

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

Financial statements for the year ended  
31 December 2018  
and  
Independent Auditor's Report



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## 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 2018, 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 2018 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 black ink, appearing to read 'P. Gulsantithamrong'.

(Pantip Gulsantithamrong)  
Certified Public Accountant  
Registration No. 4208

KPMG Phoomchai Audit Ltd.  
Bangkok  
18 March 2019

# MSIG Insurance (Thailand) Public Company Limited

## Statement of financial position

Assets	Note	31 December	
		2018	2017
		<i>(in Baht)</i>	
Cash and cash equivalents	4, 24	311,328,913	179,912,195
Premiums due and uncollected	5	696,001,848	633,266,227
Accrued investment income		10,240,844	10,018,337
Reinsurance assets	10, 21	632,465,712	527,382,140
Reinsurance receivables	6	59,888,834	57,703,148
Investments assets			
Investments in securities	7, 23, 24	2,711,214,989	2,678,727,627
Premises and equipment	8	283,510,372	296,375,337
Intangible assets		29,790,307	32,388,747
Deferred acquisition costs		526,868,126	478,697,716
Deferred tax assets	9	241,642,738	219,109,643
Other assets	21	67,085,615	80,996,208
<b>Total assets</b>		<b>5,570,038,298</b>	<b>5,194,577,325</b>



**MSIG**

บริษัท เอ็ม เอส ไอ้ ประกันภัย (ประเทศไทย)  
MSIG Insurance (Thailand) Public Company Limited

(Mr. Arnop Phorndhiti)

(Mr. Rattapol Gitisakchaiyakul)

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	
		2018	2017
		<i>(in Baht)</i>	
<b>Liabilities</b>			
Insurance contract liabilities	10	3,118,375,001	2,942,672,540
Reinsurance payables	11, 21	325,164,671	267,934,501
Income tax payable		24,292,627	5,269,832
Employee benefit obligations	12	237,085,644	221,478,968
Other liabilities	13, 21	404,515,644	322,526,988
<b>Total liabilities</b>		<b>4,109,433,587</b>	<b>3,759,882,829</b>
<b>Equity</b>			
Share capital	14		
Authorized share capital		142,666,200	142,666,200
Issued and paid-up share capital		142,666,200	142,666,200
Share premium on ordinary shares		146,068,797	146,068,797
Retained earnings			
Appropriated			
Legal reserve	15	14,266,620	14,266,620
Unappropriated		1,167,098,419	1,109,998,163
Other components of shareholders' equity	7, 15	(9,495,325)	21,694,716
<b>Total equity</b>		<b>1,460,604,711</b>	<b>1,434,694,496</b>
<b>Total liabilities and equity</b>		<b>5,570,038,298</b>	<b>5,194,577,325</b>

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	2018	2017
		(in Baht)	
<b>Revenues</b>			
Gross premiums written		3,974,435,881	3,745,452,853
Less premiums ceded	21	<u>(622,663,344)</u>	<u>(561,358,034)</u>
Net premiums written		3,351,772,537	3,184,094,819
Unearned premium reserve decreased (increased) from previous year		(108,428,932)	116,807,285
Less reinsurers' share of unearned premium reserve increased (decreased) from previous year		<u>14,325,154</u>	<u>(2,531,044)</u>
Net premiums earned		3,257,668,759	3,298,371,060
Commission and brokerage income	21	136,968,408	119,776,155
Net investment income		41,448,756	46,503,196
Gain on investments		1,033,332	30,457,344
Other income	21	<u>10,171,698</u>	<u>10,721,970</u>
<b>Total revenues</b>		<b><u>3,447,290,953</u></b>	<b><u>3,505,829,725</u></b>
<b>Expenses</b>			
Insurance claims expenses	17	2,015,031,877	1,992,342,208
Less insurance claims expenses recovered from reinsurers		<u>(374,294,944)</u>	<u>(186,627,657)</u>
Net insurance claims expenses		1,640,736,933	1,805,714,551
Commission and brokerage expenses		554,955,116	616,523,537
Other underwriting expenses	17	566,601,580	486,069,421
Operating expenses	16, 17, 21	<u>541,212,624</u>	<u>469,359,136</u>
<b>Total expenses</b>		<b><u>3,303,506,253</u></b>	<b><u>3,377,666,645</u></b>
<b>Profit before income tax</b>		<b>143,784,700</b>	<b>128,163,080</b>
Income tax	18	<u>29,617,964</u>	<u>33,851,842</u>
<b>Net profit</b>		<b><u>114,166,736</u></b>	<b><u>94,311,238</u></b>
<b>Other comprehensive income (loss)</b>			
<i>Components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss</i>			
Net changes in fair value of available-for-sale securities		(38,987,552)	22,199,478
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss		<u>7,797,511</u>	<u>(4,439,896)</u>
<b>Total components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss</b>		<b><u>(31,190,041)</u></b>	<b><u>17,759,582</u></b>
<i>Components of other comprehensive income (loss) that will never be reclassified to profit or loss</i>			
Actuarial losses on defined benefit plans		-	(52,587,542)
Income tax relating to components of other comprehensive income that will never be reclassified to profit or loss		-	<u>10,517,509</u>
<b>Total components of other comprehensive income (loss) that will never be reclassified to profit or loss</b>		<b>-</b>	<b><u>(42,070,033)</u></b>
<b>Other comprehensive income (loss) for the year, net of income tax</b>		<b><u>(31,190,041)</u></b>	<b><u>(24,310,451)</u></b>
<b>Total comprehensive income for the year</b>		<b><u>82,976,695</u></b>	<b><u>70,000,787</u></b>
<b>Basic earnings per share</b>	19	<b><u>80.02</u></b>	<b><u>66.11</u></b>

