

THAI REINSURANCE PCL.  
**A MEMBER OF THAIRE**  
THAI REINSURANCE PCL.  
**GROUP**  
A MEMBER OF THAIRE GROUP



## 2013 ANNUAL REPORT

Thai Reinsurance PCL.

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# Introduction

## About The Company >>

Thai Reinsurance PCL was established on July 18, 1978 as collaboration between private and government-owned insurers with an initial registered capital of THB 30 million. The Company was formed as a consortium of all the life and non-life insurance companies in Thailand as equal shareholders.

The Company's objective is to be engaged in the provision of providing facultative reinsurance services to strengthen the Thai insurance industry and the economy as a whole by enhancing the capability to retain premium within Thailand and limiting the exposure to foreign exchange rate fluctuation.

The Company was listed on the Stock Exchange of Thailand on December 30, 1993 and currently has a capital of THB 3,512.5 million with a paid-up capital of THB 3,512.5 million.

## General Information >>

Company & Head Office Name	Thai Reinsurance PCL
Location	48/23-24 Soi Rajchadapisek 20, Rajchadapisek Road, Samsennok, Huaykwang, Bangkok 10310 Phone: 0-2256-6822 Fax: 0-2256-6565
Nature of Business	Provision of reinsurance (non-life insurance business)
Registered Number	0107536001729
Home Page	www.thaire.co.th
Registered Capital	3,512,494,860 ordinary shares of THB 1 each, Total THB 3,512,494,860
Issued and Paid-up	3,512,494,860 ordinary shares of THB 1 each, Total THB 3,512,494,860

## Legal Entities in which the Company holds shares more than 10 percent >>

### 1. Direct Shareholding

Company & Head Office Name	Thaire Life Assurance PCL
Location	48/15 Rajchadapisek Soi 20, Rajchadapisek Road, Samsennok, Huaykwang, Bangkok 10310 Phone: 0-2660-1280 Fax: 0-2277-6227
Nature of Business	Provision of reinsurance (life insurance business)
Registered Number	0107554000241
Issued and Paid-up	600,000,000 ordinary shares of THB 1 each, Total THB 600,000,000

Company & Head Office Name	Thaire Training Co., Ltd.
Location	48/16 Rajchadapisek Soi 20, Rajchadapisek Road, Samsennok, Huaykwang, Bangkok 10310 Phone: 0-2276-7871 Fax: 0-2276-7872
Nature of Business	Training and consulting service for insurance companies
Registered Number	0105547129525
Issued and Paid-up	100,000 ordinary shares of THB 5 each, Total THB 500,000

Company & Head Office Name	Thaire Services Co., Ltd.
Location	48/15-16 Rajchadapisek Soi 20, Rajchadapisek Road, Samsennok, Huaykwang, Bangkok 10310 Phone: 0-2660-1234 Fax: 0-2276-7892
Nature of Business	Claim management and operation support for insurance business such as policy printing
Registered Number	0105549052511
Issued and Paid-up	6,000,000 ordinary shares of THB 10 each, Total THB 60,000,000



Company & Head Office Name	EMCS Thai Co., Ltd.
Location	183 Regent House, 10th Floor, Rajadamri Road, Lumpini, Pathumwan, Bangkok 10330 Phone: 0-2650-5700 Fax: 0-2651-9091
Nature of Business	Provision of computer services in relation to motor insurance claims
Registered Number	0105543108248
Issued and Paid-up	6,000,000 ordinary shares of THB 5 each, Total THB 30,000,000

Company & Head Office Name	Thai Insurer Datanet Co., Ltd.
Location	100/1 Vorasombat Building, 16th Floor, Rama 9 Road, Huaykwang, Huaykwang, Bangkok 10320 Phone: 0-2247-7200-9 Fax: 0-2247-7214
Nature of Business	Provision of Insurance information processing service
Registered Number	0105535140472
Issued and Paid-up	100,000 ordinary shares of THB 100 each, Total THB 10,000,000

Company & Head Office Name	T.I.I Co., Ltd. (Thailand Insurance Institute)
Location	3354/32 Manorom Building, 10th Floor, Rama IV Road, Klongtoey, Bangkok 10110 Phone: 0-2671-7440 Fax: 0-2671-7427
Nature of Business	Provision of insurance training
Registered Number	0105531078233
Issued and Paid-up	215,000 ordinary shares of THB 100 each, Total THB 21,500,000

## 2. Indirect Shareholding

Company & Head Office Name	Thaire Life Assurance Broker Co., Ltd.
Location	48/16 Rajchadapisek Soi 20, Rajchadapisek Road, Samsennok, Huaykwang, Bangkok 10310 Phone: 0-2276-8586 Fax: 0-2277-6651
Nature of Business	Life insurance Broker
Registered Number	0105553024071
Issued and Paid-up	20,000 ordinary shares of THB 100 each, Total THB 2,000,000

Company & Head Office Name	Thaire Actuarial Consulting Co., Ltd.
Location	48/15 Rajchadapisek Soi 20, Rajchadapisek Road, Samsennok, Huaykwang, Bangkok 10310 Phone: 0-2276-9130 Fax: 0-2276-8714
Nature of Business	Actuarial Consulting Service
Registered Number	0105554004694
Issued and Paid-up	20,000 ordinary shares of THB 100 each, Total THB 2,000,000

## Other References >>

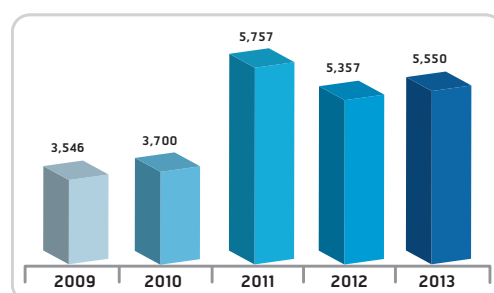
<b>Share Registrar/Transfer Agent</b>	Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110 Phone: 0-2229-2888 Fax: 0-2654-5427
<b>Auditor</b>	Nonglak Pumnoi No. 4172 Certified Public Accountant (Thailand) EY Office Limited (Formerly known as Ernst & Young Office Limited) 193/136-137 Lake Ratchada Office Complex, New Ratchadapisek Road, Bangkok 10110 Phone: 0-2264-0777 Fax: 0-2264-0789-90

# Financial Highlights

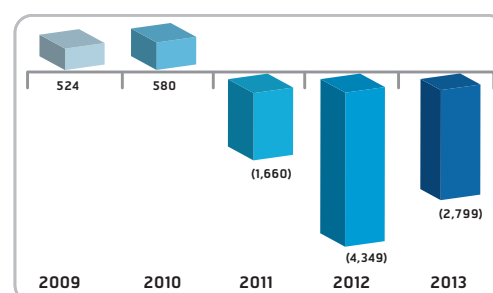
Unit: THB Million

Operating Results				Growth (Percent)	
	2011	2012	2013	2012/2011	2013/2012
Gross Written Premiums	7,416	6,261	5,918	(15.6)	(5.5)
Net Written Premiums	5,757	5,357	5,550	(7.0)	3.6
Profit (Loss) before Tax	(2,052)	(5,346)	(3,529)	(160.5)	34.0
Net Profit (Loss)	(1,660)	(4,349)	(2,799)	(161.9)	35.6
Net Profit (Loss) per Share (THB)	(1.40)	(1.44)	(0.80)	(3.1)	44.7

Net Written Premium (THB Million)



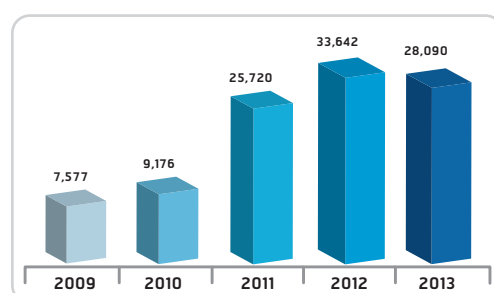
Net Profit (THB Million)



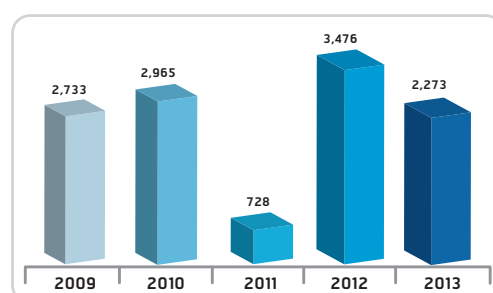
Unit: THB Million

Financial Status at the End of Year				Growth (Percent)	
	2011	2012	2013	2012/2011	2013/2012
Total Assets	25,720	33,642	28,090	30.8	(16.5)
Total Liabilities	24,978	30,154	25,262	20.7	(16.2)
Paid-up Capital	1,187	3,512	3,512	195.8	-
Total Capital Funds (Shareholders' Equity)	728	3,476	2,273	377.4	(34.6)
Book Value per Share (THB)	0.61	0.99	0.65	62.3	(34.3)
Dividend per Share (THB)	0.20	-	-	(100.0)	-

Total Assets (THB Million)



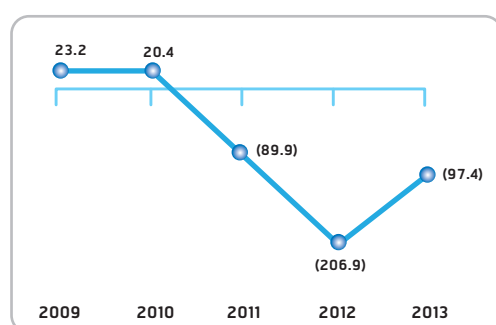
Capital Funds (Shareholders' Equity) (THB Million)



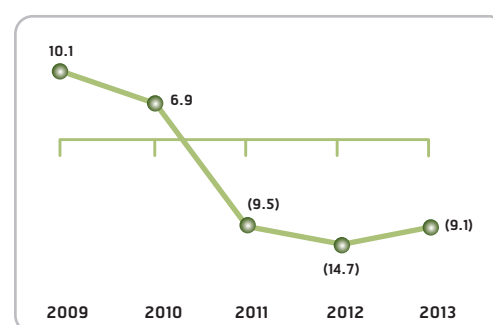
Unit: Percent

Financial Ratios			
	2011	2012	2013
Return on Revenue	(26.8)	(69.1)	(42.7)
Return on Net Written Premium	(28.8)	(81.2)	(50.4)
Return on Equity	(89.9)	(206.9)	(97.4)
Return on Assets	(9.5)	(14.7)	(9.1)
Return on Investments	3.4	4.9	4.4
Combined Ratio	146.8	214.0	178.4

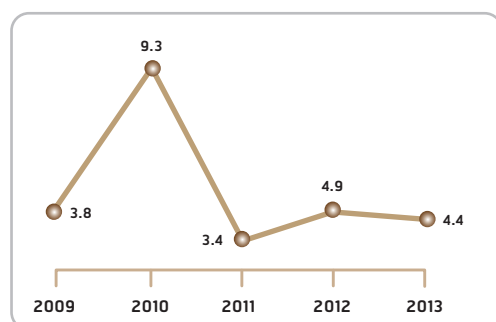
Return on Equity (Percent)



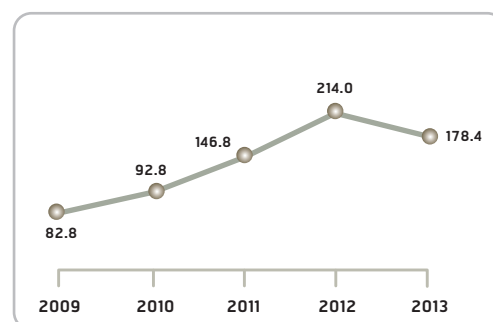
Return on Assets (Percent)



Return on Investments (Percent)



Combined Ratio (Percent)



## Letter to Shareholders

Dear Shareholders,

For Thai Re 2013 was a year in which a number of important events took place the main one being the successful flotation of the Thai Re life reinsurance business reflecting high investor demand for first class financial services businesses in Thailand. Majority ownership in the life company has been retained by Thai Re and it continues to play an important role in the overall performance of the business.

In the non-life reinsurance operating activities all areas of the business continue to make good progress despite reductions in income from the traditional sectors. Earned premiums was THB 4.2 billion, the combined ratio, excluding the impact of the additional provisions for flood claims, was 99% an improvement over 2012 of 4 percentage points. Reinsurance costs reduced by THB 208 million and claims costs reduced by THB 295 million over the previous year.

The issue of provisions for the effect of the major natural catastrophe losses in 2011 reached a major resolution during the year. The company had engaged a renowned international firm of natural catastrophe loss consultants to validate the final provisions for the flood losses and the Office of the Insurance Commission together with the company's external auditors have examined all the relevant findings and have confirmed their agreement that the provisions are sound and based on well-established reinsurance principles.

Total additional provisions of THB 4.8 billion were reserved in the 3rd quarter of the year, together with the THB 9.2 billion of provisions in 2011 and 2012. Within the whole Thai insurance market the flood claims from 52 companies have either been paid or where they remain outstanding are 100% reserved. There are three companies where negotiations over the claims amounts continue, may take some time before the final outcome is known, but in the meantime reinsurance protection is being negotiated to cover any shortfall between the existing provisions and the final outcome. Together with these provisions and the reinsurance protection Thai Re should have met the liabilities relating to the floods of over THB 29 billion.

The life reinsurance subsidiary had a very successful year with earned premium increasing by 29% to THB 1.34 billion. The combined ratio improved over the previous year to 69% generating THB 468 million in profits before tax.

The service businesses operated by Thai Re were formed with the key principle of providing support to the Thai insurance sector. They provide important resources to the insurance industry especially within the small and medium sized operations who are able to outsource their requirements at a much lower cost than would be the case if they created their own. In total 31 insurers use Thai Re services and over 2,000 motor repairers use the Thai Re systems to assist in quoting for motor repairs. The Third Party Administration (TPA) services are used by 20 insurers offering healthcare and related insurance products and over 300 hospitals are on line to the TPA. Overall these services enable the small and medium sized insurers to compete effectively with the larger insurance businesses in the Thai market.

The fee based income from these services businesses rose 21% over 2012 to THB 207 million and made a very useful contribution of over THB 62 million to the earnings of the company.

The sale of 49% of Thai Re Life business generated a gain of THB 2.4 billion for the company. This together with investment income of THB 742 million added over THB 3.0 billion of income into the company's balance sheet during 2013.

The balance sheet of the company remains strong and at 31st December shareholders' equity was THB 2,273 million providing a book value of THB 0.65 per share, total assets were THB 28,090 million and total investment assets THB 15,158 million.



**Surachai Sirivallop**  
Chief Executive Officer

## Milestones

- August 2008**

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Honored by the Office of the Securities and Exchange Commission as a good example of Annual General Meeting in 2008. The evaluation of Annual General Meeting in 2008 was based on score higher than 100 points.
- July 2009**

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Assigned "axAA-" status on ASEAN Regional Scale Rating by Standard & Poor's.
- November 2009**

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Awarded Board of The Year for "Distinctive Practices 2008/2009" from the Thai Institute of Directors (IOD) in collaboration with the Stock Exchange of Thailand and Board of Trade of Thailand.
- December 2009**

>>

Listed "excellent" from the assessment of corporate governance in the Corporate Governance Report (CGR) of Thai Listed Companies in 2009 published by the Thai Institute of Directors (IOD).
- December 2010**

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The Standard & Poor's Rating Services upgraded Thai Re's its ASEAN Regional Scale Rating in Currency Counterparty Credit Rating (CCR) and Financial Strength Rating (FSR) from "axAA-" to "axAA".
- December 2011**

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Due to the impact of the major floods, S&P's rating agency has downgraded the credit rating of financial stability and ability to pay compensation from the level of the axAA (ASEAN Regional Scale rating) to the level axA+ (ASEAN Regional Scale rating).

- December 2011** >> The evaluation of the corporate governance of the Thai listed companies for the year 2011 by the Thai Institute of Directors (IOD) resulted in “excellent” rating status.
- February 2012** >> From the impact of the major floods, the Annual General Meeting approved the increase in the registered capital with an amount of THB 2,325,139,920 from the initial of THB 1,187,354,940 to THB 3,512,494,860. The registered capital allocated to shareholders with an initial proportion of 0.75 share per 1 new share, with an amount of THB 3 per share. The registered capital also offered for sale to specific investors with an amount of THB 3 per share.
- March 2012** >> The company successfully increased in the registered capital, with a total amount received from the stock of THB 6,975.4 million. Prior to recapitalization, the company received a strategic investor from Canada, Fairfax, with a shareholding name “HWIC ASIA FUND”. The HWIC ASIA FUND held approximately 22.53 percent of the issued and outstanding shares.
- September 2013** >> Listed Thaire Life Assurance Public Company Limited on the Stock Exchange of Thailand on October 9, 2013 by issuing the initial shares to the general public. The proportion of shareholding decreased from 100 per cent to 51 per cent.
- December 2013** >> The evaluation of the corporate governance of the Thai listed companies for the year 2013 by the Thai Institute of Directors (IOD) resulted in “excellent” rating status.



## Board Members

Mr. Suchin Wanglee Age 77	Chairman, Independent Director and Director of the Investment Committee
Date of Appointment	June 1978 - Present
Shareholding	0.20 percent
Education	B.E. (Electrical), Northrop Institute of Technology, U.S.A.
Training Courses	<ul style="list-style-type: none"> <li>• Chairman 2000 / 2001</li> <li>• The Role of Chairman (RCM) / 2011</li> <li>• Directors Certification Program (DCP) / 2002 by the Thai Institute of Directors Association</li> </ul>
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Chairman, Independent Director and Director of the Investment Committee, Thai Reinsurance PCL</li> <li>• Chairman, Thaire Life Assurance PCL</li> <li>• Chairman and Management Advisor, Navakij Insurance PCL</li> <li>• Vice Chairman, Thai Metal Drum MFG. PCL</li> <li>• Independent Director, Varopakorn PCL</li> <li>• Vice-Chairman, Independent Director, Serm Suk PCL</li> <li>• Independent Director, the Audit Committee of BTS Group Holdings PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Chairman, Falcon Insurance, Sathorn Thani Co., Ltd., Rangsit Plaza Co., Ltd.</li> <li>• Independent Director, Rajadamri Hotel</li> <li>• Director The Pet Co., Ltd., Wanglee Co., Ltd., Aqua Infinite Co., Ltd., Wanglee Development Co., Ltd. and Nuchaphol Co., Ltd.</li> <li>• President and Director, the General Insurance Association of Thailand</li> </ul>

Mr. Chai Sophonpanich Age 70	Vice Chairman, Chairman of the Nomination and Remuneration Committee and Director of the Investment Committee
Date of Appointment	June 1978 - Present
Shareholding	0.10 percent
Education	B.Sc., University of Colorado, U.S.A.
Training Courses	<ul style="list-style-type: none"> <li>• Director Certification Program (DCP) / 2002</li> <li>• Chairman 2000 / 2004</li> <li>• The Role of Chairman (RCM) / 2004 by the Thai Institute of Directors Association</li> </ul>
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Vice Chairman, Chairman of the Nomination and Remuneration Committee and Director of the Investment Committee, Thai Reinsurance PCL</li> <li>• Vice Chairman, Thaire Life Assurance PCL</li> <li>• Chairman and Chief Executive Officer, Bangkok Insurance PCL</li> <li>• President, Bangkok Insurance PCL</li> <li>• Chairman, Charoong Thai Wire &amp; Cable PCL, Furakawa Metal (Thailand) PCL and Bumrungrad Hospital PCL</li> <li>• Director, Bangkok Life Assurance PCL</li> </ul> <p><b>Non-Listed Company</b></p> <p>-None-</p>

Mr. Kerati Panichewa Age 54	Director
Date of Appointment	April 1992 - Present
Shareholding	0.09 percent
Education	M.B.A., College of Notre Dame, U.S.A.
Training Courses	Director Certification Program (DCP) / 2000 by the Thai Institute of Directors Association
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Director, Thai Reinsurance PCL</li> <li>• Director, TTL Industries PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Managing Director and Chief Executive Officer, Krung Thai Panich Insurance PCL</li> </ul>

Mr. Jiraphant Asvatanakul Age 54	Director and Director of the Nomination and Remuneration Committee
Date of Appointment	April 1992 - Present
Shareholding	0.02 percent
Education	M.P.A., University of Texas at Austin, U.S.A.
Training Courses	Director Accreditation Program (DAP) / 2004 by the Thai Institute of Directors Association
Experience	<b>Listed Company</b> <ul style="list-style-type: none"> <li>• Director and Director of the Nomination and Remuneration Committee, Thai Reinsurance PCL</li> <li>• Managing Director, Thaivivat Insurance PCL</li> </ul> <b>Non-Listed Company</b> <ul style="list-style-type: none"> <li>• Director, Road Accident Victims Protection Co., Ltd., T.I.I. Co., Ltd., the General Insurance Association of Thailand</li> </ul>

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Mr. Chanin Roonsamrarn Age 66	Independent Director and Director of the Audit Committee
Date of Appointment	April 1992 - Present
Shareholding	- percent
Education	M.B.A., Fort Hays State University, U.S.A.
Training Courses	<ul style="list-style-type: none"> <li>• Director Certification Program (DCP) / 2002</li> <li>• DCP Refresher / 2006</li> <li>• The Role of Chairman (RCM) /2002</li> <li>• Audit Committee Program (ACP) / 2005 by the Thai Institute of Directors Association</li> </ul>
Experience	<b>Listed Company</b> <ul style="list-style-type: none"> <li>• Independent Director and Director of the Audit Committee, Thai Reinsurance PCL</li> <li>• Audit Committee and Chairman of Risk Management Committee, Director, Director of the Audit Committee, The Siam Commercial Samaggi Insurance PCL</li> <li>• Independent Director, Director of the Remuneration and Nominating Committee, and Director of the Audit Committee, Home Product Center PCL</li> </ul> <b>Non-Listed Company</b> <ul style="list-style-type: none"> <li>• Chief Executive Officer and Managing Director, The Siam Industrial Credit PCL</li> <li>• Chairman, Director of the Remuneration Committee, CIMB Securities (Thailand) Co., Ltd.</li> <li>• Chairman, SICCO Advisory Co., Ltd.</li> </ul>

Mr. Sara Lamsam Age 43	Director
Date of Appointment	April 2009 - Present
Shareholding	- percent
Education	M.B.A., Boston University, U.S.A.
Training Courses	Director Certification Program (DCP) / 2000 by the Thai Institute of Directors Association
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Director, Thai Reinsurance PCL</li> <li>• Chairman of the Executive Committee and Remuneration and Nomination Committee, Director of Risk Management Committee, Phatra Leasing PCL</li> <li>• Chief Executive Officer and Director, Muang Thai Insurance PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Chief Executive Officer and Managing Director and Director, Muang Thai Life Assurance PCL</li> <li>• Advisor, Market for Alternative Investment (MAI)</li> <li>• Chairman, Group of Finance and Investment, Board of Trade of Thailand</li> <li>• Director, T.I.I. Co., Ltd., Muang Thai Real Estate PCL, Muang Thai Group Service Co., Ltd., Thai Financial Planners Association, Thai Listed Companies Association, Board of Trade of Thailand</li> <li>• Chief Executive Officer and Director, Muang Thai Group Holding Co., Ltd., Muang Thai Holding</li> <li>• Vice President (Administration), the Thai Life Assurance Association</li> <li>• President, the Thai Life Assurance Association.</li> <li>• Director, the Thai Bond Market Association (Thai BMA)</li> </ul>

Mr. Aswin Kongsiri Age 68	Independent Director and Director of the Audit Committee
Date of Appointment	April 1993 - Present
Shareholding	- percent
Education	B.S. Honor (Philosophy, Politics and Economics), Oxford University, U.K.
Training Courses	<ul style="list-style-type: none"> <li>• Director Certification Program (DCP) / 2001</li> <li>• The Role of Chairman (RCM) / 2001</li> <li>• Chairman 2000 / 2001 by the Thai Institute of Directors Association</li> </ul>
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Independent Director and Director of the Audit Committee, Thai Reinsurance PCL</li> <li>• Chairman, Thoresen Thai Agencies PCL</li> <li>• Executive Director and Director Risk Management Committee, Krung Thai Bank PCL</li> <li>• Director and Chairman of the Board of Risk Management, Bangkok Aviation Fuel Services PCL</li> <li>• Vice Chairman, Electricity Generating PCL</li> <li>• Director and President of Audit Committee, OHTL PCL</li> <li>• Director, Audit and Nomination Committee, Padang Industries PCL</li> <li>• Chairman Director and Director, Ch. Karnchang PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Chairman, AK Place Co., Ltd., Ton Poh Thailand Fund</li> <li>• Chairman, Krungthai - AXA Life Insurance PCL, Thai ORIX Leasing Co., Ltd.</li> <li>• Director, the Stock Exchange of Thailand</li> <li>• Director The Monetary Policy Committee, Bank of Thailand</li> </ul>

Mr. Udom Vichayabhai Age 78	Independent Director and Chairman of the Audit Committee
Date of Appointment	April 1993 - Present
Shareholding	- percent
Education	B.B.A., Boston University, U.S.A.
Training Courses	<ul style="list-style-type: none"> <li>• Director Certification Program (DCP) / 2004</li> <li>• Director Accreditation Program (DAP) / 2003</li> <li>• Chairman 2000 / 2002</li> <li>• Audit Committees Program (ACP) / 2005</li> <li>• Finance for Non-Finance Directors Program (FN) / 2004 by the Thai Institute of Directors Association</li> </ul>
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Independent Director and Chairman of the Audit Committee, Thai Reinsurance PCL</li> <li>• Independent Director and Director of Audit Committee, Laguna Resort &amp; Hotel PCL</li> <li>• Independent and chairman of the Audit Committee Director, Thai Wah Food Products PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Independent Director, Amcor Flexibles Bangkok PCL</li> <li>• Chairman, Phuket Fantasy PCL</li> </ul>

