

CHANGE FOR SUCCESS

ANNUAL REPORT 2018

THE THAI SETAKIJ INSURANCE
PUBLIC COMPANY LIMITED

www.tsi.co.th





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GENERAL INFORMATION

The Thai Setakij Insurance Public Company Limited (TSI)

Business Activities	Non-life insurance
Head Office	160 North Sathon Road, Silom, Bangrak, Bangkok 10500
Company Registration Number	0107536000200
Registered Capital	1,326,518,451 baht Total 1,081,754,992 ordinary shares
Paid-up capital	1,081,754,992 baht Total 1,081,754,992 ordinary shares
Par value	1.00 baht per share
Phone	+ (66)2 630-9111
Fax	+ (66)2 237-4621
Website	www.tsi.co.th

Securities Registrar

Thailand Securities Depository Company Limited (TSD)

93, The Stock Exchange of Thailand Building, Ratchadaphisek Road,
Din Daeng Sub-district, Din Daeng District, Bangkok 10400

Phone	+ (66)2 009-9999
Fax	+ (66)2 009-9991

Auditor

Baker Tilly Audit and Advisory Services (Thailand) Ltd.

Mr. Apichat Sayasit	Certified Public Accountant Registration No. 4229
Ms. Waleerat Akkaratsrisawat	Certified Public Accountant Registration No. 4411
Ms. Wimon Sri Chongudomsombat	Certified Public Accountant Registration No. 3899

Floor 21/1, Sathorn City Tower, 175 South Sathon Road, Thung Maha Mek, Sathon, Bangkok 10120

Phone	+ (66)2 679-5400
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VISION

To be a non-life insurance company with quality operations that provide security, peace of mind and fairness to the Insured, employees and shareholders, as well as a financial institution that is aware of the need to create long-term sustainability for individuals and society.

MISSION

- ▶ Enhance the quality of the organization, its business and employees in order to be well prepared for any changes and competition within the insurance industry.
- ▶ Create and develop a variety of quality insurance products to meet the needs of the insured and partners.
- ▶ Focus on developing quality services and create fairness for all parties.

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

With nearly eight decades of experience in the non-life insurance industry, The Thai Setakij Insurance Public Co., Ltd. (TSI) is moving confidently toward the future. As the Chairman, I am excited to lead the company toward continued success by capitalizing on the great opportunities ahead.

Over the past year, the Thai economy has grown more stable. In 2018, Thailand's economy expanded at 4.1 percent while, according to the Thai General Insurance Association, the number of written premiums grew by 6.7 percent. Yet we know that challenges lie ahead, because competition in the insurance industry is becoming more and more intense. Therefore, we must operate the business diligently and we must always adapt to meet the challenges created by this era of rapid change, especially in the field of technology. As a medium-sized, non-life insurance company, TSI Insurance has many strong and unique characteristics to help it meet these challenges. Strength among them are its flexibility and ability to adapt quickly. In addition, we have business partners from Singapore who possess outstanding expertise in artificial intelligence and blockchain technology. They have joined us to develop our information technology capacity and insurance products, in order to make them efficient, modern, versatile, and able to meet the needs of consumers in all forms.

Of equal importance, apart from pushing the business forward, we are also focusing on conducting the business ethically and with a sense of social responsibility and good corporate governance. This year we will make these measures more concrete as we integrate them into the heart of our operations.

On behalf of the Board of Directors of Thai Setakij Insurance Public Co., Ltd., I would like to express my gratitude to all shareholders, to our business partners and to all stakeholders who have always trusted and supported TSI Insurance. I am confident that, with the excellent potential of the Board of Directors, executives and all employees, TSI Insurance will achieve its goals and become one of the leaders in the non-life insurance industry in the future.



Dr. Tanaphol Bunwarut

Chairman of the Board of Directors

MESSAGE FROM THE PRESIDENT OF THE EXECUTIVE COMMITTEE

2018 has been a year of change and an important year for Thai Setakij Insurance Public Co., Ltd., or TSI Insurance. We are excited that new business partners, who boast strong financial and technology capabilities, have joined our enterprise. I firmly believe these new partners will help strengthen TSI Insurance and help lead us to become innovators within the insurance industry.

The Board of Directors has emphasized strengthening the core of the business through a strategy that improves internal operations. For example, the organization has been restructured and internal management systems have been streamlined to increase the efficiency of the company. In addition, new checks and balances have been put in place to ensure transparency. The company has also increased its focus on personnel development so that staff can conduct their duties diligently. In addition, the company has invested in Business Intelligence Software that will help us analyze customer data and scene statistics to facilitate both better strategic decisions and customer service.

In terms of marketing, the company is offering a wide variety of non-life insurance products to meet the needs of consumers, and has launched new personal accident insurance products, domestic travel insurance and TSI Strong Business for SME entrepreneurs. Moreover, service quality is being enhanced through a performance assessment of surveyors (Survey Rating) in

order to increase the confidence and peace of mind of the insured.

As a result of the implementation of the above strategic plan, the operating results in 2018 improved accordingly, and the company has met the adequate ratio of capital funds through the standard criteria set by the Office of Insurance Commission (OIC). As for 2019, this is yet another year in which the insurance industry will surely present challenges. TSI Insurance aims to drive the business forward and continuously stay ahead of changes in this fast-moving industry. We will respect the interests of customers, partners and shareholders, and together with the teamwork of all parties, enhance our products and services in order to maintain the existing customer base and also expand this customer base. Through a new focus on our brand image, we will make “TSI Insurance” one of the most appealing companies for all insurance customers.



Mr. Santi Piyatat

The President of the Executive Committee

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

TSI Insurance, one of the first non-life insurance companies in Thailand with a long history of 77 years, is uniquely positioned for both strong growth and leadership in the insurance industry. Through its existing strengths and the application of new technology, TSI Insurance is set to create new benefits for all customers, partners and the insured.

Indeed, 2019 is the year in which TSI Insurance is prepared to capture all opportunities by not only strengthening its core business in Bangkok but also by revitalizing its focus on the provincial market, which offers a great opportunity for expansion. TSI Insurance will continue to make sure its personnel are equipped with the latest tools to succeed and we will continue to create attractive products to meet the increasingly diverse needs of the public by adhering to our "customer service is the core" principle. As soon as our new technology is integrated in our operations, it will enhance our services so that all of our customers, including brokers, agents and the insured, are satisfied.

2018 has provided us a solid foundation from which to build on. The Thai economy grew at a strong rate. Based on information from the National Economic and Social Development Council, economic growth stood at 4.1 percent, marking the highest rate in six years. This growth was based on the expansion of various sectors, including consumption and private investment, exports, public investment and agricultural production. In addition, it is anticipated that Thailand's economy in 2019 will expand by 3.5-4.5 percent with support from household spending, private and government sector investment, and growth in the tourism sector. Changes in the direction of trade, production and international investment will also help to reduce the impact of the global economic slowdown.

This is in accordance with estimated figures as of the end of 2018 as reported by the Office of Insurance Commission (OIC): an annual total insurance premium of 862,068 million baht across the entire insurance industry and a growth of 5.3 percent, which can be divided into life insurance premiums of 632,567 million baht, a growth of 5.38 percent, and non-life insurance premiums of 229,500 million baht, a growth of 5.07 percent. As for the trend of

the non-life insurance industry in 2019, OIC expects to generate non-life insurance premiums of 240,197 million baht, growing at a rate of 4.7-5.7 percent.

The Thai Setakij Insurance Public Co., Ltd. or TSI Insurance, believes that, as a result of the above positive factors, the company's business operations can also be expanded simultaneously. This does not yet incorporate various disasters that occurred during the past, with more violence and a higher frequency, resulting in increased demand for non-life insurance coverage. However, it must also be noted that competition in the non-life insurance business has become more fierce. Over the past one to two years, TSI Insurance has recognized the need to evolve in many respects in order to be fully prepared for the changing business environment. In 2019, the shareholder structure was strengthened with new shareholders joining, such as GT Dollar Private Co., Ltd., whose business operations are based out of Singapore under the leadership of GT Group. GT Group is a leading global financial technology company with a comprehensive network of businesses, covering insurance, payment, artificial intelligence, asset management, airline, blockchain and many others industries. GT Group also has partners and business connections throughout Singapore and the world that should also prove valuable for TSI Insurance.

As the Chief Executive Officer, I would like to thank the Board of Directors, executives, employees and shareholders, as well as all stakeholders who have honored us with their hard work and trust. I will act with all my capabilities to lead the organization to prosperity, with respect for its long history, in order to fulfill our mission to transform TSI Insurance through a new image, and to prepare it to step up to become one of the leaders in the non-life insurance market in the near future.



Mr. Bauluo Zhang

Chief Executive Officer

FINANCIAL HIGHLIGHTS

		2016	2017	2018
Financial position				
Total Assets	Million Baht	1,583.07	1,696.93	1,152.58
Total Liabilities	Million Baht	1,331.44	1,500.48	1,003.89
Shareholders' Equity	Million Baht	251.63	196.44	148.69
Loss per Share	Baht per Share	(0.218)	(0.126)	(0.066)
Registered Capital	Million Baht	1,216.57	1,326.52	1,326.52
Issued and Paid-up Capital	Million Baht	918.07	1,052.23	1,081.75
Operating results				
Gross Written Premiums	Million Baht	935.41	827.42	479.25
Net Premium written	Million Baht	506.26	485.40	271.73
Net Earned Premium	Million Baht	492.75	498.09	407.60
Commissions and brokerages income	Million Baht	55.37	68.08	75.05
Net Claim	Million Baht	303.62	346.41	209.32
Total Underwriting Expenses and Operating Expenses	Million Baht	308.48	263.64	341.17
Loss before Income Tax	Million Baht	(183.49)	(115.83)	(71.21)
Loss for the year	Million Baht	(183.43)	(115.60)	(70.97)
Financial Ratio				
Liquidity ratio	Times	1.15	1.12	1.15
Collection ratio	Days	82.46	119.16	168.14
Profitability Ratio				
Loss Ratio	%	61.62	69.55	71.85
Gross Profit margin	%	(32.93)	(28.33)	29.70
Underwriting Expenses ratio	%	83.46	71.73	25.69
Return on Investment	%	2.57	5.88	(0.01)
Net Gross Written Premium ratio	Times	2.95	1.86	1.86
Net Profit Margin	%	(33.47)	(20.42)	(13.99)
Return on Equity	%	(63.42)	(51.60)	(47.61)
Efficiency Ratio				
Return on Assets	%	(11.42)	(7.05)	(0.06)
Asset Turnover	Times	0.34	0.35	0.34
Policy Liability to Capital Fund				
Debt to Equity	Times	5.29	7.64	6.75
Policy Liability to Capital Fund	Times	3.05	4.33	3.67
Reserve to Equity	Times	1.74	1.97	1.30
Reserve to Assets	%	27.58	22.83	16.74
Dividend Payout Ratio (%)	%	0.00	0.00	0.00

EXECUTIVE SUMMARY

Thai Setakij Insurance Public Co., Ltd., or TSI Insurance, has been operating in the non-life insurance business for nearly eight decades. In the past year, the company has implemented a strategy to improve the internal organization in all aspects so that our operations can move steadily and sustainably forward. Changes have been made to the Board of Directors' structure, executives and the internal management structure to focus on the decentralization of decision-making. This helps operations to be faster and more effective, as well as providing checks and balances between each other, all under the leadership of the chief executive officer, president, and senior vice president. The vice presidents have also been positioned to oversee four lines of work, consisting of 1) insurance, technology and information, reinsurance, 2) financial accounting, 3) compensation, legal, claims and 4) marketing. At least 20 employees were recruited to work in the management of each line. All of them are executives with experience and expertise in the insurance industry for almost 20 years.

The company also focuses on personnel development in order to help keep up with the competition and also with technological changes. It also focuses on the improvement of its corporate image, making sure it is up-to-date, as exemplified by the recent logo change, and ensuring that accurate communication is provided to external parties. In addition, work systems are enhanced through the adoption of modern technology in order to improve services and achieve maximum efficiency. The company, for example, has invested in Business Intelligence Software that can analyze customer data and incidence statistics and facilitate strategic decisions that will increase customer service efficiency and quality work in subsequent years. In addition, the company has established a Shared Network Drive system to allow each department to store data and work as a team in a more convenient, fast and accurate way. The company is also setting up a Middle Office system to develop a Web Service that connects the issuance/sale of insurance systems with the broker/agent system for convenience and speed in bidding and issuing insurance policies for the company's partners in the future.

In relation to partners and business partners, the company places importance on the building of good relationships with partners and business partners, as well as increasing the number of brokers or new agents and increasing the ability to generate income. By offering a variety of non-life insurance products to meet the needs of consumers, the company increasingly focuses on expanding the non-motor insurance base, such as home insurance, property insurance, engineering insurance, marine and transportation insurance and miscellaneous insurance. At the same time, the company has also launched personal

accident insurance products, domestic travel insurance and TSI SME Strong Business, developed to support SME entrepreneurs. The company has established a team that has the ability to provide consulting for corporate clients so that insurance can be tailored to each customer.

The company has provided a performance assessment of surveyors (Survey Rating) by canceling flawed services and an evaluation of the surveyor manners by listening to opinions and recommendations from customers to increase the confidence and peace of mind of the insured.

In addition, for PA customers, the company has hired Thaire Services Third Party Administration or TPA, which is an intermediary service that allows customers who have accidents to be admitted to more than 400 hospitals throughout the country without having to pay advance expenses.

In terms of business policy, the company has used conservative methods since the beginning of the second quarter onwards, with emphasis on the selection of quality work, using statistics as tools for determining insurance strategies rather than focusing on quantity. At the same time, the company has managed the risk of underwriting ports with a policy to reduce concentration of work types both in terms of motor insurance and non-motor insurance. All of this is to control liabilities and damage rates that may occur in the future which will affect the loss ratio.

In regard to finance and investment, the company has adjusted its investment policy to keep up with the volatile and rapidly changing market conditions by hiring two private fund managers to closely monitor the investment assets of the company, diversify investment in stable assets while considering the return on investment under acceptable risk.

In addition, the company has improved the process of analyzing the account receivable and determined the credit limits of agents and brokers, and used legal procedures to strictly follow the overdue premiums, both direct insurance and reinsurance.

The company has administered the retention level on its own in order to be in accordance with the capital level of the company by utilizing more reinsurance contracts, especially miscellaneous insurance. In addition, the company has selected the world's most respected reinsurance company and the leader of Non Marine Quota Share First Surplus reinsurance contracts: Berkshire Hathaway Specialty Insurance, a company with AA+ credit rating for the security of the insured.

Source of Income

(Million Baht)

	Fire		Marine and Hull		Motor		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Gross Written Premium	22.9	33.5	1.8	6.2	385.7	628.9	68.8	158.8	479.2	827.4
Net Earned Premium	11.9	17.4	1.0	1.9	374.4	450.7	20.3	28.1	407.6	498.1
Commission and Brokerage Income	6.4	6.5	0.4	1.4	46.8	28.9	21.5	31.3	75.1	68.1
Fee and Commission	(5.9)	(9.2)	(0.3)	(0.8)	(62.5)	(98.1)	(11.0)	(23.3)	(79.7)	(131.5)
Net Claim Incurred	(2.1)	(2.9)	(0.2)	(0.3)	(192.6)	(302.1)	(14.4)	(41.0)	(209.3)	(346.4)
Total Other Underwriting Expenses	(0.6)	(0.4)	(0.2)	(0.3)	(46.4)	(131.9)	(3.4)	(2.9)	(50.5)	(135.6)
Underwriting Profit (Loss)	9.7	11.4	0.7	1.9	119.7	(52.5)	13.0	(7.8)	143.2	(47.3)

Gross Written Premium

The gross written premium for 2018 decreased from 827.4 million baht to 479.2 million baht, or a 42.1 percent decrease. This is due to, in 2018, the company had a policy to select work or reduce the insurance work with high risk of damage. Subsequently this caused the cost of insurances to be higher than the premium. In particular, the motor insurance premiums were reduced significantly, a decrease by 39 percent compared to 2017. For the voluntary motor insurance, the company has reduced the proportion of work received from large corporate customers by approximately 40-50 percent as well. In addition, other types of insurance premiums decreased from 158.8 million baht to just 68.8 million baht.

Such decrease is due to the reduction of underwritings with a high risk of damage. This caused the proportion

of insurance premiums by type of insurance to vary, though motor insurance remained the highest proportion of insurance premiums, increasing from 76 percent in 2017 to 80.5 percent in 2018.

Net Earned Premium

In 2017, the company has insurance premiums which can be realized as income in the profit and loss statement of 498.1 million baht or 60.20 percent of net insurance premiums. In 2018, the company was able to realize insurance premiums of 407.6 million baht or 85.05 percent of net insurance premiums. There are insurance premiums that are paid in 2017 and gradually realized as income in 2018, higher than the insurance premiums insured in 2018, but still unable to realize the income in 2018.

Underwriting Income

(Million Baht)

Underwriting Income	2017			2018		
	Amount	Proportion	Change	Amount	Proportion	Change
Motor	628.87	76.00%	(5.31%)	385.70	80.50%	(38.67%)
Other insurance	198.55	24.00%	(26.81%)	93.50	19.50%	(52.90%)
Total	827.42	100.00%	(11.54%)	479.20	100.00%	(42.08%)

In 2018, the company mainly derived its main income from the motor insurance type, 80.5% of underwriting

earning while the non-motor insurance accounts for 19.5% of underwriting earning.

COMPANY BACKGROUND



Thai Setakij Insurance Public Company Limited, or TSI Insurance, was officially founded by Field Marshal Plaek Phibunsongkhram on 31 January 1942. Plaek Phibunsongkhram was a former prime minister of Thailand who realized the importance of having an insurance company owned by Thais. So he established this company to provide life insurance and non-life insurance. The first chairman of the board was Plot Wichean Na Songkha. Later, the company's common stock was listed on the Stock Exchange of Thailand on 1 March 1991, and the company became a public company on 1 April 1993.

The company offers all types of non-life insurance, which can be separated into two main groups: motor insurance and non-motor insurance. The company has expanded and boasts 18 branches as of 31 December 2018.

Throughout 77 years in the insurance business, TSI has aimed to be an insurance company that provides customers with excellent security and high-quality services through efficient staff and operating systems. The company also boasts strong collaborations with business partners at both the national and international levels in order to generate sustainable growth together and succeed in the insurance industry.

The company aims to be the number one brand in the insurance market by offering outstanding quality and transparency in management on the basis of good corporate governance. Aside from having a well-managed strategy, the company also has other ways to achieve its goals, such as utilizing effective risk management, maintaining a strong financial status, improving customer services, and developing new innovations to increase the effectiveness of management and services.

Progress in 2018

The insurance business is changing rapidly these days and there is continuously intense competition. Therefore, the company has taken steps to improve the readiness of the organization inside and out by restructuring it from the Board of Directors to the executive level to employees, in order to develop the organization to have strong growth potential in the future.

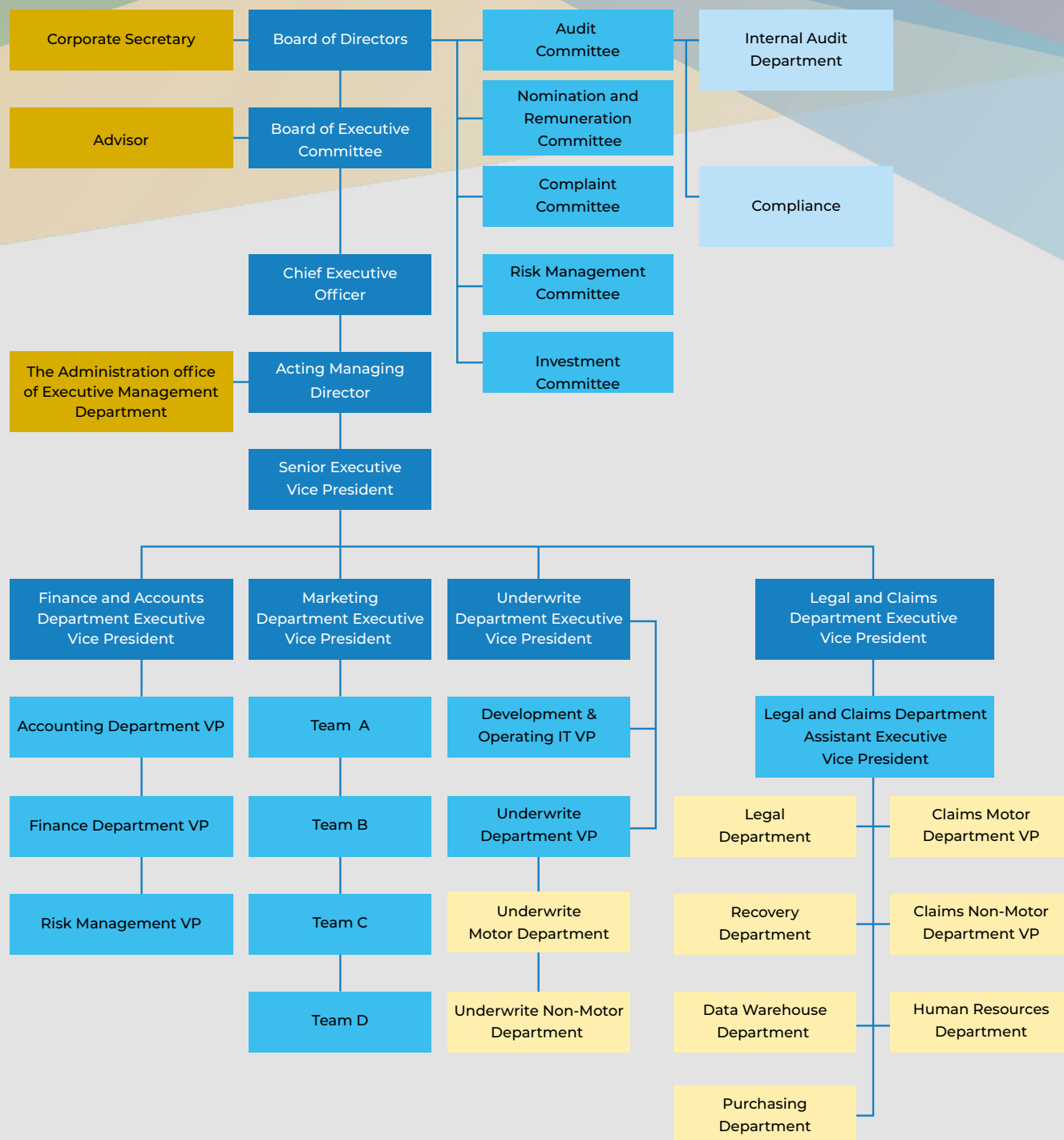
Topic for staff training: Code of Conduct



TSI Insurance has met and exchanged ideas and experiences with D. Sure Service Company Limited in order to improve and maximize the potential and success of our sales team



Organizational Chart of The Thai Setakij Insurance Public Company Limited



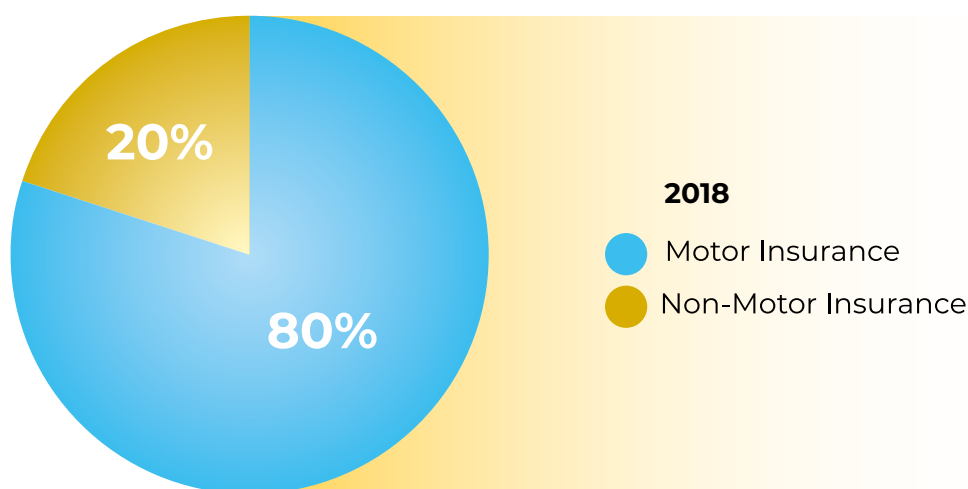
In 2017 - 2018, the company implemented a strategy to drive the organization to be able to compete internationally. The organization's image and identity have been updated to be more modern in style in order to present a stronger image to target groups both within and outside the organization. In addition, emphasis has been placed on its distinctive sustainability in the non-life insurance industry as the company has been capable of 77 years of growth. The adjustment of the company's image is an example of its preparation to be a leader in the digital age, a move which is also consistent with the government's Thailand 4.0 policy.

Apart from structural organizational adjustments and personnel development and improvement, in 2018 the company focused on improving various work systems, especially in terms of its services and marketing strategy. The goal was to create continuous and sustainable growth by increasing the proportion of revenue from Non-Motor insurance products. A target was also set to adjust the proportion between Motor Insurance and Non-Motor Insurance to the ratio of 40:60 by the year 2020.

