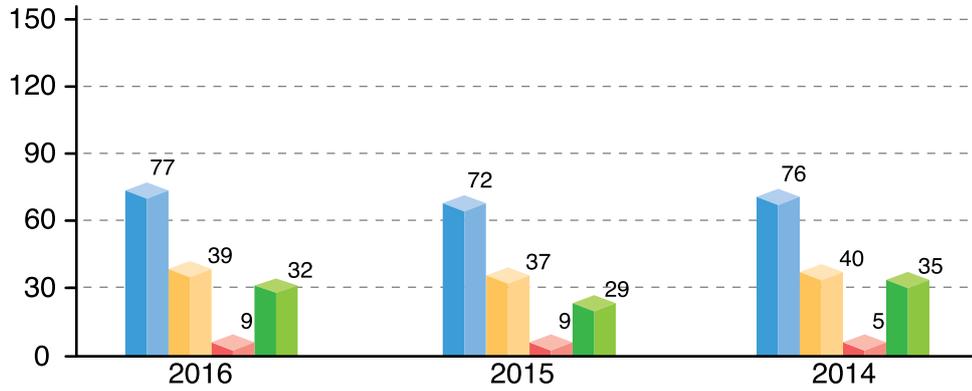
**Pitiphong Bisalputra**  
CEO & President

# Operating Results from Underwriting



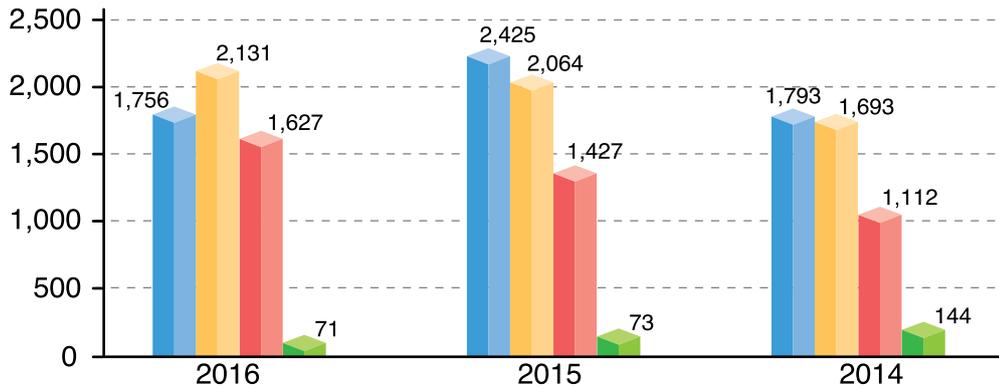
### Marine and Transportation Insurance

Unit : Million Baht



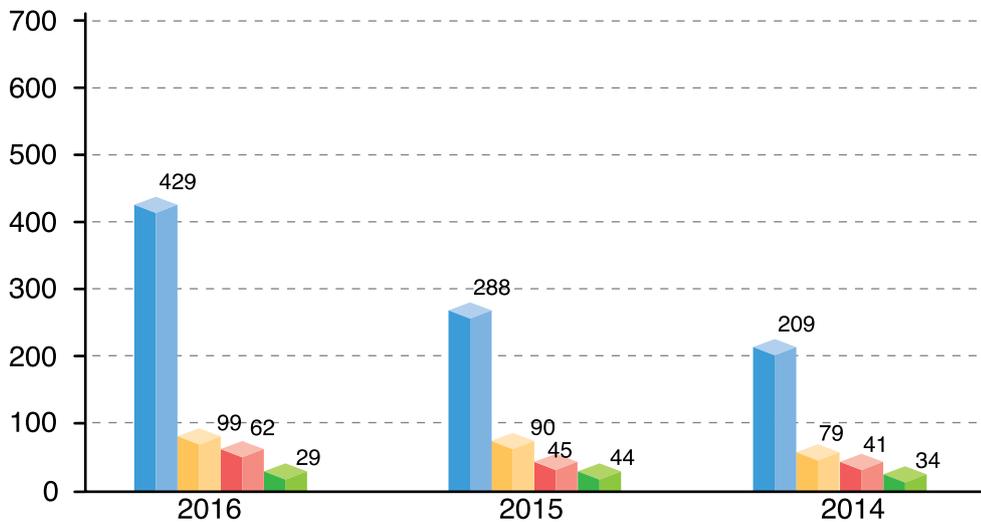
### Motor Insurance

Unit : Million Baht



### Miscellaneous Insurance

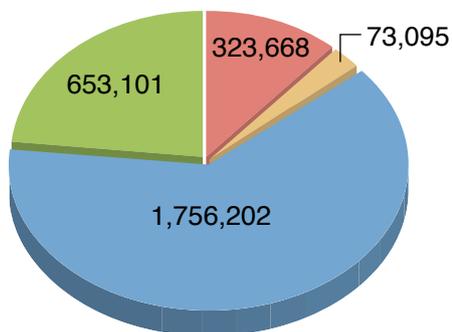
Unit : Million Baht



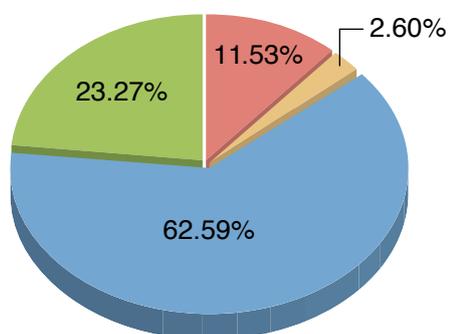
# The Company's Market Share as of 31 December 2016

Line of Business

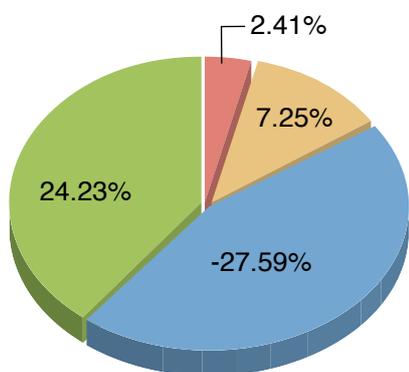
- Fire
- Marine & Transportation
- Motor
- Miscellaneous



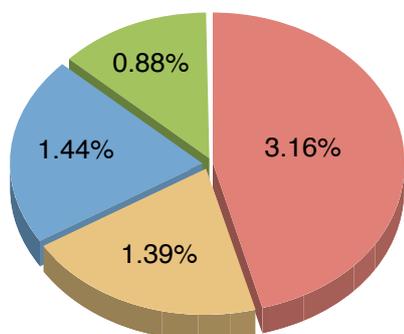
Direct Premium 2016  
(Thousand Baht)  
Total 2,806,066



Product Proportion



Growth  
Total -15.86%



Market Share  
Total 1.32%

# The Remuneration, Nomination and Governance Committee's Report



The Board of Directors has assigned the remuneration, nomination and governance committee (the "Committee"), comprising a team of 3 independent directors to oversee the Company's operation and ensure compliance with the principles of good corporate governance of relevant regulatory bodies.

The Committee shall have a term of three years. In 2016, all the three directors have been approved by the Board of Directors to serve on another term ending in February 2019.

In 2016, the Committee held two meetings and its members' attendance was 100% by the three directors. The Committee's performance of its duties is summarized as follows:

## Remuneration Roles

1. Considered the proposal of the remuneration of directors for the year 2016 to the 2016 general shareholders' meeting considering from the Company's business performance during the year 2015 and at the level closely applicable in the industry, consists of (i) directors' bonus, which is based on 5% of dividend payment and (ii) meeting allowance for attendance have been paid similarly to the previous year that the payment for the risk management and the investment committees will be paid to both executive and non-executive directors.

2. Considered annual remuneration adjustment of the chief executive officer, the president and its advisor to the executive board in line with their performances in the previous year and also provided recommendations and guidelines for improvement of performance to be more effective.

## Nomination Roles

1. Considered the election of directors in place of those retiring by rotation to be the Company's director for another term due to no other candidates were proposed by the shareholders.

2. Considered the appointment of the risk management committee in place of those retiring by rotation in 2016.

3. Submitted a proposal to the Board of Directors and shareholders to provide the opportunity to nominate appropriate candidates to be appointed as the Company's director at the 2016 annual general meeting of shareholders.

## Governance Roles

1. Considered and reviewed the Company's guidelines on corporate governance and the disclosure of additional information from the truth of the Company's practices as suggested by the Thai Institute of Directors Association (IOD).

2. Considered the Insider Information and Trading policy to comply with the principles of good corporate governance and the guidelines of other leading companies.

In 2016, the Company was evaluated on the corporate governance from Thai Institute of Directors (IOD) at the highest level of recognitions "Excellent".

The Committee places importance on following the principles of good corporate governance, committed to anti-corruption and strives to continuously improve the quality of control as well as provide support for all employees, business partners and relevant persons to understand and strictly comply for the Company's sustainable growth into the future.

A handwritten signature in blue ink, appearing to be 'Pramon Sutivong'.

(Mr. Pramon Sutivong)

Chairman, Remuneration, Nomination and Governance Committee

# Audit Committee's Report



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

During 2016, the Committee held ten meetings and its members' attendance was 100% by those three members.

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

## **1. Review the financial statements for the year 2015 and the Quarterly financial statements for the year 2016**

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

## **2. Review the adequacy of internal control systems**

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

## **3. Review the related-party transaction and compliance with the rules and regulations of relevant regulatory bodies**

During 2016, the Company had significant business transactions with related parties arose in the ordinary course of business. The compliance checklist has been implemented to ensure compliance with the rules and regulations of related laws with adequately and appropriate.

#### 4. Risk management

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

#### 5. The Committee evaluated their performance

The assessment result is ranked in a good level and recommended to regularly update.

#### 6. Appointment of the external auditor for 2017

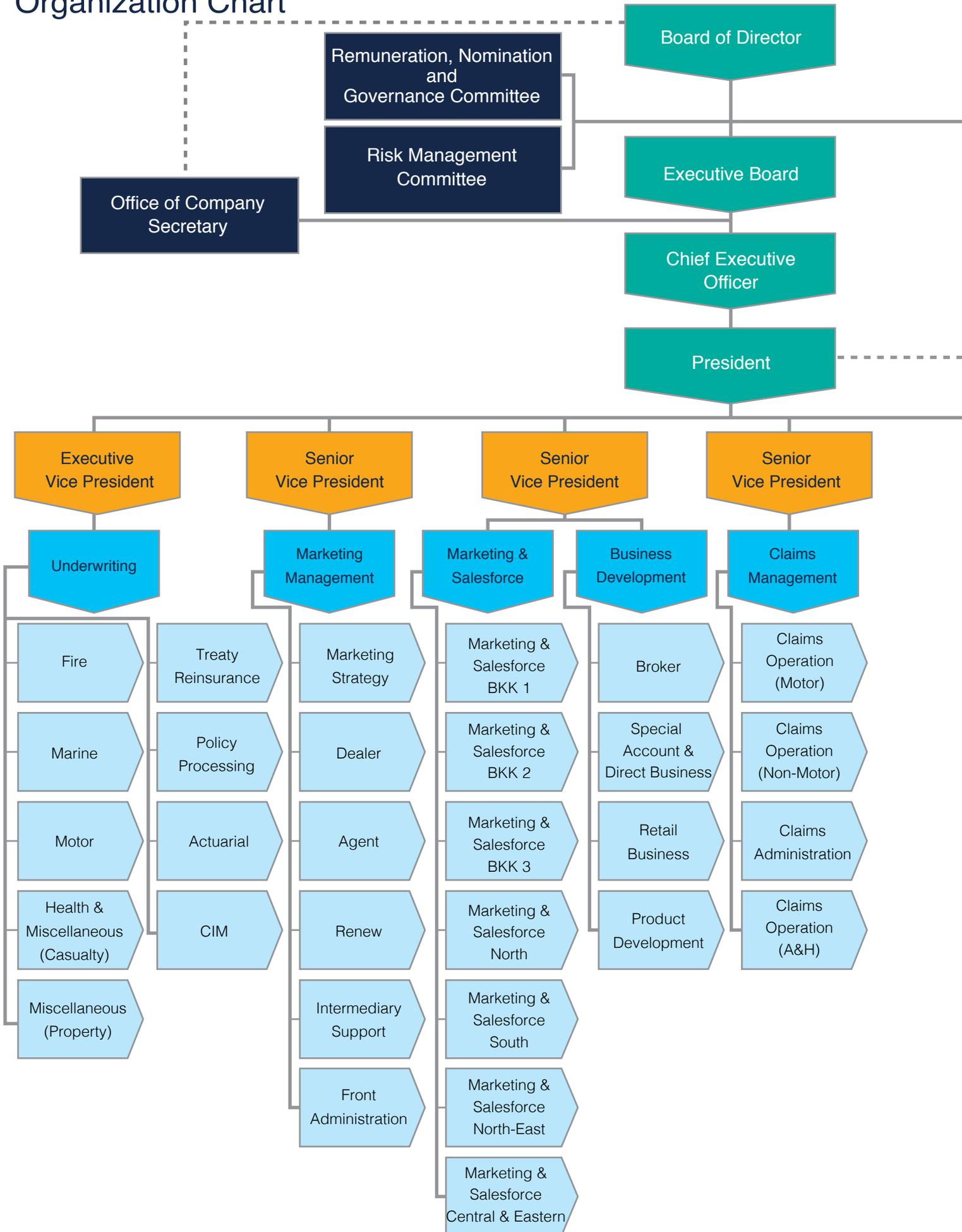
The Committee evaluated the external auditor performance during the past year, of which result is satisfactory. It also considered their independence and qualifications and was of opinion that they were conformed to criteria regulated by Securities and Exchange Commission. Therefore, the Committee recommended the board of directors to appoint Miss Somjai Khunapasut, C.P.A. Registration No.4499 or Mrs. Nongluk Pumnoi, C.P.A. Registration No.4172 or Miss Rachada Yongsawadvanich, C.P.A. Registration No.4951, all from EY Office Limited, to be the Company's external auditor for the year 2017 and also proposed audit fees for the annual and quarterly financial statements, totaling 2.09 million Baht, submitted to the annual general meeting of shareholders for approval.

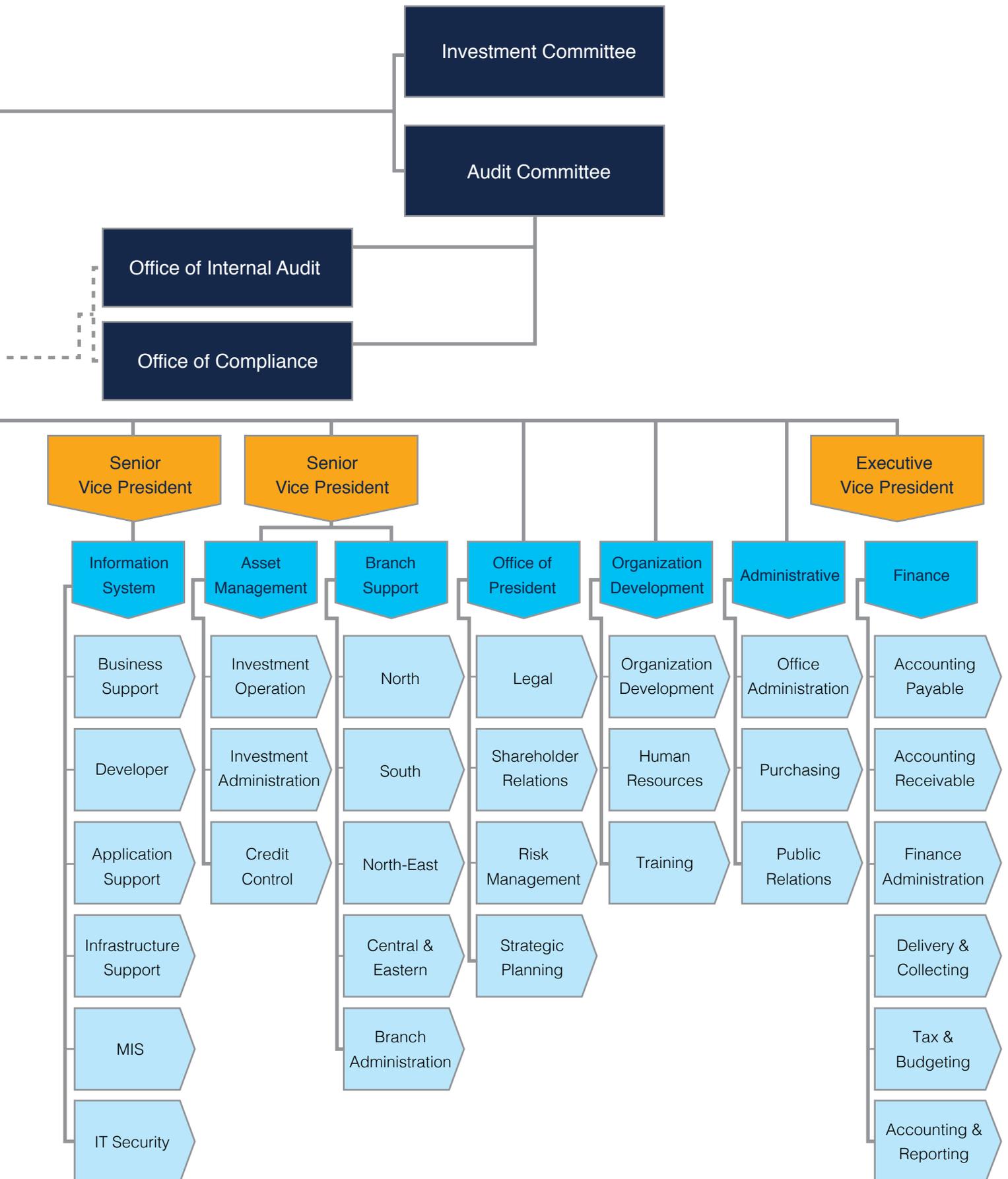
The Committee forms an opinion that the Company observed good governance principles in conducting its business, with efficiency in risk management, accuracy and credibility of financial statements and accountancy in compliance with law and regulations which related to its business. The Company also has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



**Professor Hiran Radeesri**  
Chairman of the Audit Committee

# Organization Chart





# The Company's General Information

## The Company's Information

Stock Code	NKI
Type of Business	Non-life Insurance
Registration No.	0107536000862
Year of Establishment	23 September 1933
First Trade Date	24 August 1990
Registered Capital	330 million Baht, comprised of 33 million shares @10 Baht par value
Paid-up Capital	330 million Baht
Headquarter Address	25 <sup>th</sup> -27 <sup>th</sup> Floor, Sathorn Nakorn Tower, 100/47-55, 1 <sup>st</sup> Floor, Sathorn Thani Building, 90/3-6 North Sathorn Road, Silom, Bangrak, Bangkok 10500
Corporate Headquarters	Telephone (66) 2664 7777 Fax (66) 2636 7999 Accident Notification: 1748
Website	<a href="http://www.navakij.co.th">www.navakij.co.th</a>
Shareholder Relations	<a href="mailto:office_president@navakij.co.th">office_president@navakij.co.th</a>

## Investment in other company at 10% or more of paid-up capital (Direct shareholding)

Company Name	The Falcon Insurance Public Company Limited
Type of Business	Non-life Insurance
Listed Share	Common Stock 10 million Shares @10 Baht par value
Paid-up Stock	Common Stock 10 million Shares @10 Baht par value
Shareholding Structure	NKI holds 1.2 million Shares or 12% of paid-up stock
Headquarter Address	33/4 Building A, The 9 <sup>th</sup> Towers, 24 <sup>th</sup> - 25 <sup>th</sup> Floor, Rama 9 Road, Huay Khwang, Bangkok 10310
Telephone	(66) 2676 9888
Fax	(66) 2676 9898

## Other References

Securities Registrar	Thailand Securities Depository Company Limited 93 Ratchadsaphisek Road, Dindaeng, Bangkok 10400 Telephone (66) 2009 9000 Fax (66) 2009 9991
External Auditor	Miss Somjai Khunapasut C.P.A. Registration No. 4499 EY Office Limited 33 <sup>rd</sup> Floor, Lake Rajada Office complex, 193/136-137 Rajadapisek Road, Bangkok 10110 Telephone (66) 2264 0777 Fax (66) 2264 0789-90

# Board of Directors and the Management Profiles

## Mr. Suchin Wanglee

Age	80
Positions in NKI	<ul style="list-style-type: none"><li>• Chairman of the Board of Directors</li><li>• Advisor to the Investment Committee</li><li>• Advisor to the Executive Board</li></ul>
Date of Appointment	29 April 1993
The latest reelection	24 April 2014
Highest Education Degree	Bachelor Degree in Electronic Engineering, Northrop Institute of Technology, USA
Shareholdings as of 30 December 2016	4,476,202 shares or 13.56%
<b>Director Training, Thai Institute of Directors Association</b>	
2013	Director Accreditation Program
2001	Role of the Chairman Program
<b>Board member/Management in Other Listed Company (5)</b>	
Since 2013	Member of the Audit Committee, Sermsuk Plc.
Since 2012	Chairman of the Compensation Committee, Sermsuk Plc.
Since 2011	Vice Chairman/Independent Director, Sermsuk Plc.
Since 2010	Independent Director, Sermsuk Plc. Since 2010 Independent Director/Member of the Audit Committee/Member of the Nomination and Remuneration Committee, BTS Group Holding Plc.
Since 2010	Vice Chairman, Thai Metal Drums MFG. Plc.
Since 2009	Chairman of the Remuneration and Nomination Committee, Thai Metal Drums MFG. Plc.
Since 1989	Director, Thai Metal Drums MFG. Plc.
Since 1999	Chairman, Thaire Life Assurance Plc.
Since 1994	Independent Director, Varopakorn Plc.
<b>Position in Other Company/Organization/Institution (10)</b>	
Since 2014	Advisor, The Falcon Insurance Plc.
Since 2007	Director, Aqua Infinite Co., Ltd
Since 2007	Chairman, T.I.I. Co., Ltd.
Since 2006	Director, Wanglee Pattana Co., Ltd.
Since 2005	Director, Rajadamri Hotel Plc.
Since 1991	Chairman, Rangsit Plaza Co., Ltd.
Since 1990	Director, Nuchapon Co., Ltd.
Since 1988	Director, The Pet Co., Ltd.
Since 1982	Chairman, Sathorn Thani Co., Ltd.
Since 1968	Director, Wanglee Co., Ltd.
<b>5-year Past Experiences</b>	
1978-2016	Chairman/Independent Director, Thai Reinsurance Plc.
2007-2014	Chairman, The Falcon Insurance Plc.
1970-2014	Director, The Falcon Insurance Plc.
1969-2013	Independent Director, Thai-German Ceramics Industry Plc.
2005-2011	Chairman, Lake Rajada Co., Ltd.

## Mr. Pitiphong Bisalputra

Age	52
Positions in NKI	<ul style="list-style-type: none"><li>• Director</li><li>• Chairman of the Investment Committee</li><li>• Chairman of the Executive Board</li><li>• Member of the Risk Management Committee</li><li>• CEO &amp; President</li></ul>
Date of Appointment	25 April 2002
The latest reelection	24 April 2014
Highest Education Degree	Master Degree in Business Administration, University of Hartford, USA

### Mr. Pitiphong Bisalputra (continued)

Shareholdings as of 30 December 2016	135,665 shares or 0.41%
<b>Director Training, Thai Institute of Directors Association</b>	
2009	Successful Formulation & Execution of Strategy
2003	Director Certification Program
<b>Board member/Management in Other Listed Company (None)</b>	
<b>Position in Other Company/Organization/Institution (11)</b>	
Since 2010	Director, Thai General Insurance Association
Since 2007	Director, Thanapisal Co., Ltd.
Since 1997	Director, Praphai and Sons Co., Ltd.
Since 1993	Director, Rangsit Ruampatana Co., Ltd.
Since 1990	Director, Thanasarn Sombat (Thai) Co., Ltd.
Since 1987	Director, Thamrongsup Co., Ltd.
	Director, Thananondzee Co., Ltd.
	Director, Dhanarat Co., Ltd.
	Director, Baan Ayodhya Co., Ltd.
	Director, Aqua Flow Co., Ltd.
	Director, Aqua Master Solution Co., Ltd.

### Professor Hiran Radeesri

Age	87
Positions in NKI	<ul style="list-style-type: none"><li>• Independent Director</li><li>• Chairman of the Audit Committee</li></ul>
Date of Appointment	24 August 1999
The latest reelection	21 April 2016
Highest Education Degree	Honorary Doctorate in Accounting, Thammasat University
Shareholdings as of 30 December 2016	(None)
<b>Director Training, Thai Institute of Directors Association</b>	
2009	Successful Formulation and Execution of Strategy
2000	Director Certification Program
<b>Board member/Management in Other Listed Company (2)</b>	
Since 2001	Chairman of the Audit Committee, Thai Com Plc.
Since 1999	Chairman of the Audit Committee, Dusit Thani Plc.
<b>Position in Other Company/Organization/Institution (3)</b>	
Since 1999	Director, Aueradee Co., Ltd.
Since 2009	Honorary Chairman, Thai Institute of Directors Association
Since 2002	Expert on Corporate Governance and Social Responsibility, The Stock Exchange of Thailand
<b>5-year Past Experiences</b>	
2005-2012	Chairman of the Audit Committee, Easy Buy Plc.

### Mr. Pramon Sutivong

Age	77
Positions in NKI	<ul style="list-style-type: none"><li>• Independent Director</li><li>• Member of the Audit Committee</li><li>• Chairman of the Remuneration, Nomination and Governance Committee</li></ul>
Date of Appointment	29 April 1994
The latest reelection	23 April 2015
Highest Education Degree	Master Degree in Mechanical Engineering, University of Kansas, USA
Shareholdings as of 30 December 2016	170,498 shares or 0.52%
<b>Director Training, Thai Institute of Directors Association</b>	
2013	Audit Committee Program
2009	Role of the Compensation Committee
2003	Director Accreditation Program

### Mr. Pramon Sutivong (continued)

#### Director Training, Thai Institute of Directors Association

2001 Role of the Chairman Program

#### Board member/Management in Other Listed Company (2)

Since 2011 Member of the Audit Committee, The Siam Cement Plc.

