



ANNUAL REPORT
2018

CHARAN INSURANCE PUBLIC COMPANY LIMITED



ANNUAL REPORT 2018

CHARAN INSURANCE PUBLIC COMPANY LIMITED

CONTENTS

001	Vision – Mission & Background
002	Chairman’s Message
003	Financial Summary
006	Operations Policy and Overview
007	General Information
008	Risk Factors and Risk Management
014	Nature of Business
016	Revenue Structure
018	Shareholding and Organization Structure
041	Corporate Governance
060	Corporate Social Responsibility (CSR)
064	Internal Controls
065	Related Party Transactions
066	Management Discussion and Analysis (MD&A)
072	Report of the Audit Committee
075	Statement of Directors’ Responsibility in respect of Financial Reports
076	Report of the Certified Public Accountant
080	Statements of Financial Position
091	Notes to the Financial Statements

“Investors can find more information about the Company from its Annual Registration Statement (Form 56-1) published on www.sec.or.th or www.charaninsurance.co.th”

Vision – Mission & Background

Vision

“Charan’s promise gives the public peace of mind.”

Mission

We are committed to serving customers’ needs through product and service development, to offering reliable assurances and to operating under good governance and management principles to deliver value and benefits to all stakeholders.

Background

The Charan Insurance Public Company Limited was established on 10 November 1949 under the name “Soon Heng Lee Insurance Company Limited”. With a starting capital of 2.0 million baht, the Company was licensed to operate all lines of non-life insurance underwriting, i.e. fire insurance, marine insurance, miscellaneous insurance and automobile insurance.

In 1975, the Company was re-registered under the new name of “Charan Insurance Company Limited”.

1980: Registered capital was increased from 2.0 million baht to 5.0 million baht.

1983: Registered capital was increased from 5.0 million baht to 10.0 million baht.

1991: Registered capital was increased to 30.0 million baht.

1992: Charan Insurance became a listed company on the Stock Exchange of Thailand with authorized share capital of 60.0 million baht comprising six million ordinary shares of 10.0 baht each.

1994: The Company was re-registered as a public company under the name “Charan Insurance Public Company Limited” with registration number Bor Mor Jor 327 (PCL 327).

2006: Charan Insurance was named **“the third winner of the Non-life Insurer of Management Excellence Award”** by the Office of Insurance Commission.


2015: The Company increased its registered capital to 120.0 million baht consisting of 12 million ordinary shares of 10.0 baht each.

Today, the Company is moving strongly into its 69th year of operations with authorized paid-up share capital of 120.0 million baht listed on the Stock Exchange of Thailand under registration number 0107537000807 (formerly Bor Mor Jor 327).

Chairman's Message

The Board of Directors recognizes and is committed to its leadership role and responsibility for overseeing the effective management of and the creation of sustainable value for the organization. Adhering to the Corporate Governance Code, the Board has defined corporate goals, objectives and strategies while monitoring performance towards competitiveness and strong results. The Board has always given primary consideration to factors beyond financial results, i.e. the Company's ethical conduct of business, respect for and responsibility to all shareholders and stakeholders, and its impact on society and the environment. Equally important is the compliance by the organization with statutory requirements, shareholder resolutions, as well as the Office of Insurance Commission's Code of Conduct and the Code of Best Practice for Listed Companies. Our good corporate governance policy has been developed from such regulatory standards and has been communicated to all members in the organization to provide guidelines for their conduct and to build confidence among our shareholders, stakeholders and all concerned.

Over the past year, the Board continued to oversee the appropriate risk management and internal controls as well as the accuracy, adequacy and timeliness of the Company's financial reporting and information disclosures in accordance with applicable requirements and standards. Priority was also given to promoting shareholder engagement and communication, ensuring rigorous, company-wide implementation of the Corporate Governance Policy and to continuously raising our good governance standards with a view to delivering stable, long-term value to the organization and all shareholders.

A handwritten signature in blue ink, reading "Sopon Kluaymai Na Ayudhya".

(Sopon Kluaymai Na Ayudhya)

Chairman of the Board

Financial Summary

Unit : Thousand Baht

	2561	2560	2559
Financial Position			
Total assets	799,506	807,480	803,714
Total liabilities	222,998	205,429	209,805
Shareholders' equity	576,507	602,051	593,909
Operating Results			
Gross premiums	188,683	198,869	211,449
Net premiums	155,854	161,956	147,262
Net losses incurred	63,833	57,855	65,783
Investment income	20,194	20,769	21,743
Operating expenditure	43,297	46,447	48,177
Net profit (loss)	6,200	13,292	25,497
Per-share Value (Baht)			
Earnings	0.52	1.11	2.12
Dividend	0.50	1.00	1.50
Book value	48.04	50.17	49.49
Financial Ratios (percent)			
Return on assets	0.77	1.65	3.18
Return on investment	2.98	3.06	3.49
Return on equity	1.05	2.22	4.32
Payout ratio	96.15	90.09	70.75

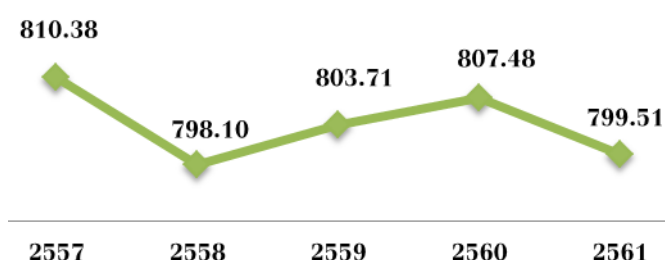
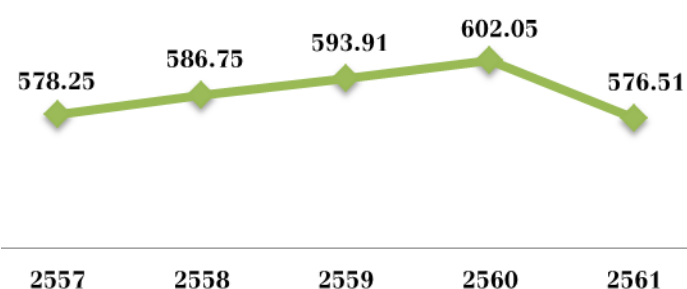
Total assets

(Unit : Million Ba)

(Unit :

Shareholders' equity

(Unit : Million Baht)

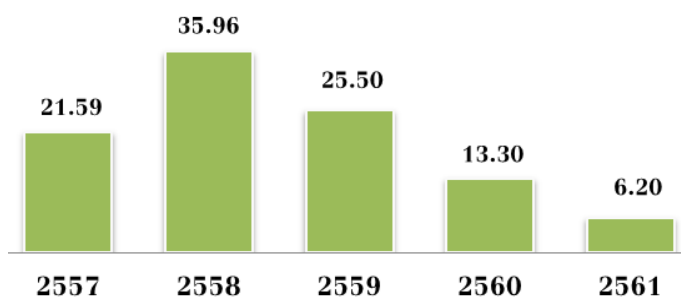
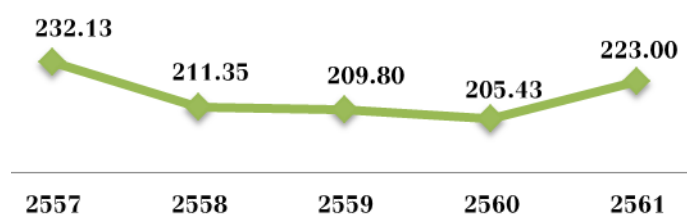


Total Liabilities

(Unit : Million Baht)

Net Profit (Loss)

Unit : Million Baht)



Composition of our income, 2018



84.91%

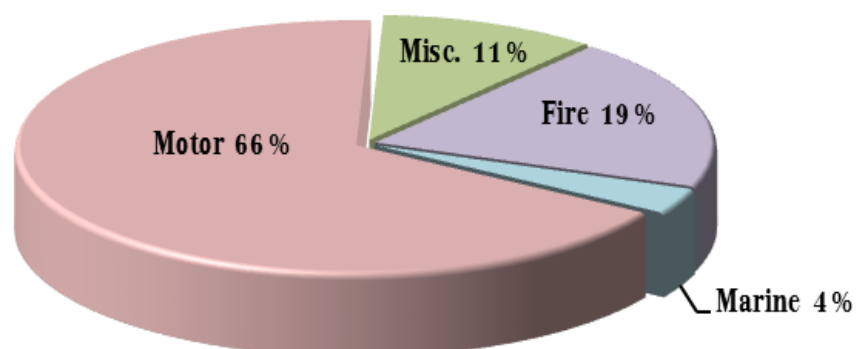


11.00%



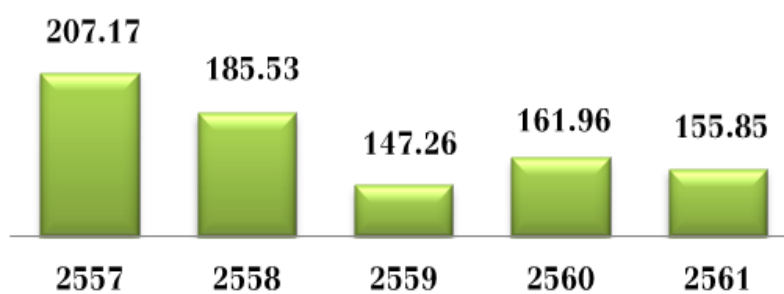
4.09%

Composition of our net premiums written, 2018



Combined net premiums written from all lines of business

(Unit : Million Baht)



Operations Policy and Overview

We aim to provide quality service to our customers and to build financial strength as well as creating ever-increasing value for our shareholders.

Overview of our business

The business operations of the Company are divided into two areas, namely:

1. Underwriting

Our core business includes all classes of non-life insurance underwriting and is divided into:

- Direct insurance refers to selling insurance through agents, brokers – individuals and firms, financial institutions, and directly to customers.
- Reinsurance refers to acceptance of risks from other non-life insurers.

The Company operates four main classes of non-life insurance underwriting, i.e.

- | | |
|--------------------------------|-------------------------|
| - Fire insurance | - |
| Marine and logistics insurance | - Miscellaneous |
| insurance | - Automobile insurance. |

2. Investment

As a non-life insurer, the Company is permitted to use its surplus funds to invest or seek returns as another major source of income. When choosing investments, we always consider the level of risk acceptable to the organization. We also ensure that the investments are liquid enough to be easily changed into cash when needed. All our investments conform strictly to the types, proportions and conditions statutorily required under the Office of Insurance Commission's Notification Re: Investment in Other Businesses by Non-Life Insurers, B.E. 2556 (2013). The Company's investments consist of loans, securities, bills, bonds, ordinary shares, debentures and bank deposits.

General Information

Company Name	: Charan Insurance Public Company Limited
Company Symbol	: CHARAN
Registration Number	: 0107537000807 (Bor Mor Jor 327)
Type of Business	: Non-life insurance
Head Office	: Charan Insurance Building, 408/1 Rachadapisek Road, Samsen-Nok, Huaykwang, Bangkok 10310
Telephone	: 0-2276-1024
Facsimile	: 0-2275-4919
E-mail	: charanins@charaninsurance.co.th
URL	: www.charaninsurance.com
Registered Paid-up Capital:	120.0 million baht
Comprising	: 12,000,000 ordinary shares
Par value	: 10.0 baht
Khon Kaen Branch	: 377/1-3 Moo 12, Tambon Muang-Kao, Amphur Muang, Khon Kaen Telephone: 0-4347-2295-6
Chiang Mai Branch	: 280-280/1 Moo 6, Chiangmai-Hangdong Road, Tambon Mae-Hia, Amphur Muang, Chiang Mai, Telephone: 0-5380-6616-8
Krabi Branch	: 305/9 Maharaj Road, Tambon Paknam, Amphur Muang, Krabi Telephone: 0-7562-4083-4
Other References :	
Registrar	: Thailand Securities Depository Company Limited 93 Rachadapisek Road, Dindaeng, Bangkok 10400 Telephone: 0-2009-9000 Facsimile: 0-2009-9991
Auditors	: Mrs. Suvimol Krittayakiern, CPA Registration No. 2982 and/or Miss Somjintana Pholhirunrat, CPA Registration No. 5599 and/or Mr. Chumpot Prairattanakorn, CPA Registration No. 7645 and/or Miss Supaporn Mangjit, CPA Registration No. 8125 of DIA International Auditing Company Limited 316/32 Sukhumvit 22 Road, Klongtoey Bangkok 10110 Telephone: 0-259-5300-2
Financial Adviser	: None

Risk Factors and Risk Management

The Charan Insurance Public Company Limited has always made risk management a high priority, as its business is concerned directly with accepting and managing risks. We have thus continuously improved the efficiency of our risk management processes in order to protect the interests of the insured, the beneficiaries and benefit claimants and to deliver long-term value to our shareholders. Having appropriate and adequate policies on risk management is therefore crucial to minimizing the impact of possible uncertainties. We also have a monitoring and review process to ensure that risks are controlled to an appropriate and acceptable level. In this regard, the Board of Directors is responsible for overseeing the risk management framework to provide assurance that each area of risk is appropriately managed to a level that is acceptable to and does not affect the organization. The risk management policies adopted and implemented by the Company during 2018 covered six areas of risks as follows.

1. Insurance Risk

Insurance risk refers to the risk of loss arising from unpredictability of frequency, severity and timing of damage that differ from the assumptions made in calculating premiums or reserves and in underwriting considerations as well as the loss or damage arising from unusual external factors, particularly those caused by geographical changes, e.g. floods, natural disasters, cataclysms, including social calamities like terrorism or robbery. All such factors can do severe damage to life and property insured by the Company. The risk factors that could negatively affect the operations include insurance claims as they represent a major expenditure uncontrollable by the Company. Another factor is the risk of unbalanced product mix resulting from focused market penetration for certain risks, because the income and claims incurred would be tied to those products so much so that they could affect the Company's performance and future financial position.

Risk management approach

Systematic risk management is in place covering from the process of risk underwriting. It is our policy to insure against those perils with a low degree of risk through careful selection of prospective clients, property, types of business and exposure of risks to be accepted and by taking into account the area's vulnerability to natural disasters. These factors would be considered based on data and statistics collected before premiums are set appropriately according to the risk. The Company also mitigates insurance risk by transferring those large risks to financially sound domestic and overseas reinsurers under different forms of reinsurance contracts such as treaty reinsurance, facultative reinsurance and excess of loss reinsurance. Such arrangements enable the Company to minimize insurance risk and ensure a rigorous, systematic process for managing claims

accurately according to actual loss.

Insurance risk is assessed from monthly risk rates using monthly reports which show financial and business positions. Moreover, the Company's Underwriting Committee monitors the risk on a quarterly basis through consistent calculation of loss ratio which is considered and reviewed at every quarterly meeting of the Committee.

2. Liquidity Risk

Liquidity risk refers to the risk of failure to meet liabilities or obligations as they fall due because of inability to realize assets or raise sufficient cash or because funds can be secured but at too high a cost to be acceptable. The risk factors that could have an adverse effect on the operations include the occurrence of unexpected large-scale damage from disastrous catastrophe which would prevent the Company from fulfilling its obligations because it is unable to convert assets into cash or raise enough fresh funds to meet the needs within the required period or because funds can be obtained at an unacceptably high cost that could cause damage to the organization.

Risk management approach

The Company gives consideration to its liquidity in the securing of cash, the management of net cash flow and investment in securities and the raising of funds from liability and capital sources to match the claims already incurred and to be incurred. This enables us to be in a position to pay all claims promptly and easily and to recover the loss from reinsurers or to recover damages from the liable party. We also comply with the regulations of the Office of Insurance Commission (OIC). By maintaining the required level of risk-based capital (RBC), we provide assurances that our capital funds available are sufficient to cover all risks written and appropriate to our business direction, while also helping to raise the standards of the insurance industry through conformity to international practices. Our liquidity risk is assessed through review of capital adequacy ratio (CAR) in the report on risk-based capital position which is measured every month, with a full valuation conducted twice a year. The level of liquidity risk acceptable to the Company is a CAR of not lower than 150%. The Executive Board also monitors liquidity risk every month through monthly calculations of CAR, and holds quarterly meetings to review and rework the approach to maintaining the Company's risk-based capital appropriate to future level of risk.

3. Operational Risk

Operational risk refers to the risk of loss resulting from failed or inappropriate systems, people, processes and internal controls.

Critical risk factors for the Company include lack of good oversight and controls caused by failures or inadequacies of internal processes, systems and people or mismatch between personnel and jobs or by external

events as well as legal risk. This kind of risk is generally found in the premiums collection process, since we operate via agents and brokers and underwriting through these distribution channels usually involves issuance and delivery of insurance policies to agents/brokers before premiums can be collected. The Company thus faces the potential risk of uncollectible premiums, should any agent/broker encounter financial or liquidity problems – a risk factor which should be given priority.

Risk management approach

We have adopted a number of measures to manage risk associated with outstanding premium collection. Written guidelines have been issued to provide clear operational guidance. There are regular meetings between all units concerned to keep updated on and review the guidelines and to monitor outstanding receivables. We have exercised rigorous credit control in line with the regulations and notifications of the Office of Insurance Commission (OIC). With collection cycles/periods fixed, the Company's Collection Unit would follow the steps set out in the procedural rules for premium collection in closely monitoring and handling all overdue accounts.

The Company assesses its operational risk, on a monthly basis, from the effective date of the insurance policy to the date the payment becomes past due. We have also put in place a process for strictly monitoring and pressing for payments of outstanding premiums, while a meeting of executives/managers of the units concerned is held quarterly to evaluate the situation. Further, a written reminder will be sent to the policyholders whose accounts are 60 days or more overdue.

4. Market Risk

Market risk refers to the risk of financial loss arising from fluctuations in values of investment assets, interest or exchange rates and others that can result in valuation losses, as well as the risk that the borrower or counterparty defaults on the terms of the agreement.

Key market risk factors for the Company are volatility of share index as a consequence of economic and political situations, as well as fluctuations in interest and exchange rates or values of equities and commodities. This is due to the fact that, apart from premium income, the other main source of revenue for any insurance business is income from investment. The Company therefore carries the risk of changes in financial instrument values resulting from changes in market factors, which can impact upon its revenue and capital position.

Risk management approach

The Company has formulated an investment policy which clearly defines the make-up of its bond-equity portfolio. Our investments are in accordance with the Office of Insurance Commission's Notification Re: Investment in Other Businesses by Non-Life Insurers, B.E. 2556 (2013) which specifies the types and

proportions/limits of securities and instruments permissible for investment. Our Investment Committee is responsible for setting specific investment goals and policies, and our careful planning takes account of any potential risks involved in investment. We focus on investing in low-risk, highly reliable securities with regular, appropriate returns, while avoiding high-risk investments such as speculative equities. The Company has its investments diversified across different asset types, i.e. bank deposits, bills, bonds, debentures, ordinary shares and unit trust investments, as they not only generate capital gains but also produce returns in the forms of interests and dividends.

We assess our market risk by considering the negative or downward change in the rate of return and value of equity which is equal to the percentage of the difference between the original and the new rate of return or value of equity, or by comparing present value with original rate of return or value of the equity. Furthermore, a risk monitoring process is in place in which the Company's Investment Committee closely follows and analyzes financial and capital market news and information in order to review and revise the investment plan and adjust the investment portfolio to the constantly changing conditions.

5. Credit Risk

Credit risk refers to the risk of loss if any counterparty fails to meet its obligations to the Company, or the possibility that a counterparty's credit rating is downgraded.

Significant risk factors facing the Company include failure by reinsurers to repay paid claims to the Company. This is because when underwriting large businesses, it is our policy to spread and share the risks with other domestic and overseas insurers under reinsurance contracts and thus, we are exposed to the risk that the counterparty is unable to meet the contractual obligations. In addition, there is probability that the credit rating of a counterparty is lowered – a situation that can produce damaging effects on the Company.

Risk management approach

Consideration is given to the credit rating and financial stability of overseas reinsurers. Although the Office of Insurance Commission (OIC) sets the standard rating of "BBB+" (S&P Rating), in practice the Company generally narrows down the list of reinsurers to be selected to those rated "A-" or above only. We also follow such ratings regularly to ensure up-to-the-minute information. With regard to domestic reinsurers, the OIC has established the minimum standard of capital adequacy ratio (CAR) at 140% [as per the capital adequacy report of the latest quarter before the date of our assessment]. However, we have opted to consider those reinsurers with a minimum CAR of 150% [as per the capital adequacy report of the latest quarter before the date of our assessment]. Moreover, the Company has managed credit risk by setting aside, before and after reinsurance cession, sufficient loss reserve to cover losses incurred and not yet incurred. We have obtained extra protection through excess of loss reinsurance contracts as well as engaging the services of reinsurance agents and brokers to

help identify reliable domestic and overseas reinsurers that meet our criteria.

On risk assessment, the Company uses the CAR information, obtained from the capital adequacy report of the latest quarter before the date of our assessment, which is posted on the website of each domestic reinsurer. Another consideration is the credit ratings of overseas reinsurers given by such credit agencies as S&P or Moody's. With regard to risk monitoring process, we ensure the CARs of domestic reinsurers are considered and monitored every three months, while also keeping track of foreign reinsurers' credit ratings on a quarterly basis.

6. Strategic Risk

Strategic risk refers to the risk that policies, operating strategies and plans are formulated and implemented in such a way that is not appropriate to nor consistent with internal and external factors.

Key strategic risk factors inherent in the Company include the setting and implementation of policies, strategic plans and operating plans in such a way that is inappropriate to or inconsistent with internal factors or external circumstances, thus impacting on the income, capital funds or continued existence of the business. Records of income over the past year show that the Company has earned insurance premiums largely from the expanded channels of brokers and agents as clearly seen from the figures of compulsory motor insurance premiums which represented about 76% of overall motor premiums. We are aware of the risk of excessive reliance on any particular business channel which can affect our income in the future.

Risk management approach

The Company has made efforts to select and maintain an increasing number of quality agents and brokers so as to create a balance between all channels of income, as this can help reduce the risk of excessive dependence on any particular channel. In the selection of agents and brokers, it is our policy to take account not only of their sales capability but also of their financial status, business background and ability to pay premiums. A control measure has also been introduced requiring all agents and brokers to provide collateral or guarantors within the credit limit set by the Company.

In the assessment of strategic risk, consideration is given to the difference between the current year's and the previous year's net premiums written expressed as a percentage, i.e. a percentage decrease would be regarded as higher strategic risk. Every month, a meeting is also held by the Executive Board – especially with the Marketing Department – to review, improve and rework the Company's marketing policies. Such regular policy revision will help reduce marketing difficulties and increase capacity for expanding customer reach as a means to mitigate the risk of business concentration and realign the operations to the current situation.

The review of our risk management performance in 2018 indicates that all risk management plans have been duly implemented. In overall terms, our capital adequacy ratio as at 31 December 2018 was 273%

which was considered an acceptable position, i.e. higher than the criterion of 150%. Among the results of our plan implementation across all six areas of risk, only insurance risk or combined ratio was found to be slightly above the acceptable level. The Company has since taken steps to control the risk and to ensure that it remains within an acceptable level.

Nature of Business

Products and Services

Fire insurance

Is the protection against property loss or damage caused by fire, lightening and explosion of lighting- or domestic-use gas. Insurance cover can be taken out for any properties located within the kingdom such as constructions, buildings, dwellings, commercial buildings, manufacturing plants, building contents, stock of merchandise, furniture as well as machinery and raw materials. It also provides additional coverage for other perils, e.g. windstorm, flood, earthquake, hailstorm, electrical derangement, etc.

Marine and logistics insurance

Protects domestic and international freight shipped by sea, air, road or rail. It provides coverage against any loss of or damage to imported and exported goods in transit caused by sea perils or natural forces. Extra protection can also be offered against other risks such as theft, war, riot or strike.

Miscellaneous insurance provides various types of coverage including:

- Personal and Group Accident Insurance
- Money Insurance
- Erection Insurance
- Liability Insurance
- Leasehold Insurance
- Bail Bond Insurance
- Fidelity Guarantee
- Watercraft Passenger Insurance
- Unemployment Insurance
- Elderly Care Insurance
- Boiler and Pressure Vessel Insurance
- Category 3 Licensed Business Liability Insurance
- Hazardous Substance Road Transport Liability Insurance
- Product Liability Insurance
- Small-Business All-Risks Insurance
- Terrorism Property Insurance
- Travel Accident Insurance
- Burglary Insurance
- Construction Insurance
- All-Risks Insurance
- Plate Glass Insurance
- Cancer Insurance
- Golfers Insurance
- Surveyors Insurance
- Gold Shop Insurance
- Workmen's Compensation Insurance
- Machinery Breakdown Insurance

- Microinsurance Policy

Automobile insurance

covers risks arising from use of motor vehicle. Protection ranges from loss of and damage to the vehicle itself and theft of auto accessories, to injury, loss of life and property of both the driver and passengers of the vehicle, as well as loss of life and property of third party. It also provides extra coverage such as driver bail bond. Auto insurance is divided into:

- *Compulsory insurance* refers to the minimum legally required insurance aimed at protecting against loss of life of and bodily injury to motor accident victims.

