

***PACIFIC CROSS HEALTH INSURANCE
PUBLIC COMPANY LIMITED***

Financial statements

Year ended December 31, 2019

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS

PACIFIC CROSS HEALTH INSURANCE PUBLIC COMPANY LIMITED

Opinion

We have audited the financial statements of Pacific Cross Health Insurance Public Company Limited (the “Company”), which comprise the statement of financial position as at December 31, 2019, and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pacific Cross Health Insurance Public Company Limited as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (“TFRSs”).

Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing (“TSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Federation of Accounting Professions’ Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs 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 TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

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We 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 we identify during our audit.

Wonlop.V.

BANGKOK
April 23, 2020

Wonlop Vilaivaravit
Certified Public Accountant (Thailand)
Registration No. 6797
DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

PACIFIC CROSS HEALTH INSURANCE PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

UNIT : BAHT

		As at December 31, 2019	As at December 31, 2018
	Notes		
ASSETS			
Cash and cash equivalents	4	84,461,933	66,102,663
Premium receivables	5	46,325,707	40,859,514
Accrued investment income		1,452,832	1,782,040
Reinsurance assets	6	134,547,278	101,808,567
Due from reinsurers	7	21,006,372	15,357,475
Investments in securities	8	250,236,389	228,578,133
Equipment	9	1,691,048	2,058,790
Intangible asset	10	644,047	422,976
Other assets	11	7,578,957	3,677,896
TOTAL ASSETS		547,944,563	460,648,054

Notes to the financial statements form an integral part of these statements

Mr. Thomas Prentice Thomson

Mr. Thanachat Kaewjaipetch

PACIFIC CROSS HEALTH INSURANCE PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

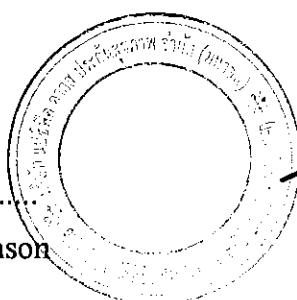
AS AT DECEMBER 31, 2019

UNIT : BAHT

	Notes	As at December 31, 2019	As at December 31, 2018
LIABILITIES AND EQUITY			
LIABILITIES			
Insurance contract liabilities	12	299,453,900	216,083,242
Due to reinsurers	13	92,984,031	78,283,765
Employee benefit obligations	14	1,313,195	753,729
Other liabilities	15	34,672,206	28,979,852
TOTAL LIABILITIES		428,423,332	324,100,588
EQUITY			
SHARE CAPITAL			
Authorized share capital			
20,000,000 ordinary shares of Baht 25 each		500,000,000	500,000,000
Issued and paid-up share capital			
20,000,000 ordinary shares of Baht 25 each		500,000,000	500,000,000
ACCUMULATED DEFICIT			
Unappropriated (deficit)		(380,478,769)	(363,452,534)
TOTAL EQUITY		119,521,231	136,547,466
TOTAL LIABILITIES AND EQUITY		547,944,563	460,648,054

Notes to the financial statements form an integral part of these statements

Mr. Thomas Prentice Thomson



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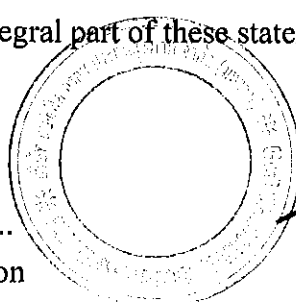
PACIFIC CROSS HEALTH INSURANCE PUBLIC COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

UNIT : BAHT

	Notes	2019	2018
Revenues			
Gross premium written		451,802,232	369,612,437
<u>Less</u> Premium ceded		<u>(170,927,495)</u>	<u>(144,799,451)</u>
Net premium written		280,874,737	224,812,986
<u>Less</u> Unearned premium reserve increase from previous year		<u>(31,561,593)</u>	<u>(3,173,981)</u>
Net premium earned		249,313,144	221,639,005
Fee and commission income		66,791,420	54,556,551
Net investment income		3,631,453	3,297,261
Other income		4,388,310	5,150,807
Total revenues		<u>324,124,327</u>	<u>284,643,624</u>
Expenses			
Claims incurred		245,647,078	166,744,880
<u>Less</u> Claim recovered from reinsurers		<u>(95,669,948)</u>	<u>(55,555,871)</u>
Commissions and brokerage expenses		61,337,196	51,841,422
Other underwriting expenses		51,209,186	46,241,498
Operating expenses	17	<u>78,222,888</u>	<u>69,675,594</u>
Total expenses		<u>340,746,400</u>	<u>278,947,523</u>
Profit (loss) before income tax expense		<u>(16,622,073)</u>	<u>5,696,101</u>
Other comprehensive income (loss)			
Components of other comprehensive income that will not subsequently be reclassified to profit or loss			
Gain (loss) on remeasurements of defined benefit plans, net		<u>(404,162)</u>	<u>398,007</u>
Other comprehensive income (loss) for the year, net of tax		<u>(404,162)</u>	<u>398,007</u>
Net comprehensive income (loss) for the year		<u><u>(17,026,235)</u></u>	<u><u>6,094,108</u></u>
Earnings (loss) per share			
Basic earnings (loss) per share	21	(0.83)	0.28

Notes to the financial statements form an integral part of these statements

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Mr. Thomas Prentice Thomson



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Mr. Thanachat Kaewjaipetch

PACIFIC CROSS HEALTH INSURANCE PUBLIC COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

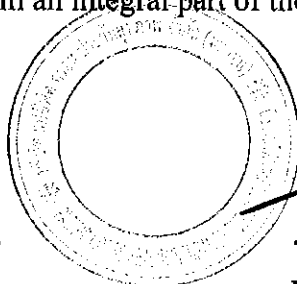
UNIT : BAHT

	Issued and paid-up share capital	Accumulated deficit Unappropriated (Deficit)	Total equity
Beginning balance as at January 1, 2018	500,000,000	(369,546,642)	130,453,358
Comprehensive income for the year	-	6,094,108	6,094,108
Ending balance as at December 31, 2018	500,000,000	(363,452,534)	136,547,466
Beginning balance as at January 1, 2019	500,000,000	(363,452,534)	136,547,466
Comprehensive loss for the year	-	(17,026,235)	(17,026,235)
Ending balance as at December 31, 2019	500,000,000	(380,478,769)	119,521,231