Since 2009 Director/Member of the Remuneration Committee, The Siam Cement Plc.

#### Position in Other Company/Organization/Institution (9)

Since 2015 Member, the National Reform Steering Assembly

Since 2014 Member, the National Reform Council

Since 2011 Chairman, Anti-Corruption Organization of Thailand

Since 2009 Honorary Chairman,

The Thai Chamber of Commerce and Board of Trade of Thailand

Since 2009 Honorary Director, The University of the Thai Chamber of Commerce

Since 2007 Director, Office of the Civil Service Commission

Since 1999 Director, Toyota Thailand Foundation

Since 1999 Chairman, Siam Compressor Industry Co., Ltd.

Since 1999 Chairman, Toyota Motor Thailand Co., Ltd.

### Mr. Nipol T. Jeerawong

Age 65

Positions in NKI

- Director
- Advisor to the Chairman of the Board
- Chairman of the Risk Management Committee
- Member of the Investment Committee

Date of Appointment 29 April 1992

The latest reelection 21 April 2016

Highest Education Degree Bachelor Degree in Statistics/ Mini MBA, Thammasat University

Shareholdings as of 30 December 2016 118,003 shares or 0.36%

#### Director Training, Thai Institute of Directors Association

2008 Director Certification Refresher Program

2002 Director Certification Program

#### Board member/Management in Other Listed Company (1)

Since 2016 Director, Eastern Water Resources Development and Management Plc.

#### Position in Other Company/Organization/Institution (1)

Since 2016 Director, Faculty of Liberal Arts, Thammasat University

#### 5-year Past Experiences

2006-2014 Advisor, the Falcon Insurance Plc.

### Mr. Kiet Srichomkwan

Age 79

Positions in NKI

- Independent Director
- Member of the Audit Committee
- Member of the Remuneration, Nomination and Governance Committee

Date of Appointment 23 November 1999

The latest reelection 24 April 2014

Highest Education Degree Bachelor Degree in Business Administration, New Mexico University, USA

Shareholdings as of 30 December 2016 39,405 shares or 0.12%

#### Director Training, Thai Institute of Directors Association

2015 Director Certification Program Update

2012 Role of the Chairman Program

Role of the Nomination and Governance Committee

2010 Monitoring the System of Internal Control and Risk Management

Monitoring Fraud Risk Management/Monitoring the Internal Audit Function

2009 Monitoring the Quality of Financial Reporting

2006 Improving the Quality of Financial Reporting

### *Mr. Kiet Srichomkwan (continued)*

#### **Director Training, Thai Institute of Directors Association**

2004	Audit Committee Program
2003	Finance for Non-Finance Director/Director Accreditation Program
2002	Director Certification Program

#### **Board member/Management in Other Listed Company (1)**

Since 2016	Director/Member of Audit Committee, VGI Global Media Plc.
------------	---

#### **Position in Other Company/Organization/Institution (8)**

Since 2003	Chairman, Alinkij Siam Co., Ltd.
Since 2002	Chairman, Toyota Petchaboon Toyota's Dealer Co., Ltd.
Since 1995	Director, Pen Sook Co., Ltd.
Since 1990	Director, Suan Petchaboon Co., Ltd.
Since 1988	Director, Din Prasit Co., Ltd.
Since 1988	Director, Thai Petchaboon Co., Ltd.
Since 1987	Director, Silver Beach Resort Co., Ltd.
Since 1977	Chairman, Benja Rungrueng Co., Ltd.

### **Mr. Phornpong Phornprapha**

<b>Age</b>	66
<b>Positions in NKI</b>	<ul style="list-style-type: none"><li>• Independent Director</li><li>• Member of the Remuneration, Nomination and Governance Committee</li></ul>
<b>Date of Appointment</b>	26 April 2007
<b>The latest reelection</b>	24 April 2014
<b>Highest Education Degree</b>	Bachelor Degree in Business Administration, California State University, USA
<b>Shareholdings as of 30 December 2016</b>	266 shares or 0.0008%
<b>Director Training, Thai Institute of Directors Association</b>	(None)
<b>Board member/Management in Other Listed Company</b>	(None)
<b>Position in Other Company/Organization/Institution (24)</b>	
Since 2013	Director, Siam Country Club Co., Ltd.
Since 2005	Director, International Properties Co., Ltd.
Since 2005	Vice Honorary Chairman/Director, Siam NGK Spark Plug Co., Ltd.
Since 1999	Director, Laem Chabang International Terminal Co., Ltd.
Since 1996	Director, Exedy Friction Material Co., Ltd.
Since 1996	Honorary Chairman/Director, KYB (Thailand) Co., Ltd.
Since 1996	President/Director, Siam Chita Co., Ltd.
Since 1995	Chairman/President, Siam Calsonic Co., Ltd.
Since 1995	President/Director, Hitachi Automotive Systems Chonburi Product Co., Ltd.
Since 1994	Honorary Chairman/Director, EXEDY (Thailand) Co., Ltd.
Since 1993	Senior Executive Vice President / Director, Siam Motors Co., Ltd.
Since 1990	Director, Bhupirom Co., Ltd.
Since 1986	President/Director, Siam Autopart Co., Ltd.
Since 1984	President/Director, Siam Riken Industrial Co., Ltd.
Since 1982	Director, Thaworn Estate Co., Ltd.
Since 1982	Director, Siam Five Co., Ltd.
Since 1982	Director, Thong Thaworn Pattana Co., Ltd.
Since 1980	Director, Universal Mining Co., Ltd.
Since 1969	President/Director, Siam International Corp., Ltd.
	Director, Thaworn Holdings Co., Ltd.
	Director, Nissan Motor (Thailand) Co., Ltd.
	Director, Bangkok Motor Works Co., Ltd.
	Director, Siam Auto Parts Co., Ltd.
	Director, Siam Union Container Co., Ltd.

## Mr. Chan Soo Lee

Age	56
Positions in NKI	• Independent Director
Date of Appointment	29 April 2003
The latest reelection	23 April 2015
Highest Education Degree	Bachelor Degree in Electronic & Computer, National University of Singapore, Singapore
Shareholdings as of 30 December 2016	325,726 shares or 0.99%
Director Training, Thai Institute of Directors Association	
2013	Director Accreditation Program
Board member/Management in Other Listed Company (None)	
Position in Other Company/Organization/Institution (4)	
Since 2012	Managing Director, Alpharia Pte. Ltd.
Since 2004	Managing Director, TGL Development Pte. Ltd.
Since 1995	Director, Wanglee Co., Ltd.
Since 1993	Managing Director, Tan Guan Lee Co., Ltd.

## Mr. Thamnu Wanglee

Age	79
Positions in NKI	• Director
Date of Appointment	29 April 1992
The latest reelection	21 April 2016
Highest Education Degree	Diploma, E.M.I. Electronic College, England
Shareholdings as of 30 December 2016	421,068 shares or 1.28%
Director Training, Thai Institute of Directors Association	
2006	Director Accreditation Program
Board member/Management in Other Listed Company (None)	
Position in Other Company/Organization/Institution (3)	
	Chairman, Thanatip Co., Ltd.,
	Director, Plapat Co., Ltd.
	Director, Wanglee Co., Ltd.

## Mr. Vuttichai Wanglee

Age	75
Positions in NKI	• Director
Date of Appointment	29 April 1992
The latest reelection	23 April 2015
Highest Education Degree	Bachelor Degree in Industrial Engineering, Boston University, USA
Shareholdings as of 30 December 2016	586,611 shares or 1.78%
Director Training, Thai Institute of Directors Association	
2011	Director Accreditation Program
Board member/Management in Other Listed Company (None)	
Position in Other Company/Organization/Institution (5)	
Since 2008	Director, Chao Phaya Resort Co., Ltd.
Since 1988	Managing Director/Director, Chaitip Co., Ltd.
Since 1969	Managing Director/Director, Wanglee Co., Ltd.
	Managing Director/Director, Baan Sathorn Nua Co., Ltd.
	Managing Director/Director, Wanglee Pattana Co., Ltd.

## Ms. Jittinan Wanglee

Age	44
Positions in NKI	• Director
Date of Appointment	29 April 2003
The latest reelection	23 April 2015
Highest Education Degree	Master Degree in Business Administration, Babson College, USA
Shareholdings as of 30 December 2016	225,047 shares or 0.68%
<b>Director Training, Thai Institute of Directors Association</b>	
2007	Director Accreditation Program
<b>Board member/Management in Other Listed Company (None)</b>	
<b>Position in Other Company/Organization/Institution (9)</b>	
Since 2014	Director, Pipatanasin Co., Ltd.
Since 2014	Director, Poonpipat Co., Ltd.
Since 2011	Executive Vice President, Rangsit Plaza Co., Ltd.
Since 2010	Director, Shopping Center Services Co., Ltd.
Since 2010	Director, Jiitipat Co., Ltd.
Since 2009	Director, Thananondzee Co., Ltd.
Since 2006	Director, Rangsit Plaza Co., Ltd.
Since 2005	Director, Rangsit I.T. Co., Ltd.
	Director, Somrudee Co., Ltd.

## Mr. Kaet Wanglee

Age	37
Positions in NKI	• Director
Date of Appointment	10 May 2012
The latest reelection	24 April 2014
Highest Education Degree	Master Degree in Science (Hospitality Management), New York University, USA
Shareholdings as of 30 December 2016	70,673 shares or 0.21%
<b>Director Training, Thai Institute of Directors Association</b>	
2014	Director Accreditation Program
<b>Board member/Management in Other Listed Company (None)</b>	
<b>Position in Other Company/Organization/Institution (9)</b>	
Since 2014	Director, Pathaweewathana Co., Ltd
Since 2014	Director, Poonpipat Co., Ltd..
Since 2013	Director, Poonvanich Co., Ltd.
Since 2013	Director, Photchanakit Co., Ltd.
Since 2013	Director, Rangsit Ruampattana Co., Ltd.
Since 2013	Director/Vice President-Assets Management, Pipatanasin Co., Ltd.
Since 2012	Director, Rangsit Plaza Co., Ltd.
Since 2012	Director, Shopping Center Services Co., Ltd.
	Manager, Baan Suan Maak Co., Ltd.

## Ms. Charuwan Chabchamrun

Age	46
Positions in NKI	• Director
Date of Appointment	26 February 2015
The latest reelection	21 April 2016
Highest Education Degree	Bachelor of Arts, Chulalongkorn University
Shareholdings as of 30 December 2016	(None)
<b>Director Training, Thai Institute of Directors Association</b>	
2006	Company Secretary Program
<b>Board member/Management in Other Listed Company (None)</b>	
<b>Position in Other Company/Organization/Institution (None)</b>	

# The Management as defined by SEC

## Ms. Anukul Thitikulrat

Age	54
Positions in NKI	<ul style="list-style-type: none"><li>• Executive Vice President-Finance (Chief Finance Officer)</li><li>• Member of the Risk Management Committee</li><li>• Member of the Executive Board</li></ul>
Commence in	Year 2002
Highest Education Degree	Master Degree in Business Administration, Chulalongkorn University
Shareholdings as of 30 December 2016	(None)
Board member/Management in Other Listed Company	(None)
Position in Other Company/Organization/Institution	(None)

## Mrs. Nalina Bodharamik

Age	46
Positions in NKI	<ul style="list-style-type: none"><li>• Executive Vice President - Underwriting</li><li>• Member of the Risk Management Committee</li><li>• Member of the Executive Board</li></ul>
Commence in	Year 2009
Highest Education Degree	Master Degree in Business Administration. University of West Florida, USA
Shareholdings as of 30 December 2016	(None)
Board member/Management in Other Listed Company	(None)
Position in Other Company/Organization/Institution	(None)

## Mr. Adul Pattanaphum

Age	57
Positions in NKI	<ul style="list-style-type: none"><li>• Senior Vice President - Marketing Management</li></ul>
Commence in	Year 2000
Highest Education Degree	Master Degree in Public Administration, Thammasat University
Shareholdings as of 30 December 2016	(None)
Board member/Management in Other Listed Company	(None)
Position in Other Company/Organization/Institution	(None)

## Mr. Anak Wanglee

Age	39
Positions in NKI	<ul style="list-style-type: none"><li>• Senior Vice President - Assets Management/Branch Support</li><li>• Member of the Risk Management Committee</li><li>• Member of the Investment Committee</li></ul>
Commence in	Year 2014
Highest Education Degree	M.A. Economics, Boston University, USA M.S. Information System, Northeastern University, USA
Shareholdings as of 30 December 2016	52,368 shares or 0.16%
Board member/Management in Other Listed Company	(None)
Position in Other Company/Organization/Institution (4)	
Since 2015	Director, The Navasakol Co., Ltd.
Since 2011	Director/Operations Manager, Marco Technology Co., Ltd.
Since 2007	Director, Somrudee Co., Ltd.
Since 2004	Director, S&U Co., Ltd.

## Mr. Anin Wanglee

Age	37
Positions in NKI	• Senior Vice President - Claims Management
Commence in	Year 2009
Highest Education Degree	M.B.A. Bently College, Massachusetts, USA
Shareholdings as of 30 December 2016	84,476 shares or 0.26%
Board member/Management in Other Listed Company (1)	
2015-Present	Member of the Audit Committee, Thai Metal Drums MFG. Plc.
Position in Other Company/Organization/Institution (3)	
Since 2014	Director, Poonvanich Co., Ltd.
Since 2014	Director, S&U Co., Ltd.
Since 2013	Director, The United Indemnity Co., Ltd.

## Mr. Raywat Matevelungsun

Age	56
Positions in NKI	• Senior Vice President – Information System
Commence in	March 2016
Highest Education Degree	M.B.A. Ohio University/M.S. in MIS, University of Baltimore
Shareholdings as of 30 December 2016 (None)	
Board member/Management in Other Listed Company (None)	
Position in Other Company/Organization/Institution (None)	
5-year Past Experiences	
2010-2014	Country Technology Head, CITI Bank, N.A. Thailand

## Saran Wanglee, Ph.D

Age	35
Positions in NKI	• Senior Vice President – Business Development/Marketing&Salesforce
Commence in	1 July 2008
Highest Education Degree	Doctor of Philosophy in Business Administration: Marketing Sasin Graduate Institute of Business Administration of Chulalongkorn University
Shareholdings as of 30 December 2016	168,202 shares or 0.51%
Board member/Management in Other Listed Company (None)	
Position in Other Company/Organization/Institution (8)	
Since 2015	Director, The Navasakol Co., Ltd.
Since 2015	Director, Thanasarn Sombat (Thai) Co., Ltd.
Since 2014	Director, The Falcon Insurance Plc.
Since 2011	Director, Lake Rajada Co., Ltd.
Since 2011	Director, Agro fac (Thailand) Co., Ltd.
Since 2011	Director, Gastro Group Co., Ltd.
Since 2008	Director, Aqua Flow Co., Ltd.
Since 2007	Director, Aqua Master Solution Co., Ltd.

# Shareholders and Management Structure

## Shareholders Structure

Top ten major shareholders as of 30 December 2016

Shareholders	Shareholding	
	No. of Shares	Percentage of Total Number of Shares
1. Mr. Suchin Wanglee Group <sup>(1)</sup>	4,644,404	14.07
2. The United Indemnity Company Limited	2,337,124	7.08
3. Thanasarn Sombat (Thai) Company Limited	1,662,649	5.04
4. Mr. Nataphol Srichomkwan	1,554,720	4.71
5. Siam Motors Company Limited	1,333,200	4.04
6. Mrs. Saijit Wanglee Group <sup>(2)</sup>	956,646	2.90
7. Wanglee Company Limited	926,661	2.81
8. Mr. Pradit Rodloytuk	897,986	2.72
9. Poon Phol Company Limited	879,998	2.67
10. Mr. Chan Chi Keung	735,183	2.23
Other Shareholders	17,071,429	51.73

**Note:** (1) Mr. Suchin Wanglee Group consisted of (1) Mr. Suchin Wanglee holds 3,321,202 shares (2) Mrs. Rujiraporn Wanglee holds 1,155,000 shares (3) Saran Wanglee, Ph.D holds 168,202 shares

(2) Mrs. Saijit Wanglee Group consisted of (1) Mrs. Saijit Wanglee holds 602,716 shares (2) Ms. Jittinan Wanglee holds 225,047 shares (3) Mr. Nattachai Wanglee holds 128,883 shares

## Dividend policy

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

## Management Structure

**1. Board of directors** consists of the following:

- |    |                          |  |
|----|--------------------------|--|
| 1. | Mr. Suchin Wanglee       | Chairman of the Board/Non-executive Director   |
| 2. | Mr. Pitiphong Bisalputra | Executive Director   |
| 3. | Professor Hiran Radeesri | Independent Director/Chairman of the Audit Committee   |
| 4. | Mr. Pramon Sutivong      | Independent Director/Member of the Audit Committee/<br>Chairman of the Remuneration, Nomination & Governance Committee |
| 5. | Mr. Nipol T. Jeerawong   | Non-executive Director/Chairman of the Risk Management Committee   |
| 6. | Mr. Kiet Srichomkwan     | Independent Director/Member of the Audit Committee/<br>Member of the Remuneration, Nomination & Governance Committee   |

7.	Mr. Phornpong Phornprapha	Independent Director/ Member of the Remuneration, Nomination & Governance Committee
8.	Mr. Chan Soo Lee	Independent Director
9.	Mr. Thamnu Wanglee	Non-executive Director
10.	Mr. Vuttichai Wanglee	Non-executive Director
11.	Ms. Jittinan Wanglee	Non-executive Director
12.	Mr. Kaet Wanglee	Non-executive Director
13.	Ms. Charuwan Chabchamrun	Executive Director

### Duties and Responsibilities of the Board of directors

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

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

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

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

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

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

7. To set up a control system for financial reports, compliance with regulatory, risk management and internal control as well as providing units or personnel with an independent duty to act in the audit practice to ensure the efficient and transparent management.

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

9. To appoint the committees to be adequate and appropriate of its duties, and to appoint or delegate any power to any other person(s) to conduct the Company's business subject to the control of and within the time frame as may be specified by the Board.

10. Assessing the performance of the board of directors and its committees annually.

11. To approve the criteria for annual incentive bonus payment for the employees.

12. To appoint the Company Secretary.

## 2. The Committees

1) **Audit Committee** consists of a team of independent directors. Term of office is three years and subject to a three-year term which all members as below will be vacated the office on due term in November 2018.

1.	Professor Hiran Radeesri*	Chairman
2.	Mr. Pramon Sutivong	Member
3.	Mr. Kiet Srichomkwan	Member

\* The first member in the list has expertise and vast experience in accounting, finance practice and experienced to review of creditability the financial report.

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

## Duties and Responsibilities of the Audit Committee

1. To review the Company's financial reports to ensure the quality that are completely and accurately prepared according to the accounting standards.
2. To review the Company's internal control system and internal audit systems to ensure the efficient and to approve the appointment, transfer, removal and considering compensation and merit increases of internal audit chief as well as to define duties and responsibilities of internal audit unit.
3. To review that the Company's operations are operated in accordance with the laws and regulations specified by SEC, SET, OIC as well as other related laws.
4. To consider, select, nominate and lay-off an independent person to be the Company's external auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with the auditor at least once a year.
5. To review connected transactions or any transactions in compliance with the laws and regulations specified by SET, to prevent transactions that may have a conflict of interest, to ensure the transactions are reasonable and to preserve the greatest interest of the Company.
6. To review the efficiency of the Company's risk management system.
7. To report the Committee's performance to the board of directors at least 4 times a year.
8. To prepare report of the Committee that would be signed by the Committee's Chairman to be disclosed in the Company's annual report. The report must be consisted of at least following items;
  - 8.1 An opinion on the accuracy, completeness and creditability of the Company's financial reports
  - 8.2 An opinion on the adequacy of the Company's internal control system
  - 8.3 An opinion on complying with the laws and regulations specified by all regulatory agencies and others relating to the Company's operations
  - 8.4 An opinion on the suitability of the auditor
  - 8.5 An opinion on the transactions that may have a conflict of interest
  - 8.6 Number of the Committee's meetings and the attendance of each member
  - 8.7 An opinion or overview comment received by the Committee from its performance of duties in accordance with the charter
  - 8.8 Other transactions which should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's board of directors
9. To perform any other tasks as assigned by the board of directors thereof with the approval of the Committee.
10. In performing their duties, if it is found or suspected that there is a transaction or any of the following acts which may materially affect the Company's financial condition and operating results, the Committee shall report to the board of directors for rectification within the period of time that the Committee thinks fit;
  - 10.1 The transactions that may have a conflict of interest
  - 10.2 Any fraud, irregularity, or material defect in the internal control system
  - 10.3 An infringement of the laws and regulations specified by all regulatory agencies and others relating to the Company's operations

If the Company's board of directors or management fails to make a rectification within the period of time under the first paragraph, any member of the Committee may report on the transaction or act under the first paragraph to SEC or SET and the Committee must be reported to OIC immediately.

11. If the external auditor discovers any suspicious circumstance that the director, manager or any other person responsible for the operation of the Company commits an offense as defined by laws and the auditor informed the fact relating to such circumstance to the Committee in order to continue the inspection without delay. The Committee shall inspect the circumstance and report the result of preliminary inspection to SEC and the external auditor within 30 days from the date received the external auditor noticed. The suspicious circumstance to be reported and the process to uncover facts of such circumstance shall be as specified by the Capital Market Supervisory Board.

**Meeting of the Audit Committee** shall set at least 6 times a year.

2) **Remuneration, Nomination and Governance Committee** consists of at least 3 members, of which chairman and at least two of three of the Committee members must be independent directors and hold a term of 3 years. All members as below names list will be vacated the office on due term in February 2019.

- |                  |             |          |
|------------------|-------------|----------|
| 1. Mr. Pramon    | Sutivong    | Chairman |
| 2. Mr. Kiet      | Srichomkwan | Member   |
| 3. Mr. Phornpong | Phornprapha | Member   |

#### **Duties and Responsibilities of Remuneration**

1. Proposed to the board of directors' meeting or shareholder's meeting (as it may be) to consider approval of structure and procedures of remunerations for the board of directors, the committees and senior executives.

2. Consider and fix bonus for the board of directors and the committees propose to the board of directors and shareholders' meeting for approval.

3. Consider and fix bonus for senior executives propose to the Board of directors for approval.

4. Consider and review authority and duties of the remunerating to appropriate and comply with legal, regulations and regulatory agencies such as OIC, SET and SEC etc.

#### **Duties and Responsibilities of Nominating**

1. Determine criteria and procedures for selection of nominees to serve as the Company's Directors, member of the committees and senior executives propose to the board of directors for approval.

2. Recruit and nominate a qualified person serve as the Company's director, the committees and senior executives when retiring by rotation or the position is vacant, propose to the board of directors' meeting or shareholder's meeting for approval.

3. Review structure and composition of the board of directors appropriate to the organization and accountability to the shareholders.

4. Consider and review authority and duties of the nominating to appropriate and comply with legal, regulations or regulatory agencies such as OIC, SET and SEC etc.

#### **Duties and Responsibilities of Governance**

1. To consider and reviewing whether policy and the practice concerning the Corporate Governance policy and Code of Conduct of the Company are appropriate and adequate to the Board for approval.

2. To monitor and evaluate the implementation of the Corporate Governance policy and the Code of Conduct of directors and staffs at least once a year.

3. To consider the appointing of working group to support relating works to the Corporate Governance and the Code of Conduct suitability.

**Meeting of the Remuneration, Nomination and Governance Committee** shall set at least twice a year.

3) **Risk Management Committee** consists of following the Company's director or senior executives at least five members and holds a term of three years. All members of the Committee will be vacated the office on due term in February 2019.

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

#### **Duties and Responsibilities of the Risk Management Committee**

1. Review and propose risk management policy and risk appetite to the board of directors for approval.

2. Oversee development and ensure that all division/ department within the Company to perform by the risk management system.

3. Review the risk management reports and periodically follow up on major risks and make sure the Company has managed risks appropriately and with efficiency.

4. Submit to the board of directors, a report of overall risk exposure to the Company including review whether the internal audit system is appropriate to manage exposure from major risks.

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

**Meeting of the Risk Management Committee** shall set at least 4 times a year.

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

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

Mr. Suchin Wanglee is an advisor to the Committee.

#### **Duties and Responsibilities of the Investment Committee**

1. To set investment policy and submit to the board of directors for approval.

2. To review investment plans and complying with the policies designed by the board of directors, the Company's risk management strategy and to ensure its consistency and compliance with regulations of the Office of Insurance Commission and related laws.

3. To consider and define guidelines for investment risk management strategy.

4. To consider and set investment procedures for the Company.

5. To oversee the investment management in accordance with the policies, plans, procedures and risk management strategy approved by the board of directors.

6. To review and adjust investment policy and investment plans so as to fit in with a change in investment climate and propose a revised investment policy to the board of directors for approval.

7. To consider approval of investment in securities.

8. To consider approval of general loan.

9. To consider approval of disposition of real property.

**Meeting of the Investment Committee** shall set at least 4 times a year.

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

- |                  |             |          |
|------------------|-------------|----------|
| 1. Mr. Pitiphong | Bisalputra  | Chairman |
| 2. Ms. Anukul    | Thitikulrat | Member   |
| 3. Mrs. Nalina   | Bodharamik  | Member   |

Mr. Suchin Wanglee is an advisor to the Committee.

