

Thaire Life Assurance Public Company Limited
Report and financial statements
31 December 2020

Independent Auditor's Report

To the Shareholders of Thaire Life Assurance Public Company Limited

Opinion

I have audited the accompanying financial statements of Thaire Life Assurance Public Company Limited (“the Company”), which comprise the statement of financial position, in which the equity method is applied, as at 31 December 2020, and the related statements of income, comprehensive income, changes in owner’s equity and cash flows, in which the equity method is applied, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and also have audited the separate financial statements of Thaire Life Assurance Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thaire Life Assurance Public Company Limited as at 31 December 2020, its financial performance and cash flows, for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

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

Reinsurance premium written

The Company's core revenue is from reinsurance premium written, which amounted to Baht 2,339 million. The Company has entered into reinsurance contracts with customers, who are life insurance companies, for both facultative and treaty reinsurance contracts. Conditions under those contracts vary depending upon types of insurance, reinsurance share, insured periods, etc. In addition, recognition of revenue on such reinsurance contracts shall also meet the definition of insurance contracts under Thai Financial Reporting Standards. Therefore, the Company's management is required to use judgement in consideration and review its product classification. Hence, I therefore focused on examining that the reinsurance premium written is recognised correctly as actually incurred.

I assessed and tested, on a sampling basis, the Company's internal controls relevant to revenue recognition from each type of reinsurance contract, assessed the appropriateness of method and assumptions used for product classification testing, involving experts in the assessment of such methods and assumptions through comparison with historical and industry data and the review of the related actuarial models, tested, on a sampling basis, the data used for product classification testing and tested, on a sampling basis, the amount of reinsurance premium written against the statements received from reinsurers that occurred during the year and near the period-end. Furthermore, I also performed analytical procedures on reinsurance premium written, disaggregated by reinsurance types and tested, on a sampling basis, any significant adjustments made through journal vouchers.

Long-term insurance policy reserves

As described in Note 16 to the financial statements, as at 31 December 2020, the Company had long-term insurance policy reserves amounting to Baht 509 million, representing 40 percent of total liabilities, whereby the Company compared the amounts of gross premium valuation reserves as at 31 December 2020 with those of unearned premium reserves, and recognised the differences as additional reserves if the amounts of gross premium valuation reserves were higher than those of unearned premium reserves. In calculation of the gross premium valuation reserves, it involves the use of assumptions, including mortality rate, discounted rate, lapse or surrender rate, and selling and administrative expense ratio. Changes in such assumptions will affect the amounts of long-term insurance policy reserves and the Company's management is required to exercise high level of considerable judgement in selecting those assumptions. I therefore focused on the adequacy of long-term insurance policy reserves.

I assessed the method and key assumptions used in determining long-term insurance policy reserves by involving our experts to assist in analysis and comparison of the methods and assumptions used to historical and industry data, and in the review of the actuarial models used in calculating reserves under the Gross Premium Valuation method. Moreover, I also tested, on a sampling basis, data used in calculation, and performed analytical procedures on movements of long-term insurance policy reserves.

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. The annual report of the Company is expected to be made available to me after the date of this auditor's report.

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.

When I read the annual report of the Company, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

I am responsible for the audit resulting in this independent auditor's report.

Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 19 February 2021

Thaire Life Assurance Public Company Limited

Statements of financial position

As at 31 December 2020 and 2019

(Unit: Baht)

	Note	Financial statements			
		in which the equity method is applied		Separate financial statements	
		2020	2019	2020	2019
Assets					
Cash and cash equivalents	7	41,134,866	33,798,067	41,134,866	33,798,067
Accrued investment income		14,386,288	13,187,204	14,386,288	13,187,204
Reinsurance assets	8	3,372,998	2,662,337	3,372,998	2,662,337
Reinsurance receivables	9	433,896,203	214,596,499	433,896,203	214,596,499
Investment assets					
Investments in securities	10.1	1,924,821,674	1,947,134,836	1,924,821,674	1,947,134,836
Loans and interest receivables	11	633,103	1,029,648	633,103	1,029,648
Investments in an associate	12	12,814,178	13,624,528	18,910,900	21,684,234
Premises and equipment	13	51,069,455	53,308,373	51,069,455	53,308,373
Intangible assets	14	37,920,025	33,649,819	37,920,025	33,649,819
Deferred tax assets	15.1	85,884,833	28,592,060	84,665,489	26,980,119
Other assets					
Deferred commission expenses		80,760,917	78,324,647	80,760,917	78,324,647
Others		13,409,224	6,256,404	13,409,224	6,256,404
Total assets		2,700,103,764	2,426,164,422	2,704,981,142	2,432,612,187
Liabilities and owners' equity					
Liabilities					
Insurance contract liabilities	16	864,361,657	786,531,545	864,361,657	786,531,545
Due to reinsurers	17	346,731,212	137,009,478	346,731,212	137,009,478
Income tax payable		29,540,236	18,794,352	29,540,236	18,794,352
Lease liabilities	18	1,486,503	-	1,486,503	-
Employee benefit obligations	19	17,180,397	14,080,989	17,180,397	14,080,989
Other liabilities					
Accrued expenses		3,281,189	4,644,925	3,281,189	4,644,925
Deferred commission income		50,595	39,935	50,595	39,935
Others		13,475,935	6,449,194	13,475,935	6,449,194
Total liabilities		1,276,107,724	967,550,418	1,276,107,724	967,550,418
Owners' equity					
Share capital	20				
Registered, issued and paid-up					
600,000,000 ordinary shares of Baht 1 each		600,000,000	600,000,000	600,000,000	600,000,000
Share premium		79,162,825	79,162,825	79,162,825	79,162,825
Retained earnings					
Appropriated - statutory reserve	21	60,000,000	60,000,000	60,000,000	60,000,000
Unappropriated		782,250,161	739,516,723	783,996,204	743,339,730
Other component of owners' equity		(97,416,946)	(20,065,544)	(94,285,611)	(17,440,786)
Total owners' equity		1,423,996,040	1,458,614,004	1,428,873,418	1,465,061,769
Total liabilities and owners' equity		2,700,103,764	2,426,164,422	2,704,981,142	2,432,612,187

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

Directors

Thaire Life Assurance Public Company Limited

Statements of income

For the years ended 31 December 2020 and 2019

(Unit: Baht)

	Note	Financial statements			
		in which the equity method is applied		Separate financial statements	
		2020	2019	2020	2019
Revenues					
Reinsurance premium written		2,338,704,752	2,339,702,858	2,338,704,752	2,339,702,858
Less: Reinsurance premium ceded		(19,314,751)	(15,593,246)	(19,314,751)	(15,593,246)
Net reinsurance premium written		2,319,390,001	2,324,109,612	2,319,390,001	2,324,109,612
Less: Unearned premium reserves increased					
from prior year		(28,181,178)	(42,629,375)	(28,181,178)	(42,629,375)
Net earned premium		2,291,208,823	2,281,480,237	2,291,208,823	2,281,480,237
Commission income		2,425,383	1,667,338	2,425,383	1,667,338
Net investment revenue		64,643,489	70,517,811	64,643,489	70,517,811
Gain (loss) on investments		(31,234,351)	25,726,163	(34,007,685)	25,726,163
Fair value gain (loss)		(1,367,601)	4,655,899	(1,367,601)	4,655,899
Share of loss from investment in an associate under the equity method	12.3	(177,128)	(825,217)	-	-
Other income		5,536,238	5,674,198	5,536,238	5,674,198
Total revenues		2,331,034,853	2,388,896,429	2,328,438,647	2,389,721,646
Expenses					
Long-term insurance policy reserves increased		37,257,424	64,657,158	37,257,424	64,657,158
Unexpired risk reserves increased (decreased)		(9,507,891)	9,507,891	(9,507,891)	9,507,891
Gross benefits and claims		1,464,063,410	1,423,183,690	1,464,063,410	1,423,183,690
Less: claims recovered from reinsurers		(3,896,233)	(2,549,195)	(3,896,233)	(2,549,195)
Commission expenses		570,478,498	536,058,822	570,478,498	536,058,822
Other underwriting expenses		36,471,523	33,877,794	36,471,523	33,877,794
Operating expenses	23	92,997,751	92,155,677	92,997,751	92,155,677
Finance costs	18	115,177	-	115,177	-
Expected credit losses		467,150	-	467,150	-
Total expenses		2,188,446,809	2,156,891,837	2,188,446,809	2,156,891,837
Profits before income tax expenses		142,588,044	232,004,592	139,991,838	232,829,809
Income tax expenses	15.2	(21,153,386)	(37,748,950)	(20,634,144)	(38,704,702)
Net profits		121,434,658	194,255,642	119,357,694	194,125,107
Earnings per share					
Basic earnings per share	26				
Net profits		0.20	0.32	0.20	0.32

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

Thaire Life Assurance Public Company Limited
Statements of comprehensive income
For the years ended 31 December 2020 and 2019

(Unit: Baht)

	Financial statements				
	in which the equity method is applied		Separate financial statements		
	Note	2020	2019	2020	2019
Net profits		121,434,658	194,255,642	119,357,694	194,125,107
Other comprehensive income (loss)					
Items to be reclassified to statements of income in subsequent periods:					
Translation adjustments of the financial statements					
in foreign currency of an associate		(633,222)	(1,652,310)	-	-
Loss on revaluation of available-for-sale investments					
measured at fair value through other comprehensive income	10.5	(96,056,031)	(5,722,213)	(96,056,031)	(5,722,213)
Add : Income tax benefits		19,337,851	1,800,632	19,211,206	1,144,443
Items to be reclassified to statements of income in subsequent periods					
- net of income taxes		(77,351,402)	(5,573,891)	(76,844,825)	(4,577,770)
Items not to be reclassified to statements of income in subsequent periods:					
Actuarial losses	19	(880,084)	(1,236,432)	(880,084)	(1,236,432)
Add: Income tax benefits		176,017	247,286	176,017	247,286
Items not to be reclassified to statements of income in subsequent periods					
- net of income taxes		(704,067)	(989,146)	(704,067)	(989,146)
Other comprehensive loss for the years		(78,055,469)	(6,563,037)	(77,548,892)	(5,566,916)
Total comprehensive income for the years		43,379,189	187,692,605	41,808,802	188,558,191

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

Thaire Life Assurance Public Company Limited
Statements of cash flows
For the years ended 31 December 2020 and 2019

(Unit: Baht)

	Financial statements				
	Note	in which the equity method is applied		Separate financial statements	
		2020	2019	2020	2019
Cash flows from (used in) operating activities					
Cash received from reinsurance		300,354,869	281,008,864	300,354,869	281,008,864
Interest income		16,472,278	17,193,277	16,472,278	17,193,277
Dividend income		47,523,354	51,675,957	47,523,354	51,675,957
Other investment income (expense)		(8,214,216)	25,175,217	(8,214,216)	25,175,217
Other income		503,474	661,985	503,474	661,985
Other underwriting expenses		(36,413,223)	(33,869,674)	(36,413,223)	(33,869,674)
Operating expenses		(81,089,591)	(81,241,251)	(81,089,591)	(81,241,251)
Income tax expenses		(48,186,407)	(48,274,011)	(48,186,407)	(48,274,011)
Investments in securities		-	(63,487,643)	-	(63,487,643)
Loans		-	320,884	-	320,884
Cash received on financial assets		1,836,671,973	-	1,836,671,973	-
Cash paid for financial assets		(1,939,271,308)	-	(1,939,271,308)	-
Net cash provided by operating activities		88,351,203	149,163,605	88,351,203	149,163,605
Cash flows from (used in) investing activities					
Disposals of equipment		-	420,821	-	420,821
Purchases of equipment		(1,076,726)	(2,612,020)	(1,076,726)	(2,612,020)
Purchases of intangible assets		(1,103,598)	(281,838)	(1,103,598)	(281,838)
Net cash used in investing activities		(2,180,324)	(2,473,037)	(2,180,324)	(2,473,037)
Cash flows from (used in) financing activities					
Repayment of lease liabilities		(792,228)	-	(792,228)	-
Dividend paid	27	(78,000,000)	(168,000,000)	(78,000,000)	(168,000,000)
Net cash used in financing activities		(78,792,228)	(168,000,000)	(78,792,228)	(168,000,000)
Increase in expected credit losses		(41,852)	-	(41,852)	-
Net increase (decrease) in cash and cash equivalents		7,336,799	(21,309,432)	7,336,799	(21,309,432)
Cash and cash equivalents at beginning of the years		33,798,067	55,107,499	33,798,067	55,107,499
Cash and cash equivalents at end of the years		41,134,866	33,798,067	41,134,866	33,798,067
		-	-	-	-

