

MSIG Insurance (Thailand) Public Company Limited

Financial statements for the year ended
31 December 2017
and
Independent Auditor's Report



KPMG Phoomchai Audit Ltd.
Empire Tower, 50th-51st Floors
1 South Sathorn Road, Yannawa
Sathorn, Bangkok 10120, Thailand
Tel +66 2677 2000, Fax +66 2677 2222

บริษัท เคพีเอ็มจี ภูมิภาค ไทย สอบบัญชี จำกัด
ชั้น 50-51 เอ็มไพร์ทาวเวอร์
1 ถนนสาทรใต้ แขวงยานนาวา
เขตสาทร กรุงเทพฯ 10120
โทร +66 2677 2000 แฟกซ์ +66 2677 2222

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 2017, 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 2017 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.



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.

Chanchai S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
14 March 2018

MSIG Insurance (Thailand) Public Company Limited

Statement of financial position

Assets	Note	31 December	
		2017	2016
		(in Baht)	
Cash and cash equivalents	4	179,912,195	364,559,923
Premiums due and uncollected	5	633,266,227	687,343,234
Accrued investment income		10,018,337	13,626,476
Reinsurance assets	10	527,382,140	522,410,889
Reinsurance receivable	6	57,703,148	77,750,978
Investments assets			
Investments in securities	7, 23, 24	2,678,727,627	2,576,088,091
Premises and equipment	8	296,375,337	311,177,465
Intangible assets		32,388,747	30,960,883
Deferred acquisition costs		478,697,716	507,274,134
Deferred tax assets	9	219,109,643	223,293,346
Other assets		80,996,208	47,639,293
Total assets		5,194,577,325	5,362,124,712



บมจ. เอ็ม เอส ไอ จี ประกันภัย (ประเทศไทย)
MSIG Insurance (Thailand) Public Company Limited

(Mr. Arnop Phorn dhiti)

(Mr. Rattapol Ditisaakchaiyakul)

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

MSIG Insurance (Thailand) Public Company Limited

Statement of financial position

Liabilities and equity	Note	31 December	
		2017	2016
		<i>(in Baht)</i>	
Liabilities			
Insurance contract liabilities	10, 21	2,942,672,540	3,030,443,255
Reinsurance payables	11, 21	267,934,501	350,240,385
Income tax payables		5,269,832	24,158,673
Employee benefit obligations	12	221,478,968	159,888,091
Other liabilities	13, 21	322,526,988	354,234,189
Total liabilities		3,759,882,829	3,918,964,593
Equity			
Share capital	14		
Authorised share capital		142,666,200	142,666,200
Issued and paid-up share capital		142,666,200	142,666,200
Premium on shares		146,068,797	146,068,797
Retained earnings			
Appropriated			
Legal reserve	15	14,266,620	14,266,620
Unappropriated		1,109,998,163	1,136,223,368
Other components of equity	7, 15	21,694,716	3,935,134
Total equity		1,434,694,496	1,443,160,119
Total liabilities and equity		5,194,577,325	5,362,124,712

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

MSIG Insurance (Thailand) Public Company Limited

Statement of comprehensive income

		For the year ended 31 December	
	Note	2017	2016
		(in Baht)	
Revenues			
Gross premium written		3,745,452,853	3,957,102,717
Less premium ceded	21	<u>(561,358,034)</u>	<u>(575,224,295)</u>
Net premiums written		3,184,094,819	3,381,878,422
Unearned premium reserve decreased (increased) from previous year		116,807,285	(69,279,513)
Less reinsurers' share of unearned premium reserve increased (decreased) from previous year		<u>(2,531,044)</u>	<u>728,634</u>
Net premium earned		3,298,371,060	3,313,327,543
Commission and brokerage income	21	119,776,155	120,721,199
Net investment income		46,503,196	46,332,824
Gain on investments		30,457,344	9,944,162
Other income	21	<u>10,721,970</u>	<u>12,183,869</u>
Total revenues		<u>3,505,829,725</u>	<u>3,502,509,597</u>
Expenses			
Insurance claims expenses	17, 21	1,992,342,208	1,800,773,470
Less insurance claims expenses recovered from reinsurers		<u>(186,627,657)</u>	<u>(57,267,723)</u>
Net insurance claims expenses		1,805,714,551	1,743,505,747
Commissions and brokerage expenses	21	616,523,537	607,379,096
Other underwriting expenses	17, 21	486,069,421	486,032,257
Operating expenses	16, 17, 21	<u>469,359,136</u>	<u>471,146,808</u>
Total expenses		<u>3,377,666,645</u>	<u>3,308,063,908</u>
Profit before income tax		128,163,080	194,445,689
Income tax	18	<u>33,851,842</u>	<u>35,884,481</u>
Net profit		<u>94,311,238</u>	<u>158,561,208</u>
Other comprehensive income			
Components of other comprehensive income that will be reclassified to profit or loss			
Net change in fair value in available-for-sale securities		22,199,478	8,102,625
Income tax relating to components of other comprehensive income that will be reclassified to profit or loss		<u>(4,439,896)</u>	<u>(1,620,525)</u>
		<u>17,759,582</u>	<u>6,482,100</u>
Components of other comprehensive income that will not be reclassified to profit or loss			
Actuarial losses on defined benefit plans		(52,587,542)	(4,154,480)
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss		10,517,509	830,896
		<u>(42,070,033)</u>	<u>(3,323,584)</u>
Other comprehensive income for the year, net of income tax		<u>(24,310,451)</u>	<u>3,158,516</u>
Total comprehensive income for the year		<u>70,000,787</u>	<u>161,719,724</u>
Basic earnings per share (in Baht)	19	<u>66.11</u>	<u>111.14</u>