#### **Duties and Responsibilities of the Executive Board**

1. To control and supervise the Company's operation and its subsidiaries that are carried out according to the policies and major operating plans, with utmost efficiency and effectiveness, as assigned by the Board.

2. To make corporate policy, budget, guideline and other operating plans of the Company and its subsidiaries and report on such to the Board.

3. To control and supervise the Company and its subsidiaries conducts in compliance with the Securities and Stock Exchange Act, the Non-Life Insurance Act, the Public Company Act and other related applicable regulations thereof.

4. To control and supervise the Company to follow generally accepted accounting standards and prepare financial statements to show accurately and reasonably the financial and operation results of the Company and its subsidiaries.

5. To evaluate and assess risks in operating business of the Company and its subsidiaries and make appropriate measures to manage such risk and inform the Board thereof.

6. To perform any other tasks as assigned by the Board thereof.

#### **Authority**

1. To manage the Company's operation and its subsidiaries according to the policy, budget and operating plans.

2. To delegate the management authority to the respective responsible executives of the Company and its subsidiaries according to level of command.

3. To manage and handle all matters related to underwriting, claims management, investment and general management.

4. To purchase, hire, sell and transfer assets, and to authorize expenditure within the limit of 50 million Baht.

5. To authorize expenditure that exceeds the budget but not over 20% of the budget.

6. In the event that the Board has given authority to the executive board or in the event that the executive board has given authority to the President and/or any executives to act on behalf of the Company or its subsidiaries, the authority given so does not include the power to approve transactions that the assignee or the involved person may have interest, or conflict of interest with the Company or its subsidiaries.

**Meeting of the Executive Board** shall set at least twice a month.

### **3. Management** consists of:

1.	Mr. Pitiphong	Bisalputra	Chief Executive Officer and President
2.	Ms. Anukul	Thitikulrat	Executive Vice President - Finance
3.	Mrs. Nalina	Bodharamik	Executive Vice President - Underwriting
4.	Mr. Adul	Pattanaphum	Senior Vice President - Marketing Management
5.	Mr. Anak	Wanglee	Senior Vice President - Asset Management/Branch Support
6.	Mr. Anin	Wanglee	Senior Vice President - Claims Management
7.	Mr. Raywat	Matevelungsun	Senior Vice President - Information System
8.	Saran	Wanglee, Ph.D.	Senior Vice President - Business Development/Marketing&Salesforce

**Note:** 1. Mr. Raywat Matevelungsun was appointed as the Company's executive on 1 March 2016.

2. Saran Wanglee, Ph.D was appointed as the Company's executive on 1 July 2016.

#### **Duties and Responsibilities of the Chief Executive Officer**

1. To monitor and provide advises to the president and the management in managing the Company to achieve its vision and overall objectives set by the board of directors, will all units in the organization cooperatively to achieve their respectively responsible objectives.

2. To motivate and/or oversee participation from all members of the organization towards common directions and objectives.

3. To establish sound working understandings of roles and duties of the management with the board of directors to work towards a common direction.

4. To provide recommendations to the management including review and oversee management direction and business strategies as a whole including normal business operation plans before presenting to the board of directors.

5. To oversee the adequacy of having strategies, annual budget and operation plans in accordance with the Board's policy.

6. To oversee development of good culture and sound environment in work place for the Company's personnel with taking in consideration of their pride and respect for human dignity including having code of moral and equal treatment for them.

7. To consider and evaluate the president's performance and report it directly to the board of directors and/or assigned sub-committees.

8. Cooperating with the president to consider and evaluate performance of executives to ensure fairness.

#### **Duties and Responsibilities of the President**

1. To perform policy, strategic direction, business plan and annual budget of the Company to propose to the board of directors for approval and to proceed as the resolutions approved by the board of directors

2. To report the Company's operating performance by monthly and quarterly compared to business plan and budget with suggestion to the board of directors

3. To approve the Company's expenditure with limit of not over 1 million Baht and he must report to the Executive Board in case of inconsistent with the authority

4. Other matters assigned by the board of directors

## **4. Company Secretary**

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

#### **Duties and Responsibilities of Company Secretary**

1. Organizing the meetings of shareholders and the Board as stipulated by law, the Company's Articles of Association, and other guidelines.

2. Preparing the minutes of shareholders' meetings and the minutes of the Board's meetings as well as filing documents.

3. Ensuring disclosure of the Company's operations and the Board activities to comply with rules and regulations of SET and SEC.

4. Providing appropriate advice to the Board regarding related laws, the Company's rules and regulations, as well as monitoring to comply with accuracy on a regular basis.

5. Communicating to the Company's shareholders to acknowledge the Company's news and general information.

## **5. Nomination of Directors and the Top executives**

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

### **(1) Independent Director**

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

1. Shall not hold shares exceeding 1% of the total number of voting share of the Company, its parent company, subsidiary, associate, major shareholders or controlling person, including shares held by related persons of such independent director.

2. Shall neither be nor have ever been a director with management authority, employee, staff member, advisor who receives a salary or is a controlling person of the Company, its parent company, subsidiary, associate, same-tier subsidiary company, major shareholder or controlling person unless the foregoing status has ended not less than 2 years prior to the date of becoming a director.

3. Shall not be a person related by blood relation or legal registration as father, mother, spouse, sibling, or child, including spouse of child, of an executive, major shareholder, controlling person, or person to be nominated as executive or controlling person of the Company or its subsidiary.

4. Shall neither have nor have ever had a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person. The term of business relationship being subject to indebtedness payable to the other party in amount of 3% or more of the net tangible assets of the Company or 20 million Baht or more, whichever is lower, unless the foregoing relationship has ended not less than 2 years prior to the date of becoming an independent director.

5. Shall not be nor have ever been an auditor of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the date of becoming an independent director.

6. Shall not be nor have ever been a provider of any professional services including legal advisor or financial advisor who receives service fees exceeding 2 million Baht per year from the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than 2 years prior to the date of becoming an independent director.

7. Shall not be a director appointed as representative of the board of directors, major shareholder or shareholder who is related to a major shareholders of the Company.

8. Shall not undertake any business in the same nature and in competition with the business of the Company or its subsidiary, nor be a significant partner in a partnership or director with management authority, employee, staff member or advisor who receives salary or hold shares exceeding 1% of the total number of shares with voting rights of another company which undertakes business in the same nature and in competition with the business of the Company or its subsidiary.

9. Shall not have any other characteristic that limits his/her ability to express independent opinions regarding the Company's operations.

### **The Business Relationship of Independent Directors**

The board of directors approved the rules to waive the prohibitive business relationship of independent directors. The value size is not more than 3% of the value of Net Tangible Assets (NTA) of the Company and the business relationships must be an ordinary business and must support the Company's operations in the general condition the company should treat contract parties in the same situation. Furthermore, the business relationship is not going to provide the benefit and the effect with independent opinions that may lead to conflict of interest. The steps of supervision are as follows.

- To review and report the business relationship of independent director size that are more than 3% of the value of NTA of the Company to the board of directors to review the independence.
- To illustrate the business relationship of independent directors during the board of directors and the shareholders' meeting to nominate independent directors.
- To disclose the business relationship of the independent directors in the Annual Report and Form 56-1 or the criteria specified in the notification.

### **(2) Nomination of Director and Top Executive**

The remuneration, nomination and governance committee, comprising a team of independent directors, in charge for election and nominate the qualified person to be the Company's director and chief executive officer as well as president, and shall propose to the Board and shareholders' meeting for approval respectively.

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

### **Quality of the Director**

1. Directors must possess the qualifications as specified by law such as the Public Company Act, the Securities and Stock Exchange Act and the Non-life Insurance Act.

2. Directors should be competent with skills and extensive experience to benefit the Company's operations. Directors must have willingness and good ethical business practices.

3. Directors should have the ability to exercise sound and independent judgments, free from the management and other interest groups.

4. Directors could dedicate appropriate time to the Company that he/she serves as a director and perform his/her duty with due care.

## 6. NKI's Shareholding of the Board of Directors and the Management

Name lists	Ordinary Shares (Shares)					
	As of 30 December 2016		As of 9 March 2016		Increase (Decrease) during Financial Year	
	Held Personally	Held by Spouse/ Minor Child	Held Personally	Held by Spouse/ Minor Child	Held Personally	Held by Spouse/ Minor Child
1. Mr. Suchin Wanglee	3,321,202	1,155,000	3,220,560	1,120,000	100,642	35,000
2. Mr. Pitiphong Bisalputra	135,665	-	131,555	-	4,110	-
3. Professor Hiran Radeesri	-	-	-	-	-	-
4. Mr. Pramon Sutivong	-	170,498	-	165,332	-	5,166
5. Mr. Nipol T. Jeerawong	54,569	63,434	52,916	64,130	1,653	(696)
6. Mr. Kiet Srichomkwan	39,405	-	38,211	-	1,194	-
7. Mr. Phornpong Phornprapha	-	266	-	258	-	8
8. Mr. Chan Soo Lee	325,726	-	315,856	-	9,870	-
9. Mr. Thamnu Wanglee	405,136	15,932	392,860	15,450	12,276	482
10. Mr. Vuttichai Wanglee	575,302	13,309	557,869	12,906	17,433	403
11. Ms. Jittinan Wanglee	225,047	-	218,228	-	6,819	-
12. Mr. Kaet Wanglee	70,673	-	68,532	-	2,141	-
13. Ms. Charuwan Chabchamrun	-	-	-	-	-	-
14. Ms. Anukul Thitikulrat	-	-	-	-	-	-
15. Mrs. Nalina Bodharamik	-	-	-	-	-	-
16. Mr. Adul Pattanaphum	-	-	-	-	-	-
17. Mr. Anak Wanglee	52,368	-	50,782	-	1,586	-
18. Mr. Anin Wanglee	84,476	-	81,917	-	2,559	-
19. Mr. Raywat Matevelungsun	-	-	-	-	-	-
20. Saran Wanglee, Ph.D	168,202	-	-	-	-	-

Note: 1. The Company's shareholders received the stock dividend on 16 May 2016, at the ratio of 32 existing ordinary shares to 1 newly issued ordinary share.

2. Saran Wanglee, Ph.D was appointed as the Company's executive on 1 July 2016.

## 7. Meeting Attendance of the Board of directors and the Committees in 2016

Directors	Board of Directors/ Non-Executive Director	Audit Committee	Remuneration, Nomination & Governance Committee	Risk Management Committee	Investment Committee	Executive Board
1. Mr. Suchin Wanglee	6/6	1/1	-	-	-	-
2. Mr. Pitiphong Bisalputra	6/6	-	-	-	4/5	4/4
3. Professor Hiran Radeesri	6/6	1/1	10/10	-	-	-
4. Mr. Pramon Sutivong	6/6	1/1	10/10	2/2	-	-
5. Mr. Nipol T. Jeerawong	6/6	1/1	-	-	5/5	4/4
6. Mr. Kiet Srichomkwan	6/6	1/1	10/10	2/2	-	-
7. Mr. Phornpong Phornprapha	4/6	1/1	-	2/2	-	-
8. Mr. Chan Soo Lee	5/6	0/1	-	-	-	-
9. Mr. Thamnu Wanglee	6/6	1/1	-	-	-	-
10. Mr. Vuttichai Wanglee	5/6	1/1	-	-	-	-
11. Ms. Jiittinan Wanglee	5/6	1/1	-	-	-	-
12. Mr. Kaet Wanglee	5/6	1/1	-	-	-	-
13. Ms. Charuwan Chabchamrun	6/6	-	-	-	-	-
<b>Executive officers who served as director in the Committees</b>						
14. Ms. Anukul Thitikulrat	-	-	-	-	5/5	-
15. Mrs. Nalina Bodharamik	-	-	-	-	5/5	-
16. Mr. Anak Wanglee	-	-	-	-	5/5	4/4

- Note:**
- The Board meeting totaling 6 times a year. The 5 independent directors are number 3, 4, 6, 7 and 8.
  - The non-executive directors' meeting one time and members are number 1 and 3-12
  - The 3 audit committee members are number 3, 4 and 6/Total meetings are 10 times a year.
  - The 3 remuneration, nomination and governance committee members are number 4, 6 and 7/  
Total meeting 2 times
  - The risk management committee members are number 2, 5 and 14- 16/Total meetings are 5 times a year.
  - The investment committee members are number 2, 5 and 16 (Number 1 is an advisor to the Committee)/  
Total meetings are 4 times.
  - The executive board members are number 2, 14 and 15 (Number 1 is an advisor to the Committee)/  
Total meetings are 46 times.

## 8. The Remuneration of the Board of Directors and the Management in 2016

### 1) Cash Remuneration

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

#### Remuneration of Directors

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

Meeting allowances: Paid to directors who attend the meeting, payable to the chairman and other directors in amounting of 30,000 Baht and 20,000 Baht per meeting respectively

Bonus: Paid to the Board as a whole at approximately 5% of dividend payment, payable to the chairman and the chairman of the executive board at the rate of 2.0 times of the Board members rate.

**The Committee** : paid to the members who attend the meeting as following:

The audit committee

Chairman	30,000 Baht
Other members	20,000 Baht

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

Chairman	20,000 Baht
Other members	10,000 Baht

**The remuneration is paid to the Board of Directors and the Committees in 2016**

**Remuneration (Baht)**

Directors	Board of Director/ Non-Executive Directors	Audit Committee	Remuneration, Nomination & Governance Committee	Risk Management Committee	Investment Committee	Director's Bonus	Total	
1. Mr. Suchin Wanglee <sup>1</sup>	180,000	30,000	-	-	-	493,333.33	703,333.33	
2. Mr. Pitiphong Bisalputra <sup>2</sup>	120,000	-	-	20,000	80,000	493,333.33	713,333.33	
3. Professor Hiran Radeesri <sup>3</sup>	120,000	20,000	300,000	-	-	246,666.67	686,666.67	
4. Mr. Pramon Sutivong <sup>4</sup>	120,000	20,000	200,000	40,000	-	246,666.67	626,666.67	
5. Mr. Nipol T. Jeerawong <sup>5</sup>	120,000	20,000	-	100,000	40,000	246,666.67	526,666.67	
6. Mr. Kiet Srichomkwan	120,000	20,000	200,000	20,000	-	246,666.67	606,666.67	
7. Mr. Phornpong Phornprapha	80,000	20,000	-	20,000	-	246,666.67	366,666.67	
8. Mr. Chan Soo Lee	100,000	-	-	-	-	246,666.67	346,666.67	
9. Mr. Thamnu Wanglee	120,000	20,000	-	-	-	246,666.67	386,666.67	
10. Mr. Vuttichai Wanglee	100,000	20,000	-	-	-	246,666.67	366,666.67	
11. Ms. Jittinan Wanglee	100,000	20,000	-	-	-	246,666.67	366,666.67	
12. Mr. Kaet Wanglee	100,000	20,000	-	-	-	246,666.67	366,666.67	
13. Ms. Charuwan Chabchamrun	120,000	-	-	-	-	246,666.67	366,666.67	
14. Ms. Anukul Thitikulrat	-	-	-	30,000	-	-	30,000.00	
15. Mrs. Nalina Bodharamik	-	-	-	30,000	-	-	30,000.00	
16. Mr. Anak Wanglee	-	-	-	30,000	40,000	-	70,000.00	
<b>Total</b>	<b>1,500,000</b>	<b>210,000</b>	<b>700,000</b>	<b>80,000</b>	<b>210,000</b>	<b>160,000</b>	<b>3,700,000</b>	<b>6,560,000</b>

- Note:**
- Chairman of the Board, excluding the remuneration as an advisor to the executive board in term of salary, bonus and provident fund, totaling 8,244,600 Baht
  - Chairman of the investment committee
  - Chairman of the audit committee
  - Chairman of the remuneration, nomination and governance committee
  - Chairman of the risk management, excluding the remuneration as an advisor to the Chairman of the Board in term of salary, bonus and provident fund, totaling 5,587,000 Baht

## Remuneration of the Management

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

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

In 2016, the total remuneration for 8 executives in the form of salaries and bonuses amounted to 24,644,650 Baht.

### 2) Other Remuneration

#### Other Remuneration of Directors

-None-

#### Other Remuneration of the Management

The Company has established a provident fund rate 5% of the salary. For 2016, the Company made contributions of 806,820 Baht to provident fund for the 8 executives.

## 9. Related Transactions/ Connected Transactions

### 1) Related Transactions

The Company and related businesses are bound to conduct transactions with one another in such ways as through shareholding, common directors or business transaction arose in the ordinary course of business based on market terms and conditions. They are disclosed in notes to the financial statements, under item 28.

In 2016, the Company had a disposition of assets that a transaction size was 4.37% of the Company's net profit as of 31 December 2015. This was due to the Falcon Insurance Public Company Limited (the "Falcon") increased its capital through right offering to the existing shareholders, and the Company had the rights to subscribe for the newly issued ordinary shares of 800,000 shares. Nonetheless, the regulator; OIC did not approve the transaction due to it was not comply with OIC's Notification Re: investment in other business by non-life insurance company B.E. 2556 (the "Notification"). The Company now holds 20% of the paid-up capital of the Falcon that complied with the previous Notification and also complied with the latest Notification without additional subscribing to new stock issuances unless the investment proportion in equity securities is well below the maximum amount of 10% of the paid-up capital of the Falcon required by the Notification. After the transaction resulted in shareholding proportion in the Falcon, reduced from 20% to 12% of the paid-up capital of the Falcon.

### 2) Procedures for Approval of Related Transactions

The board of directors has approved guidelines and procedures of related transactions to ensure the Company's best interest, authorized the management and/or the person authorized by the management the power to make related transaction that are normal business or normal business support under traditional business practices e.g. insurance or investment transactions. The directors and management who hold up a position of vice president shall disclose to the Company annually whether they hold any stakes involving potential conflict of interest and in case where such transactions need approval in accordance the regulations and procedures prescribed by law, the management shall propose such matters to the audit committee, the board of directors or at the Shareholders' Meeting for approval respectively, and shall disclose the information completely. Under no circumstance shall directors or management concerned be allowed to participate in the process of considering approval.

### 3) Policy or Tendency of Related Transactions Process in the Future

Related Transactions in the future will continue due to the controlling authority's policy requiring insurance companies to place reinsurance with Thai companies and encouraging insurance companies to form reinsurance pools to cede and accept retrocession from Thai Reinsurance Public Company Limited. Another factor is the agreement to place business with Thai Reinsurance Public Company Limited to keep data and statistics of the insurance business in Thailand.

However, the Company shall proceed by implementing fair method, transparent and complying with rules and regulations of the Notification of Capital Market Supervisory Board and OIC.

## Thailand's Economy in 2016

### Economic Growth

Thailand's economic growth rate in 2016 was 3.3%, which 2.8% increased from the previous year. The main supporting factor is the growth of public spending and public investment which expanded 3.1% and 10.7% respectively, due to the acceleration and continually increase of government expenditure and the budget expenditure for water resource management and road transport system projects, as well as infrastructure investment plan under the preparedness public transport action plan for the year 2016. Nevertheless, private consumption is expected to grow at a rate of 2.9%, continual expansion from the previous year following an increase in revenue base and employment in tourism as well as supported by measures to mitigate farmers which affected household expenditure to continually increase. The quantity of export of goods and services are expected to grow with accelerating rate of 3.2% following an increase in a high number of foreign tourists, especially Chinese and Russian which will be affected the growth of tourism sector includes businesses of hotel and restaurant, transportation, and wholesale and retail. However, the restriction was a consequence of unfavorable economic conditions of key trading partners. Meanwhile, private investment tends to recover from the previous year that expected to grow by 1.6% due to low interest rates and the progress of mega public investment projects and the volume of import of goods and service is expected to grow at the rate of 0.7%.

### Economic Stability

Domestic stability in terms of general inflation in 2016 is expected to be at 0.4%, higher than that of 2015 following the recovery of internal demand which will be affected the consumer price index for food and drinks to increase. Headline inflation, however, remaining low due to the decline of crude oil price. Thailand external stability, current account registered a larger surplus of USD 34.9 billion which is equivalent to 8.8% of GDP, increased from the previous year due to surpluses in both the trade account and the service increased. In addition, estimated trade balance is expected to increase to USD 35.2 billion according to a contraction of lower the export quantity following the prices of export goods. Export growth represented a decline of -0.5% whilst import growth represented a decline of -5.1%.

## Thailand's Economy in 2017

### Economic Growth

Thailand's economy in 2017 is expected to grow at a rate of 3.2% (which growth forecast is 2.7%-3.7%), supported by the acceleration of government expenditure and public investment. Public consumption and total investment are expected to grow by 2.0% and 6.2% respectively due to continually increase of government expenditure, especially for project in transport infrastructure investment expected that mega project such as construction of double track railway project and elevated train in the cities project may have progressed in 2017 that would support the recovery and the expansion of private investment in the targeted industries. Furthermore, the economy improvement of trading partners and depreciation of Thai baht will enhance income and liquidity for exporters and producers as well as the continual expansion of the tourism sector. In 2017, it is expected that the numbers of inbound tourists will be 37.2 million people, resulted in the volume of exports of goods and services is expected to expand by 2.6%. Private consumption is expected to expand faster at a rate of 3.2% following an increase in agricultural income and commodity price as well as tendency of drought shall be mitigated, whilst non-agricultural income and labor market are expected to increase. In addition, easing monetary policy will raise real purchasing power of household consumers. Private investment is expected to grow at a low rate of 1.7%, caused by the remaining production capacity of industries serving private demand is very common that they are waiting for the recovery of the global economic to expand their production capacity.

### Economic Stability

In 2017, inflation rate is expected to be 2.1% (with the range between 1.6% to 2.6%), higher than that of the previous year due to the increase of the world crude oil price that partly affected by the agreement of OPEC producers to cut their productions and the depreciation of Thai baht will affect the high prices import goods. Regarding external stability, it is

expected that to record a surplus of USD 32.8 billion which is equivalent to 7.9% of GDP; this could be explained by the trade balance that is expected to record a surplus of USD 32.0 billion following the accelerated import growth of 4.0% being higher than export growth of 1.8%.

## The Non-life Insurance Industry in 2016 and trends for 2017

In 2016, the non-life insurance industry is expected to grow at approximately a rate of 1.6% due to the motor, personal accident, health and miscellaneous insurance sector had a slightly increased by 1.32%, whilst the fire and industrial all risks insurance, and marine and transportation insurance recorded a contraction of 1.86% and 2.01% respectively due to a low rate of global insurance premium continually decrease for a few years, partly caused by a decline of insurance premium rates whilst the insured had increased.

### The trends for 2017

In 2017, the non-life insurance industry is expected to grow with a range of 2.7% to 3.0%, higher than that of 2016 due to the progress of mega public investment projects which will be affected private investment to increase e.g. property investment in the areas around the stations along the route of electric train, providing of crop insurance for agriculturist for the production year 2016/2017, causing written premium to increase about Baht 2,700 million as well as providing the government welfare on personal accident coverage for registered low income earners of 8 million people with premiums of 99 Baht each per year, totaling over 800 million Baht which the scheme is waiting for the resolution from the cabinet meeting. In addition, the growth of travel accident insurance following the expansion of the number of foreign tourists is another supporting factor for the Thai economy.

Nonetheless, in 2016, the non-life insurance industry had faced many risks such as the decline of insurance premium rates whilst represented the accelerated and continually loss ratio that caused by excessively high competition especially on the motor insurance sector and consumers also limit their insurance spending, as a result of severe price competition.

Furthermore, insurance companies must comply with the regulatory of Office of Insurance Commission (OIC) and have to arrange for the size of their businesses in order to enhance competitiveness. The OIC, in addition designed its Risk-Based Capital Phase 2 (RBC2) Road Map which is continuing plan of 5 years that the main objectives are to improve and develop criteria for determining capital, to develop a guideline for the supervision of capital for those risks which had not been required to provide capital so far, e.g. catastrophe risk and operational risk etc. Insurance companies, therefore, will have a tendency to increase their capital or engaging merger to strengthen their financial position and to serve intensified competition due to the economic deceleration.

In 2017, insurance companies are required to conduct stress testing to take an evaluate the potential effects on the Company's financial position according Financial Sector Assessment Program (FSAP) that Thailand will be participated in 2018. The FSAP is a joint program of the International Monetary Fund (IMF) and the World Bank, has the following aims: (i) to identify the strengths and vulnerabilities of a country's financial system in order to reduce crises; (ii) to assess the observance and implementation of relevant financial sector standards and codes; (iii) to ascertain the financial sector's developmental and technical assistance needs and (iv) to determine how key sources of risk are being managed (v) to help prioritize policy responses.

Financial systems include virtually all financial institutions, such as banks, securities, insurance companies, transparency practices in monetary and financial policies and also includes an assessment of the payments system and the regulatory, supervisory, and legal framework that underlie the operations of the financial institutions and markets. The assessment has three main components: (i) an assessment of stability of the financial system, including macroeconomic factors that could affect the performance of the system and conditions in the system that could affect the macroeconomic; (ii) an assessment of the extent to which relevant financial sector standards, codes, and good practices are observed; and (iii) an assessment of the financial sector's reform and development needs. One of the standards routinely assessed is International Association of Insurance Supervisor's Insurance Supervisory Principles-IAIS; use to assess the insurance regulatory and supervisory systems.

# Nature of Business

---

## 1. Underwriting

Underwriting is the core function of the Company. They write most of non-life insurance i.e. fire, marine and transportation, motor and miscellaneous. These are:

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

## 2. Investment

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

### Business Objective

The Company's strategy and budget for the year 2017 has been approved by the Board of Directors meeting held on 15 December 2016 that shall be focused on the businesses having potentials and profitability and revise our management plan to reduce loss ratios and operating expenses. Nonetheless, the Board of Directors always reviews the strategy annually to better capitalize on the current competitive landscape.