- *Voluntary insurance* refers to the insurance taken out voluntarily by vehicle owner and not imposed by law. Its coverage can be classified into the following five categories:

Category 1 : protects against loss of or damage to the insured vehicle or auto accessories as well as personal injury and loss of life including legal liability towards third parties for death, bodily injury and property damage.

Category 2 : covers loss of or damage to the insured vehicle caused by theft and fire only as well as legal liability for third-party death, bodily injury and property damage.

Category 3 : covers only legal liability towards third parties for death, bodily injury and property damage.

Category 4 : protects against legal liability for third-party property only.

Category 5 : covers loss of or damage to the insured vehicle caused by theft, fire and road traffic collision as well as legal liability towards third parties for death, bodily injury and property damage.

Revenue Structure

The Company's revenue is made up of two major components, i.e. premium income and investment income. A comparative breakdown of income for the years ended 31 December 2018, 2017 and 2016 is shown below.

Line of business	2018		2017		2016	
	Value	Percentage	Value	Percentage	Value	Percentage
	(mln bht)	(%)	(mln bht)	(%)	(mln bht)	(%)
1. Net premiums written *						
1.1 Net fire premiums	30.29	16.51	31.69	16.43	44.48	24.87
1.2 Net marine premiums	5.62	3.05	5.33	2.76	4.89	2.73
1.3 Net automobile premiums	102.43	55.81	108.04	56.00	94.66	52.93
1.4 Net miscellaneous premiums	17.51	9.54	16.90	8.76	3.23	1.81
Total	155.85	84.91	161.96	83.95	147.26	82.34
2. Investment income	20.19	11.00	20.77	10.76	23.28	13.02
1. Net premiums written *	7.51	4.09	10.20	5.29	8.29	4.64
1.1 Net fire premiums	183.55	100.00	192.93	100.00	178.83	100.00

* Net of premiums returned, cancelled and ceded.

Market and Competitive Environment

In 2018, there were a total of 59 companies in Thailand's non-life insurance market. Of these, 54 were non-life insurers, one was a jointly-owned company established pursuant to the Road Accident Victims Protection Act, B.E. 2535, and the other four were health insurance providers. The non-life insurance industry generated an aggregate of 169,523,877 million baht in direct premiums.

[Source: The Insurance Premium Rating Bureau's figures for January-September 2018]

Direct Premiums Written by Non-Life Insurance Industry

Unit : Million Baht

Type of insurance	Direct premiums		
	2018	2017	Increase (Decrease) %
Fire	7,850	9,839	(20.22)
Marine	4,191	5,301	(20.94)
Motor	99,802	127,510	(21.73)
Miscellaneous	57,679	76,957	(25.05)
All-risks	16,127	25,236	(36.10)
Liability	1,992	2,966	(32.84)
Personal accident	21,391	28,757	(25.61)
Health	7,007	9,203	(23.86)
Others	11,160	10,795	3.38
Total	169,523	219,607	(22.81)

Strategy and Competition

The Company is aware of the impact of domestic and global economic conditions and changes to industry regulations, and of the need to satisfy international regulatory requirements. We have thus placed great emphasis on efficient management by assessing our risk-based capital adequacy and applying the assessment results to plan our 3-5 year business and capital management strategies in ensuring maximum benefit to all our stakeholders. Our business goals are aimed not only at achieving results, but also at weighing value against risk in each area as well as the long-term effects on our capital funds and the benefit to all stakeholders.

To build up customer confidence and serve the growing future market, we have therefore focused on developing insurance innovations and expanding our business through quality, customer-oriented products while avoiding price competition. Our approach includes: operating with good governance and effective management towards sustainable growth; diversifying channels of distribution; enhancing service and personnel quality; improving IT systems and adopting new technologies to increase work efficiency and effectiveness and support the expanding business. These measures will help us ensure efficient provision of quality services that promptly meets customers' needs and reach a wider group of consumers.

Shareholding and Organization Structure

Shareholders

The list of the Company's top ten shareholders, with number and percentage of shares held as at the last record date of 20 March 2018, is set out below.

Name		Number of shares held	Percentage of shares held
1. Mr. Sukich	Charanvas	2,096,844	17.47
2. Mr. Vichien	Srimuninnimit	1,078,000	8.98
3. Mr. Kittipong	Charanvas	707,000	5.89
4. Mr. Kitti	Charanvas	692,000	5.77
5. Bangkok Insurance Public Company Limited		578,000	4.82
6. Mr. Yongyuth	Charanvas	538,080	4.48
7. Mrs. Elizabeth	Charanvas	467,200	3.89
8. Mr. Nibhond	Charanvas	412,800	3.44
9. Second Lieutenant Designate Nantachai Mueanpitak		172,100	1.43
10. Mr. Sittichai	Kueakiatngam	150,000	1.25
11. Mr. Santinirund	Chaopramuakul	150,000	1.25

Note: The above shareholders have not entered into any agreement that has a material impact on the Company or other shareholders.

Dividend Policy

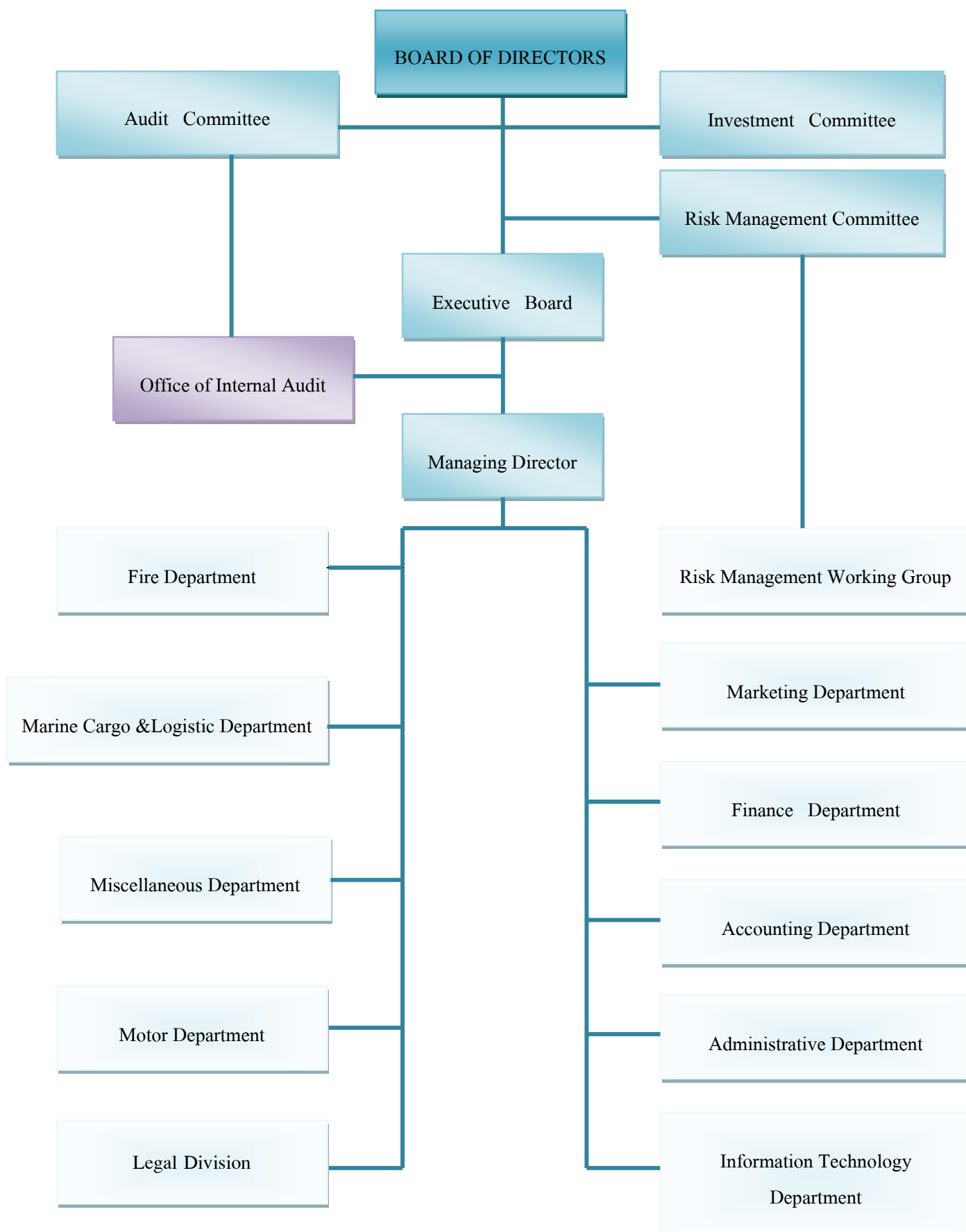
It is the policy of the Company to distribute not less than 60% of its net profit to shareholders as dividends. An annual dividend may be determined by the Board of Directors and must be approved by a general meeting of the Company.

Five-Year Comparison of Dividends Paid

Year	2018*	2017	2016	2015	2014
Net profit per share (baht)	0.52	1.11	2.12	3.00	1.80
Dividend per share (baht)	0.50	1.00	1.50	2.00	12.50
Payout ratio (%)	96.15	90.09	70.75	66.67	694.44

Note: The above dividend is subject to approval by shareholders at the Annual General Meeting No. Bor Mor Jor 26 on 24 April 2019, and is scheduled to be paid on 24 May 2019.

Organization Chart of Charan Insurance Public Company Limited



Board of Directors

Name	Mr. Sopon Kluaymai Na Ayudhya
Position	Chairman of the Board
Age	67
Date of first appointment as a Director	17 January 2008
Charan shareholding at 31 December 2018	Individual : None Spouse : None
Education	Master of Business Administration Texas Christian University, U.S.A.
Training	Director Certification Program (DCP) 105/2008, Thai Institute of Director (IOD)
Position in other Company	None
Experience in the past five years	Chairman of the Board, Charan Insurance PCL
Criminal records in the past ten years	None

Name	Mr. Sompol Chaiyachow
Position	Chairman of the Audit Committee and Independent Director
Age	72
Date of first appointment as a Director	11 March 2003
Charan shareholding at 31 December 2018	Individual : None Spouse : None
Education	Master of Business Administration Texas ADI University, U.S.A.
Training	Director Certification Program (DCP) 45/2005, Thai Institute of Director (IOD)
Position in other Company	None
Experience in the past five years	Chairman of the Audit Committee and Independent Director, Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Mrs. Poodpong Arsingsamanunta
Position	Member of the Audit Committee and Independent Director
Age	70
Date of first appointment as a Director	22 September 2006
Charan shareholding at 31 December 2018	Individual : None Spouse : None
Education	Master of Business Administration Ramkhamhaeng University
Training	Director Accreditation Program (DAP) 2007, Thai Institute of Director (IOD)
Position in other Company	None
Experience in the past five years	Member of the Audit Committee and Independent Director, Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Mr. Vorayuth Charoenloet
Position	Member of the Audit Committee and Independent Director
Age	69
Date of first appointment as a Director	13 June 2002
Charan shareholding at 31 December 2018	Individual : 0.0017% Spouse : None
Education	Master of Economics, Pittsburgh State University, U.S.A.
Training	Director Accreditation Program (DAP) 45/2005, Thai Institute of Director (IOD)
Position in other Company	None
Experience in the past five years	Member of the Audit Committee and Independent Director, Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Mr. Sukich Charanvas
Position	Managing Director and Secretary to the Board of Directors
Age	73
Date of first appointment as a Director	1 January 1974
Charan shareholding at 31 December 2018	Individual : 17.47% Spouse : 3.89%
Education	Master of Civil Engineering, California State University at Long Beach, U.S.A.
Training	Director Certification Program (DCP) 45/2005, Thai Institute of Director (IOD)
Position in other Company	None
Experience in the past five years	Managing Director and Secretary to the Board of Directors, Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Mr. Pon Titipanichayangoon
Position	Executive Director and Manager, Automobile Department
Age	69
Date of first appointment as a Director	1 July 1985
Charan shareholding at 31 December 2018	Individual : 0.83% Spouse : 0.07%
Education	Diploma, Bangkok Commercial College
Training	Director Accreditation Program (DAP) 40/2005, Thai Institute of Director (IOD) Insurance Management Development Program 7/1996, Thammasat University
Position in other Company	None
Experience in the past five years	Executive Director and Manager Automobile Department, Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Mr. Kittipong Charanvas
Position	Executive Director and Assistant Managing Director
Age	45
Date of first appointment as a Director	26 May 2010
Charan shareholding at 31 December 2018	Individual : 5.89% Spouse : None
Education	Bachelor of Science in Business Administration - General Management, City University of Seattle, U.S.A.
Training	Insurance Management Development Program 14/2006, Chulalongkorn University
Position in other Company	None
Experience in the past five years	Executive Director and Assistant Managing Director, Charan Insurance PCL.
Criminal records in the past ten years	None

Executive and Administrative Officers

Name	Mr. Kitti Charanvas
Position	Assistant Managing Director (Marketing)
Age	48
Charan shareholding at 31 December 2018	Individual : 5.77% Spouse : None
Education	Bachelor of Arts Business Management, Whitworth University, U.S.A
Training	Insurance Management Development Program 22/2016, Chulalongkorn University
Position in other Company	None
Experience in the past five years	Assistant Managing Director (Marketing) Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Mr. Somchai Wongwichyakorn
Position	Marketing Manager
Age	64
Charan shareholding at 31 December 2018	Individual : None Spouse : None
Education	Bachelor of Arts in Political Science Ramkhamhaeng University
Training	None
Position in other Company	None
Experience in the past five years	Marketing Manager Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Miss Sudarat Wiwattanadej
Position	Accounting Manager
Age	65
Charan shareholding at 31 December 2018	Individual : 0.01% Spouse : None
Education	Bachelor of Accounting University of the Chamber of Commerce
Training	Insurance Management Development Program 5/1993, Thammasat University
Position in other Company	None
Experience in the past five years	Accounting Manager Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Miss Kanyawan Trisaksuriyan
Position	Finance Manager
Age	63
Charan shareholding at 31 December 2018	Individual : 0.01% Spouse : None
Education	Bachelor of Business Administration Dhonburi Rajabhat University
Training	Insurance Management Development Program 5/1993, Thammasat University
Position in other Company	None
Experience in the past five years	Finance Manager Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Mrs. Somjai Bunditkitsada
Position	Manager, Fire Department
Age	62
Charan shareholding at 31 December 2018	Individual : None Spouse : None
Education	Diploma, Bangkok Commercial College
Training	Insurance Management Development Program 7/1996, Thammasat University
Position in other Company	None
Experience in the past five years	Manager, Fire Department Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Miss Punrada Ayucharoenkul
Position	Manager, Miscellaneous Department
Age	54
Charan shareholding at 31 December 2018	Individual : None Spouse : None
Education	Diploma, Ratchadamnern-Thonburi College
Training	Insurance Management Development Program 11/2002, Chulalongkorn University
Position in other Company	None
Experience in the past five years	Manager, Fire Department Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Mr. Nopadol Suwankareekul
Position	Manager, Information Technology Department
Age	48
Charan shareholding at 31 December 2018	Individual : None Spouse : None
Education	Master of Business Administration Sripratum University
Training	None
Position in other Company	None
Experience in the past five years	Manager, Information Technology Department Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Mr. Wisith Limcharoensuk
Position	Manager, Marine Cargo and Logistics Department
Age	48
Charan shareholding at 31 December 2018	Individual : None Spouse : None
Education	Master of Business Administration Sripratum University
Training	None
Position in other Company	None
Experience in the past five years	Manager, Information Technology Department Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Mrs. Promporn Lamdabpang
Position	Administration Manager
Age	49
Charan shareholding at 31 December 2018	Individual : None Spouse : None
Education	Bachelor of Business Administration in Accounting Chandrakasem Rajabhat University
Training	None
Position in other Company	None
Experience in the past five years	Administration Manager Charan Insurance PCL.
Criminal records in the past ten years	None

Name	Mr. Kosit Angkasuwan
Position	Assistant Managing Director (Risk Management)
Age	48
Charan shareholding at 31 December 2018	Individual : None Spouse : None
Education	Master of Science (Information Technology) King Mongkut's University of Technology Thonburi
Training	None
Position in other Company	None
Experience in the past one years	Assistant Managing Director (Risk Management) Charan Insurance PCL.
Criminal records in the past ten years	None

Chairman of the Board

The authority and responsibilities of the Chairman of the Board are as follows:

1. Convene a meeting of the Board;
2. Chair all Board meetings and general meetings and ensure that each meeting is conducted in accordance with the Company's Articles of Association and the published agenda;
3. Have the casting vote where there is an equality of votes at a meeting of the Board;
4. Perform any other statutory duties specifically required of a chairman of the board in line with the Company's Articles of Association and Corporate Governance Code.

Board of Directors

The Board of Directors is comprised of seven members, i.e. three Executive Directors, one Non-Executive Director, and three Independent Directors who serve on the Audit Committee.

Name	Position	Date appointed
1. Mr. Sopon Kluaymai Na Ayudhya	Chairman of the Board	17/01/2008
2. Mr. Sompol Chaiyachow	Audit Committee Chairman and Independent Director	11/03/2003
3. Mrs. Poodpong Arsingsamanunta	Audit Committee Member and Independent Director	22/09/2006
4. Mr. Vorayuth Charoenloet	Audit Committee Member and Independent Director	13/06/2002
5. Mr. Pon Titipanichayangoon	Director	01/07/1985
6. Mr. Kittipong Charanvas	Director	26/05/2010
7. Mr. Sukich Charanvas	Managing Director and Secretary to the Board	01/01/1974

The Board of Directors is responsible for the overall control of corporate activities in line with regulatory requirements, the Company's objectives and Articles of Association as well as resolutions of shareholders' meetings. The Board may designate any Director(s) or any other person(s) to undertake any task on its behalf and in such cases the signatures of any two Directors, together with the Company seal, would be required to be binding upon the Company.

The authority and responsibilities of the Board of Directors are as follows:

1. Determine policies, vision, mission, strategies, goals and direction of the Company as well as overseeing the effective and efficient implementation by the Management;

2. Consider and decide upon significant matters concerning the Company's activities such as business policies and plans, management authority, acquisition or disposal of assets and any other statutory transactions, except where such matters or transactions require the approval of a general meeting;

3. Consider the appointments of Independent Directors and Audit Committee members or recommend their appointments to the general meeting for approval, by taking account of qualifications and disqualifications of independent directors and audit committee members prescribed by securities and exchange laws;

4. Consider and endorse the nominations and appointments to the Management, of qualified candidates with suitable knowledge and capabilities as well as valuable experience;

5. Oversee the appropriate system of internal controls and risk management that ensures an acceptable level of risks and effective achievement of objectives as well as conformity with the law, the Company's standards and Articles of Association and with the best practice principles of honesty, justification and prudence;

6. Consider and recommend Directors' remuneration and annual dividend payout for the approval by a general meeting;

7. Oversee the organization's drive for innovation and technology adoption to develop capacity for increasing business opportunities and enhancing the operations; oversee the Company's IT risk management and ensure: that there is ongoing compliance with IT-related laws, regulations and standards; that data security measures are in place to protect the confidentiality, reliability and availability of data and to safeguard against improper use or unauthorized modification of data; and that there are measures to manage incidents affecting IT system's security in ensuring the organization's ability to achieve its principal goal and objective;

8. Oversee the objectivity and completeness of the Company's financial reporting and disclosures of significant information including resolutions and minutes of general meetings, while also ensuring that all financial statements, annual reports, and Annual Registration Statements (Form 56-1) reflect accurately the Company's financial position, financial liquidity and operating performance in a timely, adequate manner and in accordance with applicable regulations, standards and guidelines.

Managing Director

Authority and Responsibilities of the Managing Director:

The Managing Director of the Company is authorized to act on behalf of the Board of Directors as follows:

1. Managing the business in accordance with the Company's objectives, Articles of Associations and delegated authority as well as resolutions of Board meetings, while having authority over all staff and

employees of the Company. In the management of the operations, the Managing Director is responsible to the Board of Directors.

2. Setting terms of employment for staff/employees as well as issuing orders and notifications concerning day-to-day and operational management of the Company in line with corporate rules, Board resolutions, the labour law and other applicable laws.

3. On business/activities involving external parties, the Managing Director and the signatory Directors are authorized to act on behalf of and bind upon the Company within the scope of the delegated authority specified under paragraph 1 above. However, if the Managing Director or the authorized Director(s) is an interested party or constitutes a conflict of interest with the Company in such transactions, then the transactions can only be conducted with the approval and resolution of a Board meeting attended only by Independent Directors. In this respect, the Managing Director and the signatory Directors may designate any person to undertake a particular task or transaction on their behalf.

4. Ensuring that any transactions over his authorized limit must be submitted to the consideration and approval of the meeting of the Board according to the Company's Articles of Association or other applicable laws.

5. Employing, appointing, promoting and terminating staff and employees, assigning them to posts as well as raising their salaries, and taking disciplinary measures against them where appropriate. These do not include, however, any staff members or employees where established rules specifically mandate that employment, appointment, assignment of post and taking of disciplinary action in respect of such staff are under the authority of the Board of Directors.

6. Managing the operations in accordance with the statutory rules and provisions, i.e. the Civil and Commercial Code, the law governing non-life insurance business, the Non-Life Insurance Act, the Public Limited Companies Act and other applicable laws in force currently and in the future. In addition to integrity and fairness, the Managing Director is required to discharge his duties with the best of his ability and prudence in achieving the Company's established objectives.

Audit Committee

The Audit Committee is composed of:

Name		Position
1. Mr. Sompol	Chaiyachow	Chairman of the Audit Committee
2. Mr. Vorayuth	Charoenloet	Member of the Audit Committee
3. Mrs. Poodpong	Arsingsamanunta	Member of the Audit Committee

Authority and Responsibilities of the Audit Committee

The Audit Committee of the Company is responsible to the Board of Directors for discharging the following duties:

1. To review and ensure the completeness and objectivity of the Company's financial reports, financial statements and financial disclosure process in accordance with generally accepted accounting standards as well as the adequacy of disclosures;

2. To review and ensure the appropriateness and effectiveness of the Company's systems of internal control and internal audit; and to assess the independence of the internal audit function as well as recommending the appointment, transfer or termination of the head of internal audit or the head of any unit/department responsible for internal audit. In fiscal 2018, the Company engaged Thirty-Four Audit Office Company Limited to conduct a review of its internal control system.

3. To review compliance by the Company with the law governing securities and exchange, regulations of the Stock Exchange of Thailand (SET) and any other applicable laws;

4. To consider and recommend the appointment of external auditors, on the basis of their independence, and approval of their remuneration as well as recommending the termination of their appointment; and to meet with the external auditors at least once a year, without the participation of the Management. In 2018, DIA International Auditing Company Limited was engaged as external auditors to the Company.

5. To ensure compliance of related-party-transaction disclosures and conflict-of-interest disclosures with the law and the Stock Exchange's regulations in providing assurance that all transactions are justified and conducted in the best interests of the Company;

6. To report, in the Company's annual report, the activities of the Audit Committee during the year. The report is to be signed off by the Committee Chairman and should include the following information, at a minimum:

- a) Opinion on the objectivity, completeness and reliability of the Company's financial reports;
- b) Opinion on the adequacy of the Company's internal control system;
- c) Opinion on compliance with the law governing securities and exchange, Stock Exchange's regulations and other applicable laws;
- d) Comments on the suitability of the auditors;
- e) Opinion about transactions with potential conflict of interest;
- f) Number of meetings held by the Audit Committee and attendance by each Committee member at such meetings;
- g) Overall opinion on the Audit Committee's performance in accordance with the Committee Charter;

- h) Other matters considered useful to shareholders and general investors that falls within the scope of the Committee's responsibilities delegated by the Board.
7. To undertake any other tasks assigned by the Board and agreed by the Committee.

Term of appointment of the Audit Committee

Audit Committee Chairman : 3 years

Audit Committee Members : 3 years

All Directors are eligible for re-election at the end of their appointment.

Executive Board

The Executive Board consists of Executive Directors appointed by the Board of Directors. The term of appointment of the Executive Board members expires according to their term of directorship or executive office.

The current composition of the Executive Board is as follows:

Name		Position
1. Mr. Sukich	Charanvas	Managing Director
2. Mr. Pon	Titipanichayangoon	Executive Director
3. Mr. Kittipong	Charanvas	Executive Director

Authority and Responsibilities of the Executive Board

1. To oversee and ensure that the Management's performance is in accordance with the policies and plans mandated by the Board of Directors;
2. To formulate, for submission to the Board, the policies, plans, budgets and guidelines for the Company's business operations;
3. To oversee and ensure that the Company complies with the law governing securities and exchange, the Non-Life Insurance Act, the Public Limited Companies Act and other applicable laws as well as the requirements and notifications of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission;
4. To ensure that the Company conforms to generally accepted accounting standards and that all financial reports/statements are prepared in a way that gives a true and fair view of the Company's financial position and results;
5. To assess and analyze the risks inherent in the Company's business and to develop, for consideration by the Board, appropriate measures to manage such risks;
6. To perform any other tasks assigned by the Board of Directors.

The Executive Board is required to meet once every month at the minimum.