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

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	Share premium on ordinary shares	Retained earnings		Other components of equity	Total equity
				Legal reserve	Unappropriated (in Baht)	Net changes in fair value of available-for-sale securities	
<b>For the year ended 31 December 2018</b>							
<b>Balance at 1 January 2018</b>		<b>142,666,200</b>	<b>146,068,797</b>	<b>14,266,620</b>	<b>1,109,998,163</b>	<b>21,694,716</b>	<b>1,434,694,496</b>
<b>Transactions with shareholders, recorded directly in equity</b>							
<i>Distributions to shareholders of the Company</i>							
Dividends	20, 21	-	-	-	(57,066,480)	-	(57,066,480)
<i>Total distributions to shareholders of the Company</i>		-	-	-	(57,066,480)	-	(57,066,480)
<b>Comprehensive income for the year</b>							
Net profit		-	-	-	114,166,736	-	114,166,736
Other comprehensive income (loss)		-	-	-	-	(31,190,041)	(31,190,041)
<b>Total comprehensive income for the year</b>		-	-	-	<b>114,166,736</b>	<b>(31,190,041)</b>	<b>82,976,695</b>
<b>Balance at 31 December 2018</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>

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	
		2018	2017
		<i>(in Baht)</i>	
<b><i>Cash flows from operating activities</i></b>			
Premium received		3,910,023,737	3,796,344,119
Cash paid to reinsurers		(140,016,303)	(325,882,625)
Interest received		36,615,104	48,208,587
Dividend received		4,770,515	4,519,743
Other investment income		873,962	27,840,350
Other income		10,185,975	11,102,806
Insurance claims expenses		(1,929,558,846)	(1,949,322,191)
Commission and brokerage expenses		(566,287,372)	(605,571,139)
Other underwriting expenses		(496,290,342)	(455,117,260)
Operating expenses		(524,761,065)	(515,097,781)
Income tax paid		(25,330,754)	(42,479,367)
Investment in securities		(154,950,900)	(229,954,105)
Deposits at financial institutions		83,475,987	149,514,045
<b>Net cash flows provided by (used in) operating activities</b>		<b><u>208,749,698</u></b>	<b><u>(85,894,818)</u></b>
<b><i>Cash flows from investing activities</i></b>			
<b>Cash flows provided by</b>			
Proceeds from sale of equipment		44,728	309,303
<b>Cash flows provided by investing activities</b>		<b><u>44,728</u></b>	<b><u>309,303</u></b>
<b>Cash flows used in</b>			
Purchase of building improvement and equipment		(20,311,228)	(20,595,803)
<b>Cash flows used in investing activities</b>		<b><u>(20,311,228)</u></b>	<b><u>(20,595,803)</u></b>
<b>Net cash flows used in investing activities</b>		<b><u>(20,266,500)</u></b>	<b><u>(20,286,500)</u></b>
<b><i>Cash flows from financing activities</i></b>			
Dividend paid	20, 21	(57,066,480)	(78,466,410)
<b>Net cash flows used in financing activities</b>		<b><u>(57,066,480)</u></b>	<b><u>(78,466,410)</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>131,416,718</b>	<b>(184,647,728)</b>
Cash and cash equivalents at beginning of the year		179,912,195	364,559,923
<b>Cash and cash equivalents at ending of the year</b>	<b>4</b>	<b><u>311,328,913</u></b>	<b><u>179,912,195</u></b>

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 2018**

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# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

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 18 March 2019.

### 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. 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.

New and revised TFRSs are effective for annual accounting periods beginning on or after 1 January 2018. 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 a number of new TFRSs are not yet effective for current period. The Company has not early adopted these standards in preparing these financial statements. Those new and revised TFRSs that are relevant to the Company's operations become effective for annual financial reporting periods beginning on or after 1 January of the following years.

TFRSs	Topic	Effective
TFRS 4 (revised 2018)	Insurance contracts	2019
TFRS 15	Revenue from Contracts with Customers	2019
TFRS 16	Leases	2020
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
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Accounting Guideline for Financial Instruments and Disclosure for insurance company		2020

\* TFRSs - Financial instruments standards

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### *TFRS 4 Insurance Contracts (revised 2018)*

TFRS 4 Insurance Contracts (revised 2018) 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 Disclosure for insurance entities and continue to apply Accounting Guideline for Financial Instruments and Disclosure for insurance company until annual periods beginning on or after January 1, 2022 or before TFRS 17 Insurance contract becomes effective.

### *TFRS 15 Revenue from Contracts with Customers*

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled. It replaces existing revenue recognition standards as follows:

- TAS 11 (revised 2017) *Construction Contracts*,
- TAS 18 (revised 2017) *Revenue*,
- TSIC 31 (revised 2017) *Revenue-Barter Transactions Involving Advertising Services*,
- TFRIC 13 (revised 2017) *Customer Loyalty Programmes*,
- TFRIC 15 (revised 2017) *Agreements for the Construction of Real Estate*, and
- TFRIC 18 (revised 2017) *Transfers of Assets from Customers*.

These changes have no material effect on the financial statements.

### *TFRSs - Financial instruments standards*

These TFRSs establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

### *TFRS 16 Leases*

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases.

Management is presently considering the potential impact of adopting and initially applying TFRS 9 and TFRS 16 on the financial statements.

#### **(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 2018

(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, outstanding claims and unearned premium reserves. The carrying amount as at the reporting date is disclosed in Note 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.

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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### *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.

		2018		2017	
	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	(34,719)	34,719	(35,031)	35,031
Net expected loss ratio	+1	34,719	(34,719)	35,031	(35,031)

### *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.

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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### (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.

The allowance for doubtful accounts is determined 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 reserves*

Premium reserves consist 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 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.



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

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.

**(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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

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 securities, 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.

## **(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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### *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.

### **(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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**MSIG Insurance (Thailand) Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

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.

*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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### (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.

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.

### (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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### (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.

### (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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

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.