Ms. Potjanee Thanavarant Age 67	Independent Director and Director of the Nomination and Remuneration Committee
Date of Appointment	April 2007 - Present
Shareholding	0.01 percent
Education	M.B.A., Syracuse University, U.S.A.
Training Courses	<ul style="list-style-type: none"> <li>• Director Certification Program (DCP) / 2002</li> <li>• Role of Chairman Program (RCM) / 2002</li> <li>• Role of the Compensation Committee (RCC) / 2002</li> <li>• Financial Institution Governance Program</li> <li>• Audit Committee Program (ACP) / 2013</li> <li>• Monitoring The Internal Audit Function (MIA) / 2013</li> <li>• Advance Audit Committee Program Class 10 / 2013</li> <li>by the Thai Institute of Directors Association</li> </ul>
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Independent Director and Director of the Nomination and Remuneration Committee, Thai Reinsurance PCL</li> <li>• Chairman, Director of Nomination and Remuneration Committee, Audit Committee, Univentures PCL</li> <li>• Independent Director and Director of the Audit Committee, Bangkok Insurance PCL, Oishi Group PCL</li> <li>• Independent Director, Chairman of the Audit Committee, Bank of Ayudhya PCL</li> <li>• Independent Director, Director of the Audit Committee, Bank of Ayudhya PCL</li> <li>• Independent Director, Berli Jucker PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Director General, Department of Insurance</li> <li>• Vice President, the National Legislative Assembly</li> <li>• Director, BJC Logistics and Warehouse Co., Ltd.</li> <li>• Member, Council of State Office</li> <li>• Chairman, Public Sector Audit and Evaluation committee</li> </ul>

Mr.Chandran Ratnaswami Age 64	Director and Director of the Investment Committee
Date of Appointment	February 2012 - Present
Shareholding	- percent
Education	M.B.A., Toronto University, Canada
Training Courses	-
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Director and Director of the Investment Committee, Thai Reinsurance PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Managing Director, Hamblin Watsa Investment Counsel Ltd., Canada</li> <li>• Founding Director and Chairman of the Investment Committee, ICICI Lombard General Insurance Co., Ltd., Mumbai, India</li> <li>• Director, First Capital Insurance Ltd.</li> <li>• Director, Ridley Inc., Toronto Stock Exchange</li> <li>• Director, ZoomerMedia Ltd., TSX Venture Exchange</li> <li>• Director, Gulf Insurance Company K.S.C. (GIC), Kuwait Stock Exchange</li> <li>• Director, India Infoline Limited, Thomas Cook (India) Limited.</li> </ul>

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Mr. Gobinath Arvind Athappan Age 42	Director
Date of Appointment	April 2012 - Present
Shareholding	- percent
Education	M.B.A., MIT Sloan School of Management U.S.A.
Training Courses	-
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Director, Thai Reinsurance PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Chief Executive Officer, Falcon Insurance Company (Hong Kong) Ltd. Hong Kong</li> <li>• Chief Operating Officer, First Capital Insurance Ltd., Singapore</li> </ul>



Mr. Surachai Sirivallop Age 72	Director and Chief Executive Officer and Chairman of Risk Management Committee
Date of Appointment	January 1991 - Present
Shareholding	0.11 percent
Education	Bachelor of Laws, Thammasart University
Training Courses	Director Certification Program (DCP) / 2002 by the Thai Institute of Directors Association
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Director and Chief Executive Officer and Chairman of Risk Management Committee, Thai Reinsurance PCL</li> <li>• Managing Director, Thai Reinsurance PCL</li> <li>• Director and Chairman of the Executive Board, Thaire Life Assurance PCL.</li> <li>• Director and Chief Executive Officer, Thaire Life Assurance PCL</li> <li>• Independent Director, Charoong Thai Wire &amp; Cable PCL</li> <li>• Independent Director and Director of the Audit Committee, OHTL PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Chairman, EMCS Thai Co., Ltd.</li> <li>• Vice Chairman, Thai Insurer Datanet Co., Ltd.</li> </ul>

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Mr. Oran Vongsuraphichet Age 44	Director, President and Chief Operating Officer
Date of Appointment	April 2013 - Present
Shareholding	- percent
Education	Ph.D. (International Business), Asian Institute of Technology
Training Courses	-
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Director, President and Chief Operating Officer, Thai Reinsurance PCL</li> <li>• President, Thai Reinsurance PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Chief Executive Officer, Falcon Insurance PCL</li> <li>• Director, Falcon Insurance PCL</li> <li>• Director, thongthai textile Co., Ltd.</li> <li>• Director, V.A.S Garment Co., Ltd.</li> <li>• Director, Titansportware Co., Ltd.</li> </ul>

## Management

Mr. Surachai Sirivallop Age 72	Chief Executive Officer
Education	Bachelor of Laws, Thammasart University
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Director and Chief Executive Officer and Chairman of Risk Management Committee, Thai Reinsurance PCL</li> <li>• Managing Director, Thai Reinsurance PCL</li> <li>• Director and Chairman of the Executive Board, Thaire Life Assurance PCL.</li> <li>• Director and Chief Executive Officer, Thaire Life Assurance PCL</li> <li>• Independent Director, Charoong Thai Wire &amp; Cable PCL</li> <li>• Independent Director and Director of the Audit Committee, OHTL PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Chairman, EMCS Thai Co., Ltd.</li> <li>• Vice Chairman, Thai Insurer Datanet Co., Ltd.</li> </ul>
Dr. Oran Vongsuraphichet Age 44	President and Chief Operating Officer
Education	Ph.D. (International Business), Asian Institute of Technology
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Director, President and Chief Operating Officer, Thai Reinsurance PCL</li> <li>• President, Thai Reinsurance PCL</li> </ul> <p><b>Non-Listed Company</b></p> <ul style="list-style-type: none"> <li>• Chief Executive Officer, Falcon Insurance PCL</li> <li>• Director, Falcon Insurance PCL</li> <li>• Director, thongthai textile Co., Ltd.</li> <li>• Director, V.A.S Garment Co., Ltd.</li> <li>• Director, Titansportware Co., Ltd.</li> </ul>

<b>Mr. Chuanchai Cheausamut Age 65</b>	<b>Executive Vice President</b>
Education	B.A., Chulalongkorn University
Experience	<b>Listed Company</b> <ul style="list-style-type: none"> <li>• Executive Vice President, Thai Reinsurance PCL</li> <li>• Senior Vice President, Thai Reinsurance PCL</li> </ul>

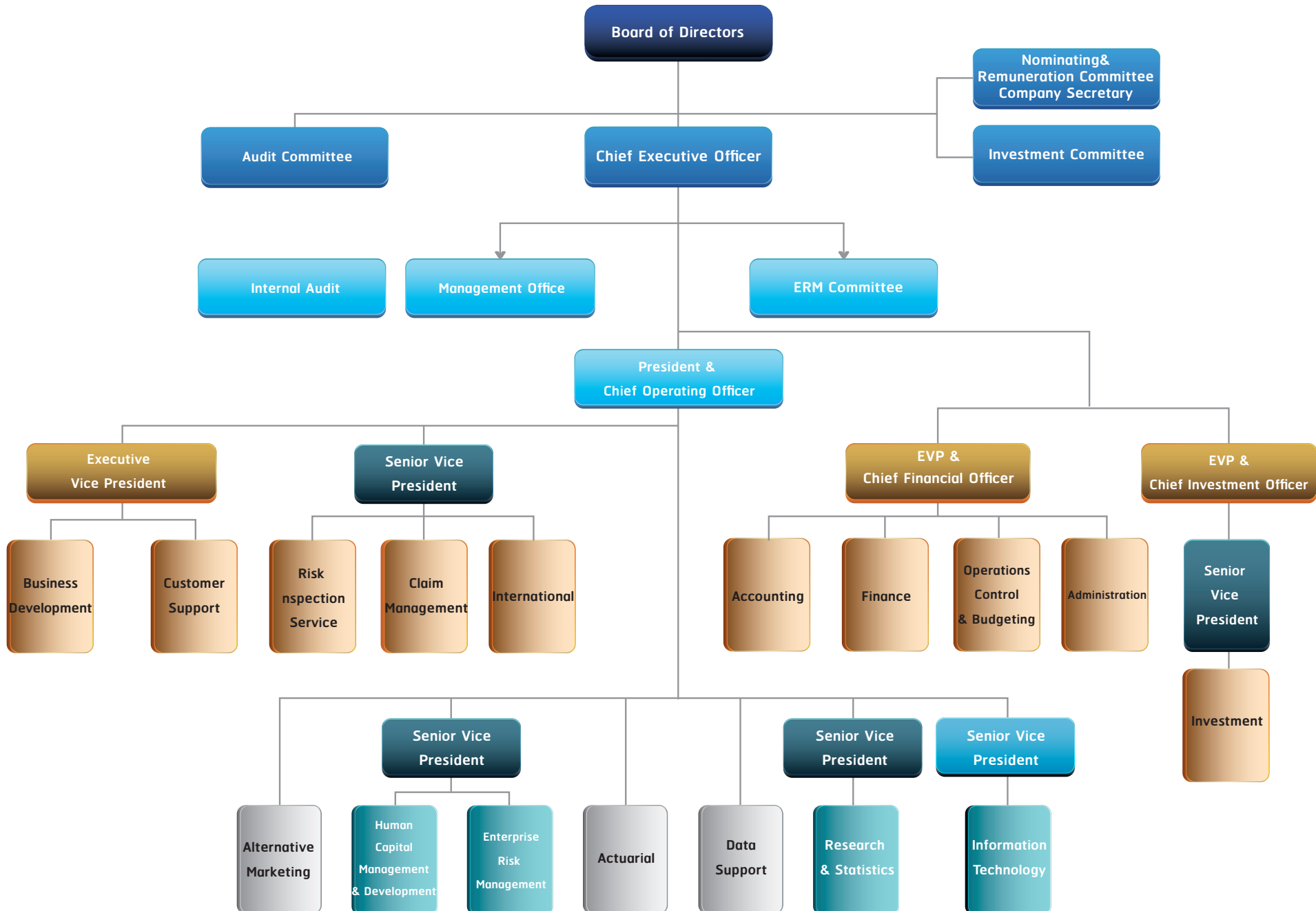
  

<b>Mrs. Thitaporn Tarakit Age 54</b>	<b>Executive Vice President</b>
Education	M.B.A., Kasetsart University
Experience	<b>Listed Company</b> <ul style="list-style-type: none"> <li>• Executive Vice President, Thai Reinsurance PCL</li> <li>• Senior Vice President, Accounting, Finance and Operation System Line, Thai Reinsurance PCL</li> </ul>

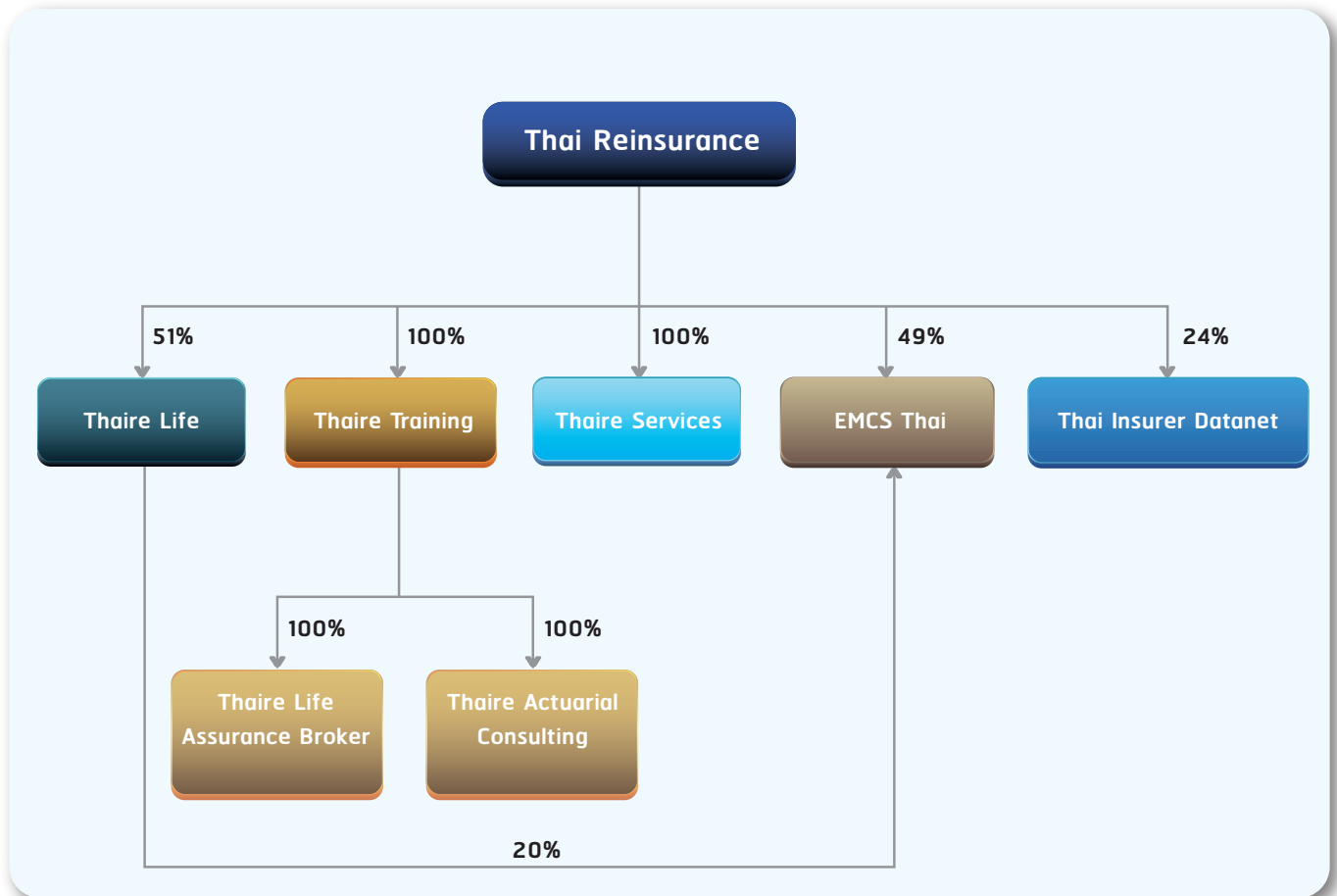
<b>Mrs. Nantinee Chinwanno Age 50</b>	<b>Executive Vice President – Business Development and Customer Support</b>
Education	M.B.A., University of Missouri, U.S.A.
Experience	<b>Listed Company</b> <ul style="list-style-type: none"> <li>• Executive Vice President – Business Development and Customer Support, Thai Reinsurance PCL</li> <li>• Senior Vice President, Customer Support Division, Thai Reinsurance PCL</li> </ul>

# Organization Chart



## Types of Businesses

The core competency of the Company is the underwriting of clients from the non-life, life and reinsurance sectors locally and abroad. While the Company provides reinsurance for non-life insurance, Thaire Life Assurance PLC., a subsidiary, reinsures life insurance. The Company has extended its businesses to establishments that provide computer services by processing and evaluating insurance data in order to process indemnity for motor insurance and its related statistics. The Company, through its subsidiaries, has also expanded its portfolio into training and consulting businesses whose client base is primarily in the insurance sector. The business structure is shown in the following table:



## General Information of Our Group of Companies

Company & Head Office	Nature of Business	Capital Registered/ Issued & Paid up (THB Million)	Percentage Owned (Percent)
Thaire Life Assurance Plc.	Provision of reinsurance (Life insurance business)	600/600	51
Thaire Training Co., Ltd.	Training and consulting service whose client base is primarily in the insurance sector	0.5/0.5	100
Thaire Services Co., Ltd.	Claim management and operation supporter for insurance business, for example, Call Center	60/60	100
EMCS Thai Co., Ltd. (EMCS)	Provision of computer service in relation to motor insurance claims and related statistics	30/30	69
Thai Insurer Datanet Co., Ltd. (TID)	Provision of computer service for insurance data evaluation	10/10	24
Thaire Life Assurance Broker Co., Ltd.	Operated as a life insurance broker to support sales through the Call Center.	2/2	100

### Legal Entities in Which the Company Holds Shares More Than 10 Percent

T.I.I Co., Ltd. (Thailand Insurance Institute)	Provision of insurance training	21.5/21.5	20
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## Our Vision and Business Goals

### Vision

- We aim to progress in order to become the most valued business partner
- We aim to build the return on investment for shareholders
- We aim to improve the quality of life for employees

### Business Goals

#### 1. Expansion of the Life Insurance Segment

To diversify and maintain the Company's sources of revenue, Thai Re aims to increase the proportion of income from the life reinsurance segment in order to be fiscally stable, of which the performance is typically considered more predictable than the non-life insurance segment. Statistically, an insured's death can be forecasted accurately than the non-life reinsurance because of high volatility and greater risk. Since its inception 14 years ago, Thaire Life Assurance Plc. has experienced considerable growth and expansion. To-date, the net earned premium has been 24.4 percent. Presently, the life reinsurance segment is considered a core competency of the group and its plans of expansion look promising for the future.

#### 2. From Reinsurer to Service Provider

The Company, apart from being its core competency of the group as a professional reinsurer, is mixing its portfolio to become a leading service provider in the industry. This segment is projected to be a major source of income (apart from the income from the non-life reinsurance, life reinsurance and other investments), as well as to get relief from the impact of volatility from various operations. The Company, through its 6 affiliates and subsidiaries, is currently engaged in the service provider enterprise and generating revenue derived from service fees. Growth in revenue is projected for future operating cycles.

### Types of Products and Services

The revenue structure of the Company and its subsidiaries consists of two major revenue streams; reinsurance and investment income. Revenues from the insurance related services from the subsidiaries are relatively small proportions although they are expected to be more significant in the future. The following table provides an overview of the revenue structure of the Company:

Unit: THB Million

Business group	Generated by	2011		2012		2013	
		Amount	Percent	Amount	Percent	Amount	Percent
• Net Earned Premiums	Thai Re & Thai Re-Life (Thai Re)	4,986.8 (4,147.6)	85.1	5,355.3 (4,314.6)	81.8	5,521.5 (4,176.5)	85.7
• Net Investment Income <sup>/1</sup>	Thai Re & Subsidiaries (Thai Re) <sup>/2</sup>	299.9 (329.2)	11.5	728.9 (1,016.3)	11.1	743.7 (3,232.2)	5.2
• Fee and Commissions income	Thai Re & Thai Re-Life (Thai Re)	511.7 (506.1)	1.8	377.4 (371.9)	5.8	114.7 (110.4)	8.8
• Service Income	Thai Re & Subsidiaries	21.2	1.7	82.6	1.3	111.0	0.4
<b>Total</b>		<b>5,819.6</b>	<b>100.0</b>	<b>6,544.2</b>	<b>100.0</b>	<b>6,490.9</b>	<b>100.0</b>

Note: /1 Investment Income include profits from share dividends, benefit interests, and other interests. /2 Including dividends from subsidiaries.

The Company's portfolio is primarily constituted of domestic businesses. The proportion of the net reinsurance premiums from 2012 and 2013 portfolio is categorized in the following table:

Unit: Percent

			2012	2013
Non Life Reinsurance	• Domestic	Fire	6.5	4.7
		Marine	2.4	1.4
		Motor	5.9	6.6
		Misc.	63.9	62.4
	• Foreign		78.7	75.2
			0.2	0.1
Total Non-Life Reinsurance			78.9	75.3
Life Reinsurance			21.1	24.7
<b>Total</b>			<b>100.0</b>	<b>100.0</b>

There are 2 types of reinsurance agreement. These types are as follows:

#### 1. Facultative Reinsurance

Facultative reinsurance is reinsurance purchased on a per policy basis. That is, the type of reinsurance that has no agreements arranged in advance. The terms and conditions are applied and agreed upon specifically for that particular case. Facultative reinsurance is made up approximately 4.8 percent of the total net written premiums at present.



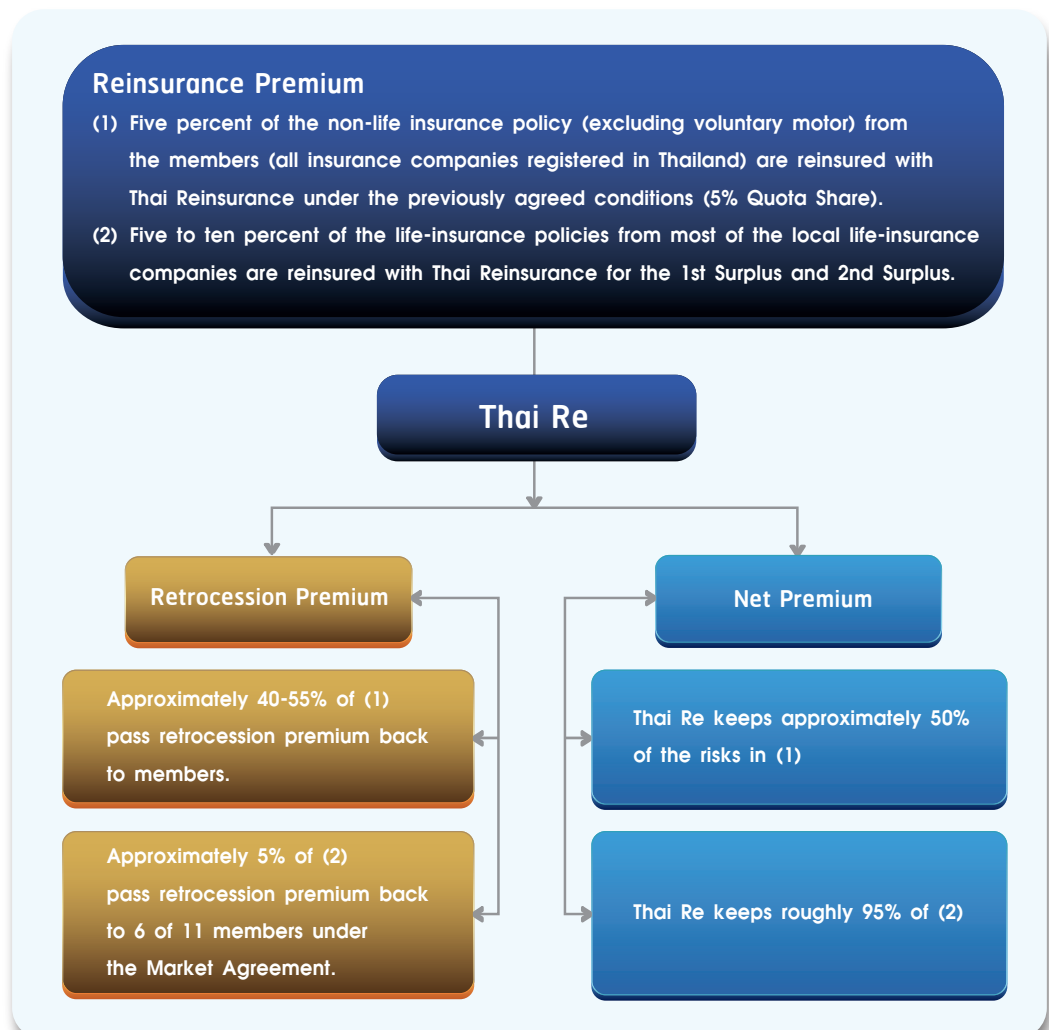
## 2. Treaty Reinsurance

Under treaty arrangements, Thai Reinsurance agrees to accept risks offered by insurance companies or in advance with no declining option providing specified risks to fit the treaty's scheme.

### 2.1 The Market Agreement Business

There were two benefits to local insurance businesses in Thailand from the establishment of Thai Reinsurance. The first benefit was a more evenly distributed insurance premiums among local insurance companies and an increased retention's capability of premiums within Thailand. The second benefit was the ability to gather valuable statistics so that data and information could be utilized for the development of the entire local insurance industry. To protect these mutual interests, the Market Agreements among all local non-life and life insurance companies and Thai Reinsurance were made.

### Details of Reinsurance and Retrocession of Thai Reinsurance under the Market Agreement.



Furthermore, the valuable data that were gathered from every policy within the country enabled the Company to evaluate the insurance data and provide extensive research to support business plan or decision-making. Concurrently, the Office of Insurance Commission can also apply data to improve tariff premium and make it more appropriate and fair for everybody. This service is free of charge for its member companies. After reinsurance was made under the Market Agreements, the Company requires passing retrocession premium back to its members at the allocation that was agreed upon.

Most of the Market Agreements for non-life business are proportional contracts on a quota share basis. Business lines include Fire, Compulsory Motor insurance (in accordance with Motor Vehicle Accident Victims Act 1992), Marine, and Miscellaneous. However, it excludes certain types of insurances. Issues mentioned in the Market Agreements include proportion of reinsurance, retrocession, and maximum reinsurance liability. The Market Agreements also state reinsurance commission, reporting method, payment method, etc. The Market Agreement contracts are made yearly/annually and are automatically renewed every year. In order to terminate the contracts, one of the parties needs to provide a cancellation notice 3 months in advance.

Life-insurance business also follows similar procedures. Thai Reinsurance has arranged the Market Agreements with most of the life insurance companies in Thailand. The contract requires that all companies reinsure 5 to 10 percent of their portfolios under Thai Re's 1st Surplus Reinsurance Treaty. First Surplus treaty is a primary reinsurance agreement. A cedant required to cede part of its risk retention to this treaty. Thai Reinsurance will retrocede risks to some ceding members. In 2013, net reinsurance premium under this surplus treaty accounts for 8.3 percent of Thaire's total net written premium.

The reinsurance premium from the market agreement contract was accounted of 8.3 percent of the net insurance premium, decreased by 11.5 percent of the net insurance premium in 2012. This was due to the loss incurred from the major flood in 2011 and resulted in the withdrawal of the members.

## 2.2 Other Agreements

Other agreements are general business agreements that the Company and its subsidiaries make with other insurance companies (both local and international companies). The difference between other agreements and market agreement is that there is no arrangement for the Company to return retrocession to the insurers. The premiums from other agreements makes up about 86.9 percent of our net reinsurance premiums in the current year.

As a reinsurance company, the Company has an intention to retain risks and minimize the need for retrocession as much as possible. Thus, in order to cut down the risks and ensure the Company's financial status, the Company holds an appropriate level of an Excess of Loss protection policy to limit financial loss in case of any unfortunate catastrophes. At present, the maximum limit that the Company has to retain following any loss event is THB 90 million per property-related losses. This does not exceed THB 30 million for marine-related losses and does not exceed THB 50 million for miscellaneous-related losses. If any loss exceeds these amounts, the Company is able to make claims against the insurer.

Following any loss event, indemnification between the reinsured and the reinsurer depends on the type of the reinsurance agreement after the reinsured has agreed to compensate the claimant. For facultative reinsurance, the claim process is done on a case-by-case basis. For treaty reinsurance, compensation is made to the reinsured only after the amount of loss exceeds the minimum cash call limit specified in the agreement. For every loss below the minimum limit, the reinsured pays in advance from its own pocket. The Company processes all losses that exceed Excess of Loss limits with its reinsurers accordingly.