Notes to the financial statements form an integral part of these statements



Mr. Thomas Prentice Thomson




Mr. Thanachat Kaewjaipetch

PACIFIC CROSS HEALTH INSURANCE PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

UNIT : BAHT

	2019	2018
CASH FLOWS USED IN OPERATING ACTIVITIES		
Direct premium written	430,948,995	353,056,303
Cash paid to reinsurance	(9,112,828)	(12,987,726)
Other investment income	3,960,660	2,267,682
Other income	4,388,310	5,150,808
Claims incurred from direct insurance	(203,334,012)	(153,752,263)
Commissions and brokerage paid from direct insurance	(58,300,061)	(48,126,205)
Other underwriting expenses	(51,177,954)	(46,167,578)
Operating expenses	(75,679,670)	(61,623,614)
Investment in securities	(21,658,256)	(62,317,789)
Net cash used in operating activities	<u>20,035,184</u>	<u>(24,500,382)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash paid for purchases of equipment	(1,195,914)	(1,590)
Cash paid for purchases of intangible assets	(480,000)	(515,580)
Net cash used in investing activities	<u>(1,675,914)</u>	<u>(517,170)</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Cash received from the capital increase	-	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	18,359,270	(25,017,552)
Cash and cash equivalents as at January 1,	66,102,663	91,120,215
Cash and cash equivalents as at December 31,	<u><u>84,461,933</u></u>	<u><u>66,102,663</u></u>

Notes to the financial statements form an integral part of these statements

Mr. Thomas Prentice Thomson

Mr. Thanachat Kaewjaipetch

PACIFIC CROSS HEALTH INSURANCE PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. GENERAL INFORMATION AND THE COMPANY'S OPERATION

Pacific Cross Health Insurance Public Company Limited (the "Company") was incorporated as a limited company under the Thai Civil and Commercial Code on June 13, 1977 and became a public limited company on January 17, 2013. The principal business of the Company is the provision of non-life insurance in Thailand. The Company head office is located at 152 Chartered Square Building, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok, Thailand.

The major shareholder company is Med-Sure Services Limited which was incorporated in Thailand, holding 69.15% of the Company's share capital.

The Company has extensive transactions and relationships with the related parties. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations that would have occurred if the Company had operated without such affiliation.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

- 2.1 The Company maintains its accounting records in Thai Baht and prepares its statutory financial statements in the Thai language in conformity with Thai Financial Reporting Standards and accounting practices generally accepted in Thailand.
- 2.2 The Company's financial statements have been prepared in accordance with the Thai Accounting Standard (TAS) No. 1 (Revised 2018) "Presentation of Financial Statements", which was effective for financial periods beginning on or after January 1, 2019 onward 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 OIC regarding criteria, procedures, terms and conditions for preparation and submission of financial statements and operating performance reports of non-life insurance companies dated March 4, 2016, which has been effective since January 1, 2016 onwards.
- 2.3 The financial statements have been prepared under the historical cost convention except as disclosed in the significant accounting policies.

2.4 Thai Financial Reporting Standards affecting the presentation and disclosure in the current year financial statements

During the year, the Company has adopted the revised and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after January 1, 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

Thai Financial Reporting Standard No. 15 "Revenue from Contracts with Customers" ("TFRS 15")

The core principle of this TFRS is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects to consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under this TFRS, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

This TFRS supersedes the following revenue Standards and Interpretations upon its effective date: Thai Accounting Standard No.11 "Construction Contracts", Thai Accounting Standard No. 18 "Revenue", Thai Accounting Standard Interpretation No. 31 "Revenue-Barter Transactions Involving Advertising Services", Thai Financial Reporting Standard Interpretation No. 13 "Customer Loyalty Programmes, Thai Financial Reporting Standard Interpretation No. 15 "Agreements for the Construction of Real Estate" and Thai Financial Reporting Standard Interpretation No. 18 "Transfers of Assets from Customers".

The Company adopts Thai Accounting Standard No. 15 "Revenue from Contracts with Customers" which has no material impact to the Company's financial statements.

2.5 Thai Financial Reporting Standards announced in the Royal Gazette but not yet effective

The Federation of Accounting Professions has issued the Notification regarding Thai Accounting Standards, Thai Financial Reporting Standards, Thai Accounting Standards Interpretation and Thai Financial Reporting Standard Interpretation, which have been announced in the Royal Gazette and will be effective for the financial statements for the period beginning on or after January 1, 2020 onwards. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The Company's management will adopt such TFRSs in the preparation of the Company's financial statements when it becomes effective. The Company's management has assessed the impact of these TFRSs and considered that the adoption of these financial reporting standards does not have any material impact on the financial statements of the Company in the period of initial application, except the financial reporting standards as follow:

Thai Accounting Standard No. 12 "Income Taxes"

This revised accounting standard clarifies about recognition the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. An entity shall apply those amendments to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Earlier application is permitted.

Thai Accounting Standard No. 19 "Employee Benefits"

This revised accounting standard clarifies that the past service cost or of the gain or loss on settlement is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment or curtailment or settlement but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). This accounting standard requires prospective method for such amendment. It applies only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which it is first applied. Earlier application is permitted.

Group of Financial Instruments Standards

Thai Accounting Standards (“TAS”)

TAS 32 Financial Instruments: Presentation

Thai Financial Reporting Standards (“TFRS”)

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Thai Financial Reporting Standard Interpretations (“TFRIC”)

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These group of Standards make stipulations relating to the classification of financial instruments and their measurement at fair value or amortized cost; taking into account the type of instrument, the characteristics of the contractual cash flows and the Company’s business model, the calculation of impairment using the expected credit loss method, and the concept of hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. These Standards will supersede the Standards and Interpretations relating to the financial instruments upon its effective date.

Thai Financial Reporting Standards No. 16 “Leases”

This TFRS provides a comprehensive model for the identification if lease arrangements and their treatment in the financial statements of both lessees and lessors.

This TFRS will supersede the following lease Standards and Interpretations upon its effective date, which are Thai Accounting Standard No. 17 “Leases”, Thai Accounting Standard Interpretation No. 15 “Operating Lease - Incentives”, Thai Accounting Standard Interpretation No. 27 “Evaluating the Substance of Transactions involving the Legal Form of a Lease” and Thai Financial Reporting Standard Interpretation No.4 “Determining whether on Arrangement contains a Lease”.

