

MSIG Insurance (Thailand) Public Company Limited

Condensed interim financial statements
for the three-month period ended
31 March 2020
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 31 March 2020; the statement of comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2020, 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
14 May 2020

MSIG Insurance (Thailand) Public Company Limited

Statement of financial position

Assets	Note	31 March	31 December
		2020	2019
		(Unaudited)	
		(in thousand Baht)	
Cash and cash equivalents	4, 16	236,636	233,814
Premiums due and uncollected	5, 21	715,192	757,042
Accrued investment income		18,837	9,887
Reinsurance assets	8, 13	372,025	340,114
Reinsurance receivables	6	88,688	157,841
Investments assets			
Investments in securities	7, 14, 15	2,858,732	2,790,740
Premises and equipment		265,244	273,543
Right-of-use-assets		10,402	-
Intangible assets		34,337	36,347
Deferred acquisition costs		529,206	535,379
Deferred tax assets		270,323	265,859
Other assets	13	78,027	71,221
Total assets		5,477,649	5,471,787



MSIG

นาง. เอ็ม เอส โอ จี ประทับทิม (ประเทศไทย)
MSIG Insurance (Thailand) Public Company Limited

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

MSIG Insurance (Thailand) Public Company Limited

Statement of financial position

		31 March 2020 (Unaudited)	31 December 2019
Liabilities and equity	<i>Note</i>		
		<i>(in thousand Baht)</i>	
Liabilities			
Insurance contract liabilities	8	2,948,592	2,941,592
Reinsurance payables	9, 13	241,619	222,191
Income tax payable		43,715	41,989
Employee benefit obligations		272,033	272,262
Lease liabilities	21	24,761	15,176
Other liabilities	13, 21	372,369	412,945
Total liabilities		3,903,089	3,906,155
Equity			
Share capital			
Authorized share capital		142,666	142,666
<i>(1,426,662 ordinary shares, par value at Baht 100 per share)</i>		142,666	142,666
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		146,069	146,069
Retained earnings			
Appropriated			
Legal reserve		14,266	14,266
Unappropriated		1,260,556	1,231,928
Other components of shareholders' equity		11,003	30,703
Total equity		1,574,560	1,565,632
Total liabilities and equity		5,477,649	5,471,787

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

MSIG Insurance (Thailand) Public Company Limited

Statement of comprehensive income (Unaudited)

		Three-month period ended 31 March	
	Note	2020	2019
		(in thousand Baht)	
Revenues			
Gross premiums written		970,778	1,038,960
Less premiums ceded	13	(174,813)	(178,279)
Net premiums written		795,965	860,681
Unearned premium reserve increased from previous period		(6,119)	(90,524)
Less reinsurers' share of unearned premium reserve increased from previous period		31,236	36,002
Net premium earned		821,082	806,159
Commission and brokerage income	13	34,240	33,409
Net investment income		16,099	11,341
Loss on investments		(18,848)	(7,965)
Other income	13	4,195	1,466
Total revenues		856,768	844,410
Expenses			
Insurance claim expenses		413,283	544,626
Less insurance claims expenses recovered from reinsurers	13	(20,941)	(84,412)
Net insurance claims expenses		392,342	460,214
Commission and brokerage expenses		140,626	125,532
Other underwriting expenses		147,434	146,067
Operating expenses	13	141,249	130,739
Expected credit loss	12	91	-
Total expenses		821,742	862,552
Profit (loss) before income tax		35,026	(18,142)
Income tax expense (benefit)	11	6,244	(4,381)
Net income (loss)		28,782	(13,761)

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

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

	Three-month period ended	
	31 March	
	2020	2019
	<i>(in thousand Baht)</i>	
Other comprehensive income (loss)		
<i>Components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss</i>		
Gain (loss) on remeasurement of investments - fair value through other comprehensive income (loss)	(24,818)	16,494
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss	4,964	(3,299)
Other comprehensive income (loss) for the period, net of income tax	<u>(19,854)</u>	<u>13,195</u>
Total comprehensive income (loss) for the period	<u>8,928</u>	<u>(566)</u>
Basic gain (loss) per share <i>(in Baht)</i>	<u>20.18</u>	<u>(9.65)</u>

The accompanying notes are an integral part of these 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 (in thousand Baht)	Gain (loss) on investments measured at fair value through other comprehensive income	Total equity
Three-month period ended 31 March 2019						
Balance at 1 January 2019	142,666	146,069	14,266	1,167,098	(9,495)	1,460,604
Comprehensive income (loss) for the period						
Net loss	-	-	-	(13,761)	-	(13,761)
Other comprehensive income (loss)	-	-	-	-	13,195	13,195
Total comprehensive income (loss) for the period	-	-	-	(13,761)	13,195	(566)
Balance at 31 March 2019	142,666	146,069	14,266	1,153,337	3,700	1,460,038