Executive Officers

The Executive Officers of the Company are:

- | | | | |
|-----|---------------|-----------------|--|
| 1. | Mr. Kitt | Charanvas | Assistant Managing Director (Marketing) |
| 2. | Mr. Kosit | Angkasuwan | Assistant Managing Director (Risk Management) |
| 3. | Mr. Somchai | Wongwichayakorn | Marketing Manager |
| 4. | Miss Sudarat | Wiwattanadej | Accounting Manager |
| 5. | Miss Kanyawan | Trisaksuriyan | Finance Manager |
| 6. | Mrs. Somjai | Bunditkitsada | Manager, Fire Department |
| 7. | Mr. Wisith | Limcharoensuk | Manager, Marine Cargo and Logistics Department |
| 8. | Miss Punrada | Ayucharoenkul | Manager, Miscellaneous Department |
| 9. | Mr. Nopadol | Suwankareekul | Manager, Information Technology Department |
| 10. | Mrs. Promporn | Lamdabpang | Administration Manager |

Investment Committee

The Investment Committee is made up of Executive Directors and executive officers appointed by the Board of Directors. The term of appointment of committee members expires according to the individual's term in office.

- | | | | |
|----|---------------|--------------------|--------------------|
| 1. | Mr. Sukich | Charanvas | Managing Director |
| 2. | Mr. Pon | Titipanichayangoon | Executive Director |
| 3. | Mr. Kittipong | Charanvas | Executive Director |
| 4. | Miss Sudarat | Wiwattanadej | Accounting Manager |
| 5. | Miss Kanyawan | Trisaksuriyan | Finance Manager |

Responsibilities of the Investment Committee

1. To develop, for approval by the Board of Directors, an investment policy framework;
2. To formulate investment plans and ensure that they are in line with the Board-approved policy framework and risk management policies as well as meeting the requirements of the OIC and applicable laws;
3. To devise guidelines on investment risk management;
4. To draw up the Company's investment procedures;
5. To oversee and ensure that the Company's investments are in accordance with the investment policy framework, the investment plans and procedures, and the risk management policies approved by the Board;

6. To review and revise the investment policy framework and the investment plans to suit the changing circumstances before submitting them to the Board for approval;

- 7. To approve investments in securities;
- 8. To approve general loans;
- 9. To approval sale of immovable property.

The Investment Committee is required to meet at least four times a year.

Risk Management Committee

The Risk Management Committee consists of at least five Directors and executives. The term of committee members expires according to the individual's term of directorship or executive office. The Risk Committee is required to meet once every quarter at a minimum

Responsibilities of the Risk Management Committee

- 1. Formulating, for submission to the Board, the Company's risk management policy covering major risks such as strategic risk, insurance risk, liquidity risk, operational risk, market risk and credit risk; the scope of risk management shall include core activities of the Company, i.e. product design and development, premium rating, premium collection, insurance underwriting, claims management, reinsurance, investment in other businesses, and asset and liability valuation.
- 2. Overseeing the development and implementation of the enterprise risk management framework;
- 3. Reviewing risk management reports so as to monitor major risks and take necessary steps to ensure adequate and appropriate risk management within the organization;
- 4. Reporting to the Board of Directors on the Company's overall risk management performance, including the adequacy of internal controls in managing major risks;
- 5. Providing advice to all units/departments responsible for risk management as well as finalizing input into the improvement of risk management systems.

Board's Self-assessment

A self-assessment is conducted collectively by the Board of Directors at least once a year. The evaluation allows the Board to review its own performance as well as issues and challenges arising over the preceding year while also helping to increase the Board's effectiveness.

On Board committees' assessment

The Company has introduced self-appraisal for the committees of the Board, i.e. the Executive Board and the Audit Committee, to ensure conformity with the corporate governance assessment guidelines which recommend a minimum of one annual appraisal.

As regards Managing Director's assessment

The Board has ensured that performance evaluation of the Managing Director is conducted annually against the assessment indicators and criteria that are linked to strategic plan achievements in order to determine appropriate remuneration and incentive package.

Performance review is carried out using a form which has been adapted from the Stock Exchange of Thailand's templates for board self-evaluation and CEO appraisal to fully and properly suit the Company's specific needs. Assessment results are also communicated to the Board of Directors so as to be analyzed and help improve performance efficiency and effectiveness.

Nomination of Directors and Executives

On **director nomination process**, the Board of Directors has set the policy of ensuring diversity in Board composition. Consideration is given to the elements still lacking on the Board such as skills, profession and specialization which can add to the strength and diversity of the Board. In selecting persons to be nominated as company directors or independent directors, the Board of Directors shall meet to consider the nominations before recommending them to the shareholders' meeting for approval and appointment. Appointments to the Board are subject to final approval by a majority vote of the shareholders present and voting at the annual general meeting. The framework for appointment and election of directors is stipulated in the Company's Articles of Association, as follows:

1. The number of directors of the Company shall not be less than five but shall not be more than fifteen. At least half of the directors must be residents of the Kingdom.
2. The directors shall be elected by a general meeting. Each shareholder shall have one vote for every share held. Election of directors shall be decided by a majority of votes. In the case of an equality of votes, the chair of the meeting shall have a casting vote.
3. At every annual general meeting, one third of the directors shall retire by rotation. A director retiring by rotation may then be re-elected.
4. A general meeting may, by resolution, remove a director before the expiration of that director's period of office. Such resolution must be passed by a vote of not less than three-fourths of the shareholders present and entitled to vote and which represents, in aggregate, not less than half of the total number of shares held by the shareholders present and entitled to vote.

An appointment to fill a directorship vacancy arising other than from term of office expiry is subject to approval by a vote of not less than three-fourths of all the remaining Directors at a Board meeting. A director who is appointed in this way shall serve the remaining term of office of the vacated directorship.

Our executive nomination process ensures that the individuals selected for appointment are suitable, skilled and experienced in non-life insurance business to provide assurance that the new officers can discharge their duties and help manage the Company's activities towards the achievement of the established goals and objectives. The selection and nomination are carried out in accordance with the Company's human resource management rules and results are reported to the Board of Directors.

Independent Directors

The Company's Articles of Association stipulate that at least one-third of Board membership shall be independent and the Board shall comprise a minimum of three independent directors, and that independent directors are appointed to the Board by the Board of Directors or by the general meeting (as the case may be).

Based on the company director selection standards, the criteria for selecting an independent director shall take into account the qualifications and disqualifications of directors prescribed by the Public Limited Companies Act, the law governing securities and exchange as well as other applicable regulations and/or notifications. An independent director is a director who: is suitably and professionally qualified, specialized and experienced; and is able to exercise independent judgement on the direction of business operations in promoting the organization's good governance and management. Any nominated person who meets all such requirements shall be proposed to the shareholders' meeting for appointment as company director. If an independent director vacates office before completing the term of appointment, the Board of Directors may appoint a replacement member who meets the above requirements to fill the vacancy. A director so appointed shall serve only the remaining term of office of the independent director he/she replaces.

The Board of Directors has established the requirements for an independent director as follows.

1. Not holding more than 1% of the total number of voting shares of the Company or any of its major shareholders or controlling parties. The number of shares held shall include those owned by any person related to such independent director.
2. Neither being an executive director, employee, staff member or adviser receiving regular compensation from, nor being a controlling person of the Company or any of its major shareholders or controlling parties, either currently or within at least two years prior to appointment as independent director.
3. Not being a relation, either by blood or by law, of any director, executive, major shareholder, controlling party or any person being nominated as a director, executive or controlling party of the Company. A relation shall include father, mother, spouse, sibling and child including son- or daughter-in-law.
4. Not having any business relationships with the Company or any of its major shareholders or controlling parties in such a way that may prevent the exercise of his/her independent judgement, and neither

being nor having previously been a significant shareholder or controlling person of any party that has business relationships with the Company or any of its major shareholders or controlling parties, either currently or within at least two years prior to appointment as independent director.

5. Neither being an auditor to the Company or any of its major shareholders or controlling parties, nor being a significant shareholder (owning more than 10% of the total number of voting shares, including those owned by any related person), a controlling person or a partner of an audit firm which is the affiliation of any of the Company's auditors, major shareholders or controlling parties, either currently or within at least two years prior to appointment as independent director.

6. Neither being a provider of any professional services, including legal or financial advice, that receives payments exceeding two million baht per year from the Company or from any of its major shareholders or controlling parties, nor being a significant shareholder, a controlling person or a partner of such professional service provider, either currently or within at least two years prior to appointment as independent director.

7. Not being a director who has been appointed to represent any director or major shareholder of the Company, or any shareholder related to a major shareholder of the Company.

8. Neither engaging in any business of the same nature as or in significant competition with the business of the Company, nor being a significant partner of a partnership or an executive director, employee, staff member or adviser who receives regular compensation from or hold more than 1% of the voting shares of another company engaging in any business of the same nature as or in significant competition with that of the Company.

9. Not having any characteristics which could interfere with the exercise of his/her independent judgement on the Company's operations.

Company Secretary

The Board of Directors has appointed Mrs. Somporn Rasabutr as the Company Secretary to be responsible for:

1. Submitting information in regard to the Company's Directors and executives to the Stock Exchange of Thailand (SET) and the Office of the Securities and Exchange Commission (SEC);
2. Preparing and maintaining the following documents:
 - Register of Directors;
 - Notices and minutes of Board meetings;
 - Annual reports of the Company;
 - Notices and minutes of general meetings;
 - Maintaining declarations of beneficial interests made by Directors or executives
3. Carrying out any other tasks assigned by the Board of Directors.

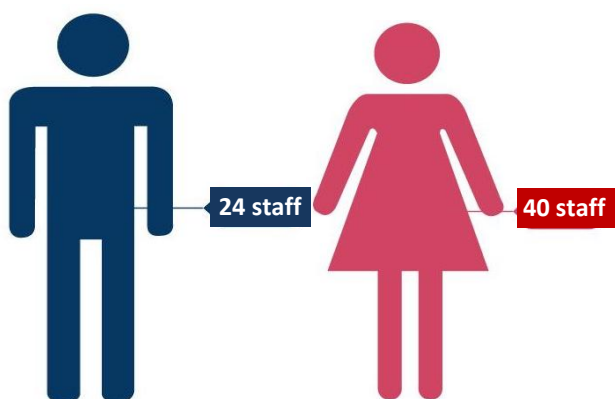
Board Meetings

A meeting of the Board of Directors is held once every quarter at a minimum and every Board meeting shall be attended by not less than half of the total number of Directors.

In 2018, a total of six Board meetings were held. The minutes of each meeting, duly adopted by the Board, are kept for future scrutiny by Board members and those concerned. Details of each Director's attendance at the meetings are given below.

Name of Director	Position	meetings attended		Meeting allowance	Directors' fees
		*1	*2		
1. Mr. Sopon Kluaymai Na Ayudhya	Chairman of the Board	6/6		100,000	120,000
2. Mr. Sompol Chaiyachow	Audit Committee Chairman		3/4	60,000	80,000
	Independent Director	5/6		60,000	
3. Mrs. Poodpong Arsingsamanunta	Audit Committee Member		4/4	75,000	80,000
	Independent Director	6/6		60,000	
4. Mr. Vorayuth Charoenloet	Audit Committee Member		3/4	45,000	80,000
	Independent Director	5/6		60,000	
5. Mr. Pon Titipanichayangoon	Director	6/6		75,000	80,000
6. Mr. Kittipong Charanvas	Director	6/6		75,000	80,000
7. Mr. Sukich Charanvas	Managing Director and Secretary to the Board	6/6		75,000	80,000
Total		6	4	685,000	600,000

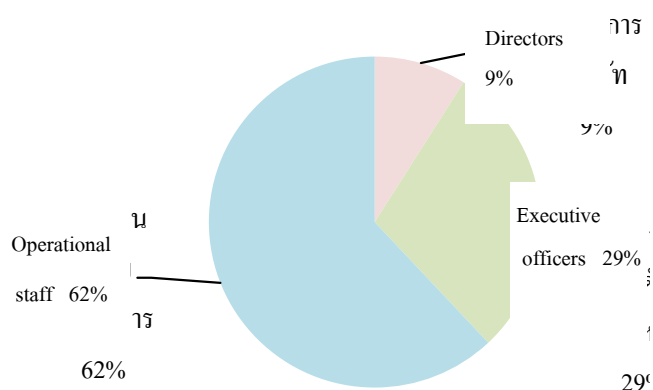
Notes: *1 refers to attendance at Board meetings *2 refers to attendance at Audit Committee meetings



Number of staff: As at 31 December 2018, the Company had a total of 64 staff. There has neither been any significant change in staffing level nor any labour dispute since the Company's establishment.

Staff development policy: The Board of Directors gives priority to ongoing development of staff at all levels in all functions by ensuring enhancement of working knowledge and skills to provide systematic support for

business growth. It is therefore the Board's policy to promote the opportunities for all personnel to broaden their business, specialist and management skills as well as environmental and other fields of knowledge through such training programmes as insurance underwriting courses, accounting standards training, corporate governance courses, and anti-corruption training. The aim is to help sharpen staff's working skills, equip them for various forms of business competition, promote disciplined culture and reinforce our drive for service excellence.



During 2018, we provided and supported a total of 97 training courses/ seminars for 24 members of staff, each receiving an average of 25.15 training hours per year.

Corporate Governance

Corporate governance is the system that establishes structures and processes of correlation between the board of directors, executives, employees and shareholders with the aim of enhancing competitiveness and shareholder value by taking into account the organization's ethical business conduct, its long-term impact on, as well as its respect for and responsibility to shareholders, stakeholders, society, the environment, government agencies and regulatory bodies.

The Board of Directors of the Company consists of qualified, experienced members who are committed to discharging their duties with accountability, prudence and integrity and to fulfilling statutory requirements, the Company's objectives and Articles of Association as well as the resolutions of Board meetings and shareholders' meetings. The Board of Directors is responsible for: determining strategies, goals and annual plans; overseeing the appropriateness and adequacy of risk management and internal control systems; setting delegated authority levels appropriate to the Management's responsibilities; allocating resources and budgets; monitoring and evaluating corporate performance; and ensuring conformity of financial disclosures to established requirements. The Company attaches particular importance to internal control system as they are a vital mechanism for mitigating business risks, safeguarding its property against loss or misuse and for preventing fraud and misconduct within the organization. The Board and the Management perform their duties carefully and exercise rigorous controls to ensure compliance of the operations with applicable statutory provisions and regulatory frameworks. An Audit Committee that meets the requirements of the Stock Exchange of Thailand has also been established as a key component of good governance to help discharge the Board's oversight responsibilities and to provide unbiased opinions on the Company's financial reporting and internal control system.

The Company has adhered to the Corporate Governance Code (CG Code) principles and guidelines of the Stock Exchange of Thailand and the Office of Insurance Commission (OIC). Based on these standards, we have set down our good governance policy in promoting transparency, building confidence among investors and all stakeholders as well as preventing conflicts of interest. It is also our policy to ensure equitable treatment of all shareholders and stakeholders for the best interests of all parties, i.e. shareholders, customers, business partners and staff members. Our corporate governance principles and practices are set out below.

Principle 1: Recognize value creating leadership role and responsibility of the Board

Principle 1.1: Understand leadership role and responsibility for good corporate governance

(1.1.1) Defining goals and objectives: The Board of Directors recognizes its leadership role and responsibility for overseeing and ensuring that the organization maintains effective management and ethical business conduct and has a duty to all shareholders and stakeholders and respect for their rights as well as full regard for social and environmental impact and that it is adaptable in changing conditions and able to create sustainable value for the business in meeting the goals and objectives of:

- (a) gaining the confidence of shareholders, stakeholders and all interested parties;
- (b) improving management efficiency and standards so as to increase the Company's competitiveness;
- (c) monitoring performance against plans and making the operations more efficient;
- (d) ensuring that the Company is adaptable to the changing business environment and can build good relationships with surrounding communities in creating sustainable value for its business;
- (e) ensuring that the Company can grow and survive in the long term.

(1.1.2) Formulating policies and strategies and allocating resources for achieving defined goals and objectives with emphasis on cost-effective use of resources.

(1.1.3) Monitoring, evaluating and reviewing processes against plans on a regular basis.

Principle 1.2: Perform governance role in pursuing sustainable value creation outcomes

(1.2.1) The Board attaches importance to the compliance with the established framework which promotes transparent competition, avoids gaining unfair competitive advantage, and focuses on competing on service quality and efficiency for the maximum benefit of customers.

(1.2.2) The Board of Directors is committed to growing and developing the business with honesty, transparency based on ethics and integrity so as to deliver sustainable value to the organization and the shareholders. In this regard, guidelines for ethical conduct of business have been framed and a Code of Business Ethics has been drawn up to set a business framework in line with the Company's defined goals and to provide a set of professional standards and best practice we hope to maintain. To enable the Company to achieve its business objectives and also uphold its ethical values, compliance with the Code is thus monitored on a yearly basis. Such adherence will not only benefit the organization, its personnel and all of its stakeholders but will also help drive the Company towards long-term growth and stability.

(1.2.3) To ensure no adverse effects of the operations on society, the Board has made it a policy that the Company fulfils its duty of a good corporate citizen by supporting those activities that contribute to the nation and social advancement and by allocating a budget for corporate social responsibility (CSR) programmes. Emphasis has also been placed on organization-wide efforts to save energy and conserve the environment which include economical use of water, recycling of resources, and restoration of biodiversity impacted by the business

operations.

(1.2.4) To enable the business to operate under changing factors, the Board has made it a policy to ensure that the Company's Directors, executives and staff are well prepared for possible changing circumstances and to monitor implementation as well as reviewing the policy on a regular basis.

Principle 1.3: Ensure compliance with applicable laws, rules and shareholder resolutions

The Board of Directors consists of qualified, experienced members who are committed to discharging their duties with accountability, prudence and integrity and to fulfilling statutory requirements, the Company's objectives and Articles of Association as well as the resolutions of Board meetings and shareholders' meetings.

Principle 1.4: Define and delegate authority and responsibilities

The Board of Directors is responsible for: shaping strategies, goals and annual plans; overseeing the appropriateness and adequacy of risk management and internal control systems; setting delegated authority levels appropriate to the management team's responsibilities; allocating resources and budgets; monitoring and evaluating corporate performance; and ensuring conformity of financial disclosures to established requirements. The Company attaches great importance to internal control system as they are a vital mechanism for mitigating business risks, safeguarding its property against loss or misuse and for preventing fraud and misconduct within the organization. The Board and the Management perform their duties carefully and exercise rigorous controls to ensure compliance of the operations with applicable statutory provisions and regulatory frameworks. An Audit Committee that meets the requirements of the Stock Exchange of Thailand has also been established as a key component of good governance to help discharge the Board's oversight function and to provide unbiased opinions on the Company's financial reporting and internal control system.

Principle 2: Define principal aim and objective for sustainable value creation

Principle 2.1: Define clear aims or objectives for creating sustainable value for the business, customers, stakeholders and society

(1.1.1) The Board directs the activities of the Company while also recognizing the corporate aims of earning customer trust and confidence by defining corporate vision, mission, policies, strategies, goals and direction and by overseeing the Management's effective and efficient implementation of the established policies. Seeking to make the company a non-life insurer with optimal level of trust and satisfaction, the Board oversees the appropriate system of internal controls and risk management that ensures an acceptable level of risks and effective achievement of objectives as well as conformity with the law, the Company's standards and Articles of Association and with the best practice principles of honesty, reasonableness and prudence.

Principle 2.2: Ensure that business goals and objectives are achieved in line with the principal aim, and that innovations and technologies are utilized safely and appropriately

The Board oversees the Company's drive for innovation and technology adoption to increase business opportunities and improve operational capabilities. The Board also oversees the organization's IT risk management and ensure that there is ongoing compliance with IT-related laws, regulations and standards, that data security measures are in place to protect the confidentiality, reliability and availability of information and to safeguard against improper use of information or unauthorized modification of information, and that there are measures to manage incidents affecting IT system's security in ensuring the organization's ability to achieve its principal aim and objective;

Principle 3: Strengthen Board effectiveness

Principle 3.1: Be responsible for determining and reviewing the Board structure, in terms of size, composition and independent membership needed to lead the organization towards defined objectives

(3.1.1) The Board's policy on director nomination gives consideration to the elements still lacking on the Board such as skill, profession and specialization including age and gender which can add to the strength and diversity of the Board. In selecting persons to be nominated as company directors or independent directors, the Board shall meet to consider the nominations before recommending them to the shareholders' meeting for approval and appointment. Appointments to the Board are subject to final approval by a majority vote of the shareholders present and entitled to vote at the Company's annual general meeting.

(3.1.2) The board structure is in accordance with the Company's Articles of Association, i.e. the number of directors shall not be less than five but shall not exceed twelve, and at least half of the directors must be residents of the Kingdom.

(3.1.3) There is an appropriate balance between executive and non-executive directors on the Board. The Company's Board of Directors has been appointed in such a way that no single person or group of persons is allowed to have sole decision-making authority to enable efficient governance and management as well as a good balance of power. At present, the Board of Directors comprises seven members as follows:

- 3 Executive Directors;
- 1 Non-Executive Director;
- 3 Independent Directors serving on the Audit Committee (constituting 42.86% of total Board membership)

(a) The Non-Executive Director plays an important role in making policy decisions resulting from Board meetings where business goals are considered and set in consultation with the Management. Apart from closely monitoring the Management's performance, the Non-Executive Director has oversight of

corporate strategies and policies, oversees overall compliance with applicable laws and regulations, and is in charge of the efficient conduct of all Board meetings by encouraging active participation and independent views from all Directors.

(b) As stipulated by its Articles of Association, the Company has three Independent Directors who meet all the requirements of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. The Independent Directors are able to work efficiently with all members of the Board and to express their opinions independently.

(3.1.4) The Board has disclosed, in the Company's annual reports and website, its policy of maintaining a diverse board composition as well as particulars of all Directors, e.g. age, gender, education, experience, shareholding, number of years on the Board, and directorship in other listed companies.

Principle 3.2: Select a suitable person as Chairman and ensure that board composition and functions facilitate the exercise of independent judgement

The Company has a clear separation between the governance role and the routine management role. The positions of Chairman of the Board, Executive Director and Managing Director are not held by the same person. The Chairman is not involved in the day-to-day management, but provides support and guidance on the Management's running of the business through the Managing Director, while the latter is responsible for managing the Company within the authority delegated by the Board. Their roles and duties are described below.

(3.2.1) Role and duties of the Chairman as leader of the Board

(a) Overseeing, monitoring and ensuring that the Board performs its duties efficiently to achieve the organization's principal aim and objective;

(b) Chairing all Board meetings and general meetings and ensuring that each meeting is conducted in accordance with the Company's Articles of Association and the published agenda, while also encouraging all Directors to engage in promoting the Company's ethical culture and good corporate governance;

(c) Setting board meeting agenda in consultation with the Managing Director and ensuring that important matters are included; having the casting vote where there is an equality of votes at a board meeting;

(d) Allocating sufficient time and proposing matters for thorough discussions by Directors; encouraging Directors to exercise prudent judgement and express independent opinions;

(e) Strengthening good relationships between Executive and Non-Executive Directors and between the Board and the Management.

(3.2.2) Role and duties of the Managing Director

(a) Managing the business in accordance with the Company's objectives, Articles of Associations and delegated authority as well as resolutions of Board meetings, while having authority over all

staff and employees of the Company. In the management of the operations, the Managing Director is responsible to the Board of Directors.

(b) Setting terms of employment for staff/employees as well as issuing orders and notifications concerning day-to-day and operational management of the Company in line with corporate rules, Board resolutions, the labour law and other applicable laws.

(c) On business/activities involving external parties, the Managing Director and the signatory Directors are authorized to act on behalf of and bind upon the Company within the scope of the delegated authority specified under paragraph (a) above. However, if the Managing Director or the authorized Director(s) is an interested party or constitutes a conflict of interest with the Company in such transactions, then the transactions can only be conducted with the approval and resolution of a Board meeting attended only by Independent Directors. In this respect, the Managing Director and the signatory Directors may designate any person to undertake a particular task or transaction on their behalf.

(d) Ensuring that any transactions over his authorized limit must be submitted to the consideration and approval of the meeting of the Board according to the Company's Articles of Association or other applicable laws.

(e) Employing, appointing, promoting and terminating staff and employees, assigning them to posts as well as raising their salaries, and taking disciplinary measures against them where appropriate. These do not include, however, any staff members or employees where established rules specifically mandate that employment, appointment, assignment of post and taking of disciplinary action in respect of such staff are under the authority of the Board of Directors.

(f) Managing the business in accordance with the statutory rules and provisions, i.e. the Civil and Commercial Code, the law governing non-life insurance business, the Non-Life Insurance Act, the Public Limited Companies Act and other applicable laws in force currently and in the future. In addition to integrity and fairness, the Managing Director is required to discharge his duties with the best of his ability and prudence in achieving the Company's established objectives.

Principle 3.3: Ensure the procedures for selecting and nominating Directors are clear and transparent so as to create the desired composition of the Board

Although a nomination committee has not been appointed, the Company has clearly defined criteria for selecting suitable individuals with non-life insurance expertise and experience to be appointed to the Board. Our transparent procedure provides assurances that the nominated directors will be able to fulfil their duties towards the achievement of the defined objectives. The selection and nomination are conducted in accordance with the Company's human resource management rules and results are reported to the Board of Directors.

