

MSIG Insurance (Thailand) Public Company Limited

Financial statements for the year ended
31 December 2019
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 2019, 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 2019 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
19 March 2020

MSIG Insurance (Thailand) Public Company Limited

Statement of financial position

Assets	Note	31 December	
		2019	2018
		(in Baht)	
Cash and cash equivalents	4, 24	233,814,239	311,328,913
Premiums due and uncollected	5	720,150,197	696,001,848
Accrued investment income		9,886,731	10,240,844
Reinsurance assets	10, 21	340,114,362	632,465,712
Reinsurance receivables	6	157,841,000	59,888,834
Investments assets			
Investments in securities	7, 23, 24	2,790,740,046	2,711,214,989
Premises and equipment	8	273,542,805	283,510,372
Intangible assets	9	36,347,301	29,790,307
Deferred acquisition costs		535,379,193	526,868,126
Deferred tax assets	18	265,858,580	241,642,738
Other assets	21	71,220,638	67,085,615
Total assets		5,434,895,092	5,570,038,298



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

A handwritten signature in black ink, appearing to read 'Anop Phorndhiti'.

Mr. Anop Phorndhiti

A handwritten signature in black ink, appearing to read 'Rattapol Gitisakchaiyakul'.

Mr. Rattapol Gitisakchaiyakul

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

MSIG Insurance (Thailand) Public Company Limited

Statement of financial position

Liabilities and equity	Note	31 December	
		2019	2018
		<i>(in Baht)</i>	
Liabilities			
Insurance contract liabilities	10	2,941,592,439	3,118,375,001
Reinsurance payables	11, 21	222,191,119	325,164,671
Income tax payable		41,989,425	24,292,627
Employee benefit obligations	12	272,262,431	237,085,644
Other liabilities	13, 21	391,227,797	404,515,644
Total liabilities		3,869,263,211	4,109,433,587
Equity			
Share capital			
Authorized share capital		142,666,200	142,666,200
<i>(1,426,662 ordinary shares, par value at Baht 100 per share)</i>		142,666,200	142,666,200
Issued and paid-up share capital			
<i>(1,426,662 ordinary shares, par value at Baht 100 per share)</i>			
Share premium on ordinary shares	14	146,068,797	146,068,797
Retained earnings			
Appropriated			
Legal reserve	15	14,266,620	14,266,620
Unappropriated		1,231,927,024	1,167,098,419
Other components of shareholders' equity	7, 15	30,703,240	(9,495,325)
Total equity		1,565,631,881	1,460,604,711
Total liabilities and equity		5,434,895,092	5,570,038,298

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

MSIG Insurance (Thailand) Public Company Limited

Statement of comprehensive income

		For the year ended 31 December	
	Note	2019	2018
		<i>(in Baht)</i>	
Revenues			
Gross premiums written		4,054,693,259	3,974,435,881
Less premiums ceded	21	<u>(630,993,151)</u>	<u>(622,663,344)</u>
Net premiums written		3,423,700,108	3,351,772,537
Unearned premium reserve increased from previous year		(107,025,626)	(108,428,932)
Less reinsurers' share of unearned premium reserve increased from previous year		<u>29,386,674</u>	<u>14,325,154</u>
Net premiums earned		3,346,061,156	3,257,668,759
Commission and brokerage income	21	184,963,547	136,968,408
Net investment income		55,245,432	41,448,756
Gain on investments		11,777,346	1,033,332
Other income	21	<u>17,577,197</u>	<u>10,171,698</u>
Total revenues		<u>3,615,624,678</u>	<u>3,447,290,953</u>
Expenses			
Insurance claims expenses	17	1,875,698,440	2,015,031,877
Less insurance claims expenses recovered from reinsurers	21	<u>(142,778,800)</u>	<u>(374,294,944)</u>
Net insurance claims expenses		1,732,919,640	1,640,736,933
Commission and brokerage expenses		604,278,941	554,955,116
Other underwriting expenses	17	597,014,252	566,601,580
Operating expenses	16, 17, 21	<u>535,381,212</u>	<u>541,212,624</u>
Total expenses		<u>3,469,594,045</u>	<u>3,303,506,253</u>
Profit before income tax		146,030,633	143,784,700
Income tax	18	<u>20,431,960</u>	<u>29,617,964</u>
Net profit		<u>125,598,673</u>	<u>114,166,736</u>
Other comprehensive income (loss)			
Components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss			
Net changes in fair value of available-for-sale securities		50,248,206	(38,987,552)
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss	18	<u>(10,049,641)</u>	<u>7,797,511</u>
Total components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss		<u>40,198,565</u>	<u>(31,190,041)</u>
Components of other comprehensive income (loss) that will not be reclassified to profit or loss			
Actuarial gains		4,287,152	-
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss	18	<u>(857,430)</u>	<u>-</u>
Total components of other comprehensive income (loss) that will not be reclassified to profit or loss		<u>3,429,722</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax		<u>43,628,287</u>	<u>(31,190,041)</u>
Total comprehensive income for the year		<u>169,226,960</u>	<u>82,976,695</u>
Basic earnings per share	19	<u>88.04</u>	<u>80.02</u>

