

MSIG Insurance (Thailand) Public Company Limited

Condensed interim financial statements
for the three-month and nine-month periods ended
30 September 2019
and
Independent auditor's review report



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Independent auditor's report on review of interim financial information

To the Board of Directors of MSIG Insurance (Thailand) Public Company Limited

I have reviewed the accompanying statement of financial position of MSIG Insurance (Thailand) Public Company Limited as at 30 September 2019; the statement of comprehensive income for the three-month and nine-month periods ended 30 September 2019; the statements of changes in equity and cash flows for the nine-month period ended 30 September 2019, and the condensed notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with the Thai Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34, "Interim Financial Reporting".

(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
13 November 2019

MSIG Insurance (Thailand) Public Company Limited

Statement of financial position

Assets	Note	30 September	31 December
		2019	2018
		(Unaudited)	
		<i>(in thousand Baht)</i>	
Cash and cash equivalents	3, 13	160,698	311,329
Premiums due and uncollected	4	677,609	696,002
Accrued investment income		15,036	10,241
Reinsurance assets	6, 10	501,391	632,466
Reinsurance receivables		101,737	59,889
Investments assets			
Investments in securities	5, 12, 13	2,766,413	2,711,215
Premises and equipment		273,334	283,510
Intangible assets		37,272	29,790
Deferred acquisition costs		537,357	526,868
Deferred tax assets		247,246	241,643
Other assets	10	<u>75,822</u>	<u>67,085</u>
Total assets		<u>5,393,915</u>	<u>5,570,038</u>



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

(นายอรณง พงรติ)
กรรมการผู้มีอำนาจ

(นายรัฐพล กิติศักดิ์ไชยกุล)
กรรมการผู้มีอำนาจ

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

MSIG Insurance (Thailand) Public Company Limited

Statement of financial position

		30 September	31 December
Liabilities and equity	<i>Note</i>	2019	2018
		(Unaudited)	
		(in thousand Baht)	
Liabilities			
Insurance contract liabilities	6	3,072,983	3,118,376
Reinsurance payables	10	223,044	325,165
Income tax payable		8,883	24,292
Employee benefit obligations		271,995	237,086
Other liabilities	10	334,001	404,515
Total liabilities		3,910,906	4,109,434
Equity			
Share capital			
Authorized share capital		142,666	142,666
Issued and paid-up share capital		142,666	142,666
Share premium on ordinary shares		146,069	146,069
Retained earnings			
Appropriated			
Legal reserve		14,266	14,266
Unappropriated		1,146,341	1,167,098
Other components of shareholders' equity	5	33,667	(9,495)
Total equity		1,483,009	1,460,604
Total liabilities and equity		5,393,915	5,570,038

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

MSIG Insurance (Thailand) Public Company Limited
Statement of comprehensive income (Unaudited)

		Three-month period ended 30 September	
	Note	2019	2018
		<i>(in thousand Baht)</i>	
Revenues			
Gross premiums written		1,001,866	973,368
Less premiums ceded	10	<u>(135,429)</u>	<u>(144,294)</u>
Net premiums written		866,437	829,074
Unearned premium reserve increased from previous period		(20,147)	(1,597)
Less reinsurers' share of unearned premium reserve decreased from previous period		<u>(11,968)</u>	<u>(13,475)</u>
Net premium earned		834,322	814,002
Commission and brokerage income	10	37,800	36,328
Net investment income		15,707	10,141
Gain on investments		11,650	497
Other income	10	<u>6,524</u>	<u>1,128</u>
Total revenues		<u>906,003</u>	<u>862,096</u>
Expenses			
Insurance claim expenses		450,030	407,003
Less insurance claims expenses recovered from reinsurers	10	<u>(43,374)</u>	<u>(17,690)</u>
Net insurance claims expenses		406,656	389,313
Commissions and brokerage expenses		152,735	145,757
Other underwriting expenses		141,234	142,003
Operating expenses	10	<u>135,506</u>	<u>129,106</u>
Total expenses		<u>836,131</u>	<u>806,179</u>
Profit before income tax		69,872	55,917
Income tax	7	<u>13,281</u>	<u>10,199</u>
Net profit		<u>56,591</u>	<u>45,718</u>
Other comprehensive income			
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>			
Net changes in fair value of available-for-sale securities		12,685	13,323
Income tax relating to components of other comprehensive income that will be reclassified subsequently to profit or loss		<u>(2,537)</u>	<u>(2,665)</u>
Total components of other comprehensive income that will be reclassified subsequently to profit or loss		<u>10,148</u>	<u>10,658</u>
Other comprehensive income for the period, net of income tax		<u>10,148</u>	<u>10,658</u>
Total comprehensive income for the period		<u>66,739</u>	<u>56,376</u>
Basic earnings per share (in Baht)	8	<u>39.67</u>	<u>32.05</u>