Principle 3.4: Determine remuneration of Directors

At present, the Company has not established a remuneration committee. However, a clear and transparent process is in place for determining remuneration commensurate with the Directors' respective responsibilities, taking into consideration the standards of peer companies in the industry as well as the Company's performance. Recommendations of appropriate remuneration are then presented to the Board for consideration and endorsement before submission to the shareholders' meeting for approval.

Principle 3.5: Ensure all Directors are accountable for their duties and allocate enough time to discharge their responsibilities

(3.5.1) The Board helps all Directors to gain full understanding of their roles and duties;

(3.5.2) The Board has set a policy limiting the number of directorships that the Managing Director and each Director of the Company can hold, as follows:

- Each member of the Board is allowed to hold up to three directorships in other listed companies as per the regulations of the Stock Exchange of Thailand.

- The Managing Director is allowed to hold up to three directorships in other firms. However, such other positions must not hinder the discharge of his duties of Managing Director of the Company and such other firms must neither be in the same industry as that of the Company nor in competition with the business of the Company. The Managing Director is also required to obtain prior approval from the Board before taking up a directorship with other company.

(3.5.3) The Board has instituted policies and rules to prevent the use of inside information for personal gain by directors, executives and related parties. All Directors and executives of the Company, including their spouses and children under legal age, as well as the auditors are required to submit online a declaration of holding in the Company (Form 59-2) to the Office of the Securities and Exchange Commission within three days of the date of acquisition, selling or transfer of such shareholding, and to have the declaration published on the Company's website. The aim is to prevent any conflict of interest arising from their shareholdings and to ensure transparent disclosure under good governance principles. All Directors, executives and units/departments are also forbidden from disclosing any information which has not yet been made public to outside parties or unauthorized persons to prevent misuse of inside information.

(3.5.4) Every Director of the Company attended not less than 75% of the total number of Board meetings held during the reporting year.

Principle 3.6: Conduct a performance review of the Board, its committees and each individual member so that results can be fed back into future performance

A self-appraisal is conducted collectively by the Board at least once a year. The evaluation allows

the Board to review its own performance as well as issues and challenges arising over the preceding year while also helping to increase the Board's effectiveness.

- **Performance evaluation of Board committees:** The Company has introduced self-assessment for the committees of the Board, i.e. the Executive Board and the Audit Committee, to ensure conformity with the corporate governance assessment guidelines which recommend a minimum of one annual appraisal.

- **Performance evaluation of Managing Director:** The Board has ensured that performance evaluation of the Managing Director is conducted annually against the assessment indicators and criteria that are linked to strategic plan achievements in order to determine appropriate remuneration and incentive package. Performance review is carried out using a form which has been adapted from the Stock Exchange of Thailand's templates for board self-evaluation and CEO appraisal to fully and properly suit the Company's specific needs. Assessment results are also communicated to the Board of Directors so as to be analyzed and help improve performance efficiency and effectiveness.

Principle 3.7: Ensure the Board and each Director understand their roles and responsibilities, the nature of the Company's business and relevant laws; support all Directors in broadening and updating their skills and knowledge necessary for their performance

All our Directors and senior executives make training and development a priority by attending training programmes and seminars beneficial to the discharge of their duties, or taking part in those activities which allow them to gain different areas of knowledge relevant to their assigned roles. Members of the Board have received directorship training from the Thai Institute of Directors (IOD) including the Director Certification Program (DCP) and the Director Accreditation Committee Program (DAP). In-house training sessions are organized regularly to keep them updated on developments in the business and statutory requirements applicable to the operations and to enhance the efficiency of their performance.

Principle 3.8: Ensure the Board works effectively and have access to essential information, and appoint a company secretary with necessary knowledge to support the Board's functions

(3.8.1) The Board has its meeting scheduled for at least once every quarter (minimum of four meetings per year). A special Board meeting may also be convened as and when necessary. Specific agenda along with supporting documents giving sufficient information for consideration is sent to all Directors at least seven days in advance except in exigent circumstances. Every Board meeting must be attended by not less than half of the total number of its members.

(3.8.2) The Board encourages the Managing Director to invite key executives to Board meetings to present details on matters they are directly responsible for, and to allow the Board to gain familiarity with the executives for succession planning purposes.

(3.8.3) The Board of Directors has access to significant information either from the Managing Director, the Company Secretary or other designated executives.

(3.8.4) The Board has appointed a company secretary who has suitable qualifications and receives continuous training beneficial to her duties of: advising the Board on regulatory requirements; preparing board meeting and other important documents; supporting the activities of the Board; and coordinating the implementation of Board resolutions. The qualifications and experience of the Company Secretary are disclosed in the annual report.

Principle 4: Ensure effective processes for top executive nomination and development and for personnel management

Principle 4.1: Maintain an effective process for nomination and development of Managing Director and key executives that ensures they possess the knowledge, skills, experience and qualities necessary for the organization to achieve its objectives

(4.1.1) Despite the absence of a nomination committee, the Board has set the criteria for the selection of key executives based on the standards laid down by the Company, e.g. seniority, qualification, professional ethics and work experience. The Board would meet with the Managing Director to consider candidates against such criteria and final selection of a successful candidate is subject to agreement by the meeting.

(4.1.2) The Company recognizes the importance of preparing the right people to be successors by putting in place a clear, efficient, transparent and accountable process of nomination. Consideration is given to those with suitable skills, specializations, experience, leadership skills and ethical behaviours. The aim is to provide our shareholders, investors and staff with assurances of continuity of the Company's business.

(4.1.3) The Board encourages and supports the Managing Director and key executives in development and training to expand knowledge and experience relevant to their roles.

Principle 4.2: Ensure appropriate compensation structure and performance appraisal

(4.2.1) The Board ensures that the compensation structure incentivizes the Managing Director, key executives and staff at all levels to carry out their duties in support of the Company's principal objective and long-term value. This is achieved by:

- (a) ensuring appropriate relationship between compensation in the form of salary (e.g. bonus) and long-term results;
- (b) adopting a compensation policy that takes account of industry peer standards and the Company's performance;

(c) setting performance appraisal criteria and communicating them across the organization.

(4.2.2) The Board plays a role in determining the compensation of and evaluating the performance of the Managing Director, through:

- (a) agreeing performance appraisal criteria for the Managing Director based on corporate objectives and strategies aligned with the Company's long-term value;
- (b) annually appraising the performance of the Managing Director;
- (c) approving annual compensation of the Managing Director, taking into consideration his performance and other factors;

(4.2.3) The Board approves the performance appraisal factors and criteria and compensation structure of key executives. The Board also ensures that the Managing Director appraises the performance of key executives against the predetermined criteria and that there are clearly defined performance evaluation factors and criteria for all personnel.

Principle 4.3: Understand shareholder structure and relationships that may impact on the management and operations of the Company

The Board is aware of the shareholder structure and relationships that could affect the control or management of the business, including written or unwritten family agreements, shareholders' agreements, or group company policies. The Board has therefore ensured that such agreements do not impede the discharge of the Board's duties and that no information is disclosed under any conditions that may impact upon the control of the Company.

Principle 4.4: Monitor human resource management and development and ensure the Company has adequate staffing and appropriately skilled, knowledgeable, experienced and motivated personnel

The Board ensures that human resource management is in alignment with the Company's direction and strategies and that staff at all levels are appropriately skilled and motivated and are treated fairly. To retain the organization's quality people, a provident fund has been set up as a way to help our employees save for retirement. Staff members are also encouraged to have better understanding of how the fund is managed and how to select the investment plans that suits their age and risk appetite.

Principle 5: Foster innovation and responsible business

Principle 5.1: Focus on and promote a culture that creates value for the business and its customers, stakeholders, society and the environment

In conducting the business to the defined objectives, the Board keeps corporate plans and strategies

under regular review. The Board also emphasizes to staff and all concerned the importance of innovating to serve the needs of customers and expanding our branch network to support faster and more extensive provision of services. The main focus of the Company's operations is always on our responsibility towards society and the environment. We have earned the trust and confidence of customers and society through our principled practices of never supporting any acts or behaviours which are improper or against the law or ethical standards.

Principle 5.2: Ensure that social and environmental responsibility is integral to the Management's business conduct and included in the operational plans to provide assurance that every department works to principal corporate objective and strategies

The Board respects the rights of all stakeholders of the organization. The Company's integrity and ethical conduct not only ensures that none of its activities is in violation of the rights of any stakeholder, but also provides an organization-wide direction for achieving the principal objective and sustainable success. In this connection, the Board has adopted policies and practices on corporate responsibility to stakeholders, which can be summarized as follows.

(5.2.1) Responsibility to employees and staff

The Company treats all staff with fairness and respect for human rights. The safety and welfare of all employees is always our chief concern. We provide employee benefits such as medical care, annual check-up, general and housing loans, provident fund, retirement severance payment, etc. Company rules concerning personnel management have also been established in line with the provisions of the labour law. Training opportunities are offered to the staff to promote their advancement and development of job-related or other skills.

(5.2.2) Responsibility to customers

The Company has a duty of care to all customers by complying with the law and standards, offering quality service and insurance policies that suit their needs, protecting customer confidentiality and providing appropriate and reasonably-priced protection. We also ensure that claim payments are fairly and promptly made for any loss or damage incurred under the terms of the insurance policy.

(5.2.3) Responsibility to business partners

We conduct business with all partners within an honest, transparent competitive framework by: honouring the commercial terms and agreements/contracts which are fair to the partners; notifying the partners to find a solution together whenever unable to meet the agreed conditions; avoiding all possibilities of conflict of interest; setting down clear rules concerning procurement and other arrangements; not soliciting or accepting any monies or gains from business partners; not having any dealings which are in breach of human rights or intellectual property rights or involved in illegal behaviours; and assessing partners against established requirements so as to develop sustainable mutual partnerships.

(5.2.4) Responsibility to the environment

We seek to prevent and reduce any negative impact of our activities on the environment. Our environmental responsibility includes efficient use of raw material, electricity and water, and recycling of resources. The Board regularly monitors the business to ensure that the environment in which we operate is properly protected and rehabilitated.

(5.2.5) Responsibility to competitors

The Company adheres to the principles of fair and transparent competition and avoids unfairly gaining competitive advantage. We only compete on service quality and efficiency for the maximum benefit and satisfaction of our customers.

(5.2.6) Responsibility to the state

The Company seeks to operate within the law and maintain good relationships with regulating agencies through open liaison and communication and ready cooperation with regulators' requests with a view to demonstrating the organization's transparency and promoting mutual confidence.

(5.2.7) Anti-fraud and corruption

With fair and transparent conduct of business being our priority, we realize that fraud and corruption poses a major obstacle to social and economic development. This is because corrupt behaviours create business unfairness which could dent the reputation and stability of the Company, thereby making it unacceptable to society. For this reason, we have adopted an anti-corruption policy to be strictly followed and complied with by our Directors, executives, staff members and all parties concerned.

Principle 5.3: Ensure the Management allocates and manages resources efficiently and effectively, paying regard to impact through the value chain in sustainably achieving the principal objective

(5.3.1) The Board has a complete understanding of the varied resource needs of the different parts of the operations, ranging from financial to production, human and natural resources, and has therefore entrusted the Managing Director with the appropriate and sufficient allocation of resources in ensuring smooth running of the business.

(5.3.2) The Board has a good understanding of how the business model determines resources optimization on the basis of ethical, responsible creation of sustainable value.

(5.3.3) The Board ensures that the Company's resources optimization is reviewed, adapted and improved, with external factors always taken into consideration, in achieving the principal corporate aim and objective.

Principle 5.4: Establish governance of enterprise IT in line with the Company's business needs, while ensuring technologies are utilized to increase business opportunities and strengthen risk management in enabling achievement of the principal corporate objective

(5.4.1) The Board has entrusted the Information Technology (IT) Department with the responsibility for devising all IT-related strategies of the organization by taking into account the actual operational needs and by developing backup plans to support insufficient resources allocation. The Department is also responsible for improving and bringing the Company's IT systems up to date so as to keep pace with the industry and increase opportunities for the business.

(5.4.2) The Board ensures that the enterprise risk management framework covers IT risk management. The IT Department Manager is required to submit a risk report to the Risk Management Committee on a regular basis.

(5.4.3) The Board has adopted a corporate IT security policy as the framework for ensuring security of the Company's IT systems and for safeguarding against improper use of or unauthorized modification of data.

Principle 6: Ensure appropriate risk management and internal control systems

Principle 6.1: Ensure the risk management and internal control systems in place provide effective support for the Company's achievement of objectives and compliance with applicable laws and standards

The Board ensures that possible significant risks to the Company are identified and appropriate risk control measures devised by each corporate area by taking into account those external and internal factors potentially affecting the achievement of corporate objectives. The Board has established a risk management framework in line with the Company's goals, objectives and risk appetite to enable all parties to work in the same direction. Priority is given to early warning of risks and regular review of risk management policies. The Risk Management Committee meets once a month to monitor, assess and review risks. The Risk Management Department is responsible for collating and summarizing results of the organization's risk management into a report to be presented to the Risk Management Committee and the Board of Directors.

Principle 6.2: Establish an audit committee that can act effectively and independently

The Board has established an audit committee comprising three Independent Directors in accordance with the standards of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. In line with the Corporate Governance Code, the Audit Committee is required to meet four times a year at a minimum and each member of the Committee is appointed for a three-year term of office. The Board has defined the duties and responsibilities of the Audit Committee as follows:

(6.2.1) Review and ensure the accuracy and completeness of the Company's financial reports as well as the adequacy of disclosures;

(6.2.2) Review and ensure the appropriateness and effectiveness of the Company's systems of

internal control and internal audit; assess the independence of the internal audit unit as well as recommending the appointment, transfer or termination of the head of internal audit or the head of any unit/department responsible for internal audit;

(6.2.3) Review compliance by the Company with the law governing securities and exchange, regulations of the Stock Exchange of Thailand (SET) and any other applicable laws;

(6.2.4) Consider and recommend the appointment of independent persons as external auditors to the Company, and the approval of their remuneration; meet with the auditors at least once a year, without the participation of the Management;

(6.2.5) Ensure compliance of related-party-transaction disclosures and conflict-of-interest disclosures with the law and the Stock Exchange's regulations in providing assurance that all transactions are justified and conducted in the best interests of the Company;

(6.2.6) Report, in the Company's annual report, the activities of the Audit Committee during the year. The report is to be signed off by the Committee Chairman and should include the following information, at the minimum:

- a. Opinion on the accuracy, completeness and reliability of the Company's financial reports;
- b. Opinion on the adequacy of the Company's internal control system;
- c. Opinion on compliance with the law governing securities and exchange, Stock Exchange's regulations and other applicable laws;
- d. Comments on the suitability of the auditors;
- e. Opinion about transactions with potential conflict of interest;
- f. Number of meetings held by the Audit Committee and attendance by each Committee member at such meetings;
- g. Overall opinion on the Audit Committee's performance in accordance with the Committee Charter;
- h. Other matters considered useful to shareholders and general investors that falls within the scope of the Committee's responsibilities delegated by the Board.

(6.2.7) Undertake any other tasks assigned by the Board and agreed by the Committee.

The Board has also set up an internal audit unit to be responsible for reviewing and improving the effectiveness of the Company's systems of risk management and internal controls. In this regard, the Audit

Committee is mandated by the Board to make judgement on the risk management and internal control systems and to have authority to gain access to information needed for the task delegated to it. This includes the authority to call upon the persons/parties concerned to supply information, and to have consultations with the external auditors. The internal audit unit is required to submit, to the Audit Committee, its reports on review results which are disclosed in the annual report.

Principle 6.3: Monitor and control conflicts of interest potentially arising between the Company and the Management, Directors or shareholders while also preventing misuse of corporate assets, information and opportunities and improper transactions with related parties

The Company has instituted a policy to prevent exploitation of inside information by directors and executives. All executives including their spouses and children under legal age are forbidden, under the provisions of securities law, from buying, selling or accepting transfer of the Company's shares on information which has not yet been made public. All Directors and executives are further required to declare any changes to their holdings in the Company, including those holdings by their spouses, children under legal age or any related persons, to the Office of the Securities and Exchange Commission within three days of the transaction date. In addition, the Board has set down a Code of Conduct for Staff as part of the Code of Business Ethics to govern confidentiality and prohibit the use of one's position or information obtained in the course of one's duties that is not available to the public in a dishonest way or the disclosure of such information to an outside party either for personal gain or gain of related person(s) or to the disadvantage of the Company, or any act that causes a conflict of interest. Procedures have been put in place to ensure security of data in the IT systems, to protect the Company's information against external access, and to authorize levels of data access appropriate to staff's responsibilities. The Management shall report annually, to the Board, on any instances of use of inside information or behaviour that may cause harm or damage to the Company.

Principle 6.4: Establish clear anti-corruption policy and guidelines and communicate them organization-wide and externally to ensure tangible practice

In complying with applicable laws and standards, the Board of Directors has formulated an anti-corruption policy which prohibits all Directors, executives and employees from engaging in, accepting or using one's position to support any form of corruption either directly or indirectly and from offering unlawful inducements to any person(s) to gain business advantages for the Company. We also ensure that policy compliance is monitored and procedural rules reviewed on a regular basis and realigned to business and statutory changes. Any policy breach representing support or cooperation for corrupt practices shall be subject to disciplinary action in accordance with the Company's rules. Channels have been set up for personnel and relevant parties for reporting indications of any suspicious acts. The Company ensures that the identity and

information of the whistle-blowers or informers and the persons being reported shall be kept confidential and shall be disclosed only as necessary by giving prime consideration to personal safety and potential harm to all concerned.

Principle 6.5: Establish a mechanism for handling complaints and whistleblowing

(6.5.1) To ensure transparency in the operations, the Board oversees the organization's mechanism for dealing with complaints and whistleblowing from stakeholders by providing a number of safe and appropriate channels for informers. Any employees, shareholders or stakeholders who have found any irregularities possibly caused by governance weaknesses, unusual financial reporting, violation of rules or regulations, breach of rights, coercion or fraud or who have other doubts can always report such irregularities or file their complaints through the channels specified on the corporate website.

(6.5.2) The Board has issued clear and systematic guidelines for protecting the rights of whistleblowers by ensuring that their information shall never be disclosed to any unauthorized party except when demanded by a lawful order, court order or by any regulator.

Principle 7: Ensure financial integrity and disclosure

Principle 7.1: Ensure the Company's financial reporting and disclosures are in conformity with applicable requirements and standards

(7.1.1) The Board has designated the officer concerned who has relevant knowledge, skills and experience to be responsible for adequate and mandatory information disclosures. When approving information disclosures, the Board considers all relevant factors as follows:

- (a) the review results of the adequacy of internal control system;
- (b) the external auditor's opinions on financial reporting and observations on the internal control system;
- (c) the opinions of the Audit Committee;
- (d) consistency with the Company's objectives, strategies and policies

(7.1.2) The Board ensures that information disclosures, which include financial statements, annual reports and Form 56-1, reflect the Company's financial position and performance adequately. Management discussion and analysis (MD&A) is also provided in all quarterly financial statements to give investors more complete information and better understanding about the Company's financial status and performance for each quarter rather than only the figures in financial statements.

Principle 7.2: Monitor the Company's financial liquidity and solvency

(7.2.1) The Board ensures that the relevant department is designated to monitor, assess and report the Company's financial status to the Board on a regular basis. There are procedural rules to guide and ensure

that any detected threats to the Company's financial liquidity and solvency are promptly dealt with.

(7.2.2) The Board assures that any transactions approved or put forward for shareholder approval shall not negatively affect business continuity, financial liquidity or solvency of the Company.

Principle 7.3: Ensure plans and mechanisms are in place to resolve financial difficulties, with due regard to stakeholder rights

The Board ensures that the Company has a sound and prudent risk management framework with clear, written procedures. The departments concerned shall meet to discuss and review such procedures for handling any difficulties arising, making sure that the steps taken are within the established framework and have proper regard for stakeholder rights.

Principle 7.4: Ensure sustainability reporting, as appropriate

The Board governs the organization under the "Sufficiency Economy" values by focusing on the optimized use of resources in the operations. A number of resource- and energy-saving measures have thus been adopted, including switching lights off during breaks, using stairs instead of elevators, reusing resources, and sorting waste before disposal. The Company also encourages the sharing of environmental knowledge among staff with a view to promoting environmental awareness as part of the corporate culture. Moreover, we are conscious of environmental risk and impact as well as public safety in every step of our operations and therefore encourage all staff to engage in conservation of resources in and outside the organization to minimize our impact on the environment and increase value and sustainability for the organization. Such practices, as detailed in the annual report, are regarded by the Board as very important as they reflect the way that leads to sustainable development of the organization.

Principle 7.5: Ensure establishment of an investor relations unit/function responsible for communication with shareholders and stakeholders

The Board attaches importance to the transparent disclosure of accurate and complete information, financial and non-financial, as all such information can influence the decisions of investors and stakeholders of the Company. Particular emphasis is also placed on the disclosures required by industry regulators. For this reason, an investor relations unit has been established by the Board to act as the focal point for corporate communication and for handling enquiries from investors, shareholders, stakeholders or relevant state analysts. Investors and interested parties can contact our investor relations unit for more information as follows.

- Khun Somporn Rasabutr

Telephone: 02-276-1024 ext. 207

E-mail: charanins@charaninsurance.co.th, somporn@charaninsurance.co.th

Principle 7.6: Ensure effective use of information technology in information dissemination

The Board promotes the use of technology by the Company in its disclosure of information. Our information is disclosed in Thai and in English via the corporate website and is regularly updated.

Principle 8: Ensure engagement and communication with shareholders

Principle 8.1: Ensure shareholders' involvement in significant decision-making

(8.1.1) The Board ensures that important corporate decisions are on the agenda for the general meeting so as to be considered and/or approved by the shareholders. Such decisions include all matters required statutorily to be approved by shareholders and those that could affect the Company's business direction.

(8.1.2) Supporting active participation of shareholders, the Board has established criteria that provide opportunity for minority shareholders to propose agenda items prior to the general meeting. The Board shall consider shareholders' proposals to be included on the agenda, and if a proposal is rejected, the Board shall explain the reasons at the meeting.

(8.1.3) The Board ensures that the notice of the shareholders' meeting gives accurate, complete and sufficient information for all shareholders to exercise their rights.

(8.1.4) The Board ensures that the notice of the shareholders' meeting and related documents are sent to the shareholders and posted on the Company's website at least 28 days in advance of the meeting.

(8.1.5) The Board ensures that shareholders are given the opportunity to put forward their questions prior to the meeting. The procedure for advance submission of questions is published on the Company's website.

(8.1.6) English translation of the notice of meeting and related documents are also available to the shareholders.

Principle 8.2: Ensure shareholders' meetings are properly conducted in a transparent and efficient way in enabling all shareholders to exercise their rights

(8.2.1) When scheduling a shareholders' meeting, the Board ensures that meeting date and venue are appropriate and sufficient time is allocated for discussions, giving consideration to the convenience of our shareholders. In 2018, the Company's general meeting was scheduled for 1500 hours on 26 April 2018 at Chaophya Park Hotel, 2nd Floor, Rachada 2 Room, Hotel Building, Rachadapisek Road, Samsen-Nok, Huaykwang, Bangkok 10310.

(8.2.2) The Company never requires the shareholders or proxies to produce any proof or documentation additional to the identification required by law so as not to put an undue burden on the shareholders or restrict their rights or opportunities to attend the meeting.

(8.2.3) The Chairman of the Board chairs the shareholders' meeting and is responsible for ensuring that the meeting is conducted in accordance with statutory requirements and the Company's Articles of Association, that appropriate time is allocated for each item on the agenda, and that all shareholders are offered opportunities to share their views or ask questions related to the Company.

(8.2.4) The Board does not support the addition, to the meeting agenda, any items that have not been notified in advance – particularly those matters requiring time to consider before a decision can be made. This is to ensure that all shareholders are able to participate in making important decisions of the Company.

(8.2.5) All our Directors and executives concerned attend every annual general meeting to answer questions from the shareholders.

(8.2.6) Before the start of the meeting, the shareholders shall be informed of the number and proportion of the shareholders present in person and by proxy, the meeting procedure, as well as the voting and vote counting methods.

(8.2.7) Where several resolutions are proposed under one agenda item, the chairman of the meeting shall arrange to have a separate vote taken on each of the proposed resolutions.

(8.2.8) The Board promotes the use of ballots for voting on important resolutions, and the designation of an independent person to count or check the voting results and to disclose to the meeting the number of "for", "against" and "abstain" votes for each resolution. Such voting results are also recorded in the minutes of the meeting.

Principle 8.3: Ensure accurate and complete disclosure of shareholder resolutions and preparation of minutes of shareholders' meetings

(8.3.1) The Board ensures that the Company discloses the resolutions and voting results at the shareholders' meeting through the Stock Exchange of Thailand channels and through the Company's website on the next business day.

(8.3.2) The Board ensures that the minutes of the shareholders' meeting are submitted to the Stock Exchange of Thailand within 14 business days of the date of the meeting.