The Company developed a strategic roadmap by setting a mid-term objective for the year 2015-2019 that have focused on sustainable growth of its market share, reduction of operating expenses and maintaining its current return on equity and also has long-term objective to establish its presence in the individual as well as small and medium size business sectors of non-life insurance industry.

### Shareholding Proportion of the Company

In 2016, the Falcon Insurance Public Company Limited (the "Falcon") increased its capital through right offering to the existing shareholders, with the offer price of 10 Baht par value and the Company had the rights to subscribe for the newly issued ordinary shares of 800,000 shares. However, the regulator; Office of Insurance Commission ("OIC") did not approve the transaction due to it was not comply with OIC's Notification Re: investment in other business by non-life insurance company B.E. 2556 (the "Notification"). The Company's now holds 20% of the paid-up capital of the Falcon that complied with the previous Notification and also complied with the latest Notification without additional subscribing to new stock issuances unless the investment proportion in equity securities is well below the maximum amount of 10% of the paid-up capital of the Falcon required by the Notification.

After the transaction resulted in shareholding proportion in the Falcon, reduced from 20% to 12% of the paid-up capital of the Falcon that was affected by the Company's subscription right did not exercise. The historical shareholdings are as follows:

April 2006	The Company accepted underwriting business of 5,561,392 shares or 92.69% of the total issued shares of 6,000,000 shares in the Falcon.
February 2007	The Company sold its holding in the Falcon and after the transaction the Company holds 2,175,992 shares or 36.27% of the total issued shares in the Falcon.
January 2015	The Company sold its holding in the Falcon to comply with the Notification of OIC Re: investment in other business by non-life insurance company B.E. 2556 after the transaction the Company holds 1,200,000 shares or 20.00% of the total issued shares in the Falcon.
February 2016	The Company now holds 12% of the total issued shares of 10,000,000 shares in the Falcon since the Company did not exercise its subscription right caused by incompliance with related Notification.

# Risk Management

---

The Company focuses on the principles risk factors as follows:

## Strategic Risk

### 1. The competitiveness and the liberalization of the insurance industry

The liberalization of the insurance industry will result in an increase of fierce competition amongst insurance companies. Foreign insurance companies, with their strong capital base, modern technology, and new products, will help their local joint venture companies in increasing their underwriting capacity in terms of rating competitiveness, strategies, and services. Small and medium Thai companies will face greater competition.

#### The strategies are

1. Adjusting competitive strategy by looking for new and high potential marketing channels. Developing new products to effectively respond to changes in customers' needs, economy, and social conditions.

2. Consider merger plan with other small and medium-sized local companies in order to increase customer base and shareholders' fund to increase its retention capacity. Moreover, it will reduce operating cost by sharing resources with subsidiaries.

### 2. Economic situation

The economy is a significant factor in conducting business. During recession, the Company's clients; consisting of direct customers, companies, public organizations, may reduce or cancel or not renew their policies due to reduction of production, reduce in export volume and expense cut. All of which effects underwriting operation.

**To mitigate this**, we carefully analyze the impact of the economy on the client's business and inform them that some insurance covers are orthogonal to the impact of the economy. While we emphasize the importance of having property insurance covers, we also suggest to clients to reevaluate their property more carefully to purchase the necessary cover without being over insured. For certain clients, we may offer alternative products that are best suited to their needs given the circumstances.

### 3. Reputational/Appearance

The risk arises from expectation from stakeholders that the Company may not response to all issues such as the expectation of insurance coverage or customer expectations to response their needs that may resulting in the loss of trust, faith, reputation and image of the Company.

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

## Insurance Risk

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

2. **Suboptimal proportion of types of insurance.** The Company provides all types of non-life insurance. Motor insurance constitutes the core market for the industry's total premium; it is also the class of insurance that is consistently very difficult to see profitable bottom line. This is mainly due to high acquisition cost and increasing claims ratio. Focusing too much on the top-line premium growth may thus impact profitability.

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

### **The Company adopts measures to deal with the above risks by**

1. Analyzing on the basis of Loss ratio and Combined ratio.
2. Implementing strict risk selection criteria, client groups and type of business.
3. Reinsuring to spread risk exposure by placing treaty and facultative reinsurance with local and overseas financial secured companies. In addition it also purchases excess of loss reinsurance to reduce exposure to catastrophe losses and to protect its operation and financial status.
4. Managing composition of the portfolio by writing all classes of business and monitors for the portfolio mix according to market situation. 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.

## **Liquidity Risk**

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

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

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

## **Operational risk**

1. **Personnel:** There exists limited skilled and specialized workforce for insurance industry. The strategies are to support continuing growth in career path through training programs both domestic and international, to sponsor higher education scholarship, to keep high potential employees to work permanently.

2. **Processing system:** The risk arises from the insufficient or inappropriate internal control system also including the classification of responsibility ineffectively as well as there exists no guideline for examining any person who commits an offense under Anti-Money Laundering Act and Counter Terrorism Financing Act that may cause the Company to be liable to fine and discredit. **The strategies are**

- 1) To endorse and establish code of work ethics based on good governance on a continuous basis.
- 2) Work manual, authority to exercise power and responsibilities are clearly defined in writing and periodically revised.
- 3) To build up a culture that values corporate risk management and work integrity and ethics.

3. **Technology:** If statistical data and information of clients were lost or leaked to outsiders or competitors, the Company will suffer negative image. The operation will be interrupted if problems occurred to the central computer and it will lead to system failure or losing all data.

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

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

1) Software Security and Data, the Company installs a program to check and detect computer viruses, firewall and the patch programs from each particular program producers to get rid of bugs and errors in the computer system. Two sets of backup data are kept. They are updated daily, monthly and yearly at secured outside locations in preparation for emergency disaster.

2) Hardware and Network, the Company has a contingency plan to use an outside backup site if disaster occurs.

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

4) Personnel security, the Company establishes clearly defined procedures to identify those who can access to send mail out of the office, set size limit to sent mail, and report of sent mail.

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

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

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

## Market Risk

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

**The Company manages the market risk by** diversifying the portfolio and spreading investment funding to include various lines of investment as well as categories of business in order to reduce fluctuations in aggregate value of investment. It closely monitors and regularly assesses factors that may cause fluctuations to value of investment instruments in order to make a proper investment transaction according to situation. It has policy not to invest in speculative securities that price fluctuation is high but concentrates on blue-chip securities and ones that have steady yield. The Company has an investment committee who considers and sets up investment policy, in addition to the Office of Insurance Commission's rule of practice promulgated under the Non-Life Insurance Act B.E.2535, in order to reduce exposure from the loss of investment funding. The committee considers and reviews structure of the portfolio mix on a regular basis.

## Asset and Liability Management Risk

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

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

## Credit Risk

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

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

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

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

## Concentration Risk

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

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

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

2. **Reinsurance:** The Company is facing the risk if choosing one reinsurer more than 50% of total reinsurance value. In the case that reinsurer are bankrupt, the Company will possibly be defaulted from the reinsurer.

The Company has the reinsurance counterparty with both local and international reinsurers. The reinsurance policy of the Company is restricted through the ceiling of the amount of reinsure. The diversification to each reinsurer does not exceed half of the aggregate reinsure value of the Company.

## Legal and Regulatory Risk

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

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

## Group Risk

The risk that the financial status of affiliated company impacts to other associate companies. Nonetheless, the Company operates independently and does not constitute a part of any group of companies.

## Emerging Risk

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

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

# Management Discussion and Analysis

## Summary of Operating Results in 2016 compared to 2015

As of December 2016, the Company's operating results represented a net profit of 67.29 million Baht compared to last year of 108.94 million Baht. Return on Equity was 3.23% compared to last year reported of 5.22%. Earnings per share was 2.04 Baht compared to the previous year of 3.30 Baht.

Gross written premium was 2,839.04 million Baht, a decrease of 529.89 million Baht or 18.73% compared to the previous year.

Total income consisted of underwriting income and income on investment and other totaling to 2,906.71 million Baht, an increase of 78.44 million Baht 2.77% from the previous year, of which the underwriting income was 2,695.78 million Baht, an increase of 130.56 million Baht or 5.09% whilst the investment and other income was 210.93 million Baht, a decrease of 52.12 million Baht or 19.81%.

Total expenses consisted of underwriting expense before operating expenses and the operating expenses amount of 2,835.37 million Baht, an increase of 134.25 million Baht or 4.97% comparing with the previous year, of which the underwriting expense exclude operating expenses was 2,478.13 million Baht, an increase of 151.96 million Baht or 6.53% whilst the operating expenses was 357.24 million Baht compared to the last year of 374.96 million Baht, a decrease of 17.71 million Baht or 4.72%.

## Major Factors Attributed to Operating Results in 2016 are as follows:

### 1. Operating Results from Underwriting

In 2016, the Company's underwriting profit exclude operating expenses was 217.65 million Baht, a decrease of 21.40 million Baht or 8.95%. Underwriting profit margin was 8.54%, less than last year 9.84%. Nevertheless, the operating results after the operating expenses have been deducted represented the underwriting loss of 139.59 million Baht compared to the same period last year represented the loss from underwriting of 135.91 million Baht, an increase of 3.68 million Baht or 2.71%.

#### 1.1 Underwriting Income

The Company's underwriting income was 2,695.78 million Baht, an increase of 130.56 million Baht or 5.09% from the previous year, mainly due to:

Gross written premium was 2,839.04 million Baht, a decrease of 529.89 million Baht or 15.73% compared to the same period last year, resulted from decreasing in direct premium especially motor insurance that decreased by 27.59% while outward premium was 639.50 million Baht, an increase of 87 million Baht from the last year. Net written premium was 2,199.55 million Baht, a decrease of 616.89 million Baht or 21.90% compared to the same period last year. Retention rate was 77.47%, lower than that of 83.60% in the previous year.

The Company's earned premium was 2,547.95 million Baht, an increase of 119.45 million Baht or 4.92% from the same period last year. An increase in earned premium was due to rise of earned premium by 41.25 million Baht from fire insurance and 67.66 million Baht from motor insurance.

Fee and commission income was 147.83 million Baht, an increase of 11.11 million Baht or 8.13% affected by increasing in the amount of outward premium from miscellaneous insurance.

#### 1.2 Underwriting Expenses exclude Operating Expenses

As of December 2016, the Company's underwriting expenses exclude operating expenses was 2,478.13 million Baht, an increase of 151.96 million Baht or 6.53% comparing with the same period last year of 2,326.17 million Baht.

The underwriting expenses exclude operating expenses included:

(1) Claims and loss adjustment expenses was 1,786.69 million Baht, an increase of 258.60 million Baht comparing with the previous year of 1,528.09 million Baht that represented loss ratio of 70.12%, which was higher than that of 62.92% in the previous year.

(2) Commission and brokerage expenses were 428.05 million Baht, a decrease of 75.99 million Baht or 13.62% comparing with same period last year. These expenses were a variation to direct written premium and reinsurance premium which represented the gross written premium in 2016 of 2,839.04 million Baht, decreased by 15.73% compared to the same period last year of 3,368.93 million Baht.

(3) Other underwriting expenses was 209.39 million Baht, a decrease of 30.65 million Baht or 12.77% compared to the same period last year which was a variation to the written premium.

### **1.3 Profits from Underwriting before Operating Expenses**

#### **Fire Insurance**

As of December 2016, fire underwriting profit before operating expenses was 85.32 million Baht, a decrease of 22.67 million Baht or 21% compared to the same period last year.

Fire written premium was 577.23 million Baht, a decrease of 6.36 million Baht from the previous year. Net written premium was 306.58 million Baht, an increase of 28.38 million Baht or 10.20%, due to higher in retention rate from 47.67% in 2015 to 53.11% in 2016.

Underwriting income was 337.11 million Baht, an increase of 27.50 million Baht or 8.88% comparing with the same period last year. Earned premium was 278.46 million Baht, an increase of 41.25 million Baht or 17.39%, fee and commission income was 58.64 million Baht, a decrease of 13.75 million Baht compared to the same period last year.

Underwriting expenses before operating expenses was 251.79 million Baht, an increase of 50.17 million Baht or 24.88% from the last year, as a result of increasing in claims and loss adjustment expenses amount of 88.84 million Baht, an increase of 41.33 million Baht or 87.01% from the previous year. Commission and brokerage expenses was 133.43 million Baht, an increase of 3.28 million Baht from the last year. Other underwriting expense was 29.52 million Baht, an increase of 5.56 million Baht from the previous year.

#### **Marine and Transportation Insurance**

As of December 2016, underwriting profit before operating expenses of marine and transportation was 31.84 million Baht, an increase of 3.17 million Baht or 11.07% compared to the same period last year.

The written premium was 77.16 million Baht, an increase of 4.70 million Baht or 6.49% from the last year. Net written premium was 37.86 million Baht, a slightly decrease from the previous year due to reduction in retention rate from 52.33% in 2015 to 49.06% in 2016.

Underwriting income was 53.32 million Baht, an increase of 4.27 million Baht or 8.72% from the previous year. Earned premium was 38.92 million Baht, an increase of 1.80 million Baht or 4.86% from the last year. Fee and commission income was 14.40 million Baht, an increase of 2.47 million Baht compared to the same period last year.

Underwriting expenses before operating expenses was 21.48 million Baht, an increase of 1.10 million Baht or 5.42% from the previous year, as a result of increasing in claims and loss adjustment expenses amount of 9.21 million Baht, increased by 7.23% from the previous year.

#### **Motor Insurance**

Motor underwriting profit before operating expenses was 71.18 million Baht, an increase of 11.56 million Baht or 19.39% compared to the same period last year.

Motor written premium was 1,756.20 million Baht, a decrease of 669.02 million Baht or 27.59% compared to same period the last year. Net written premium was 1,739.94 million Baht, a decrease of 669.84 million Baht from the previous year.

Underwriting income was 2,134.72 million Baht, an increase of 67.79 million Baht or 3.28% due to a rise of earned premium by 67.66 million Baht or 3.28%. Fee and commission income was 3.28 million Baht, a slightly increase from the last year.

Underwriting expenses before operating expenses was 2,063.54 million Baht, an increase of 56.23 million Baht or 2.80% from the last year, mainly due to increasing in claims and loss adjustment expenses amount of 1,626.67 million Baht, an increase of 199.92 million Baht or 14.01% compared to year 2015. Commission and brokerage expenses was 295.78 million Baht, a decrease of 90.28 million Baht from the last year. Other underwriting expense was 141.09 million

Baht, a decrease of 53.41 million Baht from the previous year. The reduction of commission, brokerage and other expenses was due to a decrease of written premium, of which these expenses were a variation to the written premium.

### **Miscellaneous**

As of December 2016, underwriting profit before operating expenses was 29.31 million Baht, a decrease of 13.46 million Baht or 31.46% compared to same period the last year.

Written premium was 428.45 million Baht, an increase of 140.79 million Baht or 48.94% compared to same period last year. Net written premium was 115.16 million Baht, an increase of 24.63 million Baht from the previous year.

Underwriting income was 170.63 million Baht, an increase of 31 million Baht or 22.20% from the previous year. This was due to a rise of earned premium amount of 99.13 million Baht, an increase of 8.74 million Baht or 9.66% and fee and commission income amount of 71.51 million Baht, an increase of 22.26 million Baht or 45.21% compared to the same period last year.

Underwriting expenses before operating expenses was 141.32 million Baht, an increase of 44.46 million Baht or 45.90% from the last year as a result of increasing in claims and loss adjustment expenses amount of 61.97 million Baht, an increase of 16.73 million Baht, commission and brokerage expenses amount of 42.46 million Baht, an increase of 10.88 million Baht and other underwriting expenses amount of 36.89 million Baht, an increase of 16.85 million Baht.

### **1.4 Operating Expenses**

As of December 2016, the Company's operating expenses was 357.24 million Baht, a decrease of 17.72 million Baht or 4.72% compared to same period last year, due to a decrease of personnel expenses in 2016.

## **2. Investment Income and Other**

As of December 2016, the Company's investments income and profit on investments was 201.77 million Baht, a decrease of 55.53 million Baht or 21.58% compared to the same period last year of 257.3 million Baht, caused by interest and dividend income which represented of 112.44 million Baht, increased by 12.21 million Baht or 12.19% from the last year as well as a profit from distribution of securities represented of 89.33 million Baht, decreased by 67.74 million Baht or 43.13% from the previous year. Return on investment was 6.48% and 7.176% in 2016 and 2015 respectively. Other income was 9.16 million Baht, an increase of 3.41 million Baht or 59.21% from the previous year.

## **Factors Affecting Future Results of Operations**

### **1. Economic Situation**

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

### **2. Natural perils and Disasters**

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

## **Financial Status**

### **1. Composition of Assets and Liabilities**

As of 31 December 2016, the Company's total assets were 5,532.20 million Baht, a decrease of 90.94 million Baht or 1.62% compared to year 2015 of 5,623.14 million Baht. The significantly changed are as follows:

- Cash and cash equivalents was 137.66 million Baht, equivalent to 2.49% of total assets, decreased by 88.23 million Baht or 39.06% compared to year 2015.

- Premium receivable was 382.96 million Baht, equivalent to 6.92% of total assets, a decrease of 130.41 million Baht or 25.40% compared to year 2015.
- Reinsurance assets was 559.07 million Baht, equivalent to 10.11% of total assets, an increase of 190.91 million Baht or 51.85% compared to year 2015.
- Investment assets were 3,111.99 million Baht, equivalent to 56.25% of total assets, a decrease of 202.91 million Baht or 6.12% compared to year 2015. Investments in associate amount of 18.85 million Baht the previous year have been classified to be investment asset in 2016 resulted from the shareholding proportion in associate company reduced from 20% to 12% of the paid-up capital of its associate company.
- Under the project of Rain and Hall Agricultural Insurance, the Company deposited amount of 141.78 million Baht, equivalent to 2.56% of total assets, an increase of 99.43 million Baht or 234.76% compared to year 2015.

Total liabilities were 3,436.21 million Baht, a decrease of 122.01 million Baht or 3.43% compared to the same period last year of 3,558.22 million Baht. The mainly changed was due to:

- Liabilities under insurance contracts was 2,428.44 million Baht, equivalent to 43.90% of total liabilities and equity, a decrease of 167.48 million Baht or 6.45% compared to the same period last year.
- Due to Reinsurers amount of 772.79 million Baht, equivalent to 13.97% total liabilities and equity, an increase of 88.70 million Baht or 12.97% compared to the same period last year.
- Fee and commission payables amount of 96.4 million Baht, equivalent to 1.74 of total liabilities and equity, a decrease of 23.77 million Baht or 19.78% compared to the same period last year.

## **2. Assets Quality**

### **2.1 Investment in Securities**

As of 31 December 2016 investment in securities was 3,111.99 million Baht, mainly divided to (i) Government bonds and treasury bills at the cost price of 430.83 million Baht, (ii) Debentures at the cost price of 654.85 million Baht, (iii) Listed shares at the cost price of 699.60 million Baht, (IV) Unit-trusts at the cost price of 318.61 million Baht. The Company had revised the fair value of financial instruments as of 31 December 2016 that represented a surplus on change in value of investment in securities of 169.87 million Baht as well as allowance for impairment of unit-trusts was recorded by 13.75 million Baht. Deposit at financial institutions and saving lottery was 765.10 million Baht and non-listed shares of 86.88 million Baht.

### **2.2 Property, Building and Equipment, net**

In 2016, the book value of property, buildings and equipment before deduct of accumulated depreciation was 594.43 million Baht. The net book value was 278.58 million Baht, an increase of 9.89 million Baht, resulted from a rise of the Company's head office renovation of 23.58 million Baht, purchasing of vehicles to support the operations amount of 7.78 million Baht and information technology program as well as office equipment amount of 6.62 million Baht. The depreciation recognition increased by 1.05 million Baht from the previous year.

Intangible assets before deducting amortization for the year was 89.66 million Baht, accumulated amortization was 60.34 million Baht and the net book value of intangible assets was 29.32 million Baht. In 2016, the Company increased its intangible assets amounted to 12.77 million Baht to support business expansion and to develop operational flow more effectively.

### **2.3 Premium Receivable**

In 2016, the net premium receivable was 382.96 million Baht, a decrease of 130.41 million Baht from the last year. Due from insured and due from agents and brokers totaled to 388.84 million Baht that was not yet due and not over 30 days premium of 358.98 million Baht or 92.32%. Premium due date was 57 days.

The Company set aside allowance for doubtful accounts on premium receivable of 5.88 million Baht which will be sufficient to serve the risk may be occurred.

## 2.4 Other Assets

In 2016, claims receivable from litigants was 233.93 million Baht, an increase of 35.45 million Baht compared to the same period last year of 198.48 million Baht.

Allowance for doubtful accounts was 130.86 million Baht in 2016 and was 108.65 million Baht in 2015, its ratio was 55.94% and 54.74% respectively, was due to higher increasing in the operating results of motor insurance and ability of precaution which affected allowance for doubtful accounts increased by 22.21 million Baht in 2016.

According to the Company participates in the project of Rain and Hall Agricultural Insurance, the Company, therefore, deposited amount of 141.78 million Baht, an increase of 99.43 million Baht compared to year 2015.

## 3. Liquidity

During the year 2016, the Company's net cash from operating activities was 30.36 million Baht. Net cash used in investing activities was 50.43 million Baht. Net cash used in financing activities was 68.15 million Baht to support dividend payment.

As of 31 December 2016, the Company's liquidity ratio stood at 1.32 times, lower than the last year of 1.34 times. Nonetheless, the Company's liquid assets are cash and cash equivalents, including highly liquid investments these can be readily converted to cash.

In 2016, the Company's capital expenditures included decoration of office building, information systems development and buying vehicles to continually serve its business expansion.

## 4. Source of Fund

As of 31 December 2016, the Company total liabilities was 3,436.21 million Baht, total equity was 2,095.99 million Baht which was equivalent to 1.64 times of debt to equity ratio, lower than that 1.72 times of 2015. The majority of funds used in business operations came from a combination of shareholders' equity and income generated from operations. The major liabilities were loss reserves and outstanding claims and unearned premium reserve.

## 5. Shareholders' Equity

As of 31 December 2016, shareholders' equity was 2,095.99 million Baht, an increase of 31.08 million Baht or 1.51% compared to the same period last year. This was due to (i) a rise of paid-up capital by 10 million Baht as a result of 74 million Baht stock and cash dividend payment for the year 2015, (ii) a rise of profit for the year 2016 by 67.29 million Baht and (iii) a rise of other components of equity of 28.38 million Baht.

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

As of 31 December 2016, the Company has been sued for damages totaling 190.3 million Baht. However, the Company's obligations in respect of these lawsuits do not exceed the maximum sum insured per the relevant policies, which is 29.60 million Baht. Nonetheless, the Company has set aside reserve for contingent loss amounting to 28.90 million Baht.

## Auditor's fee

### 1. Auditing Fees

Fees paid for review and audit of the financial statements during the 2016 accounting year totaled to 1,440,000 Baht.

### 2. Other Fees

Other service fees paid for review and audit of the Risk Based Capital Report as required by Office of Insurance Commission, totaled to 534,000 Baht.

# Sustainable Development

---

Since the Company operates in the service sector then we have to maintenance all stakeholder credence and treat them equitably and development of new products and services that are better tailored to policy holders' needs and expectations are implemented while at the same time instill a corporate culture that is free from all forms of corruption and also actively in our CSR programs in order to contribute back to society.

The Company appreciated that the importance of building understanding and relationship with the public and community around areas of the Company's location will be contributed to happily coexist with each other on the basis of interdependence in order to ensure smooth operations and sustainability and also gives emphasize to social responsibility issues. Our CSR strategy is contribute back to society as identified in following vision, mission and strategies of the Company

- To operate a sustainable business with reasonable profit objectives while promoting social stability and ethical integrity.
- To be a leading enterprise of non-life insurance business with a network of offices, highly competent personnel, good services and the best technology.
- To provide quality insurance coverage and quality protection for the benefit of policyholders, employees, shareholders and the general public.
- To provide good and high quality services to customers with fairness and integrity.
- To innovate and develop new insurance products for the changing needs of society.
- To focus on quality of service and reasonable cost control to achieve utmost efficiency in the development of management system.
- To support and develop a good working environment and promote unity among employees as well as maintaining competitive benefits and compensation suitable for social environment.
- To invest in human resource development and encourage employees to be professional and maintain high ethical standard.
- To develop and implement new technology to effectively improve our service to the customers.

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

## 1. Corporate Governance

### Guidelines on Corporate Governance

The Company operates business that adheres to the Principles of Good Corporate Governance and continued to monitor that its employees understand and implement. In year 2016, the Thai Institute of Directors Association awarded the Company with corporate governance rating of "excellent" in its survey of SET listed companies that the Company adhered to the Principles of Good Corporate Governance as follows:

### Rights of Shareholders

- The Company encourages its shareholders, including institutional investors, to attend the general shareholders meeting for participation in any decision making relate to their benefits.
- 2016 Annual General Meeting of Shareholders (2016 AGM) was organized on 21 April 2016, at the Grand Hall, 28<sup>th</sup> floor, the Bangkok Club, Sathorn City Tower, whereby Chairman of the Board, all chairpersons of the committees and the Company's chief executive officer were presented in the meeting.
- Allow shareholders to send their question to the Company prior to the meeting date as criteria determined by the Company and disclose them on the Company's website.
- Encourage the use of proxy form B which shareholders are able to specify their votes that is attached to the notice of the meeting and also downloaded from the Company's website.

- Encourage the Company to use secure, fast, precise and accurate technology in the shareholders meeting, including barcode system in recording attendee registration, printing ballots for the agenda required the shareholders meeting to approve and certify and processing voting results. In addition shareholders are able to register after the meeting has been commenced and be able to vote for agenda that a resolution is not yet made.

- The chairman of the meeting provided opportunities for the shareholders to express their opinions and ask questions related to the Company's operations and the meeting agenda and all inquiries were recorded in the minutes of the meeting.

