

Annual Report

2020



Protecting biodiversity  
for sustainable future



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# Key Figures 2020

03 | MSIG Insurance (Thailand) Public Company Limited



Over  
**100+** years  
operating in Thailand

**800+**  
Staff



**4,055**  
million Baht GWP

**14** Branches  
and Claims  
Service Center



**Strong Financial Credit Rating MS&AD Group**

As at 23<sup>rd</sup> September 2020

MSIG Insurance (Thailand) Public Company Limited a member of **MS&AD** is a company in the world's leading non-life insurance group

Japan Credit Rating  
Agency (JCR)

**AA+**

Mitsui Sumitomo Insurance  
Aioi Nissay Dowa Insurance

(Long-Term Issuer Credit Rating)

Moody's Japan

**A1**

Mitsui Sumitomo Insurance  
Aioi Nissay Dowa Insurance  
(Financial Strength Rating)

Mitsui Sumitomo Insurance  
(Long-Term Issuer Credit Rating)

Rating and Investment  
Information (R&I)

**AA**

Mitsui Sumitomo Insurance  
Aioi Nissay Dowa Insurance  
(Issuer Rating)

Mitsui Sumitomo Aioi Life Insurance  
Mitsui Sumitomo Primary Life Insurance

(Insurance Claims Paying Ability)

A.M.Best

**A+**

Mitsui Sumitomo Insurance  
Aioi Nissay Dowa Insurance

(Financial Strength Rating)

Standard & Poor's  
Ratings Japan

**A+**

Mitsui Sumitomo Insurance  
Aioi Nissay Dowa Insurance  
Mitsui Sumitomo Aioi Life Insurance  
Mitsui Sumitomo Primary Life Insurance  
(Financial Strength Rating)

Mitsui Sumitomo Insurance  
Aioi Nissay Dowa Insurance  
(Long-Term Issuer Credit Rating)

website : <https://www.ms-ad-hd.com>



In early 2020, Coronavirus (COVID-19) began to spread around the world, including Thailand. The Thai government issued lockdown restrictions in many areas, including Bangkok between April and July 2020, to control the spread of the virus. However, the impact of the virus and the measures taken to control it have had a severe adverse impact on the economy, especially businesses related to tourism. Travel, both domestic and international, has been affected and there has been a decrease in trade and sea freight. Some customers delayed their decision to purchase insurance or cancelled their insurance policies, resulting in a drop in premiums for related insurance classes.

The Company earned Gross Written Premium of Baht 3,638 million in 2020, a decline of 10.3% from the previous year (2019). The lower premium was due to the impact of the COVID-19 pandemic situation. Although the pandemic situation had an adverse impact on the sales of various classes of business, there was the positive effect of a lower frequency of car accident claims due to the overall decrease in vehicle usage during the 4 months of the lockdown restrictions. The decline in the number of Motor claims helped the Company achieve an Underwriting Profit of Baht 188 million, which was better than Plan and significantly higher than 2019 (Baht 61 million).

MSIG (Thailand) had investment income and gains of Baht 58 million in the year, which was Baht 9 million lower than in 2019. This decrease was mainly due to the decline in the bond market yield rates in 2020.

The Company's Profit after Tax was Baht 204 million, a 62% increase over 2019. Earnings per share were Baht 143. Shareholder's Equity increased to Baht 1,710 million. The Capital Adequacy Ratio was 416%\*, four times higher than the required regulatory ratio (100%) and better than 2019 (330%). The Company therefore is in a strong financial position and has the capital funds to support business sustainability.



The Company continued to develop digital platforms to increase distribution channels to meet the needs of each customer segment and raise customer service standards while taking steps to reduce expenses. Recently, the Company launched an innovative Parametric Motor Insurance product, "Prakan Kubdee" (Good Driving Insurance), in collaboration with AIS Insurance Services, part of the AIS Telecom Group, using technology to calculate premiums based on the usage behavior of the insured driver. This project received good support and recognition from the Office of Insurance Commission ("OIC") under their Insurance Regulatory Sandbox. The project demonstrates the Company's potential to be a leader in digital insurance.

To increase its customer base, the Company has rapidly developed the online selling of its insurance products and promoted a "Ready-Made e-Commerce website platform" together with business partners. The Company's "Speedi" application has been enhanced to better respond to customer needs and has evolved into an online one-stop selling and services application. The Company has continued to develop its services, processes and digital platforms by utilizing new technology, such as Robotic Process Automation ("RPA"), Artificial Intelligence ("AI") and "Big Data Analytics" to further improve the speed and efficiency of systems.

Last year the general insurance industry was significantly affected by the COVID-19 pandemic. Despite the difficult circumstances caused by the pandemic, the Company was able to maintain

excellent standards of services for our customers, business partners and other stakeholders while helping to keep the Company's staff safe. These achievements, during such challenging times, is a testament to the preparedness and abilities of the management and employees as well as our IT systems which have been continually developed to help ensure the Company's operations proceed efficiently and effectively.

Our successes during the year were possible due to a good cooperative environment and the dedicated efforts of our employees and business partners. On behalf of the Company's Board of Directors, we would like to take this opportunity to sincerely thank everyone who contributed to the Company in 2020.

Yours faithfully,

Yours faithfully,



**Mr. Arnop Phorndhiti**

Chairman  
and Chairman of the Executive Committee



**Mr. Arnop Phorndhiti**  
Chairman  
and Chairman of the Executive  
Committee



**Mr. Alan John Wilson**  
Chairman of the Nomination  
and Remuneration Committee  
and Director



**Mr. Sanit Rangnoi**  
Chairman of the Audit  
Committee  
and Independent Director



**Mr. Dhevan Liauburindr**  
Director



**Mr. Kiyoshi Nakagawa**  
Director



**Mr. Boonchu Angchaisuksiri**  
Independent Director



**Mr. Rattapol Gitisakchaiyakul**  
Director



Name of Company : MSIG Insurance (Thailand) Public Company Limited.  
 Registration No. : 0107555000414  
 Head Office : 1908 MSIG Building, New Petchburi Road, Bangkok,  
 Huay Kwang, Bangkok 10310  
 Telephone : +66 2825 8888 Fax : +66 2318 8550 www.msig-thai.com  
 Type of Business : Insurance  
 Registered Capital : 1,426,662 Ordinary shares, in a total value of 142,666,200 Baht  
 Paid-up Capital : 1,426,662 Ordinary shares, in a total value of 142,666,200 Baht  
 Legal entity which MSIG holds share exceeding 10% : -None-

Declaration of Directors on a direct or indirect interest in any contract which is made by the Company during an accounting year  
 -None-

Declaration of holding of shares or debentures of the Company or an affiliated company (as at 31<sup>st</sup> December 2020)

Name of Directors	Number of Shares held as at 1 <sup>st</sup> January 2020	Number of Shares held as at 31 <sup>st</sup> December 2020	Change
1. Mr. Arnop Phorndhiti	6,133	6,133	-
2. Mr. Alan John Wilson	-	-	-
3. Mr. Sanit Rangnoi	-	-	-
4. Mr. Dhevan Liauburindr	-	-	-
5. Mr. Kiyoshi Nakagawa*	-	-	-
6. Mr. Boonchu Angchaisuksiri	-	-	-
7. Mr. Rattapol Gitisakchaiyakul	4,067	4,267	200

**Note :** \*Mr. Kiyoshi Nakagawa was appointed as the Company's director instead of Mr. Hideyuki Tanaka from 14 May 2020 according to the resolution of the Board of Directors meeting on 14 May 2020

# Our Management Team



**Mr. Rattapol Gitisakchaiyakul**  
Chief Executive Officer



**Mr. Surachai Rattayavisid**  
Senior Vice President,  
Underwriting



**Miss Suporn Raopitiwongkul**  
Senior Vice President,  
Finance and Accounts



**Miss Pawana Thaisuwan**  
Senior Vice President,  
Strategic Planning  
and ERM



**Miss Sathaporn Thaneerat**  
Senior Vice President,  
Information Technology



**Mr. Worapon Lopansri**  
Senior Vice President,  
Internal Audit



**Mrs. Lalita Suwanarat**  
Senior Vice President,  
Compliance & Legal



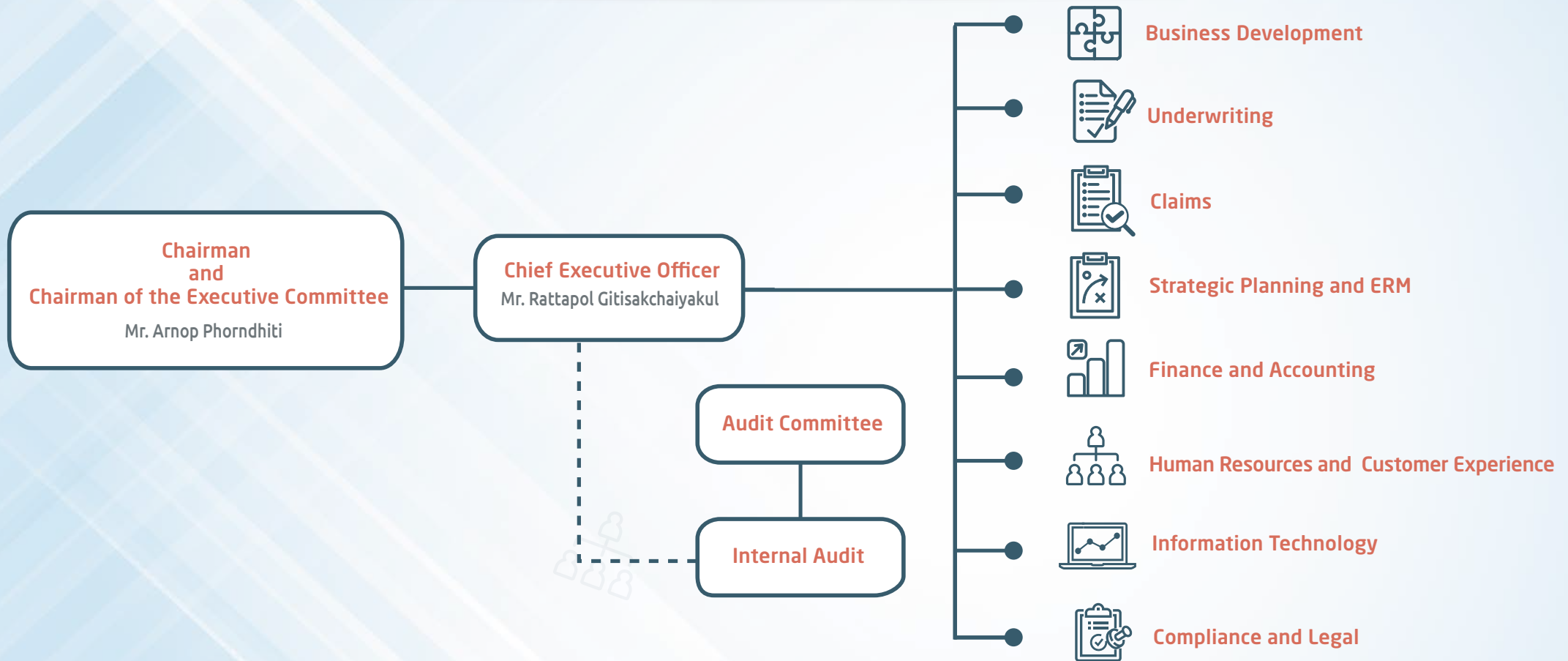
**Mr. Somkiat Sakulsuraekkapong**  
Senior Vice President,  
Human Resources  
and Customer Experience



**Miss Suppawan Nakapanant**  
Vice President, Claims  
(Motor & Non Motor)



# Organization Chart



## Achievements

- 
- **2014** : Consumer Protection Thailand Call Center Award
  - **2015** : Consumer Protection Thailand Call Center Award
  - **2016** : Prime Minister Insurance Award 2017 for Best Thailand Non-Life Insurer,
  - **2017** : Consumer Protection Thailand Call Center Award
  - **2019** : Happy Provident Fund Company Award
  - **2020** : Organization of the Year 2020 – in the Insurance Services and Social Contribution Category



**Mission :** To contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services business.



**Vision :** To create a world-leading insurance and financial services group that consistently pursues sustainable growth and enhances corporate value.

## Core Values



### Customer Focused

Striving to provide security and satisfaction to our customers.



### Integrity

Being sincere, kind, and fair in our dealings with people.



### Teamwork

Growing together as a team by respecting one another's individuality and opinions, and sharing knowledge and ideas.



### Innovation

Always improving the way we work while responding to stakeholders' interests.



### Professionalism

Providing high-quality services by constantly enhancing our skills and proficiency.



## Protecting biodiversity : The insurance for a sustainable future



Protecting biodiversity is essential to ensuring both people and nature thrive. In recognition of these urgent needs, we are partnering Conservation International Asia-Pacific (CIAP), a non-organization profit, by supporting conservation efforts both forests and oceans in the Asia-Pacific region and raising awareness about the value of biodiversity and nature.

This investment supports natural climate solutions. Nature provides 30% of the solution to mitigating climate change by helping to remove or avoid carbon emissions. This is not just for the future of the planet, but also for human well-being and the generations to come.

### What our partnership seeks to achieve

In this 3-year collaboration, we will provide support to a variety of biodiversity conservation efforts in Asia-Pacific which underpin the well-being of millions of people through the water, food, fuel, medicines, and climate regulation these ecosystems provide. Our partnership aims to contribute to the conservation of approximately 9,500 hectares of forest, equivalent to about 13,000 soccer fields, and 72,500 hectares of ocean, an area slightly larger than Singapore. We estimate that these efforts may help to remove or avoid around 4.7 million tons of carbon emissions, equivalent to taking approximately million cars off the road for a year. These goals are set in place so as to help insure the future of our planet with thriving ecosystems and sustainable societies, including our existence and well-being for the generations to come.



## How we're making a difference in Asia



**300,000**

trees planted in over 350 hectares of land



**185**

households trained in planting methods



**337**

students educated on Biodiversity and the environment



**97,057**

seedlings distributed to encourage planting



**165**

teachers trained in environmental education



**23**

additional bird species documented



**21,300**

baby mangroves planted



**22**

schools participated in environmental education



**9**

additional butterfly species documented

## Our initiatives and in partnership with across Asia

### Hong Kong

**Forest conservation and research** - botanical research to better understand species' adaptation and resilience against natural disasters and human impact.