## Products and Services

### Sources of Funds

The Company raises funds from two sources, shareholders' equity and cash flow from operation, and have no policy to mobilize funds from borrowing or from any other sources. However, like other financial institutions, insurance business must have an adequate capital base to support business growth. As such, it might be necessary to raise funds by way of capital increase or other methods from time to time to accommodate business expansion

### Investment Policy

The Company adopts a conservative investment policy by focusing primarily on risk management and rate of return. Rather than expecting the maximum benefit, the Company aims to achieve a stable long-term return and maintain appropriate liquidity in tune with cash receivable, at present and in future, while controlling risks at a low level and adhering to the OIC's regulations. Our investment policy is reviewed regularly to correspond with the fast-changing financial and investment environment.

### Significant Rules for Non-Life Insurance Business

THRE has engaged in life and non-life businesses regulated by the Office of Insurance Commission (OIC). OIC has issued rules and regulations to control and ensure that insurance companies uphold transparency in operating business and maintain a financial position that assures their responsibility for the insured in the future. Significant rules and regulations under the Life/Non-Life Insurance Acts can be summed up as follows:

Rules and Regulations	Non-Life Insurance Act	Rules and Regulations
Securities placed with the Insurance Commissioner as security deposit	THB 3.5 million for each type of security	Not less than THB 20 million
Allocation of reserves	Reserves shall be allocated as follows: (1) Reserve for unearned premiums (2) Reserve for losses incurred	Reserves shall be allocated as follows: (1) Reserve for unearned premiums (2) Reserve for losses incurred

Rules and Regulations	Non-Life Insurance Act	Rules and Regulations
Placing of premium reserve	25% of reserve for unearned premiums of all types, except travel accident insurance for less than 1 month cover and marine and transport insurance	25% of insurance reserves for insurance policies that remain in force, net of loans, secured by insurance policies of insurance companies
Maintenance of CAR	The ratio of capital to capital required to be maintained by law shall not be less than 125 percent in year 2012 and 140 percent from the year 2013 onwards.	The ratio of capital to capital required to be maintained by law shall not be less than 125 percent in year 2012 and 140 percent from the year 2013 onwards.

Types of assets to be placed as security deposit or as reserve are legally required to be cash, government bond or other assets as stipulated by law.

It is our policy to maintain all key ratios at not less than the minimum legal requirements and comparable with international standards. Any ratio deemed crucial to our position and stability will be maintained at a high level.

On the liquidity side, The Company has a policy to maintain liquidity at an appropriate level by making available sources of funds, whether from cash receivable or from liquid assets, to be able to meet our funding needs in any situation whatsoever.

# Industrial Situation and Competition

Thai non-life reinsurance market can be categorized into the following 2 major groups.

1. Non-life insurance companies with operation in the reinsurance sector have a market share, with an estimation of 13.6 percent in 2013. Most responsibilities are co-operation with a reinsurance company. They normally prefer to work with professional and credible reinsurance company. This ensures that the client data is secured.

2. Established solely reinsurance companies including Thai Reinsurance PCL and over a hundred foreign reinsurance companies take approximately 86.4 percent of the market share in 2013.

Despite the previous major flood and economic crisis resulting great impact to the insurance industry, the growth of insurance market in Thailand is still progressing due to increasing rate of insurance premium in property insurance and motor insurance from the first car policy. Based on the preliminary data provided by the Office of Insurance Commission, direct written premium of non-life insurance in 2013 was THB 203,021 million, an increase of 13.1 percent from the year 2012. Non-life insurance was reinsured in the amount of THB 60,706 million or a 14.7 percent increase from the last year. Direct written premiums of life insurance in 2013 were THB 441,349 million, an increase of 13.0 percent comparing to that in the same period last year. Apart of this amount, THB 7,167 million was reinsured, a 9.3 percent increase from the year 2012.

	Non-Life Insurance			Life Insurance		
	THB Million	Proportion	Percent	THB Million	Proportion	Percent
Direct Written Premiums	203,021	100.0	-	441,349	100.0	-
Reinsurance Premiums	60,706	29.9	100.0	7,167	1.6	100.0
• Domestic						
Reinsurance Written Premiums of the Company	4,530	2.2	7.5	1,388	0.3	19.4
Reinsurance Written Premiums of Other Companies	8,280	4.1	13.6	-	-	-
• Foreign	47,896	23.6	78.9	-	-	-

Source: Office of Insurance Commission and Thai Reinsurance PCL.

The table above shows that for every THB 100 of non-life direct written premium, reinsurance was accounted for THB 30. Within this range, there is 21.1 percent reinsured with local companies and the other 78.9 percent was reinsured overseas. Of this amount, the Company holds 7.5 percent of the non-life insurance market share. 1.6 percent of direct written premiums of life insurance were reinsured, mostly with overseas companies where the Company has a 19.4 percent market share.

The completion in local market is not intense. Many foreign reinsurance companies had an experience with the major flood disaster in 2011 so they to recede from the Thai market regarded a small market. However, those who remain their business are strict to do the business. This creates valuable opportunities for the Company to expand its business in the country. The Company has various sustainable competitive advantages in the Thai market, which are as follows:

1. The Company is the only professional Thai reinsurer, which was established with the support from both the government and private sectors. Currently, almost 30 domestic life and non-life insurance companies are our shareholders as well as our valuable clients.
2. The Company has market agreements with all local non-life insurance companies receiving 5 percent share of every policy for almost all business classes. For life insurance, the share is between 5 to 10 percent for First Surplus Treaty.
3. The Office of Insurance Commission has a distinctive policy to maximize local retention by gradually increasing the minimum percentage of retention for Fire, Marine, and Miscellaneous insurance, which offer the chance for the Company to expand.
4. The relationship between the Company and clients is in good standing and stable. The Company meets its clients' needs more effectively based from profound insights of the market condition.
5. The Company has sustained a strong financial status and a plan to increase capital in order to handle growth and opportunities of the clients from both within and outside the country.

In addition, the Company has focused on the quality of underwriting rather than aiming at the premium growth. Earning profit from a good policy is an ideal strategy of the Company. The foundation for our growth is the strong and well-established financial position with the support from our local and overseas customers. Local customers make up the majority of our client base. There are 83 local customers, 59 of non-life insurance companies and 24 life insurance companies. Approximately 50 percent of our clients are also shareholders as well. This ensures a stable market base for the Company. Furthermore, the Company has a local health insurance client and overseas clients in the region of Asia - insurance and reinsurance companies. Most of our operations are handled directly with the insurance companies without going through an insurance broker. In the past 3 years, the Company purchased the insurance from a company in a proportion of reinsurance premium higher than 10 percent of total premium of the group company (47.1 percent of total reinsurance premium in 2013, 45.9 percent in 2012).



## Risk Factors

Recognizing risk factors that may arise and threaten our business operation, the Company established an enterprise risk management (ERM) program and began implementing the program in 2009. An ERM Committee was formed in 2010 to supervise this task ever since.

Risk appetite is defined in each year to be used as a basis for outlining our operational policy, strategy and risk-based decision making. Our ERM highlights comprehensive key risk identification, risk assessment, analysis of risk correlation, establishment of key risk indicators, determination of risk management measures to control potential loss at an acceptable level, and continuous assessment of effectiveness of risk control measures. The Company regularly monitors the key risks and arranges the ERM Committee meeting on a quarterly basis. A focus is placed on learning from loss incurred in order to streamline our risk management measures and risk indicators in the future.

Risk management is embedded in our core activities, including premium rate fixing, underwriting, product design and development, claims management, reinsurance structure designing, and allocation of assets and investments. Risk management is also taken into account as a basis for budgeting and business performance measurement. Cost of risk is incorporated into management cost, expenses, losses on underwriting, returns on investments, and other benefits. Under risk-based decision making, the Company is confident that our ERM could help to strengthen our competitive advantage and sustainability in the long run.

Key risks to which reinsurance business is exposed are as follows:

### 1. Strategic Risk

Strategic risk is risk incidental to implementation of policies, formulation of strategic and operational plans, and failure to implement such plans properly or in alignment with internal factors and external environment, which could affect the Company's income, capital funds, image and stability.

### Risk Management Measures

The Company draws up a yearly strategic plan that is aligned with our long-term strategy. The Board of Directors also takes part in scrutinizing and approving the plan. The Company has in place a control process at every step to make certain that the established plan and strategy are conformed with. The strategic plan is regularly reviewed to be compatible with the changing environment.

The Company leverages technical methodology, statistical data and our 35-years-plus experience for risk analysis and evaluation in order to manage and contain strategic risk at an acceptable level. It is our policy to reduce property line that has high sum insured per policy and high risk concentration because any loss event from this type of transaction will drastically affect our performance. Instead, the Company shift away to personal line with low sum insured per policy and high risk diversification in a bid to ensure stronger stability of our performance. Attempts are at the same time made in identifying new marketing channels, developing customer servicing formats and approaches for efficient and effective results amid the changing market condition, developing and restructuring the organizational set-up, business process and IT system to better match our business operation, accentuating a low-cost, proactive marketing approach, and enhancing and upgrading personnel quality at all levels so that they all could help forge the Company ahead with solid and sustained growth.

#### **1.1 Customer Diversification Risk**

One non-life insurance company has contributed more than 20 percent of the Company's overall reinsurance premium. Therefore, if the Company loses the premium from this customer, our revenue and performance will be materially affected.

Most reinsurance transactions made with this non-life insurance company are long-term special policies. Premium payments are made in full amount upfront after contract signing and gradually earned over the life of the policies. Due to the specific nature of the coverage, it is less likely that these types of policies will be canceled.

#### **Risk Management Measures**

The Company has a policy to expand new business with other non-life insurance companies to diversify our income sources and reduce over-dependence on any single insurance company.

#### **1.2 Capital Availability Risk**

The Office of Insurance Commission requires all insurance companies to comply with its risk-based capital (RBC) regulations and maintain the capital adequate ratio (CAR) of at least 140 percent. This aims to promote insurance companies' good risk management practices and make sure that they have adequate capital to cope with unexpected events.

### **Risk Management Measures**

In identifying risk and hedging measures against capital adequacy risk, the Company determines various factors that could affect our total capital available and total capital required for coping with insurance risk, market risk, credit risk and concentration risk, and then use such factors as a basis for planning and operating our core activities, including product design and development, premium rate fixing, claim management, reinsurance and investment. This aims to ensure our financial stability and capital adequacy. As at December 31, 2013, our pre-audit CAR stood at 208 percent.

## **2. Operational Risk**

Operational risk refers to risk arising from inadequacy or lack of good corporate governance or internal control over business process, personnel or system of the Company or external incidents such as employees' lack of knowledge, expertise and skill, loss of key management/personnel, complexity of business process, right to access data and data security, data updating, delegation of power, duties and responsibilities, and appropriateness of performance measurement criteria, all of which could affect the Company's income, profit and capital funds.

### **Risk Management Measures**

To manage operational risk, the Company has a clear segregation of duties between the Board of Directors and the management. An authority flowchart has been established as a written handbook for all parties to familiarize with the operational or decision power at all levels. Furthermore, the Company monitors and make sure that all policies and plans are implemented under a business process that is efficient and examinable and an internal control process that is effective, independent and regularly audited. The Company also makes certain that a report on regulatory compliance is submitted to the Audit Committee on a quarterly basis.

Recognizing the importance of data to our business operation, the Company puts in place a data security system and data backup system to cope with all possible contingencies. The Company has established a definite regulation and guideline on data security and protection against data loss or leak. The Company has implemented business continuity management and business continuity plan to deal with unprecedented critical situations that could affect our business operation.

Non-life insurance business is reliant on personnel who are skillful and experienced in this business, which is a key factor contributing to efficiency in our services and products. Insurance industry expansion in Thailand leads to demand for a large number of domestic specialists with the required knowledge and experience. As such, it is likely that our personnel could be offered attractive compensation packages to work with other firms. Risk involved with shortage of skilled personnel may accordingly dampen our competitiveness or hurt our operation. The management has thus devised an array of measures to safeguard against such risk, entailing systematic and continuous development of personnel capability to ensure availability of workforce substitution, arrangement of activities to boost staff's morale, creation of a pleasant working atmosphere, and provision of compensation packages that are fair and competitive with those offered by other insurance entities. Besides, in an effort to retain our key personnel, the Company offered stock options (ESOP) to our employees in 1996 and allocated 5-year warrants to executive-level employees of the Company and our subsidiaries in 2001.

### 3. Insurance Risk

Insurance risk is risk arising from the conduct of insurance activities such as pricing risk, concentration risk, reserving risk, underwriting risk, disaster risk, policyholder behavior risk, product development risk, etc.

#### **Risk Management Measures**

The Company focuses on knowledge enrichment and development while ensuring compliance with underwriting disciplines of our staff members concerned with underwriting function. The Company takes on risks based on risk balancing through risk diversification according to geographical areas and other relevant risk factors. The balancing of our risk underwriting will hinge on changing market condition in each phase of business cycle. The Company has produced an underwriting manual of higher standards based on modern technical methodology and statistical data, with a regular manual update to always fit with market environment. Monitoring measures are in place to assure that the underwriting manual and all relevant standards are strictly complied with

The Company has revised our natural disaster risk management measures after the late-2011 flood crisis. The Company has updated an underwriting guideline for flood, earthquake and wind storm by setting a limit to the amount of sum reinsured on each property depending

on the level of risk arising from floods and earthquakes; and setting a limit to the amount of sum reinsured for the industrial estates in Bangkok and its vicinities, a limit per province, per region, and per basin, depending on its own risk characteristics. Risk accumulation is closely and timely monitored on a monthly basis. Once the amount of sum reinsured reaches 75 percent of the total sum reinsured, it will be reconsidered to see whether additional measures are needed. The Company has also prepared a model for underwriting risk assessment, revised the purchase of excess of loss coverage, purchased reinsurance against general risk and natural disaster, and conducted a study on new catastrophic risks that may erupt in the future.

The Company gives importance to maintaining capital adequacy as legally required and purchase the excess of loss protection retrocession as a tool to prevent and control our retained risks to ensure they will not threaten our financial position. It is our policy to set aside, on a conservative basis, a reserve that could cover future risks and contingencies. Marketing strategies are drawn up based on existing knowledge and statistics in order to penetrate the lucrative market segments with strong growth prospects. New products have been developed and marketed to expand our income base.

#### **4. Market Risk**

Market risk is risk that arises from changes in interest rate, exchange rate, derivatives price in money and capital markets, asset price, and real estate price, which could lead to volatility in income, value of financial assets and liabilities and capital funds of the Company.

#### **Risk Management Measures**

Our investments are within the OIC's scope and guideline under the Non-Life Insurance Act and the Life Insurance Act B.E. 2551 which specifies types of securities allowable for investment and sets investment limits for each type of securities

An investment plan is drawn up for all concerned parties to implement and is revised in alignment with market environment and economic condition. Moreover, The Company has in place a stringent investment decision process and a policy to avoid an investment in speculative securities which involve a high degree of risk and to focus on quality assets

with steady and consistent returns. The Company regularly monitors and analyze the volatility of our investment portfolio as affected by various factors to be a basis for proper investment decision in line with the prevailing circumstances, making a complete loss of our investment very less likely to happen. Forming as a part of our main revenue sources, investments have thus been closely monitored by our Board of Directors and management.

## 5. Credit Risk

Credit risk is risk arising from possible default by our counterparties or from our counterparties' credit rating being downgraded. This can expose the Company to risk from our retrocessionaire's failure to make claim reimbursement as agreed or delay in such payment, which could lead to an overdue or bad debt or, if such loss cannot be recovered, could hurt our cash flow and net profit.

### **Risk Management Measures**

To cushion against such risk, the Company assesses quality and debt service ability of retrocessionaires and securities issuers and review their financial status on a regular basis and in alignment with prevailing circumstances. It is our policy to cede risks to international reinsurers and invest in debt securities of private entities that have strong financial soundness and credit rating of A or higher.

## 6. Liquidity Risk

Liquidity risk is risk arising from insurance companies' inability to service debts and obligations that become due, caused by failure to convert assets into cash, or ability to raise funds but at an unacceptable high cost which could affect the Company's income and reserves.

### **Risk Management Measures**

Our risk management measures include harmonized asset and liability management, diversification of assets and liabilities, investments in liquid securities in line with types of liabilities and contingencies, and ensuring that liquid assets are sufficiently available when cash is needed. The Company also makes certain that our liquidity position is maintained at a level higher than the OIC's requirement.

## 7. Emerging Risk

Emerging risk is loss incurred from risk not yet occurring at present but could emerge in the future due to a changing environment. This type of risk emerges at a slow pace and is difficult to identify. Its emergence is less frequent, but once occurring, it will pose a severe impact. Emerging risk is usually identified from a forecast based on studies of prevalent evidence. This risk typically results from changes in politics, laws, society, technology, physical environment or nature. Occasionally, the impacts of such risk are unidentifiable at the present time such as problems caused by nano technology or GMO food or climate change, etc.

### **Risk Management Measures**

The Company gathers relevant information on emerging risks and continuously conduct an analysis to familiarize with the information and come up with a solution to properly contain any potential impacts on the organization. Moreover, The Company has reviewed protection wordings in insurance policies, including our underwriting process, premium rate fixing, and new product development to ensure that the emerging risk has been taken into consideration.

# Structure of shareholders and Management

## Shareholders

Ten major shareholders as of September 12, 2013 are as follows:

Unit: Percent

Major Shareholders	No. of Shares	Percentage
1. HWIC Asia Fund	791,349,998	22.53
2. Thai NVDR Co., Ltd.	633,780,150	18.04
3. The Hongkong And Shanghai Banking Corporation Limited, Fund Services Department	359,501,199	10.23
4. Viriyah Insurance PCL.	132,659,850	3.78
5. Somers (U.K.) Limited	120,000,000	3.42
6. BNP Paribas Securities Services Luxembourg	87,039,300	2.48
7. Bangkok Insurance PCL.	71,775,360	2.04
8. GIC Private Limited - C	63,207,299	1.8
9. Aberdeen Growth Fund	58,862,700	1.68
10. The Navakij Insurance PCL.	57,870,836	1.65
Total	2,376,046,692	67.65
11. Other shareholders	1,136,448,168	32.35
Grand Total	3,512,494,860	100.00

Since March 2012, the Company has increased the share capital in amount of THB 2,325.1 million, from THB 1,187.4 million to THB 3,512.5 million. The Company has provided the increase in the stock capital to existing share holders in amount of 1,583.1 with the ration of right 0.75 existing stock per a new stock and arranged the other part of increase in amount of THB 742 million for private placement which are totally proposed to Fairfax Financial Holdings Limited. Therefore, Fairfax Financial Holdings Limited, a company share holder under the company name, HWIC Asia Fund is the largest share holder. Since 12 September 2013, Fairfax has held 22.53 percent of shares

However, neither individual shareholders nor group shareholders has significantly absolute authorization by any actions or agreements in designing company policy, managing or controlling any company operations. In addition, the Company has not released any bonds or convertible securities that may affect the right of the shareholders.

Investors are able to check on ten major shareholders profile at [www.thaire.co.th](http://www.thaire.co.th) and [www.set.or.th](http://www.set.or.th) after the closing of the shareholders registration book.



## Issue of Other Securities

The Company has not yet issued preferred shares. Debt or convertible securities that may affect the rights of shareholders.

## Dividend Policy

Under current policy, dividend payout is at least 40 percent of net profit after the deductions to all reserves. For subsidiaries' share, the payout is in correspondence to business outcomes.

### Dividend Information

Unit: THB

Year	2009	2010	2011	2012	2013
Earning per share	0.44	0.49	-1.40	-1.44	-0.80
Dividend per share	0.40	0.41	0.20	0	0
Payout Ratio (percent)	90.6	83.9	35.9	0	0

### Shareholding of Director and Management

Shareholding of Directors and Board of Directors, included those related to section 258 of the Securities and Exchange of B.E. 2535 Act (as amended), are as follows.

No.	Name	No. of Shares as of Dec 31, 2012	No. of Shares as of Dec 31, 2013	Change Increase (Decrease) in 2013	Percentage
<b>Director</b>					
1.	Mr.Suchin Wanglee	7,185,920	7,185,920	-	0.20
	Their spouses and children who have not reached maturity	-	-	-	-
2.	Mr.Chai Sophonpanich	3,399,186	3,399,186	-	0.10
	Their spouses and children who have not reached maturity	-	-	-	-
3.	Mr.Kerati Panichewa	3,019,893	3,019,893	-	0.09
	Their spouses and children who have not reached maturity	-	-	-	-
4.	Mr.Jiraphant Asvatanakul	700,560	700,560	-	0.02
	Their spouses and children who have not reached maturity	-	-	-	-
5.	Mr.Chanin Roonsamran	-	-	-	-
	Their spouses and children who have not reached maturity	-	-	-	-

No.	Name	No. of Shares as of Dec 31, 2012	No. of Shares as of Dec 31, 2013	Change Increase (Decrease) in 2013	Percentage
6.	Ms.Potjane Thanavarant Their spouses and children who have not reached maturity	186,200 -	186,200 -	- -	0.01 -
7.	Mr.Sara Lamsam Their spouses and children who have not reached maturity	- -	- -	- -	- -
8.	Mr.Aswin Kongsiri Their spouses and children who have not reached maturity	- -	- -	- -	- -
9.	Mr.Udom Vichaiyabhai Their spouses and children who have not reached maturity	- -	- -	- -	- -
10.	Mr. Chandran Ratnaswami Their spouses and children who have not reached maturity	- -	- -	- -	- -
11.	Mr. Gobinath Arvind Athappan Their spouses and children who have not reached maturity	- -	- -	- -	- -
12.	Mr.Surachai Sirivallop Their spouses and children who have not reached maturity	1,229,421 2,669,640	1,229,421 2,669,640	- -	0.03 0.08
13	Mr.Oran Vongsuraphichet Their spouses and children who have not reached maturity	- -	- -	- -	- -
<b>Management</b>					
1.	Mr.Chuanchai Cheausamut Their spouses and children who have not reached maturity	6,409,280 -	5,909,280 -	(500,000) -	0.17 -
2.	Mrs.Thitaporn Tarakit Their spouses and children who have not reached maturity	468,556 -	468,556 -	- -	0.01 -
3.	Mrs.Nantinee Chinwanno Their spouses and children who have not reached maturity	- -	- -	- -	- -

## Management

Thai Re is not a family run business, which shareholders may have an influence on controlling the Company. The Company has determined to operate as a reinsurance company directed only by professional board of directors and management. Since its establishment, over 30 years, the Company has been led by the strong and visionary professional board of directors and management team who have vision and competent and skilled employees.

### Management Structure

In addition to Board of Directors, there are 4 sub-committees, namely the Audit Committee, the Nomination and Remuneration Committee, the Enterprise Risk Management Committee, and the Investment Committee. If necessary, Ad Hoc Committee is set up to look after the significant matters.

### Board of Directors Structure

The Company's mission and vision is a professional reinsurance that not only enhances the ability to retain more risk within the country but also promotes the business of non-life insurance as business partner. The Company also focuses on expanding the revenue bases which are underwriting, investment, and services to stabilize and distributing the sources of revenue, and meets the clients' needs more efficiently.

The Company's Board of Directors comprises of 13 highly knowledgeable and widely accepted members. There are the independent directors, according to the Company's definition, which comply with the rules set by Securities and Exchange Commission. The term of directors is 3 years with no limit to the number of terms each person can hold since the Company needs to have insurance specialist in the Board. Biography of each director is in Directors and Executive Officers of the registrant.

The Board has liberty to choose a member to chair the Board. Chairman, vice-chairman, and secretary are elected annually in the first Board meeting after the General Shareholder Meeting. To separate the role of policy setting, auditing, and management, the chairman and CEO is not the same person. So far, Board of Directors has elected independent director to hold the position of Chairman of Board of Directors.

### Definition of Independent Director

"Independent Director" of the Company means a person who possesses the complete qualifications and has the minimum independency as required under the Notification of the Board of Governors of the Stock Exchange of Thailand as follows:

1. An independent director must not hold the share exceeding 1 percent of the total number shares with voting right. This includes the share of the Company, its subsidiaries, affiliates or any other juristic persons, which may have the conflict of interest. The share holding of the relatives is taken into account.

2. An independent director must not be or has been employed by the Company or its subsidiaries within two years prior to the appointment as a director.

3. An independent director must not have legal and/or biological relationship such as parents, spouse, sibling, children, including spouse of the children with the Management Executives, major shareholders of the Company and its subsidiaries.

4. An independent director must not have business relationships with the Company and its subsidiaries, affiliates or juristic persons who may have conflicts of interest, and not being a major shareholder, Non-Independent Director, executive of those who has business relation with the Company its subsidiaries. Affiliates or juristic persons who may have conflicts of interest. Unless the foregoing relationship has ended for 2 years at least, The term "business relationship" aforementioned includes any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which result in the applicant or his counterparty being subject to indebtedness payable to the other party in the amount of 3 percent or more of the net tangible assets of the applicant or THB 20 million or more, whichever is lower.

5. An independent director is neither being nor having been an auditor of the Company, its subsidiaries, affiliates or juristic persons who may have conflicts of interest, and not being a major shareholder, Non-Independent Director, executive or partner of an audit firm which employs auditors of the Company, its subsidiary, affiliate of juristic person who may have conflicts of interest unless the foregoing relationship has ended not less than two years prior to the date of appointment as the Independent Director.

6. An independent director is neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding THB 2 million from the Company, its subsidiary, affiliate or juristic persons who may have conflict of interest, and neither being nor having been a major shareholder, Non-Independent Director, executive or partner of the professional advisor unless the foregoing relationship has ended for 2 years at least.

7. An independent director is not being a Director who has been appointed as a representative of the Company's Director, major shareholder or shareholders who are related to the Company's major shareholder.

8. An independent director must not have any characteristics, which make him/her incapable of expressing independent opinions with regard to the Company's business affairs.

### Committees

As of December 31, 2013, the Board of Directors of the Company consists of 13 members, 11 members from the non-executive directors, 2 members from the Management Committee, and 5 Members are independent directors. Moreover, all of them have succeeded the course relevant to duty and management skill of committee from Thai Institute of Directors. The Board of Directors are responsible to protect the interest of the shareholders, and regulate the management in order to meet the objectives of the Company and get the most advantages for the shareholders while concerning about the partners and other third parties. Moreover, they are responsible to approve the vision, mission, strategy, objectives, plan and budget as well as create the operational control and assessment according to the objectives.