For lessee accounting, there are significant changes to lease accounting in this TFRS by removing the distinction between operating and finance leases under TAS 17 and requiring a lessee to recognize a right-of-use asset and a lease liability at commencement for all leases, except for short-term- leases and leases of low value assets. However, the lessor accounting treatment continues to require a lessor to classify a lease either as an operating lease or a finance lease, using the same concept as TAS 17.

The Company’s management is in the process to assess the impact of this TFRS on the financial statements of the Company in the period of initial application.

Thai Financial Reporting Standard No. 4 “Insurance Contracts”

The Federation of Accounting Professions issued Thai Financial Reporting Standard No.4 “Insurance Contracts”, which has been announced in the Royal Gazette on September 24, 2019 and will be effective for the financial statements for the period beginning on or after January 1, 2020 onwards. This revised financial reporting standard determines the option for insurance industry to temporary exempt from applying Thai Financial Reporting Standard No. 9 “Financial Instruments” and Thai Financial Reporting Standard No. 7 “Financial Instruments: Disclosures” if an entity meets the criteria required by such revised Thai Financial Reporting Standard. An entity can elect to apply the accounting guidelines for financial instruments and disclosures on insurance business for the financial statements for the period beginning on or after January 1, 2020 until the period beginning on or after January 1, 2023 or before Thai Financial Reporting Standard No. 17 “Insurance Contracts” becomes effective. If an entity elects to adopt this exemption, the entity is required to disclose how the entity meets criteria for such temporary exemption and provide comparison information of the entity that applies temporary exemption with those that apply Thai Financial Reporting Standard No. 9 and Thai Financial Reporting Standard No. 7.

The Company’s management has assessed eligibility to apply such temporary exemption and concluded that the Company is eligible to apply such temporary exemption. Therefore, the Company’s management elects to apply the accounting guidelines for financial instruments and disclosures on insurance business. As a result, the Company’s management has not yet apply Thai Financial Reporting Standard No. 9 “Financial Instruments” and Thai Financial Reporting Standard No. 7 “Financial Instruments: Disclosures” for the period beginning on January 1, 2020.

The accounting guidelines for financial instruments and disclosures on insurance business

The Federation of Accounting Professions issued the accounting guidelines for financial instruments and disclosures on insurance business, which has been announced in the Royal Gazette on March 11, 2019 and will be effective for the financial statements for the period beginning on or after January 1, 2020 onwards, which allowed the adoption on this accounting guideline prior to the effective date for the financial statements beginning on or after January 1, 2019 onwards only. If an entity adopts this accounting guideline prior to the effective date, the entity is required to disclose such adoption. However, the Company’s management has considered not to adopt such accounting guideline for financial instruments and disclosures on insurance business prior to the effective date.

The Company’s management is in the process to assess the impact of the accounting guidelines for financial instruments and disclosures on insurance business on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Insurance contract classification

At the initial date, the Company classified contract as insurance contract by determine that the significant insurance risk has been transferred, in the event (scenario) that an insured would require the Company to pay significant additional benefits in term of commercial content. Once a contract has been classified as insurance contract, it remains an insurance contract until all right and obligations expired. Other contract into which the Company has entered with the insured may not be classified as an insurance contract at inception date but can be subsequently reclassified as an insurance contract when the significant insurance risk has been transferred to the Company. Other contracts are reclassified as investment contract, if any.

3.2 Recognition of revenues and expenses

Premium written

For insurance policies with coverage period for one year, premium income is recognized on the effective date of the insurance policy after deducting premium ceded and premium cancelled and refunded.

Reinsurance premium

Reinsurance premium income is recognized when the Company receives the reinsurance application or statement of accounts from the ceding company. Reinsurance profit commissions are recognized when the Company receives the statement of accounts from the reinsurers.

Fee and commission income

Fee and commission income are recognized as income on an accrual basis.

Investment income

Investment income consists of interest income. Interest income is recognized as income on an accrual basis.

Rental and service income

Rental income and its related services from an investment property are recognized on a straight-line basis over the term of the lease. Contingent rentals are recognized as income in the accounting period in which they are occurred. The related service income is recognized over the term of the lease.

Other income

Other income is recognized as income on an accrual basis.

Premiums ceded

Premiums ceded is recognized as a deduction from premium income when the insurance risk is transferred to another reinsurer.

Claims and losses adjustment expenses

Claims and losses adjustment expenses consist of claims and losses adjustment expenses of direct insurance and reinsurance of both reported claims and not reported claims, and are stated at the amounts of the claims, related expenses, and claims adjustments of the current and prior period incurred during the year, less residual value and other recoveries, if any, and claim recovery from reinsurers.

Claims and losses adjustment expenses of direct insurance are recognized upon the receipt of the claims advice from the insured, based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimated is not however, to exceed the sum-insured under the relevant policy and claims and losses adjustment expenses of reinsurance are recognized when the reinsurer places the loss advice with the Company.

Claim recovery from reinsurers

Claims recovery from reinsurers is recognized when claims and loss adjustment expenses are recorded. They are estimated as proportion and condition relevant to reinsurance contracts. The Company presents the claims recoverable amount as a deduction from gross claims.

Commissions and brokerages and other expenses

Commissions and brokerages and other expenses are recognized as expenses on an accrual basis.

3.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cheque on hand and all types of deposits with banks with maturity within 3 months, excluding deposit at banks used as collateral.

3.4 Premium receivable and allowance for doubtful debt

Premium receivable is stated at net realizable value. The Company records allowance for doubtful accounts for the estimated collection losses on premium receivable. Such estimated losses are based on the Company's collection experience and the analysis of aging of each premium receivable.

3.5 Reinsurance assets

Reinsurance assets are stated at insurance reserve refundable from reinsurers which are estimated based on the related premium reserve in accordance with law regarding insurance reserve calculations and unearned reinsurance premium reserve.

3.6 Amount due to and due from reinsurers

Amount due from reinsurers are stated at amount due from reinsurers which consists of premium uncollected from reinsurers, commission and brokerages receivables, outstanding claim recovered from reinsurers. The Company records allowance for doubtful for estimated loss from uncollected receivables based on the Company's collection experience and the analysis of aging of amount due from reinsurers.

Amount due to reinsurers are stated at amount withheld on reinsurance and amount due to reinsurers which consist of premium ceded payables and other reinsurance payables to reinsurers except claim payables. The net amount is represented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.7 Investment in securities

Investments in securities are stated at cost which consist of deposits at banks having terms to maturity over 3 months from the date of acquisition are stated at cost.