### Vietnam

**Forest conservation and wildlife protection** - Pu Mat National Park and Cuc Phuong National Park.

### Thailand

**Forest conservation and wildlife protection** - Surviving Together Programme.

### Malaysia

**Wildlife research and mangrove conservation** - an other research and local community outreach in Kuala Selangor.

### Singapore

**Marine and mangrove research and conservation** - Pulau Ubin

### Indonesia

**Forest restoration and marine conservation** - The 'Green Wall' project, the Gunung Gede Pangrango National Park.



You can follow campaign Biodiversity our website



<https://www.msig-thai.com/th/biodiversity>



เพราะ“ขับดี”  
เบี้ยก็เลยถูก

\*รับประกันโดย



ขับไม่เหมือนกัน ทำไมต้องจ่ายเท่ากัน



ประกัน  
ขับดี

คิดเบี้ยตามพฤติกรรมขับจริง  
ประหยัดสูงสุด 50%



## Prakan Kubdee the latest innovation in auto insurance with premiums calculated daily, paid monthly

“Prakan Kubdee” is a new kind of motor insurance from MSIG Insurance and AIS Insurance Services. The premium payments are reasonable while you drive, and when you don't drive, you don't need to pay. Insurance premiums are calculated based on a driver's real driving behavior, with always up-to-date variables using big data analysis from the MSIG Car Informatics (or OBDII) system, a small device attached to the vehicle which can capture all the variables and driving behavior values, providing more information than with telematics, which captures only driving distance and times. The OBD II collects data efficiently and accurately calculates insurance premiums based on driving behavior and actual use. The concept applied is: **“People don't drive the same, so why should they pay the same?”**. The calculation is made using five key variables : **distance / speed / journey time / time of the day driven / area driven**. Prakan Kubdee has a basic annual premium for both Class 1 Insurance and Class 2+. Then from this base, insurance premiums are calculated daily based on driving behavior. We consolidate the daily premiums to charge a monthly premium, and premiums can be checked on the “Prakan Kubdee” application. Monthly payments can be conveniently made from a designated credit card. “Prakan Kubdee” is ideal for drivers who drives less or use their vehicle occasionally and for those with careful driving behavior and good discipline on the roads. Customers will also have access to **MSIG Roadside Assistance, a 24-hour free nationwide service**.



## Prakanpai Haichao Haihuang

**Prakanpai Haichao Haihuang** is a new innovative property insurance policy, developed by MSIG Insurance and Living Insider, the leading property tech company in Thailand. The product is designed to help solve problems with property losses between lessors and tenants. The policy will provide compensation for property losses for owners and ease concerns about following up on the recoveries due from tenants. Tenants can also benefit and live worry-free under the insurance provided. The policy provides property protection of up to 200,000 Baht for houses and condominiums from perils such as fire, water damage, lightning, explosion, flood, natural disasters and theft, as well as third party liability protection for both lessors and tenants. Also offered under the policy is additional coverage of up to 50,000 Baht for accidents causing damage to the lessor's assets such as bedding, decorative items, loose furniture and electrical appliances, the policy covers such damage on behalf of the tenant and the tenant will only be responsible for paying the deductible amount of 5,000 Baht, as per the policy conditions. In addition, 24-hour home emergency assistance or **MSIG Home Assistance (0 2305 8715)** can be utilized for free once per year up to a maximum amount of 1,000 Baht per service. The insured can choose services related to air conditioners, water supply systems, home electrical systems including problems with refrigerators, freezers and water heaters. Help with loss of keys or the removal of unwanted animals from the accommodation is also provided.



## Corporate Social Responsibility



## Corporate Social Responsibility 2520

The Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The general debate of the UN's 70th General Assembly (UNGA) welcomed the adoption of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), to enable countries to put them into practice and achieve sustainable development results in the economic, social and environment areas over a 15-year period (September 2015 - August 2030).



### The 17 Sustainable Development Goals (SDGs) are :

1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender equality
6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth
9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnerships for the goals

MS&AD Insurance Group has set MVV and accelerated initiatives based on sustainability goals in order to create shared values with society as well as to build a vigilant and sustainable society through various projects.

In 2020, MSIG Thailand organized various corporate social responsibility projects that supported the sustainability of society.

As a responsible employer MSIG Thailand has introduced many policies and activities to promote good health and well-being among employees of all ages. Activities throughout 2020 that we focused on to help ensure good health and well-being, included promoting a safer and more secure working environment:

1. Providing health insurance to employees with comprehensive coverage.
2. Arranging an annual health checkup at the company premises.
3. Providing nursing services for health advice during office hours.
4. Organizing employee benefits, e.g. sponsorship for sport activities to promote physical health.
5. Holding an annual fire evacuation and fire drill.
6. Arranging in-company blood donations (open also to neighboring offices).





Moreover, MSIG Thailand has received e-Certification for COVID-19 standard preventive measures from Department of Health, Ministry of Public Health under “THAI STOP COVID-19” campaign to guarantee that MSIG head office building is safe for both employees and visitors. In order to obtain the certificate, company must apply a standard COVID-19 prevention as follows.

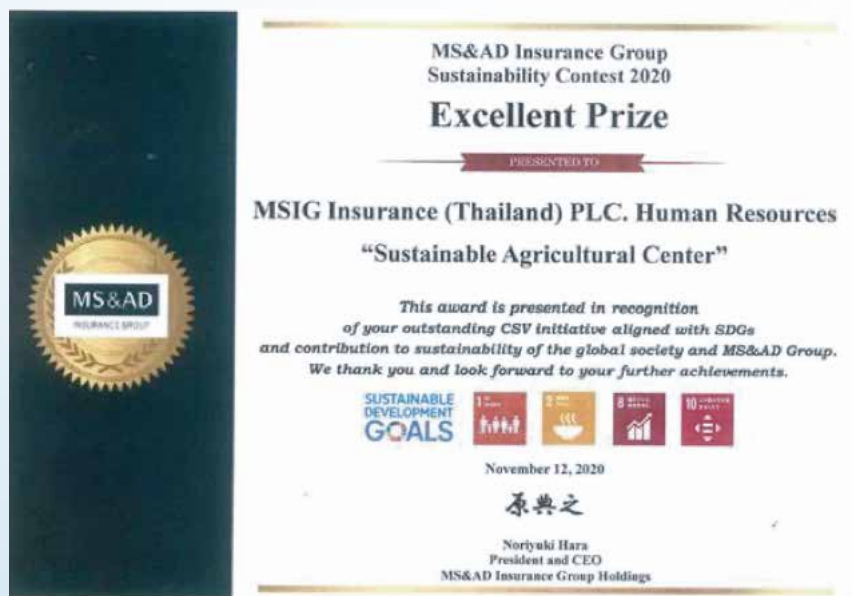
- Using posters to acquire understanding on New Normal practices, how to prevent themselves from COVID-19 and symptom observation to all staff.
- Install at least one non-contact thermometer for body temperature check at the entry gate.
- Providing soap or hand sanitizer and encourage everyone to wash their hands regularly.
- Install standard ventilation system which can purify both PM2.5 and virus inside the building.
- Re-arrange waiting space for customers in accordance with physical distancing practice i.e. keep the distance at least 1 meter by using marks.
- Providing video clip regarding COVID-19 and preventive measures to 844 staff then all staff took the online test to evaluate their understanding. The result was 100% Passed.





Since 2018, MSIG, in collaboration with 4 other organizations, has supported a Phayao disabled community by providing livelihood opportunities through the "Sustainable Agricultural Center" project. This effort has evolved in many phases, from small grassroots activities to a well-developed and coordinated program that doesn't just support farming but also acts as a learning center for farming, garnering attention and regular visits from related government bodies such as the subdistrict municipality and the provincial employment office. In 2018, the program's first year, MSIG sponsored the complete redevelopment of an unused, empty plot of land in Hong-Hin subdistrict into a fertile farming rice field, built farming facilities, and provided livestock in its first initiative that focused on farming native chickens, frogs and fish (as seen fit by agricultural experts). 2019 focused on farming cows, fish, and rice. 2020 focused on egg-laying hens and cows. Each year, MSIG provides

livestock, animal feed, machinery, fertilizer, land adjustment and expansion, infrastructure, and other farming facilities. Income generated from the produce has significantly improved the quality of life and mental health of those given this career opportunity, which extends to family members and the disabled community in the Hong-Hin subdistrict (who come to learn the disabled farming ways at the learning center), enabling a resilient and sustainable way of life for an underfunded community. For people with little to no income struggling in life, the program has provided new means and meaning to life once unimaginable. MSIG will continue investing in the program's agricultural roots by supporting the development of farm produce into high quality products and expand the scale based on capacity and network as a local social entrepreneurship stimulus program. This MSIG supported project is a good example of a creating shared value program in line with UN SDGs goals # 1,2,3,4,8,9,10 11, 12,15,16 and 17.



## MASK BANK CROWDFUNDING & DONATION CAMPAIGN



The Mask Bank Project is a fund-raising and donation project, whereby everyone can purchase an unlimited number of masks at 2.50 baht per piece for personal use and for donation to public health agencies, schools, and charities as requested by the buyers in the proportion 1: 1 (Buy 1: Donate 1 more) in order to provide an adequate supply of medical masks and create a caring, sharing society joining together to fight against the COVID-19 virus crisis.

### **Masks shortage situation and possible solutions:**

At MSIG Thailand, we have provided medical mask to our staff especially to all those who work outside office, i.e. Claims Staff, In-house Surveyors, Messengers and Security Guards. We think that it necessary for us have sufficient stock of medical mask for our staff and we have been pleased to also donate masks to support medical personnel and other key persons in the COVID19 crisis. We decided to participate in the MASK BANK CROWDFUNDING & DONATION CAMPAIGN, and purchased masks from the Mask Bank are being used for our own staff and to donate to public health organizations, hospitals, schools, and various charitable organizations, in the ratio of 1:1 (buy 1 piece for yourself, buy another to donate). To help alleviate the shortage of masks and promote a sharing society to fight the virus together in the first round, we ordered 8,000 medical masks, i.e. 4,000 pieces for our own stock and 4,000 pieces donated to hospitals, schools, and other needy organizations.

In recognition of the above-mentioned and other social activities, MSIG Thailand was named '**Organization of the Year 2020**' MSIG Thailand was conferred the prestigious award 'Organization of the Year 2020' – Insurance Services and Social Contribution Category by the One Million Dare for Goodness Project, organized by the Foundation for The Thai Society Foundation. The judges awarded MSIG Thailand for its various approaches to social responsibility commitment and initiatives for Thai society.



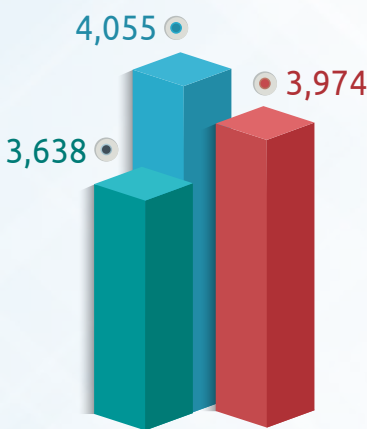


# Financial Highlights

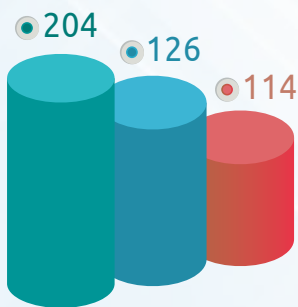




## Summary Financial Information (Million Baht)

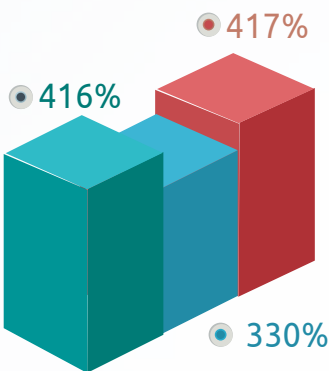


Gross Premium Written

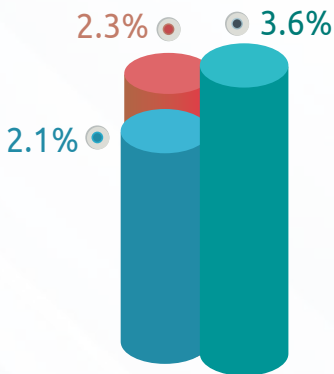


Net Profit

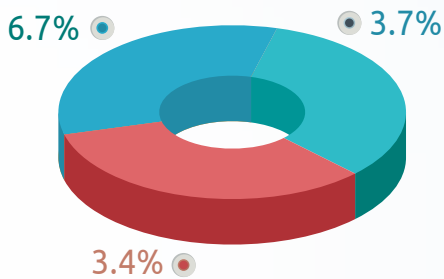
## Financial Ratio %



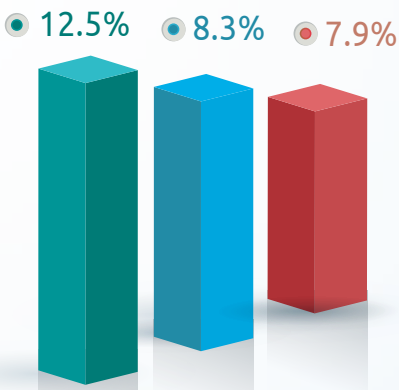
Capital Adequacy Ratio



Return on Total Assets (Average)



Net Profit on Net Premium Written



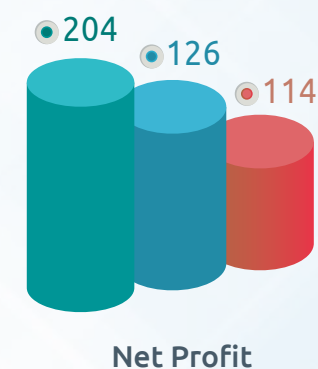
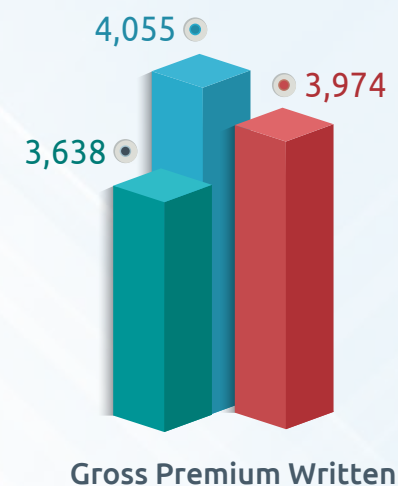
Return on Equity (Average)

\*Capital Adequacy Ratio Phase II commenced on 31 December 2019 onwards

# Summary Financial Information

31 December (Million Baht)

	2563	2562	2561
Gross Premium Written	3,638	4,055	3,974
Net Premium Written	3,052	3,424	3,352
Net Premium Earned	3,083	3,346	3,258
Underwriting Profit	188	61	91
Investment income and gains on investment	58	67	42
<b>Net Profit</b>	<b>204</b>	<b>126</b>	<b>114</b>
Insurance Contract Liabilities	2,990	2,942	3,118
Equity	1,710	1,566	1,461
<b>Total Liabilities</b>	<b>4,015</b>	<b>3,904</b>	<b>4,109</b>
<b>Total Assets</b>	<b>5,725</b>	<b>5,470</b>	<b>5,570</b>



## Financial Statements and Independent Auditor's Report



# **MSIG Insurance (Thailand) Public Company Limited**

Financial statements for the year ended  
31 December 2020  
and  
Independent Auditor's Report



KPMG Phoomchai Audit Ltd.  
50<sup>th</sup> Floor, Empire Tower  
1 South Sathorn Road, Yannawa  
Sathorn, Bangkok 10120, Thailand  
Tel +66 2677 2000  
Fax +66 2677 2222  
Website home.kpmg/th

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ชั้น 50 เอ็มไพร์ทาวเวอร์  
1 ถนนสาทรใต้ แขวงยานนาวา  
เขตสาทร กรุงเทพฯ 10120  
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เว็บไซต์ home.kpmg/th

## Independent Auditor's Report

### To the Shareholders of MSIG Insurance (Thailand) Public Company Limited

#### *Opinion*

I have audited the financial statements of MSIG Insurance (Thailand) Public Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

#### *Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). 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 issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report 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 will 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 identified above when it becomes available 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, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

### *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 TFRSs, 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 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, I exercise professional judgment 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.