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

Thaire Life Assurance Public Company Limited

Statements of changes in owners' equity

For the years ended 31 December 2020 and 2019

(Unit: Baht)

Financial statements in which the equity method is applied								
Note	Issued and paid-up share capital	Share premium	Retained earnings		Other components of owners' equity		Total other components of owners' equity	Total owners' equity
			Appropriated - statutory reserve	Unappropriated	Revaluation deficit on available-for-sale investments measured at fair value through other comprehensive income - net of income taxes	Translation adjustments of the financial statements in foreign currency of an associate - net of income taxes		
Balance as at 1 January 2019	600,000,000	79,162,825	60,000,000	714,249,360	(12,863,016)	(1,628,637)	(14,491,653)	1,438,920,532
Dividend paid	-	-	-	(168,000,000)	-	-	-	(168,000,000)
Reversal of dividend payable due to ineligibility of shareholders	-	-	-	867	-	-	-	867
Net profit	-	-	-	194,255,642	-	-	-	194,255,642
Other comprehensive loss for the year	-	-	-	(989,146)	(4,577,770)	(996,121)	(5,573,891)	(6,563,037)
Total comprehensive income (loss) for the year	-	-	-	193,266,496	(4,577,770)	(996,121)	(5,573,891)	187,692,605
Balance as at 31 December 2019	600,000,000	79,162,825	60,000,000	739,516,723	(17,440,786)	(2,624,758)	(20,065,544)	1,458,614,004
Balance as at 1 January 2020	600,000,000	79,162,825	60,000,000	739,516,723	(17,440,786)	(2,624,758)	(20,065,544)	1,458,614,004
Dividend paid	-	-	-	(78,000,000)	-	-	-	(78,000,000)
Reversal of dividend payable due to ineligibility of shareholders	-	-	-	2,847	-	-	-	2,847
Net profit	-	-	-	121,434,658	-	-	-	121,434,658
Other comprehensive loss for the year	-	-	-	(704,067)	(76,844,825)	(506,577)	(77,351,402)	(78,055,469)
Total comprehensive income (loss) for the year	-	-	-	120,730,591	(76,844,825)	(506,577)	(77,351,402)	43,379,189
Balance as at 31 December 2020	600,000,000	79,162,825	60,000,000	782,250,161	(94,285,611)	(3,131,335)	(97,416,946)	1,423,996,040
	-	-	-	-	-	-	-	-

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

Thaire Life Assurance Public Company Limited
Statements of changes in owners' equity (continued)
For the years ended 31 December 2020 and 2019

(Unit: Baht)

Separate financial statements							
	Note	Issued and paid-up share capital	Share permium	Retained earnings		Other component of owners' equity	Total owners' equity
				Appropriated - statutory reserve	Unappropriated	Revaluation deficit on available-for-sale investments measured at fair value through other comprehensive income - net of income taxes	
Balance as at 1 January 2019		600,000,000	79,162,825	60,000,000	718,202,902	(12,863,016)	1,444,502,711
Dividend paid	27	-	-	-	(168,000,000)	-	(168,000,000)
Reversal of dividend payable due to ineligibility of shareholders		-	-	-	867	-	867
Net profit		-	-	-	194,125,107	-	194,125,107
Other comprehensive loss for the year		-	-	-	(989,146)	(4,577,770)	(5,566,916)
Total comprehensive income (loss) for the year		-	-	-	193,135,961	(4,577,770)	188,558,191
Balance as at 31 December 2019		<u>600,000,000</u>	<u>79,162,825</u>	<u>60,000,000</u>	<u>743,339,730</u>	<u>(17,440,786)</u>	<u>1,465,061,769</u>
Balance as at 1 January 2020		600,000,000	79,162,825	60,000,000	743,339,730	(17,440,786)	1,465,061,769
Dividend paid	27	-	-	-	(78,000,000)	-	(78,000,000)
Reversal of dividend payable due to ineligibility of shareholders		-	-	-	2,847	-	2,847
Net profit		-	-	-	119,357,694	-	119,357,694
Other comprehensive loss for the year		-	-	-	(704,067)	(76,844,825)	(77,548,892)
Total comprehensive income (loss) for the year		-	-	-	118,653,627	(76,844,825)	41,808,802
Balance as at 31 December 2020		<u>600,000,000</u>	<u>79,162,825</u>	<u>60,000,000</u>	<u>783,996,204</u>	<u>(94,285,611)</u>	<u>1,428,873,418</u>
		-	-	-	-	-	-

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

Thaire Life Assurance Public Company Limited
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For the years ended 31 December 2020 and 2019

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Thaire Life Assurance Public Company Limited
Notes to financial statements
For the years ended 31 December 2020 and 2019

1. General information

1.1 Corporate information

Thaire Life Assurance Public Company Limited (“the Company”) is a public company, incorporated under Thai laws, domiciled in Thailand and listed on the Stock Exchange of Thailand since 9 October 2013. Its major shareholder is Thai Reinsurance Public Company Limited, a public company incorporated under Thai laws, domiciled in Thailand and listed on the Stock Exchange of Thailand. As at 31 December 2020 and 2019, the major shareholder held 10.10%, of the issued and paid-up share capital of the Company. The Company is principally engaged in the provision of life reinsurance services. The registered office of the Company is located at No. 48/15 Soi Ratchadapisek 20, Ratchadapisek Road, Samsenok Sub-district, Huaykwang District, Bangkok.

1.2 Coronavirus 2019 pandemic

The Coronavirus 2019 (COVID-19) pandemic causes an economic slowdown and has an impact on businesses and industries in various sectors either directly or indirectly. This situation may bring uncertainties and have an impact on the environment in which the business operates. The Company’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues (if any) as the situation has evolved.

2. Basis for preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547, and in accordance with Thai accounting practices related to insurance and the accounting and reporting guidelines prescribed by the Office of Insurance Commission (“OIC”), and in accordance with the format of financial statements specified in the Notification of the Office of Insurance Commission (“OIC”) regarding criteria, procedures, conditions and terms for preparation and submission of financial statements and operating performance reports of life insurance companies B.E. (No.2) 2019 dated 4 April 2019.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 5 to financial statements regarding a summary of significant accounting policies.

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

2.1 The financial statements in which the equity method is applied

The Company prepares the financial statements, in which equity method is applied, which has presented investment in an associate under the equity method.

2.2 Separate financial statements

The Company prepares the separate financial statements, which has presented investment in an associate under the cost method.

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Company adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. However, the new standard involves changes to key principles, which are summarised below:

a. Financial reporting standards and accounting guidance related to financial instruments

Financial reporting standards related to financial instruments

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

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

Accounting Guidance related to financial instruments and disclosures applicable to insurance business was issued to comply with TFRS 4 (revised 2019) Insurance contracts, which allows insurers who meet certain criteria stipulated in TFRS 4 to delay adoption of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which are applicable for the financial reporting period beginning on or after 1 January 2020, and to adopt the Accounting Guidance related to financial instruments and disclosures applicable to insurance business instead.

This accounting guidance has certain stipulations differing from those stipulated in TFRS 9 in the following key topics.

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

In addition, the accounting guidance also stipulates certain disclosure topics to be different from those stipulated in the TFRS 7.

According to the Company's statement of financial position as of 31 December 2017, the Company had liabilities in connection with insurance services under the scope of TFRS 4: Insurance Contracts of 80% or more but less than 90% of the carrying value of total liabilities and the Company operates non-insurance related business insignificantly. As such, the Company meets criteria under TFRS 4: Insurance Contracts, and there has been no change in the core business of the Company in the following accounting periods. The Company's management, therefore, considered to adopt such accounting guidance instead of the adoption of TFRS 9 and TFRS 7.

Impact to the Company's financial statements from the adoption of this accounting guidance can be summarised as follows:

Classification and measurement of financial assets

- The Company continues to classify its available-for-sale investments both debt instruments and equity instruments, except for non-listed equity securities, as financial assets measured at fair value through other comprehensive income. The investments newly acquired during the period will be classified based on the objective designated on the investment date.
- The Company considers to classify its investments in non-listed equity securities, which were previously classified as general investments measured at cost net of allowance for impairment (if any) under the cancelled former accounting standard to be financial assets measured at fair value through other comprehensive income.
- The Company continues to classify and present investment in debt securities and loans, which the Company held to collect contractual cash flow (both principal and interest), as held-to-maturity investments and loans and interest receivables, respectively, measured at amortised cost.

Classification and measurement of financial liabilities

The adoption of this accounting guidance does not have any impact to classification and measurement of financial liabilities. The Company continues to classify financial liabilities measured at amortised cost.

Impairment of financial assets

- This accounting guidance requires the Company to move from incurred loss provisioning, under former accounting policy, to expected loss provisioning by recognising an allowance for expected credit losses on its financial assets and it is no longer necessary for a credit-impaired event to have occurred. The Company considers to adopt the general approach to determine expected credit loss on financial assets.
- Loss on impairment of investments in equity instruments and unit trusts classified as available-for-sale investments is immediately recognised in profit or loss when there is objective evidence of impairment, considering from the evidence that indicates the cost of investments may not be recovered and a significant or prolonged decline in fair value of investments below its costs.

Transition

The Company's management already considered that the effect from measurement and expected credit losses are insignificantly higher than the amount previously recognised under the former accounting policy. The cumulative effect, therefore, was not adjusted against retained earnings as at 1 January 2020, and the comparative information was not restated.

However, reclassification is described in Note 4 to financial statements.

b. TFRS 16 Leases

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

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

The cumulative effect of the change in this accounting policy is described in Note 4 to financial statements.

c. Accounting guidances on temporary relief measures

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

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

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by situations that affect the Thai economy during the period from 1 January 2020 to 31 December 2021 or until the Bank of Thailand makes changes, with which the entities are to comply. The guidance applies to large debtors, small- and medium-sized debtors and retail debtors who have the ability to run a business or to pay debts in the future and who have been impacted directly or indirectly by such this, considering the following guidelines.

The Company did not adopt this accounting guidance since it was not applicable to the Company’s business.

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

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

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

The Company did not adopt this accounting guidance in the current year.

3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2021

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

The Company's management is currently evaluating the impact of these revised standards to the financial statements in the year when they are adopted.

4. Cumulative effects of the changes in accounting policies

As described in Note 3.1 a. and b. to financial statements, during the current year, the Company adopted TAS 32 Financial Instruments: Presentation, Accounting Guidance related to financial instruments and disclosures applicable to insurance business and TFRS 16, Leases. For Accounting Guidance related to financial instruments and disclosures applicable to insurance business, the Company's management has already considered that the effect from the first-time adoption is not significant, the Company, therefore, did not recognise the cumulative effect against retained earnings as at 1 January 2020. For TFRS 16, the Company chose to use the modified retrospective method whereby an adjustment of the cumulative effect was made against assets and liabilities as at 1 January 2020 and the comparative information was not restated.

The impacts to the line items in the financial statements as at 1 January 2020 from the first-time adoption of these standards were presented as follows:

(Unit: Baht)

	Financial statements in which the equity method is applied			
	31 December 2019	The impacts of		1 January 2020
		TAS 32 and Accounting Guidance related to financial instruments (Note 4.1)	TFRS 16 (Note 4.2)	
Statement of financial position				
Assets				
Investment in securities	1,947,134,836	-	-	1,947,134,836
Right-of-use assets ⁽¹⁾	-	-	2,163,554	2,163,554
Liabilities				
Lease liabilities	-	-	2,163,554	2,163,554
Owners' equity				
Retained earnings - unappropriated	739,516,723	-	-	739,516,723
Other component of owners' equity	(20,065,544)	-	-	(20,065,544)

⁽¹⁾ Included in "Premises and equipment" in statements of financial position

(Unit: Baht)

	Separate financial statements			
	31 December 2019	The impacts of		1 January 2020
		TAS 32 and Accounting Guidance related to financial instruments (Note 4.1)	TFRS 16 (Note 4.2)	
Statement of financial position				
Assets				
Investment in securities	1,947,134,836	-	-	1,947,134,836
Right-of-use assets ⁽¹⁾	-	-	2,163,554	2,163,554
Liabilities				
Lease liabilities	-	-	2,163,554	2,163,554
Owners' equity				
Retained earnings - unappropriated	743,339,730	-	-	743,339,730
Other component of owners' equity	(17,440,786)	-	-	(17,440,786)

⁽¹⁾ Included in "Premises and equipment" in statements of financial position

4.1 Financial instruments

As at 1 January 2020, the carrying values and classification of financial assets in accordance with the TAS 32 and Accounting Guidance related to financial instruments and disclosures applicable to insurance business as compared to the carrying values under the former basis, were as follows:

	(Unit: Baht)		
	Financial statements in which the equity method is applied and Separate financial statements		
	The carrying values under the former accounting standard as at 31 December 2019	Impact from the adoption of TAS 32 and Accounting Guidance related to financial instrument	The carrying values under the new accounting guidance as at 1 January 2020
	Classification	Measurement	
Investment in securities			
Trading investments measured at fair value through profit or loss	72,336,094	-	72,336,094
Available-for-sale investments measured at fair value through other comprehensive income	803,962,688	2,105,720	806,068,408
Held-to-maturity investments measured at amortised cost	1,068,730,334	-	1,068,730,334
General investments	2,105,720	(2,105,720)	-
Total investment in securities	<u>1,947,134,836</u>	<u>-</u>	<u>1,947,134,836</u>

4.2 Leases

Upon initial application of TFRS 16, the Company recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at 1 January 2020.