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

MSIG Insurance (Thailand) Public Company Limited

Statement of comprehensive income (Unaudited)

		Nine-month period ended 30 September	
	Note	2019	2018
		<i>(in thousand Baht)</i>	
Revenues			
Gross premiums written		2,972,962	2,948,186
Less premiums ceded	10	<u>(454,766)</u>	<u>(487,977)</u>
Net premiums written		2,518,196	2,460,209
Unearned premium reserve increased from previous period		(46,583)	(71,953)
Less reinsurers' share of unearned premium reserve increased from previous period		<u>17,039</u>	<u>31,084</u>
Net premium earned		2,488,652	2,419,340
Commission and brokerage income	10	122,142	103,459
Net investment income		40,786	31,019
Gain on investments		4,760	1,138
Other income	10	<u>9,865</u>	<u>3,600</u>
Total revenues		<u>2,666,205</u>	<u>2,558,556</u>
Expenses			
Insurance claim expenses		1,484,837	1,618,831
Less insurance claims expenses recovered from reinsurers	10	<u>(153,597)</u>	<u>(371,916)</u>
Net insurance claims expenses		1,331,240	1,246,915
Commission and brokerage expenses		436,235	428,077
Other underwriting expenses		446,136	408,894
Operating expenses	10	<u>412,514</u>	<u>416,374</u>
Total expenses		<u>2,626,125</u>	<u>2,500,260</u>
Profit before income tax		40,080	58,296
Income tax	7	<u>67</u>	<u>8,612</u>
Net profit		<u>40,013</u>	<u>49,684</u>
Other comprehensive income (loss)			
<i>Components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss</i>			
Net changes in fair value of available-for-sale securities		53,953	(21,916)
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss		<u>(10,791)</u>	<u>4,383</u>
Total components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss		<u>43,162</u>	<u>(17,533)</u>
<i>Components of other comprehensive income that will not be reclassified subsequently to profit or loss</i>			
Actuarial gains on defined employee benefit plans		4,287	-
Income tax relating to components of other comprehensive income that will not be reclassified subsequently to profit or loss		<u>(857)</u>	<u>-</u>
Total components of other comprehensive income that will not be reclassified subsequently to profit or loss		<u>3,430</u>	<u>-</u>
Other comprehensive income (loss) for the period, net income tax		<u>46,592</u>	<u>(17,533)</u>
Total comprehensive income for the period		<u><u>86,605</u></u>	<u><u>32,151</u></u>
Basic earnings per share (in Baht)	8	<u><u>28.05</u></u>	<u><u>34.83</u></u>

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

MSIG Insurance (Thailand) Public Company Limited
Statement of changes in equity (Unaudited)

			Retained earnings		Other components of equity	
	Issued and paid-up share capital	Share premium on ordinary shares	Legal reserve	Unappropriated	Net changes in fair value of available-for-sale securities	Total equity
<i>Note</i>						
	<i>(in thousand Baht)</i>					
Nine-month period ended 30 September 2018						
Balance at 1 January 2018	142,666	146,069	14,266	1,109,998	21,695	1,434,694
Transactions with shareholders, recorded directly in equity						
<i>Distributions to shareholders of the Company</i>						
Dividends	9, 10	-	-	(57,066)	-	(57,066)
<i>Total distributions to shareholders of the Company</i>		-	-	(57,066)	-	(57,066)
Comprehensive income (loss) for the period						
Net profit		-	-	49,684	-	49,684
Other comprehensive income (loss)		-	-	-	(17,533)	(17,533)
Total comprehensive income (loss) for the period		-	-	49,684	(17,533)	32,151
Balance at 30 September 2018	142,666	146,069	14,266	1,102,616	4,162	1,409,779