### Limitations of the Authorities and Responsibilities

1. The Board of Directors has to practice his authorization according to the law, objectives and the regulations of the Company also, meeting agreement faithfully. With concerning about benefits of the Company.

2. The Board of Directors has responsibilities to review, vote, and direct the Company's policies on the following matters:

- Gives consent to the Company's operation such as vision, role, strategy, goal, risk management, and long term plan
- Approve management structure, business strategy, working plan, goal, and the annual budget
- Hire or terminate the employments of the Company's executives and approve the salaries' adjustment and other fringe benefits. Evaluate the President and CEO performance annually.
- Approve the rate of salary increase to the employees each year.
- Approve the procedure of fringe benefits for employees
- Assign duties or authority to the management level and their subordinates
- Follow up and evaluate performance of those at the management level according to the plan and assigned budget.

The Board of Directors of the Company gives the management authority to the CEO. The mentioned individual assign works and responsibilities to their subordinates accordingly except for the authority to approve any transaction, which can bring the conflict of interest to the Company and its subsidiaries.

### Subcommittees

To increase efficiency of the Board of Directors, subcommittees have been appointed to specially pay close attention to the routinely important activities. Presently, the Company has 4 subcommittees whose duties are clearly identified as follows:

#### (a) Audit Committee

The Audit Committee was established on February 24, 1999, consisting of three independent directors appointed by the Board of Directors. The Audit Committee's Term is 3 years, and the current members are listed below:

Name	Position
Mr.Udom Vichayabhai	Chairman of Audit Committee
Mr.Chanin Roonsamrarn	Audit Committee
Mr.Aswin Kongsiri	Audit Committee

The Audit Committee has responsibilities for the following activities:

1. Review and ensure that the Company's financial reports are accountable and adequate
2. Review and ensure that the Company has an appropriate and effective internal control system, also look over the independency the internal auditors as well as approve the appointing, relocating and terminating the internal auditors or any other relevant departments.
3. Review and ensure that the Company complies with the Securities and Exchange Commission Acts and the Stock Exchange of Thailand's rules and regulations and other laws related to the Company's business
4. Consider the selection and nomination of the Company's auditors and recommend the auditor's fee, and attend at least one meeting per year with the auditors without presence of the management
5. Consider connected transactions or items that may have conflicts of interest based on the Stock Exchange of Thailand's rules and regulations
6. Prepare the Audit Committee report to be published in the annual report. The Chairman of the Audit Committee shall sign the report and it must comprise details based on the Stock Exchange of Thailand's rules and regulations
7. Verify and encourage the Company to enforce an appropriate and efficient risk management policy to follow. Also control and monitor Enterprise Risk Management Committee
8. Perform other duties assigned by the Board of Directors with the approval of the Audit Committee

**(b) Nomination and Remuneration Committee**

The Nomination and Remuneration Committee was incorporated on February 20, 2009, consisting of 3 non-executive directors. The Nomination and Remuneration Committee's Term is 3 years, and the current members are listed below:

Name	Position
Mr.Chai Sophonpanich	Chairman of Nomination and Remuneration Committee
Mr.Jiraphant Asvatanakul	Nomination and Remuneration Committee
Mr.Potjane Thanavarant	Nomination and Remuneration Committee

The Nomination and Remuneration Committee has responsibilities for the followings:

1. Determine the composition, the organization and number of the Board, as well as qualification of the Committee and Subcommittee
2. Determine policy, criterion, and the nominating procedures to appoint the Committee and Subcommittee to replace the outgoing members
3. Determine and recruit the Committee and Subcommittees from the qualified candidates. and submit the lists to the Board of Directors for approval and /or present them at the annual general meeting on case by case basis.
4. Consider and propose the right person to take the position of President & CEO and other executives when required including regulations of descending the important position and present it to the Committees for approval In the mean time, top executives mean CEO and the top two executives subordinate to the CEO
5. Determine the structure of remuneration and other benefits for Directors, Advisors, the Committee and Subcommittee Members of the Company that is subject to transparency basis and suitable for their responsibilities
6. Determine criteria for reviewing remuneration consistent with the roles and responsibilities of directors in accordance with the Company's overall performance
7. Determine the annual payment to the Committee and Subcommittee Members and propose to the annual general meeting for approval
8. Determine the annual payment to the President & CEO and other executives and propose to the annual general meeting for approval

9. Take other actions as assigned by the Board of Directors, which are approved by the Nomination and Remuneration Committee

#### **(c) Enterprise Risk Management Committee**

The Enterprise Risk Management Committee or ERM was established on February 25, 2010 consisting of Chief Executive Officer as the Chairman and executives from many departments. The Committee is under the supervision of the Audit Committee. The duties and responsibilities of Enterprise Risk Management Committee are as follows:

1. Review risk management policy and ensure the compliance of the policy with the Company.
2. Assess, monitor and integrate risk management operation like identify and assess the whole risks of the Company. Follow up with the progress and the result of each risk management measure to keep it in the proper level.
3. Embed enterprise risk management in the Company, follow up, and monitor the results.
4. Promote the infrastructure that is necessary for enterprise risk management, for example, information technology, tools and techniques for risk management, quality control and reporting.
5. Encourage the enterprise risk management to become a culture of the Company.
6. Report the results of enterprise risk management to the Board of Directors thru the Audit Committee.
7. Perform other duties that the Board of Directors or the Audit Committee assigns.

#### **(d) Investment Committee**

The Investment Committee of the Company was established on February 28, 1994, consisting of 3 members. Investment Committees are Responsible in formulating the investment policy and also provide recommendation and consultation on the investment issues.

Name	Position
Mr.Suchin Wanglee	Investment Committee
Mr.Chai Sophonpanich	Investment Committee
Mr.Chandran Ratanaswami	Investment Committee

The Investment Committee may also appoint the other Sub-Committees to handle occasional important unique projects that require special attention.



## Board of Directors and Subcommittee' meeting

### 1. Board of Directors

Normally, the Board of Directors hold a meeting in every quarter according to the schedule set up one year in advance. Special session can be called if needed. In 2013, the Board of Directors had 6 meetings. Chairman and CEO together decide on the meeting's agenda. Each member can raise any issue to be put in the agenda. The secretary will send a notification letter that includes meeting agenda and related documents at least 14 days prior to the meeting. During the meeting, high-level management staff may join in some sessions. Members can express their opinions freely during the meeting. The majority wins the vote. Director with conflict of interest will not participate in that agenda. The meeting usually takes about 2 hours to complete. The complete report of meeting with approval of the Board of Directors is kept for further reference.

In addition, the committees also hold a meeting to evaluate the job performance, adjust remuneration and discuss any issues of senior executives. Only directors who are not also executives of the Company will be invited to the meeting. The chairman of the committee will present the result of the evaluation to the CEO.

### 2. The Audit Committee

In 2013, the committee members met 4 times. The main duties of the committee can be summarized as follows:

1. Reviewed financial statement of the Company prior to the disclosure to the Stock Exchange of Thailand and Securities Exchange Commission.
2. Nominated auditors and remuneration. In 2013, EY Office Limited (Formerly known as Ernst & Young Office Limited) was nominated and appointed as auditor of the Company for another year.
3. Attended joint meetings with the auditor 4 times in 2013. One of these meetings was organized without the attendance of management to review the guidelines and scope of performance of auditing. Review the audit plan, results, and recommendations to ensure that the audit was done appropriately consistent with auditing standards.
4. Directed, overlooked and approved the annual internal audit plan based on the company's risks in order of their significance. They audited the inspection reports to ensure that the investigation has been completed in accordance with the auditing standards. This includes the monitoring of the proposed revisions to the internal controls system to improve the efficiency and effectiveness.

5. Reviewed for compliance with laws and regulations every quarter.

6. Reviewed the transaction reports relating to the parties on a regular basis every quarter.

7. Directed and overlooked the Enterprise Risk Management Committee. They reviewed the Company risk management policy, policy implementation and guidelines for effective risk management. The reports on risk management were provided by the Enterprise Risk Management committee as well as the provision of feedback on a regular basis.

8. Provided the self-evaluation of the Audit Committee annually and discuss the evaluation results in the meeting.

9. Provided the internal control evaluation of the Audit Committee annually and proposed the evaluation results to the Board of Directors.

### 3. Nomination and Remuneration Committee

In 2013, the Nomination and Remuneration committees held 2 meetings to appoint the qualified persons to replace the outgoing members and determine the remuneration for the Committee and Board of Directors. They also ensure the progress of the newly elected committees and make sure they perform their assigned duties.

### 4. Investment Committee

In 2013, there was an unofficially meeting of the Investment Committee to review the investment policy.

### 5. Enterprise Risk Management Committee

In 2013, The Enterprise Risk Management Committee attended 5 meetings. They had reported the risk management progress to the audit committee every quarter on a regular basis.

The names and remunerations of the meeting are listed below:

Unit: THB

Board of Directors	Position	Attendance in 2013			
		Board of Directors	The Audit Committee	Nomination and Remuneration Committee	Investment Committee
Mr.Suchin Wanglee	Chairman, Independent Director and Director of Investment Committee	6/6	-	-	0/0

Unit: THB

Board of Directors	Position	Attendance in 2013			
		Board of Directors	The Audit Committee	Nomination and Remuneration Committee	Investment Committee
Mr.Chai Sophonpanich	Vice Chairman, Chairman of Nomination and Remuneration Committee and Director of Investment Committee	6/6	-	2/2	0/0
Dr.Kopr Kritayakirana <sup>1</sup>	Independent Director	1/2 <sup>3</sup>			
Mr.Kerati Panichewa	Director	5/6 <sup>3</sup>	-	-	-
Mr.Jiraphant Asvatanakul	Director and Director of Nomination and Remuneration Committee	6/6	-	2/2	-
Mr.Chanin Roonsamran	Independent Director and Director of the Audit Committee	6/6	4/4	-	-
Mr.Sara Lamsam	Director	4/6 <sup>3</sup>	-	-	-
Mr.Aswin Kongsiri	Independent Director and Director of the Audit Committee	6/6	4/4	-	-
Mr.Udom Vichaiyabhai	Independent Director and Chairman of the Audit Committee	5/6 <sup>3</sup>	4/4	-	-
Ms.Potjane Thanavarant	Independent Director and Director of Nomination and Remuneration Committee	6/6	-	2/2	-
Mr.Chandran Ratanaswami	Director and Director of Investment Committee	3/6 <sup>3</sup>	-	-	0/0
Mr.Gobinath Arvind Athappan	Director	5/6 <sup>3</sup>	-	-	-
Mr.Surachai Sirivallop	Director and Chief Executive Officer	6/6	-	-	-
Mr.Oran Vongsuraphichet <sup>2</sup>	Direct and President	4/4	-	-	-

Remark 1 Dr.Kopr Kritayakirana retired by rotation in April 2013. 2 Mr.Oran Vongsuraphichet was elected as director in April 2013.

3 The director was granted a leave of absence the meeting.

## Executives >>

As of December 31, 2013, the executives of the Company according to definition of the Securities & Exchange Commission are listed below:

Name	Position
Mr.Surachai Sirivallop	Director & Chief Executive Officer
Mr.Oran Vongsuraphichet	President & Chief Operating Officer
Mr.Chuanchai Cheausamut	Executive Vice President
Mrs.Thitaporn Tarakit	Executive Vice President
Mrs.Nantinee Chinwanno	Executive Vice President

Responsibilities of the CEO are:

1. Abide by law, regulations and objective with utmost honesty, and full awareness of the benefits of the Company as expected by the Board of Directors.
2. Hire, dismiss, transfer, punish, and promote employees of the Company. However, these authorities do not extend to employees whom the Board of Directors assigns in line with the Company's regulations.
3. Establish working regulations, job descriptions and directions of the Company provided that they are not in conflict with the Company's regulations without permission of the Board of Directors.
4. Manage business consistent with the Company's regulations and set up the authority for employees at every level.
5. Be legal representatives of the Company in doing any business transactions except for the case that CEOs have conflicts of interest with the Company or its subsidiaries. For business transactions that involve conflicts of interest, the consent of the Board of Directors will be required. The CEO may also appoint a representative to handle any specific transaction. The Company does not have anything to do with any act (juristic act, legal transaction) that CEO do which violates the Company's regulations and the consent to the Board of Directors unless the Board of Directors later ratifies such act.
6. When CEOs are unavailable, the Executive Vice President may temporarily take over the responsibilities to continue routine works if necessary and report directly to the CEOs afterwards. Besides, the Board Chairman's attention would be required. When the position of CEO is vacant, the Board of Directors has responsibility to select a new CEO. In the meantime, the Board of Directors chooses a temporary replacement from the executives to resume CEO's tasks.

## Company Secretary >>

The Board of Directors has appointed Mr.Chuanchai Cheausamut tenure as the Company Secretary from September 1, 2007

The company secretary is responsible for documentation of the Board registration, the meeting letter, the Board meeting report , the annual report, the shareholders meeting letter, shareholders meeting report, including Profits and Lost report by the Board or executives and other transactions required by Capital Market Supervisory Board. According to the measure 89/14, the copy of Profits and Lost report should be presented to the Presidents of Board and Auditor within 7 working days since the date of receipt of the report.

In addition, more duties and responsibilities follow.

1. Give basic suggestion to the Board of Director about the law and regulations according to their requirement and ensure that it is performed regularly. Also, report the Board about the changes in any significant items of law.
2. Arrange the shareholder meeting and the Board meeting in accordance with the law, regulations and requirements.
3. Make record and note of shareholders meeting and the Board meeting and ensure that the meeting agreements have been completed.
4. Control information and report disclosure of the department under the responsibility according to the official regulations and requirements.
5. Look after the activities and transaction of the Board according to the law or assignment by the Company Committee or requirement by Capital Market Supervisory Board.

#### **Remunerations of the Directors and Executives**

The Nomination and Remuneration Committee is responsible for nominating the remuneration plan to the Board of Directors and the top management of the Company. It is important to note that the remuneration plan for the Board of Directors is part of the Annual Shareholders Meeting's agenda. The level of the remuneration plan for the Board of Directors and the top management are on par with the industrial standards in conformity with their duties. The incentive pay is offered to those whom the Company considers them as good/variable assets for the Company. The Directors who are assigned to hold the positions as members of the subcommittees are also rewarded. Each executive's performance is evaluated annually for the consideration of his/her remuneration plan.

#### **a) Remunerations of the Directors**

The remunerations in 2013 are listed below:

(Unit: THB)

Board of Directors	Conference fee *		Gratuity
	Chairman	Director	
Board of Directors	25,000	25,000	Payment was omitted because the Company operated at a loss.
Audit Committee	50,000	35,000	-
Nomination and Remuneration Committee	25,000	25,000	-
Investment Committee	25,000	25,000	-
Enterprise Risk Management Committee	-	-	-

Remark \* Meeting allowance per person was paid to only the attendees of the meeting.

The remunerations in 2013 are listed below:

Board of Directors	Gratuity <sup>3</sup>	Remunerations <sup>4</sup>				
		Board of Directors	Audit Committee	Nomination and Remuneration Committee	Investment Committee	Total
Mr.Suchin Wanglee	-	150,000	-	-	-	150,000
Mr.Chai Sophonpanich	-	150,000	-	50,000	-	200,000
Dr.Kopr Kritayakirana <sup>1</sup>	-	25,000	-	-	-	25,000
Mr.Kerati Panichewa	-	125,000	-	-	-	125,000
Mr.Jiraphant Asvatanakul	-	150,000	-	50,000	-	200,000
Mr.Chanin Roonsamrarn	-	150,000	140,000	-	-	290,000
Mr.Sara Lamsam	-	100,000	-	-	-	100,000
Mr.Aswin Kongsiri	-	150,000	140,000	-	-	290,000
Mr.Udom Vichaiyabhai	-	125,000	200,000	-	-	325,000
Ms.Potjane Thanavarant	-	150,000	-	50,000	-	200,000
Mr.Chandran Ratnaswami	-	75,000	-	-	-	75,000
Mr.Gobinath Arvind Athappan	-	125,000	-	-	-	125,000
Mr.Surachai Sirivallop	-	150,000	-	-	-	150,000
Mr.Oran Vongsuraphichet <sup>2</sup>	-	100,000	-	-	-	100,000
<b>Total</b>	<b>-</b>	<b>1,725,000</b>	<b>480,000</b>	<b>150,000</b>	<b>-</b>	<b>2,355,000</b>

Remark

<sup>1</sup> Dr.Kopr Kritayakirana retired by rotation in April 2013.

<sup>2</sup> Mr.Oran Vongsuraphichet was elected as director in April 2013.

<sup>3</sup> In 2013, the Company omitted gratuity payment to directors due to loss incurred from operation.

<sup>4</sup> Directors' remuneration was provided for members of the Board of Directors, the Audit Committee, the Nominating and Remuneration Committee and the Investment Committee only, excluding the Enterprise Risk Management Committee. Such remuneration was exclusive of the remuneration for an executive position.

**b) Monetary remuneration for executives**

In 2013, the Company paid salary and bonus to five executives, according to the name-list in the 'Management' Section, in a total amount of THB 44.3 million.

**Other Remunerations****a) Other remunerations for directors**

-None-

**b) Other remunerations for executives**

The Company also offers provident fund and employee retirement fund to our executives. In 2013, contribution to such funds was provided for five executives, according to the name-list in the 'Management' Section as follows:

- Contribution to the provident fund at a rate of 10 percent of salary, totaling THB 2.8 million;
- Contribution to the retirement fund totaling THB 3.5 million.

## Human Resources

As of December 31, 2013, the Company had 264 employees as per the following allocations:

Department	Employees
Business Development	21
Operation Support	26
Finance and Accounting	20
Other	65
<b>Total Thai Reinsurance</b>	<b>132</b>
Subsidiaries	132
<b>Subsidiaries</b>	<b>264</b>

**Remunerations of the Employees**

The Company has been the industry the leader of salary survey and remunerations for employees in insurance industries. The company also participates in the salary survey program organized by other organizations resulting in an appropriate and competitive remunerations package that Thai Re offers to employee. The remuneration package includes bonuses, employee provident fund, which the Company contributes 5 to 10 percents depending on years of working, healthcare, social security fund, life & accident insurance and training. In 2013, the Company spent THB 339 million on remunerations. The details are as following:

Employees expenses (THB Million)	Thai Reinsurance	Service Provider	Total
Salary and wage	228	75	303
Social security fund	2	1	3
Contribution to provident fund	12	4	16
Defined benefit plans	4	2	2
Other benefits	12	3	15
Total	258	81	339

#### Human Resource Development Policy

The Company recognizes the importance of employees' skill development. The Company has initiated the long term "Training Road Map" program emphasizing on developing vital skills such as cooperation among the workforce, having integrity, good attitude, ownership, innovation, and efficient services to customer. The Company also provides scholarships for both within the country and overseas for essential courses together with welfare loan to study abroad with interest at a lenient rate.

In 2013, the Company sent 351 employees to 104 training courses

Course	Number of Courses	Number of Participants
Within Thailand	85	131
• Other		
• Thai Re	13	209
Overseas	4	7
Insurance related courses such as LOMA, CII, ANZIF, CAS	2	4

Besides the employees' skill development that is mentioned above, the Company also proposes the development program for executives. The Company has professionals in human resource development to evaluate and recruit only the candidates or young talents in particular that have the most potential and prepares them to become executives in the future. The Company also creates a long-term plan in developing each employee and assigns challenging and appropriate assignment, of which the success of each person would be evaluated.

#### Labor Dispute

We are pleased to inform that the Company has never experienced a labor dispute.



# Corporate Governance

## Corporate Governance Policies >>

The Company adheres to the Code of Best Practices for Directors of Listed Companies issued by the Stock Exchange of Thailand and other international practices to ensure transparency, quality in management and operation, business ethics, and fairness to all stakeholders. These practices can be categorized into 5 categories as:

### 1. Rights of Shareholders

The Company is aware of the shareholders' right. As the investor, shareholders have the right to purchase, sell or transfer their own shares, the right to receive Company's profit, the right to obtain an adequate information promptly, the right to attend annual General Shareholders' Meeting where they are able to express their opinions, the right to vote for the Board of Directors and election auditors, as the following guidelines:

- Governance policy was put in formal writing since 2002 to allow the provision of the shareholders' right.
- The Company arranges and submits the invitation letter to General Shareholders Meeting with concerning documents for shareholders for shareholders in 14 days prior to the meeting date. In the mean time, all documents should be announced on the Company website for 45 days ahead of the meeting date. The invitation letter should be enclosed with meeting agenda, the documents related to the agenda with the comments from the Board of Directors, the letter of power of attorney issued by Ministry of Commerce which the shareholders are able to vote and the list of independent committees who will be selected as a representative for the shareholder to attend the meeting as well as a map of the meeting place. Also, in the letter, the shareholders will be informed of the document required to bring with to the meeting to take the right to attend the meeting, to perform any related regulations and to vote.

In 2013, the Company held the General Shareholder Meeting for 1 time. First, on April 29, 2013 there are 9 from 13 committees attending the meeting.

- Facilitate and encourage all classes of shareholders,' including institutional investors,' participation in a meeting of shareholders by setting the meeting time and date and arranging the meeting venue that is conveniently accessible to all shareholders, as well as providing a sufficient number of staff members and equipment for registration and checking of documents for the meeting.
- Registration process began at least 1 hour and 30 minutes ahead of the meeting and throughout the meeting.

- Legal advisors of the Company had been assigned to inspect and ensure transparency and compliance of rules and regulations during the registration process, meeting, and vote counting.

- The Chairman introduced the Board of Directors, executives, and auditors, legal advisors, who had been assigned as inspectors of the meeting to the shareholders. The process of casting the vote and vote counting was informed to the shareholders as well before the meeting continued. The Chairman allowed the shareholders to query and express their opinions in each agenda. Any queries were answered satisfactorily by the Chairman, heads of subcommittees, CEO, secretary to the Board of Directors, top management, auditors, and legal advisors.

- Grant the shareholders the right to vote in case of attending the meeting after the voting has begun and the voting result has not been concluded.

- Meeting reports with all-important issues such as explanations, questions, opinions, voting procedures and voting results were compiled and posted on the Company's Website within 14 days after the meeting. In addition, the Company made copies of video and audio materials of the meeting available for other shareholders and other interested party who could not attend the meeting.

- Provide a channel for minor shareholders to get information by email like activities of the Governance Committees and Audit Committees.

- Explicitly disclose the structure of shareholders in the subordinate companies and corporate (if any) in the annual report and the Company website to ensure its transparency and creditability.

- Effectively create the sustainable growth to the organization for the proper benefits to the shareholders.

## 2. Fair Treatment to All Shareholders

Every shareholder is treated fairly without any discrimination following these guidelines:

- The Company grants equal right to shareholders to propose the Board of Directors candidates and agenda for the future meeting regardless of the number of shares. The meeting schedule is announced via the Stock Exchange and the company's website. Within the period of at least 90 days, shareholders can send the name via letter or email to the Secretary to pass on to the Nomination and Remuneration Committee for consideration. In addition, shareholders can propose the name directly during the General Shareholder Meeting also. One person was

proposed for the election in 2013. In the past Annual General Meeting of Shareholders in the year 2013 was appointed on the 1st of October to 31st December 2012 for 3 months before the end of each fiscal year. Notifications are sent via letters or email to the Company to present to the Nomination Committee and Remuneration Committee for further consideration. In the case that the board has resolved not to accept the shares offered to the agenda, the Company will provide explanations in the shareholder's meeting. In addition, the Company grants authority to the shareholders and the attendees of the Annual General Meeting to nominate candidates for election to the board directly. During the Annual General Meeting of Shareholders in year 2013, the shareholders did not raise any agenda or nominate additional candidates for election.

- An open invitation to the shareholders for sending questions, comments and suggestions via mail or website prior the meeting through the secretary. In the year 2013, no questions, comments and suggestions have been sent from the shareholders.

- In order to accommodate all groups of shareholder, invitation documents, meeting materials, reports, and any related information on the Company's website are available both in Thai and English. Translators are also provided for the convenience of the English speaker shareholders.

- The Company encouraged shareholders who could not attend the meeting to authorize their representatives or independent directors to attend the meeting and cast their votes. In April 2013, 117 shareholders or 55.2 percent of all the people who attended the meeting authorized independent directors to attend the meeting in their names.

- Encourage the shareholders to vote for all agenda and arrange the vote cards for each topic. Also, for the Board of Directors election, the individual vote card will be arranged for the shareholders and all the vote cards will be collected during the meeting. Finally the votes including the votes from the shareholders and the representatives will be announced at the end of the meeting.

- Carry on the meeting according to the regulations informed in the invitation letter to the meeting. Additional topics to the agenda are not allowed during the meeting only prior notification. The shareholders should have time to learn the information about the topics before making decision. With regards to the measurement 105, the Act of Parliament regarding the public company 1992. The Company will not add any topics to the agenda unless necessary. Especially, the important topics, the shareholders should learn about it before making the decision.

- Complete the meeting report and submit to the Stock Exchange of Thailand and The Securities and Exchange Commission within 14 days after the meeting date and announce it on the Company website accessible for shareholders.
- Shareholders have equal right to access the Company's information through channel such as the Stock Exchange of Thailand, the Company's Website, and Investor Relations unit.
- Having a control system to prevent unauthorized usage of internal information by directors, management and staff as described in Shareholder and Management structure (Internal Information Disclosure Policy).
- The Company had directors, managements, and concerned personnel disclose their involvement to the Board of Directors. Those who have conflict of interest are not allowed to participate in the decision making process in the matters concerning their interests.

### 3. Roles of Stakeholders

The Company is aware of significance and responsible for all stakeholders for instance shareholders, staff, customers, business partners, competitors, creditors, and society, according to the rights of stakeholders as stated by the law or agreements made with the Company. Those rights are clearly stated in the Company's ethic codes and described that the Company has duty to protect those rights and to provide fair treatment.

#### Shareholders

Beyond the basic rights stated by the law, the Company's regulations grant various rights to shareholders such as rights to attend the shareholder meeting and vote, rights to freely express their opinions and rights to receive fair share of profit. The Company also encourages shareholders to provide opinions or comments about the operation via the Company's Website. Every input will be passed on to the relevant person for further action.