- The Company informed the SET the resolutions of each agenda of 2016 AGM by indicating the votes as "approved" "disapproved" and "abstained" from voting.

- The minutes of shareholders' meeting was sent to SET within 14 days after the meeting, and also posted on the Company's website promptly for shareholders to acknowledge, express their opinions and verify.

### **Equitable Treatment of Shareholders**

- The Company released 2016 AGM notice, with detailed agenda and explanatory circulars both Thai and English, and presented in the Company's website on 16 March 2016.

- In advance of 2016 AGM date, during 3 September-31 December 2015, The Company set criteria and procedures for the proposal any agenda item and the nomination of candidates by minority shareholders that the Company informed its shareholders via newsletter to SET and posted on the Company's website. However, no shareholders proposed any agenda item or candidate.

- Chairman of the remuneration, nomination and governance committee encouraged members of the Board to nominate qualified person to be director in place of those retiring by rotation.

- Chairman of the meeting conducted 2016 AGM as agenda prepared in the notice chronologically, without adding any agenda item other than those specified in the notice.

- The shareholders were entitled to vote based on the amount of shares held whereby one share was equal to one vote.

- The shareholders are able to elect each director individually on the agenda of an election of directors in place of those retiring by rotation.

- The Company wrote the internal control policy that has been communicated as notification to everyone in the Company to protect against abuse of inside information.

- Every director and executive regularly submit to the office of company secretary a report on their ownership of the Company's shares as regulation specified by the Securities and Exchange Commission (SEC) and the information shall disclose in every meeting of the board of directors.

- The Company's board of directors and the management are prohibited from trading the Company's security during two weeks prior to the disclosure the Company's information and/or financial reports to the public.

- The director who had conflicts of interest must report to the board of directors meeting before considering the agenda item and to abstain from voting and/or leave the meeting.

### **Roles of the Stakeholders**

Guidelines to various stakeholders are as follows:

- **Shareholders**

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

- **Employee**

The Company believes that our employees are the most important asset, we treat employees fairly and are determined to ensure that every employee is proud of and were confident in the organization. The Company sets the appropriate compensation and provision of fringe benefits to employees not only complies with but also exceeds relevant

standard mandatory requirements, e.g. provident fund, health and accident insurance, annual health check-up, safe and sanitary workplace environment, employee recreational activities, and in-house physical workout facility to promote mutual recreation among employees as well as continually developing progress on career paths including provide both local and overseas scholarships and training courses year plan for employee at each level.

The Company takes into account the safety of its employees so as to provide the knowledge regarding workplace safety and hygiene guidelines via program of new employee orientation in the year 2016 and the Company's had zero work-related accidents.

- **Customers**

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

- **Suppliers**

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

- ❖ Affidavit
- ❖ Pricing
- ❖ Technical capability
- ❖ Expertise and experience
- ❖ Quality of goods and services
- ❖ Business reputation
- ❖ Service policy

- **Competitors**

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

- **Creditors**

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

- **Community, Society and Environment**

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

- **Human Rights**

The Company policy is to support and to respect issues that present the organization through to the employees to be involved in human rights violation, realizes and respects equal rights by following the principles of human rights protected by the Constitution of the Kingdom of Thailand. The Company will not take any actions that violate human dignity, personal right and liberty, and will avoid discrimination with regard to people's origin, race, physical condition or health, economic or social status, education and training, or personal characteristics that are unrelated to work.

- **Intellectual Property or Copyright**

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

### **Disclosure and Transparency**

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

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

The Company's website has been prepared both in Thai and English, in the section of "investor relations" that information is always up-to-date such as business operations, the Company's articles of association, financial statements, press releases, shareholding structure, organization structure, board of directors and executives' background, downloadable notice and minutes of shareholders' meeting and downloadable annual reports.

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

In 2016, the Company had no any record of changing the financial statements by SEC and did not face any sanctions by regulations for failures to make announcement within the requisite time period for material events.

### **Responsibilities of the Board of Directors**

#### **Structure of the Board of Directors**

- Directors should be competent with various skill mixes and integrity. At least one director shall be an expert in the area of non-life insurance business that consistent with the Company's strategies, and at least one in the area of accounting and finance.

- The Board shall comprise of directors who competent with skills and extensive experience to benefit the Company's operation. The number of directors is currently limited to thirteen, comprising eleven non-executive directors and two executive directors i.e. the chief executive officer (CEO) and the company secretary. The five directors who have been qualified as independent directors, namely, Professor Hiran Radeesri, Mr.Pramon Sutivong, Mr.Kiet Srichomkwan, Mr.Phornpong Phornprapha and Mr.Chan Soo Lee. The proportion is one-third of total number of the total directors.

- Directors shall have a term of three years and any director vacating the office on due term may be re-elected.

- The board of directors agreed that the Chairman of the board of directors and CEO has separate functions and responsibilities and are not the same person, to enable independent performance of the managements' checks and balances. Further details are clearly defined in the section of "Shareholders and Management Structure".

#### **Limit of board seats in other publicly listed companies**

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

### **Board of Directors' Meetings**

- The Board holds at least seven meetings a year which is one meeting for non-executive directors only. All meetings will be scheduled at the beginning of the year. The extraordinary meetings are allowed if required. Moreover, the Board shall receive a monthly report on the Company's performance for the month when meetings are not scheduled.
- The Chairman of the Board and the topmost position of executive shall consider and agree to the meeting agenda and all members of the Board are entitled to propose the agenda items.
- The Company Secretary is responsible for the agenda and supporting documents that shall send to all members not less than seven days before the date of meeting, except in the case of emergency.
- Each meeting takes at least two hours, and the Chairman will allow every director to express his/her opinion openly before proceeding with the vote and concluding a resolution of the meeting in each agenda.
- The Company's management will attend the meeting to clarify and answer queries of the Board on the issues that he/she is directly responsible for, and give the Board chance to know more about him/her as well as be useful for preparing succession plans.
- The Board has access to additional information, under prearranged conditions, via CEO, president, company secretary or executive designated as a contact person.
- The company secretary is responsible for preparing the minutes propose to the chairman of the Board to consider before propose to all directors to consider and certify in the next Board's meeting. After approval and duly signed by the chairman, minutes are stored securely at office of company secretary, office of president. Electronics copies of the documents are also maintained to facilitate the directors and relevant persons for the purpose of examination.
- In 2016, one non-executive directors' meeting was organized to discuss the Company's direction and business operations management that the company secretary reported the main issues to CEO to acknowledge and proceed as recommendation of the meeting.

### **Performance Evaluation of the Board of Directors**

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

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

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

The assessment criteria divided into five levels; 90-100% = excellent, 80-89% = very good, 70-79% = good, 60-69% = satisfactory, 50-59% = need improvement. The assessment result can be conducted that the directors performed their duties in compliance with the principles of good governance and the code of conduct, the average score was 92.64% for the self-assessment as a whole and 90.63% for individual self-assessment.

### **Performance Evaluation of the Committees**

The committees at the board level comprising of the audit committee and the remuneration, nomination and governance committee, are required to perform self-assessment once a year to comply with standard of ASEAN Corporate Governance Scorecard. The self-assessment of the committees as a whole contains three major topics those are (i) Board structure and qualifications, (ii) Roles, duties and responsibilities of the committees, (iii) The committees meeting. The assessment criteria divided into five levels; 90-100% = excellent, 80-89% = very good, 70-79% = good,

60-69% = satisfactory, 50-59% = need improvement. The assessment result of the audit committee and the remuneration, nomination and governance committee was excellent, the average score was 95.09% and 90.14% respectively.

### **Development Programs for the Directors and the Management**

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

The Board encourages its directors and the management to attend training courses organized by various established institutions in order to broaden their knowledge and perspective that may become useful in their roles within the Company. In 2016, Mr. Nipol T. Jeerawong, the Company's non-executive director, applied for a course of BMT 2/2016 will be held on 19-20 October 2016 by the Thai Institute of Directors Association, unfortunately, IOD need to postpone the program and will be organized in 2017. Nonetheless, such program was organised on 16-17 February 2017.

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

### **Internal Information Control and Risk Management**

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

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

1. Authorization is designed to provide reasonable assurance that all transactions are within the limits set by policy or that exceptions to policy have been granted by the appropriate officials. Actions taken to minimize risk to be appetite.
2. Clearly separated functions and responsibilities consistent with the organization structure, to enable independent performance of the managements' checks and balances as well as the appropriate length of a job rotation should be taken.
3. Connected transactions or any transactions in compliance with the laws and regulations specified by SEC must get approval from the audit committee.
4. Set the policy on guidelines for staff on how to use computer networks to encourage them to realize the security of information technology and to check whether authorized access has been implemented.
5. Controlled technology activities have been designed and developed to support the objective of internal control system based on Control Objective for Information and Related Technology (COBIT).
6. The Office of Compliance is responsible for reviewing how the Company's operations are operated in accordance with the laws and regulations specified by SEC, SET, OIC as well as other related laws.
7. Submit the notice to all members of the Board and the management to cease trading of NKI security during two weeks prior to the disclosure of the Company's information and/or financial reports.
8. The directors and the executives must prepare their reports to the Company at Office of Company Secretary for the purpose of using it to check transactions with the Company and connected transactions as follows:
  - 8.1 Report on interest; (1) First submission after being appointed as director or executive, (2) Every time there is a change on their interests, (3) Review and report at every year end; the company secretary will gather and submit them to Chairman of the Board and Chairman of the Audit Committee for acknowledgement.
  - 8.2 Report their securities holding (Form 59-1) and report of changes in securities holdings, submit the Securities and Exchange Commission (SEC) and a copy of such report shall submit to the company secretary on the same day.
  - 8.3 Report on the securities holdings of the board of directors and the management shall include in the agenda of every the board of directors' meeting.

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

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

### **Compliance on the Principles of Good Corporate Governance**

The Company continues to have a strong commitment to the principles of good corporate governance, except for the following issues:

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

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

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

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

## **2. Operate Business with Fairness**

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

- 1) Provide advice for appropriate and adequate coverage at a fair price.
- 2) Define criteria to select suppliers with transparency, and notify them to acknowledge the level-playing field. No nepotism. Selection of suppliers shall be in line with the policy for treatment of trading partners.
- 3) The Company treats employee fairly, in terms of their opportunities, compensation, benefits and training.
- 4) The Company complies with term agreed and made payment regularly on time.
- 5) The Company has set a policy to its directors, executives and employees to avoid making connected transactions, related transactions or transactions that may cause conflict of interest.
- 6) The Company has the policy to comply with intellectual property or copyright laws, provide a list of monitoring software installed on computer system in both the Server and Client regularly and continuously.
- 7) The Company shall be liable for the damage may be arose from carelessness or ignorance, with fairness and reasonable, and will be addresses to relevant person as the Company's procedures.

## **3. Anti-Corruption**

The Company is determined to reject all kinds of bribery and always require for a risk assessment in relation to such anti-corruption regularly, which all departments are responsible to assess the risks relating to their operation as well as to identify preliminary risk management strategies. The Risk Management Division is responsible for analyze the processes of operational risk and fraud management, analysis, monitoring and control. It also comply the overall risk position to remain within an appropriate risk appetite. Therefore, office of internal audit is responsible for evaluate and monitor risk of fraud beyond corporate risk assessment.

In 2013, the Company has joined the Thailand's Private Sector Collective Action Coalition Against Corruption, which is a national coalition with the support from the government and the Office of the National Anti-Corruption Commission. Thailand's Private Sector Collective Action Coalition against Corruption Council third quarter meeting on 16 October 2015 resolved that The Navakij Insurance Public Company Limited be certified as a member of "Thailand's Private Sector Collective Action Coalition against Corruption". In addition, the Company was awarded Level 4 (out of 5 levels) from the Anti-Corruption Progress Indicator by the Thaipat Institute.

The Board approved the anti-corruption policy. It has been announced to all employees in the organization and also communicated to the third parties such as customers, suppliers and all stakeholders through commercial contract, the Company's website and the Company's journal, and annual report, to strictly comply with it guidelines, it is prohibited that all directors, executives and staffs at all level including our business partners be associated with corruption. All activities of the Company's business must be operated without corruption. The Company shall train employees about the anti-corruption policy to cultivate a culture of honesty, recognize the importance of the policy and understand the guidelines set out in this policy as well as notice in the Company's intranet. In 2016, the Company organized the 2 courses to educate our employees in 23 April 2016 and 27 August 2016.

The Anti-Money Laundering and Counter Terrorism Financing Policy of the Company has been approved by the board of directors since 2012 and the Board will strictly oversee and examine the Company's business operation in compliance with such policy, Anti-Money Laundering Act, related laws and the guidelines as specified by Anti-Money Laundering Office as well as communicate with each other e.g. the customers, the suppliers or the third parties to acknowledge such policy. Nevertheless, the Company has set up a communication channel every time together with its training of the anti-corruption policy.

#### ● Communications with Stakeholders

The Company provided whistleblowing and grievance policy to its stakeholders to give suggestions, complaints and reports illegal acts. Whistleblower may raise a concern through various channels provided in the Company's website for all stakeholders properly selection and the Company will store securely those complaints and offer whistleblowers protection from harassment or disciplinary proceedings.

- Vice President of Organization Development Department  
Tel: +66 2664 7712                      Email: phatarawipha\_w@navakij.co.th
- Vice President of Office of Compliance  
Tel: +66 2664 7719                      Email: charuwan\_c@navakij.co.th
- Chief Executive Officer  
Tel: +66 2664 7738                      Email: pitiphong@navakij.co.th
- Chairman of the Audit Committee through Secretary of the Audit Committee  
Tel: +66 2664 7777 ext. 1728      Email: phisit\_p@navakij.co.th

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

#### Consideration and Process

1. The information of the matter must be substantially true and clear enough for the investigation process.
2. Whistleblowers must identify themselves for further information.
3. The matter disclosure and the investigation process are kept confidential. Concerns and complaints of staff will be responsible only by those related to investigation. Concerns related to Executives are disclosed directly to the Audit Committee for investigation and report the findings directly to the Audit Committee.
4. Vice Presidents of Organization Development Department, Office of Compliance and Office of Internal Audit are responsible for the investigation and report the findings to the President and the Audit Committee
5. The investigation must be conducted with justice.
6. The duration of the investigation depends on the complexity of the issues, the sufficiency of the evidence provided by whistleblowers and those involved with the process of investigation.
7. Any individual found responsible for making allegations maliciously or in bad faith may be subject to disciplinary or legal action.

## 4. Respect to Human Rights

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

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

## 5. Treating Employee Fairly

### Employee remuneration and welfare

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

### Training and Development

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

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

### Policy concerns of Safety and Health Issues

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

## 6. Product Responsibility

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

There was no significant complaint report arise from the Company's services received throughout the year 2016. The Company also provides various information benefits both manufacturer and consumer such as insurance news, public relations news in marketing and corporate social responsibilities and frequently asked questions.

## 7. Environmental Responsibility

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

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

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

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

## 8. Community Development

The Company continually emphasizes on human resources development by encouraged the Company's employees "NKI Volunteer" to participate in social activities to support educational and quality of life of Thai people to be better, with the belief that "A lot of knowledge can make people realize the necessity of procuring insurance protections before the unexpected happens".

### Educational Supports

- 1) NKI; Give a heart to To Cho Do School, provided equipment and teaching materials to Ban Tabaek Ngam Border Patrol Police School, Phato, Chumphon, to support education and quality of life of the people in upcountry.
- 2) NKI; Khonkaen Branch, Youth Health Care, provided teaching materials and sport materials and equipment to Phosripongkaewittayaserm School located on a great distance and upcountry.

### Quality of Life Development

- 1) NKI; Fulfill His Majesty King Bhumibol's vision, cash donation to the Chaipattana Foundation, in memory of His Majesty King Bhumibol Adulyadej Spiritual Center of All Thais and our Beloved Father of the Nation and to carry on his Royal development projects.
- 2) "NKI Volunteer", the Company representative, participated in building houses for the poor who are affected by disasters and provided equipment for development for children with special needs in the area of Samutsongkhram Province, a part of project "Performing Good Deeds as a Tribute to Her Majesty the Queen".

3) Organized “the project of building houses for the poor and providing help for children with special needs to Celebrate Her Majesty the Queen”, to provide equipment and consumables for development of disabled child and also providing of recreational activities, foods and also supported health check-up for the students and their parent at Samutsongkhram Special Education Center.

4) Cash donation to the activity of the National Council on Social Welfare of Thailand in the Redcross Fair 2016 in order to present H.M. Queen’s charity project done by Thai Red Cross Society.

5) Participated in a project of “Sathorn Model” that awarded the Company “apply for overlap working hours”, one of measures to reduce the problem of traffic congestion on Sathorn Road.

#### **Social Activities**

1) “NKI Volunteer” engaged in the production of Braille No.4, following the project of “Third Page Project Year 5” donated old desk calendar to the Educational Technology for the Blind Center.

2) Collaborated with The Thai Red Cross Society, Poon Phol Co., Ltd Group and Sathorn Thani Complex, under the project of “Give Blood for Mom”, to collect blood to celebrate 84 years of Queen Sirikit, blood donations amounting to 454,000 cc were collected from 1,360 donors.

### **9. Socially Responsible Innovation**

The Company continues to leverage on technological advancements that are become widely available and relevant to the insurance industry and also gives emphasize to social responsibilities issues. We streamlined our information technology, developed the format of modern insurance including motor and non-motor products, and new types of insurance policy have been created in accordance with the rapid social and political changes. Customers who have continue to acquire our existing insurance products will continue to enjoy our high quality services. The Company places importance on high standard quality of services and efficient to all our customers, includes direct sales and agents or brokers, to maintain our commitment to excellent, fair, convenient and honest service. These shall build our customer trust and confidence resulting in the Company’s sustainable growth.

# CSR



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

---

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

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

The Audit Committee that comprise of independent directors have been assigned by the Board of Directors to take charge of the Company's financial reports and internal control quality matters. The Audit Committee's views regarding this issue is disclosed in this annual report under the section of the Audit Committee's report.

The Board of Directors is of the opinion that the overall internal control system of the Company is sufficient and appropriate and can build the confidence that the financial statements of NKI for the year ended 31 December 2016 are reliable, comply with relevant laws and regulations as well as in accordance with Thai Financial Reporting Standards.



Suchin Wanglee

Chairman of the Board of Directors



Pitiphong Bisalputra

President & CEO

# Independent Auditor's Report

---

## Independent Auditor's Report

To the Shareholders of The Navakij Insurance Public Company Limited

### Opinion

I have audited the accompanying the separate financial statements of The Navakij Insurance Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2016, and the related statements of income, comprehensive income, changes in owner's equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and have also audited financial statements, in which the equity method is applied, which comprise the statement of income, comprehensive income, changes in owner's equity and cash flows for the year ended 31 December 2016.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Navakij Insurance Public Company Limited as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards. The financial statements, in which the equity method is applied, referred above present fairly, in all material respects, the financial performance and cash flows for the year ended 31 December 2016 in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

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

### Emphasis of Matters

I draw attention to Notes 2 and 3.1 to the financial statements relating to the presentation of the Company's financial statements in accordance with the new format as specified in the Notification of the Office of Insurance Commission dated 4 March 2016, which became effective as from 1 January 2016 onwards, and the adoption of the revised and new accounting standards as issued by the Federation of Accounting Professions. My opinion is not modified in respect of these matters.

### Key Audit Matters

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

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

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

#### ***Insurance premium recognition***

In 2016, the Company had revenue from insurance premiums amounting to Baht 2,839 million, which were derived from retail insured and had a large number of policies. The insurance premiums are collected from variety customers and insurance premiums amount rely on the processing of information technology system. I therefore focused on the recognition of insurance premiums with respect to the amount and appropriate timing.

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

#### ***Insurance contract liabilities - claim reserves and outstanding claims***

Insurance contract liabilities - claim reserves and outstanding claims account is highly significant to the financial statements. As at 31 December 2016, the Company had claim reserves and outstanding claims amounted to Baht 880 million (representing 26 percent of total liabilities). Claim reserves and outstanding claims normally includes both claims incurred and reported and claims incurred but not reported, which were calculated by the Company's management using actuarial techniques. The key assumptions applied were based on historical data and required the management to exercise substantial judgement in estimating such reserves so I addressed the adequacy of claim reserves and outstanding claims as a key audit matter. In addition, such claim reserves and outstanding claims are directly relevant to claim reserves refundable from reinsurers which were also calculated by the Company's management using actuarial techniques. As at 31 December 2016, the Company had claim reserves refundable from reinsurers amounting to Baht 201 million.

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

#### ***Allowance for doubtful account of premium receivables, reinsurance assets (claim reserves refundable from reinsurers), and reinsurance receivables***

Allowance for premiums receivables, reinsurance assets (claim reserves refundable from reinsurers), and reinsurance receivables which is estimated based on losses expected to be incurred when debtors are unable to repay. The losses were estimated from past collections experience, aging profile, and current status of outstanding receivables. The management is therefore required to exercise considerable judgement in determining and recording the allowance for losses expected to be incurred when debtors are unable to repay. In addition, the

allowance for such receivables is significant since as at 31 December 2016, the Company had outstanding balances of premiums receivables, reinsurance assets (claim reserves refundable from reinsurers), and reinsurance receivables totaling Baht 1,016 million (representing 18 percent of total assets), and the allowance for these receivables amounting to Baht 6 million. Therefore, I addressed the adequacy of the allowance for doubtful accounts for receivables as a key audit matter.

I gained an understanding of the internal controls relevant to collection of these receivables the calculation and recording of allowance for such receivables by making enquiry of management, gaining an understanding and assessed the information and methods used by the Company in calculating the allowance. In addition, I tested, on a sampling basis, the calculation of debtor aging and allowance for these receivables.

#### **Other Information**

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

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

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

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

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

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Somjai Khunapasut.



Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 23 February 2017

# Statements of Financial Position

## The Navakij Insurance Public Company Limited

### Statements of financial position

As at 31 December 2016

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements		
		31 December 2015	1 January 2015	31 December 2016	31 December 2015	1 January 2015
		(Restated)			(Restated)	
<b>Assets</b>						
Cash and cash equivalents	6	225,891,658	594,790,209	137,665,316	225,891,658	594,790,209
Premium receivables	7	513,372,167	348,818,913	382,964,834	513,372,167	348,818,913
Accrued investment income		14,340,791	7,157,518	10,061,366	14,340,791	7,157,518
Reinsurance assets	8	368,157,791	373,147,832	559,065,448	368,157,791	373,147,832
Reinsurance receivables	9	408,488,865	359,784,885	431,553,544	408,488,865	359,784,885
Investment assets						
Investments in securities	10	3,314,899,753	2,650,932,628	3,111,987,378	3,314,899,753	2,650,932,628
Loans	11	789,186	927,326	610,526	789,186	927,326
Investments in associate	12	92,827,970	178,128,881	-	18,846,960	34,175,695
Property, building and equipment	13	268,686,277	262,434,370	278,572,806	268,686,277	262,434,370
Intangible assets	14	20,490,933	23,018,177	29,316,327	20,490,933	23,018,177
Deferred tax assets	15.1	188,542,627	115,837,092	177,551,261	188,542,627	115,837,092
Other assets						
Claims receivable from litigants	16	89,826,013	70,632,155	103,066,444	89,826,013	70,632,155
Deposits on rice field insurance scheme		42,353,275	-	141,779,385	42,353,275	-
Receivable on sales of securities		18,983,736	51,340,872	16,300,043	18,983,736	51,340,872
Others		129,466,284	93,296,251	151,705,101	129,466,284	93,296,251
<b>Total assets</b>		<b>5,697,117,326</b>	<b>5,130,247,109</b>	<b>5,532,199,779</b>	<b>5,623,136,316</b>	<b>4,986,293,923</b>

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

# Statements of Financial Position (continued)

The Navakij Insurance Public Company Limited

Statements of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	Financial statements					
	in which the equity method is applied		Separate financial statements			
	Note	31 December 2015 (Restated)	1 January 2015	31 December 2016	31 December 2015 (Restated)	1 January 2015
<b>Liabilities and equity</b>						
<b>Liabilities</b>						
Insurance contract liabilities	17	2,595,912,980	2,036,387,810	2,428,437,934	2,595,912,980	2,036,387,810
Due to reinsurers	18	684,092,088	597,761,255	772,795,263	684,092,088	597,761,255
Income tax payable		15,975,134	-	-	15,975,134	-
Employee benefit obligations	19	40,782,961	37,246,332	44,298,674	40,782,961	37,246,332
Other liabilities						
Fee and commission payables		120,167,504	88,587,703	96,401,556	120,167,504	88,587,703
Accrued expenses		55,062,548	67,480,044	40,776,597	55,062,548	67,480,044
Others		46,229,583	53,422,104	53,498,029	46,229,583	53,422,104
<b>Total liabilities</b>		<b>3,558,222,798</b>	<b>2,880,885,248</b>	<b>3,436,208,053</b>	<b>3,558,222,798</b>	<b>2,880,885,248</b>
<b>Equity</b>						
Share capital	20					
Registered						
33,000,000 ordinary shares of Baht 10 each						
(31 December 2015: 32,000,000 ordinary shares						
of Baht 10 each, 1 January 2015: 31,000,000						
ordinary shares of Baht 10 each)						
		320,000,000	310,000,000	330,000,000	320,000,000	310,000,000
Issued and paid up						
33,000,000 ordinary shares of Baht 10 each						
(31 December 2015: 32,000,000 ordinary shares						
of Baht 10 each, 1 January 2015: 31,000,000						
ordinary shares of Baht 10 each)						
		320,000,000	310,000,000	330,000,000	320,000,000	310,000,000
Share premium		647,227,997	647,204,442	647,245,520	647,227,997	647,204,442
Retained earnings						
Appropriated						
Statutory reserve	21	31,000,000	30,000,000	33,000,000	31,000,000	30,000,000
General reserve		20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Unappropriated		1,027,650,965	1,083,683,105	929,847,678	939,162,424	935,890,557
Other components of equity		93,015,566	158,474,314	135,898,528	107,523,097	162,313,676
<b>Total equity</b>		<b>2,138,894,528</b>	<b>2,249,361,861</b>	<b>2,095,991,726</b>	<b>2,064,913,518</b>	<b>2,105,408,675</b>
<b>Total liabilities and equity</b>		<b>5,697,117,326</b>	<b>5,130,247,109</b>	<b>5,532,199,779</b>	<b>5,623,136,316</b>	<b>4,986,293,923</b>