### (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.

## 4 Cash and cash equivalents

	2018	2017
	<i>(in thousand Baht)</i>	
Cash on hand	472	475
Deposits at banks - call deposits	106,037	119,450
Highly liquid short - term investments	204,820	59,987
<b>Total</b>	<b>311,329</b>	<b>179,912</b>

## 5 Premiums due and uncollected

As at 31 December 2018 and 2017, the aging analyses for premiums due and uncollected were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
Within credit terms	584,837	534,884
Overdue:		
Not over than 30 days	47,982	59,347
31 - 60 days	42,181	22,293
61 - 90 days	9,039	7,468
91 days - 1 year	12,760	12,528
Over 1 year	1,396	-
Total	698,195	636,520
Less allowance doubtful accounts	(2,193)	(3,254)
<b>Net</b>	<b>696,002</b>	<b>633,266</b>

	2018	2017
	<i>(in thousand Baht)</i>	
Doubtful accounts expense (reversal) for the year ended 31 December	<b>(1,061)</b>	<b>27</b>

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

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

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.

### 6 Reinsurance receivables

	2018	2017
	<i>(in thousand Baht)</i>	
Due from reinsurers	59,889	57,703
<b>Total</b>	<b><u>59,889</u></b>	<b><u>57,703</u></b>

As at 31 December 2018 and 2017, the aging analyses for due from reinsurers were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
Within due	-	-
Over due:		
Less than 1 year	57,734	54,483
Within 1 - 2 years	1,720	1,956
Over 2 years	435	1,264
<b>Total</b>	<b><u>59,889</u></b>	<b><u>57,703</u></b>

### 7 Investments in securities

#### 7.1 Investments in securities types

	2018		2017	
	Cost / Amortised cost	Fair value	Cost / Amortised cost	Fair value
	<i>(in thousand Baht)</i>			
<b><i>Available-for-sale securities</i></b>				
Government and state				
enterprise debt securities	1,936,116	1,939,861	1,794,889	1,801,053
Private debt securities	474,995	475,553	479,212	484,759
Equity securities	163,119	149,406	146,044	163,621
Unit trust	4,000	1,535	4,000	1,829
<b>Total</b>	<b><u>2,578,230</u></b>	<b><u>2,566,355</u></b>	<b><u>2,424,145</u></b>	<b><u>2,451,262</u></b>
Add unrealised gains (losses) on fair value changes of available-for-sale securities	(11,875)	-	27,117	-
<b>Total available-for-sale securities</b>	<b><u>2,566,355</u></b>	<b><u>2,566,355</u></b>	<b><u>2,451,262</u></b>	<b><u>2,451,262</u></b>
<b><i>Held-to-maturity securities</i></b>				
Deposits at banks with original maturities over 3 months	142,793	142,793	226,269	226,269
<b>Total held-to-maturity securities</b>	<b><u>142,793</u></b>	<b><u>142,793</u></b>	<b><u>226,269</u></b>	<b><u>226,269</u></b>
<b><i>General investments</i></b>				
Equity securities	2,237		1,367	
Less allowance for impairment	(170)		(170)	
<b>Total general investments, net</b>	<b><u>2,067</u></b>		<b><u>1,197</u></b>	
<b>Total investment in securities</b>	<b><u>2,711,215</u></b>		<b><u>2,678,728</u></b>	



# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

As at 31 December 2018 and 2017, details of available-for-sale securities were as follows:

	2018			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	1,908,183	4,855	(1,388)	1,911,650
State enterprise bonds	27,933	278	-	28,211
Equity securities	23,757	65	(364)	23,458
<b>Total</b>	<b>1,959,873</b>	<b>5,198</b>	<b>(1,752)</b>	<b>1,963,319</b>
<i>Private enterprise securities</i>				
Debentures	474,995	1,864	(1,306)	475,553
Equity securities	139,362	2,120	(15,534)	125,948
Unit trust	4,000	-	(2,465)	1,535
<b>Total</b>	<b>618,357</b>	<b>3,984</b>	<b>(19,305)</b>	<b>603,036</b>
<b>Total available-for-sale securities</b>	<b>2,578,230</b>	<b>9,182</b>	<b>(21,057)</b>	<b>2,566,355</b>
	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
<b>Total</b>	<b>1,804,929</b>	<b>9,954</b>	<b>(19)</b>	<b>1,814,864</b>
<i>Private enterprise securities</i>				
Debentures	479,212	5,574	(27)	484,759
Equity securities	136,004	18,303	(4,497)	149,810
Unit trust	4,000	-	(2,171)	1,829
<b>Total</b>	<b>619,216</b>	<b>23,877</b>	<b>(6,695)</b>	<b>636,398</b>
<b>Total available-for-sale securities</b>	<b>2,424,145</b>	<b>33,831</b>	<b>(6,714)</b>	<b>2,451,262</b>

**MSIG Insurance (Thailand) Public Company Limited**  
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**For the year ended 31 December 2018**

**7.2 Remaining period of debt securities**

As at 31 December 2018 and 2017, investments in debt securities which were classified as available-for-sale and held-to-maturity securities were classified by the remaining maturity as follows:

	2018 Maturities				2017 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	900,761	1,007,422	-	1,908,183	718,526	1,031,855	11,028	1,761,409
- State enterprise bonds	-	27,933	-	27,933	-	33,480	-	33,480
<b>Total</b>	<b>900,761</b>	<b>1,035,355</b>	<b>-</b>	<b>1,936,116</b>	<b>718,526</b>	<b>1,065,335</b>	<b>11,028</b>	<b>1,794,889</b>
<i>Add (less) unrealised gains (loss) on fair value changes</i>	<i>(268)</i>	<i>4,013</i>	<i>-</i>	<i>3,745</i>	<i>349</i>	<i>5,796</i>	<i>19</i>	<i>6,164</i>
<b>Total</b>	<b>900,493</b>	<b>1,039,368</b>	<b>-</b>	<b>1,939,861</b>	<b>718,875</b>	<b>1,071,131</b>	<b>11,047</b>	<b>1,801,053</b>
<i>Private debt securities</i>								
- Debentures	69,835	386,720	18,440	474,995	31,800	373,205	74,207	479,212
<b>Total</b>	<b>69,835</b>	<b>386,720</b>	<b>18,440</b>	<b>474,995</b>	<b>31,800</b>	<b>373,205</b>	<b>74,207</b>	<b>479,212</b>
<i>Add unrealised gains on fair value changes</i>	<i>146</i>	<i>193</i>	<i>219</i>	<i>558</i>	<i>184</i>	<i>3,685</i>	<i>1,678</i>	<i>5,547</i>
<b>Total</b>	<b>69,981</b>	<b>386,913</b>	<b>18,659</b>	<b>475,553</b>	<b>31,984</b>	<b>376,890</b>	<b>75,885</b>	<b>484,759</b>
<b>Total available-for-sale debt securities</b>	<b>970,474</b>	<b>1,426,281</b>	<b>18,659</b>	<b>2,415,414</b>	<b>750,859</b>	<b>1,448,021</b>	<b>86,932</b>	<b>2,285,812</b>

**MSIG Insurance (Thailand) Public Company Limited**  
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**For the year ended 31 December 2018**

	2018 Maturities				2017 Maturities			
	1 year	Over 1 - 5 years	Over 5 years	Total	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	142,793	-	-	142,793	226,269	-	-	226,269
<b>Total held-to-maturity debt securities</b>	<b>142,793</b>	<b>-</b>	<b>-</b>	<b>142,793</b>	<b>226,269</b>	<b>-</b>	<b>-</b>	<b>226,269</b>
<b>Total investment in debt securities</b>	<b>1,113,267</b>	<b>1,426,281</b>	<b>18,659</b>	<b>2,558,207</b>	<b>977,128</b>	<b>1,448,021</b>	<b>86,932</b>	<b>2,512,081</b>

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

	2018 (in thousand Baht)	2017
Net changes in fair value of available-for-sale securities	(11,869)	27,119
Add (Less) deferred tax assets (liabilities)	2,374	(5,424)
<b>Net</b>	<b>(9,495)</b>	<b>21,695</b>

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 8 Premises and equipment

	Land	Buildings	Buildings improvement <i>(in thousand Baht)</i>	Furniture, fixtures and equipment	Vehicles	Total
<i>Cost</i>						
At 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)
<b>At 31 December 2017 and 1 January 2018</b>	<b>119,074</b>	<b>218,765</b>	<b>76,219</b>	<b>281,038</b>	<b>12,795</b>	<b>707,891</b>
Additions	-	-	4,272	16,036	-	20,308
Disposals	-	-	-	(4,994)	-	(4,994)
<b>At 31 December 2018</b>	<b>119,074</b>	<b>218,765</b>	<b>80,491</b>	<b>292,080</b>	<b>12,795</b>	<b>723,205</b>
<i>Accumulated depreciation</i>						
At 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)
<b>At 31 December 2017 and 1 January 2018</b>	<b>-</b>	<b>193,491</b>	<b>23,066</b>	<b>189,972</b>	<b>4,987</b>	<b>411,516</b>
Depreciation charge for the year	-	1,051	3,324	26,183	2,559	33,117
Disposals	-	-	-	(4,938)	-	(4,938)
<b>At 31 December 2018</b>	<b>-</b>	<b>194,542</b>	<b>26,390</b>	<b>211,217</b>	<b>7,546</b>	<b>439,695</b>
<i>Net book value</i>						
At 1 January 2017	119,074	26,325	51,880	103,640	10,258	311,177
At 31 December 2017 and 1 January 2018	119,074	25,274	53,153	91,066	7,808	296,375
At 31 December 2018	119,074	24,223	54,101	80,863	5,249	283,510

The gross carrying amount of the Company's fully depreciated buildings and equipment that was still in use as at 31 December 2018 amounted to Baht 178 million (2017: Baht 164 million).

### 9 Deferred tax assets

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

	2018 <i>(in thousand Baht)</i>	2017
Deferred tax assets	244,113	229,637
Deferred tax liabilities	(2,470)	(10,527)
<b>Net</b>	<b>241,643</b>	<b>219,110</b>

**MSIG Insurance (Thailand) Public Company Limited**  
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Movements in deferred tax assets and liabilities during the years were as follows:

	At 1 January 2018	(Charged) / credited to		At 31 December 2018
		Profit or loss (note 18) (in thousand Baht)	Other comprehensive income	
<i>Deferred tax assets</i>				
Allowance for doubtful accounts	1,057	(157)	-	900
Allowance for impairment loss on investment	34	-	-	34
Unearned premium reserve	64,984	5,407	-	70,391
Incurred but not reported loss reserves (IBNR)	6,973	9,285	-	16,258
Loss reserves	112,293	(3,180)	-	109,113
Employee benefit obligations	44,296	3,121	-	47,417
<b>Total</b>	<b>229,637</b>	<b>14,476</b>	<b>-</b>	<b>244,113</b>
<i>Deferred tax liabilities</i>				
Depreciation expense for buildings	5,055	(211)	-	4,844
Depreciation expense for financial lease	48	(48)	-	-
Net changes in fair value of available-for-sale securities	5,424	-	(7,798)	(2,374)
<b>Total</b>	<b>10,527</b>	<b>(259)</b>	<b>(7,798)</b>	<b>2,470</b>
<b>Net</b>	<b>219,110</b>	<b>14,735</b>	<b>7,798</b>	<b>241,643</b>
	At 1 January 2017	(Charged) / credited to		At 31 December 2017
		Profit or loss (note 18) (in thousand Baht)	Other comprehensive income	
<i>Deferred tax assets</i>				
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
<b>Total</b>	<b>229,849</b>	<b>(10,730)</b>	<b>10,518</b>	<b>229,637</b>
<i>Deferred tax liabilities</i>				
Depreciation expense for buildings	5,265	(210)	-	5,055
Depreciation expense for financial lease	307	(259)	-	48
Net changes in fair value of available-for-sale securities	984	-	4,440	5,424
<b>Total</b>	<b>6,556</b>	<b>(469)</b>	<b>4,440</b>	<b>10,527</b>
<b>Net</b>	<b>223,293</b>	<b>(10,261)</b>	<b>6,078</b>	<b>219,110</b>