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

MSIG Insurance (Thailand) Public Company Limited

Statement of changes in equity

	Note	Issued and paid-up share capital	Premium on shares	Retained earnings		Other components of equity	Total equity
				Legal reserve	Unappropriated (in Baht)	Net fair value changes in available-for-sale securities	
For the year ended 31 December 2016							
Balance at 1 January 2016		142,666,200	146,068,797	14,266,620	1,059,452,154	(2,546,966)	1,359,906,805
Transactions with shareholders, recorded directly in equity							
<i>Distributions to shareholders of the Company</i>							
Dividends to shareholders of the Company	20, 21	-	-	-	(78,466,410)	-	(78,466,410)
<i>Total distributions to shareholders of the Company</i>		-	-	-	(78,466,410)	-	(78,466,410)
Comprehensive income for the year							
Net profit		-	-	-	158,561,208	-	158,561,208
Other comprehensive income		-	-	-	(3,323,584)	6,482,100	3,158,516
Total comprehensive income for the year		-	-	-	155,237,624	6,482,100	161,719,724
Balance at 31 December 2016		142,666,200	146,068,797	14,266,620	1,136,223,368	3,935,134	1,443,160,119

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

MSIG Insurance (Thailand) Public Company Limited

Statement of changes in equity

	Note	Issued and paid-up share capital	Premium on shares	Retained earnings		Other components of equity	Total equity
				Legal reserve	Unappropriated (in Baht)	Net fair value changes in available-for-sale securities	
For the year ended 31 December 2017							
Balance at 1 January 2017		142,666,200	146,068,797	14,266,620	1,136,223,368	3,935,134	1,443,160,119
Transactions with shareholders, recorded directly in equity							
<i>Distributions to shareholders of the Company</i>							
Dividends to shareholders of the Company	20, 21	-	-	-	(78,466,410)	-	(78,466,410)
<i>Total distributions to shareholders of the Company</i>		-	-	-	(78,466,410)	-	(78,466,410)
Comprehensive income for the year							
Net profit		-	-	-	94,311,238	-	94,311,238
Other comprehensive income		-	-	-	(42,070,033)	17,759,582	(24,310,451)
Total comprehensive income for the year		-	-	-	52,241,205	17,759,582	70,000,787
Balance at 31 December 2017		142,666,200	146,068,797	14,266,620	1,109,998,163	21,694,716	1,434,694,496

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

MSIG Insurance (Thailand) Public Company Limited

Statement of cash flows

	Note	For the year ended 31 December	
		2017	2016
		<i>(in Baht)</i>	
<i>Cash flows from operating activities</i>			
Premium received		3,796,344,119	3,958,302,574
Cash paid to reinsurers		(325,882,625)	(105,702,286)
Interest received		48,208,587	45,029,539
Dividend received		4,519,743	4,123,885
Other investment income		27,840,350	8,780,048
Other income		11,102,806	12,123,652
Insurance claims expenses		(1,949,322,191)	(2,040,312,875)
Commissions and brokerage expenses		(605,571,139)	(651,774,864)
Other underwriting expenses		(455,117,260)	(441,683,656)
Operating expenses		(515,097,781)	(502,116,268)
Income tax paid		(42,479,367)	(52,854,584)
Investment in securities		(229,954,105)	(194,642,987)
Deposits at financial institutions		149,514,045	146,032,658
Net cash flows provided by (used in) operating activities		<u>(85,894,818)</u>	<u>185,304,836</u>
<i>Cash flows from investing activities</i>			
Cash flows provided by			
Proceeds from sale of premises and equipment		309,303	1,862,009
Cash flows provided by investing activities		<u>309,303</u>	<u>1,862,009</u>
Cash flows used in			
Purchase of premises and equipment		(20,595,803)	(96,434,364)
Cash flows used in investing activities		<u>(20,595,803)</u>	<u>(96,434,364)</u>
Net cash flows used in investing activities		<u>(20,286,500)</u>	<u>(94,572,355)</u>
<i>Cash flows from financing activities</i>			
Dividend paid	20, 21	(78,466,410)	(78,466,410)
Net cash used in financing activities		<u>(78,466,410)</u>	<u>(78,466,410)</u>
Net increase (decrease) in cash and cash equivalents		(184,647,728)	12,266,071
Cash and cash equivalents at beginning of the year		364,559,923	352,293,852
Cash and cash equivalents at ending of the year	4	<u>179,912,195</u>	<u>364,559,923</u>
Supplementary cash flow information			
Non-cash items			
Net change in fair value of available-for-sale investments		22,199,478	8,102,625
Actuarial losses on defined benefit plans		(52,587,542)	(4,154,480)

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

MSIG Insurance (Thailand) Public Company Limited
Notes to the financial statements
For the year ended 31 December 2017

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MSIG Insurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2017

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 issue by the Company's Board of Directors on 14 March 2018.

1 General information

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

The ultimate parent company, MS&AD Insurance Group Holdings, Inc., is incorporated in Japan and the Company's major shareholders are MSIG Holdings (Asia) Pte. Ltd. (49% shareholding) which is incorporated in Singapore and Yardhimar Co., Ltd. (37% shareholding) 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 ("FAP"). 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. 2559, dated 4 March 2016.

The FAP has issued the new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2017. The adoption of these new and revised TFRSs did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Company.

In addition to the above new and revised TFRSs, the FAP has issued a number of other new and revised TFRSs which are effective for annual financial periods beginning on or after 1 January 2018 and have not been adopted in the preparation of these financial statements.

The Company has made a preliminary assessment of the potential initial impact on the Company's financial statements of these new and revised TFRSs and expects 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>Items</i>	<i>Measurement bases</i>
Available-for-sale investments	Fair value
Defined benefit liability	Present value of the defined benefit obligation as explained in Note 3 (i)

MSIG Insurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2017

(c) *Functional and presentation currency*

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

(d) *Use of estimates and judgements*

The preparation of financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about significant areas of assumptions and estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are as follow;

Note 9	Deferred tax assets
Note 10	Insurance contract liabilities
Note 12	Employee benefit obligations
Note 27	Contingent liabilities

Insurance contract liabilities

Insurance contract liabilities consist of loss reserve and outstanding claims and unearned premium reserves. The carrying amount as at the reporting date is provided in Notes 10.

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.

MSIG Insurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2017

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.

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.

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.

		2017		2016	
	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	(35,031)	35,031	(35,241)	35,241
Net expected loss ratio	+1	35,031	(35,031)	35,241	(35,241)

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.

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.

Further information about the methods and assumptions made in measuring fair values is disclosed in note 22.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(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.

MSIG Insurance (Thailand) Public Company Limited
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For the year ended 31 December 2017

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 statements 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 at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on 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 reserve

Premium reserve consists of unearned premium reserve and unexpired risks reserve.