	(Unit: Baht)
	Financial statements in which the equity method is applied and Separate financial statements
Operating lease commitments as at 31 December 2019	2,376,684
Less: Deferred interest expenses	(213,130)
Increase in lease liabilities due to the first-time adoption of TFRS 16	<u>2,163,554</u>
Lease liabilities as at 31 December 2019	<u>-</u>
Lease liabilities as at 1 January 2020	<u>2,163,554</u>
Weighted average incremental borrowing rate	6.20

(percent per annum)

5. Significant accounting policies

5.1 Revenue recognition

a. Reinsurance Premium written

Reinsurance premium written consists of reinsurance premium less premium of canceled policies and premiums refunded to policyholders. Reinsurance premium is recognised as revenue when the reinsurer submits the reinsurance application or the statement of accounts and the Company confirms the coverage under the reinsurance contracts.

b. Commission income

Commission income are recorded as deferred revenue and will be gradually recognised over the ceding periods as revenue proportionately to the ceded premium.

c. Investment revenues

Interest 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.

d. Gains (losses) on investments

Gains (losses) on investments are recognised as revenues or expenses on the transaction dates.

5.2 Expenses recognition

a. Reinsurance premium ceded

Reinsurance premium ceded is recognised as expense when the insurance risk is transferred to another reinsurer.

b. Gross claims

Claims consist of claims and losses adjustment expenses of reinsurance for both reported claim and not reported claim, and stated the amounts of the claims, related expenses, and loss adjustments of current and prior year incurred during the year.

Claims of reinsurance are recognised upon the receipt of the claims advice from the reinsured, based on the claims notified by the reinsured and estimates made by the Company's management. The maximum value of claims estimated is not exceeding the sum-insured under the relevant policy.

Claims recovered from reinsurers are recognised as a deduction item against gross claims when claims are recorded under the conditions in the relevant reinsurance contracts.

c. Commission expenses

Commissions of reinsurance are recorded as deferred expenses and will be gradually recognised over the ceding periods as expenses proportionately of earned premium.

d. Other underwriting expenses

Other underwriting expenses are other expenses relating to reinsurance both directly and indirectly, including various insurance-related contributions, which are recognised as expenses on accrual basis.

e. Operating expenses

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

5.3 Product classification

The Company classifies inward reinsurance contracts and outward reinsurance contracts based on the nature of the insurance contracts. Insurance contracts are those contracts where the insurer has accepted a 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 amount of benefits payable if an insured event occurs with the amount of benefits payable if the insured event did not occur. If the above condition is not met, the Company classifies the insurance contract as an investment contract. Investment contracts are the contracts that have the legal form of insurance contracts and transfer financial risk to the insurer, but not significant insurance risk. Financial risks are as interest rate risk, exchange rate risk, or price risk.

The Company classifies contracts based on an assessment of the significance of the insurance risk at an 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. If any contract is previously classified as an investment contract at an inception of contract, it may, however, be reclassified to be an insurance contract later if the level of the insurance risk increases significantly.

The Company classifies reinsurance contracts as long-term and short-term contracts whereby the long-term reinsurance contracts are those with the reinsurance coverage period of longer than 1 year or those with automatic renewal terms such that the Company is not able to terminate the contract or the insurance premium, including benefits, can not be adjusted throughout the contract period, and the short-term reinsurance contracts are those not having the same characteristics and conditions as those of the long-term reinsurance contracts.

5.4 Cash and cash equivalents

Cash and cash equivalents which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes consist of cash in hand and at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.5 Reinsurance assets

Reinsurance assets consist of long-term insurance policy reserves refundable from reinsurers and unearned premium reserves, less allowance for doubtful accounts (if any).

Insurance reserves refundable from reinsurers are estimated, proportionally based on the reinsurance terms of long-term insurance policy reserves and unearned premium reserves in accordance with the insurance reserve calculation laws.

The Company set up a provision for impairment when it has objective evidence, as a result of an event that occurred after initial recognition of the reinsurance assets, that the Company may not receive payment from reinsurers and these amounts, which are effected from an event, can be measured reliably.

5.6 Reinsurance receivables and due to reinsurers

The Company presents net of reinsurance receivables from and due to the same entity (reinsurance receivables or 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.

a. Reinsurance receivables

Reinsurance receivables are stated at amounts deposited on reinsurance and amounts due from reinsurers

Amounts due from reinsurers consist of premium receivables, commission income receivables, claim receivables and various other items receivable from reinsurers, and are deducted by allowance for doubtful accounts. The Company records allowance for doubtful accounts for the estimated losses that may be incurred due to uncollectibles, taking into account collection experience and the status of reinsurers as at the end of the reporting periods.

b. Due to reinsurers

Due to reinsurers are stated at amounts due to reinsurers and other amounts due to reinsurers which consist of other reinsurance payable to reinsurers, excluding claims.

5.7 Financial Instrument

Classification and measurement of financial assets

Investments in securities

Trading investments are stated at fair value. Changes in the fair value of these investments are recorded in statement of income.

Available-for-sale investments are stated at fair value. Changes in the fair value of these investments are recorded in statements of comprehensive income, and will be recorded in statement of income when the investments are sold.

Held-to-maturity investments are presented at amortised cost. The premium/discount on the investments is amortised/accreted by the effective interest rate method with the amortised/accreted amount presented as an adjustment to the interest income.

Investments in non-listed equity securities are classified as available-for-sale investment measured at fair value through other comprehensive income. (Before 1 January 2020, Investments in non-listed equity securities are classified as general investments, are stated at cost net of allowance for impairment (if any)).

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of debt securities is determined based on yield rates or prices quoted by the Thai Bond Market Association. The fair value of investment units is determined from their net asset value. The fair value of non-marketable equity instruments is determined using the general accepted fair value techniques.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in statements of income or recorded as revaluation surplus or deficit on available-for-sale investment in other components of owners' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the cost of the investments is recognised in statements of income. The weighted average method is used for computation of the cost of investments.

The Company records purchases and sales of investments in equity securities on trade dates and records purchases and sales of investments in debt securities on settlement dates.

At the end of reporting period, investments in available-for-sale debt instruments and held-to-maturity debt instruments are presented in statements of financial position at amortised cost less allowance expected credit losses (if any)

Loans and interest receivables

Loans and interest receivable are stated at amortised cost less allowance for expected credit losses (if any).

Impairment of financial assets

Impairment of debt instruments

The Company recognises expected credit loss on its financial assets measured at amortised cost and financial assets that are debt instruments classified as available-for-sale securities (excluding unit trusts), without requiring a credit-impaired event to have occurred prior to the recognition. The Company adopts the general approach to determine expected credit loss on financial assets, which are taken into accounts changes in credit risk of financial assets in stages, with differing methods of determining allowance for expected credit losses and the effective interest rate at each stage. An exception of this general approach is applied to other receivables or assets incurred from an agreement that does not contain a significant financing component. The Company then applies a simplified approach to determine the lifetime expected credit loss instead.

Impairment of equity instruments and unit trusts classified as available-for-sale investments

Losses on impairment of investments in equity instruments and unit trusts classified as available-for-sale investments are immediately recognised in statements of income when there is objective evidence of impairment, considering from the evidence that indicates the cost of investments may not be recovered and a significant or prolonged decline in fair value of investments below its costs.

Losses on impairment (if any) are recognised as expenses in statements of income.

Classification and measurement of financial liabilities

At initial recognition the Company's financial liabilities are recognised at fair value net of transaction costs less transaction cost and classified as liabilities to be subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised statements of income when the liabilities are derecognised as well as through the EIR amortisation process. In determining amortised cost, the Company takes into account fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in statements of income.

Derecognition of financial instruments

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statements of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

5.8 Investment in an associate

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

Investment in an associate, as presented in the separate financial statements, is stated at cost net of allowance for impairment (if any). Losses on impairment are recorded as an expenses in statements of income.

5.9 Premises and equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any).

Depreciation of buildings and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Buildings	-	20 years
Office equipment and furniture	-	5 years
Computers	-	3 years
Motor vehicles	-	5 years

Depreciation is recognised as expense in statement of income. No depreciation is provided on land and construction in progress.

An item of property, 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 statement of income when the asset is derecognised.

5.10 Intangible assets and amortisation

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

Intangible assets with finite lives are amortised on a systematic basis over their economic useful lives and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year-end. The amortisation expense is charged to statement of income. No amortisation is provided on computer program under development.

Intangible assets with finite useful lives, which are computer softwares, have an estimated economic useful life of 10 years.

5.11 Impairment of non-financial assets

At the end of each reporting period, the Company performs impairment reviews in respect of investment in an associate, premises and equipment, right-of-use assets, and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

In the assessment of asset impairment, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the 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 years. Such reversal is recognised in profit or loss.

5.12 Insurance contract liabilities

Insurance contract liabilities consist of long-term insurance policy reserves, loss reserves, claims payable and premium reserves.

a. Long-term insurance policy reserves

At the end of the reporting period, the Company compares the amounts of gross premium valuation reserves with unearned premium reserves, and if gross premium valuation reserves are higher than unearned premium reserves, the Company will provide additional reserves for such difference.

(1) Unearned premium reserves

- | | |
|--------------------------------|--|
| Life reinsurance - Treaty | - Monthly average basis
(the one-twenty fourth basis) |
| Life reinsurance - Facultative | - Daily average basis (the one-three
hundred and sixty fifth basis) |

Outward unearned premium reserve is calculated based on reinsurance premium ceded, as the same method as inward reinsurance, that transfer insurance risk to reinsurer throughout the coverage period of insurance contract.

(2) Gross premium valuation reserves

Gross premium valuation reserves are life policy reserves, calculated using an actuarial method in accordance with the OIC notifications. The main assumptions applied relate to lapse or surrender rate, selling and administrative expenses, mortality, morbidity, discount rate and non-guaranteed dividend payment rate.

b. Loss reserves

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 estimated claim will not exceed the sum-insured under the relevant policy.

Loss reserves are calculated using an actuarial method based on the best estimate of claims expected to be paid to the insured in respect of losses incurred before or as at the end of the reporting period whether or not the claims are reported to the Company, including loss adjustment expenses. Differences of the then-calculated loss reserves and the loss reserves already recognised in the financial statements is claims incurred but not yet reported (IBNR).

c. Premium reserves

Premium reserves are short-term insurance policy reserves. At the end of the reporting period, the Company compares the amount of unexpired risk reserves with that of net unearned premium reserves from deferred commission expenses, and if the amounts of unexpired risk reserves are higher than the amounts of unearned premium reserves net of deferred commission expenses, the Company will recognise additional reserves for such difference. However, the increase or decrease in unearned premium reserves from prior year is to be recognised in profit or loss.

(1) Unearned premium reserves

- | | |
|--------------------------------|--|
| Life reinsurance - Treaty | - Monthly average basis
(the one-twenty fourth basis) |
| Life reinsurance - Facultative | - Daily average basis (the one-three
hundred and sixty fifth basis) |

Outward unearned premium reserve is calculated based on reinsurance premium ceded, as the same method as inward reinsurance, that transfer insurance risk to reinsurer throughout the coverage period of insurance contract.

(2) Unexpired risk reserves

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

5.13 Employee benefit obligation

a. 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.

b. Defined benefit plans

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

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

Actuarial gains and losses arising from post-employment benefits are recognised immediately in the statement of comprehensive income and recorded directly to retained earnings.

5.14 Provisions

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

5.15 Leases

Accounting policies adopted since 1 January 2020

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

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

a. Right-of-use assets

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

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

Motor vehicles - 5 years

If ownership of the leased asset is transferred to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are presented as part of premises and equipment in the statement of financial position.

The Company determined the impairment of right-of-use assets as described in note 5.11 to financial statements: impairment of non-financial assets.

b. Lease liabilities

Lease liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Moreover, the lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

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

c. Short-term leases and leases of low-value assets

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

Accounting policies adopted before 1 January 2020

Leases of assets which transfer substantially all the risks and rewards of ownership to the Company as a lessee 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 presented as long-term liabilities, while the interest element is charged to statement of income over the lease periods. The assets acquired under finance leases are depreciated over the shorter of the lesser periods and the useful lives of the leased assets.