To achieve its long-term goals, not only has the company sought to adjust the proportion of income from insurance premiums to better balance its risks and to better maintain capital funds, but the company has also improved its product distribution channels by providing faster services through our insurance agents via the Webservice system. This system has helped reduce inefficiencies while increasing sales, resulting in the widespread and continuous use of the system.

In the year 2019, the company has set a target of 800 million baht profit, with insurance premiums received at the proportion of 50:50 between Motor Insurance products and Non-Motor Insurance products.

Looking ahead to the year 2020, the company has set the target of 1,200 million baht profit, which is a dramatic increase. The proportion derived from Motor Insurance products versus Non-Motor Insurance products is targeted at 40:60.



DEVELOPMENT AND IMPROVEMENT OF THE COMPANY



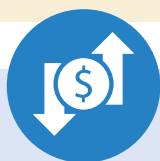
Marketing



The company analyzes data to help it determine insurance policies and create a portfolio of insurance group types, thereby diversifying its insurance work. This mitigates the risk of the company's portfolio being too concentrated or reliant on one type of customer or insurance type. By increasing distribution channels, losses can be prevented and liability reduced. The company places importance on every channel, whether it is Web service, Traditional Broker or International Broker, or its B2B marketing. To further expand the market, the company has a plan to merge distribution channels in accordance with their potential, to adapt those that are suitable to either new forms of technology or the expertise of new shareholders, and to create strong relationships to work together in the future with both domestic and foreign brokers.

To make the company more widely known, the company is undertaking an image re-branding, which represents another important part of the marketing strategy. In the past, the company emphasized public relations, providing news and information about the organization through various media. This news and information targeted groups related to the company such as customers, business partners and supervisory authorities in order to create understanding about the company's development and to continuously create a good image of the company.

Insurance



The company has improved the working structure of the insurance department in order to achieve maximum efficiency in its customer services. This includes better screening of the policies under assessment and better determination of the appropriate premium rate. The company has more carefully compared the cost of potential damages with current market conditions. The appropriate premium rate is determined by using statistical data to calculate the appropriate premium for the maximum benefit of the

company, and through a comparison of the risk presented should the damage actually occur. Price is also determined on the basis of current market conditions. In addition, retention of management is assessed in comparison with the burden and costs presented by filling vacancies.

Compensation



In order to create more organizational efficiency, the company analyzes its work processes in order to improve efficiency, to create more sophisticated operation processes and to develop an automatic system that both assists personnel development and individual performance through evaluation. The company strives for the continuous improvement of staff so that their potential can be maximized. Work is also screened for weaknesses and risks such as those that might lead to corruption.

Financial



It was determined that for new customers who were extended credit the payment period should be shortened. Additional measures to improve cash flow in the Motor Insurance and Non-Motor Insurance sectors were enacted, including the measure known as CASH BEFORE COVER. Also, other aspects such as credit limits, debt collection and debt reduction have been assessed for improvement.

Legal and requisition



As the company wishes to benefit from a quicker repayment process, it has adjusted its strategy and service conditions when negotiating with external parties. This includes follow-up calls, compensation claims and the enforcement of lawsuits, whatever is appropriate for the particular situation or channels to receive payment from debtors; also so that the debtors may conveniently and efficiently pay off debts to the company.

Competitive Strategy

In the year 2018, the company paid special attention to adjusting its organizational structure in order to meet the challenges of the changing and intensely competitive insurance industry. In addition, the company set the goal to increase its market share in the industry, as there are more operators joining the market, especially foreign companies, who are increasingly expanding their business into Thailand.

As there are an increasing number of branches and service centers, the company's marketing strategy is one of our priorities. In order to achieve every goal in the year 2018, the company has increased the number of personnel in the marketing department in order to disseminate marketing activities to branches and service centers both in Bangkok and metropolitan areas as well as other provincial areas. As of the past year, there are a total of 18 branches and service centers located in major cities and towns throughout Thailand.

In terms of marketing personnel, the company has also organized training for the company's staff to help them become more well-rounded. Training has not only focused on sales, but also on helping staff to educate and explain the coverage to partners or customers who buy protection. Through this strategy, the company has trained insurance officers (Underwriter) to have marketing knowledge so that they may become multitasking workers – with a focus on expanding the market in the area of Bangkok.

In 2018, the company also arranged a new insurance port, by adjusting the proportion of Motor Insurance port to prevent the work from being overly concentrated in car insurance type 1. In addition, the company has focused more on expanding its business in Non-Motor Insurance. At present, the proportion of income from the non-life insurance of both business groups is 80% in Motor Insurance and 20% in Non-Motor Insurance.

In addition, to increase growth in the Non-Motor Insurance sector, the company has expanded into personal accident insurance and travel accident insurance offerings. The company has cooperated with Thaire Services Third Party Administration or TPA, who is an intermediary in serving customers who suffer accidents. Their customers can be admitted

to more than 400 hospitals throughout the country without having to pay upfront costs, which is a customer-friendly measure that gains their loyalty

Product and service development

The company has expanded its distribution channels so that there is greater spread, preventing concentration in Bangkok. To meet the needs of consumers, brokers can use the convenient and fast Web Service system, which allows them to connect to the company system immediately. In addition, interesting products like SME Strong Business have been launched in order to meet the various needs of small and medium business customers who need insurance products that provide appropriate protection. Additionally, the company has introduced Non-Motor Insurance in the Personal Accident (PA) sector and travel accident insurance or (Travel Accident Insurance or TA) for both individuals and groups.

Services must also grow in line with marketing. The company, thus, has come up with a way of selecting quality surveyors, both in the Motor and Non-Motor Insurance businesses, by creating and using a score system in considering and receiving complaints. The information and score obtained are then used when considering the employment and contract renewal of the surveyors.

In facilitating services at repair centers and motor repair garages, the company plans to select and expand its offerings through the addition of more quality motor repair garages. In the long-term, for the convenience of the customers, it also plans to add the service of helping customers locate nearby motor repair garages, as well as showing their quality standards.



The company has focused on the restructuring of the organization to meet the challenges of a changing and intensely competitive insurance industry.



BOARD OF DIRECTORS AND EXECUTIVES



Board of Directors

1. Mr. Vech Visavayothin

Position: Chairman of the Board of Directors / Director

Appointed:	1 March 1991
Age:	81
Education:	LL.B. Thammasat University
Share Holding:	- 200,821 shares (01/06/2018)
Experiences:	<ul style="list-style-type: none"> • 2001 – 2018 - Committee / Chairman of the Board, The Thai Setakij Insurance Public Company Limited • 2018 - Committee Sermsakdi Vejch Law Office
Director Training Program(IOD)	-None-

2. Mr. Jumpot Saisunthorn

Position: Chairman of the Audit Committee / Director

Appointed:	20 November 2017
Age:	60
Education:	<ul style="list-style-type: none"> - Ph.D. (Law) University of Washington School, U.S.A. - L.L.M. (International Legal Study) New York University, U.S.A. - Thai Barrister (Bachelor of Civil Law)
Share Holding:	- (01/06/2018)
Experiences:	<ul style="list-style-type: none"> • 2018 – Present - Committee / Chairman of the audit committee, The Thai Setakij Insurance Public Company Limited • 2018 - Committee Sermsakdi Vejch Law Office
Institute of Directors (IOD)	-None-

3. Dr. Sivawut Thephussadin Na Ayutthaya

Position: Independent Director and Audit Committee

Appointed:	1 March 1991
Age:	72
Education:	- Ph.D. in Finance and Banking, Claremont Graduate School, U.S.A.
Share Holding:	- 50,000 shares (01/06/2018)
Experiences:	<ul style="list-style-type: none"> • 1999 – 2018 - Committee / Independent Director and Audit Committee, The Thai Setakij Insurance Plc. • 1988 – 2018 - Advisor to Charoen Pokphand Group • 1981 – 2018 - Executive Director Prudential TS Life Insurance Public Company Limited • 1973 – 2018 - Associate professor Faculty of Commerce and Accountancy, Chulalongkorn University
Institute of Directors (IOD)	-None-

4. Ms. Sangthong Poonnahitanon

Position: Independent Director / Audit Committee

Appointed:	28 February 2018
Age:	45
Education:	- Master of Science (MS), Internet and e-commerce, - Bachelor of Arts (Visual Communication Design) 2 nd Class Honors, Silpakorn University
Share Holding:	- (01/06/2018)
Experiences:	<ul style="list-style-type: none"> 2018 - Independent Director / Audit Committee, The Thai Setakij Insurance Public Company Limited
Institute of Directors (IOD)	- DAP 151/2018

5. Mr. Santi Piyatat

Position: The President of Executive Committee / Director

Appointed:	22 August 2017
Age:	50
Education:	- Master of Law (LL.M International and Comparative Law) Illinois Institute of Technology's Chicago Kent College of Law Chicago, Illinois U.S.A - Master of Law Chulalongkorn University - Bachelor of Law Thammasat University - Thai Barrister Legal Training Institute of the Bar Association
Share Holding:	- 44,869,185 shares (01/06/2018)
Experiences:	<ul style="list-style-type: none"> 2017 – Present - Committee / Chairman of the Board, The Thai Setakij Insurance Public Company Limited 2011 – 2018 - Lawyer and legal counsel Law Asia Inter Law Company Limited - Subcommittee to investigate facts for the Office of the Defense Committee and National Corruption Suppression.
Institute of Directors (IOD)	-None-

6. Dr. Boonyaruk Visuttipol

Position: Director / Acting Managing Director

Appointed:	1 March 1991
Age:	58
Education:	- Master of Business Administration, Kasetsart University - Doctor of Medicine Chiang Mai University
Share Holding:	- 21,162,332 shares (01/06/2018)
Experiences:	<ul style="list-style-type: none"> 1991 – 2018 - Committee / Acting President, The Thai Setakij Insurance Public Company Limited 1984 – 2018 - Committee of Siam Mineral and Oil Co., Ltd. / Operate as a shareholder in PCL. 1997 – 2018 - Committee of Auto Biz Co., Ltd. / Services for hire purchase of various assets. 2002 – 2018 - Director, Ekwinai Co., Ltd., Sutthotest Co., Ltd., Srisatree Co., Ltd. (Operate as a shareholder in PCL.)
Institute of Directors (IOD)	-None-

7. Miss Alada Phaovibul

Position: Director / Executive Director / Senior Executive Vice President

Appointed:	1 March 1991
Age:	44
Education:	- Bachelor of Commerce Specialized in Finance and Information Systems (Double Majors) University of New South Wales, Sydney, Australia.
Share Holding:	- (01/06/2018)
Experiences:	<ul style="list-style-type: none"> • 2017 – Present
Institute of Directors (IOD)	- DAP 151/2018

8. Mrs. Nonglak Visuttipol

Position: Director / Executive Director

Appointed:	1 March 1991
Age:	82
Education:	- Vocational certificate Japan
Share Holding:	- 106,484,770 shares (01/06/2018)
Experiences:	<ul style="list-style-type: none"> • 1991 – 2018 • 1984 – 2018 • 1997 – 2018 • 2002 – 2018
Institute of Directors (IOD)	-None-

9. Mrs. Pornpat Rodphotong Boontanom

Position: Director / Executive Director / Executive Vice President
Legal and Claims Department

Appointed:	15 August 2016
Age:	33
Education:	<ul style="list-style-type: none"> - Master of Law, Newcastle Upon Tyne University, U.K. - Master of Law, Kent University, U.K. - 1997 Thai Barrister Legal Training Institute of the Bar Association.
Share Holding:	- 8,005,800 shares (01/06/2018)
Experiences:	<ul style="list-style-type: none"> • 2016 – Present
Institute of Directors (IOD)	- DAP 151/2018

10. Mr. Louis Wiwongsak

Position: Director / Secretary of the Board of Directors

Appointed:	11 June 2014
Age:	59
Education:	- Master of Arts Economic Law Branch, Chulalongkorn University.
Share Holding:	- (01/06/2018)
Experiences:	<ul style="list-style-type: none"> • 2018 - Present - Committee / Director / Senior Executive Vice President, The Thai Setakij Insurance Public Company Limited • 2018 - Managing Director, Office of SPP & Louis Office Limited • 1983 – 2018 - Company Secretary, MultiBank Public Company Limited - Lawyer and legal counsel
Institute of Directors (IOD)	- CSP No. 30/2009

11. Mr. Thinnakorn Punpanichkul

Position: Director

Appointed:	22 August 2017
Age:	52
Education:	- Bachelor of Business Administration in Finance and Banking, Assumption University
Share Holding:	- (01/06/2018)
Experiences:	<ul style="list-style-type: none"> • 2017 – 2018 - Committee, The Thai Setakij Insurance Public Company Limited • 2013 – 2018 - General Manager, Factory Best Rin Group Company Limited. • 2014 – 2015 - Executive Director, Asia Capital Group Public Company Limited. • 2011 – 2013 - Director of Credit Counseling Department, Ayudhya Development Leasing Company Limited.
Institute of Directors (IOD)	-None-

12. Miss Intira Chauysanit

Position: Director

Appointed:	22 August 2017
Age:	36
Education:	- Master of Science in Engineering University of Northumbria at Newcastle.
Share Holding:	- (01/06/2018)
Experiences:	<ul style="list-style-type: none"> • 2017 – 2018 - Director, The Thai Setakij Insurance Public Company Limited • 2009 – 2018 - Chief Executive Officer, Siam Standard Energy Company Limited. • 2009 – 2018 - Chief Executive Officer, Clean Power Associates Company Limited • 2011 – 2018 - Chief Executive Officer, Sola Planet Company Limited
Director Training Program(IOD)	- DAP 151/2018

13. Mr. Jackravee Visuttipol

Position: Director / Executive Director / Senior Executive Vice President
Underwrite Department

Appointed:	22 August 2017
Age:	29
Education:	<ul style="list-style-type: none"> - Bachelor of Business Administration University of Michigan U.S.A. - Bachelor of Arts in Economics University of Michigan U.S.A.
Share Holding:	- 21,672,406 (01/06/2018)
Experiences:	<ul style="list-style-type: none"> • 2017 – 2018 - Director / Senior Executive Vice President Insurance Division The Thai Setakij Insurance Public Company Limited • 2012 – 2017 - Deputy Managing Director, The Thai Setakij Insurance Public Company Limited • 2011 – 2012 - Director of Investment Department, The Thai Setakij Insurance Public Company Limited
Director Training Program(IOD)	- DCP 263/2018

Corporate Secretary

1. Mr. Wirot Puteh

Position: Corporate Secretary

Share Holding:	-None-
Education:	<ul style="list-style-type: none"> - Master of Science Real Estate business, Thammasat University - Bachelor of Business Administration Finance, Kasetsart University
Experiences:	<ul style="list-style-type: none"> • 2018 – Present - Finance Director / Company Secretary, The Thai Setakij Insurance Public Company Limited. • 2016 – 2018 - Financial Manager / Company Secretary, Unique Mining Services Public Company Limited • 2014 – 2016 - Senior Financial Officer, Postco-ThaiNox Plc.
Director Training Program(IOD)	- Training Course (IOD) Company Secretary Program class 75/2559 By the Thai Institute of Directors Association.
Holding positions in other companies:	-None-
Illegal history in the past 10 years:	-None-

Management

1. Mr. Santi Piyatat

Position: The President of Executive Committee / Director

Education Qualifications	<ul style="list-style-type: none"> - Master of Law (LL.M International and Comparative Law) Illinois Institute of Technology's Chicago Kent College of Law Chicago, Illinois U.S.A - Master of Law Chulalongkorn University - Bachelor of Law Thammasat University
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Experiences:

- 2017 – Present
 - Thai Barrister Legal Training Institute of the Bar Association
 - Committee / Chairman of the Board, The Thai Setakij Insurance Public Company Limited
- 2011 – 2018
 - Lawyer and legal counsel Law Asia Inter Law Company Limited
 - Subcommittee to investigate facts to the Office of the Defense Committee and National Corruption Suppression

2. Mrs. Nonglak Visuttiapol**Position:** Director / Executive Director**Education Qualifications**

- Vocational certificate Japan

Experiences:

- 1991 – 2018
 - Committee / Director, The Thai Setakij Insurance Public Company Limited
- 1984 – 2018
 - Committee of Siam Mineral and Oil Co., Ltd. / Operate as a shareholder in PCL.
- 1997 – 2018
 - Committee of Auto Biz Co., Ltd. / Services for hire purchase of various assets.
- 2002 – 2018
 - Director, Ekwinai Co., Ltd., Sutthotest Co., Ltd., Srisatree Co., Ltd. (Operate as a shareholder in PCL.)

3. Dr. Boonyaruk Visuttiapol**Position:** Director / Acting Managing Director**Education Qualifications**

- Master of Business Administration, Kasetsart University
- Doctor of Medicine Chiang Mai University

Experiences:

- 1991 – 2018
 - Committee / Acting President, The Thai Setakij Insurance Public Company Limited
- 1984 – 2018
 - Committee of Siam Mineral and Oil Co., Ltd. / Operate as a shareholder in PCL.
- 1997 – 2018
 - Committee of Auto Biz Co., Ltd. / Services for hire purchase of various assets.
- 2002 – 2018
 - Director, Ekwinai Co., Ltd., Sutthotest Co., Ltd., Srisatree Co., Ltd. (Operate as a shareholder in PCL.)

4. Miss Alada Phaovibul**Position:** Director / Executive Director / Senior Executive Vice President**Education Qualifications**

- Bachelor of Commerce Specialized in Finance and Information Systems (Double Majors) University of New South Wales, Sydney, Australia.

Experiences:

- 2017 – Present
 - Committee / Director / Senior Executive Vice President, The Thai Setakij Insurance Public Company Limited

5. Mr. Jackravee Visuttiapol

Position: Director / Executive Director / Senior Executive Vice President Underwrite Department

Education Qualifications

- Bachelor of Business Administration University of Michigan U.S.A.
- Bachelor of Arts in Economics University of Michigan U.S.A.

Experiences:

- 2017 – 2018
 - Director / Senior Executive Vice President Insurance Division
The Thai Setakij Insurance Public Company Limited
- 2012– 2017
 - Deputy Managing Director, The Thai Setakij Insurance Public Company Limited
- 2011 – 2012
 - Director of Investment Department, The Thai Setakij Insurance Public Company Limited

6. Mrs. Pornpat Rodphotong Boontanom

Position: Director / Executive Director / Executive Vice President Legal and Claims Department

Education Qualifications

- Master of Law, Newcastle Upon Tyne University, U.K.
- Master of Law, Kent University, U.K.
- 1997 Thai Barrister Legal Training Institute of the Bar Association

Experiences:

- 2016 – Present
 - Committee / Director / Senior Executive Vice President Legal and Claims Division of Thai Setakij Insurance Public Company Limited
- 2011 – Present
 - Legal Advisor, Asia Inter Law Company Limited

7. Mr. Komsant Muangngam

Position: Assistant Executive Vice President Claims and Legal Department

Education Qualifications

- LL.B. Ramkhamhaeng University
- Diploma Thai Bar Association Law School Training

Experiences:

- 2018 – Present
 - Executive Vice President Legal and Claims Division,
The Thai Setakij Insurance Public Company Limited
- 2008 – Present
 - Lawyer Asia Inter Law Company Limited
- 2013 – Present
 - Legal Consultant Ramintra Honda Car Company Limited

8. Mr. Sermsak Hongthong

Position: Assistant Executive Vice President

Education Qualifications

- Bachelor of Science in Statistics, Thammasat University
- Diploma Thai Bar Association Law School Training

Experiences:

- Present
 - Senior Executive Vice President Marketing and Insurance Division,
Thai Setakij Insurance Public Company Limited
- 2018
 - Executive Vice President, The Thai Setakij Insurance Public Company Limited
- 2018
 - Insurance Director, The Thai Setakij Insurance Public Company Limited
- 2016 – 2018
 - Insurance Manager Minor Hotel Group Co., Ltd.
- 2014 – 2016
 - Property and Miscellaneous Insurance Manager, KSK Insurance (Thailand) Plc.
- 2012 – 2014
 - Reinsurance Assistant Manager Chartered Insurance Consulting Co., Ltd.

PRODUCTS AND SERVICES



Motor Insurance

Motor insurance means insurance against damage from the usage of a vehicle propelled by motor use, and covers physical damage to the vehicle, third party bodily injury and third party property damage. There are two types of motor insurance:

Compulsory Insurance

The Motor Vehicle Accident Victims Protection Act BE 2535 (1992) impose that all types of vehicle users must have insurance. The policy is to provide protection against damage to life and body, including medical expenses for victims of a vehicle accident.

Voluntary Insurance

Voluntary insurance can be divided into 5 types:

- (A) Type 1 Insurance or Comprehensive Insurance: This type of insurance provides cover for property and bodily injury of both its own insured and third party for the amount of indemnity not exceeding sum insured.
- (B) Type 2 Insurance or Fire and Theft Insurance: This type of insurance provides protection against damage to property of the third party and/or injury, disability or death of the third party but in view of insured vehicle shall be covered only loss or damage from fire and total loss from theft only.
- (C) Type 3 Insurance or Third Party Insurance: This type of insurance will only cover injury or death and damage to the property of third parties.
- (D) Type 5 (2+) Insurance or Named Perils Insurance: This type of insurance covers collisions with land vehicles, damage to life and injury to third parties, damage to third party property, loss to fire, theft and natural disasters.
- (E) Type 5 (3+) Insurance or Named Perils Insurance: This type of insurance provides coverage against collisions with land vehicles, earthquake/flood, life of third parties, third party property, personal accident, medical fees, and bail for the driver.

Non-Motor Insurance

Non-motor insurance business can be categorized into five types of services, namely fire insurance, property insurance, marine cargo insurance, engineering insurance and miscellaneous insurance, as follows:

1. Fire Insurance

Fire insurance is an insurance with the insured property as an asset which includes movable and unmovable property and/or real estate. The standard fire insurance policy will provide protection to the insured property when the following disasters occur against following loss:

Fire: Fire insurance policy will cover all damages caused by fire, either directly or indirectly, such as damage caused by extinguishing the fire, damage from smoke or heat from fire, damage caused by the destruction of the building parts that have been burned and causing damage to the insured property etc.

Lightning: Damage directly caused by lightning will be covered by the policy whether or not a fire occurs. For a gas explosion, the policy will cover the damages caused by the explosion of the gas used for domestic consumption purpose only, not for commercial or production purposes.

Aircraft or objects falling off from aircrafts insurance:

The policy will cover the loss or damage to the insured property caused by the aircraft, including direct destruction caused by objects falling off the aircraft.

Water Damage Insurance: The policy will cover direct loss or damage to the insured property which occurs from the accidental release, leakage or overflow of water or steam from water pipes, water tanks, heating systems, water pumps, house fire hose, cooling system, air conditioning system, rainwater that flows through the building from the damage of the roof, windows, doors, door and window frames, air vents, lighting receptacles, water pipes or rain sprouts. In addition to basic disaster protection as mentioned above, the insured can also extend coverage to

various events or disasters called excess of damage or a damage that is not protected. The insured can choose to receive coverage and pay additional insurance premiums covering events such as floods, earthquakes, storms, riots, strikes and explosions.

2. Property Risk Insurance

Property risk insurance is an insurance policy that provides protection for property damage caused by any accident that is not specified as an exclusion, which occurs within the insurance period as specified in the insurance policy.

The company's liability against each damage or damages throughout policy period not exceeding:

1. The sum insured specified in the insurance policy or
2. The amount of liability limit specified in the insurance policy or
3. The sum insured or the amount of liability remaining after being deducted every time with the amount of compensation that the company has paid or has agreed in writing that it will be repaid under this insurance policy (if any) during the insurance period.

3. Marine Cargo Insurance

Marine cargo insurance serviced by the company can be divided into two types, as follows.

Hull insurance is a protection against ship damage in the event that the ship is damaged or damaged by a marine disaster, such as a storm, monsoon, sunken ship, boat crash, reef or various accidents etc.

Cargo insurance is the protection of the damage caused to the insured products of all types that are in the process of being transported, both domestic and international, whether on land, sea, and air transportation, as well as mail delivery. The coverage will depend on the conditions chosen by the insured.

In general, the Marine Cargo Insurance policy will cover the damage caused by various marine disasters, including the wind and sea waves, such as storms, monsoons, fire, sea dumping, theft, barratry and other disasters that the insured seeks additional protection for, such as wars, riots and strikes, etc.

4. Engineering Insurance

Engineering insurance is a policy that covers engineering damages, divided into insurance during construction and machinery insurance used in construction. The company's engineering insurance policy is what the company places high importance on and exercises great care, as it is a high cost insurance if any damage occurs. However, the insurance coverage during construction will be divided into three subsections, as follows:

- 4.1 Coverage for the value of the work under construction until completion and maintenance services.
- 4.2 Protection of machinery used during construction.
- 4.3 Third party liability protection in case of damage to a third person.

5. Miscellaneous Insurance

Miscellaneous insurance refers to non-life insurance that provides protection against loss or damage caused by other disasters beyond the coverage of fire insurance, marine cargo insurance and motor insurance. In order to meet the needs of insurers that change according to the economic and environmental conditions, the company has therefore classified the miscellaneous insurance into various forms as follows:

- Personal Accident
- Travel Accident
- Health
- Unnamed Passenger and Driver
- Compulsory Boat Passenger
- All Risks
- Burglary
- Money
- Plate Glass
- Neon Sign or Sign Board
- Public Liability
- Fidelity Guarantee
- Workmen Compensation

- Golfer's Indemnity
- Leasehold Interest
- Contract Works
- Electronic Equipment
- Machinery Breakdown
- Boiler and Pressure Vessel
- Householder
- Industrial All Risks
- Business Interruption
- Jewelry Block
- Terrorism

In addition to direct insurance under the types of non-life insurance mentioned above, the company also has reinsurance for both domestic and international reinsurance companies. Due to having to adhere to the legal restrictions on accepting the risks themselves, the company will be able to accept the maximum insurance coverage, not more than specified in the law.