A handwritten signature in blue ink, reading 'P. Gulsantithamrong'.

(Pantip Gulsantithamrong)  
Certified Public Accountant  
Registration No. 4208

KPMG Phoomchai Audit Ltd.  
Bangkok  
17 March 2021

# MSIG Insurance (Thailand) Public Company Limited

## Statement of financial position

Assets	Note	31 December	
		2020	2019
		<i>(in Baht)</i>	
Cash and cash equivalents	5, 27	212,807,604	233,814,239
Premiums due and uncollected	6, 31	744,012,473	757,041,752
Accrued investment income		10,356,345	9,886,731
Reinsurance assets	12, 24	417,451,553	340,114,362
Reinsurance receivables	7	60,584,689	157,841,000
Investments assets			
Investments in securities	8, 26, 27	3,049,094,511	2,790,740,046
Premises and equipment	9	260,183,026	273,542,805
Right-of-use-assets	10	16,281,857	-
Intangible assets	11	34,718,432	36,347,301
Deferred acquisition costs		535,335,013	535,379,193
Deferred tax assets	20	316,086,110	265,858,580
Other assets	24, 31	68,071,359	69,559,818
<b>Total assets</b>		<b>5,724,982,972</b>	<b>5,470,125,827</b>

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

# MSIG Insurance (Thailand) Public Company Limited

## Statement of financial position

Liabilities and equity	Note	31 December	
		2020	2019
		(in Baht)	
<b>Liabilities</b>			
Insurance contract liabilities	12	2,990,379,063	2,941,592,439
Reinsurance payables	13, 24	217,445,263	222,191,119
Income tax payable		72,750,970	41,989,425
Employee benefit obligations	14	285,470,638	272,262,431
Lease liabilities	10, 31	15,433,689	13,515,026
Other liabilities	15, 24, 31	434,000,087	412,943,506
<b>Total liabilities</b>		<b>4,015,479,710</b>	<b>3,904,493,946</b>
<b>Equity</b>			
Share capital			
Authorized share capital		142,666,200	142,666,200
(1,426,662 ordinary shares, par value at Baht 100 per share)			
Issued and paid-up share capital		142,666,200	142,666,200
(1,426,662 ordinary shares, par value at Baht 100 per share)			
Share premium on ordinary shares	16	146,068,797	146,068,797
Retained earnings			
Appropriated			
Legal reserve	17	14,266,620	14,266,620
Unappropriated		1,371,576,179	1,231,927,024
Other components of shareholders' equity	17	34,925,466	30,703,240
<b>Total equity</b>		<b>1,709,503,262</b>	<b>1,565,631,881</b>
<b>Total liabilities and equity</b>		<b>5,724,982,972</b>	<b>5,470,125,827</b>

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



# MSIG Insurance (Thailand) Public Company Limited

## Statement of comprehensive income

		For the year ended 31 December	
	Note	2020	2019
		(in Baht)	
<b>Revenues</b>			
Gross premiums written		3,638,367,145	4,054,693,259
Less premiums ceded	24	(586,019,911)	(630,993,151)
Net premiums written		3,052,347,234	3,423,700,108
Unearned premium reserve decreased (increased) from previous year		29,536,242	(107,025,626)
Less reinsurers' share of unearned premium reserve increased from previous year		1,229,909	29,386,674
Net premiums earned		3,083,113,385	3,346,061,156
Commission and brokerage income	24	145,663,836	184,963,547
Net investment income		47,013,706	55,245,432
Gain on investments		11,397,925	11,777,346
Other income	24	15,340,785	17,577,197
<b>Total revenues</b>		<b>3,302,529,637</b>	<b>3,615,624,678</b>
<b>Expenses</b>			
Insurance claims expenses	19	1,618,991,675	1,875,698,440
Less insurance claims expenses recovered from reinsurers	24	(207,960,293)	(142,778,800)
Net insurance claims expenses		1,411,031,382	1,732,919,640
Commission and brokerage expenses		544,159,405	604,278,941
Other underwriting expenses	19	542,176,778	597,014,252
Operating expenses	18, 19, 24	543,815,306	535,381,212
Other expenses		11,329,697	-
Expected credit loss	23	45,941	-
<b>Total expenses</b>		<b>3,052,558,509</b>	<b>3,469,594,045</b>
<b>Profit before income tax</b>		<b>249,971,128</b>	<b>146,030,633</b>
Income tax	20	45,967,853	20,431,960
<b>Net profit</b>		<b>204,003,275</b>	<b>125,598,673</b>
<b>Other comprehensive income</b>			
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>			
Gain on remeasurement of investment-fair value through other comprehensive income		5,084,870	50,248,206
Income tax relating to components of other comprehensive income that will be reclassified subsequently to profit or loss	20	(1,016,974)	(10,049,641)
<b>Total components of other comprehensive income that will be reclassified subsequently to profit or loss</b>		<b>4,067,896</b>	<b>40,198,565</b>
<i>Components of other comprehensive income that will not be reclassified to profit or loss</i>			
Actuarial gains		-	4,287,152
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss	20	-	(857,430)
<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>		<b>-</b>	<b>3,429,722</b>
<b>Other comprehensive income for the year, net of income tax</b>		<b>4,067,896</b>	<b>43,628,287</b>
<b>Total comprehensive income for the year</b>		<b>208,071,171</b>	<b>169,226,960</b>
<b>Basic earnings per share</b>	21	<b>142.99</b>	<b>88.04</b>

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

# MSIG Insurance (Thailand) Public Company Limited

## Statement of changes in equity

			Retained earnings		Other components of equity		
		Issued and paid-up share capital	Share premium on ordinary shares	Legal reserve	Unappropriated (in Baht)	Gain on investment measured at fair value through other comprehensive income	Total equity
<b>For the year ended 31 December 2019</b>							
<b>Balance at 1 January 2019</b>		<b>142,666,200</b>	<b>146,068,797</b>	<b>14,266,620</b>	<b>1,167,098,419</b>	<b>(9,495,325)</b>	<b>1,460,604,711</b>
<b>Transactions with shareholders, recorded directly in equity</b>							
<i>Distributions to shareholders of the Company</i>							
Dividends	22, 24	-	-	-	(64,199,790)	-	(64,199,790)
<i>Total distributions to shareholders of the Company</i>		-	-	-	(64,199,790)	-	(64,199,790)
<b>Comprehensive income for the year</b>							
Net profit		-	-	-	125,598,673	-	125,598,673
Other comprehensive income		-	-	-	3,429,722	40,198,565	43,628,287
<b>Total comprehensive income for the year</b>		-	-	-	<b>129,028,395</b>	<b>40,198,565</b>	<b>169,226,960</b>
<b>Balance at 31 December 2019</b>		<b>142,666,200</b>	<b>146,068,797</b>	<b>14,266,620</b>	<b>1,231,927,024</b>	<b>30,703,240</b>	<b>1,565,631,881</b>

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

# MSIG Insurance (Thailand) Public Company Limited

## Statement of changes in equity

			Retained earnings		Other components of equity		
	Note	Issued and paid-up share capital	Share premium on ordinary shares	Legal reserve	Unappropriated (in Baht)	Gain on investment measured at fair value through other comprehensive income	Total equity
<b>For the year ended 31 December 2020</b>							
<b>Balance at 31 December 2019, as previously reported</b>		<b>142,666,200</b>	<b>146,068,797</b>	<b>14,266,620</b>	<b>1,231,927,024</b>	<b>30,703,240</b>	<b>1,565,631,881</b>
Impact of change in accounting policies	3	-	-	-	(154,330)	154,330	-
<b>Balance at 1 January 2020, as restated</b>		<b>142,666,200</b>	<b>146,068,797</b>	<b>14,266,620</b>	<b>1,231,772,694</b>	<b>30,857,570</b>	<b>1,565,631,881</b>
<b>Transactions with shareholders, recorded directly in equity</b>							
<i>Distributions to shareholders of the Company</i>							
Dividends	22, 24	-	-	-	(64,199,790)	-	(64,199,790)
<i>Total distributions to shareholders of the Company</i>		-	-	-	(64,199,790)	-	(64,199,790)
<b>Comprehensive income for the year</b>							
Net profit		-	-	-	204,003,275	-	204,003,275
Other comprehensive income		-	-	-	-	4,067,896	4,067,896
<b>Total comprehensive income for the year</b>		-	-	-	<b>204,003,275</b>	<b>4,067,896</b>	<b>208,071,171</b>
<b>Balance at 31 December 2020</b>		<b>142,666,200</b>	<b>146,068,797</b>	<b>14,266,620</b>	<b>1,371,576,179</b>	<b>34,925,466</b>	<b>1,709,503,262</b>

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



# MSIG Insurance (Thailand) Public Company Limited

## Statement of cash flows

		For the year ended 31 December	
	Note	2020	2019
		(in Baht)	
<b>Cash flows from operating activities</b>			
Premium received	31	3,644,350,540	4,033,239,511
Cash paid to reinsurers		(207,180,720)	(178,139,585)
Interest received		44,505,651	52,516,660
Dividend received		3,409,977	4,301,727
Other income		6,619,156	15,331,303
Insurance claims expenses	31	(1,518,594,619)	(2,138,855,877)
Commission and brokerage expenses		(562,666,513)	(622,656,120)
Other underwriting expenses	31	(485,248,179)	(537,086,074)
Operating expenses	31	(533,984,945)	(545,723,201)
Income tax paid		(66,450,811)	(37,858,076)
Cash received - financial assets	31	2,988,758,465	3,245,951,998
Cash payment - financial assets	31	(3,232,047,612)	(3,264,670,344)
<b>Net cash flows provided by operating activities</b>		<b>81,470,390</b>	<b>26,351,922</b>
<b>Cash flows from investing activities</b>			
<b>Cash flows provided by</b>			
Proceeds from sale of equipment and vehicles		70,173	3,133,477
<b>Cash flows provided by investing activities</b>		<b>70,173</b>	<b>3,133,477</b>
<b>Cash flows used in</b>			
Purchase of building improvement and equipment		(21,968,276)	(25,415,906)
Purchase of intangible assets	31	(5,748,270)	(13,262,800)
<b>Cash flows used in investing activities</b>		<b>(27,716,546)</b>	<b>(38,678,706)</b>
<b>Net cash flows used in investing activities</b>		<b>(27,646,373)</b>	<b>(35,545,229)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities	31	(10,000,697)	(3,683,683)
Interest paid	31	(630,165)	(437,894)
Dividend paid	22, 24	(64,199,790)	(64,199,790)
<b>Net cash flows used in financing activities</b>		<b>(74,830,652)</b>	<b>(68,321,367)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(21,006,635)</b>	<b>(77,514,674)</b>
Cash and cash equivalents at 1 January		233,814,239	311,328,913
<b>Cash and cash equivalents at 31 December</b>	5	<b>212,807,604</b>	<b>233,814,239</b>

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

**MSIG Insurance (Thailand) Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issuance by the Company's Board of Directors on 17 March 2021.

**1 General information**

MSIG Insurance (Thailand) Public Company Limited, (the "Company"), is incorporated in Thailand. The Company's registered office at 1908 MSIG Building, New Petchburi Road, Bangkok, HuayKwang, Bangkok.

The ultimate parent company, MS&AD Insurance Group Holdings, Inc., and the Company's major shareholders, Mitsui Sumitomo Insurance Co., Ltd. are incorporated in Japan and Yardhimar Co., Ltd. which is incorporated in Thailand.

The principal business of the Company is the operation of non-life insurance.

**2 Basis of preparation of the financial statements**

**(a) Statement of compliance**

The financial statements are prepared in accordance with Thai Financial Reporting Standards ("TFRS") and guidelines promulgated by the Federation of Accounting Professions. In addition, the financial statements are prepared in accordance with the Notification of the Office of Insurance Commission regarding "Rules, Procedures, Conditions and Timing for the Preparation and Submission of the Financial Statements and Reporting of the Operations of Non-Life Insurance Companies" B.E. 2562 (No.2), dated 4 April 2019, which are effective for annual periods beginning on or after 1 January 2020.

The Company has initially applied Accounting Guideline - Financial instruments standards and disclosure for insurance entities, TAS 32 Financial Instruments: Presentation, and TFRS 16 Leases and disclosed impact from changes to significant accounting policies in note 3.

In addition, the Company has not early adopted a number of new and revised TFRS which are not yet effective for the current period in preparing these financial statements. The Company has assessed the potential initial impact on the financial statements of these new and revised TFRS that there will be no material impact on the financial statements in the period of initial application.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following items:

<i><b>Items</b></i>	<i><b>Measurement bases</b></i>
Investment measured at fair value through other comprehensive income	Fair value
Defined benefit liability	Present value of the defined benefit obligation as explained in Note 4 (k)

**MSIG Insurance (Thailand) Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**(c) Functional and presentation currency**

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand Baht in note to financial statements unless otherwise stated.