Leases of assets, which do not transfer substantially all the risks and rewards of ownership to the Company, as the leasee, are classified as operating leases. Operating lease payments are recognised as an expense in statement of income on a straight line basis over the lease terms. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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

Gains and losses on exchange are included in statement of income.

5.17 Income taxes

Income tax expenses represent the sum of corporate income tax currently payable and deferred income taxes.

a. Current income taxes

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

b. Deferred income taxes

Deferred income taxes are provided on temporary differences between the tax bases of assets and liabilities and 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 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 a part of the deferred tax assets to be utilised.

The Company records deferred taxes directly to equity if the taxes relate to items that are recorded directly to equity.

5.18 Related party transactions

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

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

5.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case when there is no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using a valuation technique that is 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 categories of inputs to be used in fair value measurements as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

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

6. Significant accounting judgments and estimates

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

6.1 Allowance for doubtful accounts on amounts due from reinsurers

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

6.2 Impairment on reinsurance assets

In determining impairment on reinsurance assets, the management needs to make judgement and estimates loss on impairment of each reinsurers based on conditions in contract and events occurred that the Company may not receive entire amount under the term of contract.

6.3 Allowance for Impairment of equity instruments and unit trusts

The Company treats equity instruments and unit trusts classified as available-for-sale investment measured at fair value through other comprehensive income as impaired when there has been the evidence that indicates the cost of investments may not be recovered and a significant or prolonged decline in fair value of investments below its costs. The determination of what is “significant” or “prolonged” requires judgment of the management.

6.4 Allowances for expected credit losses of financial assets

The management is required to use judgement in estimating allowance for expected credit losses for financial assets. The Company’s calculation of allowance for expected credit losses depends on the criteria used for assessment of a significant increase in credit risk, the development of a model, the risk that collateral value cannot be realised, the probability of debt collection and the selection of the forecasted macroeconomic data inputs used in the model. The use of different estimates and assumptions could affect the amount of the allowance for credit losses and, therefore, the allowance may need to be adjusted in the future.

6.5 Allowance for impairment of non-financial assets

In determining allowance for impairment of a non-financial asset, the management is required to exercise judgements regarding determination of the recoverable amount of the asset, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used in the forecasts.

6.6 Premises and equipment and depreciation

In determining depreciation of buildings and equipment, the management is required to estimates of the useful lives and residual values of the 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 premises and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

6.7 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.

6.8 Deferred tax assets

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

6.9 Gross premium valuation reserves

Gross premium valuation reserves are calculated using the actuarial method based on the current assumptions or assumptions determined on the policy inception dates, which reflect the best estimates at that times. The main assumptions used are policy surrender or lapse rates, selling and administrative expenses, mortality, morbidity, longevity, discount rates, non-guaranteed dividend rates and so on. However, the use of different assumptions could affect the amount of life policy reserves and adjustments to the life policy reserves may therefore be required in the future.

6.10 Loss reserves

At the end of each reporting period, the Company has to estimate loss reserves and outstanding claims taking into account two factors. These are the claims incurred and reported, and the claims incurred but not reported (IBNR), the losses on which are estimated using international standard actuarial techniques. The major assumptions used under these techniques consist of historical data, including the development of claims estimates, paid, average costs per claim and claim numbers etc. Nevertheless, such estimates are forecasts of future outcomes, and actual results could differ.

6.11 Unexpired risk reserves

Unexpired risk reserves are calculated using an actuarial technique, based on the best estimate of the claims and relevant expenses expected to be paid over the remaining terms of the insurance. Estimating such reserves requires the management to exercise judgment, with reference to historical data and the best estimates available at the time.

6.12 Obligation under the defined benefit plan

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

6.13 Recognition and derecognition of assets and liabilities

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

6.14 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 exercises judgement, using a variety of valuation techniques and models. The inputs to these models are taken from observable markets, and include consideration of credit risk (the Company and its counterparty), liquidity risk, correlation and longer-term volatility of financial instruments. Changes in assumptions about these factors could affect the fair value and disclosures of fair value hierarchy.

7. Cash and cash equivalents

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	31 December 2020	31 December 2019
Cash	4,151	4,052
Deposits at banks with no fixed maturity date	18,923,100	8,788,149
Deposits at banks with fixed maturity date	22,000,000	-
Deposits at other financial institutions	249,467	25,005,866
Total	41,176,718	33,798,067
Less: Allowance for expected credit losses	(41,852)	-
Cash and cash equivalents - net	41,134,866	33,798,067

As at 31 December 2020 and 2019, saving deposits, fixed deposits, and deposits at other financial institutions carried interests between 0.05 and 0.50 percent per annum and between 0.1 and 1.0 percent per annum, respectively.

8. Reinsurance assets

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	<u>31 December 2020</u>	<u>31 December 2019</u>
Insurance reserves refundable from reinsurers		
Long-term insurance policy reserves	2,821,732	2,656,014
Unearned premium reserves	551,266	6,323
Total reinsurance assets	<u>3,372,998</u>	<u>2,662,337</u>

9. Reinsurance receivables

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	<u>31 December 2020</u>	<u>31 December 2019</u>
Amounts deposited on reinsurance	98,623,966	92,399,180
Amounts due from reinsurers	335,272,237	122,197,319
Total reinsurance receivables	<u>433,896,203</u>	<u>214,596,499</u>

At 31 December 2020 and 2019, the balances of amounts due from reinsurers, classified by overdue periods of principal, are as follows:

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	<u>31 December 2020</u>	<u>31 December 2019</u>
Not yet due	331,358,377	121,845,713
Overdue not longer than 12 months	3,913,860	272,060
Over 1 year to 2 years	-	79,546
Total amounts due from reinsurers	<u>335,272,237</u>	<u>122,197,319</u>

10. Investments in securities

10.1 Classified by types of investments

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements			
	31 December 2020		31 December 2019	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading investments measured at fair value through profit or loss				
Common stocks	-	-	75,613,249	72,336,094
Unit trusts	79,065,508	79,068,935	-	-
Total	79,065,508	79,068,935	75,613,249	72,336,094
Add (less): Unrealised gain (loss)	3,427	-	(3,277,155)	-
Trading investments measured at fair value through profit or loss - net	79,068,935	79,068,935	72,336,094	72,336,094
Available-for-sale investments measured at fair value through other comprehensive income				
Common stocks	364,432,796	339,382,892	200,215,348	203,031,302
Unit trusts	659,959,564	543,592,469	625,548,322	600,931,386
Total	1,024,392,360	882,975,361	825,763,670	803,962,688
Less: Unrealised loss	(117,857,013)	-	(21,800,982)	-
Less: Allowance for impairments	(23,559,986)	-	-	-
Available-for-sale investments measured at fair value through other comprehensive income - net	882,975,361	882,975,361	803,962,688	803,962,688
Held-to-maturity investments measured at amortised cost				
Government and state enterprise securities	475,658,375	486,337,634	709,081,922	715,993,870
Private enterprise debt securities	287,544,302	291,939,521	214,648,412	218,791,589
Deposits at financial institutions which mature over 3 months	200,000,000	200,000,000	145,000,000	145,000,000
Total	963,202,677	978,277,155	1,068,730,334	1,079,785,459
Less: Allowance for expected credit losses	(425,299)	-	-	-
Held-to-maturity investments measured at amortised cost - net	962,777,378	978,277,155	1,068,730,334	1,079,785,459
General investments				
Common stocks	-	-	2,105,720	2,272,072
Total general investments	-	-	2,105,720	2,272,072
Investments in securities - net	1,924,821,674	1,940,321,451	1,947,134,836	1,958,356,313

10.2 Classified by stage of credit risk

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements		
	31 December 2020		
	Gross carrying value	Allowance for expected credit losses	Net carrying value
Held-to-maturity investments measured at amortised cost			
Stage 1 - Debt securities without a significant increase of credit risk	963,202,677	(425,299)	962,777,378
Total	963,202,677	(425,299)	962,777,378

10.3 Remaining period of debt securities

As at 31 December 2020 and 2019, Investments in debt securities have the following remaining periods to maturity.

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements							
	31 December 2020				31 December 2019			
	Period to maturity				Period to maturity			
	Within 1 year	1 - 5 years	Over 5 years	Total	Within 1 year	1 - 5 years	Over 5 years	Total
Held-to-maturity investments measured at amortised cost								
Government and state enterprise securities	228,024,125	119,931,071	127,703,179	475,658,375	445,675,238	132,717,416	130,689,268	709,081,922
Private enterprises debt securities	65,371,694	144,368,061	77,804,547	287,544,302	30,000,000	133,000,000	51,648,412	214,648,412
Deposits at financial institutions which mature over 3 months	200,000,000	-	-	200,000,000	145,000,000	-	-	145,000,000
Total	493,395,819	264,299,132	205,507,726	963,202,677	620,675,238	265,717,416	182,337,680	1,068,730,334
Less: Allowance for expected credit losses	(268,982)	(91,190)	(65,127)	(425,299)	-	-	-	-
Total held-to-maturity investments measured at amortised cost - net	493,126,837	264,207,942	205,442,599	962,777,378	620,675,238	265,717,416	182,337,680	1,068,730,334

10.4 Fair values of investments in debt securities

As the Company adopted Accounting Guidance related to financial instruments and disclosures applicable for insurance business, the Company are not required to take into consideration its business model and the characteristics of the contractual cash flows to classify and measure financial assets - debt instruments in accordance with TFRS 9. However, if the financial assets - debt instruments have been classified and measured in accordance with TFRS 9, the impacts were presented as follows:

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements			
	31 December 2020			
	The contractual terms of the financial asset give rise on specified dates to cash flows that are not solely payments of principal and interest on the principal amount outstanding		The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding	
	Fair value	Changes in fair value during the year	Fair value	Changes in fair value during the year
Trading investments measured at fair value through profit or loss				
Unit trusts	79,068,935	3,427	-	-
Available-for-sale investments measured at fair value through other comprehensive income				
Unit trusts	280,114,859	(17,921,504) ⁽¹⁾	-	-
Held-to-maturity investments measured at amortised cost				
Government and state enterprise securities	-	-	486,337,634	3,767,311
Private enterprise debt securities	-	-	291,939,521	252,042
Deposits at financial institutions which mature over 3 months	-	-	200,000,000	-
Total	359,183,794	(17,918,077)	978,277,155	4,019,353

⁽¹⁾ The Company has already recognised impairment losses amounting to Baht 19 million in statement of income.

10.5 Revaluation deficit on available-for-sale investments

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2020	2019
Revaluation deficit on available-for-sale investments, net of income taxes		
- beginning of the years	(17,440,786)	(12,863,016)
Revaluation increase (decrease) during the years	(127,002,516)	19,707,595
Impairment losses recognised in statements of income	23,559,986	-
(Gains) losses on sale recognised in statements of income	7,386,499	(25,429,808)
Total losses on revaluation of available-for-sale investments	(96,056,031)	(5,722,213)
Add: Income taxes	19,211,206	1,144,443
Losses on revaluation of available-for-sale investments - net of income taxes	(76,844,825)	(4,577,770)
Revaluation deficit on available-for-sale investments, net of income taxes		
- end of the years	(94,285,611)	(17,440,786)

10.6 Investments subject to restriction

As at 31 December 2020 and 2019, the Company placed some investments as a security with the Registrar and had some investments placed to guarantee for electricity consumption as described in Note 29 to financial statements.

10.7 Reclassification of investment in current year

During the year, the Company transferred investment in marketable securities, previously classified as trading investments measured at fair value through profit or loss to available-for-sale investments measured at fair value through other comprehensive income under the resolution of the Company's Investment Committee Meeting, held on 20 February 2020. The fair value on the transfer date was Baht 79.9 million.

11. Loans and interest receivables

The ending balances of loans are loans provided to employees in accordance with the Company's employee welfare plan at the interest rate of not lower than 1.00% and not higher than MLR-3% per annum. The MLR is reference to that announced by commercial banks, depending on types of loans granted. The whole amounts of the outstanding balances were classified as not yet due and no interest was receivable as of the end of the reporting period.