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

MSIG Insurance (Thailand) Public Company Limited

Statement of changes in equity

			Retained earnings		Other components of equity	
	Issued and paid-up share capital	Share premium on ordinary shares	Legal reserve	Unappropriated (in Baht)	Net changes in fair value of available-for-sale securities	Total equity
<i>Note</i>						
Year ended 31 December 2018						
Balance at 1 January 2018	142,666,200	146,068,797	14,266,620	1,109,998,163	21,694,716	1,434,694,496
Transactions with shareholders, recorded directly in equity						
<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)
Comprehensive income (loss) for the year						
Net profit		-	-	114,166,736	-	114,166,736
Other comprehensive income (loss)		-	-	-	(31,190,041)	(31,190,041)
Total comprehensive income (loss) for the year		-	-	114,166,736	(31,190,041)	82,976,695
Balance at 31 December 2018	142,666,200	146,068,797	14,266,620	1,167,098,419	(9,495,325)	1,460,604,711

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

MSIG Insurance (Thailand) Public Company Limited

Statement of changes in equity

			Retained earnings		Other components of equity	
	Issued and paid-up share capital	Share premium on ordinary shares	Legal reserve	Unappropriated (in Baht)	Net changes in fair value of available-for-sale securities	Total equity
<i>Note</i>						
For the year ended 31 December 2019						
Balance at 1 January 2019	142,666,200	146,068,797	14,266,620	1,167,098,419	(9,495,325)	1,460,604,711
Transactions with shareholders, recorded directly in equity						
<i>Distributions to shareholders of the Company</i>						
Dividends	20, 21	-	-	(64,199,790)	-	(64,199,790)
<i>Total distributions to shareholders of the Company</i>		-	-	(64,199,790)	-	(64,199,790)
Comprehensive income (loss) for the year						
Net profit		-	-	125,598,673	-	125,598,673
Other comprehensive income (loss)		-	-	3,429,722	40,198,565	43,628,287
Total comprehensive income (loss) for the year		-	-	129,028,395	40,198,565	169,226,960
Balance at 31 December 2019	142,666,200	146,068,797	14,266,620	1,231,927,024	30,703,240	1,565,631,881

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

MSIG Insurance (Thailand) Public Company Limited

Statement of cash flows

		For the year ended 31 December	
	Note	2019	2018
		<i>(in Baht)</i>	
<i>Cash flows from operating activities</i>			
Premium received		4,026,961,610	3,910,023,737
Cash paid to reinsurers		(178,139,585)	(140,016,303)
Interest received		52,516,660	36,615,104
Dividend received		4,301,727	4,770,515
Other income		15,331,303	10,185,975
Insurance claims expenses		(2,140,298,429)	(1,929,558,846)
Commission and brokerage expenses		(622,656,120)	(566,287,372)
Other underwriting expenses		(539,352,941)	(496,290,342)
Operating expenses		(553,120,258)	(524,761,065)
Income tax paid		(37,858,076)	(25,330,754)
Investment in securities		59,191,004	(154,076,938)
Deposits at financial institutions		<u>(77,909,350)</u>	<u>83,475,987</u>
Net cash flows provided by operating activities		<u>8,967,545</u>	<u>208,749,698</u>
<i>Cash flows from investing activities</i>			
Cash flows provided by			
Proceeds from sale of equipment		<u>3,133,477</u>	<u>44,728</u>
Cash flows provided by investing activities		<u>3,133,477</u>	<u>44,728</u>
Cash flows used in			
Purchase of building improvement and equipment		<u>(25,415,906)</u>	<u>(20,311,228)</u>
Cash flows used in investing activities		<u>(25,415,906)</u>	<u>(20,311,228)</u>
Net cash flows used in investing activities		<u>(22,282,429)</u>	<u>(20,266,500)</u>
<i>Cash flows from financing activities</i>			
Dividend paid	20, 21	<u>(64,199,790)</u>	<u>(57,066,480)</u>
Net cash flows used in financing activities		<u>(64,199,790)</u>	<u>(57,066,480)</u>
Net increase (decrease) in cash and cash equivalents		(77,514,674)	131,416,718
Cash and cash equivalents at 1 January		<u>311,328,913</u>	<u>179,912,195</u>
Cash and cash equivalents at 31 December	4	<u>233,814,239</u>	<u>311,328,913</u>

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

MSIG Insurance (Thailand) Public Company Limited
Notes to the financial statements
For the year ended 31 December 2019

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 19 March 2020.

1 General information

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

The ultimate parent company, MS&AD Insurance Group Holdings, Inc., 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 2019. The initial application of these new and revised TFRS has resulted in changes in certain of the Company's accounting policies. There is no material impact on the Company's financial statements. The Company has initial applied TFRS 15 *Revenue from Contracts with Customers* ("TFRS 15") which replaces TAS 18 *Revenue* ("TAS 18"), TAS 11 *Construction Contracts* ("TAS 11") and related interpretation. The details of accounting policies are disclosed in note 3(k).

The Company has assessed the impact of initial adoption of TFRS 15 using the cumulative effect method, taking into account the effect of initially applying this standard only to contracts that were not completed before 1 January 2019. The impact on retained earnings as at 1 January 2019 was not material. Therefore, the Company has not adjusted the retained earnings as at 1 January 2019 and not restated the information presented for 2018, as previously reported under TAS 18 and related interpretations. The disclosure requirements of TFRS 15 have not generally been applied to comparative information.

MSIG Insurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

In addition, the Company has not early adopted a number of new and revised TFRSs which are not yet effective for the current period in preparing these financial statements. Those new and revised TFRSs that are relevant to the Company's operations are disclosed in note 29.

(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)

(c) *Functional and presentation currency*

The financial statements are prepared 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 the Company's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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 10	Insurance contract liabilities
Note 12	Employee benefit obligations
Note 18	Income tax
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.