Reinsurance

Reinsurance is the distribution of insurance risks between insurance companies due to the limited reinsurance ability of each insurance company. The ability to accept insurance for each company depends on the funds of that company in accordance with Section 27 of the Non-Life Insurance Act, BE 2535 (1992), regarding the maintenance of the fund of companies operating in the non-life insurance business, and Section 31, Clause 2, regarding the provision of non-life insurance. Therefore, in the event that the insured property has a high sum insured, the company must reinsure it to a reinsurance company. In addition, the nature of the risk of the insured property is another factor that requires the reinsurance. In other words, if the insured assets are at high risk, the company will manage the risk by reinsuring them to other reinsurance companies as well.

Reinsurance can be divided into two major categories as follows:

Facultative Reinsurance is a reinsurance made between the company and a reinsurance company to cover a single risk. The company must offer details of each individual risk for the reinsurance company to consider it each time, and the reinsurance company can accept or reject the reinsurance that the company offers.

Treaty Reinsurance is a reinsurance contract that has been agreed in advance between the company and a reinsurance company. The contract will specify the details of the risk that the reinsurance company can accept reinsurance within the period specified in the contract. Normally it will be a one-year contract. For this type of reinsurance, the reinsurance company cannot refuse reinsurance that the company submitted for if the reinsurance is under the conditions of the contract.

Reinsurance Policy

Regarding the criteria for determining the proportion of the insurance itself and reinsurance, the company will consider the insurance fund limit as specified in the Non-Life Insurance Act as mentioned above, and the level of risk of the insured property. The company will only insure the part that does not exceed the amount specified in the law, and that which will be considered as appropriate for the risk distribution on a case-by-case basis, including conditions and agreements that the company has made with reinsurance companies. For the part exceeding the company's ability, the company must reinsure to reinsurance companies, within the country and abroad.

In selecting a reinsurance company that the company will enter into an insurance contract with, the company will base its decision on the reliability and stability of that reinsurance firm. This is due to the fact that, in the insurance contract, the company will be responsible to the insured solely, and the company will be able to claim compensation from its reinsurer according to the reinsuring contract. Therefore, the stability and reliability of the reinsurance company is an important factor to consider. In the case of an international reinsurance company, the company will

consider a reinsurance company that has received a credit rating from level A or higher or equivalent, by trustworthy rating agencies, such as S&P, AM Best, etc. For domestic reinsurance companies, the company will consider reinsurance companies with stable financial status, a good relationship with the company and long time business relations, allowing the company to have confidence in the status and stability of that reinsurance company.

Pricing Policy

The company's pricing policy, which includes insurance premiums for each type of insurance, is as follows:

1. Fire Insurance

The company sets insurance premiums for fire insurance using tariffs from the Office of Insurance Commission or the OIC, except for jobs with high insurance coverage. For those, the company may request special insurance premiums from the OIC on a case-by-case basis and must meet the conditions specified by the OIC.

2. Marine Cargo Insurance

The company will determine the premium rate for marine cargo insurance in appropriate accordance with the risk conditions by considering various factors, such as, product characteristics, packaging, transportation routes, vehicles used for transportation, and the value of the insurance, etc.

3. Motor Insurance

Compulsory Insurance

The Office of Insurance Commission or the OIC has set insurance premiums for each type of vehicle that has compulsory insurance. All insurance companies are required to use the same rate.

Voluntary Insurance

The company sets insurance premiums for voluntary insurance according to the basic insurance premium rate determined by the Office of Insurance Commission or the OIC. In addition, the company has set up additional insurance premiums in the event that the insured wishes to cover damage beyond the basic coverage specified by the OIC.

4. Miscellaneous Insurance

Insurance premium for miscellaneous insurance is another type that the company will determine the insurance premium rate based on the nature of the risk that is insured.

Distribution Channels include

1. Direct Sales to Customers

The company has marketing staff that serves to contact and provide services to customers.

Occasionally, customers may contact the company directly; mostly they are the customers who have good relationships and are insured with the company for a long time, and their amount of insurance coverage is not large. The company's insurance premium income from direct sales is about 7 percent of its total insurance premiums (2018).

2. Sales through Brokers and Agents

The company's brokers and agents are considered to play a very important role in expanding the market and providing direct services to the insured.

The company, therefore, places great importance on selecting and appointing brokers and agents. If the company's brokers and agents are able to provide services, as well as appropriate and useful advice, for most of the insured customers, it will help build confidence and promote the company's image.

The company's revenue from sales through brokers and agents represents 69 percent of total insurance premiums (2018).

3. Sales through Financial Institution Agents

The company has a team to coordinate insurance through financial institutions, such as commercial banks, finance companies, hire-purchase companies, etc. These include various types of credit insurance, such as car hire-purchase loans, housing loans, etc. These type of insurances will require financial institutions to be beneficiaries. The company earned income from sales through financial institution agents represents approximately 24 percent of total premiums (2018).

RISK FACTORS



TSI has continuously conducted risk management including Strategic Risk, Insurance Risk, Liquidity Risk, Operational Risk, Market Risk, and Credit Risk, in order to take control of and track risk management results in all aspects.

The company has established three other risk categories, which are Concentration Risk, Information Technology Risk, and Treaty Renewal Risk. The company has set up Risk Appetite for controlling the risk with a re-assessment every two months, the results of which shall be reported to the Board of Directors every 6 months. Risk Management, which also includes the mitigation of risk factors in any respect that might impact company operations, can be summarized as follows:

1. Strategic Risk

The company naturally encounters uncertainty and potential risks that could affect the company's objectives and desired goals. Enterprise Risk Management (ERM) is a crucial tool to eliminate the company's risks. Therefore, the company has managed the risks and their chance of occurrence, the overall company's risks, and the operational risks. The overall company's risk management is implemented as follows.

- 1.1 Risk identification which might impact the company
- 1.2 Assessment of probability and severity
- 1.3 Establishment of risk management strategies
- 1.4 Tracking risk management results
- 1.5 Capital adequacy
- 1.6 Bottom line profit

With this plan, the company can prevent against loss and increase the company's efficiency for the maximum benefit of shareholders, employees, customers, and society.

2. Risk of being unable to place Facultative Reinsurance and the risk of being unable to collect insurance premiums, and credit rating adjustment of partners

As per current insurance regulations, the company is allowed to write any risk of which the maximum sum insured shall not exceed 10% of total capital available. This is a limitation of small and medium size insurers when writing large risk then foreign reinsurers are required for risk sharing. Meanwhile the hard market situation, it is essential for many non-life insurance companies to provide a variety of types of insurance products and maximum coverage in accordance with the clients' needs coupled with relatively low insurance premiums rate. This practice runs contrary to normal risk management and international reinsurance conditions.

Generally, there are two types of reinsurance, which are Facultative Reinsurance and Treaty Reinsurance. The agreement and conditions are initially negotiated with most reinsurers considering factors according to the Underwriting Guideline and Business Plan within that particular insurance company. The problem is when the company has to write the large risk with a sum insured exceeding the company's capacity and treaty limit. However, this situation does not occur frequently. TSI has sought alternative ways to diversify risk by purchasing Excess of Loss in addition to the original reinsurance and building connections with both domestic and international reinsurance companies such as PEAK Reinsurance, Korean Reinsurance, Lloyds 'Syndicates, England, etc. This will help TSI prevent and prepare for the potential risk of being unable to place Facultative Reinsurance.

The company's obligation to the insured under the insurance policy starts from the date specified in the policy schedule. The major source of the company's business are from Agent and Brokers. Therefore, the company faces the risk of not being able to collect premiums from some agents and brokers who may have financial problems and might need to make claim settlements to the client in case of claims occur. In order to eliminate such risk, the company has set

up criteria and standards for recruiting agents and brokers before they become registered brokers. Furthermore, each agency or broker must have enough bank guarantee or collateral to cover the projected premium from said agent and premium. So, the company has always reviewed the sufficiency of those guarantees in order to prevent and mitigate the risk of being unable to collect insurance premiums. However, the Non-Life Insurance Act (No. 2) BE 2551 impose that agents and brokers must be registered and must have precautionary measures in place for insurance premiums collection since the policy coverage being in forced upon reinsurer receipt of premium payment from the Insured, also known as Cash Before Cover. Meaning that the Insured shall have coverage when making the premium payment to the Insurance Company or to Agent/ Broker. So, the risk will be carried out by the company in terms of how to manage agents and/or brokers which are authorized by the company to collect the premium from the Insured and also including reinsurance premium payable to reinsurers.

3. Insurance Risk

The Non-Life Insurance companies attach importance to the management of Insurance Risk. Therefore, the company has stipulated prudent underwriting processes and careful consideration of the risk through many factors such as Insured's information, risk profile, sum insured and also including agent/ broker characteristic. Moreover, the company must be aware of Net Retention Capacity. Risk Management Committee set up by the company shall take responsibility to sort out the problem but in view of operation level must carefully write the risk. In case of high risk exposure and could not allocate risk to reinsurer properly, those risk might be declined by the company.

3.1 Risk from the Free Market Opening of the Non-life Insurance Industry

The free market opening of the insurance industry has an impact on current non-life insurance enterprises as incoming foreign insurance companies feature the advantages of modern technology and a secured financial base. Accordingly, domestic insurance companies have to be prepared for their impact. Never-

theless, the domestic insurance companies also have the advantage of having a good relationship with the insured and local Thai understanding. Therefore, the company emphasizes on building relationships with the insured by creating customer satisfaction and long-term customer relationships. Moreover, the company also strives to improve the effectiveness of employees as well as technology to enhance the efficiency of the company's administration and management. The company also uses technology and policy for top speed satisfaction to provide faster services in order to gain the trust of customers, maintain market share, and to further extend this market share to increase the company's ability to compete with foreign enterprises.

3.2 Risk from the Fluctuation in Frequency and Severity of Indemnity

Any incurred loss, whether from severity or frequency, has an impact on the company's performance and calculation of reserve money, therefore, the insurance risk is the fundamental factor that the Risk Management Committee emphasizes.

4. Risk from Sourcing of Business including Brokers and Agents, and Operational Risk

Over the past years, a major distribution channel of the company was Financial Institutions which contributed to 80% of the motor insurance portfolio. The company has realized the risk of an opportunity cost from this dependence on financial institutions. Consequently, the company has tried to select more effective agencies to balance out income from different sources, and to reduce risk by expanding the number of branches. The company has focused on expanding our services to cover every region of Thailand. Currently, there are 18 branches and service centers covering key regions throughout the country, including the Northern, Upper Northeastern, Lower Northeastern, Eastern and Southern regions.

5. Investment Risk

Due to the company's investment policy using risk management principles, the company takes liquidity and investment security into account. Consequently,

the first investment option is to deposit cash with financial institutions, so that cash is always ready. The second option is investment in Treasury bonds and units in mutual funds for constant and stable returns. These investments are conducted on both short-term and long-term bases in order to ensure proper liquidity management in case of unexpected claims payments.

As there is increasing innovation in financial instruments, such as the Property Development Fund, Derivatives Market, Hybrid Bond, Gold Funds, etc., the company has to keep tracking market risks and returns for maximum investment profits. The investment is conducted according to proper legal frameworks.

6. Liquidity Risk

The company takes into account the liquidity of financing and managing the net cash received from operations, its investment in securities, and net cash received from sales of assets, raising funds from sources of debt and funding sources, in accordance with the conditions of the claims that have occurred and may occur. Such liquidity must allow the company to pay compensation easily and quickly. The company also considers its capability to collect money from the reinsurer or claim from the offender in the event that the compensation is required according to the law.

Since 2011, insurance companies across the country have shifted to insurance that is in variation with Risk Based Capital (RBC). Consequently, the purposes of supervising funds according to the degree of risk are to ensure that there are sufficient funds maintained for each degree of risk and appropriate to the operational plan and to promote compliance with international principles. This will enhance the standard of Thai Non-Life insurance industry.

Formerly, the company was one that kept risk to its own because there was no risk charge. However, when using RBC, the more the insurance fund, the higher the risk charge will be. This results in a reduction of the company's capital. As a consequence, the company has to accept less work with a higher

degree of risk and manage by implementing more risk diversification or reinsurance. The company will keep risks with amount equivalent to the current fund as required by law. Currently, the company has arranged an actuary, Milliman company from the Hong Kong Special Administrative Region, to calculate the risk of the risk reserve according to the Chain Ladder criteria as set out by the accepted standards of calculation based on the risk-based capital guidelines.

7. Concentration Risk

The company has to diversify foreign reinsurance risk by not overly allocating risk to a particular reinsurer in order to reduce the risk of default payment on claims or business closure by the particular reinsurer. Credit rating has to be taken into consideration as well.

8. Information Technology Risk

As technology plays an important role in enhancing management effectiveness, the company has a policy to improve the quality of services on claim management and insurance to provide convenience, speed, accuracy, and fairness for maximum customer satisfaction. Hence, the company has developed information technology systems for timely management. The company also emphasizes information safety and the stability of the system to enable continuous business operations. In case of emergency, the company has set up a disaster recovery site in order to prevent and minimize the effect from any emergency incidence that may occur.

9. Operational risk

Operational risk means the risk of loss resulting from failure, inadequacy, or inappropriateness of internal operational system, personnel, work system, or external events that have impacts on performance and/or the financial status of insurance company

Types of Operational Risk

1. People Risk is operational risk resulting from failure, inadequacy, and inappropriateness of the company's personnel, including personnel's capabilities and ethics, which can have a negative effect on performance

and/or the financial status of the company. This risk can have three main causes:

- 1.1 The personnel may not have enough work competency or the personnel's competency is unmatched with the nature of work.
- 1.2 Fraud is conducted by internal personnel, such as forgery.
- 1.3 The number of personnel is inadequate for the company's operations.

2. Process Risk is operational risk resulting from failure, inadequacy, and inappropriateness of the process, despite the company's personnel having enough competency for the work, determination and honesty.

3. Technology Risk is the operational risk resulting from failed, outdated and inefficient computer systems and/or communication networks, which can cause an interruption in the company's operations or make it unable to provide services to customers.

4. Risks from External Factors is the operational risk caused by the company's external factors which has an effect on the company's operations and/or financial status. For example, claims with false reason, fraud by an external party, changes in the law, outsourcing, and natural disasters, etc.

5. Compliance Risk is the operational risk that occurs when the company has to comply with the law, such as the Anti-Money Laundering Act which is intended to effectively break the cycle of corruption.

6. Adequacy of Internal Audit Risk

The company has periodically conducted an operational risk identification and review. The risk identification is conducted at all levels, ranging from operational level to management level as addressed in the announcement of the Office of Insurance Commission on the topic of Rules and Conditions for setting minimum standards of risk management of non-life insurance companies B.E. 2551 (2008).

10. Treaty Renewal Risk

Most reinsurance contracts in Thailand will be renewed around the end of the year (31 December) or midyear (30 June). If any insurance company has an unsatisfactory performance, in the eyes of the reinsurer, this may delay the renewal in that year. There may also be a risk of not being able to find a reinsurance to support the contract, causing the company to take risks during that period.

11. Credit Risk

One important element of risk management is implementing a risk profile to compare credit risk. According to the Pareto principle, regarding default payments, 80 to 90 percent of the risk comes from only 10 to 20 percent of the customers. If the company is able to identify the customers with the potential to default, this will help in better screening and managing credit risk.

12. Market Risk

Market risk arises from shifts in interest rates, foreign exchange rates, and the price fluctuations of instruments in the capital market, which place a negative impact on the income and funds of financial institutions. Market risk can be categorized into 3 types which are interest rate risk, exchange rate risk, and price risk.

Structure of Risk Management (data as of December 31, 2018)

Member of Risk Management Committee, consisting of 10 directors as follows:

- | | | |
|------|--|--|
| (1) | Mr. Santi Piyatat..... | The president of the Risk Management Committee |
| (2) | Mr. Boonyaruk Visuttiapol..... | Director |
| (3) | Ms. Alada Phaovibul..... | Director |
| (4) | Mrs. Pornpat Rodphotong Boontanom..... | Director |
| (5) | Mr. Jackravee Visuttiapol..... | Director |
| (6) | Mr. Komsant Muangngam..... | Director |
| (7) | Mr. Serm Sak Hongthong..... | Director |
| (8) | Ms. Samaphon Charuworrakarn..... | Director |
| (9) | Ms. Saranya Nisamaneewong..... | Director |
| (10) | Mr. Wirot Puteh..... | Director and Secretary of Committee |

The roles and responsibilities of the Risk Management Committee

1. Establish GRC policy (Governance, Risk, Compliance), Enterprise Risk Management plans, as well as establish strategies and policies for business continuity management in writing. The policies must be regularly reviewed, at least once a year, or immediately when any significant changes are made to ensure that plan is followed with the change in circumstances and address various risks. The changes in the plan must also be disclosed to all related parties.
2. Allocate adequately resources to support operation risk, define duties and responsibilities, the reporting line of involved person in risk management in writing, and disclose it to all parties concerned to know and implement.
3. Conduct training to educate employees and related persons for their roles, duties and responsibilities according to the risk management plan of the company as well as business continuity plan
4. Follow up and monitor to ensure that risk management is according to the company's policies and plans, this is included analysis and assess an impact on significant operational interruptions, and report the risk status and the sufficient of the policy and risk management plan to the executive committee at least once a year.
5. In the event of an incident, the risk management committee will report problems and propose solutions to the board of directors immediately.

Risk assessment will be assessed based on two main factors as follows:

1. Probability of loss
2. Volatility of loss

Risk Priority

The company has determined conditions to prioritize risks and has prioritized risks by descending order, for the benefit of risk management as shown in the table below.

Likelihood



Impact of Events

Impact and risks appetite - Quantitative

Risk Level	Rating Level	Definition
Very low	1-2	Risk acceptable without any additional risk management
Low	3-4	Risk acceptable at the tolerance rate but need an additional risk management plan to control the risk appetite
Moderate	5-9	Risks may not be acceptable and need additional risk management plan to reduce or control risk to be in the risk appetite
High	10-16	High risk and unable to accept certain risks. Risk management plan is required to manage risks within risk appetite
Very high	17-25	Very high risk level and unable to accept such risk, risk management plan is immediately required otherwise the organization will face severe problems

Risk Management Process

		Probability or frequency				
		1	2	3	4	5
Impact or Severity	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5

Significant risks and risk register of the company

	Impact or Severity	Probability or frequency	Score	Risk Level
1. Strategic risk	4	1	4	Low
2. Risk from lack of facultative reinsurers and high uncollected premiums as well as downgrade of reinsurer credit rating	4	2	8	Medium
3. Insurance risk	5	2	10	High
4. Risk from dependence of brokers and agents as well as operation risks	4	3	12	High
5. Investment risk	4	3	12	High
6. Liquidity risk	4	3	12	High
7. Concentration Risk	4	3	12	High
8. Information Technology Risk	4	2	8	Medium
9. Operational Risk	4	4	16	High
10. Treaty Renewal Risk	5	1	5	Medium
11. Credit Risk	4	4	16	High
12. Market Risk	5	1	5	Medium

Risks arising from 3 years business plan Guideline and risk management method

Potential risks are as follows:

1. Risk management may not resolve or reduce the existing risks. Risk management team will gather information from business units in order to reconsider, analyze and adjust the plans effectively. The evaluation of the plan will be performed by each unit on quarterly basis and report to risk management committee for further adjustment in annual risk management plan
2. The recession in economic and investment may lead to unachieved in the business plan. For example, one-year projected premium may short from the plan when the economic is turn down or the projects were interrupted whereby the company's expenses are spent as usual, resulted

in the company performance of that year.

The company may have to find reserve revenue or cut unnecessary expenses to maintain the performance.

3. Natural disasters

Risk Management Methods

Risk Control

1. Risk Avoidance: the insurance company may avoid to underwrite the policies which the company has no experience or no expertise personnel and underwrite in form of co-insurance in stead of
2. Loss Prevention to reduce the probability of loss.
3. Loss Reduction to reduce the impact or value of loss.

Risk Control

The company has established the policies to control and monitor risks as per followings

1. Risk from people
2. Systematical risk
3. Risk from using of equipment

Group 1 The company conducted the meeting in order to report the performance (PAD) with the followings details

Performance: The responsible person has to report its past performance, progress of existing work as well as the target task, the performance will be compared against the company' goal to ensure that the performance is according to the company's objective or not

Work in process, the company will use the past record as basis to compare against the actual plan by consideration of risk effective, errors and their resolutions as well as any further obstacles that made the company not achieve the risk management plan. The performance meeting will be held twice a month, every 2nd and 4th Tuesday

Administration: The company will hold a meeting of the involved persons in risk management to ensure that risk management is aligned with the company's objectives, no work is redundant or conflict between units. The objective of the meeting is to minimize risks by objective, which schedule on every date of 15 every month

Development: All departments are requested to report Day End Report/Month End Report/Quarterly Report in order to measure and evaluate the performance in the areas of internal and external management. This is to check the ability to create progress for each unit, including summarizing the internal risks and expectations, and recording the unexpected risk concern.

Group 2 Systematic risk - after directing, monitoring and supervising the risks of related persons, risk score and results under CIPP MODEL (CIPP Theory) are managed by evaluating the context, input factors, production processes, and product. This is to find errors from the production which will be used as a consideration basis and to be inspected, monitored and measured again. This process will be done along with the PAD performance report on the 15th of every month.

Group 3 Risk groups with tools and equipment as the core. This group will monitor the use of communication tools, office equipment and the ability of the communication system from one unit to another unit. It will also evaluate the ability to filter data for use in the analysis of a person's performance and mistakes, and be able to support future business expansion by monitoring together with PAD on the 15th of every month.

THE COMPANY'S STRUCTURE



List of the top 10 major shareholders of the company on 1st June 2018 shown in the table below.

No.	List of Shareholders	Share Holding	Percentage of total shares
1.	Mrs. Nonglak Visuttiapol	106,484,770	9.84
2.	Mr. Tanaphol Bunwarut	103,009,370	9.52
3.	Mr. Chaiwit Arrunnetthong	83,333,333	7.70
4.	Siam Mineral and Oil Company Limited	67,032,626	6.20
5.	Sutthotes Co., Ltd.	51,043,044	4.72
6.	Mr. Wirot Nookamdee	45,333,333	4.19
7.	Mr. Santi Piyatat	44,869,185	4.15
8.	Auto Biz Company Limited	44,733,357	4.14
9.	Thai NVDR Company Limited	25,108,889	2.32
10.	Mr. Teeravit Visuttiapol	24,967,670	2.31
	Others	485,816,990	44.91

Dividend payment policy

The company has a policy to pay dividends according to the resolution of the Board of Directors that proposes to the general meeting of shareholders for approval each time.

Management structure

1. Board of Directors

Board of Directors as of 31st December 2018. There are 30 people as follows:

No.	Name – Surname	Position
1	Mr. Vech Visavayothin	Director and Chairman of the Board of Director
2	Dr. Jumpot Saisunthorn	Independent Director and The Chairman of the Audit Committee
3	Dr. Sivawut Thephussadin Na Ayutthaya	Independent Director and Audit Committee
4	Ms. Sangthong Poonahitanon	Independent Director and Audit Committee
5	Mr. Santi Piyatat	Director / Chief Executive Office
6	Mr. Boonyaruk Visuttiapol	Director and the Acting of Managing Director
7	Miss Nonglak Visuttiapol	Director and Executive Director
8	Miss Alada Phaovibul	Director / Executive Director and Senior Executive Vice President
9	Mrs. Pornpat Rodphotong Boontanom	Director / Executive Director and Executive Vice President Legal and Claims Department
10	Mr. Louis Wiwongsak	Director and Secretary of the Board of Directors
11	Mr. Thinnakorn Punpanichkul	Independent Director
12	Miss Intira Chauysanit	Independent Director
13	Mr. Jackravee Visuttiapol	Director and Executive Vice President Underwrite Department

Scope of authority of the Board of Directors

1. Director must perform their duties according to the law, the company's objective and regulations and the shareholder meeting resolutions.
2. Director must not engage in any business, enter into non – accountable partnership or become director of another juristic entity of the same type and in competition with the company's business unless the director notifies the shareholders' meeting prior to the appointment resolution.
3. Director must notify the company without delay if there is not a stake in any contract or holding more shares or debentures in the company or affiliated companies.
4. The Board of Directors must hold a meeting at least every 3 months.
5. Any director who has a stake in the matter, has no right to vote on that matter.
6. In the case that the meeting has equal votes, the chairman of the board vote will be the decisive vote.

2. Board of Executive Directors

1) Audit Committee

1. Dr. Jumpot Saisunthorn.....Chairman of the Audit Committee
2. Dr. Sivawut Thephussadin Na Ayutthaya.....Audit Committee
3. Miss Sangthong Poonnahitanon.....Audit Committee

Scope of Authority of the Audit Committee

1. Review to ensure that the company has accurate and adequate financial reports.
2. Review to ensure that the Company has an appropriate and effective internal control and internal audit system.