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

MSIG Insurance (Thailand) Public Company Limited

Statement of changes in equity (Unaudited)

			Retained earnings		Other components of equity		
		Share			Gain (loss) on		
		premium on			investments measured		
		ordinary	Legal		at fair value through		
		shares	reserve	Unappropriated	other comprehensive	Total	
	Note	Issued and paid-up share capital		(in thousand Baht)	income	equity	
Three-month period ended 31 March 2020							
Balance at 31 December 2019, as previously reported		142,666	146,069	14,266	1,231,928	30,703	1,565,632
Impact of change in accounting policies	3	-	-	-	(154)	154	-
Balance at 1 January 2020		142,666	146,069	14,266	1,231,774	30,857	1,565,632
Comprehensive income (loss) for the period							
Net income		-	-	-	28,782	-	28,782
Other comprehensive income (loss)		-	-	-	-	(19,854)	(19,854)
Total comprehensive income (loss) for the period		-	-	-	28,782	(19,854)	8,928
Balance at 31 March 2020		142,666	146,069	14,266	1,260,556	11,003	1,574,560

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

MSIG Insurance (Thailand) Public Company Limited

Statement of cash flows (Unaudited)

		Three-month period ended	
		31 March	
	Note	2020	2019
		(in thousand Baht)	
Cash flows from operating activities			
Premium received	21	1,009,723	1,003,829
Cash paid to reinsurers		(21,509)	(124,522)
Interest received		9,667	3,874
Dividend received		1,278	467
Other income		4,224	1,486
Insurance claims expenses	21	(404,895)	(381,773)
Commission and brokerage expenses		(159,144)	(156,551)
Other underwriting expenses	21	(167,646)	(20,743)
Operating expenses	21	(147,420)	(321,850)
Income tax paid		(4,020)	(4,787)
Cash received - financial assets		1,138,033	1,278,149
Cash payment - financial assets		(1,253,576)	(1,256,056)
Net cash flows provided by operating activities		4,715	21,523
Cash flows from investing activities			
Cash flows provided by			
Proceeds from sale of equipment		23	4
Cash flows provided by investing activities		23	4
Cash flows used in			
Purchase of building improvement and equipment		(281)	(2,399)
Cash flows used in investing activities		(281)	(2,399)
Net cash flows used in investing activities		(258)	(2,395)
Cash flows from financing activities			
Payment of lease liabilities	21	(1,467)	(393)
Interest paid	10, 21	(168)	(81)
Net cash flows used in financing activities		(1,635)	(474)
Net increase in cash and cash equivalents		2,822	18,654
Cash and cash equivalents at beginning of period		233,814	311,329
Cash and cash equivalents at ending of period	4	236,636	329,983

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

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (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 14 May 2020.

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. 2562 (no.2) , dated 4 April 2019, which are effective for annual periods beginning on or after 1 January 2020.

The interim financial statements 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 2019.

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

In addition, the Company has not early adopted a number of new and revised TFRS which are not yet effective for the current period in preparing these financial statements. Those new and revised TFRS that are relevant to the Company's operations are disclosed in note 20.

(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 described in the financial statements for the year ended 31 December 2019, except for the new significant judgements and key sources of estimation uncertainty related to the application of new TFRS as described in note 3.

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

3 Changes in accounting policies

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

	Note	Retained earnings (in thousand Baht)	Other components of equity
At 31 December 2019 - as reported		1,231,928	30,703
<i>Increase (decrease) due to:</i>			
Adoption of Accounting Guideline: Financial Instruments and disclosure for insurance entities			
Classification of financial instruments	(a (1))	-	-
Impairment losses on financial assets	(a (2))	(154)	192
Related tax		-	(38)
Adoption of TFRS 16 - net of tax	(b)	-	-
At 1 January 2020 - restated		1,231,774	30,857

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

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

TFRS 4 Insurance Contracts (revised 2019), has allowed insurance entities that meet the conditions as laid down by TFRS 4, to use the deferral approach to TFRS 9 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.

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

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

- 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.

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

- The disclosure have some differences from TFRS 7.