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MSIG Insurance (Thailand) Public Company Limited

Statement of changes in equity (Unaudited)

			Retained earnings		Other components of equity	
	Issued and paid-up share capital	Share premium on ordinary shares	Legal reserve	Unappropriated	Net changes in fair value of available-for-sale securities	Total equity
<i>Note</i>						
	<i>(in thousand Baht)</i>					
Nine-month period ended 30 September 2019						
Balance at 1 January 2019	142,666	146,069	14,266	1,167,098	(9,495)	1,460,604
Transactions with shareholders, recorded directly in equity						
<i>Distributions to shareholders of the Company</i>						
Dividends	-	-	-	(64,200)	-	(64,200)
<i>Total distributions to shareholders of the Company</i>	-	-	-	(64,200)	-	(64,200)
Comprehensive income for the period						
Net profit	-	-	-	40,013	-	40,013
Other comprehensive income	-	-	-	3,430	43,162	46,592
Total comprehensive income for the period	-	-	-	43,443	43,162	86,605
Balance at 30 September 2019	142,666	146,069	14,266	1,146,341	33,667	1,483,009

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

MSIG Insurance (Thailand) Public Company Limited

Statement of cash flows (Unaudited)

	Note	Nine-month period ended	
		2019	2018
		30 September	
		<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>			
Premium received		2,996,656	2,934,864
Cash paid to reinsurers		(169,573)	(80,314)
Interest received		32,959	26,781
Dividend received		3,629	4,371
Other income		8,924	3,611
Insurance claims expenses		(1,571,801)	(1,553,417)
Commission and brokerage expenses		(461,569)	(407,045)
Other underwriting expenses		(433,840)	(391,946)
Operating expenses		(447,365)	(404,209)
Income tax paid		(32,728)	(20,613)
Investment in securities		31,973	(45,264)
Deposits at financial institutions		(29,054)	(6,512)
Net cash flows provided by (used in) operating activities		(71,789)	60,307
<i>Cash flows from investing activities</i>			
Cash flows provided by			
Proceeds from sale of equipment		1,264	36
Cash flows provided by investing activities		1,264	36
Cash flows used in			
Purchase of building improvement and equipment		(15,906)	(2,658)
Cash flows used in investing activities		(15,906)	(2,658)
Net cash flows used in investing activities		(14,642)	(2,622)
<i>Cash flows from financing activities</i>			
Dividend paid	9, 10	(64,200)	(57,066)
Net cash flows used in financing activities		(64,200)	(57,066)
Net increase (decrease) in cash and cash equivalents		(150,631)	619
Cash and cash equivalents at beginning of period		311,329	179,912
Cash and cash equivalents at ending of period	3	160,698	180,531

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

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2019 (Unaudited)

These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Company's Board of Directors on 13 November 2019.

1 General information

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

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The condensed interim primary financial statements are presented in the same format as the annual financial statements and prepared its notes to the interim financial statements on a condensed basis ("interim financial statements") in accordance with Thai Accounting Standard ("TAS") No. 34 *Interim Financial Reporting*, guidelines promulgated by the Federation of Accounting Professions. In addition, the interim financial statements are prepared in accordance with the Notification of the Office of Insurance Commission regarding "Rules Procedures Conditions and Timing Period for Preparation and Submission of the Financial Statements, and Reporting the Operation of Non-Life insurance Companies" B.E. 2559 dated 4 March 2016.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2018. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018.

(b) Use of judgements, estimates and accounting policies

In preparing these interim financial statements, judgements and estimates are made by management in applying the Company's accounting policies. Actual results may differ from these estimates. The accounting policies, methods of computation and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2018, except for revenue recognition which requires additional judgement in determining the timing of the transfer of control - at a point in time or over time - according to the requirements of TFRS 15 *Revenue from Contracts with Customers* ("TFRS 15") which the Company has initially adopted to replace TAS 18 *Revenue* ("TAS 18"), related interpretations, and TFRS 4 (revised 2018) *Insurance Contract*.

TFRS 15 Revenue from Contracts with Customers

Under TFRS 15, the Company recognises revenue when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Company expects to be entitled to. In addition, judgement is required in determining the timing of the transfer of control for revenue recognition - at a point in time or over time. Whereas, under TAS 18, the Company recognises revenue from sale of goods when the significant risks and rewards of ownership of the goods have been transferred to the buyer, and recognises revenue from rendering of services by reference to the stage of completion of the transaction at the end of the reporting period. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due. Such changes in accounting policies have no material impacts on the financial statements.