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

# Statements of Income

## The Navakij Insurance Public Company Limited

### Statements of income

For the year ended 31 December 2016

(Unit: Baht)

	Note	Financial statements			
		in which the equity method is applied		Separate financial statements	
		2016	2015	2016	2015
			(Restated)		(Restated)
<b>Income</b>					
Gross premium written		2,839,044,098	3,368,927,885	2,839,044,098	3,368,927,885
Less: Premiums ceded to reinsurers		(639,496,432)	(552,495,691)	(639,496,432)	(552,495,691)
Net premium written		2,199,547,666	2,816,432,194	2,199,547,666	2,816,432,194
Add (less): Unearned premium reserves (increase)					
decrease from prior year		348,402,436	(387,930,830)	348,402,436	(387,930,830)
Net earned premium		2,547,950,102	2,428,501,364	2,547,950,102	2,428,501,364
Fee and commission income		147,825,512	136,712,372	147,825,512	136,712,372
Share of profit from investments in associate	12.3	3,138,081	5,430,787	-	-
Investments income	10.5	104,036,503	96,624,240	112,436,503	100,224,240
Profit on investments	12.1	61,330,293	95,980,816	89,332,320	157,073,233
Other income		9,163,571	5,755,901	9,163,571	5,755,901
<b>Total income</b>		<b>2,873,444,062</b>	<b>2,769,005,480</b>	<b>2,906,708,008</b>	<b>2,828,267,110</b>
<b>Expenses</b>					
Gross claim and loss adjustment expenses		2,075,450,386	1,800,962,129	2,075,450,386	1,800,962,129
Less: Claim recovery from reinsurers		(288,766,133)	(272,875,151)	(288,766,133)	(272,875,151)
Commission and brokerage expenses		482,051,767	558,036,789	482,051,767	558,036,789
Other underwriting expenses		209,390,639	240,041,429	209,390,639	240,041,429
Operating expenses	22	357,241,311	374,956,684	357,241,311	374,956,684
<b>Total expenses</b>		<b>2,835,367,970</b>	<b>2,701,121,880</b>	<b>2,835,367,970</b>	<b>2,701,121,880</b>
<b>Profit before income tax expenses</b>		<b>38,076,092</b>	<b>67,883,600</b>	<b>71,340,038</b>	<b>127,145,230</b>
Income tax expenses	15.2	(4,053,815)	(18,203,090)	(4,053,815)	(18,203,090)
<b>Profit for the year</b>		<b>34,022,277</b>	<b>49,680,510</b>	<b>67,286,223</b>	<b>108,942,140</b>
<b>Earnings per share</b>	25				
Basic earnings per share		1.03	1.51	2.04	3.30

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

# Statements of Comprehensive Income

The Navakij Insurance Public Company Limited

Statements of comprehensive income

For the year ended 31 December 2016

(Unit: Baht)

	Financial statements			
	in which the equity method is applied		Separate financial statements	
	2016	2015	2016	2015
<b>Profit for the year</b>	<b>34,022,277</b>	<b>49,680,510</b>	<b>67,286,223</b>	<b>108,942,140</b>
<b>Other comprehensive income</b>				
Other comprehensive income to be reclassified to profit and loss in subsequent periods				
Share of other comprehensive income of associate - gain (loss) on changes in value of available-for-sale investments	7,311,109	(9,098,810)	-	-
Gain (loss) on changes in value of available-for-sale investments	35,469,288	(68,488,224)	35,469,288	(68,488,224)
Income tax effect	(7,093,857)	13,697,645	(7,093,857)	13,697,645
Other comprehensive income to be reclassified to profit and loss in subsequent periods - net of tax (loss)	35,686,540	(63,889,389)	28,375,431	(54,790,579)
Other comprehensive income not to be reclassified to profit and loss in subsequent periods				
Share of other comprehensive income of associate - actuarial loss	-	(42,377)	-	-
Actuarial loss	(751,328)	(2,088,008)	(751,328)	(2,088,008)
Income tax effect	150,266	417,602	150,266	417,602
Other comprehensive income not to be reclassified to profit and loss in subsequent periods - net of tax (loss)	(601,062)	(1,712,783)	(601,062)	(1,670,406)
<b>Total comprehensive income for the year</b>	<b>69,107,755</b>	<b>(15,921,662)</b>	<b>95,060,592</b>	<b>52,481,155</b>

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

# Statements of Change in Equity

The Navakiji Insurance Public Company Limited

Statements of changes in equity  
For the year ended 31 December 2016

(Unit: Baht)

Financial statements in which the equity method is applied

	Other components of equity										
	Issued and paid-up share capital	Share premium	Retained earnings		Unappropriated	Surplus on changes in interest in equity of associate	Deficit on changes in value of investments in associate	Other comprehensive income		Total other components of equity	Total
			Statutory reserve	General reserve				Surplus on changes available-for-sale investments	Surplus on changes in value of investments		
<b>Balance as at 1 January 2015</b>	310,000,000	647,204,442	30,000,000	20,000,000	1,083,683,105	1,569,359	(5,408,721)	162,313,676	158,474,314	2,249,361,861	
Increase in share capital	10,000,000	23,555	-	-	-	-	-	-	-	10,023,555	
Unappropriated retained earnings transferred to statutory reserve	-	-	1,000,000	-	(1,000,000)	-	-	-	-	-	-
Dividend paid (Note 26)	-	-	-	-	(102,999,867)	-	-	-	-	(102,999,867)	
Reversal of surplus on changes in interest in equity of associate	-	-	-	-	-	(1,569,359)	-	-	(1,569,359)	(1,569,359)	
Profit for the year	-	-	-	-	49,680,510	-	-	-	-	49,680,510	
Other comprehensive income for the year (loss)	-	-	-	-	(1,712,783)	-	(9,098,810)	(54,790,579)	(63,889,389)	(65,602,172)	
<b>Balance as at 31 December 2015</b>	320,000,000	647,227,997	31,000,000	20,000,000	1,027,650,965	-	(14,507,531)	107,523,097	93,015,566	2,138,894,528	
<b>Balance as at 1 January 2016</b>	320,000,000	647,227,997	31,000,000	20,000,000	1,027,650,965	-	(14,507,531)	107,523,097	93,015,566	2,138,894,528	
Increase in share capital (Note 20)	10,000,000	17,523	-	-	-	-	-	-	-	10,017,523	
Changing in percentage of holding in associate with loss of influence	-	-	-	-	-	-	7,196,422	-	7,196,422	7,196,422	
Unappropriated retained earnings transferred to statutory reserve	-	-	2,000,000	-	(2,000,000)	-	-	-	-	-	-
Dividend paid (Note 26)	-	-	-	-	(73,999,907)	-	-	-	-	(73,999,907)	
Profit for the year	-	-	-	-	34,022,277	-	-	-	-	34,022,277	
Other comprehensive income for the year (loss)	-	-	-	-	(601,062)	-	7,311,109	28,375,431	35,686,540	35,085,478	
<b>Balance as at 31 December 2016</b>	330,000,000	647,245,520	33,000,000	20,000,000	985,072,273	-	-	135,898,528	135,898,528	2,151,216,321	

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

# Statements of Change in Equity (continued)

The Navakij Insurance Public Company Limited  
Statements of changes in equity (continued)  
For the year ended 31 December 2016

	Separate financial statements							(Unit: Baht)
	Issued and paid-up share capital	Share premium	Appropriated		Unappropriated	Other components of equity - surplus on changes in value of available-for-sale investments		
			Statutory reserve	General reserve		for-sale investments	Total	
<b>Balance as at 1 January 2015</b>	310,000,000	647,204,442	30,000,000	20,000,000	935,890,557	162,313,676	2,105,408,675	
Increase in share capital	10,000,000	23,555	-	-	-	-	10,023,555	
Unappropriated retained earnings transferred to statutory reserve	-	-	1,000,000	-	(1,000,000)	-	-	
Dividend paid (Note 26)	-	-	-	-	(102,999,867)	-	(102,999,867)	
Profit for the year	-	-	-	-	108,942,140	-	108,942,140	
Other comprehensive income for the year (loss)	-	-	-	-	(1,670,406)	(54,790,579)	(56,460,985)	
<b>Balance as at 31 December 2015</b>	<b>320,000,000</b>	<b>647,227,997</b>	<b>31,000,000</b>	<b>20,000,000</b>	<b>939,162,424</b>	<b>107,523,097</b>	<b>2,064,913,518</b>	
<b>Balance as at 1 January 2016</b>	<b>320,000,000</b>	<b>647,227,997</b>	<b>31,000,000</b>	<b>20,000,000</b>	<b>939,162,424</b>	<b>107,523,097</b>	<b>2,064,913,518</b>	
Increase in share capital (Note 20)	10,000,000	17,523	-	-	-	-	10,017,523	
Unappropriated retained earnings transferred to statutory reserve	-	-	2,000,000	-	(2,000,000)	-	-	
Dividend paid (Note 26)	-	-	-	-	(73,999,907)	-	(73,999,907)	
Profit for the year	-	-	-	-	67,286,223	-	67,286,223	
Other comprehensive income for the year (loss)	-	-	-	-	(601,062)	28,375,431	27,774,369	
<b>Balance as at 31 December 2016</b>	<b>330,000,000</b>	<b>647,245,520</b>	<b>33,000,000</b>	<b>20,000,000</b>	<b>929,847,678</b>	<b>135,898,528</b>	<b>2,095,991,726</b>	

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

# Statements of Cash Flow

## The Navakij Insurance Public Company Limited

### Statements of cash flows

For the year ended 31 December 2016

(Unit: Baht)

	Financial statements			
	in which the equity method is applied		Separate financial statements	
	2016	2015	2016	2015
	(Restated)	(Restated)		
<b>Cash flows from (used in) operating activities</b>				
Direct premium written	2,939,307,108	3,172,399,620	2,939,307,108	3,172,399,620
Cash paid for reinsurance	(247,088,986)	(105,395,622)	(247,088,986)	(105,395,622)
Interest income	43,866,073	33,499,060	43,866,073	33,499,060
Dividend income	71,156,581	51,872,041	71,156,581	51,872,041
Other income	8,844,731	5,519,968	8,844,731	5,519,968
Loss incurred and loss adjustment expenses on direct insurance	(1,989,736,449)	(1,643,605,768)	(1,989,736,449)	(1,643,605,768)
Commission and brokerage on direct insurance	(494,151,882)	(516,252,855)	(494,151,882)	(516,252,855)
Other underwriting expenses	(209,390,639)	(218,172,042)	(209,390,639)	(218,172,042)
Operating expenses	(429,462,326)	(438,482,945)	(429,462,326)	(438,482,945)
Income tax expenses	(14,101,814)	(61,887,940)	(14,101,814)	(61,887,940)
Investments in securities	20,937,909	93,786,689	20,937,909	93,786,689
Investments in associate	-	91,186,933	-	91,186,933
Loans	178,660	138,139	178,660	138,139
Deposits and certificate of deposits at financial institutions	330,000,000	(705,000,000)	330,000,000	(705,000,000)
<b>Net cash from (used in) operating activities</b>	<b>30,358,966</b>	<b>(240,394,722)</b>	<b>30,358,966</b>	<b>(240,394,722)</b>
<b>Cash flows from (used in) investing activities</b>				
Purchases of property, building and equipment	(38,369,416)	(33,674,172)	(38,369,416)	(33,674,172)
Purchases of intangible assets	(12,771,912)	(470,000)	(12,771,912)	(470,000)
Disposals of property, building and equipment	705,484	612,879	705,484	612,879
<b>Net cash used in investing activities</b>	<b>(50,435,844)</b>	<b>(33,531,293)</b>	<b>(50,435,844)</b>	<b>(33,531,293)</b>
<b>Cash flows from (used in) financing activities</b>				
Cash received from share capital issuance	17,523	23,555	17,523	23,555
Repayment of liabilities under finance lease agreements	(4,167,080)	(1,996,224)	(4,167,080)	(1,996,224)
Dividend paid	(63,999,907)	(92,999,867)	(63,999,907)	(92,999,867)
<b>Net cash used in financing activities</b>	<b>(68,149,464)</b>	<b>(94,972,536)</b>	<b>(68,149,464)</b>	<b>(94,972,536)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(88,226,342)</b>	<b>(368,898,551)</b>	<b>(88,226,342)</b>	<b>(368,898,551)</b>
Cash and cash equivalents at beginning of year	225,891,658	594,790,209	225,891,658	594,790,209
<b>Cash and cash equivalents at end of year</b>	<b>137,665,316</b>	<b>225,891,658</b>	<b>137,665,316</b>	<b>225,891,658</b>

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

# Notes to Financial Statement

---

The Navakij Insurance Public Company Limited

Notes to financial statements

For the year ended 31 December 2016

## 1. General information

The Navakij Insurance Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the non-life insurance and has 30 branches located in provinces. The registered office of the Company, which is the head office, is at 100/47-55, and 90/3-6, North Sathorn Road, Silom, Bangrak, Bangkok.

## 2. Basis for preparation of the financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547, and in accordance with Thai accounting practices related to insurance and the guidelines prescribed by the Office of Insurance Commission (“OIC”), and in accordance with the format of financial statements specified in the 2016 Notification of the OIC regarding criteria, procedures, terms and conditions for preparation and submission of financial statements and operating performance reports of non-life insurance companies B.E. 2559 dated 4 March 2016, which became effective as from 1 January 2016 onwards. Such format of the financial statements has been changed from that specified in the former Notification and as a result, reclassification of certain line items in the prior year’s statements of financial position, income, and cash flows, presented as comparative information, is required to conform to the current year’s classification and the statement of financial position as at 1 January 2015 is also presented as comparative information.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note to the financial statements.

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 Separate financial statements

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

### 2.2 Financial statements in which the equity method is applied

Prior to 30 March 2016, the Company held 20% of the paid-up registered share capital of Falcon Insurance Public Company Limited (“Falcon Insurance”), and classified it under investment in associates, and then prepared financial statements in which the equity method was applied. However, on 30 March 2016, Falcon Insurance newly issued additional shares for allocation to existing shareholders in proportion to their shareholding, and the Company did not allow by the regulator to exercise its right to subscribe to these shares, resulting its shareholding was decreased from 20% to 12% of the paid-up share capital of Falcon Insurance. Following the dilution of its holding, the Company did not have significant influence over Falcon Insurance and it therefore had to reclassify this investment from investment in associate to other investment, and has not prepared a statement of financial position in which the equity method is applied since 30 March 2016 onwards. However, the Company still prepared statements of income, comprehensive income, changes in equity and cash flows under which the equity method is applied for the year ended 31 December 2016 to incorporate the interest of that company from 1 January 2016 until the date it ceased being an associated company.

### 3. New financial reporting standards

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

During the year 2016, the Company has adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal year beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. The financial reporting standards that has key changes in principle and directly relates to the Company are presented below.

##### **TFRS 4 (Revised 2015) Insurance Contracts**

The objective of Thai Financial Reporting Standard No. 4 (TFRS 4) is to specify the financial reporting for insurance contracts (including reinsurance contracts) issued by any entity and the reinsurance contracts held by an entity, and to provide limited amendments in accounting for insurance contracts until the second phase of the project on the financial reporting standard regarding insurance contracts is completed. In particular, this standard requires disclosure that identifies and explains the amounts in an insurer's financial statements arising from insurance contracts and prohibits provisions for possible claims under contracts that are not in existence at the end of the reporting period. It also requires insurers to test for the adequacy of recognised insurance contract liabilities and perform an impairment test for reinsurance assets, including the requirement for the insurers to maintain insurance contract liabilities in their financial statements until their obligations under insurance contracts are discharged, cancelled, or expire, and to present insurance contract liabilities without offsetting them against related reinsurance assets. Moreover, this standard temporarily exempts insurers from some requirements of other standards, including the requirement to consider the framework in selecting accounting policies for insurance contracts.

In addition to stipulating the treatment of insurance contracts, this standard cover consideration of the characteristics of insurance contracts and also requires the disclosure of additional information regarding insurance contracts related to the assets, liabilities, revenues and expenses recognised in the financial statements and the nature and extent of the insurance risk arising from insurance contracts.

The first time adoption of this standard has no significant impact on the Company's financial statements since the Company's management has already reviewed the classification of insurance contracts (including reinsurance contracts) and reinsurance contracts held by the Company and can be concluded that all of its insurance contracts meet the definition of insurance contracts under this standard. Furthermore, the recognition of loss reserves, the liability adequacy test of recognised insurance contract liabilities, the impairment test for reinsurance assets and the recognition of insurance contract liabilities have no impact on the Company's financial statements since the Company already implemented the similar treatment before this standard became effective.

#### 3.2 Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company believes that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the Company's financial statements when they are initially applied.

#### 4. Significant accounting policies

##### 4.1 Revenue recognition

(a) Gross premium written

Gross premium written consists of direct premium and reinsurance premium less premium of canceled policies and premiums refunded to policyholders and adjust with unearned premium reserve.

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

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

(b) Fee and commission income

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

(c) Investment income

*Interest income and dividends on investment*

Interest income is recognised as revenue on an accrual basis based on the effective interest rate.

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

*Interest income on loan*

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

(d) Profit (loss) on investment

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

##### 4.2 Expenses recognition

(a) Premiums ceded to reinsurer

Premiums ceded to reinsurer is recognised as expenses when the insurance risk is transferred to another insurer.

(b) Claim and loss adjustment expense

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

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

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

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

(c) Commission and brokerage expenses

Commission and brokerage expenses are expended when incurred.

(d) Other underwriting expenses

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

(e) Operating expenses

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

#### 4.3 Product classification

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

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

#### 4.4 Cash and cash equivalents

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

#### 4.5 Premium receivables and allowance for doubtful accounts

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

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

#### 4.6 Reinsurance assets

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

The Company set up an allowance for doubtful accounts, of reinsurance assets when had indicator for impairment, based on losses that may be incurred due to uncollectible, taking into account collection experience, aged of balance, and the status of receivables from reinsurers as at the end of the reporting periods. Increase (decrease) in allowance for doubtful accounts is recorded as expenses during the year.

#### 4.7 Reinsurance receivables and due to reinsurers

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

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

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

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

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

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

#### 4.8 Investments in securities

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

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

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

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

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

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

#### 4.9 Loans and allowance for doubtful accounts

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

#### 4.10 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	years
Condominium units	- 20, 40	years
Buildings improvement	- 5, 10, 20	years
Office furniture, fixture and equipment	- 5, 10	years
Motor vehicles	- 5	years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation.

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

#### **4.11 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 10 years.

#### **4.12 Impairment of assets**

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

An impairment loss is recognised in statements of income.

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

#### **4.13 Insurance contract liabilities**

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

(a) Claim reserve and outstanding claims

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

Outstanding claim provision are calculated using an actuarial method based on a best estimate of claims which are expected to be paid in respect of losses occurring before or as at the end of the reporting periods for both reported and not reported losses including loss adjustment expense, after deducting salvage values and other recoverable values. The different of the calculated outstanding claim provision which are higher than the loss reserve that recognised into financial statement, the Company has additionally provided 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, that transfer insurance risk to reinsurer throughout the coverage period of insurance contract.

(2) Unexpired risk reserve

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

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

#### 4.14 Employee benefits

(a) Short-term employee benefits

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

(b) Post-employment benefits

**Defined contribution plans**

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

**Defined benefit plans**

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

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

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

**4.15 Income tax**

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

**Current tax**

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

**Deferred tax**

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

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

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

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

**4.16 Related party transactions**

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

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

#### 4.17 Long-term lease

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

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

#### 4.18 Foreign currencies

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

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

Gain and loss on exchange are included in determining income.

#### 4.19 Provisions

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

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

#### 5. Significant accounting judgements and estimates

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

#### **5.1 Allowance for doubtful accounts on receivables /loans /premium receivables /amounts due from reinsurers**

In determining an allowance for doubtful accounts on receivables, loans, premium receivables and amount due from reinsurers, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

#### **5.2 Impairment of investments in securities**

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

#### **5.3 Land, buildings and equipment/ Depreciation**

In determining depreciation of buildings and equipment, the management is required to make estimates of the useful lives and residual values of the Company's buildings and equipment and to review estimate useful lives and residual values when there are any changes.

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

#### **5.4 Intangible assets and amortisation**

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

#### **5.5 Deferred tax assets**

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

#### **5.6 Loss reserves and outstanding claims**

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

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

#### **5.7 Unexpired risk reserve**

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

#### 5.8 Post-employment benefits under defined benefit plans

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

#### 5.9 Leases

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

#### 5.10 Litigation

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

#### 5.11 Recognition and derecognition of assets and liabilities

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

#### 5.12 Fair value of financial instruments

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

### 6. Cash and cash equivalents

	(Unit: Baht)	
	2016	2015
Cash on hand	302,000	302,000
Deposits at banks with no fixed maturity date	137,363,316	110,589,658
Deposits and certificate of deposit at banks with fixed maturity date	-	115,000,000
Cash and cash equivalents	<u>137,665,316</u>	<u>225,891,658</u>

As at 31 December 2016, bank deposits in saving account and fixed deposits carried interest between 0.10 and 1.75 percent per annum (2015: between 0.10 and 1.80 percent per annum).

## 7. Premium receivables

As at 31 December 2016 and 2015, 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)	
	2016	2015
Not yet due	327,757,450	433,111,572
Not over 30 days	31,218,737	57,896,052
Over 31 days to 60 days	11,442,892	13,553,914
Over 61 days to 90 days	6,125,326	4,121,600
Over 91 days to 1 year	8,146,121	5,678,470
Over 1 year	4,148,036	3,136,530
Total premium receivables	388,838,562	517,498,138
Less: Allowance for doubtful accounts	(5,873,728)	(4,125,971)
Total premium receivables, net	382,964,834	513,372,167

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

## 8. Reinsurance assets

	(Unit: Baht)	
	2016	2015
Insurance reserve refundable from reinsurers		
Claims reserves	201,281,657	104,941,018
Unearned premium reserve	357,783,791	263,216,773
Reinsurance assets	559,065,448	368,157,791

## 9. Reinsurance receivables

	(Unit: Baht)	
	2016	2015
Amounts deposit on reinsurance	5,386	3,366
Amounts due from reinsurers	431,548,158	408,485,499
Total	431,553,544	408,488,865

As at 31 December 2016 and 2015, the balances of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)	
	2016	2015
Not yet due	422,960,474	352,278,665
Not over 1 year	8,042,801	44,246,882
Over 1 year to 2 years	235,363	9,232,389
Over 2 years	309,520	2,727,563
Total amounts due from reinsurers	431,548,158	408,485,499

10. Investments in securities

10.1 Classified by type of investments

(Unit: Baht)

	Separate financial statements		Financial statements in which the equity method is applied and separate financial statements	
	2016		2015	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Available-for-sale investments</b>				
Government and state enterprise securities	514,609,000	512,391,369	753,469,767	742,627,382
Private debt securities	614,853,221	616,869,641	433,117,926	438,409,366
Equity securities	974,424,022	1,144,498,392	844,527,173	984,481,989
<b>Total</b>	<b>2,103,886,243</b>	<b>2,273,759,402</b>	<b>2,031,114,866</b>	<b>2,165,518,737</b>
Add: Unrealised gain	169,873,159	-	134,403,871	-
Less: Allowance for impairment	(13,753,224)	(13,753,224)	(13,753,224)	(13,753,224)
<b>Total available-for-sale investments</b>	<b>2,260,006,178</b>	<b>2,260,006,178</b>	<b>2,151,765,513</b>	<b>2,151,765,513</b>
<b>Held-to-maturity investments</b>				
Government and state enterprise securities	10,000,000		10,000,000	
Deposits and certificate of deposits at financial institutions which matured over 3 months	755,100,000		1,085,100,000	
<b>Total held-to-maturity investments</b>	<b>765,100,000</b>		<b>1,095,100,000</b>	
<b>Other investments</b>				
Equity securities	89,448,700		70,601,740	
Less: Allowance for impairment	(2,567,500)		(2,567,500)	
<b>Total other investments</b>	<b>86,881,200</b>		<b>68,034,240</b>	
<b>Total investments in securities</b>	<b>3,111,987,378</b>		<b>3,314,899,753</b>	

As at 31 December 2016 and 2015, equity securities in other investments caption included investments in a foreign company of USD 1.1 million, or Baht 37.2 million.