The Company also emphasizes the transparency of the information regarding the finance and non-finance, complete and on time available through channels like email by the Stock Exchange of Thailand, announcement on the Company website, newspaper, press release or written letter.

## Employees

Employees play a key role in the success of the organization. Therefore, continuous development of our human capital is necessary. Remuneration package is another focus that we put an emphasis on. It must be appropriate and comparable to others in the industry. The Company also provides good office environment, adequate and safe equipments, and health and recreation benefits in hope of increasing efficiency.

Every year the Company conducts a satisfaction survey in order to understand the needs and listen to constructive suggestions and useful comments. Those provide necessary information for making the Company a better work place. All results are published on Intranet and summary is reported to the Welfare Committee. The Committee consists of representatives from both employee as well as management.

The Company has promoted safety, sanitary, and pleasant environment for employee as these factors are considered to play an important role in enhancing performance of employee. Moreover, customers and partners can easily contact the Company. At least once a year the Company conducts a fire drill to prepare for unexpected events such as fire and other crisis including maintains and repairs equipments to be at their full capacity at all times. In order to stress the importance of this the Company has included the above guideline as part of business's ethics as well.

In addition, the Company has a great concern over employees' health condition by having a compulsory annual health check-up at designated hospital. The Company also encourages employees to maintain regular exercise by providing state-of-the-art gym as well as various activities at the Company since employees with good health condition will work effectively and efficiently.

In 2013, no employees had an accident or illness during operation.

The Company has deliberated that remunerations of employee should be at an appropriate level and consistent with responsibility and the position of each employee. To serve this purpose, salary survey data from insurance and similar industries were exploited for such consideration. More details on the number of employees, remuneration package, and human capital development policy can be found under Structure of Shareholder and Management.

Furthermore, the Company recognizes the importance and compliance of human rights policies and defines guidelines in business ethics of the Company as follows:

1. Treat others without prejudice and promote teamwork and unity among management and employee.

2. Pay attention to other happiness with regard to peaceful co-existence.
3. Ensure that directors, executives, and employees respect and be aware of rights, responsibilities, and duties of themselves and others.

## Customers, Business Partners, Competitors and Creditor

### Customers

The Company gives priority to customers' satisfaction, while upholding the code of best practices for customers which include a fair and non-discriminative treatment of customers, fostering of good and longstanding relationship with customers, and other actions as specified in our corporate governance practices.

### Business Partners, Competitors and Creditor

The Company strictly treats customers, business partners, competitors and creditor with honesty, fairness, and reasonable treatment under the law. Ethic codes are set to guide staff in dealing with customers, business partners, and competitors, which are:

1. To deal with other parties with utmost honesty and morals.
2. To treat customer fairly and without discrimination and avoid inappropriate actions such as cartel, or release customer secrets for benefit of the third party.
3. To strengthen the relationship between the Company and business partners.
4. Not to disclosure customer information unless authorized by customers or to comply with the law or the disclosure for the benefit of insurance industry or the public.
5. To provide accurate information that is not against the morality.

The Company builds customer satisfactions through specialized Business Units and sustains the partnership with the development of new products through the Customer Support Division. The Company maintains equality in the service level for all customers.

The Company policy must be followed with utmost honesty. Bribing, illegal actions or support to illegal actions are strictly prohibited. The actions or the support to the actions which are threats to the economy or national security including the transfer or concealment or sell of properties acquired through illegal means are prohibited.

In 2013, the Company did not have any dispute with customers, business partners, competitors and creditors causing any significant issues

### Regulatory bodies and Government Agency

The company complies under the law, declaration and regulation determine by the related organization, for example Department of Business Development, Ministry of Commerce, The Revenue Department, Ministry of Finance, Office of Insurance Commission, Stock Exchange of Thailand, Security and Exchange Commission Thailand. The company also cooperates and coordinates with other private agencies.

### Society and Environment

Society and environment are also a major concern of the Company as described in the business ethic codes:

1. To efficiently use natural resources and seek alternative considering environment condition in both short- and long-term.
2. To make recycling of all resources a usual practice in the Company.
3. To maintain cleanliness of the working environment.
4. To improve safety standard to minimize accidental damage to properties and the environment.

All 4 key issues are routinely implemented on a daily basis such as reducing paper usage by storing important document and information in digital media. The Company also promotes the projects that save energy, water, and electricity by installing and modifying existing equipments to energy-saving devices. Moreover, air conditioners are scheduled to turn off at certain hours and lights are turned off during lunch hour.

Other than that, the Company feels its tie to the Thai society. The company supports all kinds of social activities in compliance to our business objectives to benefit the insurance industry and the overall economy. Social activities that the Company participated in 2013 were reported in Company and Society.

### Channels of Complaint

The Company has posted a notice on the Company's website as a channel for all parties to communicate all the complaints and inform any notifications and suggestions to the committee via mail or email. The Company respects all parties' privacy and all information and data that are collected will be kept confidential. The General Secretary of the Company will collect and present the information to those who related to the information including the committees.

However, to avoid the irrelevant information research or any process against the company operation, the General Secretary of the Company and the Audit Committees will select the complaints or enquiries useful for the company operations or any issues concerning the benefits for the shareholder or relevant parties as shown below.

- The issues useful for the investigation for illegal performances of the Company, the Board of Committees, executive, or employees which bring out the calamity.
- The issues about the performance of the Company against the law and regulations
- The issues about the company policy in operations and in account and finance
- The issues about conflict of interest or connected transaction of the company according to the requirement by The Securities and Exchange Commission, or the Stock Exchange
- The Issue concerning the financial record and financial statement of the Company
- The Issue concerning the result of operation and operational performance.
- Other issues specified by the Board of Committees or Audit Committees.

In 2013 there is no issue notified to the Board of Committees through the channels.

#### 4. Disclosures and Transparency

Other than the disclosure of financial report to the public as required by the law, the Company also discloses following information to display our transparency.

- To ensure the Company's actions are fair and correct, the Company has established business ethic codes for management and staff since 2000. The ethic codes along with Good Governance Policy and general rules are accessible to all involved parties on the Intranet. Revision is done periodically.
- Disclose the company information including finance and non-finance. Especially, the financial information should be audited /reviewed by auditor and approved by Audit Committees and the Board of Committees before submitted to the Stock Exchange, shareholder, investor and any relevant organizers.
- Publish the information on the Company website in both Thai and English languages like financial statement, annual report.
- To disclose the role of each committee and sub-committee, number of meetings and attendance of each member in the past year (more details can be found in Shareholders and Management structure).



- Arrange the report of the Board of Committees' responsibility for the financial report and annual report.

- To disclose the policy of management and executive staff remuneration including means and amount paid to each member for being a member in sub-committee and director in subsidiary (more details can be found in Shareholders and Management structure).

- To set requirement to report all transactions/ securities holdings of directors and executives. The secretary is appointed to collect all information and inform the Board of Directors every quarter on a regular basis.

- To set requirements to report on the interest of the directors, executive officers and person(s) involved who have been approved by the Board to serve as practice guidelines.

- The company had assigned Mr.Surachai Sirivallop, Chief Executive Officer (CEO) and Mr.Chuanchai Cheausamut, Company Secretary and who is designated from the CEO to be in charge of "Investor Relations" unit. For enquiries, please call 02-290-3111 or email to chuanch@thaire.co.th. For activities in 2013, there were 42 meetings with press, investing analysts and fund managers.

## 5. Board of Directors' Responsibility

### 5.1 Responsibilities of the Board of Directors

In addition to its roles, duties and responsibilities as described in the 'Structure of Shareholders and Management' Section, the Board of Directors also has other responsibilities as follows:

- The Board of Directors ensures that the Company's code of corporate conduct and corporate governance policy are established in writing (completed in 2000 and 2002 respectively) and are disseminated, reviewed and followed up on a regular basis.

- The Board of Directors has formulated a guideline on conflict of interest in writing, whereby those who have a vested interest in any transactions shall be prohibited from participating in decision making thereon and such transactions shall be considered primarily in the interest of the Company and the shareholders as a whole. The Audit Committee shall consider and determine reasonableness of related party transactions and present a report to the Board of Directors on a quarterly basis.

- The Board of Directors ensures that the Company has in place a control process on financial reporting and regulatory compliance and that a performance report is submitted to the Audit Committee on a quarterly basis.

- The Board of Directors ensures that the Company implements a risk management policy by adopting an enterprise risk management (ERM) program and setting up an Enterprise Risk Management Committee, composed of the management team members, to monitor policy implementation and report progress thereof to the Board of Directors through the Audit Committee on a quarterly basis, details of which are provided in the 'Risk Factors' Section.

## 5.2 Self-Evaluation of Board of Directors

Annually, each member of the board is required to evaluate the overall performance of the Board of Directors. The result will be used as a guideline to improve the work of the Board of Directors in the upcoming year. In 2013, Corporate Governance Center of the Stock Exchange of Thailand evaluation form was used in the Company. Each director completed the evaluation and the main subjects of the evaluation were summarized as follows:

1. Structure and qualification of the Board of Directors
2. Roles and responsibilities of the Board of Directors
3. The board meeting
4. The performance of the directors
5. Relation with the management team
6. Self development of the directors and development of executives

In the level of considerably agreed or excellent action, the mean score is 3.75 points out of 4 points. This score has been slightly reduced from last year mean score at 3.79 points.

In addition, the Audit Committees are also required to evaluate each member of the Audit Committees annually. The overall results in 2013 showed that the committees had completed their responsible duties and complied with accordance of the Charter of the Audit Committee.

## 5.3 Development of Directors and Management

Board of directors support and facilitate the training of all new directors and personal to ensure that he/she is fully aware of the nature of the business of the Company so that he/she can carry on the duties effectively.

In addition, the Company has been preparing the succession planning of high-ranking management executives for more than 5 years. Managing director and Nomination committee are in charge of administration of the plan and report to the Board of Directors.

### **Sub-Committee**

To increase its efficiency, the Board of Directors has set up board-level committees to assist in monitoring the routine crucial matters or matters requiring close attention. Currently, there are four board-level committees as follows:

- a) Audit Committee
- b) Nominating and Remuneration Committee
- c) Enterprise Risk Management Committee
- d) Investment Committee

The composition and scope of duties and responsibilities of each committee have been clearly defined, as described in the 'Board of Directors' Section.

## **Nomination of Directors and Executives**

### **1. Nominating the Directors**

In order to nominate a candidate for director position, the Nomination and Remuneration Committee and shareholders' consent is required. There is also no limit to how many candidates a shareholder can nominate. The Company offers an opportunity to each shareholder to propose appropriate candidates through the Company's website prior to the Annual General Meeting of Shareholders which is usually held 3 months prior the end of fiscal year. However, the candidates must possess qualifications. He/she must be a savant who has a proficiency background in many professional fields, have leadership skills, vision, virtue and ethic, exceptional working history. He/she will be able to express opinion freely. The shareholders may cast their votes for each individual candidate in accordance with the rules and regulations of the Company as follows:

- 1) Each shareholder casts a number of votes equal to the number of the share units.
- 2) Each shareholder will cast the votes as stated in rule number 1) and the votes can be for one or many candidates. However, the vote must be evenly split. The Company does not use Cumulative voting due to the structure of the shareholders of the Company, which does not have any absolute major shareholder who can influence the Company or decide which candidate to vote for.
- 3) Those who receive majority of votes from shareholders will be elected as Directors of the Company.

## **2. Nomination and Appointment of Independent Directors**

We have drawn up a guideline on nomination and selection of independent directors. The candidates must meet the qualifications set forth under such guideline as well as the qualifications of independent directors defined by the SEC, as described in the 'Structure of Management' Section.

## **3. Nomination and Appointment of Executives**

The management, jointly with the Nominating and Remuneration Committee, is responsible for nomination of top executives, comprising Chief Executive Officer and executives at two levels down, i.e. President and Executive Vice Presidents. Persons suitable for these positions are selected based on their educational background, talent, skill and track records that are useful for the Company's operation, together with their profound understanding of this business and ability to manage the business and achieve the Company's goals and objectives.

## **Monitoring of Subsidiaries and Associated Companies**

The management has been responsible for nominating and voting on appointment of the Company's representatives to serve as directors of our subsidiaries and associated companies. The persons so appointed shall be obligated to perform duties in the best interest of the subsidiaries or associated companies that they serve. Number of director seats in the subsidiaries and associated companies to which the Company is entitled is allocated according to our shareholding percentage in any such entities or as agreed upon in the shareholders agreement.

In the case of subsidiary companies, we have stipulated that our representatives appointed as the subsidiaries' directors must ensure that the subsidiaries have completely and accurately drawn up a guideline on connected transactions, acquisition/disposal of assets or any other crucial transactions, and have adhered to the disclosure rules and rules for the said transactions similar to the rules observed by the Company. They must also supervise and ensure that the subsidiaries keep data files and account books available for the Company to examine and submit them in time for preparation of the group's consolidated financial statements.

## **Internal Information Disclosure Policy**

The Company has a very strict policy to prevent employees at all levels from disclosing internal information for their own benefits. There are various measures taken, such as limitation of internal information available at different levels of employees, maintaining strict adherence by employees to the expectations of the Security and Exchange Commission. The internal information

disclosure policy is clearly mentioned as part of the Company's rules and regulations, which has penalties linking to the violations. All employees are requested to sign an internal information disclosure policy. In addition, the Company strictly maintains policies that focus on prevention of wrongful use of internal information for managements.

1. Educate Board of Directors and executive with the responsibility for submitting the report of possessing the properties of themselves, spouse and child under legal age to the Securities and Exchange Commission referring to measurement 56 and the punishment in measurement 275, the Act of Parliament of Security 1992 (including amendment) as well as the report of the source of property and selling the properties of themselves, spouse and child under legal age to the Securities and Exchange Commission referring to measurement 246 and the punishment in measurement 298 the Act of Parliament of Security 1992 (including amendment)

2. Board of Directors, executives, and employees including their spouses, children or adopted children who may gain benefits from internal information of the Company are prohibited to buy and sell the Company's securities during 30 days period prior to the disclosure of internal information to the public. Buying or selling may begin 1 day after the disclosure.

3. Board of Directors and executives are expected to report their and their family's members' holdings of equity of the Company.

4. The Company has set up a special team who is responsible for internal information disclosure control.

Since the Company has to gather and keep the information before the submission to the Stock Exchange of Thailand, the management and all related officers will have to strictly abide by Internal Information Disclosure Policy.

### **Auditors' Remuneration**

The Company and our subsidiaries pay remuneration for the external auditors, comprising annual audit fee, review audit fee for quarterly financial statements, fee for review and assessment of internal control on investments, and fee for audit of the risk-based capital report of life and non-life reinsurance business under the OIC's regulations. For 2013, a total of THB 3,906,000 was paid to the audit firm with which the auditors have worked, consisting of an audit fee for the company of THB 1,760,000 and an audit fee for the 6 subsidiaries totaling THB 2,146,000 which was paid by each company itself. However, in the fiscal year 2013, the Company and our subsidiaries

- Did not pay any audit fee to the auditors or to the person or entity relating to the auditors and the audit firm with which the auditors have worked;
- Did not pay any other service fees unrelated to the audit; and
- Did not bear any future expenses arising from unfinished assignments.

### **Compliance with Other Good Corporate Governance Principles**

-None-

### **Internal Control and Risk Management**

1. On February 27, 2014 (the conference committee no.1/2014), the Audit Committee evaluated the Internal Control system of the Company in 5 aspects: organization and environment, risk management, executive performance control, information technology system, and data communication and follow up system.

Board of Directors considered the Company and its subsidiaries have in place an appropriate and adequate effective internal control system, which consistently monitor and review the financial control, company's performance, and regulations. Authorities and responsibilities of the executives and other level of operation officers are clearly defined. Instructions are clearly written emphasizing on the matters that may have conflicts of interest based on the Stock Exchange of Thailand's rules and regulations, determination and assessment risk management. The compliance report is published quarterly. Moreover, the Company has established both internal and external information systems and communication channels to enable all interested parties to receive complete, accurate, and adequate data required by the Stock Exchange of Thailand's rules and regulations.

2. Audit committee agreed with the Company's board of directors and auditor.

3. The Company established the internal audit department which is also responsible for the compliance audit and reports presenting for the Company's Audit Committee quarterly review. The Company's internal audit department is in charged by Mr. Kitti Wichitsawangwong as internal audit manager.

# Company and Society

## 1. Group-Wide CSR Policy

THRE Group of Companies gives importance to operate business under the code of corporate conduct. The Company has established the code, together with duty and responsibility for the society, as a guideline for the directors, executives and employees to adhere to, along with the good corporate governance practices and awareness of our corporate social and environmental responsibility.

## 2. CSR Activities and Reports

In 2013, the Company implemented CSR-in-process through enforcement of legal provisions taking into consideration shareholders' profit and return and stakeholders' interest without harming the society and the environment in a bid to achieve business development in a sustainable, transparent and fair manner, details of which can be summarized as follows:

### Fair Business Conduct

The Company treats customers, trade partners, competitors and creditors within the purview of the honest, free and fair competition and the applicable laws and mutual obligations. This is achievable through the best practices that have been incorporated into the code of corporate conduct. The Company has drawn up the policy and guideline on non-infringement of intellectual property rights or copyrights as described in the 'Corporate Governance' Section.

In addition, the company has operated business with corporate social responsibility across the supply chain to ensure the optimum benefit for insurance business and Thai economy as a whole in accordance with our principal objectives, as follows:

### Activities contributing to insurance business

1. Cooperation among internal units of the Company and Thaire Life Assurance Plc., including Product Development Department, Business Development Department and Research & Statistics Department, in organizing technical seminars for life and non-life insurance companies.
2. Preparation of research reports and statistics reports on non-life insurance of all classes on a quarterly basis, including statistical data requested by member companies, so that non-life insurance companies can use in their business operations in both underwriting and marketing activities.
3. Provision of a natural disaster loss assessment model for member companies, preparation of a loss assessment report for member companies, and rendering of technical assistance regarding such model so that member companies could apply in their underwriting and risk management for

insurance against natural disaster, which will ultimately contribute to Thailand's non-life insurance business development.

4. Promotion of insurance companies' awareness of the importance of risk survey, as a loss prevention measure, by providing free of charge risk survey services and training programs for insurance companies.

5. Cooperation with other agencies such as the Thai General Insurance Association and the Geo-Informatics and Space Technology Development Agency (Public Organization) in pushing for a project on flood mapping and flood prone area assessment model development, which will benefit insurance business in Thailand.

6. Serving as manager of the National Catastrophe Insurance Fund.

### **Respect for Human Rights**

Human rights are rights to which all human beings are entitled, including rights to be happy as a member of the society. The Company gives priority to and respects human rights. All employees are entitled to rights and fringe benefits on an equitable basis. All employees are given a code of corporate conduct handbook, the Company's rules and regulations, and policy on data security and data system in order for them to acknowledge the rights and fringe benefits to which they are entitled, including the non-violation of rights of their fellow employees, and to sign in acknowledgement of and abide by those regulations.

The Company has also incorporated human right related practices into the code of corporate conduct as described in the 'Corporate Governance' Section.

### **Fair Labor Treatment**

Being always aware of our personnel as a crucial driving force for successful businesses, The Company places importance on employment and labor relations which span from the first to the last day of their employment, including matters such as employment contract signing, job assignment, work supervision, probation, compliance with the labor protection law, wage/salary payment, arrangement of activities to promote employee relations, etc. These have been set out in the Company's rules and regulations to foster an orderly environment and cordial relationship conducive for a cooperative working condition.

The Company has a personnel development and efficiency improvement policy to ensure that employees' compensation is commensurate with their duties and responsibilities and comparable with the industry's. Details of our employee wellbeing in other aspects such as workplace safety, sanitation and environment are described in the 'Corporate Governance' Section.



### 3. Activities with Social Impacts

The Company has not engaged in any activities that have social and environmental impacts, which will affect our operation.

### 4. Activities Contributing to Society and Environment

#### Environmental Preservation

In our business operation, the Company cares for all parties concerned and act as good corporate citizens making positive contribution to community and environmental conservation. The company has drawn up the environmental best practices in the code of corporate conduct to which all staff members could adhere in respect of the society, environment and efficient use of resources, details of which are provided in the 'Corporate Governance' Section.

#### Coordination in community and social development

Apart from the CSR-in-process described above, The Company recognizes the importance of the society and community and, as a member of Thai society, deem it our duty and responsibility to participate in the CSR-after-process. The Company has continuously engaged in these activities, especially focusing on education and public health which are instrumental in national development. This remained very The Company particularly in remote communities. In 2013, the Company concentrated on initiating activities that benefited our society and community as follows:

#### Activities contributing to the society at large

1. Education: The Company strongly determines and commits to provide scholarships for needy children who wish to continue their studies and, after graduation, to use the knowledge for helping their families, hometown community and society. The Company has implemented an ongoing project to grant scholarships for children in remote areas in Sakon Nakhon and Mukdahan Provinces from junior high school to bachelor's degree levels. The total scholarships provided in 2013 amounted to THB 2.5 million.

2. Public health: The Company participated in a mobile medical service project in Sakon Nakhon Province in collaboration with Bangkok Insurance Foundation, and made money donation for purchase of antiparasitic drugs.

3. Other charitable activities: The Company made a donation to other social contribution activities, including purchase of bulletproof vests in the "Insurance Joins in Providing Bulletproof Vests for the Three Southernmost Provinces" project hosted by the OIC, and purchase of relief bags for flood victims in the "Insurance Helps Flood Victims" project.

The total amount spent on CSR activities in 2013 was THB 2.7 million, down by 25% from 2012.

In addition to the above activities, The Company encouraged and facilitated for our employees to participate in public interest activities, such as provision of transport service for staff members to regularly join a quarterly blood donation activity during office hours and encouraging employees' donations to disaster victims (the Philippines).

#### **Activities for social contribution implemented in the past**

1. The Company once served as a manager of the government-initiated "Uar Arthon" Personnel Accident Insurance project and "Uar-Arthon" Personnel Accident Insurance for Students project, aimed at providing affordable insurance protection for grass-roots people. At present, the Company has been appointed as a manager of the National Catastrophe Insurance Fund.

2. The Company extended cooperation to the OIC, the Thai Life Assurance Association and the Thai General Insurance Association in promoting Thai insurance business development and advancement. It is a great pleasure that the Company was awarded the "Insurance Industry Development Award" for three consecutive years by the regulatory body, the former Department of Insurance or currently known as the OIC.

#### **Anti-Corruption Activities**

The Company has the policy to counter corruption and bribery for commercial benefit. The Company includes in our code of corporate conduct practices for customers, competitors and state agencies, as described in the 'Corporate Governance' Section.

In 2013, the Company signed the declaration of intent on "Private Sector Collective Action Coalition against Corruption ("CAC")" and disclosure of information in the Company's annual registration statement, initiated by the Thai Institute of Directors. The Company obtained approval from the Board of Directors to enter the process of membership certification under the duly signed declaration. The CAC Council has the authority to certify the said membership, which is currently underway. The Company will report the development of this anti-corruption effort in our next year report.

#### **CSR Plans**

The Company is committed to operate business with fairness and responsibility for the society, the environment and all stakeholders in our core business process. The Company is taking actions regarding this issue to ensure that it is appropriate and compatible with our business operation.

# Related Party Transactions

## Related Party Transactions

In the past, the Company Group has related party transactions with related companies (in terms of shareholder and/or co-committees and with one of the company group in specific case required by normal operation according to the agree conditions). The operation should be managed with faithfulness, reasonable and independency with the same price and conditions as general individuals. It also should have summary report to Audit Committees to review and issue quarterly report to Board of Directors. In the report 2013, Audit Committees also agreed that the transactions and related activities were disclosed completely and righteously. The related party transactions are summarized as shown below.

## Reinsurance Services

Unit: THB Million

Company Involved	Written Premium		Account Receivable		Premium Ceded		Account Payable		Name of Directors
	2013	2012	2013	2012	2013	2012	2013	2012	
Krungthai Panich Ins. PCL	19.3	32.4	36.4	11.0	0.4	6.6	8.7	2.6	Mr.Kerati Panichewa
Dhipaya Ins. PCL	-	1,288.0	-	-	-	38.9	-	-	Mr.Charuek Kungwanphanich (1)
Thaivivat Ins. PCL	104.6	138.7	35.4	15.6	(1.5)	9.1	6.8	5.2	Mr.Jiraphant Asavatanakul
The Siam Commercial Samaggi Insurance PCL	-	(0.2)	-	2.2	-	-	-	1.7	Mr.Chanin Roonsamrarn (2)
Bangkok Ins. PCL	385.5	420.7	38.5	74.6	71.7	77.9	21.8	73.3	Mr.Chai Sophonpanich
Bangkok Life Assurance PCL.	164.8	124.3	1.6	8.9	-	-	27.2	38.5	Mr.Chai Sophonpanich
The Navakij Ins. PCL	73.1	73.5	22.6	10.5	10.2	15.4	12.5	18.4	Mr.Suchin Wanglee
Falcon Ins. PCL	31.8	7.3	0.4	1.7	4.1	2.4	1.0	1.4	Mr.Suchin Wanglee Mr.Oran Vongsuraphichet
Muang Thai Insurance. PCL	303.0	279.8	23.3	62.6	0.8	16.6	14.5	38.9	Mr.Sara Lamsam
Muang Thai Life Assurance PCL	531.9	423.9	100.1	39.7	-	-	21.8	32.9	Mr.Sara Lamsam
Thai Life Ins. PCL	12.2	15.1	3.0	0.3	2.1	2.0	1.8	2.4	Mr.Apirak Thaiwatanagul (3)
MSIG Ins. (Thailand) Co., Ltd.	-	23.5	-	-	-	7.2	-	-	Mr.Arnop Pornthiti (4)
<b>Total</b>	<b>1,626.2</b>	<b>2,827.0</b>	<b>261.3</b>	<b>227.1</b>	<b>87.8</b>	<b>176.1</b>	<b>116.1</b>	<b>215.3</b>	

## Other Services (Performed by Subsidiary Companies)

Unit: THB Million

Company Involved	Rendering of Services		Account Receivable		Accrued Revenue		Name of Director
	2013	2012	2013	2012	2013	2012	
Krungthai Panich Ins. PCL	0.4	0.2	-	-	-	-	Mr.Kerati Panichewa
Thaivivat Ins. PCL	0.2	0.4	-	-	-	-	Mr.Jiraphant Asavatanakul
Bangkok Ins. PCL	5.1	4.8	1.0	0.8	-	-	Mr.Chai Sophonpanich
The Navakij Ins. PCL	1.1	1.1	-	-	0.4	0.3	Mr.Suchin Wanglee
Falcon Ins. PCL	0.2	0.3	-	-	-	-	Mr.Suchin Wanglee
							Mr.Oran Vongsuraphichet
Muang Thai Insurance PCL	14.5	17.2	1.0	2.2	-	-	Mr.Sara Lamsam
Muang Thai Life Assurance PCL	39.8	40.5	6.3	3.4	-	-	Mr.Sara Lamsam
<b>Total</b>	<b>61.3</b>	<b>64.5</b>	<b>8.3</b>	<b>6.4</b>	<b>0.4</b>	<b>0.3</b>	

## Investment in Securities

Unit: THB Million

Company Involved	Type of Investment	Investment Fund (Market Value)		Dividend / Interest		Name of Director
		2013	2012	2013	2012	
Dhipaya Ins. PCL	Common Stock	-	-	-	0.1	Mr.Charuek Kungwanphanich (1)
The Siam Commercial Samaggi Ins. PCL	Common Stock	-	29.6	-	-	Mr.Chanin Roonsamrarn (2)
Bangkok Ins. PCL	Common Stock	414.9	359.7	14.0	14.8	Mr.Chai Sophonpanich
						Mr.Potjaneer Thanavararit
Muang Thai Insurance PCL	Common Stock	17.0	33.3	-	0.3	Mr.Sara Lamsam
<b>Total</b>		<b>431.9</b>	<b>422.6</b>	<b>14.0</b>	<b>15.2</b>	

Remark: (1) Mr.Charuek Kungwanphanich served his full term as a director until April 2011. (2) Mr.Chanin Roonsamrarn served his full term as a director of The Siam Commercial Samaggi Ins. PCL until April 2013. (3) Mr.Apirak Thaipatanagul served his full term as a director until April 2011, still act as a director of Thaire Life Assurance PCL (4) Mr.Arnop Porndhiti served his full term as a director a director until Mar 2012,

All of the investments mentioned above were traded in the Stock Exchange of Thailand as long-term investments. They are performing well and have provided good level of dividends. It is necessary to disclose that the Company has an investment policy not to do "Cross Holding." The maximum share that the Company invests in related parties will not exceed 2 percent of the paid capital.