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

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

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

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

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

(2) Impairment - Financial assets

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

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

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

	<i>(in thousand Baht)</i>
Allowance for impairment losses at 31 December 2019	
Allowance for impairment losses on investment in securities	170
<i>Additional impairment loss recognised at 1 January 2020 on:</i>	
- Cash and cash equivalents	-
- Debt instruments measured at amortised cost	-
- Debt instruments measured at FVOCI	192
Allowance for impairment losses at 1 January 2020	362

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

(b) TFRS 16 Leases

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

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

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

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

Impact from the adoption of TFRS 16

	<i>(in thousand Baht)</i>
At 1 January 2020	
Increase in Right-of-use asset	11,676
Increase in lease liabilities	11,676

Measurement of lease liability

	<i>(in thousand Baht)</i>
Operating lease commitment as disclosed at 31 December 2019	28,103
Discounted using the incremental borrowing rate at 1 January 2020	11,676
Finance lease liabilities recognised as at 31 December 2019	15,176
Recognition exemption for short-term leases	-
Recognition exemption for leases of low-value assets	-
Extension and termination options reasonably certain to be exercised	-
Variable lease payments based on an index or a rate	-
Residual value guarantees	-
Lease liabilities recognised at 1 January 2020	26,852
Weighted-average incremental borrowing rate (% per annum)	6.65%

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

4 Cash and cash equivalents

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Cash on hand	439	472
Deposits at banks - call deposits	161,226	121,362
Highly liquid short-term investments	74,971	111,980
Total	236,636	233,814

5 Premiums due and uncollected

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

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Within credit terms	521,300	633,833
Overdue:		
Not over than 30 days	89,291	64,485
31 - 60 days	79,164	25,993
61 - 90 days	14,061	12,457
91 days - 1 year	13,949	21,889
Over 1 year	-	213
Total	717,765	758,870
Less allowance for doubtful accounts	(2,573)	(1,828)
Net	715,192	757,042

	31 March 2020	31 March 2019
	<i>(in thousand Baht)</i>	
Doubtful accounts reversal for the period ended	745	546

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.

6 Reinsurance receivables

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Due from reinsurers	88,688	157,841
Total	88,688	157,841

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

7 Investments in securities

7.1 Investment in securities by measurement are as follows:

	31 March 2020		31 December 2019	
	Cost / Amortised cost	Fair value	Cost / Amortised cost	Fair value
	(in thousand Baht)			
<i>Investment measured at fair value through other comprehensive income</i>				
Government and state enterprise debt securities	1,801,989	1,822,724	1,751,623	1,777,030
Private debt securities	656,731	668,616	606,967	622,040
Equity securities	79,616	71,914	138,743	140,649
Unit trusts	36,400	24,776	34,500	30,319
Total	2,574,736	2,588,030	2,531,833	2,570,038
Add Unrealized gains	13,464	-	38,375	-
Less Allowance for impairment	(170)	-	(170)	-
Total Investment measured at fair value through other comprehensive income	2,588,030	2,588,030	2,570,038	2,570,038
Allowance for expected credit loss	284	284	-	-
<i>Investment measured at amortised cost</i>				
Deposits at banks with original maturities over 3 months	270,702	270,702	220,702	220,702
Total Investment measured at amortised cost	270,702	270,702	220,702	220,702
Total investments in securities	2,858,732	2,858,732	2,790,740	2,790,740

7.2 Investment measured at fair value through other comprehensive income

	31 March 2020	
	Fair value	Allowance for expected credit loss
	<i>(in thousand Baht)</i>	
Debt securities - no significant increase in credit risk (stage 1)	2,516,116	284
Debt securities - significant increase in credit risk (stage 2)	-	-
Debt securities - default / credit-impaired (stage 3)	-	-
Total	2,516,116	284

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

7.3 Amortised cost

	31 March 2020		
	Book value	Loss allowance for ECL <i>(in thousand Baht)</i>	Net book value
Debt securities - no significant increase in credit risk / performing (stage 1)	270,702	-	270,702
Debt securities - significant increase in credit risk / under - performing (stage 2)	-	-	-
Debt securities - Default / non- performing (stage 3)	-	-	-
Total	270,702	-	270,702

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

8 Insurance contract liabilities

	31 March 2020			31 December 2019		
	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	850,171	(111,780)	738,391	847,121	(113,353)	733,768
- Incurred but not reported	128,217	(35,225)	92,992	130,386	(32,977)	97,409
Total loss reserves and outstanding claims	978,388	(147,005)	831,383	977,507	(146,330)	831,177
Unearned premium reserves	1,970,204	(225,020)	1,745,184	1,964,085	(193,784)	1,770,301
Total	2,948,592	(372,025)	2,576,567	2,941,592	(340,114)	2,601,478