**MSIG Insurance (Thailand) Public Company Limited**  
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**10 Insurance contract liabilities**

	2018			2017		
	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	1,149,987	(438,031)	711,956	1,132,311	(350,445)	781,866
- Incurred but not reported	111,329	(30,038)	81,291	61,731	(26,865)	34,866
Total loss reserves and outstanding claims	1,261,316	(468,069)	793,247	1,194,042	(377,310)	816,732
Unearned premium reserves	1,857,060	(164,397)	1,692,663	1,748,631	(150,072)	1,598,559
<b>Total</b>	<b>3,118,376</b>	<b>(632,466)</b>	<b>2,485,910</b>	<b>2,942,673</b>	<b>(527,382)</b>	<b>2,415,291</b>

**10.1 Loss reserves and outstanding claims**

At 1 January	1,194,042	(377,310)	816,732	1,165,006	(369,808)	795,198
Insurance claim expenses incurred during the year	1,837,469	(371,123)	1,466,346	1,857,174	(192,557)	1,664,617
Insurance claim expenses paid during the year	(1,819,793)	283,537	(1,536,256)	(1,842,412)	179,126	(1,663,286)
Change in estimation and assumption	49,598	(3,173)	46,425	14,274	5,929	20,203
<b>At 31 December</b>	<b>1,261,316</b>	<b>(468,069)</b>	<b>793,247</b>	<b>1,194,042</b>	<b>(377,310)</b>	<b>816,732</b>

**10.2 Unearned premium reserves**

At 1 January	1,748,631	(150,072)	1,598,559	1,865,438	(152,603)	1,712,835
Premium written during the year	3,974,436	(622,663)	3,351,773	3,745,453	(561,358)	3,184,095
Earned premium in the year	(3,866,007)	608,338	(3,257,669)	(3,862,260)	563,889	(3,298,371)
<b>At 31 December</b>	<b>1,857,060</b>	<b>(164,397)</b>	<b>1,692,663</b>	<b>1,748,631</b>	<b>(150,072)</b>	<b>1,598,559</b>

**MSIG Insurance (Thailand) Public Company Limited**  
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**10.3 Loss development table**

10.3.1 Gross loss development triangle

**At 31 December 2018**

Accident year/ Accounting year	Prior and within 2013	2014	2015	2016 <i>(in thousand Baht)</i>	2017	2018	Total
Estimated loss reserve and outstanding claims							
At year ended		2,248,590	1,829,933	1,827,468	2,003,669	2,103,156	
Development year 1		2,109,955	1,817,478	1,831,510	1,950,548	-	
Development year 2		2,004,000	1,730,699	1,773,304	-	-	
Development year 3		1,994,168	1,726,235	-	-	-	
Development year 4		1,992,120	-	-	-	-	
Absolute estimated loss reserve and outstanding claim	126,080	1,992,120	1,726,235	1,773,304	1,950,548	2,103,156	9,671,443
Accumulative claims paid	50,740	(1,991,810)	(1,717,005)	(1,757,456)	(1,823,241)	(1,220,296)	(8,459,068)
<b>Total</b>	<b>176,820</b>	<b>310</b>	<b>9,230</b>	<b>15,848</b>	<b>127,307</b>	<b>882,860</b>	<b>1,212,375</b>
<b>Reconciliation</b>							
Unallocated loss adjustment expenses							48,941
<b>Total loss reserve and outstanding claims</b>							<b>1,261,316</b>

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 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 claims							
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 claims	1,354,690	1,197,476	1,994,168	1,730,699	1,831,510	2,003,669	10,112,212
Accumulative claims paid	<u>(1,166,465)</u>	<u>(1,195,873)</u>	<u>(1,990,660)</u>	<u>(1,711,355)</u>	<u>(1,722,073)</u>	<u>(1,179,477)</u>	<u>(8,965,903)</u>
<b>Total</b>	<b><u>188,225</u></b>	<b><u>1,603</u></b>	<b><u>3,508</u></b>	<b><u>19,344</u></b>	<b><u>109,437</u></b>	<b><u>824,192</u></b>	<b><u>1,146,309</u></b>
<b>Reconciliation</b>							
Unallocated loss adjustment expenses							<u>47,733</u>
<b>Total loss reserve and outstanding claims</b>							<b><u>1,194,042</u></b>



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10.3.2 Net loss development triangle

**At 31 December 2018**

Accident year/ Accounting year	Prior and within 2013	2014	2015	2016	2017	2018	Total
<i>(in thousand Baht)</i>							
Estimated loss reserve and outstanding claims							
At year ended		1,432,777	1,595,766	1,689,699	1,715,205	1,626,174	
Development year 1		1,379,078	1,603,770	1,714,538	1,681,410	-	
Development year 2		1,337,947	1,554,012	1,659,222	-	-	
Development year 3		1,334,072	1,551,691	-	-	-	
Development year 4		1,332,121	-	-	-	-	
Absolute estimated loss reserve and outstanding claims	46,205	1,332,121	1,551,691	1,659,222	1,681,410	1,626,174	7,896,823
Accumulative claims paid	(18,024)	(1,331,813)	(1,542,165)	(1,643,033)	(1,566,393)	(1,051,089)	(7,152,517)
<b>Total</b>	<b>28,181</b>	<b>308</b>	<b>9,526</b>	<b>16,189</b>	<b>115,017</b>	<b>575,085</b>	<b>744,306</b>
<b>Reconciliation</b>							
Unallocated loss adjustment expenses							48,941
<b>Total loss reserve and outstanding claims, net</b>							<b>793,247</b>