In addition, the Company also has transactions with our subsidiaries as shown in the following table:

Unit: THB Million

Company Involved	Items	Total		Outstanding		นโยบายราคา
		2013	2012	2013	2012	
Thaire Life Assurance PCL	Average expense that company collect	1.8	4.2	0.1	0.2	Cost Plus
TR Training and Consulting Co., Ltd.	Average expense that company collect	0.6	0.6	0.1	0.1	Cost Plus
TR Training and Consulting Co., Ltd.	Training cost that company paid	0.1	1.6	-	-	Market Value
Thaire Services Co., Ltd.	Average expense that company collect	0.2	0.9	-	0.1	Cost Plus
Thaire Services Co., Ltd.	Technical service fee paid	6.1	7.9	1.7	-	Cost Plus

### The Necessity and Validity of the Related Party Transactions

The related party transactions that insurance companies have with the Company are considered to be beneficial to the business development and will enhance the business and create stability for the Company. The transactions with subsidiaries and affiliates are also considered a maximization of the existing resources together with the Company and also a cutting down on the expenses.

### The Standardization and Authorization of the Related Party Transactions

Due to the Company's listing on the Stock Exchange of Thailand (SET), the related party transactions are subject to rule and regulate the SET. The related party transactions are also required to be monitored and supervised closely by executives. In addition, directors who have no conflict of interest to the related transaction will manage the process of related party transaction as mentioned in the previous chapter. However, this does not include routine transactions of the Company such as purchasing. It is necessary for the Company to publish the information about the types and values of the related party transactions and also to provide the reason why they choose to do related party transactions in the annual shareholders meeting. Prior to any related party transaction by the Company, permission from Stock Exchange of Thailand is required. For all existing transactions that are comparable with market price and have been ongoing for many years, usually automatically acquire the authorization from the auditor. Summary report on the related party transactions will be submitted to the Audit Committee quarterly.

Therefore, the company did not have related party transactions business that may have a conflict of interest.

### Trend of the Related Party Transactions in the Future

The Company still has a policy to continue the related party transactions with the conditions according to the marketing mechanism and normal trade regulation with the comparative price for clients as usual.

# Management's Discussion and Analysis of Financial Conditions and Operating Results

## Review of Operations

As result of the flood disaster, in 2013, the Company has the accumulated deficit from last year. According to financial statement in 2013, the loss before tax deduction is THB 3,484 million and net loss after tax deduction is THB 2,754 million. When the net amount has been deducted with the benefits of minor shareholders, the net loss of the Company is THB 2,799 million or THB 0.797 of loss per share. In the mean time of 2012, the net loss of the Company is THB 1,116 million.

Apart from an losses in operations due to the impact of flood, it also affected the income from the reinsurance business in 2012 and continued through 2013, with the credit rating agency S & P's downgrade from the current A- to BBB +. This resulted in the Company's 14 clients, in which most were foreign insurance companies operating in Thailand, stopped sending the insurance contracts to the company, and resulted in a Net premiums loss of 500 million baht. Moreover, this impact also affected to the cancellation and withdrawal of 31 insurance company under the terms in 2012 and 2013, representing the net written premium losses in 2013 compared to 2011 of 300 million baht .

In October 2013, the Company has brought Thailand Life Assurance Public Company Limited ("THREL"), a subsidiary, listed on the Stock Exchange of Thailand and offered its ordinary shares of 285 million shares and newly issued share of 10 million shares to public, The Company remained 50.8 percent stake in THREL making THREL a subsidiary and under the control of the Company. The results from the partial sales in the ordinary shares of THREL, the Company gained 2,362 million Baht in the consolidated financial statements. This helped the Company to reduce the impact of the flood expense in 2013 increased amount 4,800 million baht as mentioned.

The underwriting results for 2013 showed the reinsurance premium from the Company and its subsidiaries totaled 5,918 million baht, decreased by 5.5 percent, net reinsurance premium 5,550 million baht, increased by 3.6 percent and a loss from underwriting after deducting operating expenses of 4,320 million baht, decreased by 29 percent in last year as a result of claim caused by floods recorded as an increased in expenses of 4,800 million baht.

Thailand was perceived as a country with relatively low risk of catastrophe caused by nature and human activities that could be severe and the damage so wide-spread such as earthquake, volcano, storm, or terrorism. Until the substantial loss from the tsunami in late December 2004, many major floods in 2005, 2006, 2010 and 2011 and threat of terrorism which caused extensive loss of life and property. As a reinsurance company who reinsures mainly are local companies was inevitably affected by the substantial payout from these damages. In order to limit and control the maximum loss and make it suitable for the financial status of the Company, Thai Re has purchased Excess of Loss Protection reinsurance plan to control the loss that was stated earlier. The Excess of Loss Protection reinsurance plan purchased in 2013 is summarized in the table below:

Unit: THB Million

Type	Deductive	Excess of Loss	Total
Fire and Miscellaneous	90	910	1,000
Marine	30	270	300
Miscellaneous	50	250	300

However, the Company believes that the poor performance due to the great flood in 2011 will not occur once again as the financial amount of insurance for a place has been decreased.

There is a limit in financial amount of insurance for industrial estate on areas in Bangkok and vicinity, on province on basin of the river depending on the various kinds of natural disaster risk. The natural disaster risk is also monitored gradually every month. New type of business is established and non - conventional classes will be more focused than conventional classes because the non-conventional classes have low individual financial amount with low risk in threat. This means lower accumulated risk.

A term of return of investment, the Company gained advantages from the static conditions of financial market and capital market in Thailand. The Company received the net revenue from the investment in amount of THB 742 million referring to 2013 financial budget, it is an increase of THB 14 million comparing to that in the period last year. The ratio of yield upon investment including the tax benefits is 4.4 percent, decreasing 0.5 points comparing to that in 2012

In term of service business operated by subsidiary, it earned THB 207 million in 2013, 21 percent increase and net profit is THB 62 million, increasing 39 percent from last year.

Though the Company was affected by the flood in 2011, its performance in other parts was good and almost every unit was expanding. In the case that the impact of the flood disaster mentioned above was excluded, the Company performance in the year 2013 would have been continuously pretty good. For the year 2013, net profit after tax deduction is THB 1,050 million, it is an increase of THB 326 million or 45 percent comparing to that in the period last year. With the great performance, it shows that the Company has the vision in business, aim to the achievement and sustainable growth in long term as well as development in products and service to meet prospects' desires punctually and continuously. Also, the qualified insurance is selected according to the potential to afford the utmost level of risk. All cost is controlled at low level to be competitive. The proportion of danger is well managed and balance is created for insurance port to avoid full dependency on any kind of insurance. The risk is well managed and insurance policy will be selected according to the academic and statistic information. The Company also purchases excess of loss protection from international market, invests carefully and are prudential to abruptly adjust to the changing conditions of financial and capital markets. Investment is also an equipment to run business in a long term to achieve the goal to change from a reinsurer to a service provider which creates more revenues by providing not only reinsurance services but a lot different kinds of insurance services. This will reduce the effect of fluctuated insurance dramatically. In conclusion, in the past 5 years. The Company has established subsidiaries and corporate to do service business and regard the revenue from service business as the main revenue apart from the revenues of non-life reinsurance, life reinsurance, and current investment.

Furthermore, the Company also realizes the importance and improvement of the corporate governance. This is guaranteed by the certified award 'The most distinctive Board of Committees in 2008-2009' 2 years in a row, by Thai Institute of Directors (IOD) and Stock Exchange of Thailand and business units. From the assessment in Thai corporate governance by IOD, the Company is always classified in the level of "very good" or "excellent". In the mean time, according to Annual General Meeting of Thai Investor Association, the Company received the assessment in level of "excellent". As a result, it is proved that the Company has been accepted for the corporate governance always



## Reinsurance Results

### Domestic Non Life Reinsurance

The Company reinsurance underwriting business makes the most profitable income from the non-life reinsurance market within the country. In 2013, the non-life reported gross written premiums of THB 4,528 million, a decrease in 11 percent. Net written premiums were THB 4,173 million, a decrease in 1 percent. A loss before deducting operating expenses from reinsurance was at THB 4,555 million, a loss decrease in 26 percent from the severe impact of the floods. This can be summarized as follows:

Unit: THB Million

	2013	2012	Growth (Percent)
<b>Gross Premium Written</b>			
Fire	372	856	(56.5)
Marine	106	184	(42.0)
Motor	365	317	15.0
Miscellaneous	3,684	3,746	(1.6)
<b>Total</b>	<b>4,528</b>	<b>5,103</b>	<b>(11.3)</b>
<b>Net Premium Written</b>			
Fire	263	349	(24.4)
Marine	80	130	(38.5)
Motor	365	317	15.0
Miscellaneous	3,465	3,420	1.3
<b>Total</b>	<b>4,173</b>	<b>4,216</b>	<b>(1.0)</b>
<b>Underwriting Profit (Loss) (1)</b>			
Fire	(4,710)	(6,137)	23.3
Marine	(29)	(33)	12.9
Motor	55	(22)	351.1
Miscellaneous	129	49	160.7
<b>Total</b>	<b>(4,555)</b>	<b>(6,143)</b>	<b>25.9</b>
<b>Loss Ratio (Percent)</b>			
Fire	1,476.1	1,263.1	
Marine	92.3	78.0	
Motor	52.9	75.9	
Miscellaneous	53.7	56.4	
<b>Total</b>	<b>167.6</b>	<b>201.8</b>	
<b>Combined Loss and Expense Ratio (Percent)</b>			
Fire	1,519.7	1,306.3	
Marine	131.7	120.1	
Motor	83.8	106.3	
Miscellaneous	96.2	98.5	
<b>Total</b>	<b>209.2</b>	<b>243.1</b>	

Note: (1) Excluded Operating Expenses

### Fire

The fire insurance in the country sees a steady decline in premium due to a decrease in popularity. The proportion of the net premium in 2013 represented 6 percent of net life insurance premium of the country (in 2012, accounted for 8 percent). The total reinsurance premiums in 2013 is THB 372 million, 57 percent decrease and a net premium income of THB 263 million, 24 percent decrease. This results from many factors, the management policy of customer diversification risk to avoid much insurance of fire, a halt in insurance from some companies because of lower rank in creditability adjusted by S&P and the cancellation of agreements made in the condition of the market agreement. Moreover, this was also affected by decreasing the insurance with high secured capital and high risk and limiting the proportions as well as the numbers of reinsurance work. This reduced the fluctuation of the reinsurance risks. This reduced the fluctuation of the reinsurance risks. The impact from the floods in 2011 resulted in an increase in the damage ratio of the fire insurance and a decrease in profit significantly. Evidently, there are the damage ratios 1,263.1 percent in 2012 and 1,476.1 percent in 2013. There is a loss from reinsurance before deducting operating expenses of THB 4,710 million, compared to the loss of THB 6,137 million in 2012.

### Marine

The amount of marine reinsurance premium in 2013 is THB 106 million, decreasing of 42 percents from that in the same period last year. The amount of net reinsurance premium is THB 80 million, decreasing of 39 percent due to cancellation by the foreign customers most of which are in marine market. The ratio of loss was increased from 78 percent in 2012 to 92.3 percent in 2013. Therefore, there is a loss before deduction of operational expenses in amount of THB 29 million, 12.9 percent decrease.

### Motor

In 2013, motor reinsurance reported gross written premiums at THB 365 million, 15 percent increase from that in the same period last year and also net written premiums was THB 365 million, an increase of 15 percent. The loss was decreased, 75.9 percent in 2012 and 52.9 percent in 2013. Then, the profit in reinsurance before deducting the operating expenses is THB 55 million, 351.0 percent increase.

### Miscellaneous

This line of business includes all other classes of reinsurance apart from those 3 categories mentioned above such as Personal Accident, Health, Engineering, and Burglary. In 2013, gross written premiums of Miscellaneous from domestics was recorded at THB 3,684 million, decreased by 2 percent from the previous year and THB 3,465 million of net written premiums, an increase of 1 percent.

The Company has aimed to expand miscellaneous insurance by collaborating with customers to develop new products and market channels. Due to the high demand for this line and the lack of competition, the ratio of net written premiums of Miscellaneous reported at 83 percent of the total non-life net written premiums. Net underwriting profit was reported at THB 129 million, an increase of 161 percent from the previous year.

#### Overseas Non-Life Reinsurance

Unit: THB Million

	2013	2012	Growth (Percent)
Gross Premium Written	3	13	(77.8)
Net Premium Written	3	13	(77.6)
Underwriting Profit (Loss) (1)	(12)	(47)	75.4
Loss Ratio (Percent)	239.0	233.1	
Combined Loss and Commission (Percent)	275.9	305.3	

Note: (1) Excluded operating expenses

The Company has cancelled reinsurance from overseas due to its intensive price competition and was unsuccessful in generating profit. However, the Company will closely monitor the overseas market situation including insurance business which the group company provides services to in order to seek for business opportunities.

#### Life Reinsurance

Life reinsurance growth in gross written premiums in 2013 continued to increase of 21.2 percent compared with the previous year. The underwriting profit was recorded at THB 461 million, an increase of 64.8 percent from the prior, while increasing net written premiums 25 percent of the total portfolio. The increase of life insurance is able to strengthen the Company's performance and also lessen the effect from non-life insurance fluctuation in long-term.

Unit: THB Million

	2013	2012	Growth (Percent)
Gross Premium Written	1,388	1,145	21.2
Net Premium Written	1,374	1,127	21.8
Underwriting Profit (Loss) (1)	461	280	64.8
Loss Ratio	37.3	36.2	
Combined Loss and Commission (Percent)	69.2	77.3	

Note: (1) Excluded operating expenses

**Investment**

Unit: THB Million

	31 December 2013		31 December 2012	
	Amount	Proportion (Percent)	Amount	Proportion (Percent)
Bonds and Treasury Bills	6,711	44.3	12,901	68.5
Stocks /1	483	3.2	487	2.6
Debentures	22	0.1	2	0.0
Deposits	5,928	39.1	3,520	18.1
Loan	30	0.2	24	0.1
Unit Trusts	1,984	13.1	1,913	10.2
Total	15,158	100.0	18,847	100.0

Note: /1 Included Investment in Subsidiaries

Besides the revenue from underwriting business, which is the Company's main source of income, the revenue from investment is another main revenue stream of the Company. The investments at year end 2013 as shown in the consolidated balance sheet as recorded at the market price at THB 15,158 million, a decrease of THB 3,689 million or 20 percent decrease from the same period last year. Investment of the Company is comprise of fixed income securities, which generated the return in the form of interest of 84 percent of total invested assets, and equity instruments or unit trusts, accounted for 16 percent of total invested assets. In 2013, the net investment income with operating expenses deduction was THB 742 million, 2 percent increase from the same period last year. The favorable Stock Exchange of Thailand conditions, the investment profit averaged at 4.4 percent, a decrease of 0.5 percent points compared to 4.9 percent points in 2012.

**The Operating Result of the Subsidiaries**

Unit: THB Million

Company Name	Nature of Business	Share (percent)	Income	Profit (Loss)	Paid up Capital	Asset
Thaire Training	Training and consulting service whose client base is primarily in the insurance sector	100	25.2	3.5	0.5	4.3
EMCS Thai	Provision of computer service in relation to motor insurance claims and related statistics	69	76.1	24.1	30.0	81.2
Thaire Services	Claim management and operation supporter for insurance business, for example, Call Center	100	105.5	16.3	60.0	122.5
Thaire Life Assurance Broker	Operated as a life insurance broker to support sales through the Call Center.	100	12.7	1.9	2.0	4.9
TR Actuarial and Consulting	Actuarial service	100	0.2	(0.4)	2.0	2.2
Thai Insurer Datanet	Provision of computer service for insurance data evaluation	24.5			10.0	

The result of subsidiaries, even though the revenues are not rarely generated about only 3 percent of total net written premium. In general, the result of operation of the Company has total profits, THB 62 million, an increase of 38 percent from the last year.

### Financial Ratios

The overall financial status of the Company in 2013 has declined significantly as a result of the impact from floods, resulting in a high loss. The return on equity which normally was achieved close to the target at 20 percent has declined significantly in 2011 to 2013. This is also true for the return on assets. The measurements of the combined ratio between the loss ratio and the operating expense ratio are most widely used to measure the underwriting performance. If the combined ratio is well below 100, this implies that the Company is profitable from the underwriting business. The ratio of the year 2013 has decreasing from 214.0 percent in year 2012 to 178.4 percent in year 2013. The table below shows such loss as a result of floods.

Unit: percent

	2013	2012
Loss Ratio	136.1	169.9
Operating Expenses	42.3	44.1
<b>Combined Ratio</b>	<b>178.4</b>	<b>214.0</b>

### Financial Information

#### Asset

At year-end 2013, the Company and its subsidiaries had consolidated total assets of THB 28,090 million, a decrease of 17 percent compared to 2012. The important ratio of property included of investment funds, which resulted in revenue of 54 percent. The assets from reinsurance business and the accrued premium resulted in 36 percent. The properties, equipment assets and other assets accounted to 10 percent.

The income-generating asset includes corporate and government bonds, stock, debenture, note, deposit, loan, unit trusts, registered capital share, accrued income on investments that are accounted for under the equity method that consider an investment from subsidiary and associated companies, and allowance for impairment in investment as per the accounting standards.

The collection of account receivables remains efficient with around THB 65 million to be collected from reinsurers in 2013, while last year, there were THB 77 million. It is 15 percent decrease which the ratio of decrease is more than the decrease in the total reinsurance premium income, 6 percent.

In addition, the assets from reinsurance in 2013 were another important type of insurance assets, which amounted to THB 9,931 million, decrease of THB 2,289 million from year 2012. This included the claim reserve and indemnity from the reinsurance company in case of flood at THB 8,962 million.

### Liability

The financial liabilities as at December 2013 amounted to THB 25,262 million, a decrease in 16 percent. The followings show the liabilities of the insurance contracts.

The loss reserves and the outstanding claims amounted to THB 13,748 million, a decrease in 25 percent including the loss from the flooding event amounted to THB 11,675. The Company has estimated these costs conservatively. That is, in addition to setting the premium reserves in full reported claim amount. From January, 1st 2009 onwards, the Company has allocated funds toward incurred but not reported claims (IBNR), in the amount higher than that between the loss reserve amount calculated by actuary and the amount based on 2.5 percent of the net premiums written after twelve months. This is to comply with current regulation of the Ministry of Commerce which states "The allocations of premium reserves that have not vested in the Company's revenue and claim reserves of the non-life insurance."

The premium reserves of THB 2,343 million, a decrease in 3 percent, based on the decreasing of the net reinsurance premiums, will be reported in the revenue sections in a gradual manner throughout the policy coverage.

In addition, the net advance received for premium that was recorded in other liabilities in the amount of THB 5,776 million of the long-term reinsurance policy premiums received in advance through financing in terms of installments for the duration of the policy coverage.

### Liquidity

In 2013, the Company has a sufficient liquidity, ensuing of maintaining sufficient liquidity to be charged for claims for flood at once. The Company also focused on short-term investment in assets with high liquidity against the impact of financial crisis that may arise. Presently, the Company's cash flow can be summarized as follows:

Unit: THB Million

Beginning Cash and Equivalent	259.8
Cash Flow from Operating Activities	(6,174.9)
Cash Received from Investing Activities	3,761.4
Cash Received from Financing Activities	2,664.8
Ending Cash and Equivalent	511.0

As of December 31, 2013, the Company and its subsidiaries' liquid assets consisted of cash and cash equivalent shown in the statement of cash flow of THB 511 million. The liquidity ratio, the ratio of current assets to current liabilities, was 1.0 times, closed to the rate of 2011 and 2012, which was sufficient to conduct business as usual. The cash flows used in operating activities in 2013 primarily due to the compensation from flood totalled of 7,392 million baht and from the listed of The Life Assurance Public Company Limited ("THREL") , a subsidiary of the Company to the Stock Exchange of Thailand and offered the ordinary shares of 285 million shares. In case of financial needed, the company also had liquid assets or investments that mainly consisted of highly liquid bonds that can be converted into cash immediately and was sufficient to support the payment of incurred claim.

### Investment Cost

None.

### Capital Resources

The ratio of liability to shareholders' equity as of 31 December 2013 was 11.11 times, a significantly increased from 8.68 in 2012 as a result of recognized the loss incurred from the great flood, The Company never has source of investment funds from loans or other trust funds. However, a subsidiary over drafted from a financial institution on 31 December 2013 with a balance of THB 11 million to make an advance payment for loss reserves for its clients.

Shareholders' equity was reported at THB 2,273 million, a decrease of THB 3,476 million from the year 2013 due to the increase of recognized the loss incurred from the flood in 2012. The value of shareholders' equity at year-end 2013 was THB 0.65 per share, comparing with the value of THB 0.99 per share last year.

# Ten Year Summary

	2013	2012	2011	2010*	2009*	2008	2007	2006	2005	2004
<b>Operations</b>										
• Gross Written Premiums	5,918,321	6,260,503	7,416,458	5,167,896	5,116,287	5,072,475	4,542,960	4,023,889	3,763,671	3,394,989
• Net Written Premiums	5,549,600	5,356,825	5,757,392	3,700,219	3,546,267	3,453,748	2,966,553	2,612,941	2,544,048	2,282,419
• Net Underwriting Profit (Loss) (Note 1)	(4,320,460)	(6,092,599)	(2,352,098)	267,336	568,682	484,218	348,785	317,759	257,586	265,781
• Net Investment Income	741,306	727,168	272,128	440,137	146,364	168,362	295,003	293,500	353,041	260,980
• Service Income	207,264	171,506	141,709	137,772	112,689	77,557	51,988	27,222	14,847	1,990
• Net Income (Loss) from Services	61,809	44,647	21,242	(14,702)	(594)	14,998	12,902	(1,373)	1,608	618
• Net Income (Loss) from Investment in Associate	279	438	76	(548)	(1,379)	196	211	576	(194)	(1,861)
• Net Profit (Loss)	(2,799,113)	(4,349,169)	(1,660,484)	580,461	523,877	473,336	515,131	460,747	481,781	450,328
<b>Ratio (Percent)</b>										
• Loss Ratio (Note 2)	136.1	169.9	103.7	48.9	40.8	42.3	44.2	44.7	45.0	38.1
• Expense Ratio (Note 3)	42.3	44.1	43.1	43.9	42.0	42.1	41.5	41.6	42.2	46.3
• Combined Ratio	178.4	214.0	146.8	92.8	82.8	84.4	85.8	86.2	87.1	84.4
• Return on Equity	(97.4)	(206.9)	(89.9)	20.4	23.2	20.9	21.4	19.7	20.4	18.7
• Earning per share (Baht)	(0.80)	(1.44)	(1.40)	0.49	0.44	0.40	0.43	0.39	0.41	0.39
<b>Financial Information</b>										
• Total Assets	28,090,425	33,642,432	25,720,293	9,175,551	7,576,889	4,849,237	4,971,526	4,626,236	4,648,537	4,417,493
• Total Invested Assets	15,158,001	18,846,993	10,592,640	5,386,585	4,056,149	3,516,511	3,893,544	3,684,737	3,597,421	3,683,919
• Technical Reserve (Note 4)	9,861,207	11,107,424	6,197,196	2,673,984	2,274,556	2,269,879	1,994,257	1,950,659	1,875,184	1,656,873
• Paid-up Capital	3,512,495	3,512,495	1,187,355	1,187,355	1,187,355	1,187,355	1,187,355	1,187,355	1,180,250	1,166,926
• Shareholders' Equity	2,273,089	3,475,856	728,044	2,964,953	2,732,821	2,057,958	2,474,100	2,336,454	2,354,213	2,360,585
• Book Value per share (Baht)	0.65	0.99	0.61	2.50	2.30	1.73	2.08	1.97	1.99	2.02
• Dividend per share (Baht)	0.00	0.00	0.20	0.41	0.40	0.36	0.38	0.36	0.36	0.36

**Description::** 1. Since 2007, the Company has prepared separate financial statements disclosing the investments in subsidiaries and affiliates by using the cost price method which is "in accordance with TAS 27 Consolidated and Separate Financial Statements (revised 2007)" 2. Capital Fund (shareholders equity) in 2008 was down from the prior year identifying by unrealized loss in investments in available for sale securities (ordinary shares and unit trusts) that are affected by the financial crisis occurred in the United States. 3. Since 2011, the Company has changed in accounting policy of commission and brokerage income from reinsurance ("Income") and commission and brokerage expense from reinsurance ("Expense") are deferred and realised as income and expenses on a monthly basis over the term of policy coverage, in proportion to the amount of unearned premium. \* 2010 and 2009 were restated according to the change in accounting policy as above.