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 separated for each insurance contract using the daily average basis from net premium written (the one-three hundred sixty fifth basis).

MSIG Insurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2017

Unexpired risks reserve

Unexpired risks reserves are the best estimate of the claims that are expected to 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 reserves.

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 estimate loss incurred by the Company's claim department or outsource 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.

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.

MSIG Insurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2017

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.

(e) *Investments in securities*

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 investments in securities classified as available-for-sale is determined as the quoted bid price at the 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	20 and 33 years
Furniture, fixtures and equipment	5 years
Computer equipment	3, 5 and 7 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) *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	5 and 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.

(h) *Impairment*

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 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.

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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.

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.

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.

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.

(i) 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.

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Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. 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 recognized 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.

(j) 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.

(k) Revenue

Interest and dividend income

Interest income is recognised in profit or loss as it accrues.

Dividend income is recognised in profit or loss on the date that the Company's right to receive payments is established.

(l) Expenses

Operating lease

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of lease.

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(m) 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. 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.

(n) 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.

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4 Cash and cash equivalents

	2017	2016
	<i>(in thousand Baht)</i>	
Cash on hand	475	458
Deposits at banks - call deposits	119,450	84,138
Short - term investments	59,987	279,964
Total	179,912	364,560

As at 31 December 2017 and 2016, the currency denomination cash and cash equivalents was entirely in Thai Baht.

5 Premiums due and uncollected

As at 31 December 2017 and 2016, the aging analyses for premiums due and uncollected were as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Within credit terms	534,884	598,464
Overdue:		
Not over than 30 days	59,347	60,401
31 - 60 days	22,293	15,560
61 - 90 days	7,468	8,339
91 days - 1 year	12,528	7,806
Total	636,520	690,570
Less allowance doubtful accounts	(3,254)	(3,227)
Net	633,266	687,343

	2017	2016
	<i>(in thousand Baht)</i>	
Doubtful accounts expense (reversal of) for the year ended 31 December	27	(269)

The normal credit term of insured and agents and brokers granted by the Company ranges 0 - 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 is pursuing legal proceedings against such agents and brokers.

6 Reinsurance receivables

	2017	2016
	<i>(in thousand Baht)</i>	
Due from reinsurers	57,703	79,863
Less allowance for impairment	-	(2,112)
Net	57,703	77,751

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As at 31 December 2017 and 2016, the aging analyses for due from reinsurers were as follows:

	2017 <i>(in thousand Baht)</i>	2016
Within due	-	-
Over due:		
Less than 1 year	54,483	60,442
Within 1 - 2 years	1,956	8,070
Over 2 years	1,264	11,351
Total	<u>57,703</u>	<u>79,863</u>
Less allowance for doubtful accounts	-	(2,112)
Net	<u>57,703</u>	<u>77,751</u>

7 Investments in securities

7.1 Investments in securities types

	2017		2016	
	Cost / Amortised cost	Fair value	Cost / Amortised cost	Fair value
	<i>(in thousand Baht)</i>			
<i>Available-for-sale securities</i>				
Government and state				
enterprise debt securities	1,794,889	1,801,053	1,593,972	1,590,922
Private debt securities	479,212	484,759	424,153	423,841
Foreign debt securities sold in Thailand	-	-	16,700	16,754
Equity securities	146,044	163,621	155,383	165,995
Unit trusts	4,000	1,829	4,000	1,596
Total	<u>2,424,145</u>	<u>2,451,262</u>	<u>2,194,208</u>	<u>2,199,108</u>
Add unrealised gains on fair value changes of available-for-sale securities	27,117	-	4,900	-
Total available-for-sale securities	<u>2,451,262</u>	<u>2,451,262</u>	<u>2,199,108</u>	<u>2,199,108</u>
<i>Held-to-maturity securities</i>				
Deposits at banks with original maturities over 3 months	226,269	226,269	375,783	375,783
Total held-to-maturity securities	<u>226,269</u>	<u>226,269</u>	<u>375,783</u>	<u>375,783</u>
<i>General investments</i>				
Equity securities	1,367		1,367	
Less allowance for impairment	(170)		(170)	
Total general investments, net	<u>1,197</u>		<u>1,197</u>	
Total investment in securities	<u>2,678,728</u>		<u>2,576,088</u>	

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As at 31 December 2017 and 2016, details of available-for-sale investments were as follows:

	2017			Fair value
	Cost/ Amortised cost	Unrealised gains <i>(in thousand Baht)</i>	Unrealised losses	
<i>Available-for-sale securities</i>				
<i>Government and state enterprise securities</i>				
Thai government bonds	1,761,409	5,292	(19)	1,766,682
State enterprise bonds	33,480	891	-	34,371
Equity securities	10,040	3,771	-	13,811
Total	1,804,929	9,954	(19)	1,814,864
<i>Private enterprise securities</i>				
Debentures	479,212	5,574	(27)	484,759
Equity securities	136,004	18,303	(4,497)	149,810
Unit trusts	4,000	-	(2,171)	1,829
Total	619,216	23,877	(6,695)	636,398
Total available-for-sale securities	2,424,145	33,831	(6,714)	2,451,262
		2016		
	Cost/ Amortised cost	Unrealised gains <i>(in thousand Baht)</i>	Unrealised losses	Fair value
<i>Available-for-sale securities</i>				
<i>Government and state enterprise securities</i>				
Thai government bonds	1,531,682	1,716	(6,103)	1,527,295
State enterprise bonds	62,290	1,337	-	63,627
Equity securities	14,318	2,205	-	16,523
Total	1,608,290	5,258	(6,103)	1,607,445
<i>Private enterprise securities</i>				
Debentures	424,153	2,144	(2,456)	423,841
Equity securities	141,065	10,860	(2,453)	149,472
Unit trusts	4,000	-	(2,404)	1,596
Total	569,218	13,004	(7,313)	574,909
<i>Foreign debt securities sold in Thailand</i>				
Debentures	16,700	54	-	16,754
Total	16,700	54	-	16,754
Total available-for-sale securities	2,194,208	18,316	(13,416)	2,199,108

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7.2 Remaining period of debt securities

As at 31 December 2017 and 2016, investments in debt securities which were classified as available-for-sale and held-to-maturity securities were classified by the remaining maturity as follows:

	2017 Maturities				2016 Maturities			
	1 year	Over 1 - 5 years	Over 5 years	Total (in thousand Baht)	1 year	Over 1 - 5 years	Over 5 years	Total
<i>Available-for-sale debt securities</i>								
<i>Government and state enterprise debt securities</i>								
- Thai government bonds	718,526	1,031,855	11,028	1,761,409	599,372	914,343	17,967	1,531,682
- State enterprise bonds	-	33,480	-	33,480	-	62,290	-	62,290
Total	718,526	1,065,335	11,028	1,794,889	599,372	976,633	17,967	1,593,972
Add (less) unrealised gains (loss) on fair value changes	349	5,796	19	6,164	1,254	(3,776)	(528)	(3,050)
Total	718,875	1,071,131	11,047	1,801,053	600,626	972,857	17,439	1,590,922
<i>Private debt securities</i>								
- Debentures	31,800	373,205	74,207	479,212	20,006	325,835	78,312	424,153
Total	31,800	373,205	74,207	479,212	20,006	325,835	78,312	424,153
Add (less) unrealised gains (loss) on fair value changes	184	3,685	1,678	5,547	59	887	(1,258)	(312)
Total	31,984	376,890	75,885	484,759	20,065	326,722	77,054	423,841
<i>Foreign debt securities sold in Thailand</i>								
- Debentures	-	-	-	-	-	16,700	-	16,700
Add unrealised gains on fair value changes	-	-	-	-	-	54	-	54
Total	-	-	-	-	-	16,754	-	16,754
Total available-for-sale debt securities	750,859	1,448,021	86,932	2,285,812	620,691	1,316,333	94,493	2,031,517

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	2017 Maturities				2016 Maturities			
	1 year	Over 1 - 5 years	Over 5 years	Total <i>(in thousand Baht)</i>	1 year	Over 1 - 5 years	Over 5 years	Total
<i>Held-to-maturity debt securities</i>								
Deposits at banks with original maturities over 3 months	226,269	-	-	226,269	375,783	-	-	375,783
Total held-to-maturity debt securities	226,269	-	-	226,269	375,783	-	-	375,783
Total investment in debt securities	977,128	1,448,021	86,932	2,512,081	996,474	1,316,333	94,493	2,407,300

7.3 Net fair value changes in available-for-sale securities

	2017 <i>(in thousand Baht)</i>	2016
Net fair value changes in available-for-sale securities	27,119	4,919
Less deferred tax assets	(5,424)	(984)
Net	21,695	3,935

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8 Premises and equipment

	Land	Buildings	Buildings improvement (in thousand Baht)	Furniture, fixtures and equipment	Vehicles	Total
<i>Cost</i>						
At 1 January 2016	119,074	218,765	48,897	235,608	10,076	632,420
Additions	-	-	23,241	66,113	7,090	96,444
Disposals	-	-	(379)	(24,630)	(4,500)	(29,509)
At 31 December 2016 and 1 January 2017	119,074	218,765	71,759	277,091	12,666	699,355
Additions	-	-	4,460	16,007	129	20,596
Disposals	-	-	-	(12,060)	-	(12,060)
At 31 December 2017	119,074	218,765	76,219	281,038	12,795	707,891
<i>Accumulated depreciation</i>						
At 1 January 2016	-	191,185	17,543	176,780	3,032	388,540
Depreciation charge for the year	-	1,255	2,428	21,277	2,376	27,336
Disposals	-	-	(92)	(24,606)	(3,000)	(27,698)
At 31 December 2016 and 1 January 2017	-	192,440	19,879	173,451	2,408	388,178
Depreciation charge for the year	-	1,051	3,187	27,891	2,579	34,708
Disposals	-	-	-	(11,370)	-	(11,370)
At 31 December 2017	-	193,491	23,066	189,972	4,987	411,516
<i>Net book value</i>						
At 1 January 2016	119,074	27,580	31,354	58,828	7,044	243,880
At 31 December 2016 and 1 January 2017	119,074	26,325	51,880	103,640	10,258	311,177
At 31 December 2017	119,074	25,274	53,153	91,066	7,808	296,375

The gross carrying amount of the Company's fully depreciated buildings and equipment that was still in use as at 31 December 2017 amounted to Baht 164 million (2016: Baht 141 million).

9 Deferred tax assets

Deferred tax assets and liabilities determined after appropriate offsetting are included in the statement of financial position as follows:

	2017 (in thousand Baht)	2016
Deferred tax assets	229,637	229,849
Deferred tax liabilities	(10,527)	(6,556)
Net	219,110	223,293

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Movements in deferred tax assets and liabilities during the years were as follows:

	At 1 January 2017	(Charged) / credited to		At 31 December 2017
		Profit or loss (note 18) (in thousand Baht)	Other comprehensive income	
Deferred tax assets				
Allowance for doubtful accounts	1,522	(465)	-	1,057
Allowance for impairment loss on investment	34	-	-	34
Unearned premium reserve	72,017	(7,033)	-	64,984
Incurred but not reported loss reserves (IBNR)	2,933	4,040	-	6,973
Loss reserves	121,366	(9,073)	-	112,293
Employee benefit obligations	31,977	1,801	10,518	44,296
Total	229,849	(10,730)	10,518	229,637
Deferred tax liabilities				
Depreciation expense for buildings	5,265	(210)	-	5,055
Depreciation expense for financial lease	307	(259)	-	48
Net fair value changes in available-for-sale securities	984	-	4,440	5,424
Total	6,556	(469)	4,440	10,527
Net	223,293	(10,261)	6,078	219,110
	At 1 January 2016	(Charged) / credited to		At 31 December 2016
		Profit or loss (note 18) (in thousand Baht)	Other comprehensive income	
Deferred tax assets				
Allowance for doubtful accounts	1,575	(53)	-	1,522
Allowance for impairment loss on investment	34	-	-	34
Unearned premium reserve	72,375	(358)	-	72,017
Incurred but not reported loss reserves (IBNR)	3,794	(861)	-	2,933
Loss reserves	98,996	22,370	-	121,366
Employee benefit obligations	28,929	2,217	831	31,977
Total	205,703	23,315	831	229,849
Deferred tax liabilities				
Depreciation expense for buildings	5,475	(210)	-	5,265
Depreciation expense for financial lease	488	(181)	-	307
Net fair value changes in available-for-sale securities	(637)	-	1,621	984
Total	5,326	(391)	1,621	6,556
Net	200,377	23,706	(790)	223,293