MSIG Insurance (Thailand) Public Company Limited
Notes to the financial statements
For the year ended 31 December 2019

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.

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.

		2019		2018	
	Change in variable (%)	Increase (decrease) in liabilities	Increase (decrease) in profit and equity (in thousand Baht)	Increase (decrease) in liabilities	Increase (decrease) in profit and equity
Net expected loss ratio	-1	(35,641)	35,641	(34,719)	34,719
Net expected loss ratio	+1	35,641	(35,641)	34,719	(34,719)

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.

MSIG Insurance (Thailand) Public Company Limited
Notes to the financial statements
For the year ended 31 December 2019

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.

(c) Classification of insurance contracts

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

(d) Recognition and measurement of insurance contracts

Premiums due and uncollected

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

Loss reserves and outstanding claims

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

Premium reserves

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

MSIG Insurance (Thailand) Public Company Limited
Notes to the financial statements
For the year ended 31 December 2019

Unearned premium reserve

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

Unexpired risks reserve

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

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

Premium written and premium earned

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

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

Commissions and brokerage expenses

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

Claims and loss adjustment expenses

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

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

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

Reinsurance

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

MSIG Insurance (Thailand) Public Company Limited
Notes to the financial statements
For the year ended 31 December 2019

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.

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.

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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.

Subsequent costs

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

Depreciation

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

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

Buildings	50 years
Buildings improvement	20 and 33 years
Furniture, fixtures and equipment	5 years
Computer equipment	3, 5 and 7 years
Vehicles	5 years

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

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

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(g) Intangible assets

Computer software

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

Subsequent expenditure

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

Amortisation

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

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

Computer software	3, 5 and 10 years
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No amortisation is provided on intangible assets under installation.

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

(h) Impairment

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

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

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

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Calculation of recoverable amount

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

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

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

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

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

(i) *Employee benefits*

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

Defined contribution plans

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

Defined benefit plans

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

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

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.

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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.

(k) Revenue

Accounting policies for revenue recognition in 2019

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

Rendering of services

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

Accounting policies for revenue recognition in 2018

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates.

Rendering of services

The Company recognizes revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date.

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(l) Investment income

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

(m) Expenses

Operating lease

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

(n) 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.

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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.

(o) 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.

(p) Related parties

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

4 Cash and cash equivalents

	2019	2018
	<i>(in thousand Baht)</i>	
Cash on hand	472	472
Deposits at banks - call deposits	121,362	106,037
Highly liquid short - term investments	111,980	204,820
Total	<u>233,814</u>	<u>311,329</u>

5 Premiums due and uncollected

As at 31 December 2019 and 2018, the aging analyses for premiums due and uncollected were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Within credit terms	614,971	584,837
Overdue:		
Not over than 30 days	59,653	47,982
31 - 60 days	23,474	42,181
61 - 90 days	11,075	9,039
91 days - 1 year	12,559	12,760
Over 1 year	246	1,396
Total	<u>721,978</u>	<u>698,195</u>
<i>Less allowance doubtful accounts</i>	<i>(1,828)</i>	<i>(2,193)</i>
Net	<u>720,150</u>	<u>696,002</u>
	2019	2018
	<i>(in thousand Baht)</i>	
Doubtful accounts reversal for the year ended 31 December	<u>365</u>	<u>1,061</u>

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

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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

	2019	2018
	<i>(in thousand Baht)</i>	
Due from reinsurers	157,841	59,889
Total	157,841	59,889

As at 31 December 2019 and 2018, the aging analyses for due from reinsurers were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Within due	-	-
Over due:		
Less than 1 year	155,820	57,734
Within 1 - 2 years	1,994	1,720
Over 2 years	27	435
Total	157,841	59,889

7 Investments in securities

7.1 Types of investments in securities

	2019		2018	
	Cost / Amortised cost	Fair value	Cost / Amortised cost	Fair value
	<i>(in thousand Baht)</i>			
<i>Available-for-sale securities</i>				
Government and state				
enterprise debt securities	1,751,623	1,777,030	1,936,116	1,939,861
Private debt securities	606,967	622,040	474,995	475,553
Equity securities	136,506	138,582	163,119	149,406
Unit trust	34,500	30,319	4,000	1,535
Total	2,529,596	2,567,971	2,578,230	2,566,355
<i>Add unrealised gains (losses) on fair value</i>				
changes of available-for-sale				
securities	38,375	-	(11,875)	-
Total available-for-sale securities	2,567,971	2,567,971	2,566,355	2,566,355
<i>Held-to-maturity securities</i>				
Deposits at banks with original				
maturities over 3 months	220,702	220,702	142,793	142,793
Total held-to-maturity securities	220,702	220,702	142,793	142,793
<i>General investments</i>				
Equity securities	2,237		2,237	
Less allowance for impairment	(170)		(170)	
Total general investments, net	2,067		2,067	
Total investment in securities	2,790,740		2,711,215	

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As at 31 December 2019 and 2018, details of available-for-sale securities were as follows:

	2019			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	1,744,435	25,290	-	1,769,725
State enterprise bonds	7,188	117	-	7,305
Equity securities	21,818	729	(676)	21,871
Total	<u>1,773,441</u>	<u>26,136</u>	<u>(676)</u>	<u>1,798,901</u>
<i>Private enterprise securities</i>				
Debentures	606,967	15,073	-	622,040
Equity securities	114,688	4,287	(2,264)	116,711
Unit trust	34,500	-	(4,181)	30,319
Total	<u>756,155</u>	<u>19,360</u>	<u>(6,445)</u>	<u>769,070</u>
Total available-for-sale securities	<u>2,529,596</u>	<u>45,496</u>	<u>(7,121)</u>	<u>2,567,971</u>
		2018		
	Cost/ Amortised cost	Unrealised gains <i>(in thousand Baht)</i>	Unrealised losses	Fair value
<i>Available-for-sale securities</i>				
<i>Government and state enterprise securities</i>				
Thai government bonds	1,908,183	4,855	(1,388)	1,911,650
State enterprise bonds	27,933	278	-	28,211
Equity securities	23,757	65	(364)	23,458
Total	<u>1,959,873</u>	<u>5,198</u>	<u>(1,752)</u>	<u>1,963,319</u>
<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
Total	<u>618,357</u>	<u>3,984</u>	<u>(19,305)</u>	<u>603,036</u>
Total available-for-sale securities	<u>2,578,230</u>	<u>9,182</u>	<u>(21,057)</u>	<u>2,566,355</u>

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7.2 Remaining period of debt securities

As at 31 December 2019 and 2018, investments in debt securities which were classified as available-for-sale and held-to-maturity securities were classified by the remaining maturity as follows:

	2019 Maturities				2018 Maturities			Total
	1 year	Over 1 - 5 years	Over 5 years	Total (in thousand Baht)	1 year	Over 1 - 5 years	Over 5 years	
<i>Available-for-sale debt securities</i>								
<i>Government and state enterprise debt securities</i>								
- Thai government bonds	395,831	995,101	353,503	1,744,435	900,761	1,007,422	-	1,908,183
- State enterprise bonds	-	7,188	-	7,188	-	27,933	-	27,933
Total	395,831	1,002,289	353,503	1,751,623	900,761	1,035,355	-	1,936,116
Add (less) unrealised gains (loss) on fair value changes	1,597	18,923	4,887	25,407	(268)	4,013	-	3,745
Total	397,428	1,021,212	358,390	1,777,030	900,493	1,039,368	-	1,939,861
<i>Private debt securities</i>								
- Debentures	-	272,254	334,713	606,967	69,835	386,720	18,440	474,995
Total	-	272,254	334,713	606,967	69,835	386,720	18,440	474,995
Add unrealised gains on fair value changes	-	5,891	9,182	15,073	146	193	219	558
Total	-	278,145	343,895	622,040	69,981	386,913	18,659	475,553
Total available-for-sale debt securities	397,428	1,299,357	702,285	2,399,070	970,474	1,426,281	18,659	2,415,414

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	2019 Maturities				2018 Maturities			
	1 year	Over 1 - 5 years	Over 5 years	Total <i>(in thousand Baht)</i>	1 year	Over 1 - 5 years	Over 5 years	Total
<i>Held-to-maturity debt securities</i>								
Deposits at banks with original maturities over 3 months	220,702	-	-	220,702	142,793	-	-	142,793
Total held-to-maturity debt securities	220,702	-	-	220,702	142,793	-	-	142,793
Total investment in debt securities	618,130	1,299,357	702,285	2,619,772	1,113,267	1,426,281	18,659	2,558,207

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

	2019 <i>(in thousand Baht)</i>	2018
Net changes in fair value of available-for-sale securities	38,379	(11,869)
Add (Less) deferred tax assets (liabilities)	(7,676)	2,374
Net	30,703	(9,495)

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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 2018	119,074	218,765	76,219	281,038	12,795	707,891
Additions	-	-	4,272	16,036	-	20,308
Disposals	-	-	-	(4,994)	-	(4,994)
At 31 December 2018 and 1 January 2019	119,074	218,765	80,491	292,080	12,795	723,205
Additions	-	-	2,957	13,789	8,670	25,416
Disposals	-	-	-	(5,533)	(6,367)	(11,900)
At 31 December 2019	119,074	218,765	83,448	300,336	15,098	736,721
<i>Accumulated depreciation</i>						
At 1 January 2018	-	193,491	23,066	189,972	4,987	411,516
Depreciation charge for the year	-	1,051	3,324	26,183	2,559	33,117
Disposals	-	-	-	(4,938)	-	(4,938)
At 31 December 2018 and 1 January 2019	-	194,542	26,390	211,217	7,546	439,695
Depreciation charge for the year	-	1,051	3,777	27,013	2,655	34,496
Disposals	-	-	-	(5,480)	(5,533)	(11,013)
At 31 December 2019	-	195,593	30,167	232,750	4,668	463,178
<i>Net book value</i>						
At 1 January 2018	119,074	25,274	53,153	91,066	7,808	296,375
At 31 December 2018 and 1 January 2019	119,074	24,223	54,101	80,863	5,249	283,510
At 31 December 2019	119,074	23,172	53,281	67,586	10,430	273,543

The gross carrying amount of the Company's fully depreciated buildings and equipment that was still in use as at 31 December 2019 amounted to Baht 176 million (2018: Baht 178 million).

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9 Intangible assets

	Software licences <i>(in thousand Baht)</i>
<i>Cost</i>	
At 1 January 2018	59,932
Additions	1,959
At 31 December 2018 and 1 January 2019	61,891
Additions	13,263
At 31 December 2019	75,154
<i>Amortisation and impairment losses</i>	
At 1 January 2018	27,543
Amortisation for the year	4,558
At 31 December 2018 and 1 January 2019	32,101
Amortisation for the year	6,706
At 31 December 2019	38,807
<i>Net book value</i>	
At 1 January 2018	32,389
At 31 December 2018 and 1 January 2019	29,790
At 31 December 2019	36,347

The gross carrying amount of the Company's fully amortised intangible assets that still in use as at 31 December 2019 amounted to Baht 17 million (2018: Baht 17 million).