3. Review to ensure that the company's operations are in compliance with the law on securities and stock exchange or laws relate to the company's business.
4. Consider, select, nominate and offer remuneration to the company's certified public accountant.
5. Consider the disclosure of the company's information to ensure the accuracy and comprehensiveness in case that a related party may have conflict of interest in any activity.
6. Preparing the report on the supervision of the Audit Committee by disclosing in the annual report which the report must be signed by the Chairman of the Audit Committee.
7. Perform other tasks as assigned by the Board of Directors with the approval of the Audit Committee.

2) Nomination, Remuneration and Human Resources Management Committee

1. Miss Alada Phaovibul.....The President of the Nomination and Remuneration Committee
2. Mr. Jackravee Visuttipol.....Director
3. Mrs. Pornpat Rodphotong Boontanom.....Director
4. Mr. Komsant Muangngam.....Director
5. Miss Montakarn Sodsatid.....Director and Secretary of committee

Scope of duties and responsibilities of the Nomination and Remuneration Committee.

1. Specify the remuneration rate of all committees and over manager level.
2. Specify the business expansion budget such as the commission rate of the agent and broker.
3. Specify other remuneration

3) Board of Executive Director

1. Mr. Santi Piyatat.....Chief Executive Officer
2. Dr. Boonyaruk Visuttipol.....Executive Director
3. Mrs. Nonglak Visuttipol.....Executive Director

4. Miss Alada Phaovibul..... Executive Director
5. Mrs. Pornpat Rodphotong Boontanom
..... Executive Director

Scope of authority of the Board of Executive Directors

Directors have authority to provide guidelines on the administration for management to implement by holding a meeting and to seek approval on the company's urgent matters and report the outcome to the Board of Director.

4) Investment Committee

1. Mr. Santi Piyatat.....The President of the Investment Committee
2. Mr. Jackravee Visuttipol.....Director
3. Miss Alada Phaovibul.....Director
4. Mrs. Pornpat Rodphotong Boontanom
.....Director
5. Mr. Komsant Muangngam.....Director
6. Miss Samaporn Jaruworakarn.....Director
7. Mr. Wirot Puteh.....Director

Scope of authority of the Investment Committee

1. Consider policy formulation, investment plan to comply with regulations and rules according to the OIC announcement or other relevant regulatory agencies. in order to comply with the policy framework set by the Investment Committee.
2. Supervise the investment department of the company in order to meet the goals.
3. Consider appointing a property administrator (Custodian) according to the qualifications set by the regulatory agency.
4. Consider appointing a personal fund manager suitable for the agency.
5. Appropriately allocate investments in each category and according to the announcement of the regulatory agency.

6. Consider and approve the investment transaction according to the specified investment policy framework.
7. Preparing annual investment plans.

5) Risk Management Committee

1. Mr. Santi Piyatat.....The President of the Risk Management Committee
2. Dr. Boonyaruk Visuttipol.....Director
3. Miss Alada Phaovibul.....Director
4. Mrs. Pornpat Rodphotong Boontanom
..... Director
5. Mr. Jackravee Visuttipol.....Director
6. Mr. Komsant Muangngam.....Director
7. Mr. Serm Sak Hongthong.....Director
8. Miss Samaporn Jaruworakarn..... Director
9. Miss Saranya Nisamaneewong.....Director
10. Mr. Wirot Puteh..... Director and Secretary of committee

Scope of authority of the Risk Management Committee

1. Decide the company's policies regarding GRC (Governance, Risk and Compliance). Enterprise Risk Management, as well as specify the company's business continuity plan in writing and revise annually or whenever there is any modification to cope with the current situation, in order to support any risk of the company. Disclosing the policies to all related parties.
2. Resource allocation, clearly identifies responsibility, rank to report the risk management process in writing, and disclose to all related parties.
3. Arrange the meeting for staffs to train and explain the responsibilities to cope with the company's risk management policy and business continuity plan.

4. Monitor the risk management process to ensure it follows the company's policy and action plan. Analyze and evaluate effect from the business interruption, important operation and report to Risk Management Committee at least once a year.
5. In case of damage, the Risk Management Committee will report the problem and suggestion to the Board of Directors immediately.

3. Management Team

As of 31st December 2018 there are 8 people as follows:

No.	Name - Surname	Position
1	Mr. Santi Piyatat	Director and Chief Executive Office
2	Mrs. Nonglak Visuttiapol	Director and Executive Director
3	Dr. Boonyaruk Visuttiapol	Director and the Acting of Managing Director
4	Miss Alada Phaovibul	Director and Senior Executive Vice President
5	Mr. Jackravee Visuttiapol	Director and Executive Vice President
6	Mrs. Pornpat Rodphotong Boontanom	Director and Executive Vice President
7	Mr. Komsant Muangngam	Assistant Executive Vice President
8	Mr. Sermsak Hongthong	Assistant Executive Vice President

4. Corporate Secretary

The Board of Directors has appointed Mr. Wirot Puteh to act as Company Secretary since at 11 April 2018 and to act in accordance with the Securities and Exchange Act 89/15

Responsibilities of the Company Secretary

The Board of Directors has appointed Mr. Wirot Puteh acting as Corporate Secretary with the duty to act on behalf of the Board of Directors as follows:

1. The Board of Director Meeting and Coordinating the committee meetings, shareholders meeting including preparing the minutes of the committee meetings.
2. To provide advice and support to the Board of Directors to ensure that the good corporate governance is maintained including related regulations.
3. Coordinate and communicate with shareholders and relevant regulators.

5. Attending the Board of Directors' Meeting and Sub-Committees of the Year 2018

Name - Surname	Position	Board of Directors	Audit Committee	Nomination and Remuneration	Shareholder meeting	
		Times	Times	Times	Times	Times
1. Mr. Vech Visavayothin	Director and Chairman of the Board of Director	8/9	1/4	-	1/1	-
2. Mr. Jumpot Saisunthorn	Independent Director and The Chairman of the Audit Committee	9/9	4/4	-	-/1	-
3. Dr. Sivawut Thephussadin Na Ayutthaya	Independent Director and Audit Committee	-	1/4	-	-/1	-
4. Ms. Sangthong Poonnahitanon	Independent Director and Audit Committee	6/9	4/4	-	1/1	-
5. Mr. Santi Piyatat	Director / Chief Executive Office	5/9	-	-	-/1	-
6. Dr. Boonyaruk Visuttipol	Director and the Acting of Managing Director	8/9	-	-	1/1	-
7. Mrs. Nonglak Visuttipol	Director and Executive Director	9/9	-	-	1/1	-
8. Miss Alada Phaovibul	Director / Executive Director and Senior Executive Vice President	9/9	-	4/4	1/1	-
9. Mrs. Pornpat Rodphotong Boontanom	Director / Executive Director and Executive Vice President Claims and Legal Department	8/9	-	3/4	1/1	-
10. Mr. Louis Wiwongsak	Director and Secretary of the Board of Directors	8/9	-	-	1/1	-
11. Mr. Thinnakorn Punpanichkul	Independent Director	8/9	-	-	1/1	-
12. Miss Intira Chauysanit	Independent Director	4/9	-	-	1/1	-
13. Mr. Jackravee Visuttipol	Director and Executive Vice President Underwrite Department	5/9	-	-/4	1/1	-
Directors who resigned during the year						
1. Mr. Sathaporn Paothong	Director and Corporate Secretary	1/9	-	-	-	-
2. Mrs. Sudaphan Ingkawanich	Audit Committee	2/9	-	-	-	-
3. Mr. Teerapol Kampa	Director	4/9	-	-	1/1	-

6. Directors' remuneration

Directors' remuneration ending on 31st December 2018

	Name - Surname	compensation
1.	Mr. Vech Visavayothin	102,222.23
2.	Mr. Jumpot Saisunthorn	63,888.88
3.	Dr. Sivawut Thephussadin Na Ayutthaya	11,111.12
4.	Ms. Sangthong Poonnahitanon	42,222.22
5.	Mr. Santi Piyatat	30,555.55
6.	Dr. Boonyaruk Visuttiapol	48,888.88
7.	Mrs. Nonglak Visuttiapol	54,999.99
8.	Miss Alada Phaovibul	48,888.88
9.	Mrs. Pornpat Rodphotong Boontanom	48,888.88
10.	Mr. Louis Wiwongsak	48,888.88
11.	Mr. Thinnakorn Punpanichkul	48,888.88
12.	Miss Intira Chauysanit	24,444.44
13.	Mr. Jackravee Visuttiapol	30,555.55
Total		604,444.38

Directors who resigned during the year

	Name - Surname	compensation
1.	Mr. Sathaporn Paothong	79,166.68
2.	Mrs. Sudaphan Ingkawanich	6,111.11
3.	Mr. Teerapol Kamha	18,333.33

Monetary compensation of the management of the company in the form of salary and other compensation

compensation of the management of the company ended on 31st December 2018

List	Year 2018 (unit : Million baht)	Year 2018 (unit : Million baht)
Total salary	12.85	9.48
Other compensation		
- Bonus	0.53	0.53
- Provident fund contribution	0.34	0.20
Total	13.72	10.21

The company has a total of 164 employees. In 2018, the company paid compensation to employees in the amount of 71.42 million baht. Which are salary, overtime, living allowance social security money and contributions to the provident fund, etc.

On 31st December 2018, the company has a total of 164 employees which can be divided by as follows:

Company/Field/Business	Number (people)
Operations / Service staff	33
Management staff	10
Head office staff	121
Total	164

CORPORATE GOVERNANCE



Corporate Governance Policy

The company takes its corporate governance policy seriously. Good corporate governance is an essential part of making an organization sustainable, ensuring that it has an efficient management system, acts with transparency, and creates benefit for all stakeholders. Also, corporate governance can help create growth for the organization, while also taking into account its impacts on society and the environment. Thus, enacting the guidelines and practices of good corporate governance policy is considered an important mission of the Board of Directors, executives and employees of the company who strive to practice and adhere the guidelines together. Throughout the past, the company has strictly complied with the corporate governance principles of the Stock Exchange of Thailand. The good corporate governance principles of the company are determined as follows.

1. Rights of shareholders

Shareholders have ownership rights by controlling the company through the appointment of a committee to make decisions about.

- 1.1 The right to receive shares and rights to trade or transfer shares.
- 1.2 The right to ask questions at the meeting.
- 1.3 Right to attend the meeting and vote at the shareholder meeting.
- 1.4 The right to appoint and remove directors, including determination of the remuneration of the Board of Directors.
- 1.5 The right to receive information about the date, time and place, agenda, shareholders' meeting, rules, and procedures for attending the meeting.
- 1.6 The Right to Receive Profit Sharing.

2. Equitable Treatment of Shareholders

Every shareholder will be treated equally and fairly. Consisting of:

2.1 Providing information prior to the shareholders' meeting.

- 2.1.1 The Board of Directors allows shareholders who are unable to attend the meeting to exercise their right to vote by giving a proxy to other people to attend the meeting and cast votes.

- 2.1.2 The Board of Directors ensures that the company will notify shareholders to inform them about the rules used in the meeting, voting procedures, including rights regarding the casting of votes.

- 2.1.3 Invitation letter to the shareholders meeting mentioned above is written in Thai and a letter of authority are prepared in both Thai and English.

2.2 Interests of Committee

- 2.2.1 The Board of Directors requires the executive directors to provide a list of interests for consideration before setting the agenda.
- 2.2.2 The Board of Directors ensures that the directors who have a significant interest which may cause them to be unable to freely give opinions, refrain from participation in the meeting considered in that agenda.

3. Role of stakeholders

Stakeholders, including customers, employees, business partners, shareholders or investors, creditors and the communities in which the company is located, society or government, as well as competitors and independent auditors, will be fairly treated by the company according to the rights provided by the relevant laws. The Board of Directors will consider having a process to promote mutual cooperation between the company and stakeholders in order to create wealth, financial stability and sustainability for the business. The Board of Directors has agreed a policy that the rights of each group of stakeholders will also be taken into account according to the law, and agrees that the company will not do anything that is a violation of the rights of stakeholders.

3.1 Determination of policy on treatment of stakeholders

- 3.1.1 The Board of Directors has clearly established a policy to treat each group of stakeholders in the following matters.
 - (1) Determining the scope of customer service to take care of the insured

with honesty and reliability at all times of experiencing disaster.

- (2) Procedures and practices for selecting partners.
- (3) Systematic operations ensure that the company's operations are amicable and contribute to the sustainable development of the communities in which it is located.
- (4) Providing guidelines to combat against corruption, including supporting activities which encourage every employee to follow laws and regulations.
- (5) Staff and employee should be treated equally, and the capabilities and potential of staff should be continuously improved.

- 3.1.2 The Board has established procedures and channels for receiving and managing complaints from stakeholders and discloses the processes and channels on its website or in the annual report of the company.

4. Information Disclosure and Transparency

The company's Board of Directors is assigned to accurately disclose important information related to the company in terms of both financial and general information. Such information must be complete, provided on a timely basis and be transparent. The company must disclose the information through an accessible channel in a genuine manner. The important information provided in such financial and non-financial reports follows the policy of the office of the Securities and Exchange Commission (SEC) and Stock Exchange of Thailand (SET), as well as policies and regulations related to the disclosure of such information.

4.1 Information disclosure

- 4.1.1 The company's Board of Directors will report its management policies, code of business ethics, and the summary of its risk management policy as well of the results of compliance with these policies in its annual report.
- 4.1.2 The Board of Directors will provide its responsibility report towards financial reporting, presented together with the auditor's report, in the annual report.

- 4.1.3 The board will encourage the company to prepare a Management Discussion and Analysis, or MD&A, that will be combined with a financial statement disclosure for every quarter. This is so that investors can understand and follow any changes in the financial status and operating results of the company in each quarter.

4.2 The minimum information that must be

disclosed on the company's website, apart from that disseminated according to the specified criteria by The Stock Exchange of Thailand channels; information report form (Form 56-1) and annual report. The board will regularly consider the disclosure of information in both Thai and through other channels such as the company's website. This information is as follows:

- (1) Vision and mission of the company
- (2) Nature of the business of the company
- (3) List of directors and executives
- (4) Financial statements and reports on financial status and operating results both in current and previous years
- (5) Form 56-1 and annual report that can be downloaded
- (6) General meeting invitation letter or extraordinary meeting invitation letter to shareholders
- (7) Good corporate governance policy of the company
- (8) Code of ethics for employees and directors of the company

5. Responsibilities of the Board

The board plays an important role in governing the company for the maximum benefit of the company, and for taking responsibility for the operating results in the name of shareholders. The board must be independent from the management. The board offers leadership, vision and independence in making decisions to best benefit the company and shareholders. The board follows a clearly organized system to separate its roles, duties and responsibilities between directors and management. In addition, the board provides supervision to ensure that all of the company's activities are legal and ethical.

5.1 Board Structure

- 5.1.1 According to the company's regulations, the board's composition must consist of at

least 5 directors up to 15 directors. Half of the total number of directors must have residences in the Kingdom of Thailand.

- 5.1.2 Term of Office of the Board of Directors. According to the company's regulations, it is stated that at every annual general meeting, one-third of directors on the board must leave the position, and if the number of directors is not able to be divided into three, the number of directors who have to leave the position must be the nearest number to one-third. A director vacates the position as a result of:

1. Death
2. Resignation
3. Lack of qualifications or having prohibited characteristics according to the law
4. The shareholders' meeting passed a resolution to leave
5. The court issued an order to leave

5.2 Sub-committee

- 5.2.1 Apart from the Audit Committee that must be managed according to the regulations of the Stock Exchange of Thailand, the Board of Directors will consider supporting others sub-committees for good corporate governance as follows.

The Nomination and Remuneration Committee sets the criteria and process for recruiting directors and senior executives who have the necessary qualifications, and assists in the selection of candidates through a process of nomination of proposal to the Board of Directors for appointment. The Nomination and Remuneration Committee must reveal its criteria and procedures for recruiting directors and senior executives to the Board of Directors, and also consider the criteria for payment and remuneration of directors and senior executives. The Board of Directors will approve the remuneration of executives. The remuneration of directors must be presented by the Nomination and

Remuneration Committee at a shareholder meeting for approval.

- 5.2.2 The company discloses information from advisors, the Audit Committee and advisors to the Nomination and Remuneration Committee, transparently and without conflicts of interest, in the annual report.
- 5.2.3 The Chairman of the Board is not a president or member of the sub-committee to ensure that the sub-committee is truly independent from the board.
- 5.2.4 To ensure the duties of the Nomination and Remuneration Committee are performed efficiently and to achieve the objectives and duties assigned by the Board of Directors, the Nomination and Remuneration Committee has arranged at least two meetings a year to consider, discuss and take any action to fulfill their responsibilities.

5.3 Roles, duties and responsibilities of the Board of Directors

- 5.3.1 Duties and responsibilities of the Board
- (1) Consideration and approval of important matters that relate to the sustainability of the business, its vision and mission, strategy, financial goals, risk, plans and budget.
 - (2) Monitoring and supervising management to ensure that their work is efficient and effective according to stated policies and plans.
 - (3) Internal control and risk management, including the process of receiving complaints and taking action in case of reasonable suspicion.
 - (4) Ensuring the continuity of business operations in the long-term including personnel development and succession plans.
 - (5) Recruiting and developing executives, and supervising personnel management.
 - (6) Promote innovation and the responsible operation of the business.
 - (7) Maintain financial credibility and proper information disclosure.

- (8) Encouraging shareholder participation and communication.
- 5.3.2 The Board of Directors has established the company's governance policy in writing and approves the policy mentioned above. The Board of Directors will review the policy and compliance with the policy at least once a year.
- 5.3.3 The Board of Directors will encourage the creation of a written business code of conduct so that all executives and employees understand the ethical standards which the company follows in conducting its business. The board will follow up to ensure that there is strict compliance with this code of conduct.
- 5.3.4 The Board of Directors carefully considers conflict of interest and presents clear guidelines for considering such issues, for the benefit of the company and the shareholders as a whole
- The stakeholders do not participate in decisions making. In addition, the Board of Directors will supervise to ensure compliance with the requirements regarding procedures and information disclosure to be accurate and complete.
- 5.3.5 The Board of Directors has established an operational control system for its financial reports and for compliance with its rules and policies. The board has arranged an independent person or department who performs the duty of examiner of the control system and reviews important systems at least once a year.
- 5.3.6 The Board of Directors has determined a risk management policy to cover the entire organization. Management follows this policy and reports to the Board of Directors regularly. There is a system for reviewing the effectiveness of this risk management policy at least once a year and also every time when there are changes in risk levels, thereby ensuring a response to early warning signs or unusual events.

- 5.3.7 The Board of Directors or Audit Committee will provide their opinions on the adequacy of the internal system and risk management in the annual report.

5.4 Corporate Governance Policy and Business Ethics

The Board of Directors has established a good corporate governance policy and operational business ethics in writing and approved them. The corporate governance policy and compliance with the policy will be reviewed regularly and when appropriate.

5.5 Board of Directors Self-Assessment

The Board of Directors and sub-committees will evaluate the performance of the entire Board of Directors annually in order to jointly consider the performance and problems for further improvement.

5.6 Compensation Architecture

For the remuneration of the committee, the Nomination and Remuneration Committee will be the one who considers the initial remuneration and propose it to the Board of Directors' meeting for consideration and request of approval from the shareholders' meeting. The remuneration will be at an appropriate level comparable to the level that is in the same industry, by taking into account the appropriateness and compliance with the duties and responsibilities.

5.7 Executives and Director Development

The Board will promote and facilitate training and educating people who are involved in the company's governance system such as the directors, Audit Committee members, executives, and company secretary, in order to ensure the continuous improvement of operations. Training and education may take place within the company or through external bodies.

Supervision of the Use of Internal Information

The company has established measures to prevent directors and executives from using the company's internal information for their own benefit as follows:

1. Directors, executives, including spouses and underage children, are prohibited from using

inside information to buy, sell, transfer or accept the transfer of securities of the company before the information is thoroughly publicized, particularly during the first month before the financial statements are made public. In addition, after the information has been published, the aforementioned persons should refrain from buying or selling securities until the people who have received such information have time to evaluate the information received in a reasonable time.

2. To educate the directors, including executives, that they have the duty to report their securities holdings, or those of their spouses and minors if they qualify for the purchase, sale, transfer or acceptance of the transfer of the company's securities.
3. As specified in the Notification of the Securities and Exchange Commission at Sor Jor 14/2540 Re: Preparation and disclosure of securities holding reports Penalties under the Securities and Exchange Market Act BE 2535 (1992) and according to the regulations of The Stock Exchange of Thailand

At the Audit Committee meeting on 9 November 2010 (No. 4/2010), Miss Samaporn Jaruvorakan was appointed as head of the company's internal audit from 29 October 2010 until the present. The Audit Committee considers that Miss Samaporn Jaruvorakan has strong experience in conducting the internal audits of non-life insurance businesses, she has attended the appropriate training courses related to internal operations auditing, including risk management and internal control, and she also has a good understanding of the activities and operations of the company. The committee appreciates that Miss Samaporn Jaruvorakan has performed her duties appropriately; so any move to appoint, remove, or transfer the head of Internal Audit Department of the company must be approved by the audit committee.

Head of Operations Compliance

The company assigned Mrs. Pornpat Rodphothongboonthanom to hold the position of supervising the operation (Compliance Department) in order to supervise the compliance of operational units which are under the business operation of the

company. Mrs. Pornpat Rodphothongboonthanom has the necessary qualifications to hold the position of head of operation compliance.



TSI Insurance Intensive Tutoring Intensive Risk Management Course.

In 2018, Thaisetakij Insurance Public Company Limited, or TSI Insurance, provided executives with training in risk management through the course "Management Risk "Enterprise Risk Management (ERM) and "Own Risk and Solvency Assessment: ORSA" in order to prepare for changes in technology, changes in consumer behavior, and from increased disruption resulting from financial innovation. Speaking at the event were Dr. Piyawadee Khiwithoonkit (middle seat), and the executive director assistant of risk management department and legal compliance department from Thai Reinsurance Public Company Limited. Attending the event at the meeting room of the Thai Economic Building were Ms. Orlada Phaibwiboon, Deputy Senior management director (2nd row from right), Mrs. Pornpat Rod Pho Thong Bunthanom, deputy managing director (2nd row seat from the left), and other high-level executives.

Responsibility Towards Society

Since the start of non-life insurance business until now, the company has been committed to running the business with creativity and fairness. Heading into its 78th year, the company has the intention and commitment to develop various types of insurance products which can create guarantees and protection for the insured. The company adheres to the policy of taking care of customers with integrity, responsibility, and care. Also, it considers the issue of compensation with fairness and punctuality at every step.

The company realizes the role of being responsible to the community and to society. The company

participates in community development projects. One example is helping members of Saggi Pittaya School, in the Bang Rak community, participate in the local conservation of Bang Rak district. In addition, the company helped in the promotion of security by joining the police community at Yannawa Metropolitan Police Station. The company also supported nearby police stations to install CCTV for the safety and benefit of traffic in the area.

In addition, the company also works on promoting educational development by giving scholarships to children and disadvantaged students. The company is also active in promoting safety, especially during the New Year festival and Songkran festival every year in Thailand. The company has given support to the Office of Insurance

Commission (OIC) and the Thai General Insurance Association in their accident reduction campaigns at many points inside and outside Bangkok. The company has also supported the White Road campaign by encouraging drivers and passengers, especially children, to wear helmets.

The goal is to create a safe driving environment and better traffic awareness for the public during the festival.

In terms of environmental measures, the company encourages employees to reduce unreasonable energy consumption by using energy-saving light bulbs, using the stairs instead of taking the elevator, and conserving water usage when possible.



TSI top executives received the award “Quality Persons of the Year 2018”



Ms. Alada Phaovibul, Executive Director and Deputy Senior Executive of Thaisetakij Insurance Public Company Limited, or TSI Insurance, received the award “Quality Persons of the Year 2018” in non-life insurance and life insurance sector from Mr. Polakorn Suwanrath, Privy Councilor, at the awards ceremony “Valuable People of the Year 2018 “. The award is given in order to praise a worthy person who has succeeded in working and living in a dedicated fashion in various fields that contribute to the benefit of society and the country. The ceremony is organized by the Foundation of Science and Technology Council of Thailand at Chulabhorn Research Institute Convention Center.

TRANSACTIONS WITH RELATED PARTIES

Related Parties	Relationship	Pricing Policy	In Baht	
			2018	2017
Auto Bizz Co., Ltd.	Shareholders and co-management	Conditions in the contract		
Gross written premiums			<u>142,937</u>	<u>202,728</u>
Car rental			2,796,980	4,003,405
Computer rental			94,273	426,632
Purchased computer			-	162,617
Cleaning expense			<u>576,000</u>	-
Total			<u>3,467,253</u>	<u>4,592,654</u>
Delta Smart Adjusters Co., Ltd.	Common Shareholders	Conditions in the contract		
			<u>3,848,521</u>	<u>7,868,165</u>
Survey fee				
Loss adjustment expenses			<u>1,235,545</u>	<u>1,843,209</u>
Total			<u>5,084,066</u>	<u>9,711,374</u>
Siam Mineral Resources Co., Ltd.	Shareholders and co-management	Conditions in the contract		
Gross written premiums			<u>10,000</u>	<u>10,000</u>
Sugar Beach Condominium Co., Ltd.	Shareholders and co-management	Conditions in the contract		
Gross written premiums			<u>25,900</u>	<u>2,219</u>
S.P. and Louis Law Office Limited	Co-management	Conditions in the contract		
Other fees			<u>80,000</u>	-
Salwithan Plaza Co., Ltd.	Shareholders and co-management	Conditions in the contract		
			<u>1,869</u>	-
Asia Inter Law Company Limited	Shareholders and co-management	Conditions in the contract		
Gross written premiums			<u>1,100</u>	-

AUDIT COMMITTEE REPORT 2018

**Dear Shareholders of
The Thai Setakij Insurance Public Co., Ltd.,**

The audit committee of Thai Setakij Insurance Public Co., Ltd. consists of three independent directors, including Prof. Dr. Jumphot Saisunthorn, the president of the audit committee, Dr. Siwawut Thephatsadin Na Ayutthaya and Ms. Sangthong Punnahitanon.