**MSIG Insurance (Thailand) Public Company Limited**  
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**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 claims							
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 claims	74,253	1,082,060	1,334,072	1,554,012	1,714,538	1,715,205	7,474,140
Accumulative claims paid	<u>(42,376)</u>	<u>(1,080,527)</u>	<u>(1,330,600)</u>	<u>(1,535,469)</u>	<u>(1,608,751)</u>	<u>(1,107,418)</u>	<u>(6,705,141)</u>
<b>Total</b>	<b><u>31,877</u></b>	<b><u>1,533</u></b>	<b><u>3,472</u></b>	<b><u>18,543</u></b>	<b><u>105,787</u></b>	<b><u>607,787</u></b>	<b><u>768,999</u></b>
<b>Reconciliation</b>							
Unallocated loss adjustment expenses							<u>47,733</u>
<b>Total loss reserve and outstanding claims, net</b>							<b><u>816,732</u></b>

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 11 Reinsurance payables

	2018	2017
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	100,725	74,667
Due to reinsurers	224,440	193,268
<b>Total</b>	<b><u>325,165</u></b>	<b><u>267,935</u></b>

### 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 2018 and 2017 were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
<b>Defined benefit plans</b>		
- Post-employment benefits	228,554	213,679
- Other long-term employee benefits	8,532	7,800
<b>Total present value of unfunded obligations</b>	<b><u>237,086</u></b>	<b><u>221,479</u></b>

Movement in the present value of the defined benefit obligations:

	2018			2017		
	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>	213,679	7,800	221,479	151,964	7,924	159,888
<b>Include in profit or loss:</b>						
Current service cost	16,312	1,260	17,572	16,011	1,176	17,187
Interest on obligation	5,289	176	5,465	4,594	152	4,746
Paid during the year	(6,726)	(704)	(7,430)	(11,478)	(936)	(12,414)
Actuarial loss	-	-	-	-	(516)	(516)
<b>Total</b>	<b><u>228,554</u></b>	<b><u>8,532</u></b>	<b><u>237,086</u></b>	<b><u>161,091</u></b>	<b><u>7,800</u></b>	<b><u>168,891</u></b>

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

	Post-employment benefits	2018 Other long-term employee benefits	Total	Post-employment benefits	2017 Other long-term employee benefits	Total
<b>Included in other comprehensive income:</b>						
Actuarial loss	-	-	-	52,588	-	52,588
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,588</b>	<b>-</b>	<b>52,588</b>
<b>At 31 December</b>	<b>228,554</b>	<b>8,532</b>	<b>237,086</b>	<b>213,679</b>	<b>7,800</b>	<b>221,479</b>

### Actuarial assumptions

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

	2018	2017
	(%)	
Discount rate	1.9 - 2.7	1.9 - 2.7
Future salary increase rate	5.0 - 7.0	5.0 - 7.0
Employee 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 (%)	2018 Increase (decrease) in liabilities (in thousand Baht)	2017 Increase (decrease) in liabilities
Discount rate	+1	(13,199)	(13,673)
Discount rate	-1	15,189	15,418
Future salary	+1	40,276	36,795
Future salary	-1	(18,445)	(16,542)
Employee turnover rate	+10	(2,265)	(2,072)
Employee turnover rate	-10	2,431	2,229

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

	Change in variable (%)	2018 Increase (decrease) in liabilities (in thousand Baht)	2017 Increase (decrease) in liabilities
Discount rate	+1	(459)	(435)
Discount rate	-1	508	482
Employee turnover rate	+10	(276)	(248)
Employee turnover rate	-10	297	267

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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

On 13 December 2018, the National Legislative Assembly passed a bill amending the Labor Protection Act 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 will amend its retirement plan in the period in which the amendment will have become law and is announced in the Royal Gazette. As a result of this change, the provision for retirement benefits as at that future period end as well as past service cost recognised during the period the financial statements is estimated to increase by an amount of approximately Baht 32 million.

### 13 Other liabilities

	Note	2018 (in thousand Baht)	2017
Commission payables		130,967	87,031
Accrued expenses		229,583	170,565
Others	21	43,965	64,931
<b>Total</b>		<b>404,515</b>	<b>322,527</b>

### 14 Share capital

	Par value per share (in Baht)	2018 Number	2018 Amount (shares / thousand Baht)	2017 Number	2017 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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

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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

	2018	2017
	<i>(in thousand Baht)</i>	
Employee expense	295,386	263,418
Premises and equipment expense	68,339	57,624
Taxes and duties	3,443	6,317
Bad debt and doubtful account expense	488	578
Others	173,557	141,422
<b>Total</b>	<b>541,213</b>	<b>469,359</b>

### 17 Employee benefit expenses

	Note	2018	2017
		<i>(in thousand Baht)</i>	
Director's remuneration	21	3,248	3,263
Wages, salaries and bonuses	21	600,019	533,912
Post-employment benefits	12, 21	23,037	21,417
<b>Total</b>		<b>626,304</b>	<b>558,592</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.