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10 Insurance contract liabilities

	2019			2018		
	Liabilities under insurance contracts	Reinsurers' share liabilities	Net <i>(in thousand Baht)</i>	Liabilities under insurance contracts	Reinsurers' share liabilities	Net
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	847,121	(113,353)	733,768	1,149,987	(438,031)	711,956
- Incurred but not reported	130,386	(32,977)	97,409	111,329	(30,038)	81,291
Total loss reserves and outstanding claims	977,507	(146,330)	831,177	1,261,316	(468,069)	793,247
Unearned premium reserves	1,964,085	(193,784)	1,770,301	1,857,060	(164,397)	1,692,663
Total	2,941,592	(340,114)	2,601,478	3,118,376	(632,466)	2,485,910

10.1 Loss reserves and outstanding claims

At 1 January	1,261,316	(468,069)	793,247	1,194,042	(377,310)	816,732
Insurance claim expenses incurred during the year	1,725,449	(139,840)	1,585,609	1,837,469	(371,123)	1,466,346
Insurance claim expenses paid during the year	(2,028,315)	464,518	(1,563,797)	(1,819,793)	283,537	(1,536,256)
Change in estimation and assumption	19,057	(2,939)	16,118	49,598	(3,173)	46,425
At 31 December	977,507	(146,330)	831,177	1,261,316	(468,069)	793,247

10.2 Unearned premium reserves

At 1 January	1,857,060	(164,397)	1,692,663	1,748,631	(150,072)	1,598,559
Premium written during the year	4,054,693	(630,993)	3,423,700	3,974,436	(622,663)	3,351,773
Earned premium in the year	(3,947,668)	601,606	(3,346,062)	(3,866,007)	608,338	(3,257,669)
At 31 December	1,964,085	(193,784)	1,770,301	1,857,060	(164,397)	1,692,663

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10.3 Loss development table

10.3.1 Gross loss development triangle

At 31 December 2019

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

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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)
Total	176,820	310	9,230	15,848	127,307	882,860	1,212,375
Reconciliation							
Unallocated loss adjustment expenses							48,941
Total loss reserve and outstanding claims							1,261,316

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10.3.2 Net loss development triangle

At 31 December 2019

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

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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	<u>(18,024)</u>	<u>(1,331,813)</u>	<u>(1,542,165)</u>	<u>(1,643,033)</u>	<u>(1,566,393)</u>	<u>(1,051,089)</u>	<u>(7,152,517)</u>
Total	<u>28,181</u>	<u>308</u>	<u>9,526</u>	<u>16,189</u>	<u>115,017</u>	<u>575,085</u>	744,306
Reconciliation							
Unallocated loss adjustment expenses							<u>48,941</u>
Total loss reserve and outstanding claims, net							<u>793,247</u>

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11 Reinsurance payables

	2019	2018
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	72,933	100,725
Due to reinsurers	149,258	224,440
Total	<u>222,191</u>	<u>325,165</u>

12 Employee benefit obligations

Post-employment benefits

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

Plan A

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

Plan B

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

Plan C

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

Present value of unfunded obligations as at 31 December 2019 and 2018 were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Defined benefit plans		
- Post-employment benefits	263,637	228,554
- Other long-term employee benefits	8,625	8,532
Total present value of unfunded obligations	<u>272,262</u>	<u>237,086</u>

<i>Present value of the defined benefit obligations</i>	2019		2018		Total	
	Post-employment benefits	Other long-term employee benefits	Post-employment benefits	Other long-term employee benefits		
	<i>(in thousand Baht)</i>					
At 1 January	228,554	8,532	237,086	213,679	7,800	221,479
Include in profit or loss:						
Current service cost	19,427	1,308	20,735	16,312	1,260	17,572
Interest on obligation	5,600	186	5,786	5,289	176	5,465
Past service cost	31,591	-	31,591	-	-	-
Paid during the year	(17,248)	(904)	(18,152)	(6,726)	(704)	(7,430)
Actuarial gain	-	(497)	(497)	-	-	-
Total	<u>267,924</u>	<u>8,625</u>	<u>276,549</u>	<u>228,554</u>	<u>8,532</u>	<u>237,086</u>

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<i>Present value of the defined benefit obligations</i>	2019			2018		
	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total
Included in other comprehensive income:						
Actuarial gain						
- Demographic assumptions	3,637	-	3,637	-	-	-
- Financial assumptions	(8,076)	-	(8,076)	-	-	-
- Experience adjustment	152	-	152	-	-	-
Total	(4,287)	-	(4,287)	-	-	-
At 31 December	263,637	8,625	272,262	228,554	8,532	237,086

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

Principal actuarial assumptions

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

	2019	2018
		(%)
Discount rate	2.2 - 2.6	1.9 - 2.7
Future salary increase rate	4.0 - 6.0	5.0 - 7.0
Employee turnover rate	0.0 - 18.0	0.0 - 15.0

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

Sensitivity analysis

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

(a) Defined post - employment benefits obligation

	Change in variable (%)	2019 Increase (decrease) in liabilities (in thousand Baht)	2018 Increase (decrease) in liabilities
Discount rate	+1	(15,515)	(13,199)
Discount rate	-1	17,318	15,189
Future salary	+1	26,560	40,276
Future salary	-1	(24,292)	(18,445)
Employee turnover rate	+10	(2,627)	(2,265)
Employee turnover rate	-10	2,799	2,431

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(b) Defined other long-term employee benefits obligation

	Change in variable (%)	2019 Increase (decrease) in liabilities <i>(in thousand Baht)</i>	2018 Increase (decrease) in liabilities
Discount rate	+1	(452)	(459)
Discount rate	-1	500	508
Employee turnover rate	+10	(255)	(276)
Employee turnover rate	-10	274	297

13 Other liabilities

	Note	2019 <i>(in thousand Baht)</i>	2018
Commission payables		125,400	130,967
Accrued expenses		212,142	229,583
Others	21	<u>53,687</u>	<u>43,965</u>
Total		<u>391,229</u>	<u>404,515</u>

14 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.