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2019 (Unaudited)

TFRS 4 (revised 2018) Insurance Contracts

Since the adoption of TFRS 9 and other relevant Financial Instruments Standards will become effective on or after 1 January 2020 while TFRS 17 Insurance Contracts is currently not yet effective and expected to become effective on or after 1 January 2022, may cause accounting mismatch concerns.

TFRS 4 (revised 2018), therefore, permits the insurers that meet the specified criteria of TFRS 4 to choose to temporarily apply TFAC Accounting Guidelines: Financial Instruments and Disclosure for Insurance Business instead of adopting TFRS 9 and other relevant Financial Instruments standards until TFRS 17 becomes effective in Thailand.

For a number of new and revised TFRS which are not yet effective for current period, the Company has not early adopted these standards in preparing these interim financial statements before the effective date. Those new and revised TFRS that are relevant to the Company's operations are disclosed in note 16.

3 Cash and cash equivalents

	30 September 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Cash on hand	474	472
Deposits at banks - call deposits	119,248	106,037
Highly liquid short-term investments	40,976	204,820
Total	<u>160,698</u>	<u>311,329</u>

4 Premiums due and uncollected

As at 30 September 2019 and 31 December 2018, the aging analyses for premiums due and uncollected were as follows:

	30 September 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Within credit terms	512,158	584,837
Overdue:		
Not over than 30 days	85,444	47,982
31 - 60 days	57,055	42,181
61 - 90 days	8,584	9,039
91 days - 1 year	15,124	12,760
Over 1 year	827	1,396
Total	<u>679,192</u>	<u>698,195</u>
Less allowance for doubtful accounts	<u>(1,583)</u>	<u>(2,193)</u>
Net	<u>677,609</u>	<u>696,002</u>
	30 September 2019	30 September 2018
	<i>(in thousand Baht)</i>	
Doubtful accounts (reversal) for the period ended	<u>(610)</u>	<u>373</u>

MSIG Insurance (Thailand) Public Company Limited

Notes to the condensed interim financial statements

For the three-month and nine-month periods ended 30 September 2019 (Unaudited)

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

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

5 Investments in securities

5.1 Types of investments in securities

	30 September 2019		31 December 2018	
	Cost / Amortised cost	Fair value <i>(in thousand Baht)</i>	Cost / Amortised cost	Fair value
<i>Available-for-sale securities</i>				
Government and state				
enterprise debt securities	1,720,454	1,745,640	1,936,116	1,939,861
Private debt securities	666,140	682,365	474,995	475,553
Equity securities	146,324	149,705	163,119	149,406
Unit trusts	17,500	14,789	4,000	1,535
Total	2,550,418	2,592,499	2,578,230	2,566,355
Add unrealised gains (losses) on fair value changes of available-for-sale securities	42,081	-	(11,875)	-
Total available-for-sale securities	2,592,499	2,592,499	2,566,355	2,566,355
<i>Held-to-maturity securities</i>				
Deposits at banks with original maturities over 3 months	171,847	171,847	142,793	142,793
Total held-to-maturity securities	171,847	171,847	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 investments in securities	2,766,413		2,711,215	

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

	30 September 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Net changes in fair value of available-for-sale securities	42,084	(11,869)
Add (Less) deferred tax assets (liabilities)	(8,417)	2,374
Net	33,667	(9,495)

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2019 (Unaudited)