3.8 Equipment

Equipment is stated at cost less accumulated depreciation, and allowance for impairment, if any.

Depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets as follows:

Furniture and fixtures	5 years
Office equipment	5 years

3.9 Intangible assets

Intangible assets with definite useful life are stated at cost less accumulated amortization and allowance for impairment, if any.

Amortization is recognized in the statement of profit or loss and other comprehensive income calculated on the straight-line method based on the estimated useful life of each intangible asset. The estimated useful live is as follow:

Computer software	3 years
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3.10 Insurance liabilities

3.10.1 Unearned premium reserve

Unearned premium reserve is set aside in compliance with the Notification of the Office of Insurance Commission governing the principle, methodology and condition of unearned premium reserves, loss reserves and other reserves of non-life insurance companies.

3.10.2 Claim reserve and outstanding claims

Claim reserve and outstanding claims have been provided upon receipt of claim advices from the insured and recorded at the amount appraised by an independent appraiser or by the Company's appraiser. In addition, the Company records a provision for losses incurred but not yet reported (IBNR) which assessed by an actuary.

3.10.3 Unexpired risks reserve

Unexpired risks reserves are the best estimate of the claims that are expected be incurred during the remaining period of coverage of in-force policies, based on analysis of historical claims data by an actuary.

Unexpired risk reserves are only recognized in the financial statements to the extent that they exceed unearned premium reserves.

3.11 Employee benefit

3.11.1 Provident fund

The Company sets provident fund which is contributory by the employee and the Company. The provident funds have been registered in accordance with the Provident Fund Act B.E. 2530 (1987). The Company's contributions are recorded as expense for the year by an accrual basis.

3.11.2 Post-employment benefit obligation

The Company provides post-employment benefit obligation, payable to employees under the Thai Labor Protection Act. The liability in respect of employee benefits is calculated by an actuary using the projected unit credit cost method. The present value of the defined benefits obligation is determined by discounting estimated future cash outflows using yields on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash outflows shall reflect employee salaries, turnover rate, length of service and other factors.

The Company recognized all gains (losses) on remeasurements of defined benefit plans arising from provisions for employee benefit in other comprehensive income and all expenses related to provisions for employee benefit in the statement of profit or loss and other comprehensive income.

Past service cost related to the plan amendment is recognized as an expense in the statement of profit or loss and other comprehensive income when the plan amendment is effective.

3.12 Long-term lease

Where the Company is the lessee

Leases in which substantial risks and rewards of ownership of assets remained with the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on the straight-line method over the term of lease.

Where the Company is a lessor

Leases in which substantial risks and rewards of ownership of assets remained with the Company are accounted for as operating leases. Rental income is recognized as described in Note 3.2

3.13 Income tax

Income tax expense

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current income tax payable is calculated using tax rates that have been enacted at the end of reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit (tax base). Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized. The carrying amount of a deferred tax assets is reviewed at the end of each reporting period. Deferred tax assets shall be reduced to the extent that utilized taxable profits decreased. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available to allow total or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of reporting period.

3.14 Basic earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net profit (loss) by the number of weighted average ordinary shares outstanding during the year. In the case of a capital increase, the number of weighted average ordinary shares is calculated according to the period of the subscription received from increase and paid-up share capital.

Diluted earnings (loss) per share is calculated by dividing net profit (loss) by the weighted average number of ordinary shares issued during the year and the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued.

3.15 Use of management's judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with Thai Financial Reporting Standards (TFRSs) requires the Company's management to exercise various judgments in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the end of the reporting period, including the reported amounts of revenue and expense during the fiscal year. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

Key sources of estimation uncertainty

Loss reserves

The Company is required to estimate loss reserves and outstanding claims that arise from the Company's insurance products. These reserves represent the expected cost to settle claims occurring prior to, but still outstanding as of, the reporting period. The Company establishes its reserves by product line and extent of coverage. The reserves consist of reserves for reported losses and reserves for incurred but not reported (IBNR) losses.

The Company's reserves for reported losses are based on estimates of future payments to settle reported insurance claims with an undiscounted basis. IBNR reserves are established to recognize by using historical information and statistical models, based on standard actuarial claims projection techniques.

3.16 Fair value measurements

In estimating the fair value of an asset or a liability, The Company takes into account the characteristics of the asset or liability if a producer or supplier of a marketable good would take those characteristics into the consideration the price that would be received to sell an asset or paid to transfer a liability at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for disclosure in the financial statements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, consisted of the following:

	2019	Unit : Baht 2018
Cash on hands	24,253	28,695
Deposits at bank without fixed maturity dates	84,437,680	66,073,968
Total cash and cash equivalents	<u>84,461,933</u>	<u>66,102,663</u>

5. PREMIUM RECEIVABLES

Premium receivables as at December 31, consisted of the following:

	2019	Unit : Baht 2018
Within credit terms	17,581,298	13,586,312
Less than 30 days	11,511,037	12,416,392
31 - 60 days	8,056,670	7,762,729
61 - 90 days	5,023,902	4,197,811
Over 90 days	4,588,395	3,211,614
Total	<u>46,761,302</u>	<u>41,174,858</u>
Less Allowance for doubtful accounts	<u>435,595</u>	<u>315,344</u>
Total premium receivables	<u>46,325,707</u>	<u>40,859,514</u>

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

6. REINSURANCE ASSETS

Reinsurance assets as at December 31, consisted of the following:

	2019	Unit : Baht 2018
Insurance reserve refundable from reinsurers		
Claim reserves	47,312,621	28,056,681
Unearned premium reserve		
- Unearned reinsurance premium reserve	87,234,657	73,751,886
Total reinsurance assets (see Note 12)	<u>134,547,278</u>	<u>101,808,567</u>

7. DUE FROM REINSURERS

Due from reinsurers as at December 31, consisted of the following:

	2019	Unit : Baht 2018
Due from reinsurers	<u>21,006,372</u>	<u>15,357,475</u>

Aging analyzes for due from reinsurers as at December 31, were as follows:

	2019	Unit : Baht 2018
Within credit terms	17,603,064	15,357,475
Not over 12 months	3,403,308	-
Total due from reinsures	<u>21,006,372</u>	<u>15,357,475</u>

8. INVESTMENT IN SECURITIES

Investment in securities as at December 31, consisted of the following:

	Interest rate		Cost method	
	2019 % p.a.	2018 % p.a.	2019 Baht	2018 Baht
Held-to-maturity securities				
Deposits at bank with maturity over 3 months	0.40 - 2.38	0.60 - 2.38	<u>250,236,389</u>	<u>228,578,133</u>
Total investment in securities			<u>250,236,389</u>	<u>228,578,133</u>

As at December 31, 2019 and 2018, investments in securities at carrying value of Baht 89.56 million and Baht 78.56 million, respectively, are deposited as collateral with the Registrar and assets reserved with the Registrar (see Note 24).