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10 Insurance contract liabilities

	2017			2016		
	Liabilities under insurance contracts	Reinsurers' share liabilities	Net (in thousand Baht)	Liabilities under insurance contracts	Reinsurers' share liabilities	Net
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	1,132,311	(350,445)	781,866	1,117,549	(337,014)	780,535
- Incurred but not reported	61,731	(26,865)	34,866	47,457	(32,794)	14,663
Total loss reserves and outstanding claims	<u>1,194,042</u>	<u>(377,310)</u>	<u>816,732</u>	<u>1,165,006</u>	<u>(369,808)</u>	<u>795,198</u>
Unearned premium reserves	<u>1,748,631</u>	<u>(150,072)</u>	<u>1,598,559</u>	<u>1,865,438</u>	<u>(152,603)</u>	<u>1,712,835</u>
Total	<u>2,942,673</u>	<u>(527,382)</u>	<u>2,415,291</u>	<u>3,030,444</u>	<u>(522,411)</u>	<u>2,508,033</u>

10.1 Loss reserves and outstanding claims

At 1 January	1,165,006	(369,808)	795,198	1,424,531	(662,203)	762,328
Insurance claim expenses incurred during the year	1,857,174	(192,557)	1,664,617	1,725,443	(81,771)	1,643,672
Insurance claim expenses paid during the year	(1,842,412)	179,126	(1,663,286)	(1,956,158)	349,663	(1,606,495)
Change in estimation and assumption	14,274	5,929	20,203	(28,810)	24,503	(4,307)
At 31 December	<u>1,194,042</u>	<u>(377,310)</u>	<u>816,732</u>	<u>1,165,006</u>	<u>(369,808)</u>	<u>795,198</u>

10.2 Unearned premium reserves

At 1 January	1,865,438	(152,603)	1,712,835	1,796,158	(151,874)	1,644,284
Premium written during the year	3,745,453	(561,358)	3,184,095	3,957,103	(575,225)	3,381,878
Earned premium in the year	(3,862,260)	563,889	(3,298,371)	(3,887,823)	574,496	(3,313,327)
At 31 December	<u>1,748,631</u>	<u>(150,072)</u>	<u>1,598,559</u>	<u>1,865,438</u>	<u>(152,603)</u>	<u>1,712,835</u>

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10.3 Loss development table

10.3.1 Gross loss development triangle

At 31 December 2017

Accident year/ Accounting year	Prior and within 2012	2013	2014	2015	2016	2017	Total
<i>(in thousand Baht)</i>							
Estimated loss reserve and outstanding claim							
At year ended		1,360,020	2,248,590	1,829,933	1,827,468	2,003,669	
Development year 1		1,272,930	2,109,955	1,817,478	1,831,510	-	
Development year 2		1,200,555	2,004,000	1,730,699	-	-	
Development year 3		1,196,949	1,994,168	-	-	-	
Development year 4		1,197,476	-	-	-	-	
Absolute estimated loss reserve and outstanding claim	1,354,690	1,197,476	1,994,168	1,730,699	1,831,510	2,003,669	
Accumulative claim paid	(1,166,465)	(1,195,873)	(1,990,660)	(1,711,355)	(1,722,073)	(1,179,477)	
Total	188,225	1,603	3,508	19,344	109,437	824,192	1,146,309
Reconciliation							
Unallocated loss adjustment expenses							47,733
Total loss reserve and outstanding claims							1,194,042

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At 31 December 2016

Accident year/ Accounting year	Prior and within 2011	2012	2013	2014 <i>(in thousand Baht)</i>	2015	2016	Total
Estimated loss reserve and outstanding claim							
At year ended		1,779,051	1,360,020	2,248,590	1,829,933	1,827,468	
Development year 1		1,606,607	1,272,930	2,109,955	1,817,478	-	
Development year 2		1,481,454	1,200,555	2,004,000	-	-	
Development year 3		1,474,585	1,196,949	-	-	-	
Development year 4		1,472,796	-	-	-	-	
Absolute estimated loss reserve and outstanding claim	4,657,762	1,472,796	1,196,949	2,004,000	1,817,478	1,827,468	
Accumulative claim paid	<u>(4,422,552)</u>	<u>(1,470,212)</u>	<u>(1,194,300)</u>	<u>(1,931,399)</u>	<u>(1,675,746)</u>	<u>(1,164,797)</u>	
Total	<u>235,210</u>	<u>2,584</u>	<u>2,649</u>	<u>72,601</u>	<u>141,732</u>	<u>662,671</u>	1,117,447
Reconciliation							
Unallocated loss adjustment expenses							<u>47,559</u>
Total loss reserve and outstanding claims							<u>1,165,006</u>

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10.3.2 Net loss development triangle

At 31 December 2017

Accident year/ Accounting year	Prior and within 2012	2013	2014	2015	2016	2017	Total
				<i>(in thousand Baht)</i>			
Estimated loss reserve and outstanding claim							
At year ended		1,219,556	1,432,777	1,595,766	1,689,699	1,715,205	
Development year 1		1,150,076	1,379,078	1,603,770	1,714,538	-	
Development year 2		1,084,512	1,337,947	1,554,012	-	-	
Development year 3		1,081,561	1,334,072	-	-	-	
Development year 4		1,082,060	-	-	-	-	
Absolute estimated loss reserve and outstanding claim	74,253	1,082,060	1,334,072	1,554,012	1,714,538	1,715,205	
Accumulative claim paid	(42,376)	(1,080,527)	(1,330,600)	(1,535,469)	(1,608,751)	(1,107,418)	
Total	31,877	1,533	3,472	18,543	105,787	607,787	768,999
Reconciliation							
Unallocated loss adjustment expenses							47,733
Total loss reserve and outstanding claims, net							816,732