(8.3.3) The Board ensures that the minutes of the shareholders' meeting are taken and prepared with the following information, at a minimum:

- (a) list of Directors and executives present, and the proportion of Directors present to Directors absent;
- (b) voting and vote counting methods, meeting resolutions, and voting results ("for", "against", "abstain") for each proposed resolution;
- (c) questions asked and answers provided during the meeting, including the identity of the persons asking and answering the questions.

Corporate Social Responsibility (CSR)

The Charan Insurance Public Company Limited has conducted its business within the principles of ethics and good governance. We have also adopted the “Sufficiency Economy” philosophy as guidelines for our practices which include establishing an operational framework based on fairness and righteousness, and taking account of the most economical and efficient use of resources in all our processes. In addition, the Company appreciates the importance of engaging in social and environmental responsibility by fostering public-spiritedness and promoting ethical and professional standards among all Directors, executives and staff members which will bring about sustainable development of the business and of our society and economy. The corporate social responsibility (CSR) policies adopted and implemented by the Company are as follows.

1. Good governance

We conduct and manage our business in a proper, transparent and law-abiding way with disclosures of material and accountable information, as such practices will gain the confidence of all shareholders and stakeholders in our organization. The Company also pursues the good governance policy by taking into prime consideration the likely benefits to its shareholders, staff members, local communities, society, partners, customers, competitors and other stakeholders – an approach which will lead all parties towards steady growth and sustainable economic stability.

2. Fair dealing

The Company promotes fair dealing and free competition, and avoids all dishonest means and behaviours that may give rise to conflict of interest such as intimidation, coercion, favouritism, price cutting or setting cut-throat terms to pressure competitors. We will never be involved in any activities which are in breach of intellectual property rights. The Company has a policy against all forms of corrupt practices while promoting social responsibility throughout every step of the operations. Disciplinary procedures are in place for those who violate or fail to comply with the anti-corruption policy. All activities and operations of the Company are within the legal framework.

3. Human rights respect and fair employee treatment

Keeping to our corporate culture, we respect human rights and treat all staff equitably by ensuring no employment discrimination nor child labour, respecting employees’ right and freedom to form a staff association and have joint consultations, and by ensuring equal opportunities in staff recruitment and promotion. In addition, employee benefits and staff health and safety have always been the Company’s main concern. We maintain fair employment conditions, proper safety equipment and fair systems of compensation and welfare

deserved by our people. Other measures include: improving the workplace environment; avoiding any factors that could cause unsafe working conditions; maintaining the physical and mental wellbeing of employees; providing facilities to enable staff to work efficiently; enhancing operational systems; promoting learning and skills development of all personnel. We also have appropriate grievance channels for those who feel they are unfairly treated. Such practices are in place to ensure that all our employees have good quality of life and good work-life balance as well as the opportunities to realize their full potential.

Over the course of 2018, none of the Company's staff suffered any serious accident or injury at work or any illness due to work.

4. Responsibility to consumers

The Company's operations are aimed at developing and offering quality products and services that fit the needs of consumers under fair terms and with complete, correct information. We avoid doing anything that could cause ambiguity or distortion of information about our products and services or omission of significant information leading to misunderstanding. We also attach utmost importance to customer confidentiality by always clarifying reasons to the consumers before collecting their personal data. We never improperly disclose customers' confidential information for our own gain or the gain of others, unless prior agreement has been obtained. The Company offers all consumers the right to verify their information and confirm the use of their information within the legal framework, and in the event erroneous or unwarranted collection or use of information is discovered we shall take immediate action to remedy it.

5. Community and social development

We recognize that business activities must go hand in hand with responsibility towards society and the environment in ensuring sustainable progress and harmony for all in society. The Company has therefore surveyed the state of the communities around its location to find out if and how much they have been negatively affected by the operations. The information discovered enables us to take corrective steps to prevent any adverse impact – direct or indirect – that we might have on the communities and society. In addition, we have supported and participated in volunteering activities relating to community and social development, while also promoting a socially concerned attitude among our executives and staff at all levels.

6. Environmental protection

As it is of concern to us to make the most efficient use of resources and energy, we have introduced a number of resource- and energy-saving measures, e.g. switching lights off during breaks, using stairs instead of elevators, reusing resources, sorting waste before disposal, and adopting green procurement process. We also promote the exchange and sharing of environmental knowledge among staff with a view to increasing and incorporating such environmental awareness into our corporate culture. Furthermore, the Company is conscious of environmental risk and impact as well as public safety in every step of the operations and therefore encourages

all staff to engage in conservation of resources in and outside the organization in minimizing our impact on the environment and increasing value and sustainability for the organization.

7. Social innovation promotion

The Company encourages the fostering of an innovative spirit among all staff so as to open up opportunities for further development towards business innovations, thereby enabling the culture of responsible innovation to grow within and beyond the organization.

8. Social and environmental reporting

We attach importance to the disclosure of information which reflect our CSR implementation by publishing our CSR policies and practices in the Annual Registration Statement (Form 56-1) and the annual report (Form 56-2). The disclosures are not only of benefit to all our stakeholders but also create opportunities for them to take part in reviewing the Company's CSR performance against the established goals and to provide their feedback for our future development plans.

During 2018, the Company played a role in philanthropic efforts as follows.

➤ **Education-focused initiative:** Executives of Charan Insurance led the Company's volunteering staff in a CSR activity to provide educational opportunities for the youths of Baan Nong Khon School in Saiyoke District, Kanchanaburi Province where 58 scholarships totalling 130,000 baht were awarded to students with academic merit. We also presented the school with educational aid, instructional media and consumables as well as organizing and joining recreational activities for the school kids. The day out was aimed at bringing opportunities and happiness to children in the country while also promoting the spirit of giving among our staff.



Internal Controls

We are aware of the importance of internal controls and of the need to engage the Executive Board as well as officers and staff at all levels in the process, in gaining the confidence that all functions meet the three principal objectives of internal control, as follows:

1. Operational efficiency and effectiveness: The Company seeks to manage resources appropriately and keep assets/property in good working order as well as safeguarding against waste of resources, loss of assets and all kinds of fraud.

2. Reliability of financial reports: We realize that reliability and objectivity of financial reports are essential to both internal and external users, as the information is used for their decision-making and planning. It is therefore the duty of the Management to provide assurances that all financial reports contain complete, accurate and quality information.

3. Regulatory compliance: The Board of Directors and all members of the Management and staff are required to comply with applicable laws, regulations and company rules so as to prevent any damage to the organization.

The Audit Committee has been assigned by the Board to examine and review the Company's internal control system with a focus on their appropriateness and adequacy. At its meeting no. 6/2561 (2018), the Board of Directors - including all three Directors on the Audit Committee – agreed, after completing internal control reviews, that the systems in place within the organization were adequate and appropriate to the current situation, and that there were proper protection and control of company assets and sufficient personnel to ensure efficient operations.

Related-Party Transactions

The Company had no related-party transactions during the year ended 31 December 2018. However, the Board has stipulated that if in the future there is a need for transactions to be made between the Company and its directors, executives or related persons, such transactions must be strictly compliant with the related-party disclosure regulations and procedures prescribed by law or by the regulators. In such cases, prices and conditions must be specified as if the transactions were conducted with an external party, and the transactions must be agreed on fair and arm's-length' terms. Any director, executive or staff member who is an interested party to the transactions must not be involved in the approval process. The Audit Committee is responsible for scrutinizing such transactions and providing opinion as to their justification for recommendation to the Board for approval. In this connection, the Board of Directors shall adhere to the Stock Exchange's rules and notifications governing the matter.

Management Discussion and Analysis

Discussion and Analysis of Financial Position and Operating Results

Operating Results for 2018

For the year ended 31 December 2018, the Charan Insurance Public Company Limited posted a net profit of 6.20 million baht, a decrease of 7.09 million baht or 53.35% from 2017's profit of 13.29 million baht. The Company's revenue was from two main sources, namely:

1. Underwriting income: Gross premiums written from all lines of business in 2018 totalled 188.68 million baht, down by 10.19 million baht or 5.12% from 2017. The drop was largely from fire insurance business as a consequence of the country's slackening economy. Premiums ceded during the year were 32.83 million baht, representing 17.40% of gross premiums. Net premiums written or retained premiums, which amounted to 155.85 million baht, consisted of auto premiums 102.43 million baht, fire premiums 30.30 million baht, marine and logistics premiums 5.62 million baht, personal accident premiums 1.72 million baht and miscellaneous premiums 15.78 million baht.

2. Investment Income for 2018, comprising interests and dividends, amounted to 20.19 million baht, a year-on-year decrease of 0.58 million baht or 2.79%. Return on investment for 2018 went down to 2.98% from 3.06% in 2017 due to a steady fall in financial institutions' interest rates.

The Company's expenditure was of two major categories as follows:

- Underwriting expenses amounted to 190.44 million baht, a year-on-year increase of 10.75 million baht or 5.98%. Insurance claims during the year from normal operations totalled 63.83 million baht. The ratio of loss to earned premiums was 40.71%, up from 2017's ratio of 30.84%.

- Operating expenses for 2018 came to 43.30 million baht, down by 3.15 million baht or 6.78% from the prior year. The biggest expenditure items were staff-related costs and other operating expenses which mostly included IT investment spending.

Assets

As at 31 December 2018, the Company had total assets of 799.51 million baht, a decrease of 7.97 million baht or 0.99% from 2017. Investments in securities, comprising ordinary shares, debentures, premium savings bonds, bank deposits and bonds, totalled 649.71 million baht, up from 2017's level by 12.62 million baht or 1.98%. All securities were carried at fair value, with revaluation surplus on investments of 47.74 million baht duly recorded under shareholders' equity. The Company's cash and cash equivalents, loans and investments in securities (excluding equity securities and general investments) at year end added up to 439.95 million baht, a year-on-year increase of 8.69 million baht or 2.02%. This was the result of the Company's policy to invest more in debentures.

Reinsurance assets and reinsurance receivables at the end of 2018 totalled 33.92 million baht, up by 4.08% on 2017's total of 32.59 million baht.

Accounts Receivable

At the end of 2018, the Company had premiums due and uncollected totalling 29.74 million baht – an increase of 3.11 million baht or 11.68% from the previous year. The accounts receivable is set out in the aging schedule below.

Unit: million baht

Age of accounts receivable	2018			2017		
	From the insured	From insurance agents and brokers	Total	From the insured	From insurance agents and brokers	Total
1. Not yet due	1.49	21.41	22.90	1.80	17.28	19.08
2. Up to 30 days past due	0.07	3.90	3.97	0.08	2.82	2.90
3. 31–60 days past due	-	1.86	1.86	-	1.37	1.37
4. 61–90 days past due	-	0.25	0.25	0.22	1.56	1.78
5. 91 days – 1 year past due	-	0.76	0.76	-	0.33	0.33
6. More than 1 year past due	-	-	-	-	1.17	1.17
Total premiums due and uncollected	1.56	28.18	29.74	2.10	24.53	26.63
Allowance for doubtful accounts	-	(0.76)	(0.76)	-	(1.50)	(1.50)
Net premiums due and uncollected	1.56	27.42	28.98	2.10	23.03	25.13

The average collection period for premiums due and uncollected for 2018 was 51 days. The Company pursued the policy of rigorous credit control aimed at ensuring the established risk management policies and plans are effectively implemented. At year end, an allowance for doubtful accounts was made for 0.76 million baht, which was based on past collection experience and regarded as adequate.

Investment in securities

Unit: million baht

Available-for-sale investments	2018					2017				
	Cost	Unrealized gain	Unrealized loss	Fair value	Equity investment as percentage of total assets	Cost	Unrealized gain	Unrealized loss	Fair value	Equity investment as percentage of total assets
<u>Government and state enterprise securities</u>										
Equity shares	40.50	63.24	-	103.74	12.98	40.50	58.10	-	98.60	12.21
<u>Private securities</u>										
Equity shares	129.67	13.81	(17.38)	126.10	15.77	129.67	59.20	(32.25)	156.62	19.40
Total	170.17	77.05	(17.38)	229.84	28.75	170.17	117.30	(32.25)	255.22	31.61

Unit: million baht

Held-to-maturity investments	2018		2017	
	Amortized cost	Equity investment as percentage of total assets	Amortized cost	Equity investment as percentage of total assets
<u>Government and state enterprise securities</u>				
Premium savings bonds	1.60	0.20	1.60	0.20
Foreign bonds	15.00	1.88	15	1.86
Debentures, convertible debentures	25.00	3.13	25	3.10
<u>Private securities</u>				
Debentures, convertible debentures	208.00	26.02	175.00	21.67
Bank deposits	169.93	21.25	164.93	20.42
Investment outside the Stock Exchange of Thailand	0.34	0.04	0.34	0.04
Total	419.87	52.52	381.87	47.29

In 2018, the Company's investment in securities consisted of: available-for-sale investments of 229.84 million baht, a decrease of 25.38 million baht or 9.94% from 2017; and held-to-maturity investments of 419.87 million baht, up on the prior year by 38.00 million baht or 9.95%.

Liquidity

Net cash generated from operating activities in 2018 was down year over year by 55.66 million baht, while net cash used in investing activities in 2018 was 0.19 million baht, a decrease of 0.39 million baht from 2017. Cash and cash equivalents as at 31 December 2018 totalled 11.88 million baht, down by 27.67 million baht from the previous year.

As at 31 December 2018, the Company's liquidity ratio was 3.26 times, down from the 2017's ratio of 3.59 times. Current assets available were sufficient to cover current liabilities and were in line with the liquidity risk management policy set by the Company.

Liabilities

The Company's total liabilities amounted to 223.00 million baht, an increase of 17.57 million baht from the prior year's total of 205.43 million baht. Debt-to-equity ratio went up to 0.39 times from 0.34 times in 2017. The majority of the Company's liabilities were composed of unearned premium reserve, outstanding claims, provision for incurred but not reported (IBNR) claims, amounts withheld on reinsurance treaties, amounts due to reinsurers, employee benefits obligations, and deferred tax liabilities.

Shareholders' Equity

Shareholders' equity at year end was 576.51 million baht, down by 25.54 million baht from 602.05 million baht in 2017. This was due to a decrease in revaluation surplus on investments of 20.30 million baht as a result of the continued fall in the stock exchange index in 2018. In addition, the Company paid out 12 million baht in dividends in 2018, whereas the dividend payout in 2017 amounted to 18.0 million baht.

Events after the Reporting Period

The Board of Directors resolved to approve payment of a dividend in respect of 2018 results of 0.50 baht a share on 12 million shares, amounting to a total payout of 6 million baht.

Auditors' Fees

1. Audit fees

A total of 1,300,000 baht was paid, as audit fees for the 2018 accounting year, to the Company's auditors, DIA International Auditing Company Limited.

2. Non-audit fees

The Company also paid non-audit fees of 200,000 baht as fees for the review of its risk-based capital (RBC) reports.

Outlook and Strategies for 2019

As regards 2019 outlook, the domestic economy is set to grow more strongly. The main drivers of growth will likely include: (1) steady increase in household spending helping to sustain economic expansion; (2) improvement in overall investment with accelerating public investment and steadily rising private investment; (3) pickup in the tourism industry; (4) growth in the global economy and trade which can give a continued boost to exports; and (5) changing trends in international trade, production and investment. As a result, exports of goods are expected to rise by 4.6%, while private consumption and overall investment are projected to increase by 4.2% and 5.1% respectively. It is forecast that annual average inflation will range between 0.7% and 1.7% and the current account surplus will be 5.8% of gross domestic product.

Based on the economic forecasts, the emphasis for 2019 should be given to: (1) facilitating the revival and expansion of tourism by striving to bring Chinese tourist numbers back to normal by the first quarter of 2019 while also improving the image of tourist safety; (2) driving exports to growth targets; (3) encouraging expansion in private investment; (4) supporting farmers and low earners as well as strengthening SMEs and the grassroots economy; (5) driving continued targeted growth in government investment; and (6) equipping a sufficient workforce to meet rising demand from the production sector and increasing investment.

In view of the above, the Company has set the goal of achieving steady, strong growth in premiums in onsonance with the government's economic stimulus policy. We will focus on penetrating highly untapped consumer markets, developing product and service innovations to better serve the needs of customers, and developing modern and diverse distribution channels to accommodate Thailand 4.0. We will continue to offer high quality service to our customers and business partners to enhance our marketability, while also achieving greater management efficiency particularly in the area of risk management in order to mitigate the impact of volatile factors on the Company.

Report of the Audit Committee

To the Shareholders of the Charan Insurance Public Company Limited

The Audit Committee of the Charan Insurance Public Company Limited has been appointed by the Board of Directors and is comprised of three Independent Directors with expertise in finance, accounting, law and management, namely:

- | | | |
|------------------|-----------------|---------------------------------|
| 1. Mr. Sompol | Chaiyachow | Chairman of the Audit Committee |
| 2. Mr. Vorayuth | Charoenloet | Member of the Audit Committee |
| 3. Mrs. Poodpong | Arsingsamanunta | Member of the Audit Committee |

Over the course of 2018, the Audit Committee performed its duties independently as delegated by the Board and within the scope of responsibilities under the Charan Insurance Public Company Limited Audit Committee Charter. Such responsibilities, which are fully in line with the requirements of the Securities and Exchange Commission and the Stock Exchange of Thailand, include: reviewing of financial reports, risk management, internal controls assessment, related-party transaction disclosures and statutory compliance; oversight of internal audit function; and recommendation of external auditors' appointment and remuneration. During the reporting year, the Audit Committee held a total of four meetings. The main points of the Committee's performance in 2018 can be summarized as follows.

1. Reviewing financial reports: The Audit Committee reviewed the Company's quarterly and annual financial statements for 2018 by inviting the executives concerned and the external auditors to take part in the financial statement reviews so as to clarify and answer the Committee's questions concerning such matters as objectivity and completeness of reports, adjusting entries materially affecting financial statements, adequacy of financial disclosures, and external auditors' comments which had been duly considered and reviewed. The Committee was of the opinion that all financial statements gave true and accurate information in all material aspects in accordance with financial reporting standards and that there was complete, timely and reliable disclosure of information beneficial to investors and users of financial statements.

2. Reviewing risk management: A Risk Management Committee has been set up to be in charge of the Company's risk management. In this regard, the Audit Committee carried out a review with the executives to provide assurance that risk management plans and sufficiently effective monitoring were in place before providing its opinions to the Board on areas for improvement in ensuring efficient risk management systems and compliance with the OIC's requirements and guidelines.

3. Reviewing internal controls assessment: The Audit Committee reviewed the Company's internal controls systems by conducting appraisals of the systems with the external auditors and by considering reports from the Office of Internal Audit on a regular basis. Such assessments and reports identified no material weaknesses, and the internal controls were found to be adequate and appropriate. The Audit Committee also reviewed the annual internal audit plans which had been prepared on the basis of risk assessment results, while the Management continuously implemented the improvements recommended by the Committee, the external auditors and the Internal Audit Office. Such practices demonstrated that all parties had due regard to internal controls, thereby providing reasonable assurances of the adequacy of the Company's internal controls systems.

4. Reviewing related-party and conflict-of-interest transactions: The Audit Committee reviewed all related-party transactions or transactions with potential conflict of interest which were classified as connected transactions under the notifications of the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC). The reviews of the transactions made by the Company with related parties/persons found that all transactions were carried out under normal commercial terms on fair, justifiable basis and did not lead to transfer of any gain/benefit, and that full and adequate disclosure of information was duly made by the Company in line with good governance policies and the notifications of the SET and SEC.

5. Reviewing statutory compliance: The Audit Committee reviewed the Company's operations and ensured that all activities were in conformity with the established procedures/processes, that the Company operated with integrity and complied strictly with the law governing securities and exchange and the requirements of the Securities and Exchange Commission and the Stock Exchange of Thailand as well as other applicable laws in providing assurances of the Company's proper conduct of business.

6. Overseeing internal audit function: The Audit Committee oversaw the independence of the Office of Internal Audit which reported directly to the Committee as stated in the Internal Audit Charter. The Committee ensured that internal audits were maintained to international standards, while overseeing and guiding the Office's work in accordance with the approved risk-based audit plans and in line with corporate strategies and direction with the aim of creating value for the organization and promoting good governance and effective internal controls. To ensure efficient working practices, the Committee also evaluated the annual performance of the head of internal audit and reviewed the appropriateness of internal audit structure, audit processes and staffing. The Audit Committee Charter and the Internal Audit Charter were also reviewed to ensure conformity of audit work with professional and international standards.

7. Recommending appointment of external auditors and their fees for 2018: The Audit Committee considered and selected the external auditors by taking into consideration their performance, independence, qualifications, skills, audit capabilities and experience, the audit firm's business and financial statements for the past year as well as their audit fees. The Committee made its recommendation, to the Board for further approval

by the 2018 general meeting, that the following auditors of DIA International Auditing Company Limited be appointed as the Company's external auditors for fiscal 2018: Mrs. Suvimol Krittayakiern, CPA Registration No. 2982 and/or Miss Somjintana Pholhirunrat, CPA Registration No. 5599 and/or Mr. Chumpot Prairattanakorn, CPA Registration No. 7645 and/or Miss Supaporn Mangjit, CPA Registration No. 8125.

In conclusion, the Audit Committee discharged its duties in 2018 by monitoring the Company's activities with competence and sufficient independence in accordance with the responsibilities stated in the Audit Committee Charter. The Committee has reached the opinion that, during the reporting year, the Company's financial reporting continued to provide material, reliable information in line with generally accepted accounting standards, that there was adequate disclosure of related-party transactions and transactions with potential conflict of interest, that there were effective systems to ensure good governance and to manage risks to acceptable levels, that the internal controls systems in place were sufficient for the operations, and that there was full compliance with all the laws, rules and regulations applicable to the Company's business operations.

On behalf of the Audit Committee



Sompol Chaiyachow

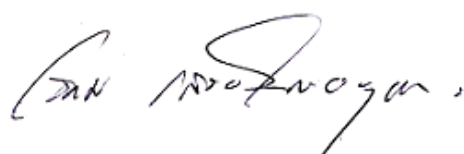
Chairman of the Audit Committee

Statement of Directors' Responsibility in respect of Financial Reports

The Board of Directors is responsible for the Company's financial statements and financial information presented in the Annual Report. The financial statements for the year ended 31 December 2018 have been prepared in accordance with generally accepted accounting standards in Thailand, using appropriate and consistent accounting policies and based on sound, prudent and reasonable judgement. Significant information on accounting policies and financial reporting standards has also been adequately disclosed in the Notes to the Financial Statements. The Company's financial position and results are thus reflected accurately and transparently, providing useful facts for the shareholders and investors in general. Such financial statements have been audited and given an unqualified opinion by independent certified auditors.

The Board ensures adequate, appropriate systems for internal controls, risk management, internal audit and good governance are in place to provide reasonable assurances that the accounting information is objective, complete and reliable enough to protect the Company's property and safeguard the organization against frauds or material irregularities and that there is compliance with all applicable laws and regulations. In this regard, the Audit Committee has reported to the Board on the results of its reviews of assurances and has provided its opinions in such respect in the Report of the Audit Committee which is duly set out in this Annual Report.

The Board of Directors is of the view that the Company's overall system of internal controls is adequate and appropriate to provide assurance that the financial statements of Charan Insurance Public Company Limited for the year ended 31 December 2018 present accurately, in all material respects, the financial position, operating results and cash flow of the Company.



Sopon Kluaymai Na Ayudhya
Chairman of the Board



Sukich Charanvas
Managing Director

Report of the Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of CHARAN INSURANCE PUBLIC COMPANY LIMITED

Opinion

I have audited the financial statements of CHARAN INSURANCE PUBLIC COMPANY LIMITED, which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of 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 CHARAN INSURANCE PUBLIC COMPANY LIMITED as at December 31, 2018, and its financial performance and 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 the 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.

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 my 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.

Gross premium written

The Company had gross premium written amount of Baht 188.68 million, representing 82.74 percent of total revenues before premium coded to reinsurers which are insurance from retail customers and there were a large number of insurance policies written. Calculation and recognition of gross premium written as revenue are dependent upon information and technology (IT) systems. Hence, I focused on examining whether gross premium written are correctly recorded as actually incurred.

I have obtained an assurance relating to the accuracy and occurrence of gross premium written.

- Obtained an understanding and tested internal control system relating to operation procedure, insurance policy issuance, recording data in information and technology systems (IT) and gross premium written account.
- Performed sampling test internal control of information and technology system (IT) relating to insurance premium sales, insurance premium calculation and gross premium written recognition.
- Performed sampling test insurance policy in order to examine gross premium written is recognized in accordance with condition indicated in insurance policy and policy of the Company.
- Performed analytical procedure gross premium written account recognized in the accounting period and sampling test of recording gross premium written made through journal voucher.
- Reviewed data of insurance policy and endorsed insurance policy before and after reporting period.

Loss reserves

The Company had loss reserves of Baht 55.88 million (presented as a part of insurance contract liabilities.) representing 25.06 percent of total liabilities. Loss reserves are included both claims incurred and reported and not yet reported. Such reserves are calculated by the Management under actuarial method and key assumption used in calculation referred from information in the past and judgment made by the Management to determine assumption. Hence, I focused on examining the adequacy of loss reserves.

I have obtained an assurance relating to the adequacy of loss reserves by included.