### 18 Income tax

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

	Note	2018	2017
		<i>(in thousand Baht)</i>	
<b>Current tax expense</b>			
Current year		44,353	23,591
<b>Deferred tax expense</b>			
Movements in temporary differences	9	(14,735)	10,261
<b>Total</b>		<b>29,618</b>	<b>33,852</b>

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

##### *Deferred tax expenses*

Net changes in fair value of available-for-sale securities		7,798	(4,440)
Actuarial losses on defined benefit plans		-	10,518
<b>Total</b>		<b>7,798</b>	<b>6,078</b>

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### Reconciliation of effective tax rate

	2018		2017	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax		143,785		128,163
Income tax using the Thai corporation tax rate	20.0	28,757	20.0	25,633
Income not subject to tax	(0.2)	(308)	(0.2)	(295)
Addition deductible expense for tax purpose	(2.9)	(4,193)	(3.4)	(4,286)
Expenses not deductible for tax purposes	3.7	5,362	10.0	12,800
<b>Total</b>	<b>20.6</b>	<b>29,618</b>	<b>26.4</b>	<b>33,852</b>

### 19 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2018 and 2017 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:

	2018	2017
	(in thousand Baht/share)	
Profit attributable to ordinary shareholders of the Company (basic)	114,167	94,311
Number of ordinary shares outstanding	1,426,662	1,426,662
<b>Basic earnings per share (in Baht)</b>	<b>80.02</b>	<b>66.11</b>

### 20 Dividends

At the annual general meeting of shareholders of the Company held on 24 April 2018, the shareholders approved the appropriation of dividends of Baht 40 per share, amounting to Baht 57.1 million. The dividend was paid to shareholders during 2018.

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.

### 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.

**MSIG Insurance (Thailand) Public Company Limited**  
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Relationships with key management and related parties 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
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	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
Mitsui Sumitomo Insurance Co., Ltd. (Japan)	Japan	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 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

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 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



# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

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>	2018	2017
	<i>(in thousand Baht)</i>	
<b>Revenues</b>		
<b>Other related parties</b>		
Commission and brokerage income	22,341	24,709
Service income	5,250	258
<b>Expenses</b>		
<b>Other related parties</b>		
Premiums ceded	106,219	115,651
Marketing and management support services agreement fee	35,582	34,987
<b>Key management and director compensation</b>		
Directors' remuneration	3,248	3,263
Short-term benefits	56,598	53,405
Post-employment benefit	8,065	8,882
<b>Total</b>	<b>67,911</b>	<b>65,550</b>
<b>Dividends</b>		
<b>Major shareholders</b>		
Dividend paid	49,317	67,811

Significant balances as at 31 December 2018 and 2017 with related parties were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
<b>Reinsurance assets</b>		
<b>Insurance claims expenses recovered from reinsurers</b>		
<b>Other related parties</b>		
Mitsui Sumitomo Insurance Co., Ltd. (Japan)	181,213	134,902
MS Amlin Underwriting Limited	8,515	4,878
Amlin Bermuda Limited	4,213	2,429
<b>Total</b>	<b>193,941</b>	<b>142,209</b>
<b>Other assets</b>		
<b>Other receivables</b>		
<b>Other related parties</b>		
MSIG Insurance (Vietnam) Co., Ltd.	5,250	-
<b>Reinsurance payable</b>		
<b>Due to reinsurers</b>		
<b>Other related parties</b>		
Mitsui Sumitomo Insurance Co., Ltd. (Japan)	107,152	90,676
MS Amlin Underwriting Limited	2,602	1,839
Amlin Bermuda Limited	2,016	1,663
<b>Total</b>	<b>111,770</b>	<b>94,178</b>
<b>Other liabilities</b>		
<b>Payables to related parties</b>		
<b>Other related parties</b>		
MSIG Holdings (Asia) Pte. Ltd.	2,996	(3,047)

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

## **Notes to the financial statements**

**For the year ended 31 December 2018**

## **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 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.

#### **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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 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;

	2018		2017	
	Gross of reinsurance	Net	Gross of reinsurance	Net
		(in thousand Baht)		
<b>Loss reserves and outstanding claims</b>				
<i>Type of insurance</i>				
Fire	24,658	25,263	22,348	21,612
Marine	80,760	52,309	81,984	56,592
Motor	581,200	572,283	615,237	595,907
Miscellaneous	574,698	143,392	474,473	142,621
<b>Total</b>	<b><u>1,261,316</u></b>	<b><u>793,247</u></b>	<b><u>1,194,042</u></b>	<b><u>816,732</u></b>
<b>Unearned premium reserves</b>				
<i>Type of insurance</i>				
Fire	120,010	108,860	112,624	108,544
Marine	92,457	63,067	93,076	64,812
Motor	1,135,160	1,126,931	1,138,390	1,130,224
Miscellaneous	509,433	393,805	404,541	294,979
<b>Total</b>	<b><u>1,857,060</u></b>	<b><u>1,692,663</u></b>	<b><u>1,748,631</u></b>	<b><u>1,598,559</u></b>

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 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 2018 and 2017 significant financial assets classified by type of interest rate are as follows:

	2018				2017			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<i>Financial assets</i>								
Cash and cash equivalents	106,037	204,820	472	311,329	119,450	59,987	475	179,912
Investments in securities								
Government and state enterprise debt securities	130,891	1,808,970	-	1,939,861	69,664	1,731,389	-	1,801,053
Private debt securities	-	475,553	-	475,553	-	484,759	-	484,759
Equity securities	-	-	151,473	151,473	-	-	164,818	164,818
Unit trusts	-	-	1,535	1,535	-	-	1,829	1,829
Deposits at banks with original maturities over 3 months	-	142,793	-	142,793	-	226,269	-	226,269
<b>Total financial assets</b>	<b>236,928</b>	<b>2,632,136</b>	<b>153,480</b>	<b>3,022,544</b>	<b>189,114</b>	<b>2,502,404</b>	<b>167,122</b>	<b>2,858,640</b>

**MSIG Insurance (Thailand) Public Company Limited**  
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As at 31 December 2018 and 2017, 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):