Equipment as at December 31, consisted of the following:

[illegible]

Depreciation for the years ended of December 31, 2019 and 2018 in amount of Baht 1.56 million and Baht 2.18 million, respectively, were included in operating expenses.

As at December 31, 2019 and 2018, certain equipment at cost of Baht 8.31 million and Baht 1.11 million, respectively, were fully depreciated but still in use.

10. INTANGIBLE ASSETS

Intangible assets as at December 31, consisted of the following:

	Cost				Accumulated depreciation			Unit : Baht	
	As at January 1, 2019	Increase	Disposal / Write off	As at December 31, 2019	As at January 1, 2019	Amortization	Disposal / Write off	Intangible assets- net as at January 1, 2019	Intangible assets - net as at December 31, 2019
Computer software	2,628,313	480,000	-	3,108,313	(2,205,337)	(258,929)	-	422,976	644,047
Total	2,628,313	480,000	-	3,108,313	(2,205,337)	(258,929)	-	422,976	644,047

	Cost				Accumulated depreciation			Unit : Baht	
	As at January 1, 2018	Increase	Disposal / Write off	As at December 31, 2018	As at January 1, 2018	Amortization	Disposal / Write off	Intangible assets- net as at January 1, 2018	Intangible assets - net as at December 31, 2018
Computer software	2,112,733	515,580	-	2,628,313	(1,862,202)	(343,135)	-	250,531	422,976
Total	2,112,733	515,580	-	2,628,313	(1,862,202)	(343,135)	-	250,531	422,976

Amortization for the years ended of December 31, 2019 and 2018 in amount of Baht 0.26 million and Baht 0.34 million, respectively, were included in operating expenses.

As at December 31, 2019 and 2018, certain intangible assets at cost of Baht 2.05 million and Baht 0.76 million, respectively, were fully amortized but still in use.

11. OTHER ASSETS

Other assets as at December 31, consisted of the following:

	2019	Unit : Baht 2018
Prepaid expenses	508,524	501,139
Deposits	1,593,510	1,548,148
Others	5,476,923	1,628,609
Total other assets	<u>7,578,957</u>	<u>3,677,896</u>

12. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities as at December 31, consisted of the following:

	As at December 31, 2019		Unit : Baht
	Insurance contract liabilities	Reinsurance liabilities (see Note 6)	Net
Claim reserves			
Claim incurred and agreed	55,716,546	(41,903,769)	13,812,777
Claim incurred but not reported	16,217,342	(5,408,852)	10,808,490
Premium reserve			
Unearned Premium reserve	<u>227,520,012</u>	<u>(87,234,657)</u>	<u>140,285,355</u>
Total	<u>299,453,900</u>	<u>(134,547,278)</u>	<u>164,906,622</u>

	As at December 31, 2018		Unit : Baht
	Insurance contract Liabilities	Reinsurance liabilities (see Note 6)	Net
Claim reserves			
Claim incurred and agreed	22,160,950	(25,217,274)	(3,056,324)
Claim incurred but not reported	11,446,644	(2,839,407)	8,607,237
Premium reserve			
Unearned Premium reserve	<u>182,475,648</u>	<u>(73,751,886)</u>	<u>108,723,762</u>
Total	<u>216,083,242</u>	<u>(101,808,567)</u>	<u>114,274,675</u>

12.1 Insurance reserve for short term insurance contract

12.1.1 Claim reserves

Claim reserves as at December 31, consisted of the following:

	2019	Unit : Baht 2018
Balance as at beginning of years	33,607,594	24,156,468
Claim incurred during the years	245,911,183	171,317,493
Changing in estimated claim and assumptions used in calculating claim reserve	(264,105)	(4,572,613)
Claim paid during the years	<u>(207,320,784)</u>	<u>(157,293,754)</u>
Balance as at ending of years	<u>71,933,888</u>	<u>33,607,594</u>

12.1.2 Unearned premium reserve

Unearned premium reserve as at December 31, consisted of the following:

	2019	Unit : Baht 2018
Balance as at beginning of years	182,475,648	139,485,144
Premium written for the years	451,802,232	369,612,437
Earned premium for the years	<u>(406,757,868)</u>	<u>(326,621,933)</u>
Balance as at ending of years	<u>227,520,012</u>	<u>182,475,648</u>

12.1.3 Unexpired risk reserve

As at December 31, 2019 and 2018, no additional reserve for unexpired risk reserve has been established as the unexpired risk reserve estimated by the Company amounting to Baht 167.06 million and Baht 112.21 million, respectively, are lower than the unearned premium reserve.

12.1.4 Claims development tables

As at December 31, 2019

Accident year/ reported year	2015	2016	2017	2018	2019	Unit: Baht Total
Estimate of ultimates:						
- End of accident year		202,097,346	135,247,450	163,511,359	248,745,906	
- One year later	114,474,740	194,724,087	132,741,870	159,141,249		
- Two year later	114,639,456	194,577,769	132,616,252			
- Three year later	114,630,803	194,638,239				
- Four year later	114,630,803					
Absolute estimated loss	114,630,803	194,638,239	132,616,252	159,141,248	248,745,906	849,772,448
reserve and outstanding claim	114,630,803	194,638,239	132,616,252	159,021,364	181,948,226	782,854,884
Accumulative claim paid	-	-	-	119,884	66,797,680	66,917,564
Adjustment case reserve - accounting						364,191
Reinsurance						4,043,594
Accumulative claim paid						71,325,349
Unallocated loss adjustment expense						608,539
						<u>71,933,888</u>