In 2018, the audit committee has performed its duties independently according to the mandate designated by the Board of Directors. The audit committee held a total of five meetings with the auditors without any of the management team attending. The meetings can be summarized as follows:

1. Reviewed the company's financial reports by considering the company's quarterly financial reports and annual financial reports together with executives and auditors to ensure that the company's financial reports have been prepared correctly in accordance with the financial reporting standards and disclose complete and reliable information along with providing suggestions to improve and follow-up for the benefit of the company.
2. Oversight of the company's internal control system and compliance with the requirements of the law by reviewing the internal control system and ensuring effective asset management via the audit reports included in the agenda of every meeting. The committee followed up with important cases and consulted with internal and external auditors to evaluate efficiency and effectiveness, as well as exchanging ideas and giving suggestions to the management for monitoring adjustments of important issues based on the audit report. This is to ensure that the company has an internal control system and complies with the laws and related regulations.
3. Reviewed the corporate governance system in the context of the Stock Exchange of Thailand regulations, the Securities and Exchange Commission regulations, the Office of Insurance Commission (OIC) regulations, as well as the laws and regulations related to the company's business operations in a meeting with the responsible executives and the internal audit department.
4. Considered the company's transactions and conflicts of interest by adhering to transparency principles and sufficient information disclosure as a practice. This is in line with the company's policy and consistent with the principles of good corporate governance.
5. Considered the appointment of the company's auditors for 2019 and their remuneration to be presented to the Board of Directors for further approval at the shareholders' meeting.



(Prof. Dr. Jumphot Saisunthorn)
Chairman of the Audit Committee

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The Thai Setakij Insurance Public Company Limited

Opinion

I have audited the financial statements of The Thai Setakij Insurance Public Company Limited ("the Company"), which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. 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 Thailand Federation of Accounting Professions' Code of Ethics for Professional Accountants together with the ethical requirements that are 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.

Emphases of Matter

I draw attention to Notes 1 and 16 to the financial statements,

- a) Since April 2014, the Company has not been able to continuously maintain adequate assets backing insurance liabilities as required by the Non-Life Insurance Act No. 2 B.E. 2551. Presently, the Company's management is in the process of having such assets backing insurance liabilities to be adequate consistently as required by the law. However, the Office of Insurance Commission ("OIC") ordered the Company to report the financial status and progress to OIC on a monthly basis starting in August 2017 and to submit daily cash-in and cash-out report and claim report on a weekly basis to OIC starting on November 1, 2017 to November 24, 2018.
- b) The Company had deficit as at December 31, 2018 of Baht 890.5 million, has suffered from recurring losses from operations and the Company's assets backing insurance liabilities were not adequate consistently since April 2014. These conditions indicate the existence of material uncertainties about the ability of the Company to continue its operations as a going concern. Thus, the Company's ability to continue its operations as a going concern may significantly depend on the Company's success in future operations and can generate sufficient cash flows from operations to enable it to pay its debt as they become due. In this regard, the Company received cash contribution from private placement for the increase in share capital of Baht 80.5 million, Baht 9.2 million and Baht 8.5 million in December 2017, January 2018 and March 2018, respectively, as reported to OIC. Hence, the management considers that the preparation of the financial statements for the year ended December 31, 2018 on the accounting basis that the Company will continue its operations as a going concern is appropriate and proper. Accordingly, such financial statements do not include any adjustments relating to the realization of the carrying value of the assets or the payable amount of liabilities that might be necessary should the Company be unable to continue as a going concern.



- c) At the meetings of the Audit Committee and of the Board of Directors in 2018, the Audit Committee and the Board of Directors of the Company resolved to write off the amount due to reinsurer, which has become outstanding for more than 2 years from the due date, totalling Baht 71.5 million. The resolutions are in accordance with the legal opinions of an independent legal advisor who confirmed that such reinsurer no longer has the right to claim for any payment of such amount from the Company since the claim therefore is beyond 2 years and thus barred by the statute of prescription, according to the Civil and Commercial Code, Section 882. Hence, the Company wrote off the amount due to reinsurer totalling Baht 71.5 million which was presented in the account "Written off amount due to reinsurer" in the statement of comprehensive income for the year ended December 31, 2018.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter Details	Auditor's Approach
<p>Valuation of provision for loss incurred but not reported claims (IBNR)</p> <p>Provision for loss incurred but not reported claims (IBNR), which was recorded as a part of "Insurance Liabilities" was calculated by using an actuarial method based on the best estimate claims which were expected to be paid in respect of losses occurring before or as at the statement of financial position date. The IBNR is calculated for both reported and not reported losses, and net of recorded claims.</p> <p>Management has engaged a professional actuary firm to calculate provision for loss incurred but not reported claims (IBNR). Moreover, the management discusses and updates with the management's expert on an annual basis.</p> <p>The potential outcomes of provision for loss incurred but not reported claims can have a material impact on the financial statements, whether due to error or management bias.</p>	<ul style="list-style-type: none"> Assessed professional qualifications and reputation of the management's expert. Obtained an understanding of the nature of works of the management's expert to ensure the scope of their works are adequate for the purposes of the audit. Considered client risk controls and test the data furnished to the management's expert. Evaluated (e.g., analytical review, comparison, confirmation, etc.) works of the management's expert by considering a) sources of data used, b) the appropriateness and reasonableness of the methods and assumptions used by a management's expert and their consistency with prior periods, c) a further understanding of the methods and assumptions used may be obtained by reading the report of management's expert and/or discussing its contents with management's expert and d) reasonableness of results of works of the management's expert in light of our overall knowledge of the economy, the Company's business and results of other procedures performed. Assessed whether findings of the management's expert are relevant, reasonable and consistent with other audit evidence and properly reflected in the financial statements or support the financial statement assertions.



Key Audit Matter Details	Auditor's Approach
<p>Valuation of provision for reported claims by policyholders</p> <p>Provision for reported claims by policyholders ("Loss reserve") is provided upon receipt of claim advices from the insured based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimate is not, however, to exceed the sum-insured under the relevant policy.</p> <p>The potential outcomes of provision for reported claims by policyholders can have a material impact on the financial statements, whether due to error or management bias.</p>	<ul style="list-style-type: none"> • Obtained an understanding of the Company's process to assess the claim and estimate loss when receipt claim advice from the insured. • Identified the internal control over claim process and tested the effectiveness of key control during the year. • Considered and assessed reliability of the management's assumption whether there are any events appeared to be inconsistent with actual loss incurred and assessed the appropriation of changes of estimated claims during the year. • Tested the integrity and correctness of the process and data used in claim estimation. • Tested the integrity of estimated claims and assessed the reasonableness of estimated claims with actual claim paid. • Tested the completeness and correctness of the estimated claims incurred as at the statement of financial position date. • Substantive tested for estimated claims as at the statement of financial position date against claim paid during after reporting period.

Other Information

Management is responsible for the other information. The other information comprises 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 us 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.

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 Thai Financial Reporting Standards, 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 Thai Standards on Auditing 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 Thai Standards on Auditing, 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.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Ms. Waleerat Akkarasrisawad)
 Certified Public Accountant, Registration No. 4411
 Baker Tilly Audit and Advisory Services (Thailand) Ltd.
 Bangkok
 February 28, 2019

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

A S S E T S

	Notes	In Baht	
		2018	2017
Cash and cash equivalents	5, 32	59,489,843	115,117,747
Premium receivables - net	4, 6	126,517,539	339,635,217
Accrued investment income		739,738	861,249
Reinsurance assets	7, 15	253,820,712	403,373,482
Amounts due from reinsurances	8	276,840,333	279,500,279
Investment assets			
Investments in securities	9, 28, 30, 31, 32, 37	232,850,154	344,848,915
Property, plant and equipment - net	10, 37	144,459,950	145,451,175
Computer software - net	34	3,096,305	2,615,412
Land not used in operations	11	2,252,000	-
Claim receivables from counter parties - net	12	-	-
Other assets	13	52,518,026	65,522,395
TOTAL ASSETS		1,152,584,600	1,696,925,871

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

LIABILITIES AND SHAREHOLDERS' EQUITY

		In Baht	
	Notes	2018	2017
LIABILITIES			
Borrowing from director	14	-	30,000,000
Insurance liabilities	4, 7, 15, 28	546,217,042	851,276,222
Due to reinsurers	16	329,407,218	473,350,993
Accrued commission and brokerage expenses		42,233,716	52,760,201
Provision for employee retirement benefit	17	12,279,046	14,807,173
Deferred income tax liabilities - net	18	17,658,460	17,890,146
Other liabilities	4, 19	56,098,693	60,396,782
Total Liabilities		1,003,894,175	1,500,481,517
SHAREHOLDERS' EQUITY			
Share capital	20, 21		
- Authorized share capital, common share			
1,326,518,451 shares at Baht 1 par value		1,326,518,451	1,326,518,451
- Issued and paid-up share capital, common share			
1,081,754,992 in 2018 and 1,052,232,567 shares			
in 2017, at Baht 1 per share		1,081,754,992	1,052,232,567
Share discount on common shares	20, 22	(169,425,006)	(157,629,491)
Retained earnings (deficit)			
- Appropriated for			
Legal reserve	23	18,811,235	18,811,235
General reserve		6,000,000	6,000,000
- Deficit	1	(890,517,912)	(823,671,455)
Other components of shareholders' equity - net	9, 10, 18	102,067,116	100,701,498
Shareholders' Equity - Net		148,690,425	196,444,354
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,152,584,600	1,696,925,871

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

		In Baht	
	Notes	2018	2017
REVENUES	25		
Gross written premiums	4	479,247,540	827,422,941
<u>Less</u> Premiums ceded to reinsurers		<u>(207,517,253)</u>	<u>(342,020,485)</u>
Net premium written		271,730,287	485,402,456
Net change in unearned premium reserves decrease from prior year		<u>135,868,785</u>	<u>12,686,873</u>
Net earned premiums		407,599,072	498,089,329
Commissions and brokerages income		75,046,453	68,075,900
Net investment income		8,589,440	7,440,672
Losses on investments		(3,024,128)	(3,342,722)
Fair value gains (loss)	9	(7,457,255)	22,949,016
Written off amount due to reinsurer	16	71,525,010	-
Other income		<u>8,928,458</u>	<u>36,364,051</u>
Total Revenues		<u>561,207,050</u>	<u>629,576,246</u>
EXPENSES	25		
Gross claims		338,728,730	4,241,636,133
Claim recovered from reinsurers		(129,413,643)	(3,895,230,065)
Commissions and brokerages expenses		79,681,525	131,506,791
Other underwriting expenses	33	50,488,548	135,613,331
Operating expenses	4, 17, 26	290,683,130	128,022,446
Written off withholding income tax deducted at source		<u>2,244,086</u>	<u>3,860,110</u>
Total Expenses		<u>632,412,376</u>	<u>745,408,746</u>
Loss before Income Tax		(71,205,326)	(115,832,500)
Tax income	18	<u>231,686</u>	<u>232,056</u>
Loss for the Year		<u>(70,973,640)</u>	<u>(115,600,444)</u>

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

		In Baht	
	Notes	2018	2017
Other Comprehensive Income (Loss) :			
Items that may be reclassified subsequently to profit or loss:			
Revaluation of available-for-sale investments to held for			
Trading investments at the transfer date	9	-	(1,553,279)
Transfer surplus on valuation of held for trading investments			
to profit or loss	9	-	(14,276,499)
Surplus (deficit) on valuation of available-for-sale investments	9, 18	2,292,361	(3,759,669)
Net		2,292,361	(19,589,447)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain (loss)	17	3,200,440	(491,482)
Other Comprehensive Income (Loss) for the Year		5,492,801	(20,080,929)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(65,480,839)	(135,681,373)
Loss per Share			
	24		
Basic loss per share		(0.066)	(0.126)
Diluted loss per share		(0.066)	(0.126)

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

	In Baht									
				Other Components of Shareholders' Equity						
				Tax						
Notes	Issued and Paid Share Capital	Share Discount on Common Shares	Retained Earnings (Deficit)			Surplus (Deficit) on Valuation of Available-for-Sale Investments	Surplus on Revaluation of Fixed Assets	Components of Other Comprehensive Income	Net	Shareholders' Equity - Net
			Appropriated for	General	Reserve					
			Legal Reserve			Deficit				
Balance as at January 1, 2017	918,065,901	(103,962,825)	18,811,235	6,000,000	(708,507,754)	43,310,402	97,385,961	(19,477,193)	121,219,170	251,625,727
Increase in share capital	134,166,666	(53,666,666)	-	-	-	-	-	-	-	80,500,000
Loss for the year	-	-	-	-	(115,600,444)	-	-	-	-	(115,600,444)
Revaluation of available for sale investments to held for trading investments at transfer date	-	-	-	-	-	(1,553,279)	-	-	(1,553,279)	(1,553,279)
Transfer surplus on valuation of held for trading investments to profit or loss	-	-	-	-	-	(14,276,499)	-	-	(14,276,499)	(14,276,499)
Other comprehensive loss for the year	-	-	-	-	(491,482)	(3,759,669)	-	-	(3,759,669)	(4,251,151)
Total comprehensive loss for the year	-	-	-	-	(116,091,926)	(19,589,447)	-	-	(19,589,447)	(135,681,373)
Transfer revaluation surplus on fixed assets and relevant income tax to deficit	-	-	-	-	928,225	-	(1,160,281)	232,056	(928,225)	-
Balance as at December 31, 2017	1,052,232,567	(157,629,491)	18,811,235	6,000,000	(823,671,455)	23,720,955	96,225,680	(19,245,137)	100,701,498	196,444,354

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	In Baht										
	Notes	Issued and Paid Share Capital	Share Discount on Common Shares	Retained Earnings (Deficit)			Surplus on Valuation of Available-for-Sale Investments	Surplus on Revaluation of Fixed Assets	Components of Other Comprehensive Income	Other Components of Shareholders' Equity	
				Appropriated for		Deficit				Tax	
				Legal Reserve	General Reserve						
Balance as at January 1, 2018		1,052,232,567	(157,629,491)	18,811,235	6,000,000	(823,671,455)	23,720,955	96,225,680	(19,245,137)	100,701,498	196,444,354
Increase in share capital	20, 22	29,522,425	(11,795,515)	-	-	-	-	-	-	-	17,726,910
Loss for the year		-	-	-	-	(70,973,640)	-	-	-	-	(70,973,640)
Other comprehensive income for the year		-	-	-	-	3,200,440	2,292,361	-	-	2,292,361	5,492,801
Total comprehensive loss for the year	9, 10	-	-	-	-	(67,773,200)	2,292,361	-	-	2,292,361	(65,480,839)
Transfer revaluation surplus on fixed assets and relevant income tax to deficit	10, 18	-	-	-	-	926,743	-	(1,158,429)	231,686	(926,743)	-
Balance as at December 31, 2018		1,081,754,992	(169,425,006)	18,811,235	6,000,000	(890,517,912)	26,013,316	95,067,251	(19,013,451)	102,067,116	148,690,425

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	In Baht	
	2018	2017
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Written premium received from direct insurance	534,302,998	714,367,165
Cash paid for reinsurance	(117,872,431)	201,870,464
Losses paid from direct insurance	(415,085,722)	(621,281,580)
Commissions and brokerages from direct insurance	(14,081,095)	(49,944,064)
Other underwriting expenses	(49,301,969)	(135,648,981)
Interest income	2,886,923	2,907,572
Dividend income	5,860,554	4,481,809
Other income	5,412,172	36,223,866
Operating expenses	(95,320,789)	(94,775,024)
Tax paid	(2,244,085)	(3,860,095)
Investment in securities	74,603,716	(64,563,426)
Deposits at financial institutions	29,174,318	(40,820,386)
Net Cash Provided by (Used in) Operating Activities	(41,665,410)	(51,042,680)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Proceeds from sales of equipment	4,098	140,188
Purchases of equipment	(371,650)	(207,587)
Purchase of computer software	(1,321,852)	(1,000,000)
Net Cash Used in Investing Activities	(1,689,404)	(1,067,399)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Increase in share capital	17,726,910	80,500,000
Increase in borrowing from director	-	30,000,000
Repayment borrowing from director	(30,000,000)	-
Net Cash Provided by (Used in) Financing Activities	(12,273,090)	110,500,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(55,627,904)	58,389,921
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	115,117,747	56,727,826
CASH AND CASH EQUIVALENTS AT END OF YEAR	59,489,843	115,117,747

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED

Notes to Financial Statements

December 31, 2018

1. GENERAL

The Thai Setakij Insurance Public Company Limited (“the Company”) was incorporated as a limited company in Thailand on January 31, 1942. Subsequently on March 1, 1991, the Company’s ordinary shares have been approved to be a listed security in the Stock Exchange of Thailand and was transformed to be the Public Company on April 1, 1993. The Company is principally engaged in the provision of non-life insurance.

As at December 31, 2018 and 2017, the Company has 18 branches and 20 branches, respectively.

The registered office address of the Company is located at 160 TSI Building, North Sathorn Road, Silom, Bangrak, Bangkok, Thailand.

Status of the Company

- a) Since April 2014, the Company has not been able to continuously maintain adequate assets backing insurance liabilities as required by the Non-Life Insurance Act (No. 2) B.E. 2551. The Company had to pay a penalty at Baht 7,500 per day. Subsequently on March 7, 2016, the Company received a letter from OIC dated March 2, 2016, informing that such penalty was increased to be Baht 11,250 per day and retrospectively affected to September 2015. Presently, the Company’s management is in the process of having assets backing insurance liabilities to be adequate continuously as required by the law.

To monitor the Company’s progress continuously, the Company has to report the financial status and progress to OIC on a monthly basis starting in August 2017.

At the Board of Directors’ meeting no. 6/2560 held on August 15, 2017, the Board of Directors unanimously approved to assign the Executive Board to negotiate and find source of fund by borrowing, including negotiate to determine the pattern of borrowing, loan principal, interest rate and other loan conditions, in order that reserved funds are not lower than the amount as required by the Non-Life Insurance Act (No.2) B.E. 2551 and propose to the Board of Directors for further approval.

At the Board of Directors’ meeting no. 7/2560 held on October 18, 2017, the Board of Directors unanimously approved to assign the Executive Board to proceed for borrowing not exceeding Baht 100 million, from directors, financial institutions or external individual to increase reserved funds of the Company to be not lower than the amount as required by the law of non-life insurance business whereby the loan conditions can be determined by the Executive Board.

The Company submitted a plan to solve allocation of assets as Section 23 (assets backing insurance liabilities) according to the resolution of such Board of Directors’ meeting no. 7/2560 to OIC on November 1, 2017. The Company also reported to OIC that the Company will increase its authorized share capital within 2018.

Subsequently on November 8, 2017, the Company had a memorandum with the OIC that the Company’s assets backing insurance liabilities according to Section 23 of the Non-Life Insurance Act (No. 2) B.E. 2551 (“Section 23”) has not been adequate. This matter is considered that the Company violates or does not comply with the law. The Committee of Adjustment had a resolution to fine the Company totalling Baht 11.2 million and continue to fine until the Company’s assets backing insurance liabilities according to Section 23 are adequate. Hence, to monitor and control operation of the Company closely, OIC ordered the Company to prepare report of daily cash-in and cash-out (Cashflow) on a weekly basis, including copy all book bank accounts of such cash-in and cash-out report, and claim report to submit to the OIC on every Monday of the following week. The first report is a report of the period November 1 to 10, 2017, to be submitted to the OIC on November 13, 2017.

On November 22, 2017, the Company obtained borrowing from a director of Baht 30 million. Such borrowing bore interest at the rate of 1.50% per annum commencing from July 1, 2018 and was repayable on November 22, 2018 as discussed in Note 14.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018

At the Extraordinary General Meeting of the Shareholders no. 1/2017 held on December 28, 2017, the shareholders unanimously passed the resolutions to approve including the allotment of the newly issued common shares of 185 million shares for offering to Private Placement, which the offering price shall be fixed at Baht 0.60 per share as discussed in Note 20. The Company received paid-up share capital of Baht 80.5 million in December 2017. The Company registered the increment of share of Baht 80.5 million with the Ministry of Commerce on December 29, 2017.

Subsequently in January 2018 and March 2018, the Company received additional paid-up share capital totalling Baht 17.7 million, which the Company registered with the Ministry of Commerce on April 27, 2018.

Subsequently on November 23, 2018, the Company had a memorandum with the OIC which the officer reported that based on the examination of daily cash-in and cash-out and claim reports of the Company from the first week to the report as of November 1, 2018, OIC noted that cash-in and cash-out of the Company were the Company's normal operations and found no unusual cash-in and cash-out transactions. Hence, the Company can stop reporting cash-in and cash-out and claim reports since November 24, 2018.

- b) The Company had deficit as at December 31, 2018 and 2017 of Baht 890.5 million and Baht 823.7 million, respectively, has suffered from recurring losses from operations and the Company's assets backing insurance liabilities were not adequate consistently since April 2014. These conditions indicate the existence of material uncertainties on the ability of the Company to continue its operations as a going concern. Thus, the Company's ability to continue its operations as a going concern may significantly depend on the Company's success in future operations and can generate sufficient cash flows from operations to enable it to pay its debt as they become due. In this regard, the Company received cash contribution from private placement for the increase in share capital of Baht 80.5 million, Baht 9.2 million and Baht 8.5 million in December 2017, January 2018 and March 2018, respectively, as reported to OIC. Hence, the management considers that the preparation of the financial statements for the year ended December 31, 2018 on the accounting basis that the Company will continue its operations as a going concern is appropriate and proper. Accordingly, such financial statements do not include any adjustments relating to the realization of the carrying value of the assets or the payable amount of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The statutory financial statements are prepared in Thai Baht and in the Thai language in conformity with Thai Financial Reporting Standards and the accounting and reporting guidelines prescribed by the Office of Insurance Commission ("OIC"). Accordingly, the Company's financial statements are intended solely to present the financial position, financial performance and cash flows in accordance with Thai Financial Reporting Standards.

The accompanying financial statements are prepared under the historical cost convention except for those specified in the notes to the financial statements.

For the convenience of the readers, an English translation of the financial statements has been prepared from the Thai language statutory financial statements, which are issued solely for domestic financial reporting purposes.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash on hand is kept for general use within the Company. Cash equivalents are savings deposits, current accounts and short-term investments, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

Investments in Securities

Investments in securities held for trading are stated at fair value. The Company recognized any gains or losses arising from changes in the fair value of securities in the statement of comprehensive income.

Investments in available-for-sale securities are stated at fair value. The change in the value of securities is recorded as a separate item in equity until the securities are sold, the change is then included in the statement of comprehensive income.

Investments in held-to-maturity debt instruments are stated at amortized cost. The premium / discount on debt securities are amortized / accreted by the effective rate method with the amortized / accreted amount presented as an adjustment to the interest income.

Investments in non-marketable equity securities, which the Company holds as other securities, are stated at cost net of allowance for impairment loss.

The fair value of investments in securities is based on the following

Marketable securities	:	The latest bid price at the end of the last working day of the year quoted on the Stock Exchange of Thailand
Debt instruments	:	Based on yield rates quoted by the Thai Bond Market Association
Unit trusts	:	Net asset value

The Company will recognize loss on impairment (if any) of available-for-sale securities, held-to-maturity debt instruments and other securities in the statement of comprehensive income when the net book values of securities are higher than their net realizable values.

Weighted average method is used for computation of cost of investments.

In the event the Company reclassifies investments from one type to another, such investments will be adjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as surplus (deficit) from changes in valuation of investments in equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and carrying amount of investment is recognized as income or expense in the statement of comprehensive income.

Premium Receivables and Allowance for Doubtful Accounts

Premium receivables are stated at invoice amount net of allowance for doubtful accounts.

The Company sets up an allowance for doubtful accounts based on the estimated loss that may incur in collection of the premium receivables, on the basis of collection experience and a review of the current financial status of receivables.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018

Reinsurance Assets and Due to Reinsurers

- (a) Reinsurance assets are stated at the outstanding balance of amount due from reinsurers, amounts deposit on reinsurance and insurance reserve refundable from reinsurers.

Amounts due from reinsurers consist of accrued commission and brokerage income, claims and various other items receivable from reinsurers, excluding reinsurance premium receivable, less allowance for doubtful accounts. The Company records allowance for doubtful accounts for the estimated losses that may be incurred due to inability to make collection, taking into account collection experience and the status of receivables from reinsurers as at the end of the reporting period.

Insurance reserve refundable from reinsurers is estimated based on the related reinsurance contract of loss reserve and outstanding claims in accordance with the law regarding insurance reserve calculation.