Other components of equity

Fair value changes in available-for-sale investment

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.

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16 Operating expenses

	2019	2018
	<i>(in thousand Baht)</i>	
Employee expense	332,096	295,386
Premises and equipment expense	76,933	68,339
Taxes and duties	(10,933)	3,443
Bad debt and doubtful account expense	(30)	488
Others	137,315	173,557
Total	<u>535,381</u>	<u>541,213</u>

17 Employee benefit expenses

	<i>Note</i>	2019	2018
		<i>(in thousand Baht)</i>	
Director's remuneration	21	3,223	3,248
Wages, salaries and bonuses	21	618,115	600,019
Post-employment benefits	12, 21	57,616	23,037
Total		<u>678,954</u>	<u>626,304</u>

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

18 Income tax

Income tax recognised in profit or loss

	2019	2018
	<i>(in thousand Baht)</i>	
<i>Current tax expense</i>		
Current year	60,470	44,353
Over provided in prior year	(4,915)	-
<i>Deferred tax expense</i>		
Movements in temporary differences	(35,123)	(14,735)
Total	<u>20,432</u>	<u>29,618</u>

Income tax recognised in other comprehensive income

Deferred tax expenses

Net changes in fair value of available-for-sale securities	(10,050)	7,798
Actuarial gains on defined employee benefit plan	(857)	-
Total	<u>(10,907)</u>	<u>7,798</u>

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Reconciliation of effective tax rate

	2019		2018	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax		146,032		143,785
Income tax using the Thai corporation tax rate	20.0	29,206	20.0	28,757
Over provided in prior year	(3.4)	(4,915)	-	-
Income not subject to tax	(0.3)	(369)	(0.2)	(308)
Addition deductible expense for tax purpose	(2.2)	(3,148)	(2.9)	(4,193)
Expenses not deductible for tax purposes	(0.2)	(342)	3.7	5,362
Total	13.9	20,432	20.6	29,618

Deferred tax assets and liabilities
At 31 December

	2019	2018
	(in thousand Baht)	
Deferred tax assets	278,227	244,113
Deferred tax liabilities	(12,368)	(2,470)
Net	265,859	241,643

Movements in deferred tax balance are as follows:

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

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	At 1 January 2018	(Charged) / credited to		At 31 December 2018
		Profit or loss <i>(in thousand Baht)</i>	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
Total	229,637	14,476	-	244,113
<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)
Total	10,527	(259)	(7,798)	2,470
Net	219,110	14,735	7,798	241,643

19 Basic earnings per share

	2019	2018
	<i>(in thousand Baht/share)</i>	
<i>Profit attributable to ordinary shareholder for the year ended 31 December</i>		
Profit	125,600	114,167
Number of ordinary shares outstanding	1,426,662	1,426,662
Basic earnings per share (in Baht)	88.04	80.02

20 Dividends

The shareholders of the Company have approved dividends as follows:

	Approval date	Payment schedule	Dividends rate per share <i>(Baht)</i>	Amount <i>(in million Baht)</i>
<i>2019</i>				
Annual dividend	23 April 2019	May 2019	45	64
<i>2018</i>				
Annual dividend	24 April 2018	May 2018	40	57

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21 Related parties

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

Name of entities/Personnel	Country of Incorporation/ Nationality	Nature of relationships
Key management personnel	Thais/ Foreigners	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including director (whether executive or otherwise) of the Company.
MS&AD Insurance Group Holdings, Inc.	Japan	Ultimate parent company
MSIG Holdings (Asia) Pte. Ltd.	Singapore	Major shareholder, 49% shareholding
Yardhimar Co., Ltd.	Thailand	Major shareholder, 37% shareholding
Mitsui Sumitomo Insurance Co., Ltd. Thailand Branch	Thailand	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
MS First Capital Insurance Limited	Singapore	The subsidiary company of the Ultimate parent company

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

Transactions	Pricing policies
Premium ceded	Normal commercial terms for reinsurance depending on type of insurance and reinsurance contract
Commission and brokerage income	As stated in the agreement upon normal commercial terms for business operations
Service income	As stated in the agreement upon normal commercial terms for business operations

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Transactions	Pricing policies
Insurance claims expenses recovered from (paid to) reinsurers	Actual indemnity but not exceed as stated in the agreement upon normal commercial terms for business operations
Marketing and management support services agreement fee	Actual cost