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At 31 December 2016

Accident year/ Accounting year	Prior and within 2011	2012	2013	2014 <i>(in thousand Baht)</i>	2015	2016	Total
Estimated loss reserve and outstanding claim							
At year ended		1,184,770	1,219,556	1,432,777	1,595,766	1,689,699	
Development year 1		1,125,194	1,150,076	1,379,078	1,603,770	-	
Development year 2		1,038,891	1,084,512	1,337,947	-	-	
Development year 3		1,033,120	1,081,561	-	-	-	
Development year 4		1,031,315	-	-	-	-	
Absolute estimated loss reserve and outstanding claim	71,855	1,031,315	1,081,561	1,337,947	1,603,770	1,689,699	
Accumulative claim paid	(33,126)	(1,028,386)	(1,079,060)	(1,318,832)	(1,509,154)	(1,099,950)	
Total	38,729	2,929	2,501	19,115	94,616	589,749	747,639
Reconciliation							
Unallocated loss adjustment expenses							47,559
Total loss reserve and outstanding claims, net							795,198

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11 Reinsurance payables

	2017	2016
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	74,667	71,222
Due to reinsurers	193,268	279,018
Total	<u>267,935</u>	<u>350,240</u>

12 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 give to eligible employees who complete 10 years of work, and subsequently every fifth year.

Present value of unfunded obligations as at 31 December 2017 and 2016 were as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Defined benefit plans		
- Post-employment benefits	213,679	151,964
- Other long-term employee benefits	7,800	7,924
Total present value of unfunded obligations	<u>221,479</u>	<u>159,888</u>

Movement in the present value of the defined benefit obligations:

	2017	2016	2017	2016	2017	2016
	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total
	<i>(in thousand Baht)</i>					
At 1 January	151,964	7,924	159,888	138,263	6,383	144,646
Include in profit or loss:						
Current service cost	16,011	1,176	17,187	7,355	609	7,964
Interest on obligation	4,594	152	4,746	5,428	227	5,655
Paid during the year	(11,478)	(936)	(12,414)	(3,237)	(864)	(4,101)
Actuarial loss	-	(516)	(516)	-	1,569	1,569
Total	<u>161,091</u>	<u>7,800</u>	<u>168,891</u>	<u>147,809</u>	<u>7,924</u>	<u>155,733</u>

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	Post-employment benefits	2017 Other long-term employee benefits	Total (in thousand Baht)	Post-employment benefits	2016 Other long-term employee benefits	Total
Included in other comprehensive income:						
Actuarial loss	52,588	-	52,588	4,155	-	4,155
Total	52,588	-	52,588	4,155	-	4,155
At 31 December	213,679	7,800	221,479	151,964	7,924	159,888

Actuarial assumptions

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

	2017	2016
	(%)	
Discount rate	1.9 - 2.7	1.9 - 2.4
Future salary increase rate	5.0 - 7.0	5.0 - 7.0
Staff turnover rate	0.0 - 15.0	0.0 - 15.0

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 (%)	2017 Increase (decrease) in liabilities (in thousand Baht)	2016 Increase (decrease) in liabilities
Discount rate	+1	(13,673)	(10,816)
Discount rate	-1	15,418	12,229
Future salary	+1	36,795	25,585
Future salary	-1	(16,542)	(14,704)

(b) Defined other long-term employee benefits obligation

	Change in variable (%)	2017 Increase (decrease) in liabilities (in thousand Baht)	2016 Increase (decrease) in liabilities
Discount rate	+1	(435)	(458)
Discount rate	-1	482	492

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

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13 Other liabilities

	<i>Note</i>	2017 <i>(in thousand Baht)</i>	2016
Commission payables		87,031	105,823
Accrued expenses		170,565	210,685
Others	21	<u>64,931</u>	<u>37,726</u>
Total		<u>322,527</u>	<u>354,234</u>

14 Share capital

	Par value per share <i>(in Baht)</i>	2017		2016	
		Number	Amount <i>(shares / thousand Baht)</i>	Number	Amount
<i>Authorised</i>					
At 1 January					
- Ordinary shares	100	<u>1,426,662</u>	<u>142,666</u>	<u>1,426,662</u>	<u>142,666</u>
At 31 December					
- Ordinary shares	100	<u>1,426,662</u>	<u>142,666</u>	<u>1,426,662</u>	<u>142,666</u>
<i>Issued and paid-up</i>					
At 1 January					
- Ordinary shares	100	<u>1,426,662</u>	<u>142,666</u>	<u>1,426,662</u>	<u>142,666</u>
At 31 December					
- Ordinary shares	100	<u>1,426,662</u>	<u>142,666</u>	<u>1,426,662</u>	<u>142,666</u>

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.

15 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.

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Other components of equity

Fair value changes

The fair value changes in available-for-sale investment account within equity comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

16 Operating expenses

	2017	2016
	<i>(in thousand Baht)</i>	
Employee expense	263,418	271,790
Premises and equipment expense	57,624	51,069
Taxes and duties	6,317	3,523
Doubtful accounts expense	578	251
Others	141,422	144,514
Total	<u>469,359</u>	<u>471,147</u>

17 Employee benefit expenses

	<i>Note</i>	2017	2016
		<i>(in thousand Baht)</i>	
Director's remuneration	21	3,263	3,133
Wages, salaries and bonuses	21	533,912	540,058
Post-employment benefits	12, 21	21,417	15,188
Total		<u>558,592</u>	<u>558,379</u>

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.

18 Income tax

Income tax recognised in profit or loss

	<i>Note</i>	2017	2016
		<i>(in thousand Baht)</i>	
Current tax expense			
Current year		23,591	59,590
Deferred tax expense			
Movements in temporary differences	9	10,261	(23,706)
Total		<u>33,852</u>	<u>35,884</u>

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Reconciliation of effective tax rate

	2017		2016	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax		<u>128,163</u>		<u>194,446</u>
Income tax using the Thai corporation tax rate	20.0	25,633	20.0	38,889
Income not subject to tax	(3.6)	(4,581)	(2.4)	(4,669)
Expenses not deductible for tax purposes	10.0	12,800	0.9	1,664
Total	<u>26.4</u>	<u>33,852</u>	<u>18.5</u>	<u>35,884</u>

Income tax reduction

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.