As at 31 December 2020 and 1 January 2020, the balances of loans and interest receivables, classified by stage of credit risk, were as follows:

Staging	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December 2020	1 January 2020
	Mortgaged loans	Mortgaged loans
Stage 1 - Loans without a significant increase of credit risk	633,103	1,029,648
Loans and interest receivables	633,103	1,029,648

12. Investment in an associate

12.1 Details of an associate

Company's name	Nature of business	Country of incorporation	Shareholding percentage held by the Company			
			Issued and paid-up share capital		the Company	
			31 December 2020	31 December 2019	31 December 2020	31 December 2019
			(Thousand Baht)	(Thousand Baht)	(%)	(%)
TKI Life Insurance Company Limited	Life insurance	Laos	66,118	66,118	32.50	32.50

(Unit: Thousand Baht)

Company's name	Financial statements in which the equity method is applied		Separate financial statements					
	Investment value under equity method		Cost		Allowance for impairment		Investment value under cost method	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
TKI Life Insurance Company Limited	12,814	13,625	21,684	21,684	(2,773)	-	18,911	21,684

12.2 Financial information of an associate

Summarised information about financial position

(Unit: Thousand Baht)

	TKI Life Insurance Company Limited	
	31 December 2020	31 December 2019
Total assets	43,725	44,067
Total liabilities	(4,297)	(2,145)
Net assets	39,428	41,922
Shareholding percentage (%)	32.50	32.50
Carrying amount of an associate under equity method	12,814	13,625

Summarised information of statements of comprehensive income

(Unit: Thousand Baht)

	TKI Life Insurance Company Limited	
	For the years ended 31 December	
	2020	2019
Total revenues	9,238	7,345
Losses for the years	(497)	(2,227)
Total comprehensive losses for the year	(497)	(2,227)

12.3 Share of profit (loss) and other comprehensive income and dividend income

During the years, the Company recognised shares of profit (loss) and other comprehensive income from investment in an associate in the financial statements, in which the equity method is applied, and recognised dividends received from an associate in the separate financial statements as below.

(Unit: Thousand Baht)

Associate	Financial statements in which the equity method is applied				Separate financial statements	
	Share of loss from investment in an associate for the years ended 31 December		Share of other comprehensive income from investment in an associate for the years ended 31 December		Dividends received for the years ended 31 December	
			2020	2019		
TKI Life Insurance Company Limited	(177)	(825)	-	-	-	-
	(177)	(825)	-	-	-	-

As at 31 December 2020 and 2019, the Company presented investment in an associate under the equity method in the financial statements, in which the equity method is applied, based on the financial information, as prepared by the associate's management. However, the Company obtained the 2019 financial statements of TKI Life Insurance Company Limited, which were audited by the associate's auditor and the auditor expressed an unqualified opinion under their report dated 5 May 2020. Such audited financial statements presented financial information that were not significantly different from the financial information prepared by the associate's management used for equity-accounting in that year.

13. Premises and equipment

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements						
	Land	Buildings	Furniture, fixture and equipment	Computers	Right-of-use assets	Construction in progress	Total
Cost							
As at 1 January 2019	17,640,000	36,549,785	5,941,534	3,142,553	-	8,362,681	71,636,553
Additions	-	986,842	1,036,829	588,350	-	-	2,612,021
Transfer in (out)	-	6,668,687	1,693,994	-	-	(8,362,681)	-
Write-off	-	-	(337,237)	(125,083)	-	-	(462,320)
Adjustment	-	-	-	(50,574)	-	-	(50,574)
As at 31 December 2019	17,640,000	44,205,314	8,335,120	3,555,246	-	-	73,735,680
Adjustments of right-of-use assets due to the first-time adoption of IFRS 16	-	-	-	-	2,163,554	-	2,163,554
Additions	-	-	184,656	892,070	-	-	1,076,726
Write-off	-	-	(7,679)	(309,291)	-	-	(316,970)
As at 31 December 2020	17,640,000	44,205,314	8,512,097	4,138,025	2,163,554	-	76,658,990
Accumulated depreciation							
As at 1 January 2019	-	12,694,932	2,163,139	1,566,409	-	-	16,424,480
Depreciation for the year	-	2,096,980	1,381,103	1,004,154	-	-	4,482,237
Accumulated depreciation on write-off	-	-	(324,467)	(120,766)	-	-	(445,233)
Adjustment	-	-	-	(34,177)	-	-	(34,177)
As at 31 December 2019	-	14,791,912	3,219,775	2,415,620	-	-	20,427,307
Depreciation for the year	-	2,210,266	1,518,098	1,029,650	721,184	-	5,479,198
Accumulated depreciation on write-off	-	-	(7,679)	(309,291)	-	-	(316,970)
As at 31 December 2020	-	17,002,178	4,730,194	3,135,979	721,184	-	25,589,535
Net book value							
31 December 2019	17,640,000	29,413,402	5,115,345	1,139,626	-	-	53,308,373
31 December 2020	17,640,000	27,203,136	3,781,903	1,002,046	1,442,370	-	51,069,455
Depreciation for the years							
2019							4,482,237
2020							5,479,198

The Company has lease contracts for equipment used in its operations. Leases have the lease term of 5 years.

As at 31 December 2020 and 2019, certain equipment items have been fully depreciated but are still in use. The original cost before deducting accumulated depreciation of those assets amounted to approximately Baht 2.9 million and Baht 1.3 million, respectively.

14. Intangible assets

	(Unit: Baht)		
	Financial statements in which the equity method is applied and Separate financial statements		
	Computer software	Computer software under development	Total
Cost			
1 January 2019	44,411,240	-	44,411,240
Additions	281,838	-	281,838
Adjustment	(19,757)	-	(19,757)
31 December 2019	44,673,321	-	44,673,321
Additions	467,889	8,351,300	8,819,189
Transfer in (out)	738,300	(738,300)	-
Adjustment	(28,761)	-	(28,761)
31 December 2020	45,850,749	7,613,000	53,463,749
Accumulated amortisation			
1 January 2019	6,576,280	-	6,576,280
Amortisation during the year	4,451,228	-	4,451,228
Adjustment	(4,006)	-	(4,006)
31 December 2019	11,023,502	-	11,023,502
Amortisation during the year	4,520,819	-	4,520,819
Adjustment	(597)	-	(597)
31 December 2020	15,543,724	-	15,543,724
Net book value			
31 December 2019	33,649,819	-	33,649,819
31 December 2020	30,307,025	7,613,000	37,920,025

15. Deferred tax assets and income tax expenses

15.1 Deferred tax assets

As at 31 December 2020 and 2019, the components of deferred tax assets were as follows:

(Unit: Thousand Baht)

	Financial statements in		Separate financial		Financial statements		Separate financial	
	which the equity		statements		in which the equity		statements	
	method is applied				method is applied			
	31 December		31 December		Changes in deferred tax		Changes in deferred tax	
	2020	2019	2020	2019	2020	2019	2020	2019
Deferred tax assets								
(liabilities) arose from:								
Loss reserves	5,796	1,558	5,796	1,558	4,238	(2,783)	4,238	(2,783)
Commission payable on reinsurance	61,076	30,872	61,076	30,872	30,204	(3,251)	30,204	(3,251)
Employee benefit obligations	3,436	2,816	3,436	2,816	620	642	620	642
Unrealised losses on available-for-sale investments	23,571	4,360	23,571	4,360	19,211	1,144	19,211	1,144
Deferred commission - net	(16,142)	(15,657)	(16,142)	(15,657)	(485)	(1,502)	(485)	(1,502)
Allowance for impairment on investment	4,805	-	5,360	-	4,805	-	5,360	-
Others	3,343	4,643	1,568	3,031	(1,300)	3,545	(1,463)	1,933
Deferred tax assets	<u>85,885</u>	<u>28,592</u>	<u>84,665</u>	<u>26,980</u>				
Total changes					<u>57,293</u>	<u>(2,205)</u>	<u>57,685</u>	<u>(3,817)</u>
Recognition of changes in:								
- Statements of income					37,780	(4,252)	38,299	(5,208)
- Statements of comprehensive income					19,513	2,047	19,386	1,391
Total changes					<u>57,293</u>	<u>(2,205)</u>	<u>57,685</u>	<u>(3,817)</u>

15.2 Income tax expenses

Income tax expenses for the years ended 31 December 2020 and 2019 were made up as follows:

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2020	2019	2020	2019
Current income taxes:				
Interim corporate income tax charge	(58,983)	(33,537)	(58,983)	(33,537)
Adjustment of prior year's income tax expenses	50	40	50	40
Deferred income taxes:				
Relating to origination and reversal of temporary differences	37,780	(4,252)	38,299	(5,208)
Income tax expenses reported in the statements of income	<u>(21,153)</u>	<u>(37,749)</u>	<u>(20,634)</u>	<u>(38,705)</u>

Reconciliations between income tax expenses and the product of accounting profits for the year ended 31 December 2020 and 2019 and the applicable tax rate were as follows:

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2020	2019	2020	2019
Accounting profits before income tax expenses	142,588	232,005	139,992	232,830
Applicable tax rate	20%	20%	20%	20%
Income taxes at the applicable tax rate	(28,517)	(46,401)	(27,998)	(46,566)
Adjustment of prior year's income tax expenses	50	40	50	40
Tax effects of:				
Non-taxable revenues	7,156	8,275	7,156	8,275
Non-tax deductible expenses	(28)	(848)	(28)	(848)
Additional tax-deductible expenses allowed	267	466	267	466
Others	(81)	719	(81)	(72)
Total	<u>7,314</u>	<u>8,612</u>	<u>7,314</u>	<u>7,821</u>
Income tax expenses reported in the statements of income	<u>(21,153)</u>	<u>(37,749)</u>	<u>(20,634)</u>	<u>(38,705)</u>

16. Insurance contract liabilities

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements		
	31 December 2020		
	Insurance contract liabilities	Liabilities on reinsurance	Net
Long-term insurance policy reserves	508,604,795	(2,821,732)	505,783,063
Loss reserves			
Claims incurred and reported	355,513	-	355,513
Claims incurred but not yet reported	28,623,439	-	28,623,439
Premium reserves			
Unearned premium reserves	326,777,910	(551,266)	326,226,644
Total	864,361,657	(3,372,998)	860,988,659

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements		
	31 December 2019		
	Insurance contract liabilities	Liabilities on reinsurance	Net
Long-term insurance policy reserves	471,181,653	(2,656,014)	468,525,639
Loss reserves			
Claims incurred and reported	347,636	-	347,636
Claims incurred but not yet reported	7,442,576	-	7,442,576
Premium reserves			
Unearned premium reserves	298,051,789	(6,323)	298,045,466
Unexpired risk reserves	9,507,891	-	9,507,891
Total	786,531,545	(2,662,337)	783,869,208

16.1 Long-term insurance policy reserves

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2020	2019
Beginning balances	471,181,653	406,751,589
Reserves increased from new policies and enforced policies	88,105,473	120,753,086
Insurance policy reserves decreased from benefit paid for lapse, surrender and others	(53,544,670)	(61,865,391)
Assumptions changes	2,862,339	5,542,369
Ending balances	<u>508,604,795</u>	<u>471,181,653</u>

16.2 Loss reserves

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2020	2019
Beginning balances	7,790,212	21,702,409
Claims incurred for the year	1,000,126,809	1,003,236,892
Changes in loss reserve	47,381,672	1,784,243
Changes in assumptions for calculating loss reserves	(26,200,782)	(15,700,440)
Claims paid during the year	(1,000,118,959)	(1,003,232,892)
Ending balances	<u>28,978,952</u>	<u>7,790,212</u>