8.1 Loss reserves and outstanding claims

At 1 January	977,507	(146,330)	831,177	1,261,316	(468,069)	793,247
Insurance claim expenses incurred during the period/year	383,698	(18,693)	365,005	1,725,449	(139,840)	1,585,609
Insurance claim expenses paid during the period/year	(380,648)	20,266	(360,382)	(2,028,315)	464,518	(1,563,797)
Change in estimation and assumption	(2,169)	(2,248)	(4,417)	19,057	(2,939)	16,118
At 31 March 2020 / 31 December 2019	978,388	(147,005)	831,383	977,507	(146,330)	831,177

8.2 Unearned premium reserves

At 1 January	1,964,085	(193,784)	1,770,301	1,857,060	(164,397)	1,692,663
Premium written during the period/year	970,778	(174,813)	795,965	4,054,693	(630,993)	3,423,700
Earned premium in the period/year	(964,659)	143,577	(821,082)	(3,947,668)	601,606	(3,346,062)
At 31 March 2020 / 31 December 2019	1,970,204	(225,020)	1,745,184	1,964,085	(193,784)	1,770,301

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

9 Reinsurance payables

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	94,775	72,933
Due to reinsurers	146,844	149,258
Total	241,619	222,191

10 Leases

For the three-month period ended 31 March

2020 2019
(in thousand Baht)

Recognised in profit or loss

Interest on lease liabilities

Total

168	81
168	81

Total cash outflow for leases presented in the statement of cash flows for the three-month period ended 31 March 2020 were Baht 1.6 million (2019: Baht 0.5 million).

11 Income tax expense (benefit)

For the three-month period ended 31 March

2020 2019
(in thousand Baht)

Income tax recognised in profit or loss

Current tax expense

Current period

Deferred tax expense

Movements in temporary differences

Total

5,744	13,576
500	(17,957)
6,244	(4,381)

Income tax recognised in other comprehensive income

Deferred tax expense

Gain (Loss) on remeasurement of investments - fair value through other comprehensive income

Total

4,964	(3,299)
4,964	(3,299)

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

Reconciliation of effective tax rate

<i>For the three-month period ended 31 March</i>	2020		2019	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit (Loss) before income tax		35,026		(18,142)
Income tax using the Thai corporation tax rate	20.0	7,005	20.0	(3,628)
Income not subject to tax	(0.1)	(44)	0.3	(62)
Additional deductible expenses for tax purpose	(2.3)	(787)	4.3	(788)
Expenses not deductible for tax purposes	0.2	70	(0.5)	97
Total	17.8	6,244	24.1	(4,381)

12 Expected credit loss

<i>Three-month period ended 31 March</i>	2020 (in thousand Baht)
Investment in securities	
- Debt securities measured at Fair value through other comprehensive income	91
Total	91

13 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 (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

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

Significant transactions for the three-month period ended 31 March 2020 and 2019 with key management and related parties were summarised as follows:

<i>For the three-month period ended 31 March</i>	2020	2019
	<i>(in thousand Baht)</i>	
Revenue		
Other related parties		
Commission and brokerage income	7,018	7,680
Other income	3,603	-
Expenses		
Other related parties		
Premiums ceded	31,717	34,889
Insurance claims expenses recovered from (paid to) reinsurers	10,495	(804)
Marketing and management support services agreement fee	9,955	9,936
Key management and director compensation		
Directors' remuneration	1,030	951
Short-term benefits	17,288	16,846
Post-employment benefit	2,345	1,693
Total	20,663	19,490

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

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Reinsurance assets		
Insurance claims expenses recovered from reinsurers		
Other related parties	<u>10,219</u>	<u>168,506</u>
Other assets		
Other receivables		
Other related parties	<u>1,530</u>	<u>2,458</u>
Reinsurance payable		
Due to reinsurers		
Other related parties	<u>36,928</u>	<u>13,643</u>
Other liabilities		
Payables to related parties		
Other related parties	<u>14,360</u>	<u>4,703</u>

14 Financial instruments

Carrying amounts and fair value

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

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

At 31 March 2020	Note	Carrying amount			Fair value				
		Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost - net	Total	Level 1	Level 2	Level 3	Total
(in thousand Baht)									
Financial assets									
Investment in securities	7								
Government and state enterprise debt securities		-	1,822,724	-	1,822,724	-	1,822,724	-	1,822,724
Private debt securities		-	668,616	-	668,616	-	668,616	-	668,616
Equity securities		-	71,914	-	71,914	65,077	4,770	2,067	71,914
Unit trusts		-	24,776	-	24,776	-	24,776	-	24,776
Deposits at banks with original maturities over than 3 months		-	-	270,702	270,702	-	-	-	-
Total		-	2,588,030	270,702	2,858,732				