As at December 31, 2018

Accident year/ reported year	2014	2015	2016	2017	2018	Unit: Baht Total
Estimate of ultimates:						
- End of accident year			202,097,346	135,247,450	163,511,359	
- One year later		114,474,740	194,724,087	132,741,870		
- Two year later	1,164,439	114,639,456	194,577,769			
- Three year later	1,164,439	114,630,803				
- Four year later	1,164,439					
Absolute estimated loss	1,164,439	114,630,803	194,577,769	132,741,870	163,511,359	606,626,240
reserve and outstanding claim	1,164,439	114,630,803	194,577,769	132,576,794	132,011,494	574,961,299
Accumulative claim paid	-	-	-	165,076	31,499,865	31,664,941
Adjustment case reserve - accounting						217,637
Reinsurance						1,283,308
Accumulative claim paid						33,165,886
Unallocated loss adjustment expense						441,708
						<u>33,607,594</u>

13. DUE TO REINSURERS

Due to reinsurers as at December 31, consisted of the following:

	2019	Unit : Baht 2018
Amount withheld on reinsurance	50,996,876	43,295,731
Reinsurance payables	41,987,155	34,988,034
Total due to reinsurers	<u>92,984,031</u>	<u>78,283,765</u>

14. EMPLOYEE BENEFIT OBLIGATIONS

The Company has retirement benefits plan in accordance with Labour Protection Act, which is the unfunded defined benefit plans.

Expense recognized in the statement of profit or loss and other comprehensive income for the years ended December 31, are as follows:

	2019	Unit : Baht 2018
Current service cost	210,623	354,978
Interest cost	21,783	24,251
Past service cost	37,898	-
	<u>270,304</u>	<u>379,229</u>

Movements in the present value of the employee benefit obligations for the years ended December 31, are as follows:

	2019	Unit : Baht 2018
Employee benefit obligations brought forward	753,729	792,507
Included in profit or loss:		
Current service cost	210,623	354,978
Interest cost	21,783	24,251
Past service cost	37,898	-
Actuarial (gain) loss arising from		
Financial assumptions changes	129,921	10,208
Demographic assumptions changes	89,231	(223,998)
Experience adjustments	185,010	(184,217)
Benefits paid during the year	<u>(115,000)</u>	<u>(20,000)</u>
Employee benefit obligations carried forward	<u>1,313,195</u>	<u>753,729</u>

The Labor Protection Act (No. 7) B.E. 2562 has been announced in the Royal Gazette on April 5, 2019, which will be effective after 30 days from the date announced in Royal Gazette. This Labor Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than 400 days at the employees' latest wage rate. This change is considered an amendment to post-employment benefits plan. The Company will reflect the effect of such change by recognizing past service cost as an expense in the statement of profit or loss and other comprehensive income of the period in which the law is effective.

The principal assumptions used for the purpose of the actuarial valuations for calculation of defined benefit obligations as at December 31, 2019 and 2018 are as follows:

	2019	2018
Retirement age	60 years	60 years
Mortality rate	Thai Mortality Table 2017	Thai Mortality Table 2017
Personnel turnover rate	15% - 30% p.a.	15% - 40% p.a.
Discount rate	1.72% p.a.	2.85% p.a.
Expected salary incremental rate	2% - 5% p.a.	1% - 5% p.a.

Significant actuarial assumptions for the determination of the defined benefit obligations are expected salary incremental rate, personnel turnover rate and discount rate. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumption occurring, while holding all other assumptions constant which reflects increasing (decreasing) in the obligations if the assumptions change by 1% as at December 31, are as follows:

	2019	Unit : Baht 2018
Salary incremental rate - 1% increase	103,461	48,549
Salary incremental rate - 1% decrease	(87,502)	(44,046)
Personnel turnover rate - 1% increase	(116,345)	(60,153)
Personnel turnover rate - 1% decrease	138,888	67,581
Discount rate - 1% increase	(96,742)	(49,163)
Discount rate - 1% decrease	116,025	55,081

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of the report period, which is the same as that applied in calculating the post-employment benefit obligations liability recognized in the statement of financial position.

15. OTHER LIABILITIES

Other liabilities as at December 31, consisted of the following:

	2019	Unit : Baht 2018
Commissions and brokerages payables	9,533,959	8,164,490
Other accrued expenses	18,010,695	15,413,311
Premium received in advance	4,249,240	2,930,050
Others	2,878,312	2,472,001
Total other liabilities	<u>34,672,206</u>	<u>28,979,852</u>

16. FINANCIAL INFORMATION BY SEGMENT

The business segment results are prepared based on the Management of the Company. The operating results by business segment provided to Chief Operating Decision Maker to make decisions about allocating resources to, and assessing the performance of, operating segments is measured in accordance with Thai Financial Reporting Standard.

The Company's operation is non-life insurance which is only operated and managed in a single geographic area, namely in Thailand. Therefore, no operational and geographical segment information is presented.

For the years end December 31, 2019 and 2018, there are no underwriting income with a single external customer contributed 10% or more to the Company's total revenue.

17. OPERATING EXPENSE

Operating expense for the years ended December 31, consisted of the following:

	2019	Unit : Baht 2018
Employee expenses	41,499,271	36,761,627
Rental of equipment, building and service expenses	4,884,858	4,843,727
Tax and duties	171,097	131,807
Depreciation and amortization expenses	1,822,585	2,521,737
Doubtful debt expenses	182,335	(204,537)
Profession fees	3,060,000	3,000,000
Other operating expenses	26,602,742	22,621,233
Total Operating expenses	<u>78,222,888</u>	<u>69,675,594</u>

18. EXPENSE BY NATURE

Expense by nature for the years ended December 31, consisted of the following:

	2019	Unit : Baht 2018
Employee expenses		
Salary and wages	42,278,799	37,618,963
Employee benefit expenses	209,632	228,328
Provident fund	1,021,933	836,290
Other benefits	1,056,152	733,074
Total employee expenses	<u>44,566,516</u>	<u>39,416,655</u>

19. PROVIDENT FUND

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees and the Company contribute to the fund monthly at the rate of 2 percent to 15 percent and 4 percent, respectively of basic salary, based on year of services of employees. The fund, which is managed by a license fund manager, approved by the Ministry of Finance will be paid to employees upon termination in accordance with the fund rules. For the years ended December 31, 2019 and 2018, the Company's contributions recorded as expenses in the statements of profit or loss and other comprehensive income were Baht 1.02 million and Baht 0.84 million, respectively.