**(d) Use of judgements and estimates**

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of the Company's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

***Judgements, assumptions and estimation uncertainties***

Information about judgements, assumptions and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial statements is included in the following notes:

Note 8	Investment in securities
Note 12	Insurance contract liabilities
Note 14	Employee benefit obligations
Note 20	Income tax
Note 23	Expected credit loss
Note 25	Insurance and financial risk management
Note 30	Contingent liabilities

***Insurance contract liabilities***

Insurance contract liabilities consist of loss reserve, outstanding claims and unearned premium reserves. The carrying amount as at the reporting date is disclosed in Note 12.

***Process involved in determining assumptions of loss reserve and outstanding claims***

The Company determines the loss reserve and outstanding claims in accordance with the Company's claim experiences. The assumptions used in the estimation are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts to the extent that can be reasonably foreseen.

However, because of the uncertainty of a provision for insurance claims, it is likely that the final outcome could prove to be different from the estimated liability.

Provision is estimated at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses.

The Company uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims.

The Chain-ladder technique involves the analysis of historical claims development factors and the selection of estimated development factors based on the historical claims development pattern. The selected development factors are then applied to cumulative claims data for each accident year.



**MSIG Insurance (Thailand) Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

The Bornhuetter-Ferguson method estimates the ultimate loss using a combination of actual reported losses and an estimate of loss developments for future losses which are based on the expected losses and the selected loss development factors of each accident year. The two estimates are combined using a formula that gives weight to the experience-based estimate as time passes.

***Process involved in determining of premium reserves***

The Company determines the premium reserves based on the greater amount of unearned premium reserves less deferred acquisition costs and unexpired risk reserves which as of reporting date.

**3 Changes in accounting policies**

From 1 January 2020, the Company has initially applied Accounting Guideline: Financial Instruments and disclosure for insurance entities and TFRS 16. Impact of changes in accounting policies on shareholders' equity are as follows:

	Note	Retained earnings (in thousand Baht)	Other components of equity
At 31 December 2019 - as reported		1,231,928	30,703
<i>Increase (decrease) due to:</i>			
Adoption of Accounting Guideline: Financial Instruments and disclosure for insurance entities			
Classification of financial instruments	(a (1))	-	-
Impairment losses on financial assets	(a (2))	(193)	193
Related tax		39	(39)
Adoption of TFRS 16 - net of tax	(b)	-	-
<b>At 1 January 2020 - restated</b>		<b><u>1,231,774</u></b>	<b><u>30,857</u></b>

**(a) Accounting Guideline: Financial Instruments and Disclosure for insurance entities**

The Company has adopted Accounting Guideline for Financial instruments and Disclosure for insurance entities by adjusting the cumulative effects to retained earnings and other components of equity on 1 January 2020. Therefore, the Company did not adjust the information presented for 2019.

TFRS 4 Insurance Contracts (revised 2019), has allowed insurance entities that meet the conditions as laid down by TFRS 4, to use the deferral approach to TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures and continue to apply Accounting Guideline: Financial Instruments and Disclosure for insurance entities until TFRS 17 Insurance contract becomes effective.

The Company has met the condition as mentioned in TFRS 4 Insurance Contracts (revised 2019) and selected to apply Accounting Guideline for Financial Instruments and Disclosure for insurance Company.

Accounting Guideline: Financial Instruments and Disclosure for insurance entities is prepared using the principle of TFRS 9 Financial Instruments, TFRS 7 Financial Instruments: Disclosures and TAS 32 Financial Instruments: Presentation. The significant differences between Accounting Guideline: Financial Instruments and Disclosure for insurance entities and TFRS 9 are described below.

**MSIG Insurance (Thailand) Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

- Classification and measurement of financial assets : These are to be classified as trading securities, available-for-sale securities, held to maturity debt securities, and receivables and loans, with no requirement to take into account the assessment of the Company'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 and unit trust items are to be recognised in profit or loss.
- The embedded derivatives in financial assets that are hybrid contracts are to be separated from host contract if they meet all criteria for separation.
- The disclosure have some differences from TFRS 7.

Unit trust which is reclassified as financial liabilities under TAS 32 Financial Instruments: Presentation, the gain or loss on foreign exchange rate are to recognised in profit or loss.

The impact from the adoption Accounting Guideline: Financial Instruments and disclosure for insurance entities as follows:

*(1) Classification and measurement of financial assets and financial liabilities*

The following table shows measurement categories under previous standards and Accounting Guideline: Financial Instruments and disclosure for insurance entities, including reconciliation of the carrying amounts of each class of the Company's financial assets and financial liabilities as at 1 January 2020.

Classification under previous standards at 31 December 2019		Classification under Accounting Guideline: Financial Instruments and disclosure for insurance entities at 1 January 2020		
	Carrying amounts	Fair value through profit or loss (in thousand Baht)	Fair value through other comprehensive income	Amortised cost - net
General investments	2,067	-	2,067	-
Other debt instruments held to maturities	220,702	-	-	220,702
<b>Total</b>	<b>222,769</b>	<b>-</b>	<b>2,067</b>	<b>220,702</b>

*(2) Impairment - Financial assets*

Accounting Guideline :Financial Instruments and disclosure for insurance entities introduces forward-looking 'expected credit loss' (ECL) model whereas previously the Company estimates allowance for impairment account by analysing payment histories and future expectation of payment. Accounting Guideline :Financial Instruments and disclosure for insurance entities requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments measured at 'fair value through other comprehensive income' (FVOCI), lease receivables and loans. For investments in equity instruments or unit trusts measured at FVOCI, impairment is considered from objective evidence of impairment, including information about significant change in negative technology, marketing, economy and law environment, which securities issuers has operated, indicate that cost of investment in this equity will not be recovered. Significant or prolonged of investment's fair value which is lower than their cost, as objective evidence impairment.

**MSIG Insurance (Thailand) Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

The Company has determined that the application of Accounting Guideline :Financial Instruments and disclosure for insurance entities's impairment requirements at 1 January 2020 results in an additional allowance for impairment loss as follows:

	<i>(in thousand Baht)</i>
<b>Allowance for impairment losses at 31 December 2019</b>	
Allowance for impairment losses on investment in securities	170
<i>Additional impairment loss recognised at 1 January 2020 on:</i>	
- Cash and cash equivalents	-
- Debt instruments measured at amortised cost	-
- Debt instruments measured at FVOCI	193
<b>Allowance for impairment losses at 1 January 2020</b>	<b>363</b>

The Company has adopted to recognise the increase of impairment loss as an adjustment to retained earnings as at 1 January 2020.

**(b) TFRS 16 Leases**

From 1 January 2020, the Company has initially adopted TFRS 16 on contracts previously identified as leases according to TAS 17 Leases and TFRIC 4 Determining whether an arrangement contains a lease using the modified retrospective approach.

Previously, the Company, as a lessee, recognised payments made under operating leases and relevant lease incentives in profit or loss on a straight-line basis over the term of the lease. Under TFRS 16, the Company assesses whether a contract is, or contains, a lease. If a contract contains lease and non-lease components, the Company allocates the consideration in the contract based on stand-alone selling price (transaction price). As at 1 January 2020, the Company recognised right-of-use assets and lease liabilities, as a result, the nature of expenses related to those leases was changed because the Company recognised depreciation of right-of-use assets and interest expense on lease liabilities.

On transition, the Company also elected to use the following practical expedients:

- do not recognise right-of-use assets and lease liabilities for leases with less than 12 months of lease term;
- apply a single discount rate to a portfolio of leases with similar characteristics;

***Impact from the adoption of TFRS 16***

	<i>(in thousand Baht)</i>
<b><i>At 1 January 2020</i></b>	
Increase in Right-of-use assets	11,221
Increase in lease liabilities	11,221

***Measurement of lease liability***

Operating lease commitment as disclosed at 31 December 2019	28,103
Discounted using the incremental borrowing rate at 1 January 2020	11,221
Finance lease liabilities recognised as at 31 December 2019	13,515
Recognition exemption for short-term leases	-
Recognition exemption for leases of low-value assets	-
Extension and termination options reasonably certain to be exercised	-
Variable lease payments based on an index or a rate	-
Residual value guarantees	-
<b>Lease liabilities recognised at 1 January 2020</b>	<b>24,736</b>
Weighted-average incremental borrowing rate (% per annum)	<b>6.65%</b>



**MSIG Insurance (Thailand) Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**4 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for as disclosed in note 3 Changes in accounting policies.

**(a) Foreign currencies**

*Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at exchange rates at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss.

**(b) Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows comprise cash balances, call deposits and highly liquid short-term investments.

**(c) Classification of insurance contracts**

Insurance contracts are contracts under which the Company accepts significant insurance risk from another party by agreeing to compensate the policy holder or beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

**(d) Recognition and measurement of insurance contracts**

*Premiums due and uncollected*

Premiums due and uncollected are stated in the insurance policy value less allowance for doubtful accounts. Which is determined based on an analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

*Loss reserves and outstanding claims*

Loss reserves are taken up in the accounts upon receipt of claim advices from the insured, at the value appraised by an independent appraiser or the Company's appraiser, depending on the particular case. In addition, the Company set up a provision for losses incurred but not yet reported (IBNR) based upon estimates made by a qualified actuary.

*Premium reserves*

Premium reserves consist of unearned premium reserve and unexpired risks reserve.

**MSIG Insurance (Thailand) Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

*Unearned premium reserve*

Unearned premium reserve represent the portion of the net premium written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily average basis from net premium written (the one-three hundred sixty fifth basis).

*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 recognised in the financial statements to the extent that they exceed unearned premium reserve.

*Premium written and premium earned*

Premium written is recognised on insurance policy comes into effect and are presented gross of premium ceded and commissions and brokerage expenses.

Premium earned comprises of premium written during the year and change in unearned premium reserves and is recognised as revenue proportionally over the period of coverage.

*Commissions and brokerage expenses*

Acquisition costs which represent commission and other related expenses are deferred and recognised over the period in which the related premiums are earned.

*Claims and loss adjustment expenses*

Insurance claims and loss adjustment expenses consist of insurance claims and loss adjustment expenses of direct insurance and reinsurance, and include the amounts of insurance claims, related expenses, and loss adjustments of current loss reserves and brought forward period, less residual value and other recoveries (if any) and claims refundable from reinsurers.

Insurance claims and loss adjustment expenses of direct insurance are recognised upon the receipt of the claims advice from the insured and estimated loss incurred by the Company's claim department or external surveyors. The maximum value of claims estimated is not, however, to exceed the sum-insured under the relevant policy.

Insurance claims and loss adjustment expenses of reinsurance are recognised as expenses when the reinsurer places the loss advice or the statement of accounts with the Company.

*Reinsurance*

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

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Premium ceded, reinsurer's share of change in unearned premium reserve, fee and commission income and claims and loss adjustment expenses recovered from reinsurers are recognised as expense or income in accordance with the pattern of reinsurance service received when incurred.

An asset or liability is recognised in the statement of financial position representing reinsurance receivables, reinsurer's share of insurance contract liabilities and reinsurance payables. The net amount is presented in the statement financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Due to reinsurers and other payable are stated at cost.

*Liability adequacy test*

*Short-term insurance contracts*

The liability of the Company under short-term insurance contracts is tested for adequacy by comparing the best estimate of future contractual cash flows with the carrying amount of gross insurance contract provisions for unearned premiums and insurance claims on in force policies at the end of reporting period by using an actuarial method based on historical claims and expense. Where an expected shortfall is identified, additional provisions are made for unearned premiums or insurance claims and are recognized in profit or loss.

**(e) Financial instruments**

***Accounting policies applicable from 1 January 2020***

***(1) Recognition and initial measurement***

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset and financial liability are initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A financial asset and a financial liability measured at FVTPL are initially recognised at fair value.

***(2) Classification and subsequent measurement***

*Financial assets*

Financial assets that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost, less impairment losses. Acquisition cost and maturity amount of debt securities differences are amortised by effective interest method through the remaining life of the financial assets. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.



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Financial assets other than those securities held to maturity, are classified as investments measured at fair value through other comprehensive income, subsequent to their initial recognition, these investments are measured at fair value to other comprehensive income, with changes in fair value on investments recognised directly in equity, except impairment losses and monetary in foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of debt securities is calculated by referencing to the price quoted by Thai Bond Market Association at reporting date. For debt securities which are not listed on the Thai Bond Market Association, the fair value is calculated by referencing to the price quoted by a reliable institutions at the reporting date.

For equity securities and other securities which are listed, the fair value is estimated using the last bid price from the Stock Exchange of Thailand (SET) at reporting date. For unit trusts which are non-listed, fair value is estimated using net asset value at reporting date.

*Financial liabilities*

Financial liabilities are measured at amortised cost which subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*(3) Derecognition*

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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*(4) Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

*Accounting policies applicable before 1 January 2020*

*Investments in debt and equity securities*

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of debt securities is calculated by referencing to the price quoted by Thai Bond Market Association at reporting date. For debt securities which are not listed on the Thai Bond Market Association, the fair value is calculated by referencing to the price quoted by a reliable institutions at the reporting date.

For equity securities and other securities which are listed, the fair value is estimated using the last bid price from the Stock Exchange of Thailand (SET) at reporting date. For unit trusts which are non-listed, fair value is estimated using net asset value at reporting date

*Initial recognition*

The Company recognised and eliminated investments in these financial statements using the trade date method.

*Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

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**(f) Premises and equipment**

*Recognition and measurement*

*Owned assets*

Land is measured at cost less any impairment loss. Building and equipment are measured at cost less accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items (major components) of premises and equipment.

Any gains and losses on disposal of an item of premises and equipment are determined by comparing the proceeds from disposal with the carrying amount of premises and equipment, and are recognised in profit or loss.

*Subsequent costs*

The cost of replacing a part of an item of premises and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of premises and equipment are recognised in profit or loss as incurred.

*Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of premises and equipment. The estimated useful lives are as follows:

Buildings	50 years
Buildings improvement	3 - 20 years
Furniture, fixtures and equipment	1 - 10 years
Computer equipment	3 - 10 years
Vehicles	5 years

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.



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**(g) Lease**

***Accounting policies applicable from 1 January 2020***

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in TFRS 16.

*As a lessee*

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use asset is measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurements of lease liability. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in lease term, change in lease payments, change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of purchase, extension or termination options. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

*As a lessor*

When the Company acts as a lessor, it determines at lease inception whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

The Company recognises lease payments received under operating leases as rental income on a straight-line basis over the lease term as part of other income. Initial direct costs incurred in arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as rental income in the accounting period in which they are earned.