At 31 December 2019	Note	Carrying amount			Fair value				
		Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost - net	Total	Level 1	Level 2	Level 3	Total
(in thousand Baht)									
Financial assets									
Investment in securities	7								
Government and state enterprise debt securities		-	1,777,030	-	1,777,030	-	1,777,030	-	1,777,030
Private debt securities		-	622,040	-	622,040	-	622,040	-	622,040
Equity securities		-	140,649	-	140,649	130,942	7,640	2,067	140,649
Unit trusts		-	30,319	-	30,319	-	30,319	-	30,319
Deposits at banks with original maturities over than 3 months		-	-	220,702	220,702	-	-	-	-
Total		-	2,570,038	220,702	2,790,740				

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

Measurement of fair values

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

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

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

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

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

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

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 31 March 2020, the Company did not have equity securities measured at FVOCI (31 December 2019: nil) that were transferred from Level 1 to Level 2. Equity securities measured at FVOCI with as carrying amount of Baht 5.2 million (31 December 2019: Baht 1.9 million) that were transferred from Level 2 to Level 1 by reference the fair value from intermediate.

15 Securities and assets pledged with the Registrar

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

	31 March 2020		31 December 2019	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and Bank of Thailand bonds	15,018	15,000	15,024	15,000

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

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

	31 March 2020		31 December 2019	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and Bank of Thailand bonds	179,278	175,000	228,663	225,000
Deposit at bank - time deposit	270,000	270,000	220,000	220,000
Total	449,278	445,000	448,663	445,000

16 Restricted and collateral assets

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
(a) Deposit at bank - call deposit		
To secure group personal accident insurance	850	850
(b) Deposit at bank - time deposit		
To secure bank guarantee - facilities issued by banks	700	700

17 Commitments with non-related parties

As at 31 March 2020 and 31 December 2019, future minimum lease payments required under these non-cancellable contracts were as follows:

- (a) *Commitments under service agreements*

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Operating lease commitments		
Within one year	9,194	14,896
After one year but within five years	4,337	7,291
Total	13,531	22,187

- (b) *Commitments under car rental agreements*

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Operating lease commitments		
Within one year	-	2,459
After one year but within five years	-	3,457
Total	-	5,916

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

18 Contingent liabilities

As at 31 March 2020, lawsuits have been brought against the Company, in relation to insurance claims totaling approximately Baht 59 million (*31 December 2019: Baht 48 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.

19 Event after the reporting period

At the annual general meeting of the shareholders of the Company held on 24 April 2020, the shareholders approved the appropriation of dividend of Baht 45 per share, amounting to Baht 64 million. The dividend will be paid to shareholders in May 2020.

20 Thai Financial Reporting Standards (TFRS) not yet adopted

New and revised TFRSs, which are relevant to the Company's operations, expected to have a material impact on the Company's financial statements when initially adopted, and will become effective for the financial statements in annual reporting periods beginning on or after 1 January 2021, are as follows:

TFRS	Topic
Framework	Conceptual Framework for Financial Reporting

21 Reclassification of accounts

Certain accounts in the statement of financial position as at 31 December 2019, which are included in the financial statements for the period ended 31 March 2020 were as follows:

	31 December 2019		
	Before reclassification	Reclassification (in thousand baht)	After reclassification
Statement of financial position			
As at 31 December 2019			
Assets			
Premiums due and uncollected	720,150	<u>36,892</u>	757,042
		<u>36,892</u>	
Liabilities			
Lease liabilities	-	15,176	15,176
Other liabilities	391,229	<u>21,716</u>	412,945
		<u>36,892</u>	

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2020 (Unaudited)

	31 March 2019		
	Before reclassification	Reclassification (in thousand baht)	After reclassification
<i>Statement of cash flows</i>			
<i>Cash flows from operating activities</i>			
Premium received	1,031,533	(27,704)	1,003,829
Insurance claims expenses	(381,939)	166	(381,773)
Other underwriting expenses	(21,004)	261	(20,743)
Operating expenses	(349,601)	27,751	(321,850)
Investment in securities	(27,907)	27,907	-
Deposits at financial institutions	50,000	(50,000)	-
Cash received - financial assets	-	1,278,149	1,278,149
Cash payment - financial assets	-	(1,256,056)	(1,256,056)
		<u>474</u>	
<i>Cash flows from financing activities</i>			
Payment of lease liabilities	-	(393)	(393)
Interest paid	-	(81)	(81)
		<u>(474)</u>	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Company's business.