	2018			Total	Average interest rate (% per annum)
	Within 1 year	Over 1 - 5 years (in thousand Baht)	Over 5 years		
<b>Financial assets</b>					
Cash and cash equivalents	204,820	-	-	204,820	1.16
Investments in securities					
Government and state enterprise debt securities	900,493	908,477	-	1,808,970	1.48
Private debt securities	69,981	386,913	18,659	475,553	2.66
Deposit at banks with original maturities over than 3 months	142,793	-	-	142,793	1.57
<b>Total financial assets</b>	<b>1,318,087</b>	<b>1,295,390</b>	<b>18,659</b>	<b>2,632,136</b>	
	2017			Total	Average interest rate (% per annum)
	Within 1 year	Over 1 - 5 years (in thousand Baht)	Over 5 years		
<b>Financial assets</b>					
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
<b>Total financial assets</b>	<b>1,037,115</b>	<b>1,378,357</b>	<b>86,932</b>	<b>2,502,404</b>	

## 22.6 Foreign currency risk

As at 31 December 2018 and 2017, the Company was exposed to foreign currency risk in respect of financial liabilities denominated in the following currencies:

	Note	2018 (in thousand Baht)	2017
<b>Singapore Dollars</b>			
Receivables (Payables) to related parties	21	(2,996)	3,047
<b>Total</b>		<b>(2,996)</b>	<b>3,047</b>

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 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 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 <i>(in thousand Baht)</i>	Total
<b>31 December 2018</b>			
<b>Insurance contract liabilities</b>			
Loss reserves and outstanding claims, net	739,554	53,693	793,247
<b>31 December 2017</b>			
<b>Insurance contract liabilities</b>			
Loss reserves and outstanding claims, net	766,310	50,422	816,732

### 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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

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### *Fair value hierarchy*

Analyses recurring fair value measurements for financial assets and liabilities. 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.

### *Transfer between Level 1 and 2*

As at 31 December 2018, available-for-sale equity securities with a carrying amount of Baht 2.0 million (2017: Baht 5.1 million) were transferred from Level 1 to Level 2 by reference the fair value from intermediate.

*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, other assets, insurance contract liabilities, reinsurance payable, claim payable and other liabilities.

The fair values of investments in market equity which are in SET 100 use last bid price at the reporting date.

Debt securities are held for held-to-maturity and available for sale, are determined by reference price provided by Thai Bond Market Association. Unit trusts using net asset value (NAV) provided by asset management companies at the reporting date. Fair value for market equity which are not in SET 100 use last bid price from SET 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 has established a 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.

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

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	Level 3	
	<i>(in thousand Baht)</i>			
<b>31 December 2018</b>				
<b>Financial assets</b>				
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	1,939,861	-	1,939,861
Private debt securities	-	475,553	-	475,553
Equity securities	146,445	2,961	-	149,406
Unit trust	-	1,535	-	1,535
<b>Total</b>	<b>146,445</b>	<b>2,419,910</b>	<b>-</b>	<b>2,566,355</b>

	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in thousand Baht)</i>			
<b>31 December 2017</b>				
<b>Financial assets</b>				
<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 trust	-	1,829	-	1,829
<b>Total</b>	<b>163,621</b>	<b>2,287,641</b>	<b>-</b>	<b>2,451,262</b>

### 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	Level 3	
		<i>(in thousand Baht)</i>			
<b>31 December 2018</b>					
<i>Financial assets</i>					
Investment assets					
Held-to-maturity securities	142,793	-	142,793	-	142,793
<b>31 December 2017</b>					
<i>Financial assets</i>					
Investment assets					
Held-to-maturity securities	226,269	-	226,269	-	226,269



# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 23 Securities and assets pledged with the Registrar

23.1 As at 31 December 2018 and 2017, 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:

	2018		2017	
	Book value	Face value (in thousand Baht)	Book value	Face value
Government and Bank of Thailand bonds	14,958	15,000	-	-
Deposit at bank - time deposit	-	-	14,000	14,000
<b>Total</b>	<b>14,958</b>	<b>15,000</b>	<b>14,000</b>	<b>14,000</b>

23.2 As at 31 December 2018 and 2017, 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:

	2018		2017	
	Book value	Face value (in thousand Baht)	Book value	Face value
Government and Bank of Thailand bonds	255,668	256,000	185,065	185,000
Deposit at bank - time deposit	140,946	140,946	210,434	210,434
<b>Total</b>	<b>396,614</b>	<b>396,946</b>	<b>395,499</b>	<b>395,434</b>

### 24 Restricted and collateral assets

	31 December 2018	31 December 2017
	(in thousand Baht)	
(a) Deposit at bank - call deposit To secure group personal accident insurance	<u>850</u>	<u>850</u>
(b) Deposit at bank - time deposit To secure bank guarantee - facilities issued by banks	<u>700</u>	<u>700</u>

### 25 Contribution to Non-Life Insurance Fund

As at 31 December 2018 and 2017, the accumulated Contribution to Non-Life Insurance Fund were as follows:

	2018	2017
	(in thousand Baht)	
At 1 January	67,902	58,539
Increase during the year	9,932	9,363
<b>At 31 December</b>	<b><u>77,834</u></b>	<b><u>67,902</u></b>

# MSIG Insurance (Thailand) Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 26 Commitments with non - related parties

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

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Operating lease commitments</i>		
Within one year	16,012	13,659
After one year but within five years	2,394	10,925
<b>Total</b>	<b>18,406</b>	<b>24,584</b>

#### (b) Commitments under car rental agreements

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Operating lease commitments</i>		
Within one year	2,451	2,951
After one year but within five years	2,868	5,319
<b>Total</b>	<b>5,319</b>	<b>8,270</b>

### 27 Contingent liabilities

As at 31 December 2018, lawsuits have been brought against the Company, in relation to insurance claims totaling approximately Baht 221 million (2017: Baht 327 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 18 March 2019, the Board of Directors agreed to propose the meeting of shareholders will be held on 23 April 2019 to approve the appropriation of dividends of Baht 45 per share, amounting to Baht 64.2 million.