***Accounting policies applicable before 1 January 2020***

*As a lessee*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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*As a lessor*

*Operating lease*

Rental and service income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Contingent rentals are recognised as income in the accounting period in which they are earned.

**(h) Intangible assets**

*Computer software*

Computer software that is acquired by the Company and has a finite useful life is measured at cost less accumulated amortisation and accumulated impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

*Amortisation*

Amortisation is based on the cost of an asset, or other amount substituted for cost less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer software	1 - 10 years
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No amortisation is provided on intangible assets under installation.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(i) Impairment of financial assets**

***Accounting policies applicable from 1 January 2020***

*Equity instruments and unit trust which is classified as FVOCI*

Impairment loss is recognised when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists.

When a decline in the fair value of FVOCI financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

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*Debt instruments except for unit trust which is classified as FVOCI securities*

The Company recognises allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, and debt investments measured at FVOCI.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of a financial instrument.

The Company recognises ECLs equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition or credit-impaired financial assets, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Increased in loss allowance is recognised as an impairment loss in profit or loss. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the Company recognises an impairment loss in profit or loss with the corresponding entry in other comprehensive income.

*ECLs for investments in debt securities*

Probabilities of default (PD) and loss given default (LGD) for investment in debt securities are based on historical data supplied by rating agency for each credit rating.

The Company considers debt securities to have low credit risk when its credit rating is equivalent to the globally understood definition of 'investment grade' as equivalent to S&P BBB - grade at least.

The Company assumes that the credit risk on debt securities has increased significantly if it is significant deterioration in debt securities' credit rating.

The Company considers debt securities to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full; or
- the debt securities are more than 1 days past due.

The assessment of a significant increase in credit risk is performed on an individual basis.

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*Accounting policies applicable before 1 January 2020*

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverse a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial assets has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial assets previously recognised in profit or loss.

*Calculation of recoverable amount*

The recoverable amount of held-to-maturity securities carried at amortised costs is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

*Reversals of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

**(j) Impairment of non-financial assets**

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

*Calculation of recoverable amount*

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.



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*Reversal of impairment*

Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(k) Employee benefits**

The Company operates a number of employee benefit plans as follows:

*Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

*Defined benefit plans*

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Company determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*Other long-term employee benefits*

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

*Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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**(l) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(m) Measurement of fair value**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable movement date (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy as of the end of reporting period.

Further information about the methods made in measuring fair values is disclosed in note 25.

**(n) Revenue**

Revenue is recognised when a customer obtains control of service in an amount that reflects the consideration to which the Company expects to be entitled, excluding those amounts collected on behalf of third parties, value added tax and is after deduction of any trade discounts and volume rebates.

*Rendering of services*

Revenue for rendering of services is recognized over time as the services are provided. The related costs are recognized in profit or loss when they are incurred.

**(o) Investment income**

Investment income comprises dividend and interest income from investments and bank deposits. Dividend income is recognised in profit or loss on the date the Company's right to receive payments is established. Interest income is recognised in profit or loss as it accrues.

**(p) Expenses-operating expenses**

Operating expenses are recognised in the statement of comprehensive income as expenses on an accrual basis.

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**(q) Finance costs**

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition construction. Interest expenses or borrowing costs are recognized in profit or loss using the effective interest method.

**(r) Income tax**

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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(s) **Earnings per share**

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.

(t) **Related parties**

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Company; a person or entity that are under common control or under the same significant influence as the Company or the Company has direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

**5 Cash and cash equivalents**

	2020	2019
	<i>(in thousand Baht)</i>	
Cash on hand	330	472
Deposits at banks - call deposits	112,482	121,362
Highly liquid short - term investments	99,996	111,980
<b>Total</b>	<b>212,808</b>	<b>233,814</b>

**6 Premiums due and uncollected**

As at 31 December 2020 and 2019, the aging analyses for premiums due and uncollected were as follows:

	2020	2019
	<i>(in thousand Baht)</i>	
Within credit terms	627,140	633,833
Overdue:		
Not over than 30 days	53,502	64,485
31 - 60 days	31,247	25,993
61 - 90 days	14,204	12,457
91 days - 1 year	25,135	21,889
Over 1 year	-	213
Total	751,228	758,870
Less allowance doubtful accounts	(7,216)	(1,828)
<b>Net</b>	<b>744,012</b>	<b>757,042</b>

	2020	2019
	<i>(in thousand Baht)</i>	
Doubtful accounts (reversal) for the year ended 31 December	<b>5,388</b>	<b>(365)</b>

The normal credit term of insured, agents and brokers granted by the Company is not over 60 days.

For premiums due and uncollected from agents and brokers, the Company has established collection guidelines in accordance with the regulatory requirement for premium collection. For overdue premium receivables, the Company pursues legal proceedings against such agents and brokers.



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**7 Reinsurance receivables**

	2020 (in thousand Baht)	2019 (in thousand Baht)
Due from reinsurers	<b>60,585</b>	<b>157,841</b>

As at 31 December 2020 and 2019, the aging analyses for due from reinsurers were as follows:

	2020 (in thousand Baht)	2019 (in thousand Baht)
Within due	-	-
Over due:		
Less than 1 year	58,247	155,820
Within 1 - 2 years	1,150	1,994
Over 2 years	1,188	27
<b>Total</b>	<b>60,585</b>	<b>157,841</b>

**8 Investments in securities**

**8.1 Investment in securities by measurement are as follows:**

	2020		2019	
	Cost / Amortised cost	Fair value (in thousand Baht)	Cost / Amortised cost	Fair value
<i>Investment measured at fair value through other comprehensive income / Available-for-sale securities</i>				
Government and state				
enterprise debt securities	1,762,317	1,795,447	1,751,623	1,777,030
Private debt securities	622,845	635,883	606,967	622,040
Equity securities	219,177	221,738	136,506	138,582
Unit trust	86,800	81,320	34,500	30,319
Total	2,691,139	2,734,388	2,529,596	2,567,971
Add Unrealised gains	43,419	-	38,375	-
Less Allowance for impairment	(170)	-	-	-
<b>Total investment measured at fair value through other comprehensive income / available-for-sale securities</b>	<b>2,734,388</b>	<b>2,734,388</b>	<b>2,567,971</b>	<b>2,567,971</b>
Allowance for expected credit loss	239	-	-	-

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	2020		2019	
	Cost / Amortised cost	Fair value (in thousand Baht)	Cost / Amortised cost	Fair value
<b>Investment measured at amortised cost / Held-to-maturity securities</b>				
Deposits at banks with original maturities over 3 months	314,707	314,707	220,702	220,702
<b>Total investment measured at amortised cost / held-to-maturity securities</b>	<b>314,707</b>	<b>314,707</b>	<b>220,702</b>	<b>220,702</b>
<b>General investments</b>				
Equity securities	-		2,237	
Less allowance for impairment	-		(170)	
<b>Total general investments, net</b>	<b>-</b>		<b>2,067</b>	
<b>Total investment in securities</b>	<b>3,049,095</b>		<b>2,790,740</b>	

**8.2 Investment measured at fair value through other comprehensive income**

	2020	
	Fair value	Allowance for expected credit loss / impairment
	(in thousand Baht)	
Debt securities - no significant increase in credit risk (stage 1)	2,511,278	239
Debt securities - significant increase in credit risk (stage 2)	-	-
Debt securities - default / credit-impaired (stage 3)	1,372	-
Equity securities	221,738	170
<b>Total</b>	<b>2,734,388</b>	<b>409</b>

**8.3 Investment measured at amortised cost**

	2020		
	Book value	Loss allowance for ECL	Net book value
	(in thousand Baht)		
Debt securities - no significant increase in credit risk / performing (stage 1)	314,707	-	314,707
Debt securities - significant increase in credit risk / under - performing (stage 2)	-	-	-
Debt securities - Default / non- performing (stage 3)	-	-	-
<b>Total</b>	<b>314,707</b>	<b>-</b>	<b>314,707</b>

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### 8.4 Remaining period of debt securities

As at 31 December 2020 and 2019, investments in debt securities which were classified as investment measured at fair value through other comprehensive income and investment measured at amortised cost were classified by the remaining maturity as follows:

	2020 Maturities				2019 Maturities			
	1 year	Over 1 - 5 years	Over 5 years	Total	1 year	Over 1 - 5 years	Over 5 years	Total
	<i>(in thousand Baht)</i>							
<b>Debt securities measured at fair value through other comprehensive income / Available-for- sale debt securities</b>								
<i>Government and state enterprise debt securities</i>								
- Thai government bonds	74,409	1,053,365	603,143	1,730,917	395,831	995,101	353,503	1,744,435
- State enterprise bonds	-	5,500	25,900	31,400	-	7,188	-	7,188
Total	74,409	1,058,865	629,043	1,762,317	395,831	1,002,289	353,503	1,751,623
Add unrealised gains	692	22,584	9,854	33,130	1,597	18,923	4,887	25,407
<b>Total</b>	<b>75,101</b>	<b>1,081,449</b>	<b>638,897</b>	<b>1,795,447</b>	<b>397,428</b>	<b>1,021,212</b>	<b>358,390</b>	<b>1,777,030</b>
<i>Private debt securities</i>								
- Debentures	-	382,398	240,447	622,845	-	272,254	334,713	606,967
Total	-	382,398	240,447	622,845	-	272,254	334,713	606,967
Add unrealised gains	-	7,916	5,122	13,038	-	5,891	9,182	15,073
<b>Total</b>	<b>-</b>	<b>390,314</b>	<b>245,569</b>	<b>635,883</b>	<b>-</b>	<b>278,145</b>	<b>343,895</b>	<b>622,040</b>
<b>Total debt securities measured at fair value through other comprehensive income / available-for-sale debt securities</b>	<b>75,101</b>	<b>1,471,763</b>	<b>884,466</b>	<b>2,431,330</b>	<b>397,428</b>	<b>1,299,357</b>	<b>702,285</b>	<b>2,399,070</b>

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	2020 Maturities				2019 Maturities			
	1 year	Over 1 - 5 years	Over 5 years	Total (in thousand Baht)	1 year	Over 1 - 5 years	Over 5 years	Total
<b><i>Debt securities at amortised cost</i></b>								
Deposits at banks with original maturities over 3 months	314,707	-	-	314,707	220,702	-	-	220,702
<b>Total debt securities at amortised cost / held-to-maturity debt securities</b>	<b>314,707</b>	<b>-</b>	<b>-</b>	<b>314,707</b>	<b>220,702</b>	<b>-</b>	<b>-</b>	<b>220,702</b>
<b>Total investment in debt securities</b>	<b>389,808</b>	<b>1,471,763</b>	<b>884,466</b>	<b>2,746,037</b>	<b>618,130</b>	<b>1,299,357</b>	<b>702,285</b>	<b>2,619,772</b>

**8.5 Disclosure on fair value of debt securities for each class as follow**

<b>Classification of financial assets</b>	<b>Fair value as at 31 December 2020</b>	<b>Changes in fair value during the year</b>
Financial assets - the contractual cash flows from financial assets at the defined date are solely payment of principal and interest, excluding financial assets meet to definition of held for trading in accordance with Thai Financial Reporting Standards: TFRS 9 or the company is managed and whose performance is evaluated on a fair value basis.	<b>2,746,037</b>	<b>5,688</b>
Contractual cash flows from financial assets at the defined date are not solely payment of principal and interest.	<b>81,320</b>	<b>(1,299)</b>



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**9 Premises and equipment**

	Land	Buildings	Buildings improvement (in thousand Baht)	Furniture, fixtures and equipment	Vehicles	Total
<i><b>Cost</b></i>						
At 1 January 2019	119,074	218,765	80,491	292,080	12,795	723,205
Additions	-	-	2,957	13,789	8,670	25,416
Disposals	-	-	-	(5,533)	(6,367)	(11,900)
<b>At 31 December 2019 and 1 January 2020</b>	<b>119,074</b>	<b>218,765</b>	<b>83,448</b>	<b>300,336</b>	<b>15,098</b>	<b>736,721</b>
Additions	-	-	7,239	26,215	-	33,454
Disposals	-	-	(3,075)	(8,677)	(129)	(11,881)
Transfers	-	-	-	(3,400)	(8,670)	(12,070)
<b>At 31 December 2020</b>	<b>119,074</b>	<b>218,765</b>	<b>87,612</b>	<b>314,474</b>	<b>6,299</b>	<b>746,224</b>
<i><b>Accumulated depreciation</b></i>						
At 1 January 2019	-	194,542	26,390	211,217	7,546	439,695
Depreciation charge for the year	-	1,051	3,777	27,013	2,655	34,496
Disposals	-	-	-	(5,480)	(5,533)	(11,013)
<b>At 31 December 2019 and 1 January 2020</b>	<b>-</b>	<b>195,593</b>	<b>30,167</b>	<b>232,750</b>	<b>4,668</b>	<b>463,178</b>
Depreciation charge for the year	-	1,051	5,021	25,310	1,268	32,650
Disposals	-	-	(531)	(8,564)	(105)	(9,200)
Transfers	-	-	-	(425)	(162)	(587)
<b>At 31 December 2020</b>	<b>-</b>	<b>196,644</b>	<b>34,657</b>	<b>249,071</b>	<b>5,669</b>	<b>486,041</b>
<i><b>Net book value</b></i>						
<b>At 1 January 2019</b>	<b>119,074</b>	<b>24,223</b>	<b>54,101</b>	<b>80,863</b>	<b>5,249</b>	<b>283,510</b>
<b>At 31 December 2019 and 1 January 2020</b>	<b>119,074</b>	<b>23,172</b>	<b>53,281</b>	<b>67,586</b>	<b>10,430</b>	<b>273,543</b>
<b>At 31 December 2020</b>	<b>119,074</b>	<b>22,121</b>	<b>52,955</b>	<b>65,403</b>	<b>630</b>	<b>260,183</b>

The gross carrying amount of the Company's fully depreciated buildings and equipment that was still in use as at 31 December 2020 amounted to Baht 174 million (2019: Baht 176 million).

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**10 Leases**

*As a lessee*

	At 31 December 2020 (in thousand Baht)
<b><i>Right-of-use assets</i></b>	
Buildings	3,104
Equipment	2,408
Vehicles	10,770
<b>Total</b>	<b>16,282</b>

In 2020, additions to the right-of-use assets of the Company were Baht 0.6 million.