16.3 Claim development tables

a. Gross claims table

	(Unit: Baht)										
Underwriting year/Reporting year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Outstanding claim provision:											
- as at underwriting year/ reporting year	131,578,954	177,388,453	226,113,053	288,608,228	294,603,119	358,551,964	363,689,673	621,131,522	681,954,649	707,285,367	
- Next one year	204,403,156	301,936,463	339,691,796	426,244,997	390,862,969	476,858,625	685,189,024	931,171,835	1,015,004,417		
- Next two years	206,853,930	298,878,147	343,030,869	429,289,768	392,782,278	476,702,303	682,514,759	919,934,611			
- Next three years	209,473,930	299,764,147	349,070,304	429,520,630	392,782,278	476,702,303	682,514,759				
- Next four years	209,473,930	299,768,519	349,070,304	429,520,630	392,778,278	476,702,303					
- Next five years	209,473,930	299,768,519	349,070,304	429,520,630	392,778,278						
- Next six years	209,473,930	299,768,519	349,070,304	429,520,630							
- Next seven years	209,473,930	299,768,519	349,070,304								
- Next eight years	209,473,930	299,768,519									
- Next nine years	209,473,930										
Cumulative ultimate claim estimates	209,473,930	299,768,519	349,070,304	429,520,630	392,778,278	476,702,303	682,514,759	919,934,611	1,015,004,417	707,285,367	
Cumulative payments to date	209,473,930	299,768,519	349,070,304	429,520,630	392,778,278	476,702,303	682,514,759	919,934,611	1,015,004,417	678,306,415	
Loss reserves	-	-	-	-	-	-	-	-	-	28,978,952	28,978,952

b. Net claims table

	(Unit: Baht)										
Underwriting year/Reporting year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Outstanding claim provision:											
- as at underwriting year/ reporting year	131,578,954	177,388,453	226,113,053	288,608,228	294,603,119	358,551,964	363,689,673	621,131,522	681,954,649	707,285,367	
- Next one year	204,403,156	301,936,463	339,691,796	426,244,997	390,862,969	476,858,625	685,189,024	931,171,835	1,015,004,417		
- Next two years	206,853,930	298,878,147	343,030,869	429,289,768	392,782,278	476,702,303	682,514,759	919,934,611			
- Next three years	209,473,930	299,764,147	349,070,304	429,520,630	392,782,278	476,702,303	682,514,759				
- Next four years	209,473,930	299,768,519	349,070,304	429,520,630	392,778,278	476,702,303					
- Next five years	209,473,930	299,768,519	349,070,304	429,520,630	392,778,278						
- Next six years	209,473,930	299,768,519	349,070,304	429,520,630							
- Next seven years	209,473,930	299,768,519	349,070,304								
- Next eight years	209,473,930	299,768,519									
- Next nine years	209,473,930										
Cumulative ultimate claim estimates	209,473,930	299,768,519	349,070,304	429,520,630	392,778,278	476,702,303	682,514,759	919,934,611	1,015,004,417	707,285,367	
Cumulative payments to date	209,473,930	299,768,519	349,070,304	429,520,630	392,778,278	476,702,303	682,514,759	919,934,611	1,015,004,417	678,306,415	
Total loss reserves	-	-	-	-	-	-	-	-	-	28,978,952	28,978,952

16.4 Key assumptions

The key assumptions used in the calculation of long-term insurance policy reserves under gross premium valuation method for liabilities adequacy test are determined as follows:

a. Mortality rate

The Company uses the Thai mortality table as a base and adjusts it based on the Company's experience.

b. Lapse rates

The Company determines the assumptions based on historical actual lapse rates of the Company.

c. Discount rate

The Company uses zero coupon government bond yield curve as a baseline, which will be adjusted for the credit spread between these and A-rated corporate debt securities with 10 years to maturity in order to expiate the illiquidity risk premium.

Key actuarial assumptions in IBNR calculation is the ultimate loss ratio, The ultimate loss ratio is calculated by dividing estimated ultimate losses by estimated ultimate premiums.

16.5 Unearned premium reserves

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2020	2019
Beginning balances	298,051,789	255,423,506
Premium written for the years	1,401,278,229	1,312,036,745
Premium earned during the years	(1,372,552,108)	(1,269,408,462)
Ending balances	<u>326,777,910</u>	<u>298,051,789</u>

16.6 Unexpired risk reserves

(Unit: Baht)

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

For the years ended 31 December

	2020	2019
Beginning balances	9,507,891	-
Increase during the years	-	9,507,891
Dissolved during the years	(9,507,891)	-
Ending balances	<u>-</u>	<u>9,507,891</u>

17. Due to reinsurers

(Unit: Baht)

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

	31 December 2020	31 December 2019
Amounts due to reinsurers	<u>346,731,212</u>	<u>137,009,478</u>
Total due to reinsurers	<u>346,731,212</u>	<u>137,009,478</u>

18. Lease liabilities

Reconciliation of lease liabilities for the year ended 31 December 2020 was as follow:

(Unit: Baht)

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

Motor vehicles

Lease liabilities as at 1 January 2020	2,163,554
Add: Finance cost for the year	115,177
Less: Lease payments during the year	(792,228)
Lease liabilities as at 31 December 2020	<u>1,486,503</u>

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements		
	31 December 2020		
	Lease liabilities	Deferred finance cost	Lease liabilities - net
Due within 1 year	792,228	71,963	720,265
Due over 1 year	792,228	25,990	766,238
Total	1,584,456	97,953	1,486,503

Expenses relating to leases that were recognised in statement of income for the year ended 31 December 2020 was as follow.

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements for the year ended 31 December 2020
Depreciation of right-of-use assets	721,184
Finance cost on lease liabilities	115,177
Expenses relating to leases of low-value assets	150,228
Total expenses	986,589

19. Employee benefit obligations

The movements of employee benefit obligations during the years ended 31 December 2020 and 2019 were as follows:

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2020	2019
Employee benefit obligations at beginning of the years	14,080,989	10,871,877
Recognised in statements of income:		
Current service costs	1,988,441	1,249,432
Interest costs	230,883	233,209
Past service costs	-	2,069,239
Total items included in statements of income	2,219,324	3,551,880
Recognised in statements of comprehensive income:		
Actuarial (gains) losses due to		
- Demographic assumptions changes	(37,611)	-
- Financial assumptions changes	58,350	1,148,878
- Experience adjustments	859,345	87,554
Total items included in statements of comprehensive income	880,084	1,236,432
Benefits paid during the years	-	(1,579,200)
Employee benefit obligations at end of the years	17,180,397	14,080,989

As at 31 December 2020, the Company expected no payments of employee benefits over the next 1-year period (31 December 2019: The Company expected to pay employee benefits of Baht 0.8 million over the next 1-year period).

As at 31 December 2020 and 2019, the weighted average duration of payments of employee benefits was approximately years and 12 years.

The significant assumptions used in calculation of the defined benefit plan were summarised below.

	(Unit: % per annum)	
	For the years ended 31 December	
	2020	2019
Discount rate	1.5	1.7
Salary incremental rate	6.5	6.5
Staff turnover rates	0.0 - 20.7	0.0 - 22.5

The impact from sensitivity analysis from significant assumptions that affect employee benefit obligations as at 31 December 2020 and 2019 were summarised below.

Financial statements in which the equity method is applied and Separate financial statements			
31 December 2020			
Assumption increase	Increase (decrease) in employee benefit obligations	Assumption decrease	Increase (decrease) in employee benefit obligations
% per annum	Baht	% per annum	Baht
Discount rate	1.0 (1,438,911)	1.0	1,667,605
Salary increasing rate	1.0 1,804,910	1.0	(1,585,523)
Staff turnover rate	10.0 ⁽¹⁾ (1,151,015)	10.0 ⁽¹⁾	1,322,776

⁽¹⁾ 10% of assumed staff turnover rates.

Financial statements in which the equity method is applied and Separate financial statements			
31 December 2019			
Assumption increase	Increase (decrease) in employee benefit obligations	Assumption decrease	Increase (decrease) in employee benefit obligations
% per annum	Baht	% per annum	Baht
Discount rate	1.0 (1,178,774)	1.0	1,381,855
Salary increasing rate	1.0 1,492,685	1.0	(1,298,706)
Staff turnover rate	10.0 ⁽¹⁾ (967,443)	10.0 ⁽¹⁾	1,112,183

⁽¹⁾ 10% of assumed staff turnover rates.

On 5 April 2019, the Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette, which stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment, resulting in the Company having additional employee benefit obligations of Baht 2.1 million. The Company already reflected the effect of such change by recognising past service costs as expenses in the statement of income.

20. Share capital

As at 31 December 2020 and 2019, the Company's has registered, issued and paid-up share capital consists of about 600 million shares with par value of Baht 1 per share.

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 income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

22. Segment information

22.1 Operating segment information reporting

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the Chief Operating Decision Maker in order to make decisions about the allocation of resources to the segment and assess its performance. The Chief Operating Decision Maker has been identified as President.

For management purposes, the Company is organised into business units based on its products and services and have two reportable segments are "conventional products" and "non-conventional products". Segments are differentiated based on the design of the product, and specifically whether they are a traditional product line available in the current market or a new type of product in expectation of market demand and the Company can continuously service.

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Operating Decision Maker has reviewed the operating results of the operating segments separately for the purpose of making decisions and assessing performance. Segment performance is measured based on operating profit or loss and on a basis consistent with that used to measure operating profit or loss in the financial statements. However, in the part of assets and liabilities, segment performance is measured based on the same basis applied to the financial statements whereby operating segments were not separately measured.

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

Operating segment information for the years ended 31 December 2020 and 2019 can be classified by type of products as follows:

	(Unit: Baht)		
	Financial statements in which the equity method is applied		
	For the year ended 31 December 2020		
	Conventional products	Non-conventional products	Total
Underwriting revenues			
Reinsurance premium written	1,206,412,059	1,132,292,693	2,338,704,752
Less: Reinsurance premium ceded	(18,277,733)	(1,037,018)	(19,314,751)
Net reinsurance premium written	1,188,134,326	1,131,255,675	2,319,390,001
Add (Less): Unearned premium reserves (increased) decreased from prior year	14,657,714	(42,838,892)	(28,181,178)
Net earned premium	1,202,792,040	1,088,416,783	2,291,208,823
Underwriting expenses			
Long-term insurance policy reserves increased (decreased)	(18,873,919)	56,131,343	37,257,424
Unexpired risk reserves decreased	(5,097,739)	(4,410,152)	(9,507,891)
Net benefits and claims	756,386,126	703,781,051	1,460,167,177
Commissions and brokerages expenses - net	343,661,207	224,391,908	568,053,115
Other underwriting expenses	18,813,698	17,657,825	36,471,523
Total underwriting expenses	1,094,889,373	997,551,975	2,092,441,348
Profit from underwriting	107,902,667	90,864,808	198,767,475
Operating expenses			(93,112,928)
Expected credit losses			(467,150)
Profit from operations			105,187,397
Share of loss from investment in an associate			(177,128)
Net investment revenue			32,041,537
Other income			5,536,238
Profit before income tax expenses			142,588,044
Income tax expenses			(21,153,386)
Net profit			121,434,658

(Unit: Baht)

Financial statements in which the equity method is applied			
For the year ended 31 December 2019			
	Conventional products	Non-conventional products	Total
Underwriting revenues			
Reinsurance premium written	1,261,692,996	1,078,009,862	2,339,702,858
Less: Reinsurance premium ceded	(14,580,307)	(1,012,939)	(15,593,246)
Net reinsurance premium written	1,247,112,689	1,076,996,923	2,324,109,612
Add (Less): Unearned premium reserves (increased) decreased from prior year	14,384,664	(57,014,039)	(42,629,375)
Net earned premium	1,261,497,353	1,019,982,884	2,281,480,237
Underwriting expenses			
Long-term insurance policy reserves increased (decreased)	(7,662,622)	72,319,780	64,657,158
Unexpired risk reserves increased	5,097,739	4,410,152	9,507,891
Net benefits and claims	768,945,532	651,688,963	1,420,634,495
Commissions and brokerages expenses - net	335,400,529	198,990,955	534,391,484
Other underwriting expenses	18,268,719	15,609,075	33,877,794
Total underwriting expenses	1,120,049,897	943,018,925	2,063,068,822
Profit from underwriting	141,447,456	76,963,959	218,411,415
Operating expenses			(92,155,677)
Profit from operations			126,255,738
Share of loss from investment in an associate			(825,217)
Net investment revenue			100,899,873
Other income			5,674,198
Profit before income tax expenses			232,004,592
Income tax expenses			(37,748,950)
Net profit			194,255,642

22.2 Geographic information

The Company operates in Thailand only. As a result, all the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

22.3 Major customers

During the years ended 31 December 2020 and 2019, the Company had total reinsurance premium written from each life insurance company for the amount equal to or higher than 10% of total reinsurance premium written as follows:

(Unit: Million Baht)

	Financial statements in which the equity method is applied	
	For the years end periods ended 31 December	
	2020	2019
Reinsurance premium written	1,479	1,238

23. Operating expenses

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2020	2019
Personnel expenses	48,410,581	49,526,630
Premises and equipment expenses	20,310,075	19,487,692
Taxes and duties	34,319	162,668
Other operating expenses	24,242,776	22,978,687
Total operating expenses	92,997,751	92,155,677

24. Expenses by nature

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2020	2019
Long-term insurance policy reserves increased	37,257,424	64,657,158
Unexpired risk reserves increased (decreased)	(9,507,891)	9,507,891
Net benefits and claims	1,458,798,788	1,418,620,263
Commission expenses	570,478,498	536,058,822
Other underwriting expenses	5,569,622	5,261,943
Personnel expenses	79,065,913	78,581,025
Premises and equipment expenses	21,925,033	21,063,381
Other expenses	24,859,422	23,141,354
Total expenses by nature	<u>2,188,446,809</u>	<u>2,156,891,837</u>

25. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the Company on a monthly basis, at rates ranging from 5% to 10% of the employees' basic salaries, based on the length of employment. The fund is managed by Krungsri Asset Management Company Limited and will be paid to employees upon termination in accordance with the fund rules. During the years 2020 and 2019, the Company contributed Baht 4.3 million and Bath 3.9 million, respectively, to the fund.