**Note:** 1. Net of other operating expenses  
2. Loss incurred expressed as a percentage of earned premiums  
3. A ratio of total commission to earned premium plus total incurred expenses to net written premiums  
4. Aggregation of Unpaid losses, Unearned premium reserve and Life policy reserve



## Report on the Board of Directors' Responsibility Towards the Financial Statements

The Board of Directors is responsible for the financial statement of the Company and its subsidiaries. Such financial statements are prepared in accordance with Thai Accounting Standard. Appropriate accounting policies are cautiously utilized. Sufficient important information is disclosed in the footnotes of the financial statements.

The Board of Directors has provided and maintained an effective internal control system. They also have ensured that appropriate procedures are being utilized to evaluate the adequacy of internal controls and risk management, and monitored the effectiveness of its compliance. In this regard, the Board of Directors has appointed an Audit Committee who are non-management members of the Company as regulators in this matter. The opinion of the Audit Committee in this subject is included in the Audit Committee Report listed in the annual report.

Furthermore, it is the opinion of the Board of Directors that the Company's internal control system is overall satisfactory and capable of creating confidence in the credibility of the financial statements of Thai Reinsurance Public Company Limited and its subsidiaries.



**Suchin Wanglee**  
Chairman



**Surachai Sirivallop**  
Director & Chief Executive Officer

# Audit Committee Report

The Audit Committee comprises of 3 independent members: Mr. Udom Vichayabhai as Head of Audit Committee, Mr. Chanin Roonsamrarn, and Mr. Aswin Kongsiri. Mr. Udom Vichayabhai is knowledgeable and experienced in reviewing the credibility of financial statements required by Securities and Exchange Commission.

The Board of Directors assigns the Audit Committees duties and responsibilities. These include reviewing the Company's financial statements thoroughly, ensuring the effectiveness of the internal control system, risk management, and corporate governance, and compliance with laws and regulations. The committee will also supervise any transactions that may have a conflict of interest to be in accordance with regulations and also provide maximum benefit to the Company. The committee is responsible for nominating appropriate auditors for the Company as well.

In 2013, the Audit Committee completed their duties under the scope of responsibilities assigned by the Board of Directors. The committee members met 4 times in 2013 and all meetings met its full quorum. Internal audit officers, auditors, and risk management consultants also attended the meetings. The main duties of the committee can be summarized as follows:

1. Reviewed financial statement of the Company prior to the disclosure to the Stock Exchange of Thailand and Securities Exchange Commission.
2. Nominated auditors and remuneration. In 2013, Ernst & Young Ltd. was nominated and appointed as auditor of the Company for another year.
3. Attended joint meetings with the auditor 4 times in 2013. One of these meetings was organized without the attendance of management to review the guidelines and scope of performance of auditing. Review the audit plan, results, and recommendations to ensure that the audit was done appropriately consistent with auditing standards.
4. Directed, overlooked and approved the annual internal audit plan based on the company's risks in order of their significance. They audited the inspection reports to ensure that the investigation has been completed in accordance with the auditing standards. This includes the monitoring of the proposed revisions to the internal controls system to improve the efficiency and effectiveness.
5. Reviewed for compliance with laws and regulations every quarter.
6. Reviewed the transaction reports relating to the parties on a regular basis every quarter.
7. Directed and overlooked the Enterprise Risk Management Committee. They reviewed the Company risk management policy, policy implementation and guidelines for effective risk management. The reports on risk management were provided by the Enterprise Risk Management committee as well as the provision of feedback on a regular basis.
8. Provided the self-evaluation of the Audit Committee annually and discuss the evaluation results in the meeting.
9. Provided the internal control evaluation of the Audit Committee annually and proposed the evaluation results to the Board of Directors.

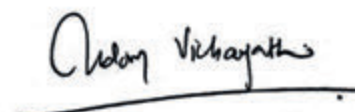
The Audit Committee's opinions are:

1. The Company's financial report is reliable and accurate in accordance with accounting standards. The disclosures in the financial statement are adequate and timely.
2. The Company's internal controls, risk management, operational control of management team, and monitoring system were effective.
3. There were no violation to the laws and regulations of the Securities and Exchange Commission, Terms of the Stock Exchange, or laws related to the business performed by the Company.
4. The appointed auditor of the Company has experience in auditing many insurance companies and has network accepted by both local and international. This enables the auditing standard of the Company to international level. Moreover, the auditor and every member appointed to certify the financial statement were independent. There was no relationship or transactions that might cause a conflict of interest with the Company and that the audit is effective and transparent.
5. All Related Transactions were conformed to the laws and terms of the Stock Exchange. They were reasonable for the maximum benefit of the Company. There was no indication or remark that suggested atypical activity.
6. The Audit Committee performed their duties completely and accurately in accordance with the scope of responsibilities set forth in the Charter of the Audit Committee with good collaboration from all parties.

The Audit Committee has proposed to the Board of Directors in the General Shareholder Meeting to appoint EY Office Limited (Formerly known as Ernst & Young Office Limited) with Ms.Ratana Jala (No.3734) and/or Ms.Somjai Khunapasut (No.4499) and/or Ms.Rachada Yongsawadvanich (No.4951) as auditors of the Company for 2013 for another year with a total remuneration of 2,850,000 baht, an increase in 55.4 percent from the prior year. The details are as follows:

	2017	2013	Increase (percentage)
Annual Financial Statement Audit Fee	1,215,000	774,000	57.0
Quarterly Financial Statement Audit Fee	870,000	510,000	70.6
Risk Based Capital Control Audit Fee	765,000	450,000	70.0
Fee on Internal Control and Investment Procedures Review*	-	100,000	(100.0)
<b>Total Audit Fee</b>	<b>2,850,000</b>	<b>1,834,000</b>	<b>55.4</b>

Remarks: \* The regulation that had enforced the insurance companies must be reviewed and assessed their internal control in the investment process was abrogated by the Office of Insurance Commission who issued the Declaration on the Rules of The Insurance Companies' Investment in The Other Business B.E. 2556



Udom Vichayabhai  
Chairman of the Audit Committee

# Independent Auditor's Report

## To the Shareholders of Thai Reinsurance Public Company Limited

I have audited the accompanying consolidated financial statements of Thai Reinsurance Public Company Limited and its subsidiaries, which comprise the consolidated statements of financial position as at 31 December 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Thai Reinsurance Public Company Limited for the same year.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Basis for Qualified Opinion

In the fourth quarter of 2011, there was severe flooding in Thailand. The Company set aside flood loss reserves based on estimates, determined by applying assumptions derived from surveyor reports and using information received from insurance companies. The Company's past experience shows that final agreed compensation payments are typically significantly lower than the damages per surveyor reports, as a result of negotiations among the counterparties over various terms of the insurance contracts, such as under-insurance of assets, changes in the costs of building repairs, replacement values or repair costs of machinery, salvage values of machinery, changes in the value of damaged inventories and valuation losses due to business interruption. Nevertheless, in the third quarter of 2013, the Company reviewed the flood loss amounts recorded, in order to comply with a letter from the Office of Insurance Commission ("the OIC"). The Company engaged an additional independent adjuster to assess the valuation of loss amounts, and another independent auditor to review the loss estimate, under an

agreed-upon procedure engagement. The Company submitted the independent adjuster's report and the independent auditor's report on the agreed-upon procedures review of the loss estimates to the OIC and received a response from the OIC on 12 November 2013, acknowledging the increase in the Company's loss estimate from the amount recorded in the accounts as a result of the severe floods in 2011, with total losses before reinsurance amounting to approximately Baht 29,068 million. Nevertheless, if there are any changes in circumstances, the Company would have to consider adjusting the loss reserves to reflect the subsequent circumstances and evidence. As mentioned in Note 1.2 to the financial statements, during the current year the Company recorded additional losses of Baht 6,600 million. As a result, as at 31 December 2013 the Company recorded losses for the floods before reinsurance amounting to approximately Baht 29,099 million (including other expenses relating to claims assessment of Baht 31 million) in the financial statements, and claims refundable from reinsurers of approximately Baht 11,661 million, which accounted for approximately 84% of losses reported by insurance companies and claims refundable from reinsurers. In addition, the Company and its counterparties were in the process of negotiating the losses reported under the surveyor reports, and the Company is in the process of investigating evidence to prove that the loss amounts are in accordance with the terms in the insurance contracts. As a result I was unable to review and was unable to identify whether and to what extent the loss reserves, claims refundable from reinsurers and related deferred taxes need to be adjusted.

### Qualified Opinion

Except for the adjustments to the financial statements that I might have become aware were required had it not been for the limitation of circumstance described above, in my opinion the financial statements referred to above present fairly, in all material respects, the financial position of Thai Reinsurance Public Company Limited and its subsidiaries and the separate financial statements of Thai Reinsurance Public Company Limited as at 31 December 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

### Emphasis of matter

I draw attention to Note 1.2 to the financial statements regarding the Office of Insurance Commission's resolution to extend the term of the measure relaxing the risk-based capital requirements for losses arising from the floods by one year, on a case by case basis, until 31 March 2015. The OIC has granted preliminary approval for a relaxation of requirements for the Company, with the imposition of certain additional conditions. My opinion is not qualified in respect of this matter.



Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

EY Office Limited

(Formerly known as Ernst & Young Office Limited)

Bangkok: 28 February 2014



# FINANCIAL

statement and Notes to consolidated financial statements

## Thai Reinsurance Public Company Limited and its subsidiaries

### Statement of financial position

As at 31 December 2013 >>

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
<b>Assets</b>					
Cash and cash equivalents	6	511,038,014	259,800,233	431,635,312	228,301,550
Accrued investment income		124,496,448	48,018,873	114,478,527	42,833,307
Premium receivables	7	65,404,302	76,546,936	61,567,314	73,421,032
Reinsurance assets	8, 27	9,931,114,984	12,220,281,946	9,561,980,541	11,948,052,122
Investment assets					
Investments in securities	27, 29, 30				
Available-for-sale investments	9.1	2,456,077,720	2,389,642,077	2,042,515,658	2,090,223,275
Held-to-maturity investment	9.2	12,149,705,171	16,162,465,370	11,274,722,060	15,415,527,667
Other investments	9.3	7,476,110	7,476,110	5,370,390	5,370,390
Loans	10	29,900,933	23,962,014	29,900,933	23,962,014
Investments in subsidiaries	11	-	-	380,199,615	575,199,615
Investment in associate	12.1	3,803,445	3,646,879	2,591,820	2,591,820
Property, building and equipment	13	243,625,522	223,482,652	117,610,171	126,954,940
Intangible assets	14	12,980,154	14,758,599	8,490,241	6,942,371
Deferred tax assets	20	2,416,400,008	2,055,079,023	2,376,795,816	2,014,431,472
Other assets					
Corporate income tax refundable		35,864,591	78,854,397	28,694,641	71,411,032
Deferred excess of loss		-	1,695,198	-	1,695,198
Others	27	102,537,488	76,721,587	67,056,938	46,161,813
<b>Total assets</b>		<b>28,090,424,890</b>	<b>33,642,431,894</b>	<b>26,503,609,977</b>	<b>32,673,079,618</b>

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

# Thai Reinsurance Public Company Limited and its subsidiaries

## Statement of financial position (continued)

As at 31 December 2013 >>

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Income tax payable		64,489,759	50,724,072	-	-
Due to reinsurers	15, 27	1,538,553,059	1,074,863,387	1,368,576,232	895,661,049
Insurance contract liabilities					
Loss reserves and outstanding claims	16, 27	13,748,224,795	18,315,460,108	13,703,812,248	18,290,346,125
Premium reserve	17.1	2,343,449,390	2,383,120,110	1,948,019,434	2,016,511,686
Employee benefit obligations	18	39,869,077	31,929,074	23,231,247	15,622,078
Bank overdraft from financial institution	19	604,934	10,513,690	-	-
Deferred tax liabilities	20	180,704,246	210,055,405	159,956,825	186,493,042
Other liabilities					
Advance received for premium, net		5,775,599,551	6,536,869,838	5,775,599,551	6,536,869,838
Advance received for claim recovery		1,282,799,808	1,483,865,746	1,282,799,808	1,483,865,746
Dividend payables	28	2,517,493	2,677,230	2,517,493	2,677,230
Liability under lease agreement		1,091,157	1,781,687	-	-
Others	27	284,459,339	51,745,800	253,626,102	39,003,791
<b>Total liabilities</b>		<b>25,262,362,608</b>	<b>30,153,606,147</b>	<b>24,518,138,940</b>	<b>29,467,050,585</b>

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



# Thai Reinsurance Public Company Limited and its subsidiaries

## Statement of financial position (continued)

As at 31 December 2013 >>

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
<b>Equity</b>					
Share capital	21				
Registered					
3,512,494,860 ordinary shares					
of Baht 1 each		3,512,494,860	3,512,494,860	3,512,494,860	3,512,494,860
Issued and paid-up					
3,512,494,860 ordinary shares		3,512,494,860	3,512,494,860	3,512,494,860	3,512,494,860
of Baht 1 each					
Premium on share capital		4,813,717,910	4,813,717,910	4,813,717,910	4,813,717,910
Retained earnings					
Appropriated					
Statutory reserve	22	183,726,400	172,226,400	118,776,400	118,776,400
General reserve		106,000,000	106,000,000	106,000,000	106,000,000
Emergency reserve		44,000,000	44,000,000	44,000,000	44,000,000
Unappropriated		(8,052,486,683)	(5,242,031,331)	(6,544,968,192)	(5,429,375,711)
Other components of equity		1,665,636,467	69,448,174	(64,549,941)	40,415,574
<b>Equity attributable to owners of the Company</b>		<b>2,273,088,954</b>	<b>3,475,856,013</b>	<b>1,985,471,037</b>	<b>3,206,029,033</b>
Non-controlling interests of the subsidiaries		554,973,328	12,969,734	-	-
<b>Total equity</b>		<b>2,828,062,282</b>	<b>3,488,825,747</b>	<b>1,985,471,037</b>	<b>3,206,029,033</b>
<b>Total liabilities and equity</b>		<b>28,090,424,890</b>	<b>33,642,431,894</b>	<b>26,503,609,977</b>	<b>32,673,079,618</b>

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

# Thai Reinsurance Public Company Limited and its subsidiaries

## Statement of income

For the year ended 31 December 2013 >>

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
<b>Income</b>					
Net earned premium	23	5,521,468,580	5,355,274,059	4,176,476,489	4,314,613,704
Fee and commissions income	23	114,727,401	377,449,544	110,408,134	371,869,025
<b>Total income</b>		<b>5,636,195,981</b>	<b>5,732,723,603</b>	<b>4,286,884,623</b>	<b>4,686,482,729</b>
<b>Expenses</b>					
Underwriting					
Claim expenses					
Claim and loss adjustment expenses	23	7,517,152,889	9,099,543,524	7,014,902,617	8,722,335,323
Commissions and brokerages expenses	23	2,205,586,418	2,512,517,629	1,819,892,203	2,123,867,288
Other underwriting expenses	23	70,978,121	84,563,628	60,035,486	64,771,456
Operating expenses	24	162,938,627	128,697,545	138,223,123	121,508,559
<b>Total underwriting expenses</b>		<b>9,956,656,055</b>	<b>11,825,322,326</b>	<b>9,033,053,429</b>	<b>11,032,482,626</b>
Losses from underwriting		(4,320,460,074)	(6,092,598,723)	(4,746,168,806)	(6,345,999,897)
Net investment income		618,927,111	644,256,872	744,465,333	927,125,060
Gains on investments		122,378,911	82,910,803	2,484,364,498	82,910,803
Share of income from associates	12.2	279,056	437,761	-	-
Service income					
Service income		207,264,398	171,505,641	-	-
Service expenses		(145,455,463)	(126,858,215)	-	-
Income on services		61,808,935	44,647,426	-	-
Net management income from					
National Catastrophe Insurance Fund		49,185,753	37,952,263	48,390,204	37,904,357
Other income		2,115,360	1,269,413	3,343,930	6,275,920
Other expenses		(3,587,786)	(40,557,402)	(1,446,080)	(40,393,459)
<b>Losses from operations</b>		<b>(3,469,352,734)</b>	<b>(5,321,681,587)</b>	<b>(1,467,050,921)</b>	<b>(5,332,177,216)</b>
Contribution to the Office of Insurance Commission		(13,995,172)	(14,442,149)	(11,358,751)	(12,133,678)
<b>Losses before income tax expenses and finance cost</b>		<b>(3,483,347,906)</b>	<b>(5,336,123,736)</b>	<b>(1,478,409,672)</b>	<b>(5,344,310,894)</b>
Finance cost		(674,220)	(1,234,664)	-	-
<b>Losses before income tax expenses</b>		<b>(3,484,022,126)</b>	<b>(5,337,358,400)</b>	<b>(1,478,409,672)</b>	<b>(5,344,310,894)</b>
Add: Income tax revenue	20	730,385,430	996,444,370	362,659,182	1,075,454,454
<b>Losses for the year</b>		<b>(2,753,636,696)</b>	<b>(4,340,914,030)</b>	<b>(1,115,750,490)</b>	<b>(4,268,856,440)</b>

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

## Thai Reinsurance Public Company Limited and its subsidiaries

### Statement of income (continued)

For the year ended 31 December 2013 >>

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
<b>Profit (losses) attributable to:</b>					
Equity holders of the Company		(2,799,113,361)	(4,349,168,504)	(1,115,750,490)	(4,268,856,440)
Non-controlling interests of the subsidiaries		45,476,665	8,254,474		
		(2,753,636,696)	(4,340,914,030)		
<b>Losses per share</b>	<b>26</b>				
Basic losses per share					
Losses for the year		(0.797)	(1.442)	(0.318)	(1.415)
Weighted average number of ordinary shares (shares)		3,512,494,860	3,016,973,238	3,512,494,860	3,016,973,238

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

## Thai Reinsurance Public Company Limited and its subsidiaries

### Statement of comprehensive income

For the year ended 31 December 2013 >>

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Losses for the year</b>	<b>(2,753,636,696)</b>	<b>(4,340,914,030)</b>	<b>(1,115,750,490)</b>	<b>(4,268,856,440)</b>
<b>Other comprehensive income:</b>				
Gains (losses) on change in value of available-for-sale investments	(137,825,742)	154,166,373	(131,206,894)	116,020,462
Income tax relating to components of other comprehensive income	27,565,148	(32,853,959)	26,241,379	(25,169,123)
<b>Other comprehensive income for the year, net of tax</b>	<b>(110,260,594)</b>	<b>121,312,414</b>	<b>(104,965,515)</b>	<b>90,851,339</b>
<b>Total comprehensive income for the year</b>	<b>(2,863,897,290)</b>	<b>(4,219,601,616)</b>	<b>(1,220,716,005)</b>	<b>(4,178,005,101)</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	(2,906,282,824)	(4,227,856,090)	(1,220,716,005)	(4,178,005,101)
Non-controlling interests of the subsidiaries	42,385,534	8,254,474		
	(2,863,897,290)	(4,219,601,616)		

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

# Thai Reinsurance Public Company Limited and its subsidiaries

## Statement of cash flows

For the year ended 31 December 2013 >>

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Cash flows from operating activities</b>				
Cash received (paid) for reinsurance	(5,344,543,981)	3,011,274,928	(6,123,794,074)	2,211,925,081
Other underwriting expenses	(70,978,121)	(84,563,628)	(60,035,486)	(64,771,455)
Investment income	664,828,447	709,119,134	616,730,426	662,862,513
Other income	262,063,950	206,012,370	51,728,068	44,355,395
Commission and brokerage expenses	(1,514,865,408)	(2,474,819,041)	(1,138,261,069)	(2,078,806,967)
Operating expenses	16,165,618	(141,072,655)	35,936,306	(104,355,104)
Other expenses	(140,590,413)	(127,360,380)	(1,446,081)	(40,393,459)
Corporate income tax	(48,384,478)	(102,063,265)	42,716,391	(15,230,227)
Others	1,419,159	(526,718)	-	-
<b>Net cash from (used in) operating activities</b>	<b>(6,174,885,227)</b>	<b>996,000,745</b>	<b>(6,576,425,519)</b>	<b>615,585,777</b>
<b>Cash flows from investing activities</b>				
Cash flows from				
Investments in securities	9,187,762,001	7,414,589,400	8,865,240,686	6,886,658,029
Loans	1,961,081	14,004,327	1,961,081	13,770,446
Dividend received from subsidiaries and associates	122,490	-	178,362,167	331,669,572
Property, building and equipment	3,396,167	1,217,570	1,378,579	870,350
<b>Net cash from investing activities</b>	<b>9,193,241,739</b>	<b>7,429,811,297</b>	<b>9,046,942,513</b>	<b>7,232,968,397</b>
Cash flows used in				
Investments in securities	(5,377,224,332)	(15,322,636,964)	(4,897,934,355)	(14,767,103,318)
Loans	(7,900,000)	(5,687,638)	(7,900,000)	(5,687,638)
Property, building and equipment	(46,805,642)	(47,597,798)	(8,440,895)	(43,889,566)
<b>Net cash used in investing activities</b>	<b>(5,431,929,974)</b>	<b>(15,375,922,400)</b>	<b>(4,914,275,250)</b>	<b>(14,816,680,522)</b>
<b>Net cash from (used in) investing activities</b>	<b>3,761,311,765</b>	<b>(7,946,111,103)</b>	<b>4,132,667,263</b>	<b>(7,583,712,125)</b>

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

## Thai Reinsurance Public Company Limited and its subsidiaries

### Statement of cash flows

For the year ended 31 December 2013 >>

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Cash flows from financing activities</b>				
Proceeds from increase in share capital	79,162,825	6,975,419,760	-	6,975,419,760
Dividend paid of subsidiaries	(60,860,623)	(10,231,279)	-	-
Bank overdraft	(10,582,977)	(7,226,191)	-	-
Cash received from sold the subsidiary with out a loss of control	2,647,092,018	-	2,647,092,018	-
Proceeds from increase in share capital from non-controlling interests of the subsidiary	10,000,000	-	-	-
Net cash from financing activities	2,664,811,243	6,957,962,290	2,647,092,018	6,975,419,760
Net increase in cash and cash equivalents	251,237,781	7,851,932	203,333,762	7,293,412
Cash and cash equivalents at beginning of year	259,800,233	251,948,301	228,301,550	221,008,138
<b>Cash and cash equivalents at end of year (Note 6)</b>	<b>511,038,014</b>	<b>259,800,233</b>	<b>431,635,312</b>	<b>228,301,550</b>
<b>Supplemental cash flows information</b>				
Non-cash item				
Gains (losses) on changes in values of available-for-sale investments	(110,260,594)	121,312,414	(104,965,515)	90,851,339

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

# Thai Reinsurance Public Company Limited and its subsidiaries

## Statement of changes in equity

For the year ended 31 December 2013 >>

### Consolidated financial statements

(Unit: Baht)

	Note	Attributable to equity holders of the parent										Equity attributable to non-controlling interests of the subsidiaries	Total equity	
		Issued and paid-up share capital	Premium on share capital	Retained earnings				Other changes by the equity			Total equity attributable to equity holders of the Company			
								Other comprehensive income		Other changes by the equity				Total other components of equity
				Appropriated			Unappropriated (deficit)	Surplus (deficit) on changes in value of available-for-sale investments	Deferred tax recognised /transferred out from other comprehensive income					
				Statutory reserve	General reserve	Emergency reserve								
Balance as at 1 January 2012		1,187,354,940	163,438,070	172,026,400	106,000,000	44,000,000	(892,911,168)	(67,356,155)	15,491,915	-	(51,864,240)	728,044,002	14,355,773	742,399,775
Increase share capital	21	2,325,139,920	4,650,279,840	-	-	-	-	-	-	-	-	6,975,419,760	-	6,975,419,760
Non-controlling interests of the subsidiaries increase due to increasing of investment portion		-	-	-	-	-	-	-	-	-	-	-	590,766	590,766
Unappropriated retained earnings transferred to statutory reserve - subsidiary		-	-	200,000	-	-	(200,000)	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	(10,231,279)	(10,231,279)
Reversal of dividend payable	28	-	-	-	-	-	248,341	-	-	-	-	248,341	-	248,341
Total comprehensive income for the year		-	-	-	-	-	(4,349,168,504)	154,166,373	(32,853,959)	-	121,312,414	(4,227,856,090)	8,254,474	(4,219,601,616)
Balance as at 31 December 2012		3,512,494,860	4,813,717,910	172,226,400	106,000,000	44,000,000	(5,242,031,331)	86,810,218	(17,362,044)	-	69,448,174	3,475,856,013	12,969,734	3,488,825,747
Balance as at 1 January 2013		3,512,494,860	4,813,717,910	172,226,400	106,000,000	44,000,000	(5,242,031,331)	86,810,218	(17,362,044)	-	69,448,174	3,475,856,013	12,969,734	3,488,825,747
Surplus from change in percentage of shareholding in the subsidiary without a loss of control	11	-	-	-	-	-	-	-	-	1,703,357,756	1,703,357,756	1,703,357,756	560,478,683	2,263,836,439
Unappropriated retained earnings transferred to statutory reserve - subsidiary		-	-	11,500,000	-	-	(11,500,000)	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	(60,860,623)	(60,860,623)
Reversal of dividend payable	28	-	-	-	-	-	158,009	-	-	-	-	158,009	-	158,009
Total comprehensive income for the year		-	-	-	-	-	(2,799,113,361)	(133,961,829)	26,792,366	-	(107,169,463)	(2,906,282,824)	42,385,534	(2,863,897,290)
Balance as at 31 December 2013		3,512,494,860	4,813,717,910	183,726,400	106,000,000	44,000,000	(8,052,486,683)	(47,151,611)	9,430,322	1,703,357,756	1,665,636,467	2,273,088,954	554,973,328	2,828,062,282

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

# Thai Reinsurance Public Company Limited and its subsidiaries

## Statement of changes in equity (continued)

For the year ended 31 December 2013 >>

### Separate financial statements

(Unit: Baht)

	Note	Issued and paid-up share capital	Premium on share capital	Retained earnings				Other components of equity			Total equity
								Other comprehensive income		Total other components of equity	
				Appropriated			Unappropriated (deficit)	Surplus (deficit) on changes in value of available-for-sale investments	Deferred tax recognised /transferred out from other comprehensive income		
				Statutory reserve	General reserve	Emergency reserve					
Balance as at 1 January 2012		1,187,354,940	163,438,070	118,776,400	106,000,000	44,000,000	(1,160,767,612)	(65,500,994)	15,065,229	(50,435,765)	408,366,033
Increase share capital	21	2,325,139,920	4,650,279,840	-	-	-	-	-	-	-	6,975,419,760
Reversal of dividend payable	28	-	-	-	-	-	248,341	-	-	-	248,341
Total comprehensive income for the year		-	-	-	-	-	(4,268,856,440)	116,020,462	(25,169,123)	90,851,339	(4,178,005,101)
Balance as at 31 December 2012		3,512,494,860	4,813,717,910	118,776,400	106,000,000	44,000,000	(5,429,375,711)	50,519,468	(10,103,894)	40,415,574	3,206,029,033
Balance as at 1 January 2013		3,512,494,860	4,813,717,910	118,776,400	106,000,000	44,000,000	(5,429,375,711)	50,519,468	(10,103,894)	40,415,574	3,206,029,033
Reversal of dividend payable	28	-	-	-	-	-	158,009	-	-	-	158,009
Total comprehensive income for the year		-	-	-	-	-	(1,115,750,490)	(131,206,894)	26,241,379	(104,965,515)	(1,220,716,005)
Balance as at 31 December 2013		3,512,494,860	4,813,717,910	118,776,400	106,000,000	44,000,000	(6,544,968,192)	(80,687,426)	16,137,485	(64,549,941)	1,985,471,037

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

## Thai Reinsurance Public Company Limited and its subsidiaries

### Notes to consolidated financial statements

#### For the year ended 31 December 2013 >>

#### 1. General information

##### 1.1 Corporate information

Thai Reinsurance Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company's major shareholder is HWIC ASIA FUND, which own 23% of its total share capital. The Company is principally engaged in the provision of reinsurance and its registered address is at 48/23-24 Soi Rajchadapisek 20, Rajchadapisek Road, Samsennok, Huaykwang, Bangkok.