- (b) Amounts due to reinsurers are stated at the outstanding balance payable from reinsurance and amounts withheld on reinsurance.

Amounts due to reinsurers consist of reinsurance premiums and other items payable to reinsurers, excluding claims.

The Company presents net of reinsurance to the same entity (reinsurance assets or amounts due to reinsurers) when the following criteria for offsetting are met.

- (1) The Company has a legal right to offset amounts presented in the statements of financial position, and
- (2) The Company intends to receive or pay the net amount recognized in the statements of financial position, or to realize the asset at the same time as it pays the liability.

Property, Plant and Equipment

Land is stated at the revaluation amount. Plant and equipment are stated at the revaluation amount less accumulated depreciation. Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the statement of financial position date.

The Company records the differences incurred from revaluation as follows:

- When an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity as a "Surplus on revaluation of fixed assets". However, a revaluation increase is recognized as income to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense. However, a revaluation decrease is charged directly against any related "Surplus on revaluation of fixed assets" to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset.

The revaluation surplus of fixed assets is not available for dividend distribution.

Upon the disposal of the revalued property, plant and equipment, the relevant portion of the revaluation surplus realized in respect of the previous valuation is released from the property, plant and equipment valuation surplus directly to retained earnings.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018

Depreciation

The Company depreciates its plant and equipment by the straight-line method over the estimated useful lives of the assets as follows:

	Years
Land improvements	20
Building and building improvements	45 - 50 and 20
Furniture, fixtures and office equipment	5
Computers	5
Vehicles	5

Computer Softwares and Amortization

Computer softwares that are acquired by the Company are stated at cost less accumulated amortization and allowance for impairment loss (if any).

Amortization of computer softwares is calculated by reference to their costs on a straight-line basis for the periods of 5 years.

Impairment of Assets

The Company reviews the impairment of assets whenever events or changes in circumstances indicate that the recoverable amount (the higher of asset's net selling price or value in use) of assets is below the carrying amount. The review is made for individual assets or for the cash-generating unit.

In case that the carrying value of an asset exceeds its recoverable amount, the Company recognizes the impairment losses by reducing the carrying value of the asset to be at its recoverable amount and recording the devaluation in the statement of comprehensive income. The reversal of impairment losses recognized in prior years is recorded as part of other income when there is an indication that the impairment losses recognized for the assets no longer exist or are decreased. Such a reversal should not exceed the carrying amount that would have been determined (net of the associated depreciation or amortization).

Premium Reserve

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

Unearned premium reserve is calculated based on direct premium before deducting premium on reinsurance in compliance with the OIC guidelines, as follows:

Fire, marine (hull), motor, personal accident and miscellaneous	- Monthly average basis (the one-twenty fourth basis)
Marine transportation (cargo) and travel accident	
- with coverage periods of not over six-months	- 100% of premium as from the date policy is effective, throughout the period of insurance coverage
- with coverage periods over six-months	- Monthly average basis (the one-twenty fourth basis)
Freedom	- 70% of premium as from the date policy is effective, throughout the period of insurance coverage

Unexpired risk reserve is the reserve for the claims and related expenses that may be incurred in respect of in-force policies. Unexpired risk reserve is set aside using an actuarial method, at the best estimate of the claims that are expected to be incurred during the remaining period of coverage, based on historical claims data.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018**

As at the end of reporting period, the Company compares the amounts of unexpired risks reserve with unearned premium reserve, and if unexpired risks reserve is higher than unearned premium reserve, the difference is recognised as unexpired risks reserve in the financial statements.

Loss Reserves and Outstanding Claims

Outstanding claims are recorded at the amount to be actually paid. Loss reserve is provided upon receipt of claim advices from the insured based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimate is not however, to exceed the sum-insured under the relevant policy.

The Company has allocated incurred but not reported claims (IBNR), which is calculated using an actuarial method based on a best estimate of claims which are expected to be paid in respect of losses occurring before or as at the reporting date. The IBNR is calculated for both reported and not reported losses, and net of recorded claims.

Provision

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. A provision is reviewed at the statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provision for Employee Retirement Benefit

The Company's employee retirement benefit obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods by the projected unit credit method determined by a professionally qualified independent actuary. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs and gains or losses on the curtailment are recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of pension benefits when the curtailment or settlement occurs. Actuarial gains or losses are recognized immediately to other comprehensive income. The defined benefit obligations are measured at the present value of estimated future cash flows using a discount rate that is similar to the government bonds.

Operating Lease

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Use of Judgements and Estimates

In order to prepare financial statements in conformity with Thai Financial Reporting Standards in Thailand, the management needs to make estimates and set assumptions that affect income, expenditure, assets and liabilities in order to disclose information on the valuation of assets, liabilities and contingent liabilities. Actual outcomes may, therefore, differ from the estimates used.

The estimates and underlying assumptions used in the preparation of these financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements consists of the following:

- Classification of investments in securities
- Valuation of property, plant and equipment

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018
Assumptions and estimation uncertainties

Information about significant areas of estimation uncertainties that have a significant risk of resulting in material adjustments to the amounts recognized in the financial statements consists of the following:

- Impairment of premium receivable
- Valuation of financial instruments
- Valuation of property, plant and equipment
- Impairment of claim receivables from counter parties
- Current and deferred taxation
- Utilization of tax losses
- Claims incurred but not yet reported by insured ("IBNR")
- Measurement of provision for employee retirement benefit
- Key assumptions used in discounted cash flow projections
- Provisions and contingencies

Product Classification

The Company classifies inward reinsurance contracts and outward reinsurance contracts based on the nature of the insurance contracts. Insurance contracts are those contracts where the insurer has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. To determine whether a significant insurance risk has been accepted, the insurer compares the benefits payable after an insured event with the obligations payable if the insured event did not occur. If the criteria are not met, the Company classifies the insurance contract as an investment contract. Investment contracts have the legal form of insurance contracts and transfer financial risks to the insurer, but not significant insurance risk. Financial risks are specified as interest rate risk, exchange rate risk, or price risk.

The Company classifies contracts based on an assessment of the significance of the insurance risk at inception of contract, on a contract by contract basis. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, unless all rights and obligations are extinguished or expire. A contract classified as an investment contract at inception can be reclassified as an insurance contract after inception if the insurance risk becomes significant.

Revenue Recognition

Premium income	:	Premium income consists of direct premium and reinsurance premium less premium of the canceled policy and premium refunded to the policy holders and adjust with unearned premium reserve.
Direct premium income	:	Direct premium income is recognized on the date the insurance policy comes into effect. For long-term insurance policies which coverage periods of longer than 1 year, related revenues are recorded as premium received in advance, and recognized as income over the coverage period.
Reinsurance premium	:	Reinsurance premium is recognized as income when the reinsure places the reinsurance application or statement of accounts with the Company.
Commission and brokerage income	:	Commission and brokerage fees from ceded premium are recognized as income over the period in which the reinsurance was incurred.
Interest income	:	Interest is recognized as income on a time proportion basis that reflects the effective yield on the asset.
Dividend income	:	Dividend income is recognized as income when the right to receive the dividend is established.
Gain (loss) on securities trading	:	Gain (loss) on trading in securities is recognized as income or expenses on the transaction date.
Other income	:	Other income are recognized on an accrual basis.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018****Expense Recognition**

Ceded premium : Ceded premium is recognized as expenses when the insurance risk is transferred to another reinsurer.

Commission and brokerage expenses : Commissions and brokerages are expended when incurred.

Claims and claims handling cost : Claim and loss adjustment expenses consist of claim and loss adjustment expenses of direct insurance and reinsurance, and include the amounts of claims, related expenses, and loss adjustments of current and prior period incurred during the year, less residual value and others recoveries (if any) and claims refundable from reinsurers.

Claim and loss adjustment expenses of direct insurance are recognised upon the receipt of the claims advice from the insured, based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimated is not however, to exceed the sum-insured under the relevant policy.

Claim 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.

Repair and Maintenance

Expenditures on repair and maintenance are charged to expense at the expenditures are incurred. Expenditures of a capital nature are added to the related plant and equipment.

Income Tax

The income tax charge is based on profit for the year and considers deferred taxation. Deferred income taxes reflect the net tax effects of temporary differences between the tax basis of an asset or liability and its carrying amount in the statement of financial position. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expect, at the statement of financial position date, to recover or settle the carrying amount of their assets and liabilities.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each statement of financial position date, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of these deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities.

Loss per Share

Loss per share are determined by dividing loss for the year by the weighted average number of shares outstanding during the years.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018
4. TRANSACTIONS WITH RELATED PARTIES

A portion of the Company's assets, liabilities, revenues and expenses arose from transactions with related parties. These parties are related through common shareholdings and/or directorships. The accompanying financial statements reflect the effects of these transactions.

Balances with related parties as at December 31, 2018 and 2017 are as follows:

	In Baht		
	Balance as at December 31, 2017	Increase	Decrease
Premium receivables			
Auto Bizz Co., Ltd.	-	153,571	(79,354)
Sugar Beach Condominium Co., Ltd.	-	27,824	(27,824)
Salwithan Plaza Co., Ltd.	-	2,008	(2,008)
Siam Mineral Resources Co., Ltd	-	10,743	-
Asia Inter Law Company Limited	-	1,182	(1,182)
Total	-	195,328	(110,368)
Insurance liabilities			
Delta Smart Adjusters Co., Ltd.			
Survey fee	2,109,194	4,117,917	(4,552,111)
Loss adjustment expenses	-	1,322,033	(1,322,033)
Total	2,109,194	5,439,950	(5,874,144)
Other liabilities			
Auto Bizz Co., Ltd.			
Accrued car rental	326,885	2,796,980	(2,954,805)
Accrued computer rental	85,633	100,872	(169,693)
Accrued cleaning expense	-	616,320	(564,960)
S.P. and Louis Law Office Limited			
Accrued other fees	-	85,600	(85,600)
Total	412,518	3,599,772	(3,775,058)

Significant transactions with related parties for each of the years ended December 31, 2018 and 2017 are as follows:

	Relationship	Pricing Policy	In Baht	
			2018	2017
Auto Bizz Co., Ltd.	Shareholders and co-management	Conditions in the contract		
Gross written premiums			142,937	202,728
Car rental			2,796,980	4,003,405
Computer rental			94,273	426,632
Purchased computer			-	162,617
Cleaning expense			576,000	-
Total			3,467,253	4,592,654
Delta Smart Adjusters Co., Ltd.	Common Shareholders	Conditions in the contract		
Survey fee			3,848,521	7,868,165
Loss adjustment expenses			1,235,545	1,843,209
Total			5,084,066	9,711,374

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED

Notes to Financial Statements (Continued)

December 31, 2018

	Relationship	Pricing Policy	In Baht	
			2018	2017
Siam Mineral Resources Co., Ltd.	Shareholders and co-management	Conditions in the contract		
Gross written premiums			10,000	10,000
Sugar Beach Condominium Co., Ltd.	Shareholders and co-management	Conditions in the contract		
Gross written premiums			25,900	2,219
S.P. and Louis Law Office Limited	Co-management	Conditions in the contract		
Other fees			80,000	-
Salwithan Plaza Co., Ltd.	Shareholders and co-management	Conditions in the contract		
Gross written premiums			1,869	-
Asia Inter Law Company Limited	Shareholders and co-management	Conditions in the contract		
Gross written premiums			1,100	-

The monetary management benefit expenses for each of the years ended December 31, 2018 and 2017 are as follows:

Description	In Baht	
	2018	2017
Salaries	12,845,227	9,482,400
Meeting allowances	708,056	693,889
Remuneration	528,000	528,000
Contribution to the Company's provident fund	343,515	198,120
Employee retirement benefit	234,748	185,267
Total	14,659,546	11,087,676

5. CASH AND CASH EQUIVALENTS

	In Baht	
	2018	2017
Cash on hand	20,000	20,000
Deposits at banks with no fixed maturity date	59,469,843	115,097,747
Deposits at banks with fixed maturity date and premium savings certificates	-	-
Other premium savings certificates	-	-
Short-term investment	-	-
Total cash and cash equivalents	59,489,843	115,117,747

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018
6. PREMIUM RECEIVABLES - Net

The aging analysis of premium receivables as at December 31, 2018 and 2017 are classified by aging from the maturity date under the stipulated law of the premium collection as follows:

	Direct premium	
	In Baht	
	2018	2017
Not yet due	40,930,484	107,589,103
Not over 30 days	5,513,388	26,499,413
Over 30 days to 60 days	9,747,549	38,870,519
Over 60 days to 90 days	3,540,477	20,936,162
Over 90 days	265,884,785	192,209,987
Total premium receivables	325,616,683	386,105,184
Less: Allowance for doubtful accounts	(199,099,144)	(46,469,967)
Premium receivables - net	126,517,539	339,635,217

For premium receivables due from agents and brokers, the Company has stipulated the collection guideline in accordance with the law of the premium collection. Premium receivables due from 5 major agents and brokers as at December 31, 2018 and 2017, totalling Baht 215.8 million and Baht 261.5 million, respectively. For overdue premium receivables, the Company has the legal process with such agents and brokers. As at December 31, 2018 and 2017, the Company has provided an allowance for doubtful accounts totalling Baht 199.1 million and Baht 46.5 million, respectively. The management believes that such allowance is adequate to absorb possible losses on doubtful accounts.

7. REINSURANCE ASSETS

	In Baht	
	2018	2017
Insurance reserve refundable from reinsurers:		
Long-term technical reserves	-	-
Claims liabilities	166,101,636	256,981,017
Premiums liabilities		
- Unearned premium reserve from reinsurers	87,719,076	146,392,465
Other	-	-
Total reinsurance assets	253,820,712	403,373,482

8. AMOUNTS DUE FROM REINSURANCES - Net

	In Baht	
	2018	2017
Amounts deposit on reinsurance	-	-
Amounts due from reinsurers	311,160,674	279,500,279
Other reinsurance receivables	-	-
Less: Allowance for doubtful accounts	(34,320,341)	-
Amounts due from reinsurers - net	276,840,333	279,500,279

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018**

As at December 31, 2018 and 2017, balances of amounts due from reinsurers are classified by aging as follows:

	In Baht	
	2018	2017
Not yet due	57,862,839	46,567,472
Not over 12 months	132,156,474	174,070,499
Over 1 year to 2 years	73,794,319	45,275,729
Over 2 years	47,347,042	13,586,579
Total amounts due from reinsurers	311,160,674	279,500,279
Less: Allowance for doubtful accounts	(34,320,341)	-
Amounts due from reinsurers - net	276,840,333	279,500,279

9. INVESTMENTS IN SECURITIES

	In Baht			
	2018		2017	
	Cost / Amortized Cost	Fair Value	Cost / Amortized Cost	Fair Value
Held for trading investments				
Marketable equity securities	3,426,469	3,034,905	77,827,347	84,818,403
Unit trusts	46,426,864	46,899,057	49,649,009	50,195,836
Add : Unrealized gain on revaluation of securities	80,629	-	7,537,883	-
Total held for trading investments	49,933,962	49,933,962	135,014,239	135,014,239
Available-for-sale investments				
Marketable equity securities	60,394	296	60,395	524
Unit trusts	25,999,045	52,072,459	25,999,044	49,779,870
Add : Unrealized gain on revaluation of securities	26,013,316	-	23,720,955	-
Total available-for-sale investments	52,072,755	52,072,755	49,780,394	49,780,394
Held-to-maturity investments				
Government and state enterprise securities	20,016,211		20,052,738	
Deposits at banks with maturity of more than 3 months	109,276,916		138,451,234	
Total held-to-maturity investments	129,293,127		158,503,972	
Other investments				
Non-marketable equity securities	1,550,310		1,550,310	
Total investments in securities	232,850,154		344,848,915	

On December 20, 2017, the Company reclassified available-for-sale investments to held for trading investments. In this regard, the Company transferred surplus on valuation of available-for-sale investments to profit or loss for the year ended December 31, 2017 of Baht 14.3 million.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018**

As at December 31, 2018 and 2017, held-to-maturity investments are due as follows:

	Cost			
	2018 (In Baht)			
	Due within			
	1 year	1 - 5 years	Over 5 years	Total
Government and state enterprise securities	20,016,211	-	-	20,016,211
Deposits at banks with maturity of more than 3 months	109,276,916	-	-	109,276,916
Total held-to-maturity investments	129,293,127	-	-	129,293,127
	Cost			
	2017 (In Baht)			
	Due within			
	1 year	1 - 5 years	Over 5 years	Total
Government and state enterprise securities	-	20,052,738	-	20,052,738
Deposits at banks with maturity of more than 3 months	138,451,234	-	-	138,451,234
Total held-to-maturity investments	138,451,234	20,052,738	-	158,503,972

As at December 31, 2018 and 2017, fixed deposit amounting to Baht 2.0 million was pledged as collateral for credit facilities from a local bank as discussed in Note 37.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED

Notes to Financial Statements (Continued)

December 31, 2018

10. PROPERTY, PLANT AND EQUIPMENT - Net

	In Baht						
	Land	Land improvements	Buildings and buildings improvements	Furniture, fixtures and office equipment	Computers	Vehicles	Total
Cost							
As at January 1, 2017	45,100,971	3,299,742	66,936,565	38,106,153	27,913,384	606,000	181,962,815
Addition	-	-	22,600	22,370	162,617	-	207,587
Disposals	-	-	-	-	-	(606,000)	(606,000)
As at December 31, 2017	45,100,971	3,299,742	66,959,165	38,128,523	28,076,001	-	181,564,402
Addition	-	-	147,900	51,250	172,500	-	371,650
Disposals	-	-	-	(60,000)	(352,152)	-	(412,152)
As at December 31, 2018	45,100,971	3,299,742	67,107,065	38,119,773	27,896,349	-	181,523,900
Accumulated Depreciation							
As at January 1, 2017	-	3,136,142	56,498,364	37,578,282	27,548,204	605,998	125,366,990
Depreciation charges for the year	-	68,892	364,465	182,732	186,871	-	802,960
Disposals	-	-	-	-	-	(605,998)	(605,998)
As at December 31, 2017	-	3,205,034	56,862,829	37,761,014	27,735,075	-	125,563,952
Depreciation charges for the year	-	28,326	265,337	170,924	241,543	-	706,130
Disposals	-	-	-	(59,998)	(354,371)	-	(414,369)
Adjustment	-	-	-	(290,330)	(209,138)	-	(499,468)
As at December 31, 2018	-	3,233,360	57,128,166	37,581,610	27,413,109	-	125,356,245
Allowance for Impairment							
As at January 1, 2017 and December 31, 2017 and December 31, 2018	2,269,000	-	4,010,432	290,330	205,193	-	6,774,955
Net Cost Value							
As at December 31, 2017	42,831,971	94,708	6,085,904	77,179	135,733	-	49,225,495
As at December 31, 2018	42,831,971	66,382	5,968,467	247,833	278,047	-	49,392,700
Revaluation Surplus							
As at January 1, 2017 and December 31, 2017 and December 31, 2018	66,699,449	-	36,912,452	5,240,997	689,633	-	109,542,531
Accumulated Depreciation of Revaluation Surplus							
As at January 1, 2017	-	-	6,225,940	5,240,997	689,633	-	12,156,570
Depreciation charges for the year	-	-	1,160,281	-	-	-	1,160,281
As at December 31, 2017	-	-	7,386,221	5,240,997	689,633	-	13,316,851
Depreciation charges for the year	-	-	1,158,430	-	-	-	1,158,430
As at December 31, 2018	-	-	8,544,651	5,240,997	689,633	-	14,475,281
Net Revaluation Surplus							
As at December 31, 2017	66,699,449	-	29,526,231	-	-	-	96,225,680
As at December 31, 2018	66,699,449	-	28,367,801	-	-	-	95,067,250
Net Book Value							
As at December 31, 2017	109,531,420	94,708	35,612,135	77,179	135,733	-	145,451,175
As at December 31, 2018	109,531,420	66,382	34,336,268	247,833	278,047	-	144,459,950

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018**

As at December 31, 2018 and 2017, certain fixed assets with

- a) The gross carrying amounts totalling Baht 92.4 million and Baht 92.1 million, respectively, were fully depreciated, but these items are still in active use.
- b) The net carrying values totalling Baht 33.8 million and Baht 33.9 million, respectively, were mortgaged/pledged as collateral for credit facilities from local banks as discussed in Note 37.

The Company provided for reappraisals on its property, plant and equipment based on reports of an independent professional appraiser dated in 2016. The revaluation was conducted by using the market value method comparing with net book value of assets as at January 1, 2016 and October 31, 2016.

Depreciation of revaluation surplus on fixed assets for each of the years ended December 31, 2018 and 2017 amounting to Baht 1.2 million, was transferred to deficit.

11. LAND NOT USED IN OPERATIONS

	In Baht
Net book value as at January 1, 2018	-
Additions	2,252,000
Net book value as at December 31, 2018	<u>2,252,000</u>

In 2018, the Company recorded parcels of land, which the Company seized by legal execution from an agent for premium receivable written off as bad debt in full amount in prior years, as "Land not used in operations" at the market values totalling Baht 2.2 million (based on the reports of an independent professional appraiser dated in June 2018) in the statement of financial position as at December 31, 2018 and other income in the statements of comprehensive income for the year then ended.

12. CLAIM RECEIVABLES FROM COUNTER PARTIES - Net

	In Baht	
	2018	2017
Claim receivables from counter parties	82,817,906	85,637,901
Less : Allowance for doubtful accounts	<u>(82,817,906)</u>	<u>(85,637,901)</u>
Net	<u>-</u>	<u>-</u>
Doubtful debts expenses during the year	-	4,316,948
Reversal of allowance for doubtful accounts during the year	<u>(2,819,995)</u>	<u>(3,401,489)</u>

During the year ended December 31, 2018, the Company collected claim receivables from counter parties of Baht 2.8 million (which have been provided allowance for doubtful accounts at full amount). In this regard, the Company reversed relevant allowance for doubtful accounts of Baht 2.8 million accordingly.

13. OTHER ASSETS

	In Baht	
	2018	2017
Value added tax refundable	36,947,884	35,655,699
Others	<u>15,570,142</u>	<u>29,866,696</u>
Total	<u>52,518,026</u>	<u>65,522,395</u>

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018****14. BORROWING FROM DIRECTOR**

	In Baht	
	2018	2017
Borrowing from director	-	30,000,000

Borrowing from director represented unsecured borrowing from a director, which bore interest at the rate of 1.50% per annum commencing from July 2018 and was repayable on November 22, 2018. Such borrowing and interest expense were repaid in full in October 2018.