## 10.2 Remaining period of debt securities

Investments in debt securities as at 31 December 2016 and 2015 will be matured redemption as follows:

(Unit: Baht)

	Separate financial statements			Financial statements in which the equity method is applied and separate financial statements		
	2016			2015		
	Period to maturity			Period to maturity		
	1 year	1 - 5 years	Total	1 year	1 - 5 years	Total
<b>Available-for-sale investments</b>						
Government and state enterprise securities						
	440,824,667	30,000,000	470,824,667	662,218,199	70,555,026	732,773,225
Private enterprise securities	285,143,969	329,709,252	614,853,221	50,000,000	383,117,926	433,117,926
Total	725,968,636	359,709,252	1,085,677,888	712,218,199	453,672,952	1,165,891,151
Add: Unrealised gain	1,121,017	1,781,914	2,902,931	179,645	6,263,213	6,442,858
<b>Total available-for-sale investments</b>	<b>727,089,653</b>	<b>361,491,166</b>	<b>1,088,580,819</b>	<b>712,397,844</b>	<b>459,936,165</b>	<b>1,172,334,009</b>
<b>Held-to-maturity investments</b>						
Government and state enterprise securities						
	10,000,000	-	10,000,000	-	10,000,000	10,000,000
Deposits and certificate of deposits financial institutions						
	755,100,000	-	755,100,000	1,085,100,000	-	1,085,100,000
<b>Total held-to-maturity investments</b>	<b>765,100,000</b>	<b>-</b>	<b>765,100,000</b>	<b>1,085,100,000</b>	<b>10,000,000</b>	<b>1,095,100,000</b>

## 10.3 Other components of equity - surplus on changes in value of available-for-sale investments

(Unit: Baht)

	Separate financial statements	
	For the years ended 31 December	
	2016	2015
Balance - beginning of the year	107,523,097	162,313,676
Changes during the year		
Unrealised gain during the year	106,924,030	12,726,812
Realised gain that included in statement of income	(71,454,742)	(81,215,036)
	35,469,288	(68,488,224)
Relating income tax	(7,093,857)	13,697,645
Net comprehensive income for the year (loss)	28,375,431	(54,790,579)
Balance - end of the year	135,898,528	107,523,097

#### 10.4 Investments subject to restriction

As at 31 December 2016 and 2015, 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 29 and 30 to the financial statements.

#### 10.5 Net investment income

During the years ended 31 December 2016 and 2015, the Company has investment income as follows:

(Unit: Baht)

	Separate financial statements	
	For the years ended 31 December	
	2016	2015
Investment incomes from debt securities	41,279,172	48,352,199
Dividends received from equity securities	71,157,331	51,872,041
Net investment income	<u>112,436,503</u>	<u>100,224,240</u>

#### 11. Loans

As at 31 December 2016 and 2015, the balances of loans are aged by principal as follows:

(Unit: Baht)

Outstanding year	2016			2015		
	Mortgage		Total	Mortgage		Total
	loans	Other loans		loans	Other loans	
Not yet due	<u>315,150</u>	<u>295,376</u>	<u>610,526</u>	<u>387,044</u>	<u>402,142</u>	<u>789,186</u>
Total loans	<u>315,150</u>	<u>295,376</u>	<u>610,526</u>	<u>387,044</u>	<u>402,142</u>	<u>789,186</u>

These are loans provided to employees in accordance with the employee welfare scheme, with a credit line of Baht 50,000 for loans secured by personal guarantees, and the credit line is not to exceed 50 times the employee's monthly salary for secured loans. Interest on these loans is charged at rate of 7.0% and 6.5% per annum, respectively.

## 12. Investments in associate

### 12.1 Details of associate

As at 31 December 2016 and 2015, the Company has investments in The Falcon Insurance Plc. ("Falcon Insurance") which is incorporated in Thailand and principally engaged in the non-life insurance. Detail of investments is as follows:

(Unit: Baht)

Company's name	Shareholding percentage		Financial statements in which the equity method is applied	Separate financial statements	
	2016	2015	Book value	Cost/Book value	
	(%)	(%)	2015	2016	2015
The Falcon Insurance Plc.					
Investments in associate	-	20.00	92,827,970	-	18,846,960
Other investments	12.00	-	-	18,846,960	-

On 30 March 2016, Falcon Insurance newly issued additional shares and allocated to its existing shareholders in proportion to their shareholding and the Company did not allow by the regulator to exercise its right to subscribe to these shares, resulting its shareholding was decreased from 20% to 12% of the paid-up share capital of Falcon Insurance. Following the dilution of its holding, the Company did not have significant influence over Falcon Insurance and it therefore had to reclassify this investment from investment in associate to other investment. As a result, the Company had no investment in associates as at 31 December 2016.

As a result of this reduction in the Company's interest, the Company recognised gain or loss on revaluation of the fair value of the remaining interest compared with the value of the investment under the equity method as of the date the equity method ceased to be applied, and reversed unrealised gain or loss on revaluation previously recognised in the statement of comprehensive income. As a result, the Company recognised loss from ceasing application of the equity method of Baht 28.0 million, are stated as deduction item against profit on investment in the statement of income in which the equity method is applied.

Moreover, because the Company did not exercise its right to subscribe the additional shares, the Company transferred its right to purchase such shares to another company, with the Company receiving payment for the transfer of Baht 17.9 million and recognising this as gain on investment in the statement of income (in both the separate financial statements and financial statements in which the equity method is applied).

## 12.2 Financial information of associate

### Summarised information about financial position

	(Unit: Baht)
	31 December 2015
Total assets	3,122,874,378
Total liabilities	(2,658,734,530)
<b>Net assets</b>	<b>464,139,848</b>

### Summarised information of comprehensive income

	(Unit: Baht)	
	For the years ended 31 December	
	2016 <sup>(1)</sup>	2015
Revenues	299,348,859	1,045,115,610
Profit for the year	15,690,407	27,153,936
Other comprehensive income (loss)	36,555,547	(45,705,938)
Total comprehensive income (loss)	52,245,954	(18,552,002)

(1) Profit and loss for the year ended 31 December 2016 was calculated based on profit from 1 January 2016 until the date it ceased to be an associated company.

The financial information of Falcon Insurance as the above tables were prepared by the management of such company which were reviewed by its external auditors.

## 12.3 Shares of comprehensive income and dividend received

During the years ended 31 December 2016 and 2015, the Company recognised its share of profit (loss) from investments in an associate company in the financial statements, in which the equity method is applied, and recognised dividend income in the separate financial statements as follows:

	Financial statements in which the equity method is applied				Separate financial statements	
	Share of profit from		Share of profit (loss)		Dividend received	
Associated company	profit or loss		from other			
	2016 <sup>(1)</sup>	2015	2016 <sup>(1)</sup>	2015	2016	2015
The Falcon Insurance Plc.	3,138,081	5,430,787	7,311,109	(9,141,187)	8,400,000	3,600,000

(1) Share of profit for the year ended 31 December 2016 was calculated based on profit from 1 January 2016 until the date it ceased to be an associated company

### 13. Property, building and equipment

(Unit: Baht)

	Land	Buildings	Condominium	Building improvements	Furniture, fixtures and equipment	Motor vehicles	Assets under construction	Total
<b>Cost</b>								
1 January 2015	5,385,371	24,521,452	270,282,501	101,631,664	205,093,089	60,936,837	10,574,026	678,424,940
Additions	-	-	-	-	3,612,197	4,915,981	24,971,994	33,500,172
Disposals	-	-	-	(4,415,537)	(4,336,633)	(4,097,405)	-	(12,849,575)
Transfers in (out)	-	-	-	5,116,582	1,769,300	-	(6,885,882)	-
31 December 2015	5,385,371	24,521,452	270,282,501	102,332,709	206,137,953	61,755,413	28,660,138	699,075,537
Additions	-	-	-	375,687	5,110,259	7,781,000	25,102,470	38,369,416
Disposals	-	-	-	(25,977,750)	(113,065,576)	(3,972,245)	-	(143,015,571)
Transfers in (out)	-	-	-	32,482,546	4,862,391	-	(37,344,937)	-
31 December 2016	5,385,371	24,521,452	270,282,501	109,213,192	103,045,027	65,564,168	16,417,671	594,429,382
<b>Accumulated depreciation</b>								
1 January 2015	-	7,451,814	127,619,858	66,664,259	169,897,780	44,356,859	-	415,990,570
Depreciation for the year	-	700,804	8,900,206	2,112,914	10,928,371	4,403,025	-	27,045,320
Depreciation on disposals	-	-	-	(4,344,536)	(4,303,313)	(3,998,781)	-	(12,646,630)
31 December 2015	-	8,152,618	136,520,064	64,432,637	176,522,838	44,761,103	-	430,389,260
Depreciation for the year	-	702,724	8,924,590	3,160,861	9,799,024	5,509,045	-	28,096,244
Depreciation on disposals	-	-	-	(25,649,375)	(113,007,319)	(3,972,234)	-	(142,628,928)
31 December 2016	-	8,855,342	145,444,654	41,944,123	73,314,543	46,297,914	-	315,856,576
<b>Net book value</b>								
31 December 2015	5,385,371	16,368,834	133,762,437	37,900,072	29,615,115	16,994,310	28,660,138	268,686,277
31 December 2016	5,385,371	15,666,110	124,837,847	67,269,069	29,730,484	19,266,254	16,417,671	278,572,806
<b>Depreciation for the year</b>								
2015								27,045,320
2016								28,096,244

As at 31 December 2016, 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 129.6 million (2015: Baht 258.9 million).

#### 14. Intangible assets

As at 31 December 2016 and 2015, the net book value of intangible assets are presented below.

(Unit: Baht)

	Computer Software	Computer software under improvement	Total
<b>Cost</b>			
1 January 2015	76,418,928	-	76,418,928
Additions	-	470,000	470,000
31 December 2015	76,418,928	470,000	76,888,928
Additions	12,771,912	-	12,771,912
Transfers in (out)	470,000	(470,000)	-
31 December 2016	89,660,840	-	89,660,840
<b>Accumulated amortisation</b>			
1 January 2015	53,400,751	-	53,400,751
Amortisation for the year	2,997,244	-	2,997,244
31 December 2015	56,397,995	-	56,397,995
Amortisation for the year	3,946,518	-	3,946,518
31 December 2016	60,344,513	-	60,344,513
<b>Net book value</b>			
31 December 2015	20,020,933	470,000	20,490,933
31 December 2016	29,316,327	-	29,316,327

As at 31 December 2016, 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 49.0 million (2015: Baht 46.9 million)

## 15. Deferred tax assets and income tax expenses

### 15.1 Deferred tax assets

The components of deferred tax assets and liabilities as at 31 December 2016 and 2015 are as follows:

	(Unit: Baht)			
	31 December		Changes in deferred tax assets and liabilities recognised in profit or loss for the year ended	
	2016	2015	2016	2015
<b>Deferred tax assets</b>				
Unearned premium reserve	62,194,690	82,524,415	(20,329,725)	26,295,898
Allowance for loss on impairment of investments	3,264,145	3,264,145	-	2,750,645
Allowance for doubtful accounts	26,772,397	21,965,856	4,806,541	4,652,740
Amortisation of value of business acquired	-	1,156,040	(1,156,040)	(1,300,000)
Loss reserves	78,649,146	86,416,239	(7,767,093)	20,151,805
Provision for loss incurred but not reported (IBNR)	6,744,682	3,954,435	2,790,247	1,027,143
Employee benefit obligations	10,659,735	13,361,392	(2,851,924)	(3,505,477)
Unutilised tax loss	19,597,831	-	19,597,831	(888,777)
Others	3,643,267	2,782,000	861,267	2,782,000
<b>Total</b>	<b>211,525,893</b>	<b>215,424,522</b>		
<b>Deferred tax liabilities</b>				
Unrealised gain on changes in value of available-for-sale securities	33,974,632	26,880,774		
Others	-	1,121	1,121	6,624,311
<b>Total</b>	<b>33,974,632</b>	<b>26,881,895</b>		
Deferred tax assets - net	177,551,261	188,542,627		
<b>Total change</b>			<b>(4,047,775)</b>	<b>58,590,288</b>

## 15.2 Income tax expenses

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

	(Unit: Baht)	
	2016	2015
<b>Current income tax:</b>		
Current income tax charge for the year	-	76,793,378
<b>Deferred tax:</b>		
Adjustment in respect of current income tax of previous year	6,040	-
Relating to origination and reversal of temporary differences	4,047,775	(58,590,288)
<b>Income tax expenses reported in statements of income</b>	<b>4,053,815</b>	<b>18,203,090</b>

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Baht)			
	Financial statements in which the equity method is applied		Separate financial statements	
	2016	2015	2016	2015
Accounting profit before tax	38,076,092	67,883,600	71,340,038	127,145,230
Applicable tax rate	20%	20%	20%	20%
Tax expenses at the applicable tax rate	7,615,218	13,576,720	14,268,007	25,429,046
Adjustment in respect of current income tax of previous year	6,040	-	6,040	-
Effects of:				
Exempted expenses	3,952,214	2,522,958	3,952,214	2,522,958
Allowed additional expense deductions	(1,396,394)	(266,194)	(1,396,394)	(266,194)
Others	(6,123,263)	2,369,606	(12,776,052)	(9,482,720)
<b>Income tax expenses reported in statements of income</b>	<b>4,053,815</b>	<b>18,203,090</b>	<b>4,053,815</b>	<b>18,203,090</b>

## 16. Claims receivable from litigants

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

(Unit: Baht)

	2016	2015
<b>Claim years</b>		
Year 2016	109,914,456	-
Year 2015	45,813,185	97,269,641
Year 2014	18,918,105	29,384,117
Year 2013	20,190,048	21,526,182
Year 2012	12,957,808	15,444,568
Prior to year 2012	26,136,346	34,853,101
Total claims receivable from litigants	233,929,948	198,477,609
Less: Allowance for doubtful accounts	(130,863,504)	(108,651,596)
Claims receivable from litigants, net	103,066,444	89,826,013

## 17. Insurance contract liabilities

(Unit: Baht)

	2016		
	Insurance contract liabilities	Liabilities on reinsurance	Net
Claim reserves and outstanding claims			
Claim incurred and reported	818,502,887	(173,646,326)	644,856,561
Claim incurred but not reported	61,358,739	(27,635,331)	33,723,408
Premium reserves			
Unearned premium reserves	1,548,576,308	(357,783,791)	1,190,792,517
Total	2,428,437,934	(559,065,448)	1,869,372,486

(Unit: Baht)

	2015		
	Insurance contract liabilities	Liabilities on reinsurance	Net
Claim reserves and outstanding claims			
Claim incurred and reported	760,397,138	(91,609,074)	668,788,064
Claim incurred but not reported	33,104,116	(13,331,944)	19,772,172
Premium reserves			
Unearned premium reserves	1,802,411,726	(263,216,773)	1,539,194,953
Total	2,595,912,980	(368,157,791)	2,227,755,189

During the years 2016 and 2015, the management of the Company entered into reinsurance agreements in order to mitigate insurance risk. Although positions are managed on a net basis by management, insurance contract liabilities disclosures have been made on both a gross and net basis in order to provide a comprehensive set of disclosures.

## 17.1 Claim reserves and outstanding claims

(Unit: Baht)

	For the years ended 31 December	
	2016	2015
Beginning balance	793,501,254	667,704,068
Claim expenses for the year	2,191,994,603	1,958,291,945
Change in claim reserves and outstanding claims	(56,005,437)	(35,307,062)
Change in assumption for calculating claim reserves	28,254,623	9,808,560
Claim paid during the year	(2,077,883,417)	(1,806,996,257)
Ending balance	879,861,626	793,501,254

As at 31 December 2016, the Company has claim reserves and outstanding claims under reinsurance contracts at Baht 12.0 million (2015: Baht 11.4 million).

## 17.2 Claim development table

### (a) Gross claims table

(Unit: Million Baht)

Reporting year/Accident year	2009	2010	2011	2012	2013	2014	2015	2016	Total
Claim estimates:									
- as at accident year	1,083	1,093	1,160	1,269	1,379	1,409	1,956	2,187	
- Next one year	1,086	1,089	1,182	1,232	1,396	1,388	1,941		
- Next two years	1,067	1,049	1,175	1,213	1,359	1,385			
- Next three years	1,072	1,045	1,172	1,211	1,361				
- Next four years	1,071	1,045	1,169	1,213					
- Next five years	1,068	1,041	1,172						
- Next six years	1,066	1,043							
- Next seven years	1,066								
Ultimate claim reserves	1,066	1,043	1,172	1,213	1,361	1,385	1,941	2,187	
Cumulative payment to date	(1,063)	(1,034)	(1,167)	(1,207)	(1,350)	(1,369)	(1,900)	(1,423)	
Total	3	9	5	6	11	16	41	764	855
Accident has occurred in prior year 2009									5
Claim for inward treaty									12
Unallocated loss adjustment expenses									8
Total claim reserves and outstanding claims before reinsurance									880

(b) Net claims table

(Unit: Million Baht)

Reporting year/Accident year	2009	2010	2011	2012	2013	2014	2015	2016	Total
Claim estimates:									
- as at accident year	956	888	995	997	1,209	1,270	1,681	1,901	
- Next one year	962	848	1,009	1,008	1,236	1,262	1,660		
- Next two years	952	851	1,003	999	1,203	1,253			
- Next three years	955	854	1,002	998	1,205				
- Next four years	954	854	1,000	999					
- Next five years	951	852	1,002						
- Next six years	949	854							
- Next seven years	949								
Ultimate claim reserves	949	854	1,002	999	1,205	1,253	1,660	1,901	
Cumulative payment to date	(946)	(846)	(997)	(993)	(1,194)	(1,243)	(1,633)	(1,316)	
Total	3	8	5	6	11	10	27	585	655
Accident has occurred in prior year 2009									3
Claim for inward treaty									12
Unallocated loss adjustment expenses									8
Total claim reserves and outstanding claims after reinsurance									678

### 17.3 Methodology and assumption

The methodology and assumptions adopted for the gross and net valuations of insurance contract liabilities (claim reserves and outstanding claims) as at 31 December 2016 are presented as follows:

(a) Outstanding claims provision

1. Direct and inward facultative business

The Company used 3 actuarial methods as follows:

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

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

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

## 2. Inward treaty business

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

### (b) Estimation of unallocated loss adjustment expenses reserve

In determining the unallocated loss adjustment expenses (ULAE) reserve, the Company uses the ratio of ULAE to the average of paid losses and reported losses is based on the assumption that half of a claim's ULAE is expended when a loss is reported, and half when it is paid.

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

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

### (c) Economic assumptions

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

### (d) Other assumptions

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

## 17.4 Unearned premium reserves

(Unit: Baht)

	For the years ended 31 December	
	2016	2015
Beginning balance	1,802,411,726	1,368,683,742
Premium written for the year	2,839,044,098	3,368,927,885
Premium earned for the current year	(3,092,879,516)	(2,935,199,901)
Ending balance	1,548,576,308	1,802,411,726

## 18. Due to reinsurers

(Unit: Baht)

	2016	2015
Amounts withheld on reinsurance	247,803,518	124,008,394
Amounts due to reinsurers	524,991,745	560,083,694
Total due to reinsurers	772,795,263	684,092,088

19. Employee benefit obligations

The movement of provision for employee benefit obligations for the years ended 31 December 2016 and 2015 was as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2016	2015
<b>Employee benefit obligations at beginning of year</b>	40,782,961	37,246,332
Included in statement of income:		
Current service cost	4,232,832	3,687,649
Interest cost	1,291,953	1,629,172
Total items included in statement of income	5,524,785	5,316,821
Included in statement of comprehensive income:		
Actuarial loss arising from		
Demographic assumption change	1,738,554	1,728,356
Financial assumption change	(1,625,597)	1,527,098
Experience adjustment	638,371	(1,167,446)
Total items included in statement of comprehensive income	751,328	2,088,008
Benefits paid during the year	(2,760,400)	(3,868,200)
<b>Employee benefit obligations at end of year</b>	<b>44,298,674</b>	<b>40,782,961</b>

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 11 years, and the Company expected to pay Baht 9 million of long-term employee benefits during the next year (2015: 12 years and Baht 3 million, respectively).

Significant actuarial assumptions are summarised below:

	(Unit: % per annum)	
	2016	2015
Discount rate	3.1	2.9
Salary increase rate	6.8	7.2
Staff turnover rate	0.0 - 21.0	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 2016 and 2015 are summarised below:

	(Unit: Baht)	
	2016	
	Rate increase 0.5% per annum	Rate decrease 0.5% per annum
Discount rate	Liabilities decrease 1,371,090	Liabilities increase 1,452,031
Salary increase rate	Liabilities increase 1,393,867	Liabilities decrease 1,331,186
Staff turnover rate	Liabilities decrease 1,528,307	Liabilities increase 1,612,513

(Unit: Baht)

	2015	
	Rate increase 0.5% per annum	Rate decrease 0.5% per annum
Discount rate	Liabilities decrease 1,351,874	Liabilities increase 1,432,516
Salary increase rate	Liabilities increase 1,367,109	Liabilities decrease 1,305,269
Staff turnover rate	Liabilities decrease 1,512,456	Liabilities increase 1,596,808

**20. Share capital**

On 21 April 2016, the 2016 Annual General Meeting of shareholders approved an increase of the Company's registered share capital from Baht 320 million to be Baht 330 million (33 million shares of Baht 10 each) by newly issued the ordinary shares in amount of 1 million shares with the par value at 10 Baht per share to support the stock dividend payment, and approved to allocate indivisible share remaining after such allocated the stock dividend to the Navakij Insurance Registered Provident Fund amount of 349 shares at Baht 60.13 per share (amounting to Baht 20,985). The Company registered the increase of share capital with the Ministry of Commerce on 10 June 2016.

As at 31 December 2016, the Company's registered, issued and paid-up share capital consists of 33 million shares with par value of Baht 10 per share (31 December 2015: 32 million shares and 1 January 2015: 31 million shares).

**21. Statutory reserve**

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

**22. Operating expenses**

	(Unit: Baht)	
	2016	2015
Personnel expenses which is not expenses for underwriting and claims	184,952,935	198,121,038
Premises and equipment expenses	90,402,918	98,658,850
Taxes and duties	3,193,467	3,139,303
Bad debts and doubtful accounts	24,236,995	23,207,698
Other operating expenses	54,454,996	51,829,795
<b>Total operating expenses</b>	<b>357,241,311</b>	<b>374,956,684</b>

**23. Expenses by nature**

	(Unit: Baht)	
	2016	2015
Net claim and loss adjustment expenses	1,743,395,779	1,478,474,721
Commissions and brokerage expenses	482,051,767	558,036,789
Other underwriting expenses	176,840,838	205,252,931
Personnel expenses	260,791,210	282,521,793
Premises and equipment expenses	90,402,918	98,658,850
Bad debts and doubtful accounts	24,236,995	23,207,698
Other operating expenses	57,648,463	54,969,098
<b>Total</b>	<b>2,835,367,970</b>	<b>2,701,121,880</b>

## 24. 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 2016, the Company contributed Baht 8.2 million (2015: Baht 7.6 million) to the fund.

## 25. Earnings per share

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

On 21 April 2016, the 2016 Annual General Meeting of shareholders approved to pay a cash dividend of Baht 2 per share, and stock dividend of 1 million shares to the existing shareholders. For the purpose of calculating earnings per share, the Company adjusted the number of ordinary shares used to calculate the earnings per share, as though it had issued the stock dividend at the beginning of the reporting years.

	Financial statements in which the equity method is applied		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015 (Restated)	2016	2015 (Restated)
Number of ordinary shares issued during the year (Shares)	33,000,000	32,000,000	33,000,000	32,000,000
Number of additional stock dividend issued in year 2016 (Shares)	-	1,000,000	-	1,000,000
Total (Shares)	33,000,000	33,000,000	33,000,000	33,000,000
Profit for the year (Baht)	34,022,277	49,680,510	67,286,223	108,942,140
Earnings per share (Baht per share)	1.03	1.51	2.04	3.30

## 26. Dividends

Dividends declared during the years ended 31 December 2016 and 2015 consisted of the following:

	Approved by	Total dividends (Baht)	Dividends
			per share (Baht)
Dividends from 2015 net profit (Cash dividends of Baht 2.00 per share and stock dividends of Baht 0.31 per share)	Annual General Meeting of the shareholders on 21 April 2016	73,999,907	2.31
Dividends from 2014 net profit (Cash dividends of Baht 3.00 per share and stock dividends of Baht 0.32 per share)	Annual General Meeting of the shareholders on 23 April 2015	102,999,867	3.32

## 27. 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)

	Separate financial statements				
	For the year ended 31 December 2016				
	Fire	Marine and transportation	Motor	Miscellaneous	Total
<b>Underwriting income</b>					
Gross premium written	577,230,342	77,162,808	1,756,202,232	428,448,716	2,839,044,098
Less: Premiums ceded to reinsurers	(270,645,276)	(39,305,564)	(16,259,774)	(313,285,818)	(639,496,432)
Net premium written	306,585,066	37,857,244	1,739,942,458	115,162,898	2,199,547,666
Add (less): Unearned premium reserves (increase) decrease from prior year	(28,122,174)	1,060,432	391,501,128	(16,036,950)	348,402,436
Net earned premium	278,462,892	38,917,676	2,131,443,586	99,125,948	2,547,950,102
Fee and commission income	58,643,167	14,400,007	3,278,510	71,503,828	147,825,512
<b>Total underwriting income</b>	<b>337,106,059</b>	<b>53,317,683</b>	<b>2,134,722,096</b>	<b>170,629,776</b>	<b>2,695,775,614</b>
<b>Underwriting expenses</b>					
Claim and loss adjustment expenses - net	88,836,321	9,208,426	1,626,666,707	61,972,799	1,786,684,253
Commission and brokerage expenses	133,433,340	10,375,955	295,784,397	42,458,075	482,051,767
Other underwriting expenses	29,517,525	1,895,564	141,094,337	36,883,213	209,390,639
<b>Total underwriting expenses before operating expenses</b>	<b>251,787,186</b>	<b>21,479,945</b>	<b>2,063,545,441</b>	<b>141,314,087</b>	<b>2,478,126,659</b>
<b>Profit from underwriting before operating expenses</b>	<b>85,318,873</b>	<b>31,837,738</b>	<b>71,176,655</b>	<b>29,315,689</b>	<b>217,648,955</b>
Operating expenses					(357,241,311)
<b>Loss from underwriting</b>					<b>(139,592,356)</b>
Investment income					112,436,503
Profit on investments					89,332,320
Other income					9,163,571
<b>Profit before income tax expenses</b>					<b>71,340,038</b>
Income tax expenses					(4,053,815)
<b>Profit for the year</b>					<b>67,286,223</b>

(Unit: Baht)

## Separate financial statements

For the year ended 31 December 2015

	Marine and				Total
	Fire	transportation	Motor	Miscellaneous	
<b>Underwriting income</b>					
Gross premium written	583,584,910	72,460,068	2,425,223,541	287,659,366	3,368,927,885
Less: Premiums ceded to reinsurers	(305,381,528)	(34,538,548)	(15,444,248)	(197,131,367)	(552,495,691)
Net premium written	278,203,382	37,921,520	2,409,779,293	90,527,999	2,816,432,194
Less: Unearned premium reserves					
decrease from prior year	(40,994,069)	(807,397)	(345,991,775)	(137,589)	(387,930,830)
Net earned premium	237,209,313	37,114,123	2,063,787,518	90,390,410	2,428,501,364
Fee and commission income	72,399,163	11,927,416	3,143,800	49,241,993	136,712,372
<b>Total underwriting income</b>	309,608,476	49,041,539	2,066,931,318	139,632,403	2,565,213,736
<b>Underwriting expenses</b>					
Claim and loss adjustment expenses					
- net	47,503,770	8,588,276	1,426,751,145	45,243,787	1,528,086,978
Commission and brokerage expenses	130,159,276	10,239,367	386,062,237	31,575,909	558,036,789
Other underwriting expenses	23,953,108	1,548,369	194,500,466	20,039,486	240,041,429
<b>Total underwriting expenses</b>					
before operating expenses	201,616,154	20,376,012	2,007,313,848	96,859,182	2,326,165,196
<b>Profit from underwriting before</b>					
operating expenses	107,992,322	28,665,527	59,617,470	42,773,221	239,048,540
Operating expenses					(374,956,684)
<b>Loss from underwriting</b>					(135,908,144)
Investment income					100,224,240
Profit on investments					157,073,233
Other income					5,755,901
<b>Profit before income tax expenses</b>					127,145,230
Income tax expenses					(18,203,090)
<b>Profit for the year</b>					108,942,140

Segment assets and liabilities of the Company's operating segments as at 31 December 2016 and 2015 are as follows:

(Unit: Baht)

	Separate financial statements						Total
	Marine and				Total		
	Fire	transportation	Motor	Miscellaneous	segments	Unallocated	
<b>Assets</b>							
As at 31 December 2016	405,445,905	31,263,577	194,390,302	310,930,498	942,030,282	4,590,169,497	5,532,199,779
As at 31 December 2015	362,049,475	39,778,404	310,975,509	168,726,570	881,529,958	4,741,606,358	5,623,136,316
<b>Liabilities</b>							
As at 31 December 2016	570,072,867	32,999,167	1,505,026,799	320,339,101	2,428,437,934	1,007,770,119	3,436,208,053
As at 31 December 2015	483,785,287	40,420,026	1,900,588,414	171,119,253	2,595,912,980	962,309,818	3,558,222,798

### Geographic information

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

### Major customer's information

During the years ended 31 December 2016, Baht 257 million of the Company's net premium written was received from a major broker (2015: Baht 357 million).