19 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2017 and 2016 were based on the profit for the years attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the years as follows:

	2017	2016
Profit attributable to ordinary shareholders of the Company (basic) <i>(in thousand Baht)</i>	<u>94,311</u>	<u>158,561</u>
Number of ordinary shares outstanding <i>(in share)</i>	<u>1,426,662</u>	<u>1,426,662</u>
Basic earnings per share <i>(in Baht)</i>	<u>66.11</u>	<u>111.14</u>

20 Dividends

At the annual general meeting of shareholders of the Company held on 19 April 2017, the shareholders approved the appropriation of dividends of Baht 55 per share, amounting to Baht 78.5 million. The dividend was paid to shareholders during 2017.

At the annual general meeting of shareholders of the Company held on 22 April 2016, the shareholders approved the appropriation of dividends of Baht 55 per share, amounting to Baht 78.5 million. The dividend was paid to shareholders during 2016.

21 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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Relationships with key management and related parties were as follows:

Name of entities/Personnel	Country of Incorporation/ Nationality	Nature of relationships
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
MSIG Holdings (Asia) Pte. Ltd.	Singapore	Major shareholder, 49% shareholding
Yardhimar Co., Ltd.	Thailand	Major shareholder, 37% shareholding
Mitsui Sumitomo Insurance Co., Ltd. Thailand Branch	Thailand	Common parent company
MSIG Service and Adjusting (Thailand) Co., Ltd.	Thailand	Common parent company
MSIG Insurance (Singapore) Pte. Ltd.	Singapore	Common parent company
MSIG Insurance Malaysia Bhd.	Malaysia	Common parent company
MSIG Insurance (Hong Kong) Ltd.	Hong Kong	Common parent company
Mitsui Sumitomo Insurance Co., Ltd. (Japan)	Japan	Common parent company
MS Amlin Underwriting Limited	United Kingdom	Common parent company
MS Amlin Asia Pacific Pte. Ltd.	Singapore	Common parent company
MS Frontier Reinsurance Limited, Kuala Lumpur Office	Malaysia	Common parent company
Amlin Bermuda Limited	Bermuda	Common parent company

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

Transactions	Pricing policies
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 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

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

<i>For the years ended 31 December</i>	2017	2016
	<i>(in thousand Baht)</i>	
Revenues		
Other related parties		
Commission and brokerage income	24,709	20,787
Service income	258	1,030
Expenses		
Other related parties		
Premiums ceded	115,651	94,476
Marketing and management support services agreement fee	34,987	33,829
Key management and director compensation		
Directors' remuneration	3,263	3,133
Short-term benefits	53,405	44,803
Post-employment benefit	8,882	6,541
Total	65,550	54,477
Dividends		
Major shareholders		
Dividend paid	67,811	67,811

Significant balances as at 31 December 2017 and 2016 with related parties were as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Insurance contract liabilities		
Insurance claims expenses recovered from reinsurers		
Other related parties		
Mitsui Sumitomo Insurance Co., Ltd. (Japan)	134,902	108,962
MS Amlin Underwriting Limited	4,878	-
Amlin Bermuda Limited	2,429	-
Total	142,209	108,962
Reinsurance payable		
Due to reinsurers		
Other related parties		
Mitsui Sumitomo Insurance Co., Ltd. (Japan)	90,676	102,046
MS Amlin Underwriting Limited	1,839	-
Amlin Bermuda Limited	1,663	-
Total	94,178	102,046
Other liabilities		
Payables to related parties		
Other related parties		
MSIG Holdings (Asia) Pte. Ltd.	(3,047)	(3,088)

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22 Insurance and financial risk management

22.1 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.

22.2 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.

22.2.1 Insurance Risk Management

Insurance Risk Management shall include how the Company determine 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.

22.2.2 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.

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22.2.3 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 MSIG Asia's 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 MS&AD Regional office.

22.2.4 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.

22.3 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;

	2017		2016	
	Gross of reinsurance	Net	Gross of reinsurance	Net
	<i>(in thousand Baht)</i>			
Loss reserves and outstanding claims				
<i>Type of insurance</i>				
Fire	22,348	21,612	5,889	3,424
Marine	81,984	56,592	101,265	64,860
Motor	615,237	595,907	596,007	590,389
Miscellaneous	474,473	142,621	461,845	136,525
Total	1,194,042	816,732	1,165,006	795,198
Unearned premium reserves				
<i>Type of insurance</i>				
Fire	112,624	108,544	97,607	93,514
Marine	93,076	64,812	93,105	65,441
Motor	1,138,390	1,130,224	1,283,623	1,276,323
Miscellaneous	404,541	294,979	391,103	277,557
Total	1,748,631	1,598,559	1,865,438	1,712,835

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22.4 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 140% of capital adequacy requirement (CAR). It is the Company's policy to hold capital levels in excess of CAR.

22.5 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 manages the risk by considering the risk of investments together with the return on such investments.

As at 31 December 2017 and 2016 significant financial assets classified by type of interest rate are as follows:

	2017			Total	2016			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing		Floating interest rate	Fixed interest rate	Non-interest bearing	
<i>(in thousand Baht)</i>								
Financial assets								
Cash and cash equivalents	119,450	59,987	475	179,912	84,138	279,964	458	364,560
Investments in securities								
Government and state enterprise debt securities	69,664	1,731,389	-	1,801,053	68,055	1,522,867	-	1,590,922
Private debt securities	-	484,759	-	484,759	-	423,841	-	423,841
Foreign debt securities sold in Thailand	-	-	-	-	-	16,754	-	16,754
Equity securities	-	-	164,818	164,818	-	-	167,192	167,192
Unit trusts	-	-	1,829	1,829	-	-	1,596	1,596
Deposits at banks with original maturities over 3 months	-	226,269	-	226,269	-	375,783	-	375,783
Total financial assets	189,114	2,502,404	167,122	2,858,640	152,193	2,619,209	169,246	2,940,648

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As at 31 December 2017 and 2016, 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):