20. INCOME TAX EXPENSES

The Company used tax rate of 20% for corporate income tax calculation for the years ended December 31, 2019 and 2018. Income tax expenses are calculated from net profit (loss) after deducting tax loss carry forward not over 5 previous accounting periods and adjusting non-taxable revenues and expenses under the Revenue Code. For the year ended December 31, 2019, the Company had no income tax to be paid due to net loss before income tax expenses as presented in the statements of profit or loss and other comprehensive income and for the years ended December 31, 2018, the Company had net profit but no income tax expense because the Company had tax loss carried forward which could be used as expense for tax purpose in the calculation of corporate income tax.

Reconciliation of effective tax rate for the year ended December 31, 2019 are as follows:

	Rate (%)	2019	Unit : Baht 2018
Profit(loss) before tax expense		(16,622,073)	5,696,101
Income tax using the Thai corporation tax rate	20	-	1,139,220
Current year losses for which no deferred tax asset was recognized		-	(1,157,181)
Non deduction expenditure - net		-	17,961
Total		-	-

Deferred tax assets that have not been recognized in the financial statements as at December 31, are as follows:

	2019	Unit : Baht 2018
Losses carry forward	55,320,912	73,294,893
Others	6,276,170	2,355,247
Total	<u>61,597,082</u>	<u>75,650,140</u>

As at December 31, 2018, the Company has not recognized temporary difference as deferred tax assets in respect of loss carry forward expired in 2019 - 2023 and no maturity temporary differences under current tax legalization recognized in respect of these items, because it is not probable that future taxable profit will be available against which the Company can utilize the benefits from them.

As at December 31, 2019, the Company have not recognized temporary difference as deferred tax assets in respect of loss carry forward expired in 2020 - 2024 and no maturity temporary differences under current tax legalization recognized in respect of these items, because it is not probable that future taxable profit will be available against which the Company can utilize the benefits from them.

21. BASIC EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share for the years ended December 31, were as follows:

	2019	2018
Net profit (loss) (Baht)	(16,622,073)	5,696,101
Weight average number of share capital (share)	20,000,000	20,000,000
Basic earnings (loss) per share (Baht)	<u>(0.83)</u>	<u>0.28</u>

22. TRANSACTIONS WITH RELATED PARTIES

A portion of the Company's assets, liabilities, revenues and expenses arose from transactions with related parties. The relationship may be by shareholding or the companies may have the same group of shareholders or directors. The Company's management believes that the Company has no significant influence over the related parties. The accompanying financial statements reflect the effects of these transactions determined on the basis of commitments and conditions as in the normal course of business. Transactions with the related parties are mainly as follows:

The relationships between the Company and its related parties are summarized below:

Companies	Relationship	Type of Business
Med-Sure Services Limited	Major shareholder	Medical services
Legal Concept Company Limited	Related company	Legal services

Significant balances with related parties as at December 31, are as follows:

	2019	Unit :Baht 2018
Underwriting and loss adjustment payable Major shareholder	4,913,054	4,129,782

Significant transactions with related parties for the years ended December 31, are as follows:

	2019	Unit :Baht 2018
Rental and service income		
Major shareholder	3,520,000	3,360,000
Underwriting and loss adjustment expense		
Major shareholder	32,525,512	29,684,745
Legal consulting fee		
Related company	46,660	55,380

The Company paid underwriting and loss adjustment expense as specified in the agreement made between the Company and such related company. The commission rates were in compliance with the Office of Insurance Commission criteria and the same basis of the commission rate that the Company has offered to other companies.

The Company has service agreements with related companies for a term of 3 years. Service fee and conditions are contractually agreed prices.

The Company has legal consulting agreement with the related company. Legal consulting fee and conditions are contractually agreed prices.

23. DIRECTORS AND KEY MANAGEMENT PERSONNEL'S REMUNERATION

During the years ended December 31, 2019 and 2018, the Company had salaries, bonuses, directors allowances and other benefits of its directors and key management personnel recognized as expenses as follows:

	2019	Unit :Baht 2018
Directors and key managements personnel's remuneration		
Short-term benefits	16,626,736	13,829,887
Directors remuneration	225,000	450,000
Post-employment benefits	322,445	308,434
Total directors and key managements personnel's remuneration	<u>17,174,181</u>	<u>14,588,321</u>

24. SECURITIES PLEDGED AND ASSETS RESERVED WITH THE REGISTRAR

As at December 31, 2019 and 2018, certain investment in securities of the Company were deposited with the Registrar (see Note 8) in accordance with the Insurance Act and the Notification of the Office of Insurance Commission regarding "Rates, Rules and Procedures for pledge of unearned premium reserve of Non-Life Insurance Company B.E. 2557" as follows:

	2019	Unit :Baht 2018
Investment in securities used to secure the facilities collateral with the Office of Insurance Commission		
Securities pledged with the registrar		
Deposits at bank with maturity over 3 months	3,500,000	3,500,000
Assets reserved with the registrar		
Deposits at bank with maturity over 3 months	86,060,760	75,060,760
Total investment in securities of pledged	<u>89,560,760</u>	<u>78,560,760</u>

25. CONTRIBUTION TO NON-LIFE GUARANTEE FUND

As at December 31, 2019 and 2018, the Company has accumulated contribution amount which was paid into contribution to non-life guarantee fund amounting to Baht 1.09 million and Baht 0.89 million, respectively.

26. LONG-TERM LEASES AND SERVICE AGREEMENTS

Long-term leases and service agreements as at December 31, 2019 and 2018, consisted of the following:

Where the Company is the lessee

Type of lease	Unit :Baht		
	Remaining periods Within 1 year	Over 1 year to 5 years	Total rental payment for the remaining periods
As at December 31, 2019			
Rental building and service	2,925,074	2,569,972	5,495,046
	<u>2,925,074</u>	<u>2,569,972</u>	<u>5,495,046</u>
As at December 31, 2018			
Rental building and service	5,265,454	2,093,966	7,359,420
	<u>5,265,454</u>	<u>2,093,966</u>	<u>7,359,420</u>

For the years ended December 31, 2019 and 2018, the Company recorded the rental and service under operating agreements as expense in the statements of profit or loss and other comprehensive income amounting to Baht 6.22 million and Baht 5.31 million, respectively.