- Obtained an understanding and assessed internal control system relating operation procedure, relevant to claims estimation of claim reserves and recording of loss reserves.
- Performed sampling test internal control system of the company relating to recording loss reserves.
- Inquired the Management relating to assumption used in estimation by actuary of the Company.
- Considered qualification of actuary of the Company.
- Read estimated loss reserve report prepared by actuary and compared with accounting record.
- Assessed assumption and loss reserve calculation by sampling claims information used by actuary.
- Examined claims document of major claim file.
- Required an expert for reviewing loss reserve estimation and assumption assessment including calculation method and comparing with assumption of previous year.

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, which is expected to be made available to me after that date.

My opinion on the financial statements does not cover the other information and I do not and 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 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 for appropriate correction.

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.

D I A International Audit Co., Ltd.



(Mrs. Suvimol Chrityakierne)

C.P.A. (Thailand) Registration No. 2982

February 25, 2019

Statements of Financial Position

CHARAN INSURANCE PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

(Unit : Baht)

	Note	December 31, 2018	December 31, 2017
ASSETS			
Cash and cash equivalents	6	11,875,195.93	39,549,811.22
Premium due and uncollected	7	28,984,979.72	25,129,084.90
Accrued investment income		3,297,036.40	2,718,080.76
Reinsurance assets	8	25,020,734.59	23,316,101.79
Reinsurance receivables	9	8,902,865.15	9,278,533.89
Investment properties			
Investments in securities	10	649,707,448.06	637,088,075.17
Loans	11	8,547,552.64	10,177,930.20
Property, plant and equipment	12	43,453,740.05	44,060,820.88
Intangible assets	13	56,149.85	116,549.85
Deferred tax assets	14	11,952,510.79	8,625,731.13
Other assets	15	7,707,311.34	7,419,479.83
TOTAL ASSETS		799,505,524.52	807,480,199.62

Notes to the financial statements are an integral part of these financial statements.

(sign) Directors

(Mr. Sukich Charanvas

Mr. Pon Titipanichayangoon)

CHARAN INSURANCE PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION (CONT.)
AS AT DECEMBER 31, 2018

(Unit : Baht)

	Note	December 31, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
Insurance contract liabilities	16	154,119,404.80	134,524,766.80
Due to reinsurers	17	19,877,969.60	17,595,171.95
Income tax payables		1,071,302.42	229,020.26
Employee benefit obligations	19	8,766,376.00	9,529,040.00
Deferred tax liabilities	14	11,934,534.61	17,010,660.03
Others liabilities			
Unearned revenue		11,083,803.28	9,321,123.06
Others	20	16,145,103.98	17,219,183.63
TOTAL LIABILITIES		222,998,494.69	205,428,965.73

Notes to the financial statements are an integral part of these financial statements.

(sign) Directors

(Mr. Sukich Charanvas

Mr. Pon Titipanichayagoon)

CHARAN INSURANCE PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION (CONT.)
AS AT DECEMBER 31, 2018

(Unit : Baht)

	December 31, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital		
Registered capital		
12,000,000 ordinary shares of Baht 10.00 each	120,000,000.00	120,000,000.00
Issued and paid-up share capital		
12,000,000 ordinary shares of Baht 10.00 each	120,000,000.00	120,000,000.00
Premium on share capital	258,000,000.00	258,000,000.00
Retained earnings		
Appropriated		
Statutory reserve	12,000,000.00	12,000,000.00
Unappropriated	138,768,891.38	144,008,593.75
Other components of equity	47,738,138.45	68,042,640.14
TOTAL SHAREHOLDERS' EQUITY	576,507,029.83	602,051,233.89
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	799,505,524.52	807,480,199.62

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

(sign) T. Pan Directors

(Mr. Sukich Charanvas

Mr. Pon Titipanichayangoon)

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

(Unit : Baht)

	Note	2018	2017
REVENUES			
Premium written		188,682,947.33	198,869,488.96
Less: Premium ceded		(32,828,789.65)	(36,913,431.25)
Net Premium written		155,854,157.68	161,956,057.71
Add/Less: Unearned premium reserves from prior period		927,481.82	(11,016,181.19)
Net Premiums earned	34	156,781,639.50	150,939,876.52
Fee and commission income	34	11,645,834.17	12,347,751.30
Income on investments - net	34	20,194,324.80	20,769,465.44
Other income		7,509,672.17	10,202,384.99
Total revenues		196,131,470.64	194,259,478.25
Expenses			
Gross benefits and claims		73,975,799.22	57,854,702.03
Less: claims recovered from reinsurers		(10,142,608.09)	(11,311,372.51)
Insurance claims and loss adjustment expenses	34	63,833,191.13	46,543,329.52
Commissions and brokerages	34	29,767,197.70	31,579,391.55
Other underwriting expenses	34	53,543,889.66	55,118,550.06
Operating expenses	22	43,297,273.70	46,447,049.34
Total expenses		190,441,552.19	179,688,320.47
Profit (Loss) before corporate income tax		5,689,918.45	14,571,157.78
Corporate income tax	14.2	509,628.78	(1,279,040.01)
Profit (Loss) for the years		6,199,547.23	13,292,117.77

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

(sign) T. Pan Directors

(Mr. Sukich Charanvas

Mr. Pon Titipanichayangoon)

CHARAN INSURANCE PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2018

(Unit : Baht)

	Note	2018	2017
OTHER COMPREHENSIVE INCOME (EXPENSES)			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Remeasurements of post-employment benefit obligations		700,938.00	2,958,310.00
Income tax relating to other comprehensive income	14.3	(140,187.60)	(591,662.00)
Remeasurements of post-employment benefit obligations - net of tax		560,750.40	2,366,648.00
<u>Items that will be reclassified subsequently to profit or loss</u>			
Fair value changes on available-for-sale investments		(25,380,627.11)	13,103,870.14
Income tax relating to component of other comprehensive income	14.3	5,076,125.42	(2,620,774.02)
Other comprehensive income (expenses) for the year, net of tax		(20,304,501.69)	10,483,096.12
Other comprehensive income (expenses) for the years, net of tax		(19,743,751.29)	12,849,744.12
Total comprehensive income (expenses) for the years		(13,544,204.06)	26,141,861.89
BASIC EARNINGS PER SHARE			
Net profit (loss)		0.52	1.11
Number of ordinary shares		12,000,000	12,000,000

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

(sign) T. Pan Directors

(Mr. Sukich Charanvas

Mr. Pon Titipanichayagoon)

CHARAN INSURANCE PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

(Unit : Baht)

	Note	Share capital Issued and fully paid	Premium on share capital	Retained earnings		Other component of equitys	รวม
				Statutory reserve	Unappropriated	Fair value changes on available for sale investments	
Balance as at December 31,2016		120,000,000.00	258,000,000.00	12,000,000.00	146,349,827.98	57,559,544.02	593,909,372.00
Profit (Loss) for the years		-	-	-	13,292,117.77	-	13,292,117.77
Other comprehensive income (expenses) for the years, net of tax		-	-	-	2,366,648.00	10,483,096.12	12,849,744.12
Dividend	21	-	-	-	(18,000,000.00)	-	(18,000,000.00)
Balance as at December 31,2017		120,000,000.00	258,000,000.00	12,000,000.00	144,008,593.75	68,042,640.14	602,051,233.89
Profit (Loss) for the years		-	-	-	6,199,547.23	-	6,199,547.23
Other comprehensive income (expenses) for the years, net of tax		-	-	-	560,750.40	(20,304,501.69)	(19,743,751.29)
Dividend	21	-	-	-	(12,000,000.00)	-	(12,000,000.00)
Balance as at December 31,2018		120,000,000.00	258,000,000.00	12,000,000.00	138,768,891.38	47,738,138.45	576,507,029.83

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

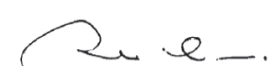
(sign) Directors
(Mr. Sukich Charanvas Mr. Pon Titipanichayangoon)

CHARAN INSURANCE PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

(Unit : Baht)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net direct premium written	183,253,992.80	186,117,981.50
Cash paid for reinsurance	(25,855,300.12)	(29,390,894.95)
Interest income	10,791,103.56	13,212,990.34
Dividend	8,824,265.60	9,518,708.52
Other income	7,509,672.17	10,192,584.99
Losses incurred of direct insurance	(46,263,375.91)	(46,487,020.74)
Commissions and brokerages	(18,000,399.36)	(18,538,108.56)
Other underwriting expenses	(53,543,889.66)	(55,118,550.06)
Operating expenses	-43,711,574.77	-44,143,736.26
Income tax	-2,115,056.32	-2,475,031.50
Investments in securities	(38,000,000.00)	(15,000,000.00)
Collateralized loans	1,630,377.56	2,294,992.08
Deposits at financial institutions	-	30,000,000.00
NET CASH PROVIDED BY (USE IN) OPERATING ACTIVITIES	(15,480,184.45)	40,183,915.36
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows provided by		
Property held for sale - net	-	128,800.00
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	128,800.00

Notes to the financial statements are an integral part of these financial statements.

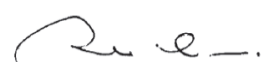

(sign)  Directors
(Mr. Sukich Charanvas Mr. Pon Titipanichayagoon)

CHARAN INSURANCE PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2018

(Unit : Baht)

	2018	2017
Cash flows used in		
Equipment	(194,430.84)	(713,928.04)
NET CASH USED IN INVESTING ACTIVITIES	(194,430.84)	(713,928.04)
NET CASH USED IN INVESTING ACTIVITIES	(194,430.84)	(585,128.04)
NET CASH USED IN FINANCING ACTIVITIES		
Dividend	(12,000,000.00)	(18,000,000.00)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,674,615.29)	21,598,787.32
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR	39,549,811.22	17,951,023.90
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	11,875,195.93	39,549,811.22

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

(sign)   Directors

(Mr. Sukich Charanvas

Mr. Pon Titipanichayagoon)

Notes to the Financial Statements

CHARAN INSURANCE PUBLIC COMPANY LIMITED CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. GENERAL INFORMATION

CHARAN INSURANCE PUBLIC COMPANY LIMITED (“the Company”) was incorporated as a public limited company on March 15, 1994, Registration No. BorMorJor. 0107537000807. The Company has its registered head office at 408/1 Ratchadapisak Road, Samsennok, Huaykwang, Bangkok. The Company’s principal activity is the provision of non - life insurance.

2. BASIS FOR THE PREPARATION OF INTERIM FINANCIAL STATEMENTS

2.1 Preparation of financial statements

The financial statements have been prepared in Conformity with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547, and in accordance with Thai accounting practices related to insurance and the guidelines prescribed by the Office of Insurance Commission (“OIC”), regarding criteria, procedures, conditions and terms for preparation and submission of financial statements and operating performance reports of non-life insurance companies B.E. 2559 dated 4 March 2016.

The financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

2.2 Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for the financial statements for the year beginning on or after January 1, 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of those financial reporting standards does not have any significant impacts on the Company financial statements.

2.3 Financial reporting standards that will become effective in the future

Thai Financial Reporting Standards which will become effective for the financial statements for the accounting period beginning on or after January 1, 2019.

TFRS 15 Revenue from Contracts with Customers, establishes the principles that the information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer, is to be reported to the users of financial statements. The entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange or those goods or services. The entity applies a five-step model to account for revenue and exercise judgement, taking into consideration when applying each step of the model.

TFRS 15 Revenue from Contracts with Customers supersedes the Thai Accounting Standards, Thai Standing Interpretations Committee and Thai Financial Reporting Interpretations Committee as detailed below:

Thai Accounting Standards

TAS 11 (Revised 2017) Construction contracts

TAS 18 (Revised 2017) Revenue

Thai Financial Reporting Standards Interpretations

TFRIC 13 (Revised 2017) Customer Loyalty Programmes

TFRIC 15 (Revised 2017) Agreements for the Construction of Real Estate

TFRIC 18 (Revised 2017) Transfers of Assets from Customers

Thai Standing Interpretations Committee

TSIC 31 (Revised 2017) Revenue - Barter Transactions Involving Advertising Services

At present, the Management of the Company has assessed that there is no impact of the above Thai Financial Reporting Standards on the financial statements which will become effective in the future.

Thai Financial Reporting Standards which will become effective for the financial statements for the accounting period beginning on or after January 1, 2020.

The Federation of Accounting Professions prepared new Thai Financial Reporting Standards based on International Financial Reporting Standards for the period ended December 31, 2017 (Bound Volume 2018 Consolidated without early application) as follows:

Thai Financial Reporting Standards

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Thai Accounting Standards

TAS 32	Financial Instruments: Presentation
--------	-------------------------------------

Thai Financial Reporting Standards Interpretations

TFRIC 16	Hedges of a Net Investments in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The above set of Thai Financial Reporting Standards (TFRSs) sets out the requirements for the classification and measurement of financial instrument at the fair value or amortized cost by considering from the type of instruments, contractual cash flow characteristics and the entity's business model, including the impairment methodology by using the expected credit loss, and the general hedge accounting, as well as the presentation and disclosures of financial instrument. When this set of TFRSs are effective, as a result, some currently effective accounting standards, interpretations and guidance will be cancelled.

At present, the Management of the Company is being assessed the impacts of those financial reporting standards which will be effective in the future on the financial statements.

3. ACCOUNTING POLICY

3.1 Product classification

The company classifies the insurance contract and reinsurance contract based on the nature of the contract. An insurance contract is one under which the insurer has accepted significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Determination of whether a significant insurance risk has been accepted is based on comparison of the amount of benefit payable under the contract if an insured event occurs with the payment obligation if the insured event does not occur. If a contract does not meet these criteria, the Company classifies it as an investment contract. Investment contracts are insurance contracts in legal form that transfer significant financial risk but not significant insurance risk. Financial risk is the risk of a possible future change in interest rate, foreign exchange rate and index of price or rates.

The Company classifies contracts based on an assessment of the insurance risk at an 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. If any contract is previously classified as investment contracts at an inception date, it can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

3.2 Revenue recognition

(a) Premium

Premium income is recognized on the date the insurance policy comes into effective date by after deducting premium ceded, cancelled and unearned premium reserve adjustment for insurance policies of which the coverage periods are less than 1 year. For long-term policies which the coverage periods are longer than 1 year that the related revenues and expenses are recorded as unearned and prepaid items. The Company amortizes the recognition of the unearned and prepaid items as income and expenses over the coverage period on the yearly basis.

(b) Reinsurance premium income

Premium income is recognized on the date the insurance policy comes into effective date by after deducting premium ceded, cancelled and unearned premium reserve adjustment for insurance policies of which the coverage periods are less than 1 year. For long-term policies which the coverage periods are longer than 1 year that the related revenues and expenses are recorded as unearned and prepaid items. The Company amortizes the recognition of the unearned and prepaid items as income and expenses over the coverage period on the yearly basis.

(c) Commission and brokerage fee income

Commission and brokerage fee from ceded premium are recognized as income when services have been rendered to the reinsurers.

Commission and brokerage fees from ceded premium with coverage periods longer than 1 year are recorded as unearned items and recognized as income over the coverage period.

(d) Interest income and dividends

Interest income is recognized as interest accrues based on the effective rate method. Dividends are recognized when the right to receive the dividend is established.

(e) Gain (loss) on trading securities

Gain (loss) on trading securities is recognized as income or expenses on the transaction date.

(f) Other income

Other income is recognized on the accrual basis

3.3 Premium reserve

(a) Unearned premium reserve

Unearned premium reserve is set aside in compliance with the Notification of the Ministry of Commerce governing the appropriation of unearned premium reserves of non-life insurance companies as follow:-

<u>Type of insurance</u>	<u>Reserve Calculation Method</u>
- Transportation (cargo), travelling 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
- Others	- Monthly average basis (the one-twenty fourth basis)

(b) Unexpired risks reserve

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

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 recognized as unexpired risks reserve in the financial statements.

3.4 Loss reserve and outstanding claims

The Company was recorded the outstanding claims which have been provided upon receipt of claim advices from the insured. They are recorded at the value appraised by an independent appraiser, or by the Company's officer as each case but not exceed than the maximum of sum insured of each policy.

In addition, the Company sets up provision reserve for losses incurred but not yet reported (IBNR) which calculated as based on the best estimate by Professional Actuary, the provision will be covered for all projected losses , such as losses incurred during this period , losses incurred but not reported (IBNR) and net by losses paid.

3.5 Commissions, brokerages and other expense

Commissions and brokerages are expended when incurred, Other expense is recognized on the accrual basis

3.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposit at financial institutions and short-term investment with high liquidity with an original maturity of 3 months or less and not subject to withdrawal restrictions.

3.7 Premium due and uncollected

Premium due and uncollected from direct is carried at its net realizable value. The Company sets up an allowance for doubtful accounts based on the estimated loss that may incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging and current status of the premium due as at the Statements of financial position date.

3.8 Reinsurance assets

Reinsurance assets are stated at the amounts of insurance reserve refundable from reinsurers is estimated based on the related reinsurance contract of premium reserve, loss reserve and outstanding claims in accordance with the law regarding insurance reserve calculation.

3.9 Reinsurance receivables and due to reinsurers

(a) Reinsurance receivables 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 receivables, 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.

(b) Amounts due from 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 receivables or amounts due to reinsurers) when the criteria for offsetting as follows.

(1) The entity has a legal right to offset amounts presented in the statements of financial position, and

(2) The entity 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. \

3.10 Investments

(a) Investments in securities held for trading are stated at fair value. Gains or losses arising from changes in the carrying amount of securities are included in the Statements of comprehensive income.

(b) Investments in available-for-sale securities are stated at fair value. Changes in the carrying amounts of securities are recorded as operation comprehensive income and recognized this accumulation to shareholder's equity until sold out these securities that will be record in the Statements of comprehensive income.

(c) Investments in held-to-maturity debt securities are recorded at amortized cost. The premium/discount on debt securities is amortized by the effective rate method with the amortized amount presented as an adjustment to the interest income.

(d) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for the diminution in value (if applicable).

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of debt instruments are determined based on the price quoted by the Thai Bond Market Association. The fair value of unit trust is determined from their net asset value.

Loss on impairment of investments in available-for-sale securities, held-to-maturity debt securities, and other investments is included in the Statements of comprehensive income when the carrying amount exceeds its recoverable amount. the weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments in securities, such investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are recorded as gains (losses) in the Statements of comprehensive income, or as revaluation surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

3.11 Assets held for sales

Real estates held for sales are stated at the lower of cost or net saleable value. The Company set up an allowance for impairment on such assets.

3.12 Loans and allowance for doubtful accounts.

Loans are stated at net realizable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience, analysis of debt aging and the appraisal value of the collateral of each debtor.

3.13 Property, Plant and equipment, and depreciation

(a) Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if applicable).

(b) Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives.

Building and improvement	20 years
Fixtures and office equipment	5 years
Motor vehicles	5 years

Land and construction in progress were not depreciated.

3.14 Intangible assets and amortization

Intangible asset is stated at cost less accumulated amortization and impairment of assets (if applicable). Amortization of intangible assets is calculated by reference to their costs on a straight-line basis over the period of the lease and the expected beneficial period as follows: -

Computer software

5 years

3.15 Impairment of assets

For the date stated in Statements of financial position, The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the Statements of comprehensive income. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

3.16 Income tax

Income tax consists of current income tax and deferred income tax

(a) Current income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation, during the reporting period and including of unpaid tax in previous year.

(b) Deferred Tax

(1) Deferred income tax is calculated based on temporary differences between book value of assets and liabilities as book in the Statements of financial position compare with these taxes base of assets and liabilities. The Company will be evaluate the value of deferred tax assets and liabilities by tax rate for each period that the Company has expected to be get benefit from deferred tax assets or in each period to expected to paid for deferred tax liabilities.

(2) The Company recognizes deferred tax liabilities for taxable temporary differences and recognizes deferred tax assets by compare with the deductible temporary differences and tax losses carried forward. The Company recognizes deferred tax assets to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilized.

(3) At each Statements of financial position date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized or change in tax rate.

(4) The Company recognizes deferred tax expenses to revenue or expense in the statements of income, except when the temporary differences relate to items under the shareholders' equity, in which case the deferred tax is directly recorded in the shareholders' equity.

3.17 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

3.18 Employee benefits

Short-term benefit

The Company recognizes salary, wage, bonus, contribution to social security fund and provident fund as incurred expenses.

Post-employment benefits (Defined contribution plan)

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognized as expenses in the year in which they are incurred.

Post-employment benefits (Defined benefit plan)

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan. The Company's obligation under the defined benefit plan is using the projected unit credit method, determined by the certified actuary. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates.

Actuarial gains and losses arising from post-employment benefits (Defined contribution plan) is recognized immediately in the other comprehensive income and recognized in the Statements of comprehensive income for Actuarial gains and losses arising from post-employment benefits (Defined benefit plan).

On December 13, 2018, the National Legislative Assembly passed the resolution to approve the draft of new Labour Protection Act which determined the additional rate of severance pay in the case of termination of employment for a terminated employee who has worked for 20 consecutive years or more and shall be entitled to receive payment not less than the last rate of wages for 400 days. However, new Labour Protection Act is being announced in the Government Gazette. The Company, therefore, shall record the effects of new Labour Protection Act when it becomes effective.

3.19 Operating lease

Leases of assets which transferring a significant portion of the risks and rewards of ownership to the lessor are classified as operating leases. Payments made under operating leases are charged as expenses under the lease term. สัญญาเช่า

3.20 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currency outstanding at the Statements of financial position date are translated into Baht at the exchange rates ruling on the Statements of financial position date. Gains and losses on exchange are included in the calculation of operation result.

3.21 Provision, expenses and contingent assets

The Company set up the provision and expense in the financial statements when there is a legally incurred liability or certain possibility inferring from a continuing result from the past incident, which may result in the Company having to repay or compensate for the said liability and the amount to be repaid can be reliably estimated. The Company would recognize the contingent assets as separate assets when there is a supporting factor for the absolute certainty in receiving the repayment.

3.22 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

3.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Managing Director that makes strategic decisions.

3.24 Financial instruments

Financial instruments reflected in the Statements of financial position are composed of cash and cash equivalents, investments securities, uncollection premium which the specific accounting policy for each item is separately disclosed in each related caption.

3.25 Earnings per share

Earnings (Loss) per share presented in the statements of income is the basic earnings (loss) per share which is determined by dividing the net profit (loss) for the year by the weighted average number of common shares issued and paid-up during the year.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

4.1 Allowance for doubtful accounts of premium due and uncollected and reinsurance assets.

In determining an allowance for doubtful accounts of premium due and uncollected and reinsurance assets, the management needs to make judgement and estimates expected loss incurred from expected uncollectible of premium due and collected and reinsurance assets.

Allowance for doubtful accounts is estimated based upon past collection history, aging profile of outstanding debts and the current status of premium due and uncollected and reinsurance assets as at the statement of financial position date. Reliability rankings, existing information of fund at the closing date and other information disclosed in public are additionally determined for reinsurance assets.

4.2 Impairment of equity investments

The Company treat available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

4.3 Property, plant and equipment / intangible assets

Management determines the estimated useful lives and residual values for the property, plant and equipment / intangible assets. Management will revise the depreciation charge where useful lives and residual values are different to previous estimates, or will write off or write down technically obsolete assets that have been abandoned or sold.

In addition, the management is required to review plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

4.4 Deferred tax

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. The Company considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing whether to recognise deferred tax assets. The Company’s assumptions regarding the future profitability and the anticipated timing of utilisation of deductible temporary differences and significant changes in these assumptions from year to year may have a material impact on the Company’s reported financial position and results of operations.

4.5 Claims incurred but not yet reported by insured (“IBNR”)

The IBNR recognised in the Statement of Financial Position is estimated based on various assumptions by using actuarial methods required by Office of Insurance Commission. The assumptions are frequently reviewed in the light of recent experience and current conditions.

4.6 Employee benefits obligations

The obligation under the defined benefit plans and other long-term employee benefit plans are determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

4.7 Unexpired risk reserve

Unexpired risk reserve is calculated using an actuarial method, based on a best estimate of the claims expected to incur over the remaining term of the insurance. Estimating the reserve requires the management to exercise judgment, with reference to historical data and the best estimates available at the time.

4.8 Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that loss incurred will not exceed the recorded amounts as at the end of reporting period. However, actual results could differ from the estimates

5. FAIR VALUE MEASUREMENT

The Company use the market approach to measure their 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 when a quoted market price is not available. The Company used an appropriate measurement such as the present value determination of cash flows etc.

Fair value hierarchy

In applying the above-mentioned valuation techniques, the Company endeavour to use relevant observable inputs as much as possible. The different levels have been defined as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly.
- Level 3 unobservable inputs for assets or liabilities.