## 28. Related party transactions

### 28.1 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
The United Indemnity Co., Ltd.	7.02% of shares held in the Company
The Falcon Insurance Plc. <sup>(1)</sup>	12.00% of shares held by the Company
Thai Reinsurance Plc. <sup>(2)</sup>	Common directors and through shareholding
Thai Metal Drum Manufacturing Plc.	Common directors and through shareholding
Varopakorn Plc.	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.	Common directors and through shareholding
Thaire Life Assurance Plc.	Common directors and through shareholding
Thaicom Plc.	Common directors
Dusit Thani Plc.	Common directors
Serm Suk Plc.	Common directors
Chaitip Co., Ltd.	Common directors
Alinkij Siam Co., Ltd	Common directors

Name of related parties	Nature of relationship
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
Rangsit Ruam Patana Co., Ltd.	Common directors
Toyota Petchaboon Toyota's Dealer Co., Ltd.	Common directors
Thai Pechaboon Co., Ltd.	Common directors
BTS Group Holdings Plc.	Common directors
Sahachart Enterprise Co., Ltd.	Common directors
Y J Co., Ltd.	Common directors
PIA Interior Co., Ltd.	A related person of the Company's director is a major shareholder

(1) This entity had been classified as associated company up to 30 March 2016 and after that had been classified as a related company.

(2) This entity had been considered as a related company up to 25 February 2016, which was the date there was no more common directors and percentage of cross-holding was also less than 5% of the issued share capital.

## 28.2 Significant related party transaction

During the years ended 31 December 2016 and 2015, 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)

	Separate financial statement		Pricing policy
	For the years ended		
	31 December		
	2016	2015	
<b>Transactions with associated companies<sup>(1)</sup></b>			
Reinsurance premium written	4,594,903	21,875,174	Ordinary course of business ceded rates, based on the type of reinsurance and the reinsurance contracts
Premium ceded	4,667,984	39,223,525	Ordinary course of business ceded rates, based on the type of reinsurance and the reinsurance contracts
Claim expenses	2,742,667	10,960,331	Actual incurred
Commission paid from reinsurance	2,031,813	5,469,183	Ordinary course of business ceded rates, based on the type of reinsurance and the reinsurance contracts
Commission received	1,395,643	15,020,708	Ordinary course of business ceded rates, based on the type of reinsurance and the reinsurance contracts
Dividend income	8,400,000	-	As declared
Rental income	67,188	67,188	Contract price

(Unit: Baht)

	Separate financial statement		Pricing policy
	For the years ended		
	31 December		
	2016	2015	
<b>Transactions with related companies</b>			
Direct premium written	53,802,075	61,195,208	Ordinary course of business premium rate
Reinsurance premium written	15,707,101	8,035,869	Ordinary course of business ceded rates, based on the type of reinsurance and the reinsurance contracts
Premium ceded	45,462,888	67,545,557	Ordinary course of business ceded rates, based on the type of reinsurance and the reinsurance contracts
Claim expenses	15,867,309	13,291,750	Actual incurred
Commission paid to reinsurance	5,013,716	3,620,711	Ordinary course of business ceded rates, based on the type of reinsurance and the reinsurance contracts
Commission received	19,100,380	23,298,356	Ordinary course of business ceded rates, based on the type of reinsurance and the reinsurance contracts
Dividend income	21,122,525	18,191,600	As declared
Rental and service fee for branch office	406,316	407,878	Contract price
Rental income	140,823	130,099	Contract price

(1) This entity had been classified as associated company up to 30 March 2016 and after that had been classified as a related company.

### 28.3 Outstanding balances

The balances of the accounts between the Company and those related companies as at 31 December 2016 and 2015 are as follows:

	(Unit: Baht)	
	2016	2015
<b>Reinsurance receivables - amounts due from reinsurers</b>		
The Falcon Insurance Plc.	11,315,702	14,238,794
Thai Reinsurance Plc.	-	112,788,909
Total	11,315,702	127,027,703
<b>Investments in securities - equity securities</b>		
Thai Metal Drum Manufacturing Plc.	284,273,440	239,430,400
BTS Group Holdings Plc.	59,850,000	9,955,000
Thaire Life Assurance Plc.	43,425,000	7,840,000
The Siam Cement Plc.	29,640,000	27,480,000
The Falcon Insurance Plc.	18,846,960	-
Sathorn Thani Co., Ltd.	12,780,000	12,780,000
Rangsit Plaza Co., Ltd.	6,560,000	6,560,000
Varopakorn Plc.	1,254,067	1,176,512
Thai Reinsurance Plc.	-	174,422,698
Total	456,629,467	479,644,610
<b>Due to reinsurers - Amounts withheld on reinsurance</b>		
Thai Reinsurance Plc.	-	19,618,526
<b>Due to reinsurers - Amounts due to reinsurance</b>		
The Falcon Insurance Plc.	15,827,320	27,446,440
Thai Reinsurance Plc.	-	130,269,386
Total	15,827,320	157,715,826

#### 28.4 Directors and management's benefits

During the years ended 31 December 2016 and 2015, the Company had employment benefits expenses payable to their directors and management as below.

(Unit: Baht)

	For the years ended 31 December	
	2016	2015
Short-term benefits	46,296,388	46,946,596
Post employment benefits	797,568	640,154
<b>Total</b>	<b>47,093,956</b>	<b>47,586,750</b>

#### 29. Assets pledged and reserved with the Registrar

As at 31 December 2016 and 2015, 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)

	2016		2015	
	Cost	Fair value	Cost	Fair value
<b>Assets pledged</b>				
Government bonds	20,000,000	20,119,491	20,000,000	20,007,790
<b>Assets reserve as non-life insurance reserve</b>				
Deposits and certificate of deposits at financial institutions	275,000,000	275,000,000	300,000,000	300,000,000

#### 30. Other assets with restrictions and commitments

As at 31 December 2016 and 2015, the Company had pledged the following assets as collateral.

(Unit: Baht)

	2016		2015	
	Cost	Fair value	Cost	Fair value
<b>Pledged as bail bond in cases where insured drivers have been charged with criminal offense</b>				
Government bonds	2,140,000	2,142,843	6,030,000	6,079,830
Deposits at financial institutions	100,000	100,000	100,000	100,000

#### 31. Contribution to the General Insurance Fund

(Unit: Baht)

	For the years ended 31 December	
	2016	2015
Accumulated contribution at the beginning of the year	38,669,317	30,337,390
Contribution during the year	7,009,034	8,331,927
<b>Accumulated contribution at the end of the year</b>	<b>45,678,351</b>	<b>38,669,317</b>

## 32. Commitments and contingent liabilities

### 32.1 Operating lease commitments

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

As at 31 December 2016, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Baht)
Payable within:	
Within 1 year	5,641,763
Over 1 to 5 years	4,346,537

### 32.2 Letter of Guarantees

As at 31 December 2016 and 2015, there were outstanding bank guarantees of approximately Baht 2.8 million as required in the normal course of the Company's business.

### 32.3 Litigation

As at 31 December 2016, the Company has been sued for damages totaling approximately Baht 190.3 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 29.6 million, and the Company has set aside reserves for contingent losses amounting to Baht 28.9 million in the financial statements (2015: Baht 180.0 million, Baht 26.5 million and Baht 26.1 million, respectively).

## 33. Non-life insurance company's risks

### 33.1 Insurance risk

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

a. Increase in the amount and frequency of loss

The impact of external factors, including physical or geographical factors, natural perils, disasters, accidents, terrorism and burglary may increase damage to lives, physical and property insured by the Company, leading to higher than expected losses. Such risks may result in the premiums received from customers being lower than the actual losses or the claims reserve being inadequate, which may have an impact on the Company's capital at risk.

b. Suboptimal proportions of types of insurance products

The Company focuses on specific types of insurance products in order to expand its business and retain market share, which means that the Company's revenue and expenses are highly dependent on these insurance products. This in turn increases the Company's average cost of claims. As a result, the Company's risk with respect to revenue or profit, or its funds may be affected.

c. Ethical or moral risk

This is the risk of dishonest actions being taken by insured persons for their personal gains, causing the Company payment of a higher settlement than a fair amount. This may result in a higher than expected loss ratio and liquidity risk.

The measures adopted by the Company in response to these 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. Implementation of strict criteria on the selection of client groups, nature of business and types of acceptable risks as specified by the Company and analysis of reinsurance retention and ceded ratio for the purpose of profitability improvement.
3. Reinsurance to spread risk exposure by placing treaty and facultative reinsurance with local and overseas financial secured companies which have a credit rating of at least A-, and by purchasing excess of loss reinsurance to reduce exposure to catastrophic losses and to protect the Company's operations, financial position and capital level.
4. Management of the composition of the portfolio by writing all classes of insurance products and adjusting the portfolio mix according to market situation and customer demands. Technical knowledge and up to date statistics are used to plan marketing strategies to penetrate target markets by introducing products that are profitable and have high potential to expand.
5. Analysis is of the concentration of insurance risk.

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

(Unit: Baht)

	2016			2015		
	Gross premium reserves	Outward premium reserves	Net	Gross premium reserves	Outward premium reserves	Net
Fire	384,196,626	(151,213,857)	232,982,769	369,359,735	(164,499,140)	204,860,595
Marine and transportation	20,678,721	(10,878,684)	9,800,037	20,175,102	(9,314,633)	10,860,469
Motor	893,679,744	(5,976,947)	887,702,797	1,285,552,604	(6,348,679)	1,279,203,925
Miscellaneous	250,021,217	(189,714,303)	60,306,914	127,324,285	(83,054,321)	44,269,964
<b>Total</b>	<b>1,548,576,308</b>	<b>(357,783,791)</b>	<b>1,190,792,517</b>	<b>1,802,411,726</b>	<b>(263,216,773)</b>	<b>1,539,194,953</b>
	Gross loss reserves	Outward loss reserves	Net	Gross loss reserves	Outward loss reserves	Net
Fire	185,876,241	(138,772,169)	47,104,072	114,425,552	(58,868,326)	55,557,226
Marine and transportation	12,320,446	(7,043,901)	5,276,545	20,244,924	(13,491,966)	6,752,958
Motor	611,347,055	(3,367,532)	607,979,523	615,035,810	(1,678,266)	613,357,544
Miscellaneous	70,317,884	(52,098,055)	18,219,829	43,794,968	(30,902,460)	12,892,508
<b>Total</b>	<b>879,861,626</b>	<b>(201,281,657)</b>	<b>678,579,969</b>	<b>793,501,254</b>	<b>(104,941,018)</b>	<b>688,560,236</b>

#### 6. Sensitivity analysis

Sensitivity analysis is performed to analyse the risk that insurance liabilities will increase or decrease as a result of changes in the assumptions used in the calculation of claim liabilities, which will impact the claims liabilities both before and after reinsurance, profit before tax and owner's equity. The risk may occur because the frequency or severity of losses, or loss adjustment expenses are not in line with expectations.

Analysis has been prepared to test the sensitivity of the estimation of insurance liabilities to changes in key variables. The variables tested are the ultimate loss ratio in the latest accident year and the unallocated loss adjustment expense ratio. The variables are selected based on their appropriateness of 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)

	2016				
	Assumption change	Increase (decrease) in provision for gross claim liabilities	Increase (decrease) in provision for net claim liabilities	Increase (decrease) in profit before taxes	Increase (decrease) in owner's equity
Ultimate loss ratio in latest accident year	+5 %	105	91	(91)	(72)
Ultimate loss ratio in latest accident year	-5 %	(104)	(90)	90	72
ULAE ratio	+50 %	4	4	(4)	(3)
ULAE ratio	-50 %	(4)	(4)	4	3

### 33.2 Financial instruments and risk management

The Company's significant financial instruments principally comprise cash and cash equivalents, premiums receivable, reinsurance assets - claim reserves, reinsurance receivables, investments, loans, insurance contract liabilities - claim reserves and outstanding claims, and due to reinsurers. The financial risks associated with these financial instruments and how they are managed is described below.

#### a. Credit risk

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

##### a.1 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.

##### a.2 Risk from reinsurers

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

##### a.3 Risk from premium receivables collection

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

The Company's maximum exposure to credit risk is limited to the book value of investment assets, premium receivables, reinsurance receivables, and reinsurance assets less allowance for doubtful accounts as presented in the statements of financial position.

#### b. Market risk

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

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

#### b.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

As at 31 December 2016 and 2015, significant financial assets and liabilities classified by type of interest rates, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date as follows:

(Unit: Baht)

	2016						
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Effective interest rate  (% per annum)
	Maturity date or repricing date						
	Within 1 year	1 - 5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	137,363,316	302,000	137,665,316	0.00 - 1.75
Premium receivables	-	-	-	-	382,964,834	382,964,834	-
Reinsurance assets - claim reserves	-	-	-	-	201,281,657	201,281,657	-
Reinsurance receivables	-	-	-	-	431,553,544	431,553,544	-
Investments in securities							
Government and state enterprise securities	450,931,433	30,779,745	-	-	40,680,192	522,391,369	1.2 - 3.91
Private debt securities	286,158,220	330,711,421	-	-	-	616,869,641	1.80 - 4.7
Equity securities	-	-	-	-	1,217,626,368	1,217,626,368	-
Deposits and certificate deposits at financial institutions	755,100,000	-	-	-	-	755,100,000	0.85 - 2.00
Loans	112,070	183,306	315,150	-	-	610,526	6.5 - 7.00
<b>Financial liabilities</b>							
Insurance contract liabilities							
- claim reserves and outstanding claims	-	-	-	-	879,861,626	879,861,626	-
Due to reinsurers	-	-	-	-	772,795,263	772,795,263	-

	2015						
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Effective interest rate
	Maturity date or repricing date						
	Within 1 year	1 - 5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	115,000,000	-	-	110,589,658	302,000	225,891,658	0.00 - 1.80
Premium receivables	-	-	-	-	513,372,167	513,372,167	-
Reinsurance assets - claim reserves	-	-	-	-	104,941,018	104,941,018	-
Reinsurance receivables	-	-	-	-	408,488,865	408,488,865	-
Investments in securities							
Government and state							
enterprise securities	662,169,939	81,754,704	-	-	8,702,739	752,627,382	1.44 - 3.91
Private debt securities	50,227,905	388,181,461	-	-	-	438,409,366	1.80 - 4.00
Equity securities	-	-	-	-	1,038,763,005	1,038,763,005	-
Deposits and certificate deposits at financial institutions	1,085,100,000	-	-	-	-	1,085,100,000	0.85 - 3.00
Loans	57,253	386,095	345,838	-	-	789,186	6.50 - 7.00
<b>Financial liabilities</b>							
Insurance contract liabilities							
- claim reserves and outstanding claims	-	-	-	-	793,501,254	793,501,254	-
Due to reinsurers	-	-	-	-	684,092,088	684,092,088	-

## b.2 Equity position risk

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

As at 31 December 2016 and 2015, the Company has risk from its investments in securities of which the price will change with reference to market conditions.

## c. Liquidity risk

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

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

- c.1 The Company invests in securities that are liquid, such as government sector securities or private sector securities with a low credit risk. It also spreads its investment funding and balances the portfolio, taking into account time horizons and fund needs to pay and meet obligations, management of accounts receivable, accounts payable, the period to maturity of assets and changes in the value of assets, given that, the maturity structure of assets and liabilities is in the appropriate level both volume and period, and correspond to external and internal circumstances surrounding the Company.

- c.2 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.3 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 financial assets and liabilities held as at 31 December 2016 and 2015 are as follows:

(Unit: Baht)

	2016					Total
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	
<b>Financial assets</b>						
Cash and cash equivalents	137,363,316	-	-	-	302,000	137,665,316
Premium receivables	-	382,964,834	-	-	-	382,964,834
Reinsurance assets -						
claim reserves	-	141,151,130	51,520,395	8,610,132	-	201,281,657
Reinsurance receivables	-	431,008,661	544,883	-	-	431,553,544
Investments in securities	2,260,006,178	765,100,000	-	-	86,881,200	3,111,987,378
Loans	-	112,070	183,306	315,150	-	610,526
<b>Financial liabilities</b>						
Insurance contract						
liabilities - claim						
reserves and						
outstanding claims	-	703,756,123	160,724,698	15,380,805	-	879,861,626
Due to reinsurers	-	772,795,263	-	-	-	772,795,263

(Unit: Baht)

	2015					Total
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	
<b>Financial assets</b>						
Cash and cash equivalents	110,589,658	115,000,000	-	-	302,000	225,891,658
Premium receivables	-	513,372,167	-	-	-	513,372,167
Reinsurance assets -						
claim reserves	-	84,815,617	15,636,388	4,489,013	-	104,941,018
Reinsurance receivables	-	396,528,913	11,959,952	-	-	408,488,865
Investments in securities	2,151,765,513	1,085,100,000	10,000,000	-	68,034,240	3,314,899,753
Loans	-	57,253	386,095	345,838	-	789,186
<b>Financial liabilities</b>						
Insurance contract						
liabilities - claim						
reserves and						
outstanding claims	-	686,241,056	93,389,053	13,871,145	-	793,501,254
Due to reinsurers	-	684,092,088	-	-	-	684,092,088

### 33.3 Fair value measurement for financial instruments

As at 31 December 2016 and 2015, the Company had the following financial assets that were measured at fair value, and had financial assets and liabilities that were measured at cost but has to disclose fair value, using different levels of inputs as follows:

(Unit: Baht)

	2016				Book value
	Fair value				
	Level 1	Level 2	Level 3	Total	
<b><u>Financial assets measured at fair value</u></b>					
Available-for-sale investments					
Government and state enterprise securities	40,680,192	471,711,177	-	512,391,369	512,391,369
Private debt securities	-	616,869,641	-	616,869,641	616,869,641
Equity securities	1,079,621,515	51,123,653	-	1,130,745,168	1,130,745,168
<b><u>Financial assets which fair value are disclosed</u></b>					
Cash and cash equivalents	137,665,316	-	-	137,665,316	137,665,316
Premium receivables	-	382,964,834	-	382,964,834	382,964,834
Reinsurance assets - claim reserves	-	201,281,657	-	201,281,657	201,281,657
Reinsurance receivables	-	431,553,544	-	431,553,544	431,553,544
Held to maturity investments					
Government and state enterprise securities	-	10,052,226	-	10,052,226	10,000,000
Deposits and certificates deposits at financial institutions	-	755,100,000	-	755,100,000	755,100,000
Other investments	-	-	285,273,620	285,273,620	86,881,200
Loans	-	-	610,526	610,526	610,526
<b><u>Financial liabilities which fair value are disclosed</u></b>					
Insurance contract liabilities - claim reserves and outstanding claims	-	879,861,626	-	879,861,626	879,861,626
Due to reinsurers	-	772,795,263	-	772,795,263	772,795,263

(Unit: Baht)

	2015				Book value
	Fair value				
	Level 1	Level 2	Level 3	Total	
<b>Financial assets measured at fair value</b>					
Available-for-sale investments					
Government and state enterprise securities	8,702,739	733,924,643	-	742,627,382	742,627,382
Private debt securities	-	438,409,366	-	438,409,366	438,409,366
Equity securities	922,450,888	48,277,877	-	970,728,765	970,728,765
<b>Financial assets which fair value are disclosed</b>					
Cash and cash equivalents	110,891,658	115,000,000	-	225,891,658	225,891,658
Premium receivables	-	513,372,167	-	513,372,167	513,372,167
Reinsurance assets - claim reserves	-	104,941,018	-	104,941,018	104,941,018
Reinsurance receivables	-	408,488,865	-	408,488,865	408,488,865
Held to maturity investments					
Government and state enterprise securities	-	10,155,529	-	10,155,529	10,000,000
Deposits and certificates deposits at financial institutions	-	1,085,100,000	-	1,085,100,000	1,085,100,000
Other investments	-	-	219,411,010	219,411,010	68,034,240
Loans	-	-	789,186	789,186	789,186
<b>Financial liabilities which fair value are disclosed</b>					
Insurance contract liabilities - claim reserves and outstanding claims	-	793,501,254	-	793,501,254	793,501,254
Due to reinsurers	-	684,092,088	-	684,092,088	684,092,088

The fair value hierarchy of financial assets and financial liabilities as at 31 December 2016 and 2015 presents according to Note 4.20 to financial statements.

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

- Financial assets maturing in the short-term, which consist of cash and cash equivalents and deposit at financial institutions, their fair value is estimated based on the book value presented in the statements of financial position.
- For debts securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.
- For equity securities, their fair value is generally derived from quoted market prices. For investments in non-marketable equity securities is determined using discounted price per book value approach.

- (d) The fair value of fixed rate loans is determined by discounting the expected future cash flows by using the carrying market interest rate of similar loans.
- (e) The fair value of premium receivables, claims reserves in reinsurance assets, reinsurance receivables, due to reinsurers, and claim reserves and outstanding claims in insurance contract liabilities is estimated based on the book value, since most of them are mature within one year.

**34. 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.

**35. Reclassification**

The Company has presented the current year financial statements to conform with new Declaration of OIC. Therefore, the Company reclassified certain items in the prior year's financial statements for comparative purposes to consistent with the current year's classifications. The reclassification does not have impact to profit or owner's equity as previously reported. The reclassification are summarised below.

(Unit: Baht)

	31 December 2015	
	As reclassified	As previous reported
<b>Statements of financial position</b>		
<b>Assets</b>		
Premium receivables	513,372,167	513,973,276
Reinsurance assets	368,157,791	776,045,547
Reinsurance receivables	408,488,865	-
<b>Liabilities</b>		
Employee benefit obligations	40,782,961	66,806,961
Other liabilities - accrued expenses	55,062,548	29,038,548
Other liabilities - liabilities under financial lease agreements	-	4,122,594
Other liabilities - others	46,229,583	42,106,989

(Unit: Baht)

For the year ended 31 December 2015

	As reclassified	As previous reported
<b>Statement of income</b>		
<b>Revenues</b>		
Gross premium written	3,368,927,885	-
Premiums ceded to reinsurers	(552,495,691)	-
Unearned premium reserves increase from prior year	(387,930,830)	-
Net earned premium	-	2,428,501,364
<b>Expenses</b>		
Gross claim and loss adjustment expenses	1,800,962,129	1,528,086,978
Claim recovery from reinsurers	(272,875,151)	-
Other underwriting expenses	240,041,429	209,340,115
Contribution to Road Accident Victims Protection Co., Ltd.	-	12,515,765
Contribution to the Office of Insurance Commission	-	8,831,927
Contribution to the General Insurance Fund	-	8,331,927
Contribution to Victims Compensation Fund	-	1,021,695

**36. Event after the reporting period**

On 23 February 2017, the Board of Directors' Meeting passed a resolution to be proposed to the Annual General Meeting of shareholders for approval of dividends of 2016 at the rate of Baht 1.00 per share, totaling Baht 33 million.

**37. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 23 February 2017.