	For the year ended 31 December 2020 (in thousand Baht)
<b><i>Amounts recognised in profit or loss</i></b>	
Depreciation of right-of-use assets:	
- Buildings	2,887
- Equipment	567
- Vehicles	3,700
Interest on lease liabilities	630
Expenses relating to short-term leases	3,426

In 2020, total cash outflow for leases of the Company were Baht 10.6 million.

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**11 Intangible assets**

	Software licences (in thousand Baht)
<i><b>Cost</b></i>	
At 1 January 2019	61,891
Additions	13,263
<b>At 31 December 2019 and 1 January 2020</b>	<b>75,154</b>
Additions	8,248
Disposal	(131)
<b>At 31 December 2020</b>	<b>83,271</b>
<i><b>Amortisation and impairment losses</b></i>	
At 1 January 2019	32,101
Amortisation for the year	6,706
<b>At 31 December 2019 and 1 January 2020</b>	<b>38,807</b>
Amortisation for the year	9,877
Disposal	(131)
<b>At 31 December 2020</b>	<b>48,553</b>
<i><b>Net book value</b></i>	
<b>At 1 January 2019</b>	<b>29,790</b>
<b>At 31 December 2019 and 1 January 2020</b>	<b>36,347</b>
<b>At 31 December 2020</b>	<b>34,718</b>

The gross carrying amount of the Company's fully amortised intangible assets that still in use as at 31 December 2020 amounted to Baht 18 million (2019: Baht 17 million).

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**12 Insurance contract liabilities**

	2020			2019		
	Liabilities under insurance contracts	Reinsurers' share liabilities	Net <i>(in thousand Baht)</i>	Liabilities under insurance contracts	Reinsurers' share liabilities	Net
<b>Short-term technical reserves</b>						
Loss reserves and outstanding claims						
- Case reserves	881,455	(139,662)	741,793	847,121	(113,353)	733,768
- Incurred but not reported	174,375	(82,776)	91,599	130,386	(32,977)	97,409
Total loss reserves and outstanding claims	1,055,830	(222,438)	833,392	977,507	(146,330)	831,177
Unearned premium reserves	1,934,549	(195,014)	1,739,535	1,964,085	(193,784)	1,770,301
<b>Total</b>	<b>2,990,379</b>	<b>(417,452)</b>	<b>2,572,927</b>	<b>2,941,592</b>	<b>(340,114)</b>	<b>2,601,478</b>

**12.1 Loss reserves and outstanding claims**

At 1 January	977,507	(146,330)	831,177	1,261,316	(468,069)	793,247
Insurance claim expenses incurred during the year	1,442,624	(158,162)	1,284,462	1,725,449	(139,840)	1,585,609
Insurance claim expenses paid during the year	(1,408,290)	131,853	(1,276,437)	(2,028,315)	464,518	(1,563,797)
Change in estimation and assumption	43,989	(49,799)	(5,810)	19,057	(2,939)	16,118
<b>At 31 December</b>	<b>1,055,830</b>	<b>(222,438)</b>	<b>833,392</b>	<b>977,507</b>	<b>(146,330)</b>	<b>831,177</b>

**12.2 Unearned premium reserves**

At 1 January	1,964,085	(193,784)	1,770,301	1,857,060	(164,397)	1,692,663
Premium written during the year	3,638,367	(586,020)	3,052,347	4,054,693	(630,993)	3,423,700
Earned premium in the year	(3,667,903)	584,790	(3,083,113)	(3,947,668)	601,606	(3,346,062)
<b>At 31 December</b>	<b>1,934,549</b>	<b>(195,014)</b>	<b>1,739,535</b>	<b>1,964,085</b>	<b>(193,784)</b>	<b>1,770,301</b>



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**12.3 Loss development table**

12.3.1 Gross loss development triangle

**At 31 December 2020**

Accident year/ Accounting year	Prior and within 2015	2016	2017	2018	2019	2020	Total
				<i>(in thousand Baht)</i>			
Estimated loss reserve and outstanding claims							
At year ended		1,827,468	2,003,669	2,103,156	1,936,423	1,656,865	
Development year 1		1,831,510	1,950,548	1,996,699	1,867,272	-	
Development year 2		1,773,304	1,875,305	1,900,639	-	-	
Development year 3		1,768,852	1,877,678	-	-	-	
Development year 4		1,768,597	-	-	-	-	
Absolute estimated loss reserve and outstanding claim	195,534	1,768,597	1,877,678	1,900,639	1,867,272	1,656,865	9,266,585
Accumulative claims paid	(188,422)	(1,766,494)	(1,866,093)	(1,887,241)	(1,605,781)	(949,550)	(8,263,581)
<b>Total</b>	<b>7,112</b>	<b>2,103</b>	<b>11,585</b>	<b>13,398</b>	<b>261,491</b>	<b>707,315</b>	<b>1,003,004</b>
<b>Reconciliation</b>							
Unallocated loss adjustment expenses							52,826
<b>Total loss reserve and outstanding claims</b>							<b>1,055,830</b>

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**At 31 December 2019**

Accident year/ Accounting year	Prior and within 2014	2015	2016	2017 (in thousand Baht)	2018	2019	Total
Estimated loss reserve and outstanding claims							
At year ended		1,829,933	1,827,468	2,003,669	2,103,156	1,936,423	
Development year 1		1,817,478	1,831,510	1,950,548	1,996,699	-	
Development year 2		1,730,699	1,773,304	1,875,305	-	-	
Development year 3		1,726,235	1,768,852	-	-	-	
Development year 4		1,726,647	-	-	-	-	
Absolute estimated loss reserve and outstanding claim	389,906	1,726,647	1,768,852	1,875,305	1,996,699	1,936,423	9,693,832
Accumulative claims paid	(385,023)	(1,715,783)	(1,765,138)	(1,861,320)	(1,861,086)	(1,178,830)	(8,767,180)
<b>Total</b>	<b>4,883</b>	<b>10,864</b>	<b>3,714</b>	<b>13,985</b>	<b>135,613</b>	<b>757,593</b>	<b>926,652</b>
<b>Reconciliation</b>							
Unallocated loss adjustment expenses							50,855
<b>Total loss reserve and outstanding claims</b>							<b>977,507</b>

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12.3.2 Net loss development triangle

**At 31 December 2020**

Accident year/ Accounting year	Prior and within 2015	2016	2017	2018	2019	2020	Total
				<i>(in thousand Baht)</i>			
Estimated loss reserve and outstanding claims							
At year ended		1,689,699	1,715,205	1,626,174	1,690,775	1,460,487	
Development year 1		1,714,538	1,681,410	1,610,349	1,610,907	-	
Development year 2		1,659,222	1,611,631	1,520,312	-	-	
Development year 3		1,655,753	1,611,927	-	-	-	
Development year 4		1,655,458	-	-	-	-	
Absolute estimated loss reserve and outstanding claims	66,008	1,655,458	1,611,927	1,520,312	1,610,907	1,460,487	7,925,099
Accumulative claims paid	<u>(59,726)</u>	<u>(1,653,425)</u>	<u>(1,606,150)</u>	<u>(1,511,445)</u>	<u>(1,452,666)</u>	<u>(861,121)</u>	<u>(7,144,533)</u>
<b>Total</b>	<b><u>6,282</u></b>	<b><u>2,033</u></b>	<b><u>5,777</u></b>	<b><u>8,867</u></b>	<b><u>158,241</u></b>	<b><u>599,366</u></b>	<b><u>780,566</u></b>
<b>Reconciliation</b>							
Unallocated loss adjustment expenses							<u>52,826</u>
<b>Total loss reserve and outstanding claims, net</b>							<b><u>833,392</u></b>

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**At 31 December 2019**

Accident year/ Accounting year	Prior and within 2014	2015	2016	2017	2018	2019	Total
<i>(in thousand Baht)</i>							
Estimated loss reserve and outstanding claims							
At year ended		1,595,766	1,689,699	1,715,205	1,626,174	1,690,775	
Development year 1		1,603,770	1,714,538	1,681,410	1,610,349	-	
Development year 2		1,554,012	1,659,222	1,611,631	-	-	
Development year 3		1,551,691	1,655,753	-	-	-	
Development year 4		1,550,106	-	-	-	-	
Absolute estimated loss reserve and outstanding claims	66,372	1,550,106	1,655,753	1,611,631	1,610,349	1,690,775	8,184,986
Accumulative claims paid	(62,187)	(1,540,943)	(1,652,070)	(1,601,390)	(1,486,980)	(1,061,094)	(7,404,664)
<b>Total</b>	<b>4,185</b>	<b>9,163</b>	<b>3,683</b>	<b>10,241</b>	<b>123,369</b>	<b>629,681</b>	<b>780,322</b>
<b>Reconciliation</b>							
Unallocated loss adjustment expenses							50,855
<b>Total loss reserve and outstanding claims, net</b>							<b>831,177</b>

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**13 Reinsurance payables**

	2020	2019
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	83,790	72,933
Due to reinsurers	133,655	149,258
<b>Total</b>	<b>217,445</b>	<b>222,191</b>

**14 Employee benefit obligations**

*Post-employment benefits*

The Company operates a number of post-employment benefit plans including defined benefit plans. All defined benefit plans are unfunded. The Company has 3 defined benefit plans as follows:

*Plan A*

The retirement gratuity to staff employed by Commercial Union Assurance (Thailand) Company Limited prior to 15 July 1999. The employee benefits will be paid upon retirement or resignation.

*Plan B*

The post-employment benefit plan based on the requirement of the Thai Labor Protection Act B.E. 2541.

*Plan C*

Long service awards are given to eligible employees who complete 10 years of work, and subsequently every fifth year.

Present value of unfunded obligations as at 31 December 2020 and 2019 were as follows:

	2020	2019
	<i>(in thousand Baht)</i>	
<b>Defined benefit plans</b>		
- Post-employment benefits	276,509	263,637
- Other long-term employee benefits	8,962	8,625
<b>Total present value of unfunded obligations</b>	<b>285,471</b>	<b>272,262</b>

<i>Present value of the defined benefit obligations</i>	2020			2019		
	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total
	<i>(in thousand Baht)</i>					
<b>At 1 January</b>	<b>263,637</b>	<b>8,625</b>	<b>272,262</b>	<b>228,554</b>	<b>8,532</b>	<b>237,086</b>
<b>Include in profit or loss:</b>						
Current service cost	19,770	1,405	21,175	19,427	1,308	20,735
Interest on obligation	5,690	196	5,886	5,600	186	5,786
Past service cost	-	-	-	31,591	-	31,591
Paid during the year	(12,588)	(1,264)	(13,852)	(17,248)	(904)	(18,152)
Actuarial gain	-	-	-	-	(497)	(497)
<b>Total</b>	<b>276,509</b>	<b>8,962</b>	<b>285,471</b>	<b>267,924</b>	<b>8,625</b>	<b>276,549</b>



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<i>Present value of the defined benefit obligations</i>	Post-employment benefits	2020 Other long-term employee benefits	Total (in thousand Baht)	Post-employment benefits	2019 Other long-term employee benefits	Total
<b>Included in other comprehensive income:</b>						
Actuarial gain						
- Demographic assumptions	-	-	-	3,637	-	3,637
- Financial assumptions	-	-	-	(8,076)	-	(8,076)
- Experience adjustment	-	-	-	152	-	152
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,287)</b>	<b>-</b>	<b>(4,287)</b>
<b>At 31 December</b>	<b>276,509</b>	<b>8,962</b>	<b>285,471</b>	<b>263,637</b>	<b>8,625</b>	<b>272,262</b>

On 5 April 2019, the Labor Protection Act was amended to include a requirement that an employee, who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate. The Company has therefore amended its retirement plan in accordance with the changes in the Labor Protection Act in 2019. As a result of this change, the provision for retirement benefits as at 31 December 2019 as well as past service cost recognized during the year then ended in the financial statements increased by an amount of Baht 32 million.

***Principal actuarial assumptions***

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2020	2019
	(%)	
Discount rate	2.2 - 2.6	2.2 - 2.6
Future salary increase rate	4.0 - 6.0	4.0 - 6.0
Employee turnover rate	0.0 - 18.0	0.0 - 18.0

Assumptions regarding future mortality have been based on published statistics and mortality tables.

***Sensitivity analysis***

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

**(a) *Defined post - employment benefits obligation***

	Change in variable (%)	2020 Increase (decrease) in liabilities (in thousand Baht)	2019 Increase (decrease) in liabilities
Discount rate	+1	(15,319)	(15,515)
Discount rate	-1	17,162	17,318
Future salary	+1	29,468	26,560
Future salary	-1	(26,763)	(24,292)
Employee turnover rate	+10	(2,773)	(2,627)
Employee turnover rate	-10	2,951	2,799

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**(b) Defined other long-term employee benefits obligation**

	Change in variable (%)	2020 Increase (decrease) in liabilities (in thousand Baht)	2019 Increase (decrease) in liabilities
Discount rate	+1	(473)	(452)
Discount rate	-1	524	500
Employee turnover rate	+10	(273)	(255)
Employee turnover rate	-10	294	274

**15 Other liabilities**

	Note	2020 (in thousand Baht)	2019
Commission payables		115,660	125,400
Accrued expenses		242,725	212,142
Others	24	75,615	75,403
<b>Total</b>		<b>434,000</b>	<b>412,945</b>

**16 Share premium**

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

**17 Reserves**

Reserves comprise:

***Appropriations of profit and/or retained earnings***

***Legal reserve***

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

***Other components of equity***

***Investments measured at fair value through other comprehensive income***

The fair value changes account within equity comprises the cumulative net change in the fair value of investment at FVOCI until the investments are derecognised or impaired, net of deferred tax.

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**18 Operating expenses**

	2020	2019
	<i>(in thousand Baht)</i>	
Employee expense	318,020	332,096
Premises and equipment expense	88,634	76,933
Taxes and duties	867	(10,933)
Bad debt and doubtful account expense	6,126	(30)
Others	130,168	137,315
<b>Total</b>	<b>543,815</b>	<b>535,381</b>

**19 Employee benefit expenses**

	Note	2020	2019
		<i>(in thousand Baht)</i>	
Director's remuneration	24	3,602	3,223
Wages, salaries and bonuses	24	618,067	585,978
Post-employment benefits	14, 24	60,160	89,753
<b>Total</b>		<b>681,829</b>	<b>678,954</b>

The defined contribution plan comprises a provident fund established by the Company for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 5% to 15% of their basic salaries and by the Company at rates ranging from 5% to 15% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.