6 Insurance contract liabilities

	30 September 2019			31 December 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	1,050,922	(287,698)	763,224	1,149,987	(438,031)	711,956
- Incurred but not reported	118,418	(32,257)	86,161	111,329	(30,038)	81,291
Total loss reserves and outstanding claims	1,169,340	(319,955)	849,385	1,261,316	(468,069)	793,247
Unearned premium reserves	1,903,643	(181,436)	1,722,207	1,857,060	(164,397)	1,692,663
Total	3,072,983	(501,391)	2,571,592	3,118,376	(632,466)	2,485,910
6.1 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 period/year	1,380,094	(151,378)	1,228,716	1,837,469	(371,123)	1,466,346
Insurance claim expenses paid during the period/year	(1,479,159)	301,711	(1,177,448)	(1,819,793)	283,537	(1,536,256)
Change in estimation and assumption	7,089	(2,219)	4,870	49,598	(3,173)	46,425
At 30 September 2019 / 31 December 2018	1,169,340	(319,955)	849,385	1,261,316	(468,069)	793,247
6.2 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 period/year	2,972,962	(454,766)	2,518,196	3,974,436	(622,663)	3,351,773
Earned premium in the period/year	(2,926,379)	437,727	(2,488,652)	(3,866,007)	608,338	(3,257,669)
At 30 September 2019 / 31 December 2018	1,903,643	(181,436)	1,722,207	1,857,060	(164,397)	1,692,663

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
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7 Income tax

Income tax recognised in profit or loss

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Current tax expense				
Current period	14,031	8,233	22,233	20,476
Over provide in prior year	-	-	(4,915)	-
Deferred tax expense				
Movements in temporary differences	(750)	1,966	(17,251)	(11,864)
Total	13,281	10,199	67	8,612

Income tax recognised in other comprehensive income

Net changes in fair value of available-for-sale securities	(2,537)	(2,665)	(10,791)	4,383
Actuarial gains on defined employee benefit plan	-	-	(857)	-
Total	(2,537)	(2,665)	(11,648)	4,383

Reconciliation of effective tax rate

	Three-month period ended 30 September				Nine-month period ended 30 September			
	2019		2018		2019		2018	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax		69,872		55,917		40,080		58,296
Income tax using the Thai corporation tax rate	20.0	13,974	20.0	11,183	20.0	8,016	20.0	11,659
Over provided in prior year	-	-	-	-	(12.3)	(4,915)	-	-
Income not subject to tax	(0.1)	(37)	(0.1)	(47)	(0.7)	(265)	(0.4)	(218)
Addition deductible expense for tax purpose	(1.1)	(786)	(1.9)	(1,049)	(5.9)	(2,361)	(5.4)	(3,145)
Expenses not deductible for tax purposes	0.2	130	0.2	112	(1.0)	(408)	0.6	316
Total	19.0	13,281	18.2	10,199	0.1	67	14.8	8,612

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2019 (Unaudited)

8 Basic earnings per share

The calculations of basic earnings per share for the three-month and nine-month periods ended 30 September 2019 and 2018 were based on the profit for the periods attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the periods as follows:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019	2018	2019	2018
	<i>(in thousand Baht / share)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	<u>56,591</u>	<u>45,718</u>	<u>40,013</u>	<u>49,684</u>
Number of ordinary shares outstanding	<u>1,426,662</u>	<u>1,426,662</u>	<u>1,426,662</u>	<u>1,426,662</u>
Basic earnings per share (in Baht)	<u>39.67</u>	<u>32.05</u>	<u>28.05</u>	<u>34.83</u>

9 Dividends

The dividends paid to the shareholders are as follows:

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

10 Related parties

The Company do not have material changing in relationships with key management and related parties during the period.

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

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

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Significant transactions for the three-month and nine-month periods ended 30 September 2019 and 2018 with key management and related parties were summarised as follows:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019	2018	2019	2018
<i>(in thousand Baht)</i>				
Revenues				
Other related parties				
Commission and brokerage income	3,019	3,835	16,146	16,703
Service income	3,734	-	3,801	-
Expenses				
Other related parties				
Premiums ceded	14,392	18,383	74,076	80,531
Insurance claims expenses recovered from reinsurers	13,099	3,640	7,796	213,894
Marketing and management support services agreement fee	9,676	9,018	29,609	26,984
Key management and director compensation				
Directors' remuneration	857	821	2,664	2,612
Short-term benefits	13,535	11,872	53,777	43,772
Post-employment benefit	2,980	2,035	7,659	5,984
Total	17,372	14,728	64,100	52,368
Dividends				
Major shareholders				
Dividend paid	-	-	55,481	49,317

Significant balances as at 30 September 2019 and 31 December 2018 with related parties were as follows:

	30 September 2019	31 December 2018
<i>(in thousand Baht)</i>		
Reinsurance assets		
Insurance claims expenses recovered from reinsurers		
Other related parties	<u>57,735</u>	<u>193,941</u>
Other assets		
Other receivables		
Other related parties	<u>2,533</u>	<u>5,250</u>
Reinsurance payable		
Due to reinsurers		
Other related parties	<u>6,051</u>	<u>111,770</u>
Other liabilities		
Payables to related parties		
Other related parties	<u>5,352</u>	<u>2,996</u>

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11 Fair value of financial assets and liabilities

11.1 Financial assets measured at fair value

	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in thousand Baht)</i>			
30 September 2019				
Financial assets				
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	1,745,640	-	1,745,640
Private debt securities	-	682,365	-	682,365
Equity securities	146,237	3,468	-	149,705
Unit trusts	-	14,789	-	14,789
Total	146,237	2,446,262	-	2,592,499

	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 trusts	-	1,535	-	1,535
Total	146,445	2,419,910	-	2,566,355

Fair value hierarchy

The table above 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).

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

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

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

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

Transfer between Level 1 and 2

At 30 September 2019, the Company did not have available-for-sale equity securities (31 December 2018: Baht 2.0 million) that were transferred from Level 1 to Level 2. Available-for-sale equity securities with as carrying amount of Baht 5.4 million (31 December 2018: nil) that were transferred from Level 2 to Level 1 by reference the fair value from intermediate.

11.2 Financial assets and liabilities not measured at fair value

The fair value of significant financial assets not measured at fair value: cash and cash equivalents, accrued investment income, premiums receivable, reinsurance assets, reinsurance receivables, other receivables, reinsurance payable, outstanding claim and other payable did not have significant difference with carrying value as shown in the statement of financial position as at 30 September 2019 and 31 December 2018.

12 Securities and assets pledged with the Registrar

- 12.1 As at 30 September 2019 and 31 December 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:

	30 September 2019		31 December 2018	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and Bank of Thailand bonds	<u>15,015</u>	<u>15,000</u>	<u>14,958</u>	<u>15,000</u>

- 12.2 As at 30 September 2019 and 31 December 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:

	30 September 2019		31 December 2018	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and Bank of Thailand bonds	228,215	225,000	255,668	256,000
Deposit at bank - time deposit	<u>140,000</u>	<u>140,000</u>	<u>140,946</u>	<u>140,946</u>
Total	<u>368,215</u>	<u>365,000</u>	<u>396,614</u>	<u>396,946</u>

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13 Restricted and collateral assets

	30 September 2019	31 December 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>

14 Commitments with non-related parties

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

	30 September 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Operating lease commitments		
Within one year	15,861	16,012
After one year but within five years	<u>9,267</u>	<u>2,394</u>
Total	<u>25,128</u>	<u>18,406</u>

(b) *Commitments under car rental agreements*

	30 September 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Operating lease commitments		
Within one year	2,879	2,451
After one year but within five years	<u>3,646</u>	<u>2,868</u>
Total	<u>6,525</u>	<u>5,319</u>

15 Contingent liabilities

As at 30 September 2019, lawsuits have been brought against the Company, in relation to insurance claims totaling approximately Baht 206 million (*31 December 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.

16 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised TFRS which are relevant to the Company's operations are expected to have significant impact on the Company's financial statements on the date of initial application. Those TFRS which become effective for annual financial reporting periods beginning on or after 1 January 2020 are as follows.

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TFRS	Topic
TFRS 7*	Financial Instruments: Disclosures
TFRS 9*	Financial Instruments
TFRS 16	Leases
TAS 32*	Financial Instruments: Presentation
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments
Accounting Guideline for Financial Instruments and Disclosure for insurance company	

* *TFRS - Financial instruments standards*

(a) *TFRSs - Financial instruments standards*

These TFRSs establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. When these TFRSs are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

Management is presently considering the potential impact of adopting and initially applying TFRSs - Financial instruments standards on the Company's financial statements.

(b) *TFRS 16 Leases*

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

TAS 17 *Leases*

TFRIC 4 *Determining whether an Arrangement contains a Lease*

TSIC 15 *Operating Leases-Incentives*

TSIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

Currently, the Company recognises payments made under operating leases in profit or loss on straight line basis over the term of lease.

The Company has made a preliminary assessment of the potential impact of adopting and initially applying TFRS 16 on the Company's financial statements and expects that there will be no material impact on the Company's financial statements in the period of initial application.