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

(Unit: Baht)

	2018				
	Carrying Values	Fair values			
		Level 1	Level 2	Level 3	Total

Assets measured at fair value

Available-for-sale investments

Equity securities	229,836,388.06	229,836,388.06	-	-	229,836,388.06
-------------------	----------------	----------------	---	---	----------------

Assets for which fair value are disclosed

Cash and cash equivalents	11,875,195.93	11,875,195.93	-	-	11,875,195.93
---------------------------	---------------	---------------	---	---	---------------

Premium receivables	28,984,979.72	-	-	28,984,979.72	28,984,979.72
---------------------	---------------	---	---	---------------	---------------

Reinsurance assets – claim reserves refundable

from reinsurers	7,941,522.82	-	-	7,941,522.82	7,941,522.82
-----------------	--------------	---	---	--------------	--------------

Reinsurance receivables	8,902,865.15	-	-	8,902,865.15	8,902,865.15
-------------------------	--------------	---	---	--------------	--------------

Held to maturity investments

Government and state enterprise securities	16,600,000.00	-	-	16,749,583.20	16,749,583.20
--	---------------	---	---	---------------	---------------

Private sector debt securities	233,000,000.00	-	236,683,075.49	-	236,683,075.49
--------------------------------	----------------	---	----------------	---	----------------

Deposits at financial institutions which matured

over 3 months	169,930,000.00	169,930,000.00	-	-	169,930,000.00
---------------	----------------	----------------	---	---	----------------

General investments	341,060.00	-	-	22,998,812.04	22,998,812.04
---------------------	------------	---	---	---------------	---------------

Loans	8,547,552.64	-	-	8,547,552.64	8,547,552.64
-------	--------------	---	---	--------------	--------------

Liabilities which fair value are disclosed

Insurance contract liabilities - claim reserves	55,882,661.30	-	-	55,882,661.30	55,882,661.30
---	---------------	---	---	---------------	---------------

Amounts due to reinsurances	19,877,969.60	-	-	19,877,969.60	19,877,969.60
-----------------------------	---------------	---	---	---------------	---------------

During the current year, there were no transfers within the fair value hierarchy.

5. FAIR VALUE MEASUREMENT (Cont.)

(หน่วย: บาท)

	2017				
	Carrying values	Fair values			
		Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value</u>					
Available-for-sale investments					
Equity securities	255,217,015.17	255,217,015.17	-	-	255,217,015.17
<u>Assets for which fair value are disclosed</u>					
Cash and cash equivalents	39,549,811.22	39,549,811.22	-	-	39,549,811.22
Premium receivables	25,129,084.90	-	-	25,129,084.90	25,129,084.90
Reinsurance assets – claim reserves refundable from reinsurers	5,244,300.31	-	-	5,244,300.31	5,244,300.31
Reinsurance receivables	9,278,533.89	-	-	9,278,533.89	9,278,533.89
Held to maturity investments					
Government and state enterprise securities	16,600,000.00	-	-	16,965,152.40	16,965,152.40
Private sector debt securities	200,000,000.00	-	205,365,387.36	-	205,365,387.36
Deposits at financial institutions which matured over 3 months	164,930,000.00	164,930,000.00	-	-	164,930,000.00
General investments	341,060.00	-	-	22,209,646.56	22,209,646.56
Loans	10,177,930.20	-	-	10,177,930.20	10,177,930.20
<u>Liabilities which fair value are disclosed</u>					
Insurance contract liabilities - claim reserves	34,367,951.77	-	-	34,367,951.77	34,367,951.77
Amounts due to reinsurances	17,595,171.95	-	-	17,595,171.95	17,595,171.95

6. CASH AND CASH EQUIVALENTS

(Unit : Baht)

	December 31, 2018	December 31, 2017
Cash	748,116.25	995,548.86
Deposits at banks with no fixed maturity date	11,127,079.68	8,554,262.36
Deposits at banks with fixed maturity date	-	30,000,000.00
Cash and cash equivalents	11,875,195.93	39,549,811.22

7. PREMIUM DUE AND UNCOLLECTED

As at December 31, 2018 and 2017, the Company has balances of premium due and uncollected which classified by aging from the maturity date under the stipulated law of the premium collection as follows:

(Unit : Baht)

	December 31, 2018			December 31, 2017		
	Due from insured	Due from agents and brokers	Total	Due from insured	Due from agents and brokers	Total
Not yet due	1,491,626.66	21,414,787.92	22,906,414.58	1,804,956.26	17,277,307.33	19,082,263.59
Not over 30 days	65,382.38	3,900,605.76	3,965,988.14	71,439.05	2,823,183.34	2,894,622.39
Over 30 days to 60 days	-	1,859,639.42	1,859,639.42	-	1,371,995.12	1,371,995.12
Over 60 days to 90 days	-	252,937.58	252,937.58	217,699.33	1,562,504.47	1,780,203.80
Over 90 days	-	758,616.25	758,616.25	-	1,502,788.09	1,502,788.09
Total premium receivables	1,557,009.04	28,186,586.93	29,743,595.97	2,094,094.64	24,537,778.35	26,631,872.99
Less: Allowance for doubtful accounts	-	(758,616.25)	(758,616.25)	-	(1,502,788.09)	(1,502,788.09)
Total premium due and uncollected, net	1,557,009.04	27,427,970.68	28,984,979.72	2,094,094.64	23,034,990.26	25,129,084.90

8. REINSURANCE ASSETS

As at December 31, 2018 and 2017, the Company has reinsurance assets as below:

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
<u>Insurance recovered from reinsurers</u>		
Loss reserves	7,941,522.82	5,244,300.31
Unearned premium reserves (UPR)	17,079,211.77	18,071,801.48
Total	25,020,734.59	23,316,101.79

9. REINSURANCE RECEIVABLES

As at December 31, 2018 and 2017, the Company has reinsurance receivables as below:

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
Amounts due from reinsurers	8,902,865.15	9,278,533.89
Total	8,902,865.15	9,278,533.89

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

(Unit : Baht)

	December 31, 2018	December 31, 2017
Within credit terms	8,806,608.01	9,192,649.08
Not over 12 months	96,257.14	85,884.81
Total	8,902,865.15	9,278,533.89

10. INVESTMENT IN SECURITIES

10.1 Classified by type of investments

(Unit : Baht)

	31 December 2018		31 December 2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Available-for-sale investments				
Equity securities	170,163,715.00	229,836,388.06	170,163,715.00	255,217,015.17
Total	170,163,715.00	229,836,388.06	170,163,715.00	255,217,015.17
Unrealized gain (loss)	59,672,673.06	-	85,053,300.17	-
Available-for-sale investments - net	229,836,388.06	229,836,388.06	255,217,015.17	255,217,015.17
Held-to-maturity investments				
Government and state enterprise securities	16,600,000.00		16,600,000.00	
Private sector debt securities	233,000,000.00		200,000,000.00	
Deposits at financial institutions which matured over 3 months	169,930,000.00		164,930,000.00	
Held-to-maturity investments - net	419,530,000.00		381,530,000.00	
General investments				
Equity securities	341,060.00		341,060.00	
General investments - net	341,060.00		341,060.00	
Investments in securities - net	649,707,448.06		637,088,075.17	

10.2 Period to maturity

(Unit : Baht)

	2018			
	Period to maturity			
	Within 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments				
Government and state enterprise securities	-	11,600,000.00	5,000,000.00	16,600,000.00
Private sector debt securities	52,000,000.00	104,000,000.00	77,000,000.00	233,000,000.00
Deposits at financial institutions which matured over 3 months	169,930,000.00	-	-	169,930,000.00
Total available-for-sale investments	221,930,000.00	115,600,000.00	82,000,000.00	419,530,000.00

(หน่วย : บาท)

	2017			
	Period to maturity			
	Within 1 year	Within 1 year	Within 1 year	Within 1 year
Available-for-sale investments				
Government and state enterprise securities	1,600,000.00	10,000,000.00	5,000,000.00	16,600,000.00
Private sector debt securities	25,000,000.00	98,000,000.00	77,000,000.00	200,000,000.00
Deposits at financial institutions which matured over 3 months	164,930,000.00	-	-	164,930,000.00
Total available-for-sale investments	191,530,000.00	108,000,000.00	82,000,000.00	381,530,000.00

10.3 Investments subject to restriction

As at December 31, 2018 and 2017, the Company pledged bank deposit Baht 54.93 million as collateral as stated in note 35.

11. LOANS

As at December 31, 2018 and 2017, loans and accrued interest aged by principal and accrued interest are as follows:

(หน่วย : บาท)

	2561						
	ทรัพย์สินจำนองเป็นประกัน		อื่นๆ		รวม		
	เงินต้น	ดอกเบี้ย	เงินต้น	ดอกเบี้ย	เงินต้น	ดอกเบี้ย	รวม
ยังไม่ถึงกำหนดชำระ	8,173,894.91	-	373,657.73	-	8,547,552.64	-	8,547,552.64
รวม	8,173,894.91	-	373,657.73	-	8,547,552.64	-	8,547,552.64

(หน่วย : บาท)

	2561						
	ทรัพย์สินจำนองเป็นประกัน		อื่นๆ		รวม		
	เงินต้น	ดอกเบี้ย	เงินต้น	ดอกเบี้ย	เงินต้น	ดอกเบี้ย	รวม
ยังไม่ถึงกำหนดชำระ	9,509,900.34	-	668,029.86	-	10,177,930.20	-	10,177,930.20
รวม	9,509,900.34	-	668,029.86	-	10,177,930.20	-	10,177,930.20

11.1 เงินให้กู้ยืม โดยมีหลักทรัพย์สินเป็นประกันเงินให้กู้ยืมแก่พนักงานในโครงการสวัสดิการสินเชื่อที่อยู่อาศัย อัตราดอกเบี้ย เงินกู้ร้อยละ MLR-1.5 และ MOR-2.0 ต่อปี

11.2 เงินให้กู้ยืม โดยให้บุคคลค้าประกันเป็นเงินให้กู้ยืมแก่พนักงานในโครงการสวัสดิการอัตราดอกเบี้ยเงินกู้ ร้อยละ MLR-1.5 ต่อปี และ MOR ต่อปี

11.3 เงินให้กู้ยืม โดยมีหลักทรัพย์สินเป็นประกันเงินให้กู้ยืมแก่บุคคลอื่น อัตราดอกเบี้ยเงินกู้ร้อยละ MOR-1.5 ต่อปี

12. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2018 and 2017, the Company has furniture, fixtures and office equipment at cost before deducting accumulated depreciation amount of Baht 94.79 million and Baht 143.48 million, respectively which are fully depreciated and still used in its operation.

(Unit : Baht)

	2018				
	Land	Building	Fixture and office equipment	Vehicle	Total
Cost :					
At December 31, 2017	41,549,000.00	80,536,138.70	53,972,158.10	14,608,961.54	190,666,258.34
Additions	-	-	194,530.84	-	194,530.84
Disposal	-	-	(49,689,395.18)	-	(49,689,395.18)
At December 31, 2018	41,549,000.00	80,536,138.70	4,477,293.76	14,608,961.54	141,171,394.00
Accumulated depreciation :					
At December 31, 2017	-	79,975,633.15	52,530,194.59	14,099,609.72	146,605,437.46
Depreciation for the year	-	78,685.63	543,726.42	179,099.62	801,511.67
Disposal	-	-	(49,689,295.18)	-	(49,689,295.18)
At December 31, 2018	-	80,054,318.78	3,384,625.83	14,278,709.34	97,717,653.95
Net book value :					
At December 31, 2017	41,549,000.00	560,505.55	1,441,963.51	509,351.82	44,060,820.88
At December 31, 2018	41,549,000.00	481,819.92	1,092,667.93	330,252.20	43,453,740.05
Depreciation for the year					
At December 31, 2018					801,511.67

12. PROPERTY, PLANT AND EQUIPMENT (Cont.)

(Unit : Baht)

	2017				
	Land	Building	Fixture and office equipment	Vehicle	Total
Cost :					
At December 31, 2016	41,549,000.00	80,536,138.70	54,046,016.55	14,608,961.54	190,740,116.79
Additions	-	-	713,928.04	-	713,928.04
Disposal	-	-	(787,786.49)	-	(787,786.49)
At December 31, 2017	41,549,000.00	80,536,138.70	53,972,158.10	14,608,961.54	190,666,258.34
Accumulated depreciation :					
At December 31, 2016	-	78,223,277.04	52,701,174.94	13,920,510.12	144,844,962.10
Depreciation for the year	-	1,752,356.11	616,806.14	179,099.60	2,548,261.85
Disposal	-	-	(787,786.49)	-	(787,786.49)
At December 31, 2017	-	-	79,975,633.15	52,530,194.59	14,099,609.72
Net book value :					
At December 31, 2016	41,549,000.00	2,312,861.66	1,344,841.61	688,451.42	45,895,154.69
At December 31, 2017	41,549,000.00	560,505.55	1,441,963.51	509,351.82	44,060,820.88
Depreciation for the year					
At December 31, 2017					2,548,261.85

13. INTANGIBLE ASSETS

	(Unit : Baht)
	Computer software
Cost:	
At December 31, 2016	1,941,571.03
Additions	-
At December 31, 2017	1,941,571.03
Additions	-
At December 31, 2018	1,941,571.03
Accumulated amortization	
At December 31, 2016	1,764,621.18
Amortization charge	60,400.00
At December 31, 2017	1,825,021.18
Amortization charge	60,400.00
At December 31, 2018	1,885,421.18
Net book value:	
At 31 December 2017	116,549.85
At 31 December 2018	56,149.85
Amortization for the year 2018	60,400.00
Amortization for the year 2017	60,400.00

14. DEFERED TAX

14.1 As at December 31, 2018 and 2017, the component of deferred tax assets and liabilities consist of following items.

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
Deferred tax assets		
Premium reserve	2,242,608.56	1,939,952.90
Loss reserves and outstanding claims	5,241,138.70	2,224,600.07
Loss reserves incurred but not reported (IBNR)	2,563,765.09	2,254,812.55
Allowance for doubtful accounts	151,723.24	300,557.61
Employee benefit obligation	1,753,275.20	1,905,808.00
Total	11,952,510.79	8,625,731.13
Deferred tax liabilities		
<i>Unrealized gain from investment valuation – Available for sale</i>	11,934,534.61	17,010,660.03
Total	11,934,534.61	17,010,660.03
Deferred tax assets (liabilities) - net	17,976.18	(8,384,928.90)

14.2 Income tax for the year ended December 31, 2018 and 2017, is summarized as follows:

	(Unit : Baht)	
	2018	2017
Current income tax:		
Income tax for the year	2,957,338.47	2,010,693.64
Deferred income tax:		
Deferred tax from temporary difference	(3,466,967.25)	(731,653.63)
Income tax presented in statement of comprehensive income	(509,628.78)	1,279,040.01

14.3 The amount of income tax relating to each component of other comprehensive incomes for the year ended December 31, 2018 and 2017, are summarized as follows:

	(Unit : Baht)	
	2018	2017
Deferred tax relating to Remeasurements of post-employment benefit obligations for the year	(140,187.60)	(591,662.00)
Deferred tax relating to gain (loss) from investment valuation Available for sale	5,076,125.42	(2,620,774.02)
	<u>4,935,937.82</u>	<u>(3,212,436.02)</u>

14.4 Reconciliation amount between income tax expenses and multiplication of taxable profit and tax rate used for the year ended December 31, 2018 and 2017, are presented as follows:

	(Unit : Baht)	
	2018	2017
Profit (Loss) from accounting before income tax	5,689,918.45	14,571,157.78
Income tax rate	20%	20%
Profit (Loss) from accounting before income tax multiplied by income tax rate	1,137,983.69	2,914,231.56
Income tax adjusted of previous year		
The effect from changing income tax rate of deferred tax	(850,994.11)	-
The effect of income tax:		
Non taxable revenues and expenses	(929,313.83)	(2,012,337.01)
Undeductible expenses	132,695.47	377,145.46
Income tax presented in statement of comprehensive income	<u>(509,628.78)</u>	<u>1,279,040.01</u>

15. OTHER ASSETS

(Unit : Baht)

	December 31, 2018	December 31, 2017
Prepaid long-term commission	2,200,589.34	1,970,334.19
Loss recovery from counter parties	2,023,435.58	1,113,986.90
Other Receivables	1,111,112.49	1,930,111.29
Others	2,372,173.93	2,405,047.45
Total	7,707,311.34	7,419,479.83

16. INSURANCE CONTRACT LIABILITIES

	December 31, 2018		
	Insurance contract liabilities	Liabilities on reinsurance	Net
Loss reserves and outstanding claims			
- Incurred and agreed claim reserves	40,886,963.54	(5,764,650.48)	35,122,313.06
- Incurred but not reported claim reserves	14,995,697.76	(2,176,872.34)	12,818,825.42
Premium liabilities - Unearned premium reserves	98,236,743.50	(17,079,211.77)	81,157,531.73
Total	154,119,404.80	(25,020,734.59)	129,098,670.21

	December 31, 2017		
	Insurance contract liabilities	Liabilities on reinsurance	Net
Loss reserves and outstanding claims			
- Incurred and agreed claim reserves	21,085,971.15	(3,236,382.44)	17,849,588.71
- Incurred but not reported claim reserves	13,281,980.62	(2,007,917.87)	11,274,062.75
Premium liabilities - Unearned premium reserves	100,156,815.03	(18,071,801.48)	82,085,013.55
Total	134,524,766.80	(23,316,101.79)	111,208,665.01

16. INSURANCE CONTRACT LIABILITIES (Cont.)

Loss reserves and outstanding claims

(Unit : Baht)

	December 31, 2018	December 31, 2017
Beginning balances	34,367,951.77	37,526,442.62
Claim incurred in this period/year	76,285,073.68	53,045,524.67
Changes in claim reserves in previous period/year	(1,500,322.54)	4,622,190.92
Changes in claim reserves assumptions	1,713,717.14	(424,801.45)
Claim paid in this period/year	(54,983,758.75)	(60,401,404.99)
Ending balances	55,882,661.30	34,367,951.77

As at December 31, 2018, the Company had loss reserves and outstanding claims under reinsurance contracts of Baht 3.97 million (31 December 2017: Baht 5.39 million).

Unearned premium reserve

(Unit : Baht)

	December 31, 2018	December 31, 2017
Beginning balances	100,156,815.03	101,848,604.48
Premium written for the year	188,682,947.33	198,869,488.96
Premium earned for the current year	(190,603,018.86)	(200,561,278.41)
Ending balance	98,236,743.50	100,156,815.03

Unexpired risk reserve

(Unit : Baht)

	December 31, 2018	December 31, 2017
Balance as at January 1	29,433,219.54	29,553,385.41
Estimated claims for the year	61,738,451.72	58,076,652.72
Expired risk during the year	(56,012,768.55)	(58,196,818.59)
Ending balance	35,158,902.71	29,433,219.54

16. INSURANCE CONTRACT LIABILITIES (Cont.)

As at December 31, 2018, the Company has not provided for unexpired risk reserve for the amount of Baht 35.16 million (December 31, 2017, Baht 29.43 million) since unexpired risk reserve is lower than unearned premium reserve.

Gross claims table

(Unit : Baht)

Accident year/Reporting year	2013	2014	2015	2016	2017	2018	Total
Claim estimates:							
- as at accident year	61,373,950	56,211,432	60,702,000	64,010,739	55,364,197	71,469,051	
- Next one year	66,758,016	54,771,859	58,031,013	63,261,824	55,203,840		
- Next two years	65,173,597	55,440,388	58,553,284	65,920,735			
- Next three years	65,949,961	55,785,856	57,884,918				
- Next four years	65,947,260	55,785,856					
- Next five years	65,939,260						
Cumulative claim estimates	65,939,260	55,785,856	57,884,918	65,920,735	55,203,840	71,469,051	372,203,660
Cumulative payments 2013 - 2018	65,939,260	55,785,856	57,884,918	65,061,127	48,291,462	29,649,215	322,611,838
Total	-	-	-	859,608	6,912,378	41,819,836	49,591,822
Claims before 2013							3,812,656
Others							2,478,183
Total gross loss reserves							55,882,661

Net claims table

(Unit : Baht)

Accident year/Reporting year	2013	2014	2015	2016	2017	2018	Total
Claim estimates:							
- as at accident year	62,913,126	49,727,350	52,321,459	47,303,374	45,887,288	60,216,395	
- Next one year	58,991,867	40,798,794	49,355,510	46,158,395	46,222,054		
- Next two years	57,651,082	41,583,811	49,779,703	48,653,956			
- Next three years	58,197,568	41,922,646	49,830,805				
- Next four years	58,199,966	41,922,646					
- Next five years	58,194,688						
Cumulative claim estimates	58,194,688	41,922,646	49,830,805	48,653,956	46,222,054	60,216,395	305,040,544
Cumulative payments 2013 - 2018	58,194,688	41,922,646	49,830,805	47,868,306	40,350,395	25,940,790	264,107,630
Total	-	-	-	785,650	5,871,659	34,275,605	40,932,914
Claims before 2013							759,865
Others							6,248,359
Total net loss reserves							47,941,138

16. INSURANCE CONTRACT LIABILITIES (Cont.)

Key assumptions

Key assumptions used in the valuation of loss reserves arising from insurance contracts are as follows.

- (a) The assumptions of in claim experiences.

For assessment, the Company applies 3 actuarial methods as follows:

- 1) Chain Ladder method is used for claims paid and incurred.
- 2) Bornhuetter-Ferguson or "BF" method is used for claims paid and incurred.
- 3) The Expected Loss Ratio or "ELR".

The Company usually uses the Chain Ladder method to estimate losses incurred, which is considered the best method while the BF and ELR will be applied to on a case by case basis where appropriate. Key assumption of both methods is Ultimate Loss Ratio. For selecting Ultimate Loss Ratio, the Company will consider information in the past including other factors that can reflect the appropriate level of liabilities of the Company at the end of the reporting periods such as changing in policy of insurance or changing coverage in insurance policy and soon.

- (b) The assumption of the relevant expenses.

The estimation of unallocated loss adjustment expenses (ULAE).

In estimating ULAE, the Company uses the “Kittel's Refinement of the Classical Paid-to-Paid” method by reference to Conger and Nolibos on "Estimating ULAE Liabilities: Rediscovering and Expanding Kittel's Approach" in collecting the Company's internal expenses in order to analyze and estimate analytical expenses of claim department and unallocated loss adjustment expenses (ULAE). For this method, the estimation has been considered the ratio of ULAE to the average claims paid by considering to select such ratio from information in the past at least 3 years.

17. DUE TO REINSURERS

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
Premium ceded payables	10,743,655.71	8,873,073.58
Amount withheld on reinsurance	9,134,313.89	8,722,098.37
Total reinsurance payables	19,877,969.60	17,595,171.95

18. BANK OVERDRAFTS

As at December 31, 2018 and 2017, the Company has credit facilities of bank overdrafts amounting to Baht 20.00 million with interest rate at MOR - 3 % guaranteed by fixed deposit as disclosed in note 35.

19. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefits expenses project as determined :		(Unit : Bath)	
		December 31, 2018	December 31, 2017
Current service cost		406,294.00	489,841.00
Interest cost		213,180.00	245,915.00
Remeasurements of post-employment benefit obligations for the year		(700,938.00)	(2,888,310.00)
Total expenses		(81,464.00)	(2,152,554.00)
<u>The statement of financial position obligation was determined as follows :</u>			
Present value of the defined benefit obligations		9,467,314.00	12,417,350.00
Unrecognized actuarial (gain) loss		(700,938.00)	(2,888,310.00)
Defined benefit obligation at end of year		8,766,376.00	9,529,040.00
<u>Movement in the present value of the defined benefit obligations :</u>			
Defined benefit obligations at January 1,		9,529,040.00	12,841,384.00
Current service cost		406,294.00	489,841.00
Interest cost		213,180.00	245,915.00
Less Benefits paid		(681,200.00)	(1,159,790.00)
Remeasurements of post-employment benefit obligations for the year		(700,938.00)	(2,888,310.00)
Defined benefit obligation at December 31,		8,766,376.00	9,529,040.00

19. EMPLOYEE BENEFIT OBLIGATIONS (Cont.)

Actuarial assumptions to use for calculation :

	2018	2017
	Percentage	Percentage
Retirement age	60 Years old	60 Years old
Discount Rate	2.50	2.29
Long term salary increase	2.00	2.50
Employees turn over	0.00–15.00	0.00 – 20.00
Mortality Rate	TMO2017	TMO2017

Remeasurements of post-employment benefit obligations recognised in other comprehensive income arising from:

Assumptions	(Unit : Baht)
	December 31, 2018
Experience Adjustments on Plan Liabilities	(715,462.00)
Change in Demographic Assumptions on Plan Liabilities	441,979.00
Change in Financial Assumptions on Plan Liabilities	(427,455.00)
Total	(700,938.00)

Sensitivity analysis :

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

Defined benefit obligation at December 31, 2018	(Unit : Baht)	
	Increase	Decrease
Discount Rate (1.0% movement)	(570,215.00)	634,110.00
Long term salary increase (1.0% movement)	600,303.00	(551,671.00)
Employees turn over (10.0% movement)	(78,016.00)	79,931.00

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

As stated in note 3.18 to financial statements, the Company shall record the effects of new Labour Protection Act when it is announced in in the Government Gazette which may be effective in 2019. The Company expects that the additional employee benefits to be paid amount of Baht 3.22 Million is provided when the Act is effective

20. OTHER LIABILITIES

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
Accrued expense	7,284,172.22	7,087,560.38
Accrued commission	4,240,381.09	3,889,161.77
Others	4,620,550.67	6,242,461.48
Total	16,145,103.98	17,219,183.63

21. DIVIDEND PAYMENT

According to the resolution of annual general shareholders' meeting for the year 2017 held on April 26, 2018, The company passed resolution to pay dividend to the shareholders from result of its operation of the year 2017 at the rate Baht 1.00 per share for 12 million shares total amount of Baht 12 million. The company already paid dividend on May 25, 2018.