**20 Income tax**

***Income tax recognised in profit or loss***

	2020	2019
	<i>(in thousand Baht)</i>	
<b><i>Current tax expense</i></b>		
Current year	97,212	60,470
Over provided in prior year	-	(4,915)
<b><i>Deferred tax expense</i></b>		
Movements in temporary differences	(51,244)	(35,123)
<b>Total</b>	<b>45,968</b>	<b>20,432</b>

***Income tax recognised in other comprehensive income***

***Deferred tax expenses***

Gain on remeasurement of investments - fair value through other comprehensive income	(1,017)	(10,050)
Actuarial gains on defined employee benefit plan	-	(857)
<b>Total</b>	<b>(1,017)</b>	<b>(10,907)</b>

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***Reconciliation of effective tax rate***

	2020		2019	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax		249,971		146,032
Income tax using the Thai corporation tax rate	20.0	49,994	20.0	29,206
Over provided in prior year	-	-	(3.4)	(4,915)
Income not subject to tax	(0.1)	(264)	(0.3)	(369)
Addition deductible expense for tax purpose	(1.7)	(4,209)	(2.2)	(3,148)
Expenses not deductible for tax purposes	0.2	447	(0.2)	(342)
<b>Total</b>	<b>18.4</b>	<b>45,968</b>	<b>13.9</b>	<b>20,432</b>

***Deferred tax assets and liabilities***

	2020 (in thousand Baht)	2019 (in thousand Baht)
Deferred tax assets	329,406	278,227
Deferred tax liabilities	(13,320)	(12,368)
<b>Net</b>	<b>316,086</b>	<b>265,859</b>

Movements in deferred tax balance are as follows:

	At <sup>(1)</sup> 1 January 2020	(Charged) / credited to		At 31 December 2020
		Profit or loss	Other comprehensive income	
		(in thousand Baht)		
<b><i>Deferred tax assets</i></b>				
Allowance for doubtful accounts	735	1,097	-	1,832
Allowance for impairment loss on investment	34	-	-	34
Unearned premium reserve	80,164	23,555	-	103,719
Incurred but not reported loss reserves (IBNR)	19,482	(1,162)	-	18,320
Loss reserves	123,360	24,999	-	148,359
Employee benefit obligations	54,452	2,642	-	57,094
Expected credit loss	39	9	-	48
<b>Total</b>	<b>278,266</b>	<b>51,140</b>	<b>-</b>	<b>329,406</b>
<b><i>Deferred tax liabilities</i></b>				
Depreciation expense for buildings	4,634	(210)	-	4,424
Depreciation expense for financial lease	58	106	-	164
Gain on remeasurement of investments - fair value	7,676	-	1,008	8,684
Expected credit loss	39	-	9	48
<b>Total</b>	<b>12,407</b>	<b>(104)</b>	<b>1,017</b>	<b>13,320</b>
<b>Net</b>	<b>265,859</b>	<b>51,244</b>	<b>(1,017)</b>	<b>316,086</b>

<sup>(1)</sup>At 1 January 2020 included changes in accounting policies as disclosed in note 3

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	<b>At 1 January 2019</b>	<b>(Charged) / credited to</b>		<b>At 31 December 2019</b>
		<b>Profit or loss</b>	<b>Other comprehensive income</b>	
		<i>(in thousand Baht)</i>		
<b><i>Deferred tax assets</i></b>				
Allowance for doubtful accounts	900	(165)	-	735
Allowance for impairment loss on investment	34	-	-	34
Unearned premium reserve	70,391	9,773	-	80,164
Incurred but not reported loss reserves (IBNR)	16,258	3,224	-	19,482
Loss reserves	109,113	14,247	-	123,360
Employee benefit obligations	47,417	7,892	(857)	54,452
<b>Total</b>	<b>244,113</b>	<b>34,971</b>	<b>(857)</b>	<b>278,227</b>
<b><i>Deferred tax liabilities</i></b>				
Depreciation expense for buildings	4,844	(210)	-	4,634
Depreciation expense for financial lease	-	58	-	58
Gain (loss) on remeasurement of investments - fair value	(2,374)	-	10,050	7,676
<b>Total</b>	<b>2,470</b>	<b>(152)</b>	<b>10,050</b>	<b>12,368</b>
<b>Net</b>	<b>241,643</b>	<b>35,123</b>	<b>(10,907)</b>	<b>265,859</b>

**21 Basic earnings per share**

	2020	2019
	<i>(in thousand Baht/share)</i>	
<b><i>Profit attributable to ordinary shareholder for the year ended 31 December</i></b>		
Profit	204,003	125,600
Number of ordinary shares outstanding	1,426,662	1,426,662
<b>Basic earnings per share (in Baht)</b>	<b>142.99</b>	<b>88.04</b>

**22 Dividends**

The shareholders of the Company have approved dividends as follows:

Annual dividend	Approval date	Payment schedule	Dividends rate per share (Baht)	Amount (in million Baht)
2020	24 April 2020	May 2020	45	64
2019	23 April 2019	May 2019	45	64

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**23 Expected credit loss**

	2020 (in thousand Baht)
Investment in securities	
- Debt securities measured at fair value through other comprehensive income	46
<b>Total</b>	<b>46</b>

**24 Related parties**

Other related parties that the Company has significant transactions with during the year were as follows:

<b>Name of entities/Personnel</b>	<b>Country of Incorporation/ Nationality</b>	<b>Nature of relationships</b>
Key management personnel	Thais/ Foreigners	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including director (whether executive or otherwise) of the Company.
MS&AD Insurance Group Holdings, Inc.	Japan	Ultimate parent company
Mitsui Sumitomo Insurance Co., Ltd.	Japan	Major shareholder on 11 May 2020, 49% shareholding (31 December 2019: nil)
Yardhimar Co., Ltd.	Thailand	Major shareholder, 37% shareholding
MSIG Holdings (Asia) Pte. Ltd.	Singapore	The subsidiary company of the Ultimate parent company (31 December 2019: 49% shareholding)
Mitsui Sumitomo Insurance Co., Ltd. Thailand Branch	Thailand	The subsidiary company of the Ultimate parent company
MSIG Service and Adjusting (Thailand) Co., Ltd.	Thailand	The subsidiary company of the Ultimate parent company
MSIG Insurance (Singapore) Pte. Ltd.	Singapore	The subsidiary company of the Ultimate parent company
MSIG Insurance Malaysia Bhd.	Malaysia	The subsidiary company of the Ultimate parent company
MSIG Insurance (Hong Kong) Ltd.	Hong Kong	The subsidiary company of the Ultimate parent company
MS Amlin Underwriting Limited	United Kingdom	The subsidiary company of the Ultimate parent company
MS Amlin Asia Pacific Pte. Ltd.	Singapore	The subsidiary company of the Ultimate parent company
MS Amlin Insurance SE	United Kingdom	The subsidiary company of the Ultimate parent company
MS Frontier Reinsurance Limited, Kuala Lumpur Office	Malaysia	The subsidiary company of the Ultimate parent company
Amlin Bermuda Limited	Bermuda	The subsidiary company of the Ultimate parent company
MSIG Insurance (Vietnam) Co., Ltd.	Vietnam	The subsidiary company of the Ultimate parent company
MS First Capital Insurance Limited	Singapore	The subsidiary company of the Ultimate parent company



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The pricing policies for transactions with related parties are explained further below:

<b>Transactions</b>	<b>Pricing policies</b>
Premium ceded	Normal commercial terms for reinsurance depending on type of insurance and reinsurance contract
Commission and brokerage income	As stated in the agreement upon normal commercial terms for business operations
Service income	As stated in the agreement upon normal commercial terms for business operations
Insurance claims expenses recovered from (paid to) reinsurers	Actual indemnity but not exceed as stated in the agreement upon normal commercial terms for business operations
Marketing and management support services agreement fee	Actual cost

Significant transactions for the years ended 31 December with key management and related parties were summarised as follows:

<i><b>For the years ended 31 December</b></i>	<b>2020</b>	<b>2019</b>
	<i>(in thousand Baht)</i>	
<i><b>Revenues</b></i>		
<b>Other related parties</b>		
Commission and brokerage income	21,660	21,249
Service income	12,186	7,976
<i><b>Expenses</b></i>		
<b>Other related parties</b>		
Premiums ceded	96,871	99,787
Insurance claims expenses recovered from (paid to) reinsurers	41,155	(1,744)
Marketing and management support services agreement fee	29,542	37,294
<i><b>Key management and director compensation</b></i>		
Directors' remuneration	3,602	3,223
Short-term benefits	59,899	67,416
Post-employment benefit	9,610	10,596
<b>Total</b>	<b>73,111</b>	<b>81,235</b>
<i><b>Dividends</b></i>		
<b>Major shareholders</b>		
Dividend paid	55,481	55,481

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Significant balances as at 31 December 2020 and 2019 with related parties were as follows:

	2020	2019
	<i>(in thousand Baht)</i>	
<b>Reinsurance assets</b>		
<b>Reinsurance's share of liabilities</b>		
<b>Other related parties</b>		
Mitsui Sumitomo Insurance Co., Ltd.	45,925	32,604
MS Amlin Underwriting Limited	6,304	15,440
Amlin Bermuda Limited	912	1,033
MS First Capital Insurance Limited	2,094	414
MS Amlin Insurance SE	12,680	-
<b>Total</b>	<b>67,915</b>	<b>49,491</b>
<b>Other assets</b>		
<b>Other receivables</b>		
<b>Other related parties</b>		
Mitsui Sumitomo Insurance Co., Ltd. Thailand Branch	927	1,168
MSIG Insurance (Vietnam) Co., Ltd.	-	1,290
<b>Total</b>	<b>927</b>	<b>2,458</b>
<b>Reinsurance payable</b>		
<b>Due to reinsurers</b>		
<b>Other related parties</b>		
Mitsui Sumitomo Insurance Co., Ltd.	19,634	6,312
MS Amlin Underwriting Limited	(543)	5,700
Amlin Bermuda Limited	756	1,266
MS First Capital Insurance Limited	1,585	365
MS Amlin Insurance SE	12,965	-
<b>Total</b>	<b>34,397</b>	<b>13,643</b>
<b>Other liabilities</b>		
<b>Payables to related parties</b>		
<b>Other related parties</b>		
MSIG Holdings (Asia) Pte. Ltd.	1,946	4,703

## **25 Insurance and financial risk management**

### **25.1 Financial risk management policies**

The Company is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Company does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risk occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

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**25.2 Insurance risk**

Insurance risk is the risk of financial loss exposed to the Company arising from incidents happened to risks accepted by the Company. Without proper risk management, this could cause negative impact to the company.

Exposure to insurance risk varies by class of business, retention, reinsurance arrangement, and accumulation control for natural catastrophes.

The Company has established level governance of insurance risk management through various policies deployed to management and staff via strategic execution and operational controls in each area.

**25.2.1 Insurance Risk Management**

Insurance Risk Management shall include how the Company determines its risk appetite, risk acceptance/selection, establishment of underwriting manual/guideline, segregation of duties, appropriate underwriting authority delegation, accumulation/concentration control as well as risk transfer with sufficient protection through appropriate treaties structure. This is to ensure that in most circumstances of uncertainties, the company will remain sustainable.

**25.2.2 Underwriting strategy**

The Company sets out its underwriting strategy and direction in its annual business plan with an aim to drive the company to achieve its ultimate business objectives as well as to create a well balanced portfolio to mitigate risk of volatility. This includes determination of targeted classes of business, develops products and segments. The Company's underwriting strategy is conveyed to relevant staff, in particular those in business development, underwriting and claims who prepare their own operational departmental plans geared towards common goals.

**25.2.3 Reinsurance strategy**

The Reinsurance Strategy of the Company was established and annually reviewed under the Reinsurance Strategic Management approved by the Board of Directors and has been filed with the Office of Insurance commission. It is in line with MS&AD Group Reinsurance and Retention Policy, Regulations and Guidelines. It governs how the Company manages reinsurance, reinsurance broker selection, approved reinsurance securities, the level of reinsurance protection required as well as risk concentration controls and monitoring etc. The strategy is set out to support the corporate Underwriting Strategy as well as the Business Plan and proper measures are put in place to ensure appropriate and independent controls. Such controls include regular operational audits locally and technical auditing conducted by Review teams from the Regional office and/or Mitsui Sumitomo Insurance Co., Ltd.

**25.2.4 Risk Accumulation Control**

As part of our risk acceptance, the Company lays down regulations to control risk accumulation, in particular for those risks located in Industrial Estate, multi-tenancy risks and also accumulation exposure in relation to natural catastrophe perils. The controls include underwriting guidelines in relation to natural perils, training conducted for people with underwriting authorities, restricted authority granted for natural perils in particular for flood exposure, regular monitoring of exposure limits and risk block controls.

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### 25.3 Concentration of insurance risks

The concentration of gross insurance risk and net of reinsurance in relation to the types of insurance risk accepted by the Company is summarized below, with the carrying amount of insurance contracts liabilities;

	2020		2019	
	Gross of reinsurance	Net (in thousand Baht)	Gross of reinsurance	Net
<b>Loss reserves and outstanding claims</b>				
<i>Type of insurance</i>				
Fire	17,506	15,630	11,203	8,963
Marine	203,322	58,849	150,596	56,268
Motor	661,509	653,090	655,000	647,346
Miscellaneous	173,493	105,823	160,708	118,600
<b>Total</b>	<b>1,055,830</b>	<b>833,392</b>	<b>977,507</b>	<b>831,177</b>
<b>Unearned premium reserves</b>				
<i>Type of insurance</i>				
Fire	127,206	108,741	131,811	115,589
Marine	89,713	63,345	89,582	67,685
Motor	1,118,002	1,108,179	1,155,921	1,145,368
Miscellaneous	599,628	459,270	586,771	441,659
<b>Total</b>	<b>1,934,549</b>	<b>1,739,535</b>	<b>1,964,085</b>	<b>1,770,301</b>

#### 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. The assumption that has the greatest effect on the determination of loss reserve and outstanding claims is the expected loss ratio. The test was conducted based on a change level of -1% and +1% of the net of reinsurance recoveries.