15. INSURANCE LIABILITIES

	2018 (In Baht)		
	Insurance contract liabilities	Claim recovered from reinsurers (Note 7)	Net
Long-term technical reserves	-	-	-
Claims liabilities			
- Provision for reported claims by policyholder	264,629,504	(143,088,837)	121,540,667
- Provision for loss incurred but not reported claims (IBNR)	88,638,407	(23,012,799)	65,625,608
	353,267,911	(166,101,636)	187,166,275
Premiums liabilities			
- Unearned premium reserves	192,949,131	(87,719,076)	105,230,055
Total	546,217,042	(253,820,712)	292,396,330

	2017 (In Baht)		
	Insurance contract liabilities	Claim recovered from reinsurers (Note 7)	Net
Long-term technical reserves	-	-	-
Claims liabilities			
- Provision for reported claims by policyholder	356,968,735	(229,225,552)	127,743,183
- Provision for loss incurred but not reported claims (IBNR)	106,816,181	(27,755,465)	79,060,716
	463,784,916	(256,981,017)	206,803,899
Premiums liabilities			
- Unearned premium reserves	387,491,306	(146,392,465)	241,098,841
Total	851,276,222	(403,373,482)	447,902,740

December 31, 2018

15.1.1 Claims Liabilities

	In Baht	
	2018	2017
Beginning balance of the year	463,784,916	331,132,954
Claims incurred during the accident year	340,954,303	4,244,383,224
Adjustment to claims incurred in prior accident year and changes in assumption	(18,177,774)	(57,599,041)
Claims paid during the year	(433,293,534)	(4,054,132,221)
Other changes	-	-
Ending balance of the year	353,267,911	463,784,916

	In Baht	
	2018	2017
Beginning balance of the year	387,491,306	436,652,819
Premium written for the year	479,247,540	827,422,941
Premium earned for the current year	(673,789,715)	(876,584,454)
Ending balance of the year	192,949,131	387,491,306

15.2.1 Gross Claims Table

	In Baht						
Accident year / Reporting year	Prior year 2014	2014	2015	2016	2017	2018	Total
Claims estimates:							
- As at accident year	4,991,783,452	405,677,126	273,973,231	438,577,257	620,688,489	450,180,478	
- Next one year	6,171,822,363	586,315,217	400,345,726	534,118,599	529,534,163		
- Next two years	6,276,606,462	583,421,717	420,335,979	525,031,531			
- Next three years	6,319,714,821	585,296,030	419,042,982				
- Next four years	6,346,143,774	585,447,327					
- Next five years	6,349,749,670						
Cumulative claim estimates	6,349,749,670	585,447,327	419,042,982	525,031,531	529,534,163	450,180,478	8,858,986,151
Cumulative payment to date	(6,340,185,870)	(578,497,954)	(415,941,388)	(504,196,616)	(452,501,396)	(230,166,544)	(8,521,489,768)
Total	9,563,800	6,949,373	3,101,594	20,834,915	77,032,767	220,013,934	337,496,383
Unallocated loss adjustment expenses							15,771,528
Total gross loss reserves							353,267,911

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED

Notes to Financial Statements (Continued)

December 31, 2018

Accident year / Reporting year	In Baht						Total
	Prior year 2013	2013	2014	2015	2016	2017	
Claims estimates:							
- As at accident year	4,329,323,019	662,460,433	405,677,126	273,973,231	438,577,257	620,688,489	
- Next one year	5,244,760,134	927,062,229	586,315,217	400,345,726	534,118,599		
- Next two years	5,350,834,426	925,772,036	583,421,717	420,335,979			
- Next three years	5,393,974,856	925,739,965	585,296,030				
- Next four years	5,420,160,306	925,983,468					
- Next five years	5,471,609,424						
Cumulative claim estimates	5,471,609,424	925,983,468	585,296,030	420,335,979	534,118,599	620,688,489	8,558,031,989
Cumulative payment to date	(5,417,959,385)	(924,839,555)	(578,531,040)	(414,706,067)	(489,415,825)	(285,421,302)	(8,110,873,174)
Total	53,650,039	1,143,913	6,764,990	5,629,912	44,702,774	335,267,187	447,158,815
Unallocated loss adjustment expenses							16,626,101
Total gross loss reserves							463,784,916

15.2.2 Net claims table

Accident year / Reporting year	In Baht						Total
	Prior year 2014	2014	2015	2016	2017	2018	
Claims estimates:							
- As at accident year	3,981,687,919	202,557,904	140,171,872	217,695,424	335,242,149	266,506,496	
- Next one year	4,786,379,932	296,393,079	208,226,432	280,956,674	280,357,145		
- Next two years	4,895,560,336	296,210,382	212,111,935	280,514,850			
- Next three years	4,848,121,989	297,276,935	211,994,713				
- Next four years	4,935,642,615	297,402,659					
- Next five years	4,946,740,049						
Cumulative claim estimates	4,946,740,049	297,402,659	211,994,713	280,514,850	280,357,145	266,506,496	6,283,515,912
Cumulative payment to date	(4,945,445,184)	(296,756,835)	(211,561,349)	(273,788,160)	(249,810,770)	(134,758,867)	(6,112,121,165)
Total	1,294,865	645,824	433,364	6,726,690	30,546,375	131,747,629	171,394,747
Unallocated loss adjustment expenses							15,771,528
Total net claim reserves							187,166,275

Accident year / Reporting year	In Baht						Total
	Prior year 2013	2013	2014	2015	2016	2017	
Claims estimates:							
- As at accident year	3,584,816,778	396,871,141	202,557,904	140,171,872	217,695,424	335,242,149	
- Next one year	4,248,726,494	537,653,438	296,393,079	208,226,432	280,956,674		
- Next two years	4,356,524,094	539,036,241	296,210,382	212,111,935			
- Next three years	4,309,105,208	539,016,781	297,276,935				
- Next four years	4,396,694,136	538,948,479					
- Next five years	4,415,547,999						
Cumulative claim estimates	4,415,547,999	538,948,479	297,276,935	212,111,935	280,956,674	335,242,149	6,080,084,171
Cumulative payment to date	(4,409,712,851)	(538,620,817)	(296,779,307)	(210,745,226)	(265,081,355)	(168,966,817)	(5,889,906,373)
Total	5,835,148	327,662	497,628	1,366,709	15,875,319	166,275,332	190,177,798
Unallocated loss adjustment expenses							16,626,101
Total net claim reserves							206,803,899

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED

Notes to Financial Statements (Continued)

December 31, 2018

Methodology and Assumptions

The methodology and assumptions adopted for the gross and net valuations of insurance contract liabilities - claim reserves and outstanding claims are as follows:

(a) Claims Reserve

1. Direct and inward facultative business

The Company uses 3 actuarial methods as follows:

- 1.1 Chain Ladder method based on both claims paid and claims incurred
- 1.2 Bornhuetter-Ferguson method ("BF") based on both claims paid and claims incurred
- 1.3 Expected Loss Ratio method ("ELR")

The Company usually uses the Chain Ladder method to estimate loss incurred, which is considered the best method while the BF and ELR methods will be applied on a case by case basis where appropriate.

Loss Development Factors or "LDF" are selected based on historical pattern of claims paid and claims incurred. The selection of the Loss Development Factors is generally based on development factors of average claims in each year. The Company also considers to exclude items that may not be appropriate, for example, item that does not reflect the changes in the Company's operations or item that may be distorted by major claims in material amount and item that may be different from the historical trends.

The Company also considers both qualitative and quantitative factors in selecting the Loss Development Factors so that the claims reserve can reflect the appropriate level of liabilities of the Company at the end of the reporting period.

2. Inward treaty business

The Company uses a basic approach in estimating claims reserve for inward treaty business. This approach assumes that the claims reserve requirements for the inward treaty business would be proportionally similar to those of the direct and inward facultative business. The Company, therefore, uses the percentage of gross outstanding case reserves to apply with inward treaty contracts.

(b) Estimation of Unallocated Loss Adjustment Expenses reserve

In determining the unallocated loss adjustment expenses (ULAE) reserve, the Company uses the ratio of ULAE to the average of paid losses based on the assumption that half of a claim's ULAE is expended when a loss is reported, and half when it is paid.

The ULAE ratios are computed for motor and non-motor classes separately and are applied onto the best estimate of gross claim liability to obtain the ULAE reserves for claims liability.

ULAE reserve is computed as the sum of the ULAE ratios multiplied by half of the case reserve and outstanding claims, plus the ULAE ratios multiplied by the incurred but not reported (IBNR) reserve.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018

16. DUE TO REINSURERS

	In Baht	
	2018	2017
Amount withheld on reinsurance treaties	92,308,827	134,660,873
Outward premium payables	237,098,391	338,690,120
Other reinsurance payables	-	-
Total	329,407,218	473,350,993

At the meetings of the Audit Committee and of the Board of Directors in 2018, the Audit Committee and the Board of Directors of the Company resolved to write off the amount due to reinsurer, which has become outstanding for more than 2 years from the due date, totalling Baht 71.5 million. The resolutions are in accordance with the legal opinion of an independent legal advisor who confirmed that such reinsurer no longer has the right to claim for any payment of such amount from the Company since the claim therefore is beyond 2 years and thus barred by the statute of prescription, according to the Civil and Commercial Code, Section 882. Hence, the Company wrote off the amount due to reinsurer totalling Baht 71.5 million, which was presented in the account “Written off amount due to reinsurer” in the statement of comprehensive income for the year ended December 31, 2018.

17. PROVISION FOR EMPLOYEE RETIREMENT BENEFIT

	In Baht	
	2018	2017
Provision for employee retirement benefit as at January 1,	14,807,173	14,381,196
Current service cost	2,202,615	2,400,333
Interest cost	342,048	343,552
Employee retirement benefits paid during the year	(1,707,350)	(2,809,390)
Reversal	(165,000)	-
Actuarial (gain) loss	(3,200,440)	491,482
Provision for employee retirement benefit as at December 31,	12,279,046	14,807,173

Expenses recognized in the statements of comprehensive income for each of the years ended December 31, 2018 and 2017 are as follows:

	In Baht	
	2018	2017
In loss for the year		
Current service cost	2,202,615	2,400,333
Interest cost	342,048	343,552
Reversal	(165,000)	-
In other comprehensive loss for the year		
Actuarial (gain) loss	(3,200,440)	491,482
Total	(820,777)	3,235,367

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018
Actuarial assumptions

	2018	2017
Discount rate	2.43% per annum	2.3056% per annum
Future salary increase	3% per annum	3% per annum
Mortality rate	based on Thai Mortality Ordinary Tables of 2017 (TMO 2017)	based on Thai Mortality Ordinary Tables of 2017 (TMO 2017)
Disability rate	5% of Thai Mortality Ordinary Tables of 2017	5% of Thai Mortality Ordinary Tables of 2017

Sensitivity analysis

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

	Assumption change	Increase (Decrease) in Provision for Employee Retirement Benefit (In Baht)	Assumption change	Increase (Decrease) in Provision for Employee Retirement Benefit (In Baht)
As at December 31, 2018:				
Discount rate	+ 1%	(671,537)	- 1%	738,725
Future salary increase	+ 1%	675,912	- 1%	(626,092)
Employee turnover	+ 1%	(719,563)	- 1%	295,624
Life expectancy	+ 1%	31,393	- 1%	(31,310)
As at December 31, 2017:				
Discount rate	+ 1%	(848,933)	- 1%	935,509
Future salary increase	+ 1%	1,072,230	- 1%	(986,888)
Employee turnover	+ 1%	(914,127)	- 1%	417,783
Life expectancy	+ 1%	58,383	- 1%	(58,098)

On December 13, 2018, the National Legislative Assembly approved a bill the Labor Protection Act, that will become effective 30 days after its publication in the Government Gazette, to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of 20 years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. When the labor law come into force, the Company will recognize the increase in provisions for employee retirement benefits approximately Baht 2.6 million, resulting in the increase in net loss approximately Baht 2.6 million.

18. DEFERRED INCOME TAX

Tax income for each of the years ended December 31, 2018 and 2017 are as follows:

	In Baht	
	2018	2017
Current tax	-	-
Add : Tax effects from deferred income tax of temporary differences		
- Depreciation of surplus on revaluation of fixed assets	231,686	232,056
Tax income	231,686	232,056

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018**

Reconciliations between tax income and accounting loss multiplied by the applicable tax rate for each of the years ended December 31, 2018 and 2017 are as follows:

	In Baht	
	2018	2017
Accounting loss before tax	(71,205,326)	(115,832,500)
Income tax rate at 20%	14,241,065	23,166,500
Tax effect of exempted income and non-deductible expenses	719,675	280,002
(Increase) decrease in unrecognition of deferred tax assets	(24,307,624)	(2,598,816)
Unrecognition of tax loss carry forward	9,578,570	(20,615,630)
Tax income	231,686	232,056

The details of deferred income tax liabilities as at December 31, 2018 and 2017 are as follows:

	In Baht		
	(Charged) / Credited to		December 31, 2018
	December 31, 2017	Loss for the year	Other comprehensive income for the year
Surplus on revaluation of fixed assets	(19,245,137)	231,686	-
Unrealized loss on revaluation of fixed assets	1,354,991	-	-
Deferred income tax liabilities	(17,890,146)	231,686	-

The details of deferred income tax assets (liability), which are not recognized as at December 31, 2018 and 2017, are as follows:

	In Baht	
	2018	2017
Deferred tax assets (liabilities)		
Allowance for doubtful accounts	65,456,818	28,641,197
Unearned premium reserves	(471,958)	10,334,843
Provision for possible losses incurred but not yet reported claims (IBNR)	9,970,816	12,486,923
Provision for possible provision for unallocated loss adjustment expenses (ULAE)	3,154,306	3,325,220
Provisions for employee retirement benefits	2,455,809	2,961,435
Tax loss carry forward	81,117,389	137,697,764
Revaluation on fair value of investment in trading securities	(16,126)	(1,507,577)
Revaluation on fair value of available-for-sale investments	5,202,663	(4,744,191)
Net	166,869,717	189,195,614

19. OTHER LIABILITIES

	In Baht	
	2018	2017
Suspense account for claims from reinsurance	-	3,304,106
Premium received in advance	9,462,829	12,476,588
Other payables	6,894,364	8,324,727
Others	39,741,500	36,291,361
Total	56,098,693	60,396,782

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018
20. SHARE CAPITAL

At the Extraordinary General Meeting of the Shareholders No. 1/2017 held on December 28, 2017, the shareholders have unanimously passed the resolutions to approve on the following matters:

- a) To decrease the authorized share capital of Baht 75,055,986 (divided into 75,055,986 common shares at Baht 1 par value) from the existing authorized share capital of Baht 1,216,574,437 (divided into 1,216,574,437 common shares at Baht 1 par value) by cutting off common shares which are still unsold of 75,055,986 common shares to be the authorized share capital of Baht 1,141,518,451 (divided into 1,141,518,451 common shares at Baht 1 par value). The Company registered the decrease in authorized share capital with the Ministry of Commerce on December 28, 2017.
- b) To increase the authorized share capital of Baht 185,000,000 by issuing of common share of 185,000,000 shares at the par value of Baht 1 to be total authorized share capital of Baht 1,326,518,451 (divided in to 1,326,518,451 common shares at Baht 1 par value), which was registered with the Ministry of Commerce on December 29, 2017.
- c) To allot the newly issued common shares of 185,000,000 shares for offering to Private Placement, which the offering price shall be fixed at Baht 0.60 per share.

In December 2017, the Company received paid-up share capital of Baht 80,500,000 (net of share discount on ordinary shares of Baht 53,666,666) from the allotment of 134,166,666 newly issued common shares for Baht 1 par value at selling price of Baht 0.60 per share. Hence, the paid-up share capital increased from Baht 918,065,901 (divided into 918,065,901 common shares at Baht 1 par value) to Baht 1,052,232,567 (divided into 1,052,232,567 common shares at Baht 1 par value), which was registered with the Ministry of Commerce on December 29, 2017.

In January 2018 and March 2018, the Company received paid-up share capital totalling Baht 17,700,000 (net of share discount on ordinary shares of Baht 11,800,000) from the allotment of 29,500,000 newly issued common shares for Baht 1 par value at selling price of Baht 0.60 per share. Hence, the paid-up share capital increased from Baht 1,052,232,567 (divided into 1,052,232,567 common shares at Baht 1 par value) to Baht 1,081,732,567 (divided into 1,081,732,567 common shares at Baht 1 par value), which was registered with the Ministry of Commerce on April 27, 2018.

In July 2018, the Company has registered the change in issued and paid-up share capital resulted from the exercised warrants from 22,425 common shares at Baht 1.20 per share. Hence, the paid-up share capital increased from Baht 1,081,732,567 (divided into 1,081,732,567 common shares at Baht 1 par value) to Baht 1,081,754,992 (divided into 1,081,754,992 common shares at Baht 1 par value), which The Company had premium on share capital of Baht 4,485 from such exercised warrants.

As at December 31, 2018, the remaining unpaid share capital of Baht 12,800,000 (divided into 21,333,334 common shares for Baht 1 par value at selling price of Baht 0.60 per share).

21. WARRANTS

At the 2014 Annual General Shareholders' Meeting held on April 29, 2015, the shareholders have unanimously passed the resolution to issue and offer the warrants to purchase the common shares of the Company No. 2 ("TSI-W2"), which have the significant details as follows:

	Description
Trading in SET date	August 7, 2015
Type of warrant	Registered name and transferable
To be issued and offered quantities	223,452,520 units
Offering price per warrant	At zero value
Exercise ratio	1 warrant to 1 common share, except for the adjustment on exercise ratio according to the condition of exercise adjustment

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018**

	Description
Exercise price	Baht 1.20 per share, except for the adjustment on exercise ratio according to the condition of exercise adjustment
Term of warrants	3 years from the issuance date (June 29, 2015)
Offering procedure	To the Company's existing shareholders at the ratio of 2 existing common shares per 1 unit of warrant. The holders of the warrants, who wish to exercise the right to purchase common shares of the Company are not required to be shareholders of the Company.
Exercise period	The holders of the warrants can exercise their rights under the Warrant at one time on the maturity date of the Warrants (June 28, 2018 ("Exercise Date")).

The exercised warrant was on June 28, 2018, were exercised totalling 22,425 units (the remaining warrants are 223,430,095 units). The Company received paid-up share capital of Baht 26,910 resulted from the exercised warrants from 22,425 common shares at Baht 1.20 per share, which was registered with the Ministry of Commerce on July 24, 2018.

22. SHARE DISCOUNT ON COMMON SHARES

Share discount on common shares represents share subscription monies received under of the par value of the ordinary shares issued.

23. LEGAL RESERVE

Under the provision of the Public Company Limited Act B.E. 2535, the Company is required to set aside as reserve fund at least 5% of its annual net profit after deduction of the deficit brought forward (if any) until the reserve reaches 10% of authorized share capital. The reserve is not available for dividend distribution.

24. LOSS PER SHARE***Basic loss per share***

Basic loss per share are determined by dividing the loss for the year by the weighted average number of shares outstanding during the year.

Basic weighted average numbers of shares for each of the years ended December 31, 2018 and 2017 are as follows:

	In Shares	
	2018	2017
Number of shares outstanding as at beginning of year	1,052,232,567	918,065,901
Effect of shares issued during the year	25,238,546	1,193,151
Basic weighted average number of share	<u>1,077,471,113</u>	<u>919,259,052</u>

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018*****Diluted loss per share***

The calculations of diluted loss per share were based on the loss for the year after adjusting for the effects of all dilutive potential common shares and the weighted average number of common shares outstanding during the year after adjusting for the effects of all dilutive potential common shares.

Diluted weighted average numbers of shares for each of the years ended December 31, 2018 and 2017 are as follows:

	In Shares	
	2018	2017
Basic weighted average number of shares outstanding during the year	1,077,471,113	919,259,052
Effect of exercisable warrants	-	-
Diluted weighted average number of shares outstanding during the year	1,077,471,113	919,259,052

25. FINANCIAL INFORMATION SEPARATED BY TYPE OF UNDERWRITING

The following reporting of financial information separated by type of underwriting of the Company is in accordance with the Notification of the OIC regarding the Rules, Procedures, Conditions and Periods for Preparing and Submitting Financial Statements and Reports on the Operations of the Non-Life Insurance Business B.E. 2559 dated March 4, 2016. This information is consistent with the information reviewed by the management on a regularly basis.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018**

Financial information separated by each type of underwriting income and expenses of the Company for the year ended December 31, 2018 are as follows:

	In Baht					Total
	Fire	Marine and Transportation	Motor	Miscellaneous	Unallocated	
Revenues						
Gross written premiums	22,903,407	1,854,383	385,738,732	68,751,018	-	479,247,540
Less: Premiums ceded to reinsurers	(14,475,998)	(954,305)	(138,094,321)	(53,992,629)	-	(207,517,253)
Net premium written	8,427,409	900,078	247,644,411	14,758,389	-	271,730,287
Net change in unearned premium reserves decrease from prior year	3,502,398	76,665	126,758,372	5,531,350	-	135,868,785
Net earned premiums	11,929,807	976,743	374,402,783	20,289,739	-	407,599,072
Commission and brokerage income	6,401,614	392,213	46,780,503	21,472,123	-	75,046,453
Net investment income	-	-	-	-	8,589,440	8,589,440
Loss on investments	-	-	-	-	(3,024,128)	(3,024,128)
Fair value losses	-	-	-	-	(7,457,255)	(7,457,255)
Written off amount due to reinsurer	-	1,854,844	-	69,670,166	-	71,525,010
Other income	-	-	-	-	8,928,458	8,928,458
Total Revenues	18,331,421	3,223,800	421,183,286	111,432,028	7,036,515	561,207,050
Expenses						
Gross claims	6,548,627	208,430	333,016,439	(1,044,766)	-	338,728,730
Claim charged (recovered) from reinsurers	(4,481,938)	(4,144)	(140,400,819)	15,473,258	-	(129,413,643)
Commissions and brokerage expenses	5,890,911	324,733	62,497,315	10,968,566	-	79,681,525
Other underwriting expenses	585,694	212,377	46,372,879	3,317,598	-	50,488,548
Operating expenses	9,626,842	2,059,380	228,248,568	50,748,340	-	290,683,130
Written off withholding income tax deducted at source	-	-	-	-	2,244,086	2,244,086
Total Expenses	18,170,136	2,800,776	529,734,382	79,462,996	2,244,086	632,412,376
Profit (Loss) before Tax	161,285	423,024	(108,551,096)	31,969,032	4,792,429	(71,205,326)
Tax income						231,686
Loss for the Year						(70,973,640)

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018

Financial information separated by each type of underwriting income and expenses of the Company for the year ended December 31, 2017 are as follows:

	In Baht					Total
	Fire	Marine and Transportation	Motor	Miscellaneous	Unallocated	
Revenues						
Gross written premiums	33,537,216	6,169,102	628,872,870	158,843,753	-	827,422,941
Less: Premiums ceded to reinsurers	(17,323,728)	(4,293,545)	(188,422,556)	(131,980,656)	-	(342,020,485)
Net premium written	16,213,488	1,875,557	440,450,314	26,863,097	-	485,402,456
Net change in unearned premium reserves decrease from prior year	1,224,736	23,485	10,241,380	1,197,272	-	12,686,873
Net earned premiums	17,438,224	1,899,042	450,691,694	28,060,369	-	498,089,329
Commission and brokerage income	6,478,966	1,424,131	28,863,237	31,309,566	-	68,075,900
Net investment income	-	-	-	-	7,440,672	7,440,672
Loss on investments	-	-	-	-	(3,342,722)	(3,342,722)
Fair value gains	-	-	-	-	22,949,016	22,949,016
Other income	-	-	-	-	36,364,051	36,364,051
Total Revenues	23,917,190	3,323,173	479,554,931	59,369,935	63,411,017	629,576,246
Expenses						
Gross claims	3,910,400	518,706	524,854,081	3,712,352,946	-	4,241,636,133
Claim recovered from reinsurers	(992,191)	(239,174)	(222,691,731)	(3,671,306,969)	-	(3,895,230,065)
Commissions and brokerage expenses	9,254,469	882,356	98,062,487	23,307,479	-	131,506,791
Other underwriting expenses	410,653	321,094	131,923,089	2,958,495	-	135,613,331
Operating expenses	4,163,511	960,610	96,993,962	25,904,363	-	128,022,446
Written off withholding income tax deducted at source	-	-	-	-	3,860,110	3,860,110
Total Expenses	16,746,842	2,443,592	629,141,888	93,216,314	3,860,110	745,408,746
Profit (Loss) before Tax	7,170,348	879,581	(149,586,957)	(33,846,379)	59,550,907	(115,832,500)
Tax income						232,056
Loss for the Year						(115,600,444)

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018****26. OPERATING EXPENSES**

Significant operating expenses for each of the years ended December 31, 2018 and 2017 are as follows:

	In Baht	
	2018	2017
Employee benefit expense	69,121,491	61,601,136
Premises and equipment expense	21,413,020	22,950,768
Taxes and duties	615,300	512,550
Allowance for doubtful accounts	184,326,805	24,108,263
Other operating expenses	15,206,514	18,849,729
Total operating expenses	<u>290,683,130</u>	<u>128,022,446</u>

27. REGISTERED PROVIDENT FUND

The Company has contributory provident funds for their employees in accordance with the terms and conditions prescribed in the Provident Fund Act B.E. 2530. Membership to the funds is voluntarily. Contributions are made monthly by the employees and by the Company at 5% of the employees' basic salaries. The provident funds are managed by a Fund Manager in accordance with the terms and conditions prescribed in the Ministerial Regulation No. 2 (B.E. 2532) issued under the Provident Fund Act B.E. 2530.

The Company contributed to the fund for each of the years ended December 31, 2018 and 2017, which was recorded as an expense in the statement of comprehensive income amounted to approximately Baht 2.2 million and Baht 2.3 million, respectively.

28. RISKS OF NON - LIFE INSURANCE BUSINESS**28.1 Insurance Risk**

The insurance risk occurs from the fluctuation of loss frequency, severity, and correlation deviating from the assumption which is used for the calculation of insurance premium, claim reserving, and underwriting consideration.

The Company sets up a policy for both insurance and reinsurance business. Type of underwriting, area, risk and reinsurance method are defined, which the authorization for approval of sum insured are defined clearly including the level of risk retention to appropriate with the Company's capital.

The Company defines the procedures for underwriting carefully and cautiously by considering the insured, the nature of risk, the value of the sum insured including agents and brokers who introduce the insured. The Company considers the proportion of capacity of risk retention. In case of such underwriting has high risk and the Company cannot manage the diversification of risk to appropriate reinsurance companies, the Company will refuse to accept such underwriting. Moreover, if the Company has no experience or no expertise or face any difficulties to consider the acceptance of underwriting, the Company will avoid to accept such underwriting.

The Company aims to build customer relationship with the insured by creating customer satisfaction and good long-term relationship. Including the development and improvement of human resources and technology to increase capacity of the Company's administration and management. The Company uses technology and policy to serve the insured as quickly as possible in order to ensure the renewal of insurance policy by the insured. In addition, the Company has expanded its service centers to cover all areas across the country.

The Company maintains its market share and expands its market share to increase the opportunity of competing against the foreign capital enterprises. The Company recruits more qualified agents and brokers instead of only focus on underwriting, which was based on the expansion of financial institutions to reduce risk and increase the balance of gross premium written from all sources.

Main distribution channel of insurance policy is agents and brokers. The Company sets criteria and qualifications in recruiting of an agent and a broker as representative of the Company to prevent the risk of uncollected premium.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018

The Company determines how to distribute risks in reinsurance variously by purchasing the Excess of Loss. Moreover, the Company has built a network with domestic and overseas reinsurance companies to prevent risk that the Company cannot reinsure continuously.

Concentrations of insurance contract liabilities, segregated by insurance type, is tabled below.