	2017			Total	Average interest rate (% per annum)
	Within 1 year	Over 1 - 5 years (in thousand Baht)	Over 5 years		
Financial assets					
Cash and cash equivalents	59,987	-	-	59,987	1.15
Investments in securities					
Government and state enterprise debt securities	718,875	1,001,467	11,047	1,731,389	1.84
Private debt securities	31,984	376,890	75,885	484,759	2.58
Deposit at banks with original maturities over than 3 months	226,269	-	-	226,269	1.67
Total financial assets	1,037,115	1,378,357	86,932	2,502,404	
	2016			Total	Average interest rate (% per annum)
	Within 1 year	Over 1 - 5 years (in thousand Baht)	Over 5 years		
Financial assets					
Cash and cash equivalents	279,964	-	-	279,964	1.44
Investments in securities					
Government and state enterprise debt securities	600,626	904,802	17,439	1,522,867	1.81
Private debt securities	20,065	326,722	77,054	423,841	2.61
Foreign debt securities sold in Thailand	-	16,754	-	16,754	2.22
Deposit at banks with original maturities over than 3 months	375,783	-	-	375,783	1.90
Total financial assets	1,276,438	1,248,278	94,493	2,619,209	

22.6 Foreign currency risk

As at 31 December 2017 and 2016, the Company was exposed to foreign currency risk in respect of financial liabilities denominated in the following currencies:

	Note	2017 (in thousand Baht)	2016
Singapore Dollars			
Payables to related parties	21	(3,047)	(3,088)
Gross balance in the statement of financial position		(3,047)	(3,088)

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22.7 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.

22.8 Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents and investment assets deemed adequate by management to finance the Company's 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 <i>(in thousand Baht)</i>	Total
31 December 2017			
Insurance contract liabilities			
Loss reserves and outstanding claims, net	766,310	50,422	816,732
	1 year	Over 1-5 years <i>(in thousand Baht)</i>	Total
31 December 2016			
Insurance contract liabilities			
Loss reserves and outstanding claims, net	517,653	277,545	795,198

22.9 Carrying amount and fair values

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

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Fair value hierarchy

Analyses recurring fair value measurements for financial assets. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined 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, 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).

The Company recognises transfers between levels of the fair value hierarchy as of the end of reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during 2017 and 2016.

The following methods are assumptions were used by the Company in estimating fair value of financial assets and liabilities as disclosed herein.

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, insurance contract liabilities and reinsurance payable.

The fair value of investments in market equity use last bid price from SET at the reporting date.

Debt securities are held for held-to-maturity and available for sale, are determined by reference price provided by Thai BMA at the reporting date.

The fair values of deposits at financial institutions with remaining terms to maturity of less than or equal to 1 year are based on the book values. The fair values of the deposits with remaining terms to maturity of greater than 1 year are determined using the discounted cash flow method based on the current interest rates and remaining terms to maturity.

22.9.1 Financial assets carried at fair value

The Company have an established control framework with respect to the measurement of fair values. This is to ensure that prudent revaluation principles and proper internal control procedures are in place.

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The following table analyses significant financial assets carried at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Fair value			Total
	Level 1	Level 2 (in thousand Baht)	Level 3	
31 December 2017				
Financial assets				
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	1,801,053	-	1,801,053
Private debt securities	-	484,759	-	484,759
Equity securities	163,621	-	-	163,621
Unit trusts	-	1,829	-	1,829
Total	163,621	2,287,641	-	2,451,262

	Fair value			Total
	Level 1	Level 2 (in thousand Baht)	Level 3	
31 December 2016				
Financial assets				
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	1,590,922	-	1,590,922
Private debt securities	-	423,841	-	423,841
Foreign debt securities - issued in Thailand	-	16,754	-	16,754
Equity securities	165,995	-	-	165,995
Unit trusts	-	1,596	-	1,596
Total	165,995	2,033,113	-	2,199,108

22.9.2 Financial assets not carried at fair value

The following table analyses financial assets not carried at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Carrying amount	Fair value			Total
		Level 1	Level 2 (in thousand Baht)	Level 3	
31 December 2017					
Financial assets					
Investment assets					
Held-to-maturity securities	226,269	-	226,269	-	226,269
31 December 2016					
Financial assets					
Investment assets					
Held-to-maturity securities	375,783	-	375,783	-	375,783

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23 Securities and assets pledged with the Registrar

23.1 As at 31 December 2017 and 2016, the Company's investments in deposit at bank was pledged with the Registrar in accordance with the Non-Life Insurance Act No. 2 B.E. 2551 as follows:

	2017		2016	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Deposit at bank - time deposit	14,000	14,000	14,000	14,000

23.2 As at 31 December 2017 and 2016, the Company's investments in debt securities and deposit at banks were allocated to the reserve fund 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:

	2017		2016	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and Bank of Thailand bonds	185,065	185,000	69,907	70,000
Deposit at bank - time deposit	210,434	210,434	319,960	319,960
Total	395,499	395,434	389,867	389,960

24 Restricted and collateral assets

	31 December 2017	31 December 2016
	<i>(in thousand Baht)</i>	
(a) Deposit at bank - call deposit		
To secure group personal accident insurance	<u>850</u>	<u>-</u>
(b) Deposit at bank - time deposit		
To secure bank guarantee - facilities issued by banks	<u>700</u>	<u>1,000</u>
(c) Government bonds		
To pledged as bail bonds in cases where insured drivers have been charged with criminal	<u>-</u>	<u>100</u>

25 Contribution to Non-Life Insurance Fund

As at 31 December 2017 and 2016, the accumulated Contribution to Non-Life Insurance Fund were as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	58,539	48,652
Increase during the year	<u>9,363</u>	<u>9,887</u>
At 31 December	<u>67,902</u>	<u>58,539</u>

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26 Commitments with non - related parties

(a) Commitments under office rental and service agreements

	2017	2016
	<i>(in thousand Baht)</i>	
<i>Operating lease commitments</i>		
Within one year	13,659	11,362
After one year but within five years	10,925	8,587
Total	24,584	19,949

(b) Commitments under car rental agreements

	2017	2016
	<i>(in thousand Baht)</i>	
<i>Operating lease commitments</i>		
Within one year	2,951	2,121
After one year but within five years	5,319	2,335
Total	8,270	4,456

27 Contingent liabilities

As at 31 December 2017, lawsuits have been brought against the Company, in relation to insurance claims in the normal course of business totaling approximately Baht 327 million (2016: Baht 361 million). The Company's management believes that the recorded amount of provision in the financial statements for potential losses in respect of those claims is adequate.

28 Events after the reporting period

At the meeting of the Board of Directors of the Company held on 14 March 2018, the Board of Directors agreed to propose the meeting of shareholders will be held on 24 April 2018 to approve the appropriation of dividends of Baht 40 per share, amounting to Baht 57.1 million.