According to the resolution of annual general shareholders' meeting for the year 2016 held on April 26, 2017, The company passed resolution to pay dividend to the shareholders from result of its operation of the year 2016 at the rate Baht 1.50 per share for 12 million shares total amount of Baht 18 million. The company already paid dividend on May 26, 2017.

22. OPERATING EXPENSES

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
Personal expenses which are not expenses for underwriting and claims	25,186,545.93	24,886,777.28
Premises and equipment expenses which is not expenses for underwriting	8,088,462.79	10,460,849.29
Taxes and duties	1,394,068.32	1,380,364.73
Bad debts and doubtful accounts	-	125,184.72
Directors' remuneration	1,295,000.00	1,625,000.00
Other operating expenses	7,333,196.66	7,968,873.32
Total operating expenses	43,297,273.70	46,447,049.34

23. EMPLOYEE BENEFIT EXPENSE

(Unit : Baht)		
	December 31, 2018	December 31, 2017
Management		
Wages and salaries	11,249,040.00	10,274,516.00
Pension costs - defined contribution plans	195,432.00	169,278.00
Others	2,293,837.59	2,719,228.11
	<u>13,738,309.59</u>	<u>13,163,022.11</u>
Other employees		
Wages and salaries	20,025,599.00	20,069,616.00
Pension costs - defined contribution plans	263,083.06	264,191.07
Others	2,022,694.28	3,058,398.10
	<u>22,311,376.34</u>	<u>23,392,205.17</u>
Total	<u>36,049,685.93</u>	<u>36,555,227.28</u>
Employee benefit expenses has been allocated to:		
Other underwriting expenses	6,872,220.00	6,886,850.00
Insurance claim and loss adjustments	2,695,920.00	3,156,600.00
Operating expenses	26,481,545.93	26,511,777.28
Total	<u>36,049,685.93</u>	<u>36,555,227.28</u>

24. BENEFITS PAID TO DIRECTORS AND KEY MANAGEMENT

Directors' remuneration is benefit paid to the Company's directors in accordance with the Section 90 of the Public Company Limited Act B.E. 1992 excluded salaries and related benefits to be paid to executive directors.

Benefit expenses paid to chief executive officer, the next four executive levels immediately below that chief executive officer and all persons in positions comparable to these fourth executive levels consist of salaries, bonus, retirement benefit and meeting allowance.

Directors' remuneration and management benefit expenses for the year ended December 31, 2018 and 2017, are presented as follows.

(Unit : Bath)		
	สำหรับปีสิ้นสุดวันที่	
	31 ธันวาคม พ.ศ.2561	31 ธันวาคม พ.ศ.2560
ผลประโยชน์ระยะสั้น	13,350,549.59	12,770,529.11
ผลประโยชน์ระยะยาว	387,760.00	392,493.00
รวม	<u>13,738,309.59</u>	<u>13,163,022.11</u>

25. TAX AFFECT TO RELATE WITH EASH COMPONENT OF OTHER COMPREHENSIVE INCOME

(Unit : Baht)			
	Amount before Tax	Benefit (Expense) Tax	Net amount from Tax
As at December 31, 2018			
Gains on changes in values of investments	(25,380,627.11)	5,076,125.42	(20,304,501.69)
Remeasurements of post-employment benefit obligations	700,938.00	(140,187.60)	560,750.40
Total	(24,679,689.11)	4,935,937.82	(19,743,751.29)
As at December 31, 2017			
Gains on changes in values of investments	13,103,870.14	(2,620,774.02)	10,483,096.12
Remeasurements of post-employment benefit obligations	2,958,310.00	(591,662.00)	2,366,648.00
Total	16,062,180.14	(3,212,436.02)	12,849,744.12

26. RISKS OF NON-LIFE INSURANCE BUSINESS

Insurance risk

Insurance risk refers to the risk of loss arising from unpredictability of frequency, severity and timing of damage that differ from the assumptions made in calculating premiums or reserves and in underwriting considerations as well as loss or damage arising from unusual external factors, particularly those caused by geographical changes, including social calamities. All such factors can do severe damage to life and property insured by the Company.

The risk factors that could negatively affect the operations include insurance claims as they represent a major expenditure uncontrollable by the Company. Another factor is the risk of unbalanced product mix resulting.

Systematic risk management is in place covering from the process of risk underwriting. It is our policy to insure against those perils with a low degree of risk through careful selection of prospective clients, property, types of business and exposure of risks to be accepted and by taking into account the area's vulnerability to natural disasters. These factors would be considered based on data and statistics collected before premiums are set appropriately according to the risk. The Company also mitigates insurance risk by transferring those large risks to financially sound domestic and overseas reinsurers under different forms of reinsurance contracts such as treaty reinsurance, facultative reinsurance and excess of loss reinsurance. Such arrangements enable the Company to minimize insurance risk and ensure a rigorous, systematic claims management process where claims are settled accurately according to actual loss.

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

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

(Unit : Baht)

	December 31, 2018			December 31, 2017		
	Gross premium reserves	Outward premium reserves	Net	Gross Premium reserves	Outward loss reserves	Net
Fire	19,509,807.32	(4,164,394.06)	15,345,413.26	20,614,318.93	(5,514,619.86)	15,099,699.07
Marine and transportation	5,254,390.18	(2,358,975.39)	2,895,414.79	5,005,564.91	(2,292,028.39)	2,713,536.52
Motor	56,556,398.87	(2,755,436.47)	53,800,962.40	57,374,352.62	(2,712,513.00)	54,661,839.62
Personal accident	1,247,600.61	(264,215.22)	983,385.39	1,081,343.91	(84,664.51)	996,679.40
Miscellaneous	15,668,546.52	(7,536,190.63)	8,132,355.89	16,081,234.66	(7,467,975.72)	8,613,258.94
Total	98,236,743.50	(17,079,211.77)	81,157,531.73	100,156,815.03	(18,071,801.48)	82,085,013.55

(หน่วย: บาท)

	December 31, 2018			December 31, 2017		
	Gross loss reserves	Outward loss reserves	Net	Gross loss reserves	Outward loss reserves	Net
Fire	15,310,656.84	(4,740,720.70)	10,569,936.14	7,419,989.38	(1,829,114.41)	5,590,874.97
Marine and transportation	1,792,208.48	(339,504.35)	1,452,704.13	2,000,364.94	(1,751,341.14)	249,023.80
Motor	33,654,449.57	(812,018.01)	32,842,431.56	19,978,760.22	(656,764.16)	19,321,996.06
Personal accident	622,036.39	(46,360.71)	575,675.68	803,362.11	(56,710.29)	746,651.82
Miscellaneous	4,503,310.02	(2,002,919.05)	2,500,390.97	4,165,475.12	(950,370.31)	3,215,104.81
Total	55,882,661.30	(7,941,522.82)	47,941,138.48	34,367,951.77	(5,244,300.31)	29,123,651.46

The sensitivity test is the risk analysis of insurance contract liabilities that may be increased or decreased as a result of changes in assumptions used in calculation, which may impact on both gross and net loss reserves. The risk may be caused by the frequency of loss, value of loss and claim and loss adjustment expenses that are not as expected. The variables used for testing consist of the Ultimate Loss Ratio or "ULR" in the latest accident year and the Unallocated Loss Adjustment Expenses or "ULAE", and so on.

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

(Unit : Baht)

	December 31, 2018		
	Assumption change	provision for gross loss reserves	provision for net loss reserves
Ultimate Loss Ratios	+1 %	2,036,492.07	1,674,003.51
	-1 %	(2,036,492.07)	(1,674,003.51)
ULAE Ratio	+1 %	331,820.16	331,820.16
	-1 %	(331,820.16)	(331,820.16)

Financial instruments and risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, premium due and uncollected, reinsurance assets, investments in securities, loans and insurance contract liabilities. The financial risks associated with these financial instruments and risk management policy is described below.

(a) Credit risk

Credit risk refers to the risk of loss if a counterparty fails to meet its obligations to the Company, or the possibility that a counterparty's credit rating is downgraded.

Significant risk factors facing the Company include failure by reinsurers to repay paid claims to the Company. This is because when underwriting large business, it is our policy to spread and place the risk under a reinsurance contract

Consideration is given to the credit rating and financial stability of overseas reinsurers. We also follow such ratings regularly to ensure up-to-the-minute information. With regard to domestic reinsurers, the Company has opted to consider those reinsurers [as per the capital adequacy report of the latest quarter before the date of assessment].

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate and the Company's cash flows will affect due to changes in market interest rate.

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

(Unit : Baht)

	December 31, 2018						
				Floating interest rate	Non- Interest bearing	Total	Effective Interest rate (% per annum)
	Fixed interest rates						
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial Assets</u>							
Cash and cash equivalents	-	-	-	11,875,195.93	-	11,875,195.93	-
Premium receivables	-	-	-	-	28,984,979.72	28,984,979.72	-
Reinsurance assets – claim reserves refundable from reinsurers	-	-	-	-	7,941,522.82	7,941,522.82	-
Reinsurance receivables	-	-	-	-	8,902,865.15	8,902,865.15	-
Investment in securities							
Government and state enterprise securities	-	11,600,000.00	5,000,000.00	-	-	16,600,000.00	0.00-5.00
Equity securities	-	-	-	-	229,836,388.06	229,836,388.06	-
Private sector debt securities	52,000,000.00	104,000,000.00	77,000,000.00	-	-	233,000,000.00	1.97-4.95
Deposits at financial institutions which matured over 3 months	169,930,000.00	-	-	-	-	169,930,000.00	0.65-1.60
Loans	-	-	-	8,547,552.64	-	8,547,552.64	5.275-5.900
<u>Financial Liabilities</u>							
Insurance contract liabilities - claim reserves	-	-	-	-	55,882,661.30	55,882,661.30	-
Amounts due to reinsurances	-	-	-	-	19,877,969.60	19,877,969.60	-

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

(Unit : Baht)

	December 31, 2017						
	Fixed interest rates			Fixed interest rates	Fixed interest rates	Fixed interest rates	Fixed interest rates
	Within 1 year	Within 1 year	Within 1 year	Within 1 year	Within 1 year	Within 1 year	Within 1 year

Financial Assets

Cash and cash equivalents	-	-	-	39,549,811.22	-	39,549,811.22	-
Premium receivables	-	-	-	-	25,129,084.90	25,129,084.90	-
Reinsurance assets – claim reserves							
refundable from reinsurers	-	-	-	-	5,244,300.31	5,244,300.31	-
Reinsurance receivables	-	-	-	-	9,278,533.89	9,278,533.89	-
Investment in securities							
Government and state enterprise securities	1,600,000.00	10,000,000.00	5,000,000.00	-	-	16,600,000.00	0.00-5.00
Equity securities	-	-	-	-	255,558,075.17	255,558,075.17	-
Private sector debt securities	25,000,000.00	98,000,000.00	77,000,000.00	-	-	200,000,000.00	1.93-4.95
Deposits at financial institutions							
which matured over 3 months	164,930,000.00	-	-	-	-	164,930,000.00	0.65-1.80
Loans	-	-	-	10,177,930.20	-	10,177,930.20	5.275-5.900

Financial Liabilities

Insurance contract liabilities - claim reserves	-	-	-	-	34,367,951.77	34,367,951.77	-
Amounts due to reinsurances	-	-	-	-	17,595,171.95	17,595,171.95	-

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

(a) Liquidity risk

Liquidity risk refers to the risk of failure to meet liabilities or obligations as they fall due because of inability to realize assets or raise sufficient cash or because funds can be secured but at too high a cost to be acceptable.

The Company gives consideration to its liquidity in the securing of cash, the management of net cash flow and investment in securities and the raising of funds from liability and capital sources to match the claims already incurred and to be incurred. This enables us to be in a position to pay all claims promptly and easily and to recover the loss from reinsurers or to recover damages from the liable party.

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

(Unit : Baht)

	December 31, 2018					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
<u>Financial Assets</u>						
Cash and cash equivalents	11,875,195.93	-	-	-	-	11,875,195.93
Premium receivables	-	28,984,979.72	-	-	-	28,984,979.72
Reinsurance assets – claim reserves refundable from reinsurers	-	7,637,691.61	-	-	-	7,637,691.61
Reinsurance receivables	-	8,902,865.15	-	-	-	8,902,865.15
Investment in securities	-	221,930,000.00	115,600,000.00	82,000,000.00	230,177,448.06	649,707,448.06
Loans	-	112,809.26	472,573.27	7,962,170.11	-	8,547,552.64
<u>Financial Liabilities</u>						
Insurance contract liabilities - claim reserves	-	51,191,021.96	4,691,639.34	-	-	55,882,661.30
Amounts due to reinsurances	-	19,877,969.60	-	-	-	19,877,969.60

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

(Unit : Baht)

	December 31, 2017					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
Financial Assets						
Cash and cash equivalents	39,549,811.22	-	-	-	-	39,549,811.22
Premium receivables	-	25,129,084.90	-	-	-	25,129,084.90
Reinsurance assets –						
claim reserves						
refundable from						
reinsurers	-	4,329,147.91	913,909.08	1,243.32	-	5,244,300.31
Reinsurance receivables	-	9,278,533.89	-	-	-	9,278,533.89
Investment in securities	-	191,530,000.00	108,000,000.00	82,000,000.00	255,558,075.17	637,088,075.17
Loans	-	161,063.16	2,167,672.47	7,849,194.57	-	10,177,930.20
Financial Liabilities						
Insurance contract						
liabilities - claim						
reserves	-	30,407,234.62	3,955,588.24	5,128.91	-	34,367,951.77
Amounts due to						
reinsurances	-	17,595,171.95	-	-	-	17,595,171.95

Fair value of financial instruments

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Methodology of fair value measurement depends upon characteristics of the financial instruments. For the financial instruments which are regarded as traded in an active market, fair value has been determined by the latest quoted market price. If however the appropriate quoted market price cannot be determined, the fair value is determined using an appropriate valuation technique.

The following methods and assumptions were used by the Company in estimating the fair values of financial instruments:-

26. RISKS OF NON-LIFE INSURANCE BUSINESS (Cont.)

- (a) For financial assets and liabilities, which have short-term maturity periods or bear interest at rates close to market interest rates, including cash and cash equivalents, premium receivables, reinsurance assets, loans, and due to reinsurers, their fair values approximate their carrying values.
- (b) For investments in equity securities, their fair values are market prices except for investments in non-marketable equity securities, their fair values are calculated as follows:
- The fair value of stocks are calculated based on generally accepted pricing models.
- (c) For investments in debts securities, the fair value is determined using the yield curve as announced by the Thai Bond Market Association.
- (d) For loan, the fair value is discounted cash flow method based

Foreign currency risk

The Company considers itself no significant foreign currency risk relating to receipts of insurance premiums and reinsurance with foreign insurance companies in foreign currencies which the Company does not buy any monetary instruments contract to prevent the foreign currency risk. However, Our management believes that the Company has not affect from the this mentioned risk as significant, due to the reinsurance traditional will be use the same foreign currencies as quote with the Insured.

27. CAPITAL FUND MANAGEMENT

The primary objectives of the Company's capital fund 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 Office of Insurance Commission (OIC).

28. CONTRIBUTION TO NON-LIFE GUARANTEE FUND

(Unit : Baht)

	For the years ended December 31	
	2018	2017
Accumulated contribution at the beginning of the year	3,923,460.10	3,443,838.87
Contribution during the year	461,507.59	479,621.23
Accumulated contribution at the end of the year	4,384,967.69	3,923,460.10

29. ASSETS PLEDGED WITH REGISTRAR

As at December 31, 2018 and 2017, the Company used bank deposit amount of Baht 14 million as collateral with the registrar in accordance with the Section 19 of Insurance Act B.E. 2535. (1992).

30. ASSETS RESERVE PLEDGED WITH REGISTRAR

As at December 31, 2018 and 2017, bank deposit amount of Baht 20.00 million used as collateral against premium reserve with the registrar.

31. PROVIDENT FUND

The Company and its employees have jointly registered a provident fund scheme under Provident Fund Act B.E. 2530. (1987). The fund is contributed to by the Company and its employees at the equal monthly rate of 3 percent of the employees' basic salary, based on the length of employment and will be paid to the employees upon termination in accordance with the rules of the fund. The fund is managed by Kasikorn Management Company Limited. For year ended December 31, 2018 and 2017, the Company contributed to Fund approximately Baht 0.46 million and Baht 0.43 million respectively.

32. LEGAL RESERVE

Under the Section 116 of the Public Companies Act B.E. 2535 (1992), the Company is required to set aside a legal reserve at least 5% of annual net profit until the cumulative reserve reaches an amount of 10% of the authorized share capital. Such legal reserve is not available for dividend distribution.

33. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income)

	(Unit : Baht)	
	December 31, 2018	December 31, 2017
Profit for the year	6,199,547.23	13,292,117.77
Weighted average number of ordinary shares	12,000,000	12,000,000
Earnings per share	0.52	1.11

34. 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 Company's operations involve the single business segment of non-life insurance, and are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned business segment and geographical area. And for the purposes of administration. The Company reported operating segments. Divided into categories of products include fire insurance, marine and transport insurance, personal accident insurance and miscellaneous insurance.

The following tables present revenue and profit information regarding the Company's operating segments for the years ended December 31, 2018 and 2017, respectively.

(Unit : Baht)

	For year ended December 31, 2018					
	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
Underwriting income						
Premium written	38,227,935.55	10,349,016.20	107,661,127.37	2,220,584.53	30,224,283.68	188,682,947.33
Less: Premium ceded	7,935,392.92	4,724,374.98	5,228,463.26	493,404.97	14,447,153.52	32,828,789.65
Net premium written	30,292,542.63	5,624,641.22	102,432,664.11	1,727,179.56	15,777,130.16	155,854,157.68
Add/Less: Unearned premium reserves	(245,714.19)	(181,878.27)	860,877.22	13,294.01	480,903.05	927,481.82
Earned premium written	30,046,828.44	5,442,762.95	103,293,541.33	1,740,473.57	16,258,033.21	156,781,639.50
Fee and commissions income	3,286,845.28	2,042,033.13	891,296.31	170,467.84	5,255,191.61	11,645,834.17
Total underwriting income	33,333,673.72	7,484,796.08	104,184,837.64	1,910,941.41	21,513,224.82	168,427,473.67
Underwriting expenses						
Claims and losses adjustment	8,508,402.01	1,307,520.33	51,404,674.76	1,095,674.96	1,516,919.07	63,833,191.13
Commissions and brokerages	8,986,346.15	1,476,088.81	13,970,911.29	571,510.00	4,762,341.45	29,767,197.70
Other underwriting expenses	4,570,011.58	2,454,209.70	45,413,113.23	6,678.75	1,099,876.40	53,543,889.66
Total underwriting expenses before operating expenses	22,064,759.74	5,237,818.84	110,788,699.28	1,673,863.71	7,379,136.92	147,144,278.49
Operating expenses						43,297,273.70
Total underwriting expenses						190,441,552.19
Loss from underwriting						(22,014,078.52)
Net investment income						20,194,324.80
Other income						7,509,672.17
Profit before income tax expenses						5,689,918.45
Income tax expenses						509,628.78
Profit for the year						6,199,547.23

34. FINANCIAL INFORMATION BY SEGMENT (Cont.)

(Unit : Baht)

	For year ended December 31, 2017					
	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
Underwriting income						
Premium written	43,044,032.37	9,521,765.99	113,461,995.98	1,885,260.18	30,956,434.44	198,869,488.96
Less: Premium ceded	11,350,466.43	4,196,279.12	5,425,133.99	168,825.54	15,772,726.17	36,913,431.25
Net premium written	31,693,565.94	5,325,486.87	108,036,861.99	1,716,434.64	15,183,708.27	161,956,057.71
Add/Less: Unearned premium reserves	6,884,407.11	(320,015.99)	(9,685,771.08)	(106,088.04)	(7,788,713.19)	(11,016,181.19)
Earned premium written	38,577,973.05	5,005,470.88	98,351,090.91	1,610,346.60	7,394,995.08	150,939,876.52
Fee and commissions income	4,612,949.20	1,671,307.67	924,416.57	59,398.93	5,079,678.93	12,347,751.30
Total underwriting income	43,190,922.25	6,676,778.55	99,275,507.48	1,669,745.53	12,474,674.01	163,287,627.82
Underwriting expenses						
Claims and losses adjustment	6,847,839.34	256,814.59	36,031,133.32	1,156,477.68	2,251,064.59	46,543,329.52
Commissions and brokerages	9,914,444.69	1,341,396.53	14,796,219.32	488,515.62	5,038,815.39	31,579,391.55
Other underwriting expenses	4,576,918.29	2,436,805.70	46,896,810.99	5,418.56	1,202,596.52	55,118,550.06
Total underwriting expenses						
before operating expenses	21,339,202.32	4,035,016.82	97,724,163.63	1,650,411.86	8,492,476.50	133,241,271.13
Operating expenses						46,447,049.34
Total underwriting expenses						179,688,320.47
Loss from underwriting						(16,400,692.65)
Net investment income						20,769,465.44
Other income						10,202,384.99
Profit before income tax						14,571,157.78
expenses						
Income tax expenses						(1,279,040.01)
Profit for the year						13,292,117.77

34. FINANCIAL INFORMATION BY SEGMENT (Cont.)

The following table presents segment assets and liabilities of the Company's operating segments as at December 31, 2018 and 2017, are as follows:

(Unit : Baht)

	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Unallocated assets	Total
Assets							
As at December 31, 2018	22,731,019.21	5,116,215.01	22,909,250.92	954,663.71	16,879,385.78	730,914,989.89	799,505,524.52
As at December 31, 2017	22,789,836.06	6,713,800.00	17,068,543.12	700,288.66	15,389,771.81	744,817,959.97	807,480,199.62
Liabilities							
As at December 31, 2018	58,897,300.94	9,320,569.25	96,541,108.47	2,075,048.71	22,598,113.26	33,566,354.06	222,998,494.69
As at December 31, 2017	52,359,856.59	9,126,180.11	79,703,763.01	2,033,861.14	22,185,603.07	40,019,701.81	205,428,965.73

Major customers

For the years 2018 and 2017, the Company has no major policyholder with revenue of 10 percent or more of the Company's gross premium.

35. RESTRICTED ASSETS WITH COMMITMENT

As at December 31, 2018 and 2017, the Company pledged bank deposit of Baht 54.93 million as collaterals follows:

(Unit : Baht)

	December 31, 2018	December 31, 2017
Bank deposit as collateral for :		
Bank overdraft	20,000,000.00	20,000,000.00
Assets pledged with registrar	14,000,000.00	14,000,000.00
Assets reserve pledged with registrar	20,000,000.00	20,000,000.00
Credit card usage	500,000.00	500,000.00
Electricity usage	430,000.00	430,000.00
Total	54,930,000.00	54,930,000.00

36. CONTINGENT LIABILITIES AND COMMITMENT

Litigation

As at December 31, 2018 and 2017, the Company was sued from act as insurer with the prosecution value of Baht 0.65 million and Baht 3.51 million, respectively. However, the Company's contingent liabilities from prosecution cases in the value not more than the policy custody amount of Baht 0.65 million and Baht 2.65 million, respectively. Those prosecution cases have been incompletely considered and the Company expects to win the mostly cases. Nevertheless, the Company recorded the provision for contingent loss amount of Baht 0.64 million and Baht 2.56 million respectively in the financial statements.

Guarantees

As at December 31, 2018 and 2017, the Company has the unused letter of guarantee issued by bank in the name of the Company for the amount of Baht 0.93 million relating to guarantee for electricity usage.

Operating lease commitments

As at December 31, 2018 and 2017, the Company has commitments to pay under the rental and service agreement as follows:

<i>(Unit : Baht)</i>		
	December 31, 2018	December 31, 2017
Due within 1 year	2,464,236.00	2,267,728.00
Total	2,464,236.00	2,267,728.00

37. EVENTS AFTER THE REPORTING PERIOD

According to the Board of Director meeting held on February 25, 2019, the Company passes resolution to pay dividend to shareholders from, operating performance of the year 2018 at the rate Baht 0.5 per share total amount of Baht 6 million.

38. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These financial statements have been approved to be issued by authorized directors on February 25, 2019.

Head Office

408/1 Rachadaphisek Road, Samsen Nok, Huaykwhang Bangkok 10310

TEL. 0-22761024, FAX 0-2275-4919

www.charaninsurance.com

Khon Kaen Branch

377/1-3 Tambon Muang-Kao, Amphur Muang, Khon Kaen

Telephone: 0-4347-2295-6

Chiang Mai Branch

280-280/1 280-280/1 Moo 6, Chiangmai-Hangdong Road, Tambon Mae-Hia,

Amphur Muang, Chiang Mai,

Telephone: 0-5380-6616-8

Krabi Branch

305/9 Maharaj Road, Tambon Paknam, Amphur Muang, Krabi

Telephone: 0-7562-4083-4