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

<i>For the years ended 31 December</i>	2019	2018
	<i>(in thousand Baht)</i>	
Revenues		
Other related parties		
Commission and brokerage income	21,249	22,341
Service income	7,976	5,250
Expenses		
Other related parties		
Premiums ceded	99,787	106,219
Insurance claims expenses recovered from (paid to) reinsurers	(1,744)	206,980
Marketing and management support services agreement fee	37,294	35,582
Key management and director compensation		
Directors' remuneration	3,223	3,248
Short-term benefits	67,416	56,598
Post-employment benefit	10,596	8,065
Total	81,235	67,911
Dividends		
Major shareholders		
Dividend paid	55,481	49,317

Significant balances as at 31 December 2019 and 2018 with related parties were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Reinsurance assets		
Insurance claims expenses recovered from reinsurers		
Other related parties		
Mitsui Sumitomo Insurance Co., Ltd. (Japan)	152,369	181,213
MS Amlin Underwriting Limited	13,058	8,515
Amlin Bermuda Limited	2,984	4,213
MS First Capital Insurance Limited	95	-
Total	168,506	193,941
Other assets		
Other receivables		
Other related parties		
Mitsui Sumitomo Insurance Co., Ltd. Thailand Branch	1,168	-
MSIG Insurance (Vietnam) Co., Ltd.	1,290	5,250
Total	2,458	5,250

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	2019	2018
	<i>(in thousand Baht)</i>	
<i>Reinsurance payable</i>		
Due to reinsurers		
Other related parties		
Mitsui Sumitomo Insurance Co., Ltd. (Japan)	6,312	107,152
MS Amlin Underwriting Limited	5,700	2,602
Amlin Bermuda Limited	1,266	2,016
MS First Capital Insurance Limited	365	-
Total	<u>13,643</u>	<u>111,770</u>
<i>Other liabilities</i>		
Payables to related parties		
Other related parties		
MSIG Holdings (Asia) Pte. Ltd.	<u>4,703</u>	<u>2,996</u>

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.

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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.

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;

	2019		2018	
	Gross of reinsurance	Net	Gross of reinsurance	Net
	<i>(in thousand Baht)</i>			
Loss reserves and outstanding claims				
<i>Type of insurance</i>				
Fire	11,203	8,963	24,658	25,263
Marine	150,596	56,268	80,760	52,309
Motor	655,000	647,346	581,200	572,283
Miscellaneous	160,708	118,600	574,698	143,392
Total	977,507	831,177	1,261,316	793,247
Unearned premium reserves				
<i>Type of insurance</i>				
Fire	131,811	115,589	120,010	108,860
Marine	89,582	67,685	92,457	63,067
Motor	1,155,921	1,145,368	1,135,160	1,126,931
Miscellaneous	586,771	441,659	509,433	393,805
Total	1,964,085	1,770,301	1,857,060	1,692,663

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22.4 Capital management

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

In accordance with the requirements of the Office of Insurance Commission, all insurers are required to maintain a minimum at least 120% (2018: 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 2019 and 2018 significant financial assets classified by type of interest rate are as follows:

	2019			Total	2018			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing		Floating interest rate	Fixed interest rate	Non-interest bearing	
<i>Financial assets</i>								
Cash and cash equivalents	121,362	111,980	472	233,814	106,037	204,820	472	311,329
Investments in securities								
Government and state enterprise debt securities	81,362	1,695,668	-	1,777,030	130,891	1,808,970	-	1,939,861
Private debt securities	-	622,040	-	622,040	-	475,553	-	475,553
Equity securities	-	-	140,649	140,649	-	-	151,473	151,473
Unit trusts	-	-	30,319	30,319	-	-	1,535	1,535
Deposits at banks with original maturities over 3 months	-	220,702	-	220,702	-	142,793	-	142,793
Total financial assets	202,724	2,650,390	171,440	3,024,554	236,928	2,632,136	153,480	3,022,544

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As at 31 December 2019 and 2018, the financial assets carrying interest at fixed rates are classified below, according to the period from the reporting date to the contractual repricing dates or to the maturity date (whichever dates are earlier):

	Maturity period				Average interest rate (% per annum)
	Within 1 year	Over 1 - 5 years (in thousand Baht)	Over 5 years	Total	
<i>At 31 December 2019</i>					
<i>Financial assets</i>					
Cash and cash equivalents	111,980	-	-	111,980	1.52
Investments in securities					
Government and state enterprise debt securities	397,428	939,850	358,390	1,695,668	1.99
Private debt securities	-	278,145	343,895	622,040	2.96
Deposit at banks with original maturities over than 3 months	220,702	-	-	220,702	1.66
Total financial assets	730,110	1,217,995	702,285	2,650,390	
	Maturity period				Average interest rate (% per annum)
	Within 1 year	Over 1 - 5 years (in thousand Baht)	Over 5 years	Total	
<i>At 31 December 2018</i>					
<i>Financial assets</i>					
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
Total financial assets	1,318,087	1,295,390	18,659	2,632,136	

22.6 Foreign currency risk

As at 31 December 2019 and 2018, the Company was exposed to foreign currency risk in respect of financial liabilities denominated in the following currency:

	Note	2019 Singapore Dollars (in thousand Baht)	2018 Singapore Dollars
<i>Liabilities denominated in the foreign currency as at 31 December</i>			
Payables to related parties	21	4,703	2,996
Total		4,703	2,996

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22.7 Credit risk

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

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

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

22.8 Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents and investment assets deemed adequate 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
31 December 2019			
Insurance contract liabilities			
Loss reserves and outstanding claims, net	755,649	75,528	831,177
	1 year	Over 1-5 years <i>(in thousand Baht)</i>	Total
31 December 2018			
Insurance contract liabilities			
Loss reserves and outstanding claims, net	739,554	53,693	793,247

22.9 Carrying amount and fair values

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

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Fair value hierarchy

Analyses recurring fair value measurements for financial assets 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 or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable movement date (unobservable inputs).