26. Earnings per share

Basic earnings per share is calculated by dividing net profits by the weighted average number of ordinary shares in issue during the years.

27. Dividends paid

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

	Approved by	Total dividend (Million Baht)	Dividend per share (Baht)
Interim dividend payment from 2019 income	Board of Director meeting on 22 April 2020	78.0	0.13
Total dividend paid during the period of 2020		78.0	0.13
Final dividend from 2018 net income	Annual General Meeting of the shareholders on 23 April 2019	90.0	0.15
Interim dividend payment from 2019	Board of Director meeting on 20 August 2019	78.0	0.13
Total dividend paid during the period of 2019		168.0	0.28

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 relationship between the Company and its related parties are summarised below:

Name of related parties	Relationship with the Company
TKI Life Insurance Company Limited	An associate whereby the Company holds 32.50% of its shares
Thai Reinsurance Plc.	Related by way of having common directors and being the Company's shareholder
Bangkok Life Assurance Plc.	Related by way of having a common director and being the Company's shareholder
The Navakij Insurance Plc.	Related by way of having a common director and being the Company's shareholder
Thaire Services Co., Ltd.	Related by way of having common directors and a shareholder
Thai Life Insurance Plc.	Related by way of having a common director ⁽¹⁾
Thaire Actuarial Consulting Co., Ltd.	Related by way of having a common director and a shareholder
EMCS Thai Co., Ltd.	Related by way of having a common director and a shareholder
Thaire Innovation Co., Ltd.	Related by way of having a common director and a shareholder

⁽¹⁾ This entity had been considered a related party until 5 October 2020, the date of which a common director resigned from the Company's Board of Directors.

28.2 Significant related party transactions

During the years ended 31 December 2020 and 2019, the Company had significant business transactions with its related parties. Such transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	For the years ended		Pricing policy
	31 December		
	2020	2019	
<u>Transaction with associates</u>			
<i>Revenues</i>			
Service revenues ⁽¹⁾	5,303	5,301	Mutually agreed rates
<u>Transactions with related parties</u>			
<i>Revenues</i>			
Reinsurance premium written	557,656	512,959	According to terms of reinsurance contracts
Commission income	541	752	According to terms of reinsurance contracts
Claims refundable	926	932	According to the ratios as specified in the reinsurance contracts
<i>Expenses</i>			
Reinsurance premium ceded	2,240	2,689	According to terms of reinsurance contracts
Claim expenses	324,495	319,516	According to the ratios as specified in the reinsurance contracts
Commission expenses	155,854	139,375	According to terms of reinsurance contracts
Service fee expenses ⁽²⁾	7,888	7,749	Mutually agreed rates
<i>Owner's equity</i>			
Dividend paid	9,568	20,782	As declared

⁽¹⁾ Included in "Other income" in statements of income

⁽²⁾ Included in "Operating expenses" in statements of income

28.3 Outstanding balances

As at 31 December 2020 and 2019, the Company had the outstanding balances with its related parties as follows:

	(Unit: Thousand Baht)	
	31 December 2020	31 December 2019
Associate		
Other receivables ⁽¹⁾	7,122	5,025
Related parties		
Insurance reserves refundable from reinsurers ⁽²⁾	-	814
Amounts due from reinsurers ⁽³⁾	744	70,592
Amounts deposited on reinsurance ⁽³⁾	32,728	28,219
Deferred commissions expenses	30,740	28,001
Loss reserves ⁽⁴⁾	12,513	3,952
Amounts due to reinsurers ⁽⁵⁾	6,069	44,326
Deferred commissions income	-	12

(1) Included in "Other assets" in statements of financial position

(2) Included in "Reinsurance assets" in statements of financial position

(3) Included in "Reinsurance receivables" in statements of financial position

(4) Included in "Insurance contract liabilities" in statements of financial position

(5) Included in "Due to reinsurers" in statements of financial position

28.4 Directors' and key management's remuneration

During the years ended 31 December 2020 and 2019, the Company had salaries, bonuses, meeting allowances and post-employment benefits incurred in respect of its directors and key management personnel as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Short-term benefits	36,175	35,502
Post employment benefits	3,018	4,876
Total	39,193	40,378

29. Assets subject to restrictions

As at 31 December 2020 and 2019, the Company had the following assets placed reserved with the Registrar of the Office of Insurance Commission in accordance with the Life Insurance Act. and placed as collateral to guarantee for electricity consumption.

(Unit: Million Baht)

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

	31 December 2020		31 December 2019	
	Cost	Fair value	Cost	Fair value
Assets placed				
Government bonds	21.0	21.9	21.0	21.6
Assets reserved as insurance reserves				
Government and state enterprise bonds	217.0	228.7	250.0	255.2
Private enterprise debt securities	54.0	56.2	36.0	37.2
Guarantee for electricity consumption				
Government bonds	-	-	0.1	0.1

30. Commitments

30.1 Operating lease commitments

The Company entered into a lease agreement in respect of the lease of vehicle. The term of the agreement is 5 years. As at 31 December 2019, the Company had future minimum lease payments required under such non-cancellable operating lease contract was as follows.

(Unit: Million Baht)

Payable	31 December 2019
Within 1 year	0.8
Longer than 1 year but within 5 years	1.6

However, as at 1 January 2020, a lease commitment of Baht 2.4 million was already recognised as lease liabilities from adoption of TFRS 16 as described in Notes 3.1 b. and 4.2 to financial statements. Therefore, it was not required to disclose such outstanding lease commitments as at 31 December 2020 in this note to financial statements.

30.2 Capital Commitments

As at 31 December 2020, the Company had capital commitments in relation to installation of computer software amounting to Baht 3.0 million. (As at 31 December 2019: the Company had no outstanding capital commitments).

30.3 Service commitments

As at 31 December 2020 and 2019, the Company had outstanding service commitments and future minimum service fees amounting to Baht 6.0 million and Baht 0.6 million, respectively.

31. Risks and risk management policy

31.1 Life insurance risk

Life Insurance risks arising from the conduct of reinsurance activities are managed as follows:

a. Product design and development and pricing

The Company has established a Product Development Committee to consider significant issues that would affect the Company's financial position. Furthermore, after new products are launched the Company monitors underwriting results, such as deviations between premium pricing assumptions and actual experience, so that they can be used to improve the products.

b. Underwriting of reinsurance

The Company modifies its underwriting guidelines to keep them up to date, based on technical knowledge and statistical information. Moreover, training is conducted to engender staff's application of knowledge and discipline when making underwriting decisions and reviews of whether underwriting practices correspond to the guidelines are performed to ensure that the risk retention is consistent with the Company's identified risk limits.

c. Claim management

The Company has established a standardised claims management process and claims management guidelines are consistently updated, with due consideration given to risk management. Moreover, the Company arranges training to impart knowledge to staff, and working practices are reviewed to ensure they are in accordance with the guidelines.

d. Retrocession

An excess of loss retrocession program has been implemented as a risk management tool. The Company buys retrocession coverage for excess of loss in order to limit the maximum loss per event and regularly performs adequacy tests of reinsurance protection in the event of major loss events. In addition, the Company has a policy to retrocede its business only to retrocessionaires that have credit ratings of at least "A-."

e. Reserve estimates

The Company's loss reserves are examined and certified by independent actuarial fellows. Moreover, the Company periodically analyses and monitors deviations between the reserve calculation assumptions and actual experience to ensure reserves adequately cover the Company's obligations.

f. Reinsurance concentration risk

Reinsurance concentration risk is the risk arising from a concentration of business written within a particular type of contracts. Reinsurance contracts can be divided into short-term and long-term, which have different obligations. Long-term reinsurance contract obliges the Company to provide ongoing coverage without changing premiums or benefits or canceling the contract and the present value of the obligation will be fluctuated due to change in interest rate whereas short-term contract obliges the Company on a yearly basis and enables the Company to adjust reinsurance conditions when renewal is made and there are no discounted over time required.

Hence, in order to prevent any volatility to the Company's financial position, the Company has the policy to balance the portfolio mix of long-term and short-term contracts. The proportion of long-term and short-term reinsurance premium written for the year ended 31 December 2020 were as follows;

	(Unit: Percent)
	<u>31 December 2020</u>
Long-term contracts	40
Short-term contracts	<u>60</u>
Total	<u><u>100</u></u>

The proportion of long-term and short-term insurance contract liabilities as at 31 December 2019 were as follows;

	(Unit: Percent)
	<u>31 December 2019</u>
Long-term contracts	60
Short-term contracts	<u>40</u>
Total	<u><u>100</u></u>

g. Sensitivity analysis

Sensitivity analysis is performed to analyse the risk that insurance contract liabilities will increase or decrease as a result of changes in the assumptions used in calculating, gross and net reserves, profits before taxes, and owner's equity. The risk may occur because the frequency of claims, value of claims, or loss adjustment expenses may not be as expected.

(1) Sensitivity analysis on long-term insurance policy reserves

As at 31 December 2020 and 2019, impacts from changes in assumptions on long-term insurance policy reserves were shown below:

Financial statements in which the equity method is applied and Separate financial statements					
31 December 2020					
Change in assumption ⁽¹⁾	%	Increase (decrease) in long-term policy reserves before retrocession	Increase (decrease) in long-term policy reserves after retrocession	Increase (decrease) in profits before income taxes	Increase (decrease) in owner's equity
		Baht	Baht	Baht	Baht
Mortality rate	+5.0	29,120,714	29,120,714	(29,120,714)	(23,296,571)
Mortality rate	-5.0	(29,537,589)	(29,537,589)	29,537,589	23,630,071
Lapse rate	+5.0	3,190,530	3,190,530	(3,190,530)	(2,552,424)
Lapse rate	-5.0	(3,255,349)	(3,255,349)	3,255,349	2,604,279
Discount rate	+5.0	(5,202,006)	(5,202,006)	5,202,006	4,161,605
Discount rate	-5.0	5,281,029	5,281,029	(5,281,029)	(4,224,823)

⁽¹⁾ % of each assumption rate.

Financial statements in which the equity method is applied and Separate financial statements					
31 December 2019					
Change in assumption ⁽¹⁾	%	Increase (decrease) in long-term policy reserves before retrocession	Increase (decrease) in long-term policy reserves after retrocession	Increase (decrease) in profits before income taxes	Increase (decrease) in owner's equity
		Baht	Baht	Baht	Baht
Mortality rate	+5.0	32,207,986	32,207,986	(32,207,986)	(25,766,389)
Mortality rate	-5.0	(32,681,415)	(32,681,415)	32,681,415	26,145,132
Lapse rate	+5.0	3,158,067	3,158,067	(3,158,067)	(2,526,454)
Lapse rate	-5.0	(3,217,120)	(3,217,120)	3,217,120	2,573,696
Discount rate	+5.0	(5,805,492)	(5,805,492)	5,805,492	4,644,394
Discount rate	-5.0	5,900,265	5,900,265	(5,900,265)	(4,720,212)

⁽¹⁾ % of each assumption rate.

(2) Sensitivity analysis on short-term insurance policy reserves

As at 31 December 2020 and 2019, impacts from changes in assumptions on loss reserves were shown below:

		Financial statements in which the equity method is applied and Separate financial statements				
		31 December 2020				
	Change in assumption	Increase (decrease) in loss reserves before retrocession	Increase (decrease) in loss reserves after retrocession	Increase (decrease) in profits before income taxes	Increase (decrease) in owner's equity	
	%	Baht	Baht	Baht	Baht	
Ultimate loss ratio	+5.0	83,318,239	83,318,239	(83,318,239)	(66,654,591)	
Ultimate loss ratio	-5.0	(15,363,417)	(15,363,417)	15,363,417	12,290,734	

		Financial statements in which the equity method is applied and Separate financial statements				
		31 December 2019				
	Change in assumption	Increase (decrease) in loss reserves before retrocession	Increase (decrease) in loss reserves after retrocession	Increase (decrease) in profits before income taxes	Increase (decrease) in owner's equity	
	%	Baht	Baht	Baht	Baht	
Ultimate loss ratio	+5.0	79,861,440	79,861,440	(79,861,440)	(63,889,152)	
Ultimate loss ratio	-5.0	(7,432,178)	(7,432,178)	7,432,178	5,945,742	

31.2 Financial risks

a. Credit risk

The Company is exposed to credit risk primarily with respect to reinsurance receivables and investments in debt securities. The Company manages the risk by regularly evaluating credit quality of its retrocessionaires and issuers of securities and assessing their ability to pay, considering their credit rating and monitoring of their financial positions. The Company has a policy to retrocede its business to foreign retrocessionaires and buy securities from issuers that have credit ratings of at least A- and therefore it is not expected to incur material financial losses from credit risk. The maximum exposure to credit risk is limited to the carrying amount of reinsurance receivables and investments in debt securities as presented in the statement of financial position.