Where the Company is the lessor

Type of lease	Unit : Baht		
	Remaining periods Within 1 year	Over 1 year to 5 years	Total rental payment for the remaining periods
As at December 31, 2019			
Rental building and service - related party	7,200,000	3,680,000	10,880,000
	<u>7,200,000</u>	<u>3,680,000</u>	<u>10,880,000</u>
As at December 31, 2018			
Rental building and service - related party	2,240,000	-	2,240,000
	<u>2,240,000</u>	<u>-</u>	<u>2,240,000</u>

For the years ended December 31, 2019 and 2018, the Company recorded the rental and service - related party under operating agreements as income in the statements of profit or loss and other comprehensive income amounting to Baht 3.52 million and Baht 3.36 million, respectively.

27. INSURANCE AND FINANCIAL RISK MANAGEMENT

27.1 Insurance risk

27.1.1 Insurance risk management policy

Insurance risk may cause from mortality risk, mobility rate, persistency rate or actual expenses ratio which may differ from estimated expenses ratio which may cause negative impact to the Company operating results. The Company sets up product development team to create idea and develop product to meet target group's desirable and support the Company operating strategy under the Company risk management policy.

Moreover, the Company sets up clear underwriting policy standard for each product plan, age and gender. In underwriting process, the Company considers other factors or premium payment ability of the policyholder. The Company need to evaluate the adequacy of insurance contract liabilities and capital adequacy ratio (CAR) to meet and greater than the minimum level required by regulation to ensure that the Company is able to support the risks that may arise in the future.

27.1.2 Sensitivity analysis

The sensitivity analysis is performed on the net loss reserve and outstanding claims, based on changes in assumptions that may affect the level of liabilities. Effect of risk that changes in assumptions as at December 31, 2019 and 2018 is as follows:

Impact on general insurance liabilities to upward changes in key assumptions on gross and net insurance liabilities at 75% confidence level.

As at December 31, 2019	Change in Assumptions	Impact on Gross Liabilities	Impact on Net Liabilities	Impact on Profit Before Tax	Unit : Thousand Baht Impact on Equity
Ultimate loss ratio in latest accident year	+5% multiplicative	19,625	13,855	(13,855)	(11,084)
Unallocated loss adjustment expense ratio	+20% multiplicative	136	606	(606)	(485)
As at December 31, 2018	Change in Assumptions	Impact on Gross Liabilities	Impact on Net Liabilities	Impact on Profit Before Tax	Unit : Thousand Baht Impact on Equity
Ultimate loss ratio in latest accident year	+5% multiplicative	9,219	6,430	(6,430)	(5,144)
Unallocated loss adjustment expense ratio	+20% multiplicative	102	102	(102)	(81)

Impact on general insurance liabilities to downward changes in key assumptions on gross and net insurance liabilities at 75% confidence level.

As at December 31, 2019	Change in Assumptions	Impact on Gross Liabilities	Impact on Net Liabilities	Impact on Profit Before Tax	Unit : Thousand Baht Impact on Equity
Ultimate loss ratio in latest accident year	-5% multiplicative	(19,625)	(13,855)	13,855	11,084
Unallocated loss adjustment expense ratio	-20% multiplicative	(136)	(606)	606	485
As at December 31, 2018	Change in Assumptions	Impact on Gross Liabilities	Impact on Net Liabilities	Impact on Profit Before Tax	Unit : Thousand Baht Impact on Equity
Ultimate loss ratio in latest accident year	-5% multiplicative	(9,219)	(6,430)	6,430	5,144
Unallocated loss adjustment expense ratio	-20% multiplicative	(102)	(102)	102	81

27.1.3 Concentration of insurance risks

Concentration risk is a risk arising from the concentration of reinsuring to one company or concentrating on only one type of insurance in the large and inappropriate amount. The Company managed reinsurance to reduce the concentration risks, the process of selection of the reinsurance company is prioritized where the credit rating will be considered in order to get only quality reinsurance companies. Moreover, the importance of monitoring and assessing the financial stability and diversification of reinsurers are also taken into account.

27.2 Financial instrument risk

27.2.1 Accounting policies

Details of significant accounting policies and methods adopted, including criteria for recognition of revenues and expenses relating to financial assets and financial liabilities are disclosed in Note 3.

For the years ended December 31, 2019 and 2018, the Company has no policy to execute off balance sheet derivative on financial instruments for speculation or commercial purpose.

27.2.2 Liquidity risk

Liquidity risk is a risk arising from lack of ability to pay debt or perform other obligations when such debts or obligations are due.

The Company manages, controls and monitors the liquidity ratio closely to provide sufficient supporting the debt arising from the insurance contract and demanding the money in each time interval. The Company's financial assets mainly comprise cash and deposit at financial institutions which is highly liquid.

27.2.3 Credit risk

Concentrations of the credit risk with respect to premium receivable are insignificant because the Company's customers diverse across different industries and geographic regions in Thailand. The maximum exposure to credit risk is limited to the carrying value of such premium receivable after deduction of allowance for doubtful debts as stated in the statements of financial position.

27.2.4 Interest rate risk

Interest rate risk arises from changes in interest rates which affect the interest income from investments. The Company's investments are include short-term investments with fixed interest rates. The Company manages the risk by considering the risk of investments together with appropriateness of return on such investments.

27.2.5 Fair value measurements

Considerable judgment is necessarily required in estimation of fair value of financial assets or financial liabilities. Accordingly, the estimated fair value presented herein is not necessarily indicative of the amount that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The following methods and assumptions were used by the Company in estimating fair values of financial instruments.

Financial assets or financial liabilities not measured at fair value

Cash and cash equivalents, Premium receivable, Accrued investment income, Reinsurance assets, Amount due from reinsurers, Other assets, Held-to-maturity securities, Amount due to reinsurers and Other liabilities; the fair values approximate their carrying values due to the relatively short period to maturity.

27.2.6 Capital management

The Company's objective in managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

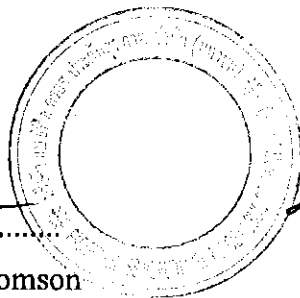
Monitoring the capital level of the Company to be comply with the requirement under the Notifications of the Office of Insurance Commission is conducted.

As at December 31, 2019 and 2018, the Company maintains capital level in compliance with such requirement.

28. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved for issuance by the Company's authorized executive director on April 23, 2020.

.....
Mr.Thomas Prentice Thomson



.....
Mr.Thanachat Kaewjaipetch

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