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 2019, the Company did not have available for-sale equity securities (2018: Baht 2.0 million) that were transferred from Level 1 to Level 2. Available-for-sale equity securities with a carrying amount of Baht 1.9 million (2018: nil) that were transferred from Level 2 to Level 1 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 values

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.

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

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

	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in thousand Baht)</i>			
31 December 2018				
Financial assets				
<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
Total	146,445	2,419,910	-	2,566,355

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>			
31 December 2019					
<i>Financial assets</i>					
Investment assets					
Held-to-maturity securities	220,702	-	220,702	-	220,702
31 December 2018					
<i>Financial assets</i>					
Investment assets					
Held-to-maturity securities	142,793	-	142,793	-	142,793

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23 Securities and assets pledged with the Registrar

23.1 As at 31 December 2019 and 2018, 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:

	2019		2018	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and Bank of Thailand bonds	<u>15,024</u>	<u>15,000</u>	<u>14,958</u>	<u>15,000</u>

23.2 As at 31 December 2019 and 2018, 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:

	2019		2018	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and Bank of Thailand bonds	228,663	225,000	255,668	256,000
Deposit at bank - time deposit	220,000	220,000	140,946	140,946
Total	<u>448,663</u>	<u>445,000</u>	<u>396,614</u>	<u>396,946</u>

24 Restricted and collateral assets

	2019	2018
	<i>(in thousand Baht)</i>	
(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 2019 and 2018, the accumulated Contribution to Non-Life Insurance Fund were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
At 1 January	77,834	67,902
Increase during the year	10,132	9,932
At 31 December	<u>87,966</u>	<u>77,834</u>

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26 Commitments with non - related parties

(a) Commitments under office rental and service agreements

	2019	2018
	<i>(in thousand Baht)</i>	
<i>Operating lease commitments</i>		
Within one year	14,896	16,012
After one year but within five years	7,291	2,394
Total	<u><u>22,187</u></u>	<u><u>18,406</u></u>

(b) Commitments under car rental agreements

	2019	2018
	<i>(in thousand Baht)</i>	
<i>Operating lease commitments</i>		
Within one year	2,459	2,451
After one year but within five years	3,457	2,868
Total	<u><u>5,916</u></u>	<u><u>5,319</u></u>

27 Contingent liabilities

As at 31 December 2019, lawsuits have been brought against the Company, in relation to insurance claims totaling approximately Baht 48 million (2018: Baht 221 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 19 March 2020, the Board of Directors agreed to propose the meeting of shareholders will be held on 24 April 2020 to approve the appropriation of dividends of Baht 45 per share, amounting to Baht 64 million.

29 Thai Financial Reporting Standards (TFRS) not yet adopted

New TFRSs and Accounting guideline which are expected to have a material impact on the Company's financial statements when initially adopted, and which will become effective in annual reporting periods beginning on or after 1 January 2020:

TFRS	Topic
Accounting Guideline	Financial Instruments and Disclosure for insurance entities
TFRS 16	Leases

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

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

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

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

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

In addition the above differences, the adoption Accounting Guideline : Financial Instruments and disclosure for insurance entities will impact to the Company regarding the impairments and hedge accounting as follow:

Impairment - Financial assets

Accounting Guideline introduces forward-looking 'expected credit loss' (ECL) model whereas currently the Company estimates allowance for impairment account by analyzing payment histories and future expectation of payment. Accounting Guideline for Financial Instruments: Disclosure for insurance company requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Transition

The Company has met the condition as mentioned in TFRS 4 Insurance Contracts (revised 2019) and initially selected to apply Accounting Guideline for Financial Instruments and Disclosure for insurance entities by adjusting the impact to retained earnings or other component of equity on 1 January 2020. Therefore, the Company will not apply the requirements of this Accounting Guideline to comparative information.

The Company has with preliminary impact assessment of initially applying this Accounting Guideline on the financial statements which was effects from the impairment by 'expected credit loss' (ECL) model method of investments in debt securities classified as available-for-sale investments and held-to-maturity investments and the impact was not material to the Company's financial statements except for the impact from general investments which were classified and measured as fair value through other comprehensive income (FVOCI) which the Company presently considering the impact of adopting on the Company's financial statements.

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(b) TFRS 16 Leases

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognizes a right-of-use asset and a lease liability. There are recognition exemptions for short-term lease and lease of low-value items. Lessor accounting remains similar to the current standards, i.e. lessors continue to classify lease as finance or operating leases. When this TFRS is effective, some accounting standards and interpretations which are currently effective will be cancelled.

Currently, the Company recognizes payments made under operating leases in profit or loss on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized. Under TFRS 16, the Company will recognize right-of-use assets and lease liabilities for its operating lease as disclosed in Note 26. As a result, the nature of expenses related to those leases will be changed because the Company will recognise depreciation of right-of-use asset and interest expense on lease liabilities.

Transition

The Company plans to apply TFRS 16 initially on 1 January 2020, using the modified retrospective approach. Therefore, the cumulative effect of adoption TFRS 16 will be recognized as an adjustment to the retained earnings as 1 January 2020, with no restatement of comparative information.

The preliminary impact assessment of initially applying TFRS 16 on Statement of financial position as at 1 January 2020, the Company's right-of-use assets increase approximately Baht 11.5 million and the Company's lease liabilities increase approximately Baht 10.3 million.