The Company has policy to manage expected credit losses (ECL) related to debt instruments by determining If there has been a significant increase in credit risk of the securities since the first day of investment and considering credit quality of financial assets under the following criteria.

- (1) Financial asset without a significant increase in credit risk or low credit risk considering that the issuer's credit rating is rated as "Investment Grade" and there are no changes in related factor that significantly impact to issuer's cashflow. This stage of financial assets is subject to the 12-month ECL and interest income is calculated by applying the effective interest rate to the amortised cost before allowance for expected credit losses.
- (2) Financial asset with a significant increase in credit risk or higher credit risk considering that the issuer's credit rating is rated as "Non-investment Grade" and there are changes in related factors that significantly impact the issuer's cashflows. This stage of financial assets is subject to the life-time ECL and interest income is calculated by applying the effective interest rate to the amortised cost before allowance for expected credit losses.
- (3) Financial asset with credit-impaired or there is objective and apparently evidences of impairment considering that there is 1 day past due on its contractual payment, including default on other loan or debt of the same issuers. As a result, the issuer credit rating is rated as "Default Grade". This stage of financial assets is subject to the life-time ECL and interest income is calculated by applying the effective interest rate to the amortised cost after allowance for expected credit losses.

In respect of loans and interest receivable, This type of loans is provided to employees in accordance with the Company's employee welfare plan. The Company has considered the risk of employee loan default to be very low since the loaning are considered subject to a period of employment and the approval of the supervisor. Moreover, the loans payments can be made through automatic payroll deductions, the possibility of default is therefore estimated to zero.

The following table showed the credit quality of financial assets exposed to credit risk. The amounts presented for financial assets were net carrying value after deducting allowance for expected credit losses, which were also considered to be the maximum exposure of financial assets before both the effect of mitigation through the use of master netting and collateral arrangements.

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements			Total
	31 December 2020			
	Financial assets without significant increase in credit risk (12-mth ECL)	Financial assets with significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets with credit- impaired (Lifetime ECL - credit impaired)	
Cash and cash equivalents				
Investment grade	41,176,718	-	-	41,176,718
Less: Allowance for expected credit loss	(41,852)	-	-	(41,852)
Net carrying value	<u>41,134,866</u>	<u>-</u>	<u>-</u>	<u>41,134,866</u>
Held-to-maturity investments measured at amortised cost				
Investment grade	963,202,677	-	-	-
Less: Allowance for expected credit loss	(425,299)	-	-	(425,299)
Net carrying value	<u>962,777,378</u>	<u>-</u>	<u>-</u>	<u>962,777,378</u>
Loans and interest receivable				
Not yet due	633,103	-	-	633,103
Less: Allowance for expected credit loss	-	-	-	-
Net carrying value	<u>633,103</u>	<u>-</u>	<u>-</u>	<u>633,103</u>

The following table showed the movement of the allowance for expected credit losses for the year ended 31 December 2020.

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements			Total
	31 December 2020			
	Financial assets without significant increase in credit risk (12-mth ECL)	Financial assets with significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets with credit- impaired (Lifetime ECL - credit impaired)	
Cash and cash equivalents				
Beginning balance	-	-	-	-
Newly purchased or acquired financial assets	28,930	-	-	28,930
Change due to remeasurement of allowance for expected credit losses	12,922	-	-	12,922
Ending balance	<u>41,852</u>	<u>-</u>	<u>-</u>	<u>41,852</u>
Held-to-maturity investments measured at amortised cost				
Beginning balance	-	-	-	-
Newly purchased or acquired financial assets	327,558	-	-	327,558
Change due to remeasurement of allowance for expected credit losses	97,741	-	-	97,741
Ending balance	<u>425,299</u>	<u>-</u>	<u>-</u>	<u>425,299</u>

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 assets denominated in foreign currencies; market risk is therefore confined only to interest rate risk and equity position risk.

(1) Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks and investments in debt securities.

The Company has managed interest rate risk by closely monitoring interest rate movement and incorporating it into investment allocation decision making.

Significant assets and liabilities classified by type of interest rate were summarised in the table below, with those assets and liabilities that carried fixed interest rates further classified based on the maturity date, or the repricing date if this occurred before the maturity date.

(Unit: Thousand Baht)

Financial statements in which the equity method is applied and Separate financial statements							
31 December 2020							
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years				
Financial assets							
Cash and cash equivalents	21,971	-	-	19,160	4	41,135	0.05 - 0.50
Accrued investment income	-	-	-	-	14,386	14,386	-
Investments in securities							
Government and state enterprise securities	228,024	119,919	127,699	-	-	475,642	0.64
Private enterprise debt securities	65,355	144,289	77,743	-	-	287,387	1.86
Equity securities	-	-	-	-	962,044	962,044	-
Deposits at financial institutions	199,747	-	-	-	-	199,747	0.55
Loans and interest receivables	-	-	-	633	-	633	2.25
Financial liabilities							
Lease liabilities	720	766	-	-	-	1,486	6.20
Assets under insurance contracts							
Reinsurance assets							
- long-term insurance policy reserves	-	-	-	-	2,822	2,822	-
Reinsurance receivables	-	-	-	-	433,896	433,896	-
Liabilities under insurance contracts							
Insurance contract liabilities							
- long-term insurance policy reserves	-	-	-	-	508,605	508,605	-
- loss reserves	-	-	-	-	28,979	28,979	-
Due to reinsurers	-	-	-	-	346,731	346,731	-

(Unit: Thousand Baht)

Financial statements in which the equity method is applied and Separate financial statements							
31 December 2019							
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years				
Financial assets							
Cash and cash equivalents	-	-	-	33,794	4	33,798	0.10 - 1.00
Accrued investment income	-	-	-	-	13,187	13,187	-
Investments in securities							
Government and state enterprise securities	445,675	132,718	65,383	65,306	-	709,082	1.24
Private enterprise debt securities	30,000	133,000	51,648	-	-	214,648	2.03
Equity securities	-	-	-	-	878,405	878,405	-
Deposits at financial institutions	145,000	-	-	-	-	145,000	1.52
Loans and interest receivables	-	-	-	1,030	-	1,030	3.25
Assets under insurance contracts							
Reinsurance assets							
- long-term insurance policy reserves	-	-	-	-	2,656	2,656	-
Reinsurance receivables	-	-	-	-	214,596	214,596	-
Liabilities under insurance contracts							
Insurance contract liabilities							
- long-term insurance policy reserves	-	-	-	-	471,182	471,182	-
- loss reserves	-	-	-	-	7,790	7,790	-
Due to reinsurers	-	-	-	-	137,009	137,009	-

(2) Securities price risk

Securities price risk is the risk that change in the market prices of securities will result in fluctuations in revenues and in the value of assets.

The Company manages the price risk by continually analysing and monitoring changes in any factors that might lead to adverse movement in the market price of the invested securities. The Company has adopted a prudent investment policy and avoids speculative investments that would jeopardise its capital. The Company invests in high quality securities that are expected to generate reasonable and consistent returns.

As at 31 December 2020 and 2019, the Company had risk from holding securities, the price of which would change following 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 manages its liquidity position through prudent investment decisions, cash flow matching of assets and liabilities, and diversification of assets and liabilities to ensure that adequate cash is available when needed. Moreover, the Company sets its liquidity position at a higher than that required by the Office of Insurance Commission.

Counting from the financial position date, the periods to maturity of assets and liabilities held as at 31 December 2020 and 2019 were as follows:

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied and Separate financial statements					
	31 December 2020					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
Financial assets						
Cash and cash equivalents	19,160	21,971	-	-	4	41,135
Accrued investment income	-	4,770	9,616	-	-	14,386
Investments in securities	959,694	493,127	264,208	205,443	2,350	1,924,822
Loans and interest receivable	-	471	162	-	-	633
Financial liabilities						
Lease liabilities	-	792	792	-	-	1,584
Assets under insurance contracts						
Reinsurance receivables	-	433,896	-	-	-	433,896
Liabilities under insurance contracts						
Due to reinsurers	-	346,731	-	-	-	346,731

(Unit: Thousand Baht)

Financial statements in which the equity method is applied and Separate financial statements						
31 December 2019						
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
Financial assets						
Cash and cash equivalents	33,794	-	-	-	4	33,798
Accrued investment income	-	4,891	8,296	-	-	13,187
Investments in securities	876,299	620,675	265,717	182,338	2,106	1,947,135
Loans and interest receivable	-	394	635	-	-	1,029
Assets under insurance contracts						
Reinsurance receivables	-	214,517	79	-	-	214,596
Liabilities under insurance contracts						
Due to reinsurers	-	136,786	223	-	-	137,009

The Company's reinsurance contracts generated an annual reinsurance premium, net of underwriting expenses throughout term of contracts whereby remaining periods to maturity of insurance contract liabilities, counted from the statement of financial position as at 31 December 2020 and 2019, were presented as a percentage to total insurance contract liabilities as below:

<u>Remaining periods to maturity</u>	(Unit: Percent)	
	<u>31 December 2020</u>	<u>31 December 2019</u>
1 year	18.7	17.6
1 year to 5 years	37.6	37.2
Over 5 years	43.7	45.2
Total	<u>100.0</u>	<u>100.0</u>

32. Fair value of financial instruments

As of 31 December 2020 and 2019, the Company had the following financial assets that were measured at fair value, and had financial assets that were measured at cost but had to disclose fair value, using different levels of inputs as follows:

(Unit: Baht)

	Financial statements in which the equity method is applied and separate financial statements				Carrying value
	31 December 2020				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value					
Trading investments measured at fair value through profit or loss	-	79,068,935	-	79,068,935	79,068,935
Available-for-sale investments measured at fair value through other comprehensive income	600,510,519	280,114,859	2,349,983	882,975,361	882,975,361
Financial assets for which fair values were disclosed					
Cash and cash equivalents	41,176,718	-	-	41,176,718	41,134,866
Held-to-maturity investments measured at amortised cost					
Government and state enterprise securities	-	486,337,634	-	486,337,634	475,642,423
Private enterprise debt securities	-	291,939,521	-	291,939,521	287,387,647
Deposits at financial institutions	-	200,000,000	-	200,000,000	199,747,308
Loans and interest receivables	-	-	633,103	633,103	633,103
Liabilities for which fair values were disclosed					
Lease liabilities	-	-	1,486,503	1,486,503	1,486,503

(Unit: Baht)

Financial statements in which the equity method is applied and separate financial statements					
31 December 2019					
Fair value					
	Level 1	Level 2	Level 3	Total	Carrying value
Financial assets measured at fair value					
Trading investments	72,336,094	-	-	72,336,094	72,336,094
Available-for-sale investments	452,475,752	351,486,936	-	803,962,688	803,962,688
Financial assets for which fair values were disclosed					
Cash and cash equivalents	33,798,067	-	-	33,798,067	33,798,067
Held-to-maturity investments					
Government and state enterprise securities	-	715,993,870	-	715,993,870	709,081,922
Private enterprise debt securities	-	218,791,589	-	218,791,589	214,648,412
Deposits at financial institution	-	145,000,000	-	145,000,000	145,000,000
General investments	-	-	2,272,072	2,272,072	2,105,720
Loans and interest receivables	-	-	1,029,648	1,029,648	1,029,648

The fair value hierarchy of financial assets was presented according to Note 5.19 to financial statements. The methods and assumptions used by the Company in estimating the fair value of financial instruments were as follows:

- (a) Financial assets and liabilities having short-term maturity periods as cash and cash equivalents, and deposits at banks with an original maturity period of within 1 year were presented at fair values, which approximate their carrying amounts in the statement of financial position.
- (b) Investments in listed equity securities and investment units were presented at fair values using market price.
- (c) Investments in debts securities were presented at fair values, determined using the yield curves as announced by the Thai Bond Market Association.

- (d) Investments in non-listed equity securities were presented at fair values, determined using the discounted cash flow method. Investments in non-listed investment units were presented at fair values, using the net asset value per unit as announced by the fund managers.
- (e) Loans and interest receivables are presented at fair value, which is estimated by discounting expected future cash flow by the current market interest rate.

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

33. Capital management for life insurance companies

The primary objectives of the Company's capital management are to ensure that it has ability to continue its business as a going concern and to maintain risk-based capital in accordance with the requirements of the Office of the insurance Commission.

34. Event after the reporting period

On 19 February 2021, the Meeting of the Company's Board of Directors passed a resolution approving the proposal to the Annual General Meeting of the Company's shareholders to be held in April 2021 for an approval of dividend payment from the operating results of the year 2020 at Baht 0.14 per share or a total of Baht 84 million.

35. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 19 February 2021.