

The Navakij Insurance Public Company Limited
Report and financial statements
31 December 2016

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 respect 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 totalling 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 and 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