	2020			2019	
	Change in variable (%)	Increase (decrease) in liabilities	Increase (decrease) in profit and equity (in thousand Baht)	Increase (decrease) in liabilities	Increase (decrease) in profit and equity
Net expected loss ratio	-1	(32,918)	32,918	(35,641)	35,641
Net expected loss ratio	+1	32,918	(32,918)	35,641	(35,641)

### 25.4 Capital management

The primary objectives of the Company's capital management are to ensure that it has an appropriate financial structure, preserves the ability to continue its business as a going concern and to maintain capital reserve in accordance with notifications of the Office of Insurance Commission. To maintain a strong capital fund base so as to maintain shareholders, policy holders, reinsurers and other stakeholders and to sustain future development of the business. The Board monitors the return on capital, which the Company defines as results from operating activities divided by total equity, and also monitors the level of dividends to ordinary shareholders.

In accordance with the requirements of the Office of Insurance Commission, all insurers are required to maintain a minimum at least 120% of capital adequacy requirement (CAR). It is the Company's policy to hold capital levels in excess of CAR.

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**25.5 Interest rate risk**

Interest rate risk is the risk that future movement in market interest rates which will affect the interest income from investments. The investments include both short-term and long-term investments that have fixed and floating interest rates. The Company has managed investment risk by considering the risk of investments together with the return on such investments.

As at 31 December 2020 and 2019 significant financial assets classified by type of interest rate are as follows:

	2020				2019			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
	<i>(in thousand Baht)</i>							
<b>Financial assets</b>								
Cash and cash equivalents	112,482	99,996	330	212,808	121,362	111,980	472	233,814
Investments in securities								
Government and state enterprise debt securities	-	1,795,447	-	1,795,447	81,362	1,695,668	-	1,777,030
Private debt securities	-	635,883	-	635,883	-	622,040	-	622,040
Equity securities	-	-	221,738	221,738	-	-	140,649	140,649
Unit trusts	-	-	81,320	81,320	-	-	30,319	30,319
Deposits at banks with original maturities over 3 months	-	314,707	-	314,707	-	220,702	-	220,702
<b>Total financial assets</b>	<b>112,482</b>	<b>2,846,033</b>	<b>303,388</b>	<b>3,261,903</b>	<b>202,724</b>	<b>2,650,390</b>	<b>171,440</b>	<b>3,024,554</b>

As at 31 December 2020 and 2019, the financial assets carrying interest at fixed rates are classified below, according to the period from the reporting date to the contractual repricing dates or to the maturity date (whichever dates are earlier):

	Maturity period				Average interest rate <i>(% per annum)</i>
	Within 1 year	Over 1 - 5 years <i>(in thousand Baht)</i>	Over 5 years	Total	
<i>2020</i>					
<i>Financial assets</i>					
Cash and cash equivalents	99,996	-	-	99,996	0.66
Investments in securities					
Government and state enterprise debt securities	75,100	1,081,450	638,897	1,795,447	1.48
Private debt securities	-	390,314	245,569	635,883	2.60
Deposit at banks with original maturities over than 3 months	314,707	-	-	314,707	1.59
<b>Total financial assets</b>	<b>489,803</b>	<b>1,471,764</b>	<b>884,466</b>	<b>2,846,033</b>	

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	Maturity period				Average interest rate (% per annum)
	Within 1 year	Over 1 - 5 years (in thousand Baht)	Over 5 years	Total	
<b>2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	111,980	-	-	111,980	1.52
Investments in securities					
Government and state enterprise debt securities	397,428	939,850	358,390	1,695,668	1.99
Private debt securities	-	278,145	343,895	622,040	2.96
Deposit at banks with original maturities over than 3 months	220,702	-	-	220,702	1.66
<b>Total financial assets</b>	<b>730,110</b>	<b>1,217,995</b>	<b>702,285</b>	<b>2,650,390</b>	

*Sensitivity analysis*

A reasonable possible change of interest rates as at 31 December 2020 would have affected the measurement of investment in debt securities measured at FVOCI and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	2020			
	Profit or loss + 25 basis point	Profit or loss - 25 basis point	Equity, net of tax + 25 basis point	Equity, net of tax - 25 basis point
			(in thousand Baht)	
Yield curve	-	-	(25,667)	25,944

**25.6 Foreign currency risk**

As at 31 December 2020 and 2019, the Company was exposed to foreign currency risk in respect of financial liabilities denominated in the following currency:

	Note	2020 Singapore Dollars (in thousand Baht)	2019 Singapore Dollars
<b>Liabilities denominated in the foreign currency</b>			
Payables to related parties	24	1,946	4,703
<b>Total</b>		<b>1,946</b>	<b>4,703</b>



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*Sensitivity analysis*

A reasonably possible strengthening (weakening) of the Singapore Dollars as at 31 December 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sale and purchases.

	2020			
	Profit or loss		Equity, net of tax	
	5% strengthening	5% weakening	5% strengthening	5% Weakening
	<i>(in thousand Baht)</i>			
Singapore Dollars	97	(97)	-	-

**25.7 Equity price risk**

*Sensitivity analysis - equity price risk*

A reasonably possible change of the stock market as at 31 December 2020 would have affected the valuation of investment in listed equity investments and affected equity and profit or loss by the amount shown below.

	2020			
	Profit or loss		Equity, net of tax	
	1% increase	1% decrease	1% increase	1% decrease
	<i>(in thousand Baht)</i>			
Stock Exchange of Thailand	-	-	2,490	(2,490)

**25.8 Credit risk**

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Company's customer base, Management does not anticipate material losses from its debt collection.

Concentrations of the credit risk with respect to loans, and premium due and uncollected are less significant since the borrowers and the insured are dispersed across different industries and geographic regions in Thailand.

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*Credit quality analysis*

The following table sets out information about the credit quality as at 31 December 2020 of debt securities measured at fair value through other comprehensive income and debt securities measured at amortised cost, based on TRIS and Fitch ratings (Excluded unit trust classified as FVOCI debt securities).

	31 December 2020 (in thousand Baht)			
	Stage 1	Stage 2	Stage 3	Total
<b>Investments measured at fair value</b>				
<b>through other comprehensive income</b>				
<b>Government debts securities</b>				
Non-rated	1,789,891	-	-	1,789,891
<b>State enterprise debt securities</b>				
Rated AAA	5,556	-	-	5,556
<b>Private debt securities</b>				
Rated AAA	60,332	-	-	60,332
Rated AA- to AA+	464,404	-	-	464,404
Rated A- to A+	111,147	-	-	111,147
Rated BBB and below	-	-	-	-
<b>Carrying amount</b>	<b>2,431,330</b>	<b>-</b>	<b>-</b>	<b>2,431,330</b>
Allowance for excepted credit loss	239	-	-	239
<b>Investments measured at amortised cost</b>				
<b>Deposits at banks with original maturities over 3 months</b>				
Rated AAA	64,002	-	-	64,002
Rated AA- to AA+	250,705	-	-	250,705
Rated A- to A	-	-	-	-
Rated BBB and below	-	-	-	-
<b>Carrying amount</b>	<b>314,707</b>	<b>-</b>	<b>-</b>	<b>314,707</b>
Less Allowance for excepted credit loss	-	-	-	-
<b>Net carrying amount</b>	<b>314,707</b>	<b>-</b>	<b>-</b>	<b>314,707</b>

**25.9 Liquidity risk**

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents and investment assets deemed adequate for operations and to mitigate the effects of fluctuations in cash flows.

The analysis of the expected maturity profile of loss reserves and outstanding claims, net of reinsurance are as follows;

	1 year	Over 1-5 years (in thousand Baht)	Total
<b>2020</b>			
<b>Insurance contract liabilities</b>			
Loss reserves and outstanding claims, net	747,464	85,928	833,392
<b>2019</b>			
<b>Insurance contract liabilities</b>			
Loss reserves and outstanding claims, net	755,649	75,528	831,177

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**25.10 Carrying amount and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities measured at fair value if the carrying amount is a reasonable approximation of fair value.

			Carrying amount			Fair value			
		Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost - net	Total	Level 1	Level 2	Level 3	Total
At 31 December 2020	Note								
					(in thousand Baht)				
Financial assets									
Investment in securities	8								
Government and state enterprise debt securities		-	1,795,447	-	1,795,447	-	1,795,447	-	1,795,447
Private debt securities		-	635,883	-	635,883	-	635,883	-	635,883
Equity securities		-	221,738	-	221,738	200,119	19,552	2,067	221,738
Unit trusts		-	81,320	-	81,320	-	81,320	-	81,320
Deposits at banks with original maturities over than 3 months		-	-	314,707	314,707	-	-	-	-
Total		-	2,734,388	314,707	3,049,095				

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	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in thousand Baht)</i>			
<b>31 December 2019</b>				
<b>Financial assets and financial liabilities measured at fair value</b>				
Government and state enterprise debt securities	-	1,777,030	-	1,777,030
Private debt securities	-	622,040	-	622,040
Equity securities	130,942	7,640	-	138,582
Unit trust	-	30,319	-	30,319
<b>Total</b>	<b>130,942</b>	<b>2,437,029</b>	<b>-</b>	<b>2,567,971</b>

**Financial instruments measured at fair value**

The Company determines Level 1 fair values of investment in market equity which are in SET 100 by using the last bidding at the reporting date.

The Company determines Level 2 fair values for debt securities measured at FVOCI by reference price provided by the Thai Bond Market Association, unit trusts using net asset value (NAV) provided by asset management companies at the reporting date. For market equity which are not in SET 100, the fair value is based on last bidding price from SET at the reporting date.

For Level 3 fair value, the Company management performed this judgement by cost approach and expected future dividend and cashflows.

***Transfer between Level 1 and 2 of the fair value hierarchy***

At 31 December 2020, the Company did not have equity securities measured at FVOCI that were transferred from Level 2 to Level 1 (2019: Baht 1.9 million) or from Level 1 to Level 2 (2019: nil).

**Financial instruments not measured at fair value**

The carrying amounts of the following financial assets and financial liabilities are considered to be approximate to their fair values: cash and cash equivalents, accrued investment income, premiums due and uncollected, reinsurance assets and receivables, other assets, insurance contract liabilities, reinsurance payable, claim payable and other liabilities.

The fair value of deposits at financial institutions which have remaining terms to maturity of less than 90 days and for those with remaining terms to maturity greater than 90 days, the fair value are based on carrying value.

**26 Securities and assets pledged with the Registrar**

- 26.1 As at 31 December 2020 and 2019, the Company's investments in deposit at bank and government bonds were pledged with the Registrar in accordance with the Non-Life Insurance Act No. 2 B.E. 2551 as follows:

	2020		2019	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
<b>Government and Bank of Thailand Bonds</b>	<b>14,000</b>	<b>14,000</b>	<b>15,024</b>	<b>15,000</b>

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26.2 As at 31 December 2020 and 2019, the Company's investments in debt securities and deposit at banks were reserved with the Registrar in accordance with the Notification of the Office of Insurance Commission regarding "Rates, Rules and Procedures for unearned premium reserve of Non-life Insurance Company B.E. 2557" as follows:

	2020		2019	
	Book value	Face value (in thousand Baht)	Book value	Face value
Government and Bank of Thailand bonds	177,181	155,000	228,663	225,000
Deposit at bank - time deposit	300,000	300,000	220,000	220,000
<b>Total</b>	<b>477,181</b>	<b>455,000</b>	<b>448,663</b>	<b>445,000</b>

**27 Restricted and collateral assets**

	2020 (in thousand Baht)	2019 (in thousand Baht)
(a) <b>Deposit at bank - call deposit</b>		
To secure group personal accident insurance	<u>850</u>	<u>850</u>
(b) <b>Deposit at bank - time deposit</b>		
To secure bank guarantee - facilities issued by banks	<u>700</u>	<u>700</u>

**28 Contribution to Non-Life Insurance Fund**

As at 31 December 2020 and 2019, the accumulated Contribution to Non-Life Insurance Fund were as follows:

	2020 (in thousand Baht)	2019 (in thousand Baht)
At 1 January	87,966	77,834
Increase during the year	9,087	10,132
<b>At 31 December</b>	<b>97,053</b>	<b>87,966</b>

**29 Commitments with non - related parties**

(a) *Commitments under office rental and service agreements*

	2020 (in thousand Baht)	2019 (in thousand Baht)
<b>Operating lease commitments</b>		
Within one year	11,351	14,896
After one year but within five years	8,905	7,291
<b>Total</b>	<b>20,256</b>	<b>22,187</b>

(b) *Commitments under car rental agreements*

	2020 (in thousand Baht)	2019 (in thousand Baht)
<b>Operating lease commitments</b>		
Within one year	-	2,459
After one year but within five years	-	3,457
<b>Total</b>	<b>-</b>	<b>5,916</b>

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**30 Contingent liabilities**

As at 31 December 2020, lawsuits have been brought against the Company, in relation to insurance claims of Baht 139.7 million (2019: Baht 48 million) whereas the sum insured of insurance policy and reinsurance claim recoverables of Baht 117 million and Baht 3 million, respectively (2019: Baht 165 million and Baht 0.3 million, respectively). The Company's management believes that the claim reserves accounted for in the financial statements is sufficient for potential losses in respect of those lawsuits.

**31 Reclassification of accounts**

Certain accounts in the statement of financial position as at 31 December 2019 and the statement of cash flows for the year ended 31 December 2019, which are included in the financial statements for the year ended 31 December 2020, have been reclassified for comparative purpose and to conform with the presentation of the current financial statements. Significant reclassifications are as follows;

	Before reclassification	2019 Reclassification (in thousand baht)	After reclassification
<b>Statement of financial position</b>			
<b>Assets</b>			
Premiums due and uncollected	720,150	36,892	757,042
Other assets	71,221	(1,661)	69,560
		<b>35,231</b>	
<b>Liabilities</b>			
Lease liabilities	-	13,515	13,515
Other liabilities	391,228	21,716	412,944
		<b>35,231</b>	
<b>Statement of cash flows</b>			
<b>Cash flows from operating activities</b>			
Premium received	4,026,962	6,278	4,033,240
Insurance claims expenses	(2,140,299)	1,443	(2,138,856)
Other underwriting expenses	(539,353)	2,267	(537,086)
Operating expenses	(553,120)	7,397	(545,723)
Investment in securities	59,191	(59,191)	-
Deposits at financial institutions	(77,909)	77,909	-
Cash received - financial assets	-	3,245,952	3,245,952
Cash payment - financial assets	-	(3,264,670)	(3,264,670)
		<b>17,385</b>	
<b>Cash flows from financing activities</b>			
Purchase of intangible assets		(13,263)	(13,263)
Payment of lease liabilities	-	(3,684)	(3,684)
Interest paid	-	(438)	(438)
		<b>(17,385)</b>	

The company's management opinion that the new classification is appropriate to current business.

**MSIG Insurance (Thailand) Public Company Limited**

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