Type of underwriting	In Baht					
	2018			2017		
	Claim liabilities before reinsurance	Claim liabilities for reinsurance	Net	Claim liabilities before reinsurance	Claim liabilities for reinsurance	Net
Fire	6,607,268	(4,807,896)	1,799,372	3,147,240	(1,310,496)	1,836,744
Marine and transportation	450,258	(191,691)	258,567	630,262	(362,734)	267,528
Motor	251,897,881	(87,554,448)	164,343,433	274,575,866	(95,107,570)	179,468,296
Miscellaneous	94,312,504	(73,547,601)	20,764,903	185,431,548	(160,200,217)	25,231,331
Total	353,267,911	(166,101,636)	187,166,275	463,784,916	(256,981,017)	206,803,899

Type of underwriting	In Baht					
	2018			2017		
	Premiums liabilities before reinsurance	Premiums liabilities for reinsurance	Net	Premiums liabilities before reinsurance	Premiums liabilities for reinsurance	Net
Fire	10,188,644	(6,496,788)	3,691,856	15,139,669	(7,945,415)	7,194,254
Marine and transportation	89,980	(52,144)	37,836	230,046	(115,545)	114,501
Motor	159,445,671	(63,425,026)	96,020,645	315,992,020	(93,213,002)	222,779,018
Miscellaneous	23,224,836	(17,745,118)	5,479,718	56,129,571	(45,118,503)	11,011,068
Total	192,949,131	(87,719,076)	105,230,055	387,491,306	(146,392,465)	241,098,841

Sensitivity analysis

Sensitivity analysis is performed to analyse the risk that insurance liabilities will increase or decrease as a result of changes in the assumptions used in the calculation of claim liabilities, which will impact the claims liabilities both before and after reinsurance. The risk may occur because the frequency or severity of losses, or loss adjustment expenses are not in line with expectations.

Analysis has been prepared to test the sensitivity of the estimation of insurance liabilities to changes in key variables. The variables tested are the ultimate loss ratio in the latest accident year and the unallocated loss adjustment expense ratio. The variables are selected based on their appropriateness of possibility of occurrence.

The impact on the best estimate of insurance liabilities of changes in key variables is shown in the following table.

	Assumption change	2018 (In Baht)	
		Increase (decrease) in provision for gross claim liabilities	Increase (decrease) in provision for net claim liabilities
Ultimate loss ratio in latest accident year	+ 10%	46,842,925	27,860,833
Ultimate loss ratio in latest accident year	- 10%	(46,441,049)	(27,458,957)
ULAE ratio	+ 50%	7,885,764	7,885,764
ULAE ratio	- 50%	(7,885,764)	(7,885,764)

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018**

	Assumption change	2017 (In Baht)	
		Increase (decrease) in provision for gross claim liabilities	Increase (decrease) in provision for net claim liabilities
Ultimate loss ratio in latest accident year	+ 10%	60,369,880	35,065,752
Ultimate loss ratio in latest accident year	- 10%	(60,335,972)	(35,031,844)
ULAE ratio	+ 50%	8,313,050	8,313,050
ULAE ratio	- 50%	(8,313,050)	(8,313,050)

28.2 RISK OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the statements of financial position include cash and cash equivalents, premium receivables, accrued investment income, reinsurance assets, amounts due from reinsurances, investments in securities, claim receivables from counter parties, borrowing from director, insurance liabilities, due to reinsurers and accrued commission and brokerage expenses. The significant accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies in Note 3.

Liquidity Risk

Liquidity risk arises from the problem in raising funds adequately and in time to meet commitments as indicated in the financial statements. As discussed in Note 1, the Company's assets backing insurance liabilities were not adequate continuously as required by the Non-Life Insurance Act (No.2) B.E. 2551.

As at December 31, 2018 and 2017, the periods to maturity of financial assets and liabilities are as follows:

	2018 (In Baht)				
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified
Financial assets					
Cash and cash equivalents	59,469,843	-	-	-	20,000
Premium receivables - net	-	126,517,539	-	-	-
Accrued investment income	-	739,738	-	-	-
Reinsurance assets					
- Claims liabilities	-	166,101,636	-	-	-
Amounts due from reinsurances	-	276,840,333	-	-	-
Investments in securities	103,557,027	129,293,127	-	-	-
Financial liabilities					
Insurance liabilities					
- Claims liabilities	-	264,629,504	-	-	-
Due to reinsurers	-	329,407,218	-	-	-
Accrued commission and brokerage expenses	-	42,233,716	-	-	-

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2018

	2017 (In Baht)					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
Financial assets						
Cash and cash equivalents	115,097,747	-	-	-	20,000	115,117,747
Premium receivables - net	-	339,635,217	-	-	-	339,635,217
Accrued investment income	-	861,249	-	-	-	861,249
Reinsurance assets						
- Claims liabilities	-	256,981,017	-	-	-	256,981,017
Amounts due from reinsurances	-	279,500,279	-	-	-	279,500,279
Investments in securities	186,344,943	138,451,234	20,052,738	-	-	344,848,915
Financial liabilities						
Short-term loans from director	-	30,000,000	-	-	-	30,000,000
Insurance liabilities						
- Claims liabilities	-	356,968,735	-	-	-	356,968,735
Due to reinsurers	-	473,350,993	-	-	-	473,350,993
Accrued commission and brokerage expenses	-	52,760,201	-	-	-	52,760,201

Foreign Currency Risk

The Company does not have significant commercial transactions in foreign currency, giving rise to exposure risk from changes in foreign exchange rates.

Credit Risk

Credit risk refers to the risk that counterparty will default in its contractual obligations resulting in a financial loss to the Company. The management believes that the Company has a moderate credit risk since the Company has a large number of customers. However, the Company has an appropriate control on credit approvals and monitoring procedures for collection from customer.

The carrying amount of accounts receivable (net of allowance for doubtful accounts) recorded in the statement of financial position represents the maximum exposure to credit risk.

Equity Position Risk

Equity position risk is the risk that change in the market prices of equity securities will result in fluctuations in revenues and in the value of financial assets. The Company has risk from its investments in securities of which the price will change with reference to market conditions.

The company has a policy to manage equity position risk by determining the proportion of investments according to the Office of Insurance Commission's rules. The Company invests in marketable equity securities which purchasing and selling have liquidity. Investment committee of the Company is responsible for monitoring of changing market prices regularly.

Interest Rate Risk

Interest rate risk arises from the fluctuation of market interest rates, which may have an impact to current and future operations of the Company. The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions and investments in securities, which bear interest rate. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. The management considers that the interest rate risk is minimal, hence, the Company has no hedging agreement to protect against such risk.

Significant financial assets and liabilities as at December 31, 2018 and 2017 classified by type of interest rates are summarised in the table below, with those financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED

Notes to Financial Statements (Continued)

December 31, 2018

2018							
In Baht							Effective interest rate (% p.a.)
Fixed interest rates			Floating interest rate	Non-interest bearing	Total		
Within 1 year	1 - 5 years	Over 5 years					
Financial assets							
Cash and cash equivalents	-	-	-	57,038,276	2,451,567	59,489,843	0.1 - 1.2
Premium receivables - net	-	-	-	-	126,517,539	126,517,539	-
Accrued investment income	-	-	-	-	739,738	739,738	-
Reinsurance assets							
- Claims liabilities	-	-	-	-	166,101,636	166,101,636	-
Amounts due from reinsurance							
	-	-	-	-	276,840,333	276,840,333	-
Held for trading investments	-	-	-	-	49,933,962	49,933,962	-
Available-for-sale investments							
	-	-	-	-	52,072,755	52,072,755	-
Held-to-maturity investments							
	129,923,127	-	-	-	-	129,923,127	0.65 - 3.875
Other investments	-	-	-	-	1,550,310	1,550,310	-
Total	129,923,127	-	-	57,038,276	676,207,840	863,169,243	
Financial liabilities							
Insurance liabilities							
- Claims liabilities	-	-	-	-	264,629,504	264,629,504	-
Due to reinsurers	-	-	-	-	329,407,218	329,407,218	-
Accrued commission and brokerage expenses							
	-	-	-	-	42,233,716	42,233,716	-
Total	-	-	-	-	636,270,438	636,270,438	
2017							
In Baht							Effective interest rate (% p.a.)
Fixed interest rates			Floating interest rate	Non-interest bearing	Total		
Within 1 year	1 - 5 years	Over 5 years					
Financial assets							
Cash and cash equivalents	-	-	-	31,078,324	84,039,423	115,117,747	0.125 - 1.2
Premium receivables - net	-	-	-	-	339,635,217	339,635,217	-
Accrued investment income	-	-	-	-	861,249	861,249	-
Reinsurance assets							
- Claims liabilities	-	-	-	-	256,981,017	256,981,017	-
Amounts due from reinsurance							
	-	-	-	-	279,500,279	279,500,279	-
Held for trading investments	-	-	-	-	135,014,239	135,014,239	-
Available-for-sale investments							
	-	-	-	-	49,780,394	49,780,394	-
Held-to-maturity investments							
	138,451,234	20,052,738	-	-	-	158,503,972	0.65 - 3.875
Other investments	-	-	-	-	1,550,310	1,550,310	-
Total	138,451,234	20,052,738	-	31,078,324	1,147,362,128	1,336,944,424	

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Notes to Financial Statements (Continued)
December 31, 2018

	2017						
	In Baht						
	Fixed interest rates						
	Within 1 year	1 - 5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
Financial liabilities							
Borrowing from director	30,000,000	-	-	-	-	30,000,000	1.50
Insurance liabilities							
- Claims liabilities	-	-	-	-	356,968,735	356,968,735	-
Due to reinsurers	-	-	-	-	473,350,993	473,350,993	-
Accrued commission and brokerage expenses	-	-	-	-	52,760,201	52,760,201	-
Total	30,000,000	-	-	-	883,079,929	913,079,929	

Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction. The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Premium receivables, accrued investment income, reinsurance assets, amounts due from reinsurances, claim receivables from counter parties and other assets - the carrying values approximate their fair values due to the relatively short-term maturity of these financial assets.

Investment in securities

- The fair value of marketable securities is based on their quoted market prices.
- The fair value of other securities - a reasonable estimate of fair value, which has been calculated based on the underlying net asset base for such investments, approximates their carrying values.
- The fair value of deposits at financial institutions are based on their carrying value in the statement of financial position.

Short-term loans from director, claims liabilities, due to reinsurers, accrued commission and brokerage expenses and other liabilities - the carrying values approximate their fair values due to the relatively short-term maturity of these financial liabilities.

Fair Value Measurement

The Company uses the market approach to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or a quoted market price is not available.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs for such assets or liabilities, such as uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities, or estimates of future cash flows

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018**

As at December 31, 2018 and 2017, the Company had the following assets that were measured at fair value using different levels of inputs as follows:

	2018 (In Baht)			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Held for trading investments				
- Marketable equity securities	3,034,905	-	-	3,034,905
- Unit trusts	-	46,899,057	-	46,899,057
Available-for-sale investments				
- Marketable equity securities	296	-	-	296
- Unit trusts	51,418,540	653,919	-	52,072,459
Property, plant and equipment				
- Land, building and office equipment at appraisal value - net	-	-	143,467,555	143,467,555
Land not used in operations				
- Land at appraisal value	-	-	2,252,000	2,252,000
Total	54,453,741	47,552,976	145,719,555	247,726,272
	2017 (In Baht)			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Held for trading investments				
- Marketable equity securities	84,818,403	-	-	84,818,403
- Unit trusts	-	50,195,836	-	50,195,836
Available-for-sale investments				
- Marketable equity securities	524	-	-	524
- Unit trusts	49,055,880	723,990	-	49,779,870
Property, plant and equipment				
- Land, building and office equipment at appraisal value - net	-	-	144,826,811	144,826,811
Total	133,874,807	50,919,826	144,826,811	329,621,444

Fair value at the level 2 of investments in unit trusts are measured based on the net asset value which were announced by securities companies.

Fair value at the level 3 of land, building and office equipment at appraisal value are measured based on valuation performed by independent valuers which were determined based on market approach.

29. FINANCIAL INFORMATION BY SEGMENT

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as Chief Executive Officer.

For management purposes, the Company is organised into business units based on its products, which consisted of Fire, Marine and transportation, Motor and Miscellaneous (including Personal Accident) as discussed in Note 25.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss, total assets and total liabilities and on a basis consistent with that used to measure operating profit or loss, total assets and total liabilities in the financial statements.

The Company operates in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED
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December 31, 2018

For the year ended December 31, 2018, the Company has premium written, which is attributable to motor insurance from a major broker totalling Baht 51.0 million, and for the year ended December 31, 2017, the Company has premium written, which is attributable to motor, fire and miscellaneous insurances from two major agent and brokers totalling Baht 252.1 million.

The following table presents segment assets and liabilities of the Company's operation segments as at December 31, 2018 and 2017.

	2018 (In Baht)				
	Fire	Marine and transportation	Motor	Miscellaneous	Total
Assets	19,341,995	1,175,536	394,931,160	244,800,674	660,249,365
Unallocated assets					492,335,235
Total					<u>1,152,584,600</u>
Liabilities	36,281,418	3,262,126	670,726,404	230,038,724	940,308,672
Unallocated liabilities					63,585,503
Total					<u>1,003,894,175</u>
	2017 (In Baht)				
	Fire	Marine and transportation	Motor	Miscellaneous	Total
Assets	24,273,045	2,056,289	603,574,726	408,728,309	1,038,632,369
Unallocated assets					658,293,502
Total					<u>1,696,925,871</u>
Liabilities	40,445,068	6,664,199	909,862,140	439,810,949	1,396,782,356
Unallocated liabilities					103,699,161
Total					<u>1,500,481,517</u>

30. ASSETS PLEDGED WITH THE REGISTRAR

As at December 31, 2018 and 2017, assets were pledged with the Registrar in accordance with the Non-Life Insurance Act as follows:

	In Baht	
	2018	2017
Deposits at banks with maturity of more than 3 months	<u>14,000,000</u>	<u>14,000,000</u>

31. ASSETS RESERVED WITH THE REGISTRAR

As at December 31, 2018 and 2017, assets were pledged as policy reserve with the Registrar in accordance with the Non-Life Insurance Act as follows:

	In Baht	
	2018	2017
Thai government bonds	20,016,211	20,052,738
Deposits at banks with maturity of more than 3 months	<u>80,401,642</u>	<u>79,732,644</u>
Total	<u>100,417,853</u>	<u>99,785,382</u>

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Notes to Financial Statements (Continued)
December 31, 2018

32. RESTRICTED ASSETS AND COMMITMENT

As at December 31, 2018 and 2017, the Company had assets were deposited with two security companies for the Company's asset backing insurance liabilities as follows:

	In Baht	
	2018	2017
Saving accounts	56,738,817	31,054,793
Held for trading investments		
- Marketable equity securities	3,034,905	84,776,475
- Unit trusts	46,899,057	50,195,836
Available-for-sale investments		
- Unit trusts	52,072,459	49,779,870
Held-to-maturity investments		
- Deposits at banks with maturity of more than 3 months	12,055,210	41,936,398
Other investments		
- Non-marketable equity securities	1,550,310	1,550,310
Total	172,350,758	259,293,682

33. CONTRIBUTION TO NON-LIFE GUARANTEE FUND

As at December 31, 2018 and 2017, the Company has contributed to Non-Life Guarantee Fund as follows:

	In Baht	
	2018	2017
Accumulated contribution to Non-Life Guarantee fund, beginning of year	20,874,175	18,831,480
Contribution to Non-Life Guarantee fund during the year	1,179,232	2,042,695
Accumulated contribution to Non-Life Guarantee fund, end of year	22,053,407	20,874,175

34. COMMITMENTS

a) Long-term lease agreements

As at December 31, 2018 and 2017, the Company had various lease agreements for office building, vehicles and office equipment for operation, which will expire in 2022. The totals of future minimum lease payment under operating leases for each period are as follows:

	In Baht	
	2018	2017
Not later than 1 year	3,025,138	4,733,951
Later than 1 year and not later than 5 years	1,485,250	2,896,938
Later than 5 years	-	-
Total	4,510,388	7,630,889

b) As at December 31, 2018 and 2017, the Company had commitment under the agreements for software development amounting to Baht 5.7 million and Baht 5.0 million, respectively.

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Notes to Financial Statements (Continued)
December 31, 2018
35. LITIGATION

- a) As at December 31, 2018 and 2017, the Company had been sued by various policyholders for total capital sum (only the portion the Company is the joint defendant) of Baht 94.6 million and Baht 116.7 million, respectively. However, the liabilities that may arise as a result of such cases have a value not exceeding the policy coverage of Baht 25.6 million and Baht 43.5 million, respectively. The Company has provided provision for loss on such litigation claim of Baht 12.2 million and Baht 12.6 million as a part of claim liabilities as at December 31, 2018 and 2017, respectively. The Company's management believes that this amount is adequate to absorb the possible losses. However, such cases are under the consideration of the Courts, which the ultimate outcome cannot presently be determined.
- b) On December 28, 2016, the Company received a statement loss advice from an insurance company from reinsurance business for a claim of a miscellaneous insurance policy issued in 2011 regarding flood incident in 2011. This insurance company requests the Company to pay claim liabilities under reinsurance contract of Baht 32.0 million (included interest of Baht 6.2 million), which the Company was sued by such insurance company in October 2013 and had done a mediation in February 2015. In connection with such mediation, the Company already paid to such insurance company of Baht 11.5 million in September 2016. Subsequently in May 2017, after investigation found such insurance company cannot agree claim amount with an insurer and the court case is under the consideration of the Courts. The Company then recorded additional claim which such insurance company additionally claimed of Baht 33.3 million and claim recovery from reinsurers of Baht 29.9 million in the financial statements for year ended December 31, 2017, which the Company's management believes that this amount is adequate to absorb the possible losses.

Subsequently on August 3, 2018, such insurance company sued the Company for the second time for this loss of Baht 35.6 million, which is the previous amount of loss plus interest charge from the sued date. Hence, the Company recorded additional claim sued by such insurance company of Baht 2.3 million and claim recovery from reinsurers of Baht 2.1 million in the financial statements for the period ended September 30, 2018.

Subsequently on December 18, 2018, such insurance company filed a request to withdraw the court case. The Court allows to withdraw the court case. In this regard, the Company reversed claim and claim recovery from reinsurers of Baht 35.6 million and Baht 32.0 million, respectively, in the financial statements for the year ended December 31, 2018.

- c) On September 16, 2016, the Company received a notification letter from the OIC informing the Company to pay fines totalling approximately Baht 5.4 million, claiming that the Company has prolonged the payment for claim of a motor insurance policy. In this connection, the Company defended that as insurance conditions did not cover such claim according to the insurance policy, the Company had denied to pay such claim. However, the Company already paid such claim to the beneficiary of insurance policy according to the notification letter from the OIC. Subsequently on June 13, 2017, the management decided to pay such fines as notification from the OIC. The Company paid such fines to the OIC on June 23, 2017 and recorded as an expense in the statement of comprehensive income for the year ended December 31, 2017.

36. CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are to ensure that it has an appropriate financial structure, presences the ability to continue its business as a going concern and to maintain capital reserve in accordance with Notifications of the OIC.

37. OTHERS

- a) As at December 31, 2018 and 2017, the Company had bank overdraft line and bank guarantees issued by local banks in favor of the Company, which were guaranteed by fixed deposit of Baht 2.0 million, certain land and buildings as discussed in Notes 9 and 10 as follows:

	In Baht	
	2018	2017
Bank overdrafts	6,950,000	7,000,000
Letter of guarantees (in the normal course of business of the Company)	20,000,000	20,000,000
Total	26,950,000	27,000,000

THE THAI SETAKIJ INSURANCE PUBLIC COMPANY LIMITED**Notes to Financial Statements (Continued)****December 31, 2018**

- b) On October 1, 2011, the Company entered into a marketing service agreement with a local company. Such local company will provide consultancy for product marketing, advice for technology usage, pre-insurance survey and implement sales promotion and marketing plans. The Company is committed to pay service fee not more than Baht 2.5 million per month, not more than Baht 30 million per year. Either party can terminate the agreement by giving the other party an advance written termination notice at least 30 days.

Since July 2017, the Company stopped receiving marketing service from such local company because the marketing service agreement was being amended, which subsequently on November 15, 2018, the Company sent a termination notice to such local company and the Company received an acknowledgement letter for such termination on November 30, 2018.

- c) On August 16, 2018, the Company entered into a claim verify service agreement with a local company whereby such local company will provide service to consult, advice, verify and gather information regarding insurer's rights to claim according to conditions in insurance policy and summarize claim report to the Company. In this regard, the Company will pay minimum monthly service fee of Baht 15,000 per month for the 1st to 6th months, Baht 30,000 per month for the 7th month onward and annual service fee of Baht 24,000 per year. This agreement shall be effective until either party terminates the agreement by giving the other party an advance written termination notice at least 90 days.

38. THAI FINANCIAL REPORTING STANDARDS NOT YET ADOPTED

The Company has not adopted revised Thai Financial Reporting Standards (TFRS) that have been issued but are not yet effective at the reporting date as follows:

TFRS	Topic	Effective date
TFRS 1	First-time Adoption of Thai Financial Reporting Standards	2019
TFRS 2 (revised 2018)	Share-based Payment	2019
TFRS 3 (revised 2018)	Business Combinations	2019
TFRS 4 (revised 2018)	Insurance Contracts	2019
TFRS 5 (revised 2018)	Non-current Assets held for Sale and Discontinued Operations	2019
TFRS 6 (revised 2018)	Exploration for and Evaluation of Mineral Resources	2019
TFRS 7	Financial Instruments: Disclosures	2019
TFRS 8 (revised 2018)	Operating Segments	2019
TFRS 9	Financial Instruments	2019
TFRS 10 (revised 2018)	Consolidated Financial Statements	2019
TFRS 11 (revised 2018)	Joint Arrangements	2019
TFRS 12 (revised 2018)	Disclosure of Interests in Other Entities	2019
TFRS 13 (revised 2018)	Fair Value Measurement	2019
TFRS 15	Revenue from Contracts with Customers	2019
TAS 1 (revised 2018)	Presentation of Financial Statements	2019
TAS 2 (revised 2018)	Inventories	2019
TAS 7 (revised 2018)	Statement of Cash Flows	2019
TAS 8 (revised 2018)	Accounting Policies, Changes in Accounting Estimates and Errors	2019
TAS 10 (revised 2018)	Events after the Reporting Period	2019
TAS 12 (revised 2018)	Income Taxes	2019
TAS 16 (revised 2018)	Property, Plant and Equipment	2019
TAS 17 (revised 2018)	Leases	2019
TAS 19 (revised 2018)	Employee Benefits	2019
TAS 20 (revised 2018)	Accounting for Government Grants and Disclosure of Government Assistance	2019
TAS 21 (revised 2018)	The Effects of Changes in Foreign Exchange Rates	2019
TAS 23 (revised 2018)	Borrowing Costs	2019
TAS 24 (revised 2018)	Related Party Disclosures	2019
TAS 26 (revised 2018)	Accounting and Reporting by Retirement Benefit Plans	2019
TAS 27 (revised 2018)	Separate Financial Statements	2019
TAS 28 (revised 2018)	Investments in Associates and Joint Ventures	2019
TAS 29 (revised 2018)	Financial Reporting in Hyperinflationary Economies	2019
TAS 32	Financial Instruments: Presentation	2019
TAS 33 (revised 2018)	Earnings per Share	2019

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TFRS	Topic	Effective date
TAS 34 (revised 2018)	Interim Financial Reporting	2019
TAS 36 (revised 2018)	Impairment of Assets	2019
TAS 37 (revised 2018)	Provisions, Contingent Liabilities and Contingent Assets	2019
TAS 38 (revised 2018)	Intangible Assets	2019
TAS 40 (revised 2018)	Investment Property	2019
TAS 41 (revised 2018)	Agriculture	2019
TFRIC 1 (revised 2018)	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2019
TFRIC 4 (revised 2018)	Determining whether an Arrangement contains a Lease	2019
TFRIC 5 (revised 2018)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	2019
TFRIC 7 (revised 2018)	Applying the Restatement Approach under TAS 29 (revised 2018) Financial Reporting in Hyperinflationary Economies	2019
TFRIC 10 (revised 2018)	Interim Financial Reporting and Impairment	2019
TFRIC 12 (revised 2018)	Service Concession Arrangements	2019
TFRIC 14 (revised 2018)	TAS 19 (revised 2018) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	2019
TFRIC 16	Hedges of a Net Investment in a Foreign Operation	2019
TFRIC 17 (revised 2018)	Distributions of Non-cash Assets to Owners	2019
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	2019
TFRIC 20 (revised 2018)	Stripping Costs in the Production Phase of a Surface Mine	2019
TFRIC 21 (revised 2018)	Levies	2019
TSIC 10 (revised 2018)	Government Assistance - No Specific Relation to Operating Activities	2019
TSIC 15 (revised 2018)	Operating Leases-Incentives	2019
TSIC 25 (revised 2018)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	2019
TSIC 27 (revised 2018)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	2019
TSIC 29 (revised 2018)	Service Concession Arrangements Disclosure	2019
TSIC 32 (revised 2018)	Intangible Assets - Web Site Costs	2019

Management expects to adopt and apply these revised TFRSs in accordance with the TFAC's announcement and is presently considering the potential impact on the Company's financial statements of these revised TFRSs.

39. APPROVAL OF FINANCIAL STATEMENTS

The Company's directors have authorized these financial statements for issue on February 28, 2019.

บริษัท ไทยเซตาκιจประกันภัย จำกัด (มหาชน)

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