

7. Overview of Operating Performance

Summary of Operation Overview

In 2020-2021, the Coronavirus 2019 (COVID-19) outbreak caused unprecedented changes to Thai and global economies in recent decades. There were a large number of infected people. Several countries had to implement lockdown measure to confine the pandemic, these concurrently affected people's lives and disrupt economic activities of countries around the world and caused global interest rates to be low.

During this difficult time, the Company provided supports to customers through various assistance measures to alleviate their suffering and closely monitored the situation. At the same time, the Company managed the underwriting process and risk management with caution and prudence, as well as maintains a robust level of financial statement, liquidity and capital in order to preserve financial stability.

This crisis has affected current behaviors and lifestyles of people, e.g. consumers switching to online channels, e-commerce growth, and cashless payments, which correspond to the Company's approach to developing products and services for digital platforms. The Company has cooperated with business partners, e.g. foreign Reinsurer group, brokerage groups, and Tech Partner group, to develop life insurance products and services that are suitable and meet customer needs.

A significant leap during last year was the Company executed collaboration with "Pacific Life Re", a reinsurer of the Pacific Life Group that is a major life and health insurance corporate from U.S., in order to develop products and solutions and add new options to enhance the potential of the Thai life insurance industry and to align with the long-term sustainable growth policy.

For the implementation of foreign business plans, the Company continues to expand its business into the region by aiming to expand new markets to Southeast Asian countries, where it has started the operations since 2016. The Company has jointly invested in the establishment of TKI Life Insurance Company Limited that operates all types of life insurance businesses in the Lao People's Democratic Republic, which has been generating revenue since 2020. Also, from the implementation of the plan throughout 2021, the Company has begun to execute reinsurance contracts from Cambodia as well as performed market studies and product development for Indonesia and Philippines. It aims to generate revenue from these countries in 2022 and plans to continuously expand further to other countries.

At the same time, the Company is in the process of developing a digital infrastructure for its business to support changes in accounting practices according to the Financial Reporting Standards No. 17 (Insurance Contract) issued by the Federation of Accounting Professions, expectedly effective in 2024. This year, there has been an investment in Actuarial work system and underwriting system, where such developments would increase service efficiently, reduce costs and increase convenience for customers.

Operating Results and Factors for Key Changes

In 2021, the Company had a total premium of THB 2,913 million, increasing THB 575 million from the previous year, or accounted for 25%, and profit from underwriting THB 47 million, investment income THB 66 million and net profit THB 98 million due to the following factors:

1. Health insurance and group insurance products of THB 1,807 million, increasing from THB 678 million of last year, is due to executing new contracts with customers both conventional and the issuance of new products with non-conventional with customers, along with the growth of the health insurance market. However, we continue to focus on underwriting and risk management processes with caution and prudence in order to control the quality of the underwriting result to maintain the risk appetite.
2. Ordinary life insurance products decrease by THB 16 million, and, credit life insurance products decrease by THB 74 million, due to economic conditions and lower interest rates, especially in conventional product.
3. Total underwriting expenses are THB 2,678 million, increasing from THB 492 million of last year or accounted for 52%, which are due to:
 - 1) The Company has recorded a claim arising from COVID-19 of approximately THB 170 million, including claims already notified by customers and estimates loss reserves for coverage in 2021 that have not yet been collected yet.
 - 2) Claims and commission of health insurance and group insurance products have increased due to premium growth. However, such expenses have loss ratio below normal due to COVID-19 situation resulting in decrease in hospitalization with general illness.

Unit: Million

Items	Y 2019	Y 2018
Gross written premium	2,339.70	2,400.30
Earned premium	2,281.48	2,347.46
Net investment income	70.52	61.45
Long-term insurance policy reserves increased from prior year	64.66	86.59
Gross benefits and claims	1,420.63	1,370.46
Net Profit (loss)	194.13	255.47

Unit: Percent

Items	Y 2019	Y 2018
First year underwriting expenses: Net reinsurance premium	32.15%	32.75%
Renewal underwriting expenses: Net reinsurance premium	26.47%	24.50%
Return on equity ratio	13.34%	17.08%
Return on asset ratio		
- Total return on asset ratio		
- Return on asset ratio excluding life insurance policies from Unit Linked and Universal Life	8.15%	10.73%
Unit: Return on Investment Ratio		
- Total return on investment ratio		
- Return on investment ratio excluding investment from life insurance policies A Unit Linked and Universal Life	3.56%	3.11%
Ratio Investment asset per premium reserves (appraised value)	236.91%	255.47%