##### 1.2 Severe flood situation

In the fourth quarter of 2011, there was severe flooding in Thailand. The floods materially affected the financial statements of the Company, with the financial impact of the floods reflected in the financial statements as follows:

(Unit: Million Baht)

	Gross claims	Claims reserve refundable from reinsurers	Net claims
Loss reserves and outstanding claims	11,675	(5,007)	6,668
Claims paid	17,424	(6,654)	10,770
Total	29,099	(11,661)	17,438
Claims reserve refundable under			
Excess of Loss contracts			(148)
Claims refundable under			
Excess of Loss contracts			(3,288)
Net claims expense - statement of income			14,002
Less: Net claims expense			
- statement of income - year 2011			(2,989)
Less: Net claims expense			
- statement of income - year 2012			(6,213)
Net claims expense - statement of income - year 2013			4,800

From 2011 until the second quarter of 2013, the Company set aside flood loss reserves based on estimates, determined by applying assumptions derived from surveyor reports and using information received from insurance companies. The Company's past experience shows that final agreed compensation payments are typically significantly lower than the damages per surveyor reports, as a result of negotiations among the counterparties over various terms of the insurance contracts, which can be summarised as follows:



- Under-insurance of assets
- Changes in the costs of building repairs
- Replacement values or repair costs of machinery
- Salvage values of machinery
- Changes in the value of damaged inventories
- The valuation of losses due to business interruption

In addition, in order to support the above assumptions, the Company engaged an independent expert to consider the reasonableness of the major surveyor reports. The independent expert assessed the quality of the surveyor reports and determined whether the loss reserves as stated in the reports corresponded to the terms of the insurance contracts.

On 5 August 2013, the Company received a letter from the Office of Insurance Commission ("the OIC") notifying the Company to review its assessment of valuation of loss amounts. The OIC instructed the Company to consider using an auditor approved by the Securities and Exchange Commission to perform a special audit and certify the correctness of loss reserves, and report the findings to the OIC within 60 days from the date that the Company received the letter from the OIC.

In August 2013, the Company reviewed the flood losses recorded, in order to comply with the OIC's letter. The Company engaged an independent adjuster with experience in dealing with foreign reinsured losses on severe flooding in Thailand and is the member of Australasian Institute of Chartered Loss Adjusters to estimate the loss from such severe flooding, and also engaged an another independent auditor approved by the Securities and Exchange Commission which is not the Company's auditor to review the loss estimate, under an agreed-upon procedure engagement.

The basis for estimating loss reserves is summarized as follows:

- Randomly review the loss report to assess the reasonableness of the damage ratio against the surveyor report of an independent loss adjuster and other supporting documents of claims.
- Analyse damage ratio of selected sampling
- Calculate losses by reference to damage ratio and stipulated methodology

Based on the calculation of the independent adjuster under the above basis, flood losses (before reinsurance) as at 31 August 2013 should increase by Baht 6,070 million from the amount that the Company recorded as at 30 June 2013, and net losses after reinsurance should increase by Baht 3,903 million. In addition, the independent auditor concluded that nothing had caused him to believe that the overall results prepared by the independent expert were significantly unreasonable, on the basis used in the loss estimation of the independent adjuster.

As at 30 September 2013, the Company recorded losses before reinsurance and losses after reinsurance additional to the amounts recorded as at 30 June 2013, amounting to Baht 5,984 million and Baht 3,907 million, respectively, based on the independent adjuster's assessment mentioned above, and made additional adjustments based on acceptable evidence of actual losses received from the counterparties. However, the Company reviewed the adequacy of the additional losses for which the independent adjuster had advised be set aside for some insurance companies with which negotiations had taken place. The Company then recorded additional losses before reinsurance and losses after reinsurance amounting to Baht 611 million and Baht 451 million, respectively. Therefore, as at 30 September 2013, the Company had recorded losses for the floods before reinsurance (including other expenses relating to claims assessment of Baht 26 million) in the financial statements amounting to Baht 29,094 million and losses after reinsurance (including other expenses relating to claims assessment) amounting to Baht 17,433 million, which accounted for 80% of the losses reported by insurance companies.

The Company submitted the independent adjuster's report and the independent auditor's report on the agreed-upon procedures review of loss estimation to the OIC. The Company received a letter back from the OIC on 12 November 2013 acknowledging the Baht 6,681 million increase in the Company's loss estimate as a result of the severe floods in 2011, with total loss reserves before reinsurance (excluding other expenses relating to claims assessment of Baht 26 million) amounting to approximately Baht 29,068 million. Nevertheless, if there are any changes in circumstances, the Company would have to consider adjusting the loss reserves to reflect the subsequent circumstances and evidence. In addition, the Company and counterparties were in the process of negotiating the losses reported under the surveyor reports. The Company has requested additional evidence supporting loss claims from its counterparties to prove that the claim amounts are in accordance with the terms in the insurance contracts or in line with actual losses.

In the fourth quarter of 2013, the Company recorded additional other expenses relating to claims assessment of Baht 5 million. Therefore, as at 31 December 2013, the Company had recorded losses for the floods before reinsurance (including other expenses relating to claims assessment of Baht 31 million) in the financial statements amounting to Baht 29,099 million and losses after reinsurance (including other expenses relating to claims assessment) amounting to Baht 17,438 million, which accounted for 84% of the losses reported by insurance companies. The management believes that the losses and claims refundable from reinsurers are appropriate and sufficient.

The Office of Insurance Commission announced a measure to relax the risk-based capital requirements for losses arising from the floods, for a period of 15 months from 31 December 2011 to 31 March 2013. In February 2013, the OIC extended the period of the measure relaxing the risk-based capital requirements until 31 March 2014, with certain additional conditions stipulated.

On 28 February 2014, a meeting of the Board of OIC relaxed a number of general requirements and regulations for non-life insurance companies that had been affected by the 2011 floods, and approved in principle an extension of the term of the measures for non-life insurance companies on a case-by-case basis, for further periods of one year, until 31 March 2015, in order to give companies time to restructure their financial positions and enable them to implement plans to fully compensate flood-affected insureds.

The measures relaxing approved were as follows:

1. Exemptions the requirement to calculate the insurance risk charge and from the requirement to use Provision for Adverse Deviation (PAD) in calculating loss reserves for flood claims.

2. Permission to include loans of the following types that the OIC previously identified as tier-2 capital and count it as capital exceed tier-1 capital:

- The loans have repayment terms of at least 10 years with no option to make early repayment, unless the Company has increased its capital in accordance with the conditions stipulated by the Registrar.

- The loan creditors can exercise a right to subordinate in the event that the Company ceases its operations

- Conditions and provisions of the loan agreement have been approved by the Registrar

Companies that wish to seek an extension of the term of the relaxed measures must submit their request within 15 March 2014, and must meet the following criteria.

1. They were affected by the floods and have suffered from claims totaling in excess of Baht 10,000 million.

2. They have already paid

- not less than 75% of claims under direct insurance
- not less than 50% of claims under reinsurance

3. They have clear plans for resolving their financial position and settling claims, which can be fully implemented by 31 March 2015, and they must submit progress reports every 3 months.

Thai Reinsurance Public Company Limited has already submitted a preliminary request for an extension of the term of the relaxed measures, and the OIC have granted approval, with the OIC to stipulate additional criteria that are appropriate within the framework of the operations, in order to encourage the Company's to complete its disbursement of claims settlements (100%) by the end of the period of relaxation.

## 2. Basis of preparation

**2.1** The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547, except for Thai Accounting Standard No. 12 "Income Taxes" which the Company has early adopted before the effective date, and in accordance with Thai accounting practices related to insurance, and the accounting and reporting guidelines prescribed by the Office of Insurance Commission ("OIC"). The presentation of the financial statements has been made in compliance with the Declaration of Insurance Commission dated 27 May 2010.

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.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

## 2.2 Basis of consolidation

(1) The consolidated financial statements include the financial statements of Thai Reinsurance Public Company Limited and its subsidiaries (hereinafter called "the Group") as follows:

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2013 %	2012 %
Thaire Life Assurance Plc.	Provision of life reinsurance	Thailand	50.83	100.00
Thaire Training Co., Ltd. (Formerly known as "TR Training and Consulting Co., Ltd.")	Provision of training and consulting services	Thailand	100.00	100.00
EMCS Thai Co., Ltd.	Provision of computer services in relation to motor losses	Thailand	69.00	69.00
Firstech Solutions Co., Ltd.	Discontinuing the operation since July 2012	Thailand	-	100.00
Thaire Services Co., Ltd.	Losses claim management services, marketing service and policy printing service	Thailand	100.00	100.00
TR Direct Insurance Broker Co., Ltd.	Discontinuing the operation since July 2012	Thailand	-	100.00
Thaire Life Assurance Broker Co., Ltd. (Formerly known as "TR Direct Life Assurance Broker Co., Ltd.")	Life insurance Broker	Thailand	100.00	100.00
Thaire Actuarial Consulting Co., Ltd. (Formerly known as "TR Actuarial and Consulting services Co., Ltd.")	Actuarial service	Thailand	100.00	100.00

The Company sold its investment in Thaire Life Assurance Pcl. to third parties as discussed in Note 11 to the financial statements.

TR Direct Insurance Broker Co., Ltd. and Firstech Solutions Co., Ltd. have been completed the dissolution and liquidation on 24 January 2013 and 15 March 2013, respectively.

(b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

(c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

(d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

(e) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit on loss and within equity in the consolidated statement of financial position.

**2.3** The separate financial statements, which present investments in subsidiaries and associate presented under the cost method, have been prepared solely for the benefit of the public.

### 3. New accounting standards

Below is a summary of accounting standards that became effective in the current accounting period and those that will become effective in the future.

#### 3.1 Accounting standards that became effective in the current accounting period

Accounting standards:	
TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
Financial Reporting Standard:	
TFRS 8	Operating Segments

Accounting Standard Interpretations:	
TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

#### Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements.

### 3.2 Accounting standards that will become effective in the future

Accounting Standards:		Effective date
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014

Financial Reporting Standards:		Effective date
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014

Accounting Standard Interpretations:		Effective date
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets – Web Site Costs	1 January 2014

Financial Reporting Standard Interpretations:		Effective date
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

The management of the Company has assessed the effect of the above accounting standard, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations and believes that they are not relevant to the business of the Company,

except TFRS 4 Insurance Contracts, for which the management is still evaluating the first-year impact to the financial statements and has yet to reach a conclusion.

#### 4. Significant accounting policies

##### 4.1 Revenue recognition

###### (a) Premium income

Reinsurance premium consists of reinsurance premium less premium of the canceled policy and premium refunded to the policyholders and adjust with unearned premium reserve.

Reinsurance premium consists of reinsurance premium less premium of the canceled policy and premium refunded to the policyholders and adjust with unearned premium reserve.

For long-term insurance policies which coverage periods of longer than 1 year, related revenues are recorded as advance received for premium, and recognised as income over the coverage period.

###### (b) Commission and brokerage fee income

Commission and brokerage fee income recorded as deferred income and recognise as income monthly in the same portion of recognise unearned premium reserve.

For long-term insurance policies which coverage periods of longer than 1 year, related commission and brokerage fee income are recorded as advance received for commission, and recognised as income over the coverage period.

###### (c) Interest income and dividends from investments

Interest income is recognised on an accrual basis based on the effective interest rate. Dividends are recognised when the right to receive the dividends is established.

###### (d) Gain (loss) on investment

Gain (loss) on investment is recognised as income or expense on the transaction date.

###### (e) Interest income on loan

Interest income on loan is recognised on an accrual basis, based on the amount of principal outstanding.

###### (f) Rendering of services

Services revenue is recognised when services have been rendered taking into account the stage of completion.

##### 4.2 Expenses recognition

###### (a) Ceded premium

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



**(b) Commission and brokerage fees expenses**

Commissions and brokerages fees expenses are recorded as deferred expense and recognise is expense monthly in the same portion of recognise unearned premium reserve.

**(c) Claims and losses adjustment expenses**

Claims and losses adjustment expenses consist of claims and losses adjustment expenses, and include the amounts of claims, related expenses, and loss adjustments of current and prior period incurred during the year, less residual value and others recoveries (if any) and claims refundable from reinsurers.

Claims and losses adjustment expenses of reinsurance are recognised as expenses when the reinsurer places the loss advice or the statement of accounts with the Company and estimates made by the Company's management. The maximum value of claims estimated is not however, to exceed the sum-insured under the relevant policy.

**4.3 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

**4.4 Premium receivables and allowance of doubtful accounts**

Premium receivable from reinsurance is stated at its net realisable value. The Company set up an allowance for doubtful accounts based on the estimated loss that may incur in collection of the premium receivables, on the basis of collection experiences, analysis of debtor aging and a review of current status of the premium receivables as at the end of reporting period.

**4.5 Reinsurance assets and due to reinsurers**

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

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

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

(b) Amounts due to reinsurers are stated at the outstanding balance payable from reinsurance, amounts withheld on reinsurance and deferred commissions and brokerages income.

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

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

(1) The 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 recognised in the statements of financial position, or to realise the asset at the same time as it pays the liability.

#### 4.6 Investments

(a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in equity, and will be recorded in profit or loss when the securities are sold.

(b) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income. The debt securities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity.

(c) Investments in non-marketable equity securities, which the Group classifies as other investments, are stated at cost net of allowance for loss on impairment (if any).

(d) Investment in associate is accounted for in the consolidated financial statements using the equity method.

(e) Investments in subsidiaries and associate are accounted for in the separate financial statements using the cost method.

The fair value of marketable security is based on the latest bid price of the last working day of the year. The fair value of debt instrument is determined based on yield rates quoted by the Thai Bond Market Association. The fair value of unit trust is determined from its net asset value.

The weighted average method is used for computation of the cost of investments.

In the event the Group reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### **4.7 Loans and allowance for doubtful accounts**

Loans are stated at net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of loans based on an evaluation of the current status of the debtors taking into consideration the recovery risk and the value of collateral.

#### **4.8 Property, buildings and equipment and depreciation**

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

Depreciation of buildings and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Buildings	- 20 years
Leasehold improvement	- 3 years, 10 years (over the period of lease)
Motor vehicles	- 5 years
Office equipment and furniture	- 5 years
Computer	- 3 years, 5 years

Depreciation is included in determining income.

No depreciation is provided on land and buildings under renovation.

An item of property, buildings and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### **4.9 Intangible assets**

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The recognised period and the recognised method of such intangible assets are reviewed at least at each financial year end. The recognised expense is charged to profit or loss.

The useful lives of intangible assets with finite useful lives which are computer software are expected to generate economic benefit within 5 years and 10 years.

#### 4.10 Related party transactions

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

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

#### 4.11 Loss reserve and outstanding claims

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

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

#### 4.12 Premium reserve

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

##### (a) Unearned premium reserve

Fire, motor and miscellaneous - Treaty	- Monthly average basis (the one-twenty fourth basis)
Fire and miscellaneous - Facultative	- Daily average basis (the one-three hundred and sixty fifth basis)
Marine and transportation with coverage period of not over six-months	- Net reinsurance premium written for the last three months
Travelling accident with coverage period of not over six-month	- 100% of reinsurance premium as from the date policy is effective

**(b) Unexpired risk reserve**

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

At the end of reporting period, the Group compares the amounts of unexpired risk reserve with unearned premium reserve, and if unexpired risk reserve is higher than unearned premium reserve, the difference is recognised as unexpired risk reserve in the financial statements.

**4.13 Long-term leases**

Leases of equipment, vehicle and computer software which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The equipment acquired under finance leases is depreciated over the useful life of the asset.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

**4.14 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

**4.15 Impairment of assets**

At the end of each reporting period, the Group performs impairment reviews in respect of property, buildings and equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable

amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

#### **4.16 Employee benefits**

##### **(a) Short-term employee benefits**

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### **(b) Post-employment benefits**

###### **Defined contribution plans**

The Group and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Group. The fund's assets are held in a separate trust fund and the Group's contributions are recognised as expenses when incurred.

###### **Defined benefit plans**

The Group has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Group treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

The defined benefits liability comprises the present value of the defined benefit obligation less recognised past service cost and recognised actuarial gains or losses.

For the first-time adoption of TAS 19 Employee Benefits in 2009, the Company elected to recognise the transitional liability as an expense on a straight-line basis over up to five years from the date of adoption.

#### 4.17 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### 4.18 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Group recognised deferred tax liabilities for all taxable temporary differences while it recognised deferred tax assets for all deductible temporary differences and tax losses carried forward 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 recognise.

At the end of each reporting period, the Group 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 recognise.

The Group records deferred tax directly to equity if the tax relates to items that are recorded directly to equity

### 5. Significant accounting judgments and estimates

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

#### Lease

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

**Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

**Impairment of investments in securities**

The Group treats available-for-sale equity investments and other investments as impaired when the management judges that 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 judgment.

**Property, buildings and equipment/Depreciation**

In calculating depreciation of buildings and equipment, the management is required to estimates of the useful lives and salvage values of the Group's building and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review property, buildings and equipment for impairment on a periodical basis and record impairment losses in the period 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.

**Intangible assets**

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset and to choose a suitable discount rate in order to calculate the present value of those cash flows.

**Deferred tax assets**

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be recognised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.



**Loss reserve and outstanding claims**

At the end of each reporting period, the Group has to estimate loss reserve and outstanding claims taking into account two factors. These are the claims incurred and reported, and the claims incurred but not yet reported (IBNR). The ultimate cost of outstanding claims is established using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Expected Loss Ratio methods.

The main assumptions underlying these techniques relate to historical experience, including the development of claims estimates, paid and incurred losses, average costs per claim and claim numbers, etc. To perform the calculation, it is necessary to perform analysis based on the type of insurance and to use the services of an actuary with expertise, experience, and an understanding of the insurance business and the Company's products.

Nevertheless, such estimates are forecasts of future outcomes, and actual results could differ.

In this regard, the OIC has allowed reserves for loss that has been incurred but not yet reported (IBNR) to be calculated and certified by the management of companies that have received permission from the OIC.

**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.

**Post-employment benefits under defined benefit plans**

The obligation under the defined benefit is 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.

**Litigation**

The Group has contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

## 6. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash on hand	99,500	78,500	35,000	35,000
Deposits at banks with no fixed maturity date	480,938,514	259,721,733	431,600,312	228,266,550
Deposits at banks with fixed maturity date and certificate of deposit	5,447,500,000	3,260,000,000	5,015,000,000	3,103,000,000
Total cash and deposits at financial institutions	5,928,538,014	3,519,800,233	5,446,635,312	3,331,301,550
Less: Deposits at banks which amounts maturing in over 3 months	(5,417,500,000)	(3,260,000,000)	(5,015,000,000)	(3,103,000,000)
<b>Cash and cash equivalents</b>	<b>511,038,014</b>	<b>259,800,233</b>	<b>431,635,312</b>	<b>228,301,550</b>

As at 31 December 2013, bank deposits in saving accounts, fixed deposits and notes of exchange carried interests between 0.50 and 4.00 percent per annum (2012: between 0.125 and 4.00 percent per annum).

## 7. Premium receivables

The balances as at 31 December 2013 and 2012 of premium receivables are classified by aging from the maturity date as specified in inward statements as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Not yet due	35,900,344	41,756,115	32,063,356	38,630,211
Not over 30 days	5,048,323	6,455,527	5,048,323	6,455,527
Over 30 days to 60 days	3,433,116	2,917,602	3,433,116	2,917,602
Over 60 days to 90 days	2,604,336	2,877,237	2,604,336	2,877,237
Over 90 days to 1 year	7,001,537	14,194,155	7,001,537	14,194,155
Over 1 year	11,837,853	8,790,515	11,837,853	8,790,515
Total premium receivables	65,825,509	76,991,151	61,988,521	73,865,247
Less: Allowance for doubtful accounts	(421,207)	(444,215)	(421,207)	(444,215)
<b>Total premium receivables, net</b>	<b>65,404,302</b>	<b>76,546,936</b>	<b>61,567,314</b>	<b>73,421,032</b>

## 8. Reinsurance assets

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Amounts deposit on reinsurance	585,568,635	456,307,236	513,723,056	374,404,874
Amounts due from reinsurers, net	2,247,278,682	1,292,458,107	2,021,402,723	1,177,986,018
Insurance reserve refundable from reinsurers	6,230,467,210	9,591,155,753	6,227,389,388	9,588,387,304
Deferred commissions and brokerages expenses	867,800,457	880,360,850	799,465,374	807,273,926
Reinsurance assets, net	9,931,114,984	12,220,281,946	9,561,980,541	11,948,052,122

Amount due from reinsurers and insurance reserve refundable from reinsurers as at 31 December 2013 include amount due from reinsurers and insurance reserve refundable from reinsurers from flooding loss amounting to Baht 5,155 million as described in Note 1.2 to the financial statements (2012: Baht 8,452 million).

The balances as at 31 December 2013 and 2012 of amounts due from reinsurers are classified by aging as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Not yet due	1,333,723,937	276,844,086	1,115,443,853	162,793,211
Not over 12 months	641,968,876	975,311,557	634,422,059	975,105,369
Over 1 year to 2 years	266,813,168	40,125,819	266,764,110	39,910,793
Over 2 years	7,881,395	3,319,354	7,881,395	3,319,354
Total amounts due from reinsurers	2,250,387,376	1,295,600,816	2,024,511,417	1,181,128,727
Less: Allowance for doubtful accounts	(3,108,694)	(3,142,709)	(3,108,694)	(3,142,709)
Total amounts due from reinsurers, net	2,247,278,682	1,292,458,107	2,021,402,723	1,177,986,018

## 9. Investments in securities

### 9.1 Available-for-sale investments

#### Consolidated financial statements

(Unit: Baht)

	2013				
	Cost	Unrealised gains	Unrealised losses	Fair value	Percentage of investments to total assets
<b>Private enterprises securities</b>					
Equity securities	386,901,711	88,712,069	(3,321,981)	472,291,799	1.68
Unit trusts	2,120,198,499	35,925,725	(172,331,337)	1,983,792,887	7.06
Total	2,507,100,210	124,637,794	(175,653,318)	2,456,084,686	8.74
Less: Allowance for impairment	(6,966)	-	-	(6,966)	0.00
Total available-for-sale investments	2,507,093,244	124,637,794	(175,653,318)	2,456,077,720	8.74

(Unit: Baht)

	2012				
	Cost	Unrealised gains	Unrealised losses	Fair value	Percentage of investments to total assets
<b>Private enterprises securities</b>					
Equity securities	396,638,919	93,648,464	(14,539,715)	475,747,668	1.41
Unit trusts	1,906,199,906	68,876,630	(61,175,161)	1,913,901,375	5.69
Total	2,302,838,825	162,525,094	(75,714,876)	2,389,649,043	7.10
Less: Allowance for impairment	(6,966)	-	-	(6,966)	0.00
Total available-for-sale investments	2,302,831,859	162,525,094	(75,714,876)	2,389,642,077	7.10

## Separate financial statements

(Unit: Baht)

	2013				
	Cost	Unrealised gains	Unrealised losses	Fair value	Percentage of investments to total assets
<b>Private enterprises securities</b>					
Equity securities	347,685,594	40,069,079	(3,321,981)	384,432,692	1.45
Unit trusts	1,775,524,457	25,526,905	(142,961,430)	1,658,089,932	6.26
Total	2,123,210,051	65,595,984	(146,283,411)	2,042,522,624	7.71
Less: Allowance for impairment	(6,966)	-	-	(6,966)	0.00
<b>Total available-for-sale investments</b>	<b>2,123,203,085</b>	<b>65,595,984</b>	<b>(146,283,411)</b>	<b>2,042,515,658</b>	<b>7.71</b>

(Unit: Baht)

	2012				
	Cost	Unrealised gains	Unrealised losses	Fair value	Percentage of investments to total assets
<b>Private enterprises securities</b>					
Equity securities	365,246,008	62,052,011	(14,539,715)	412,758,304	1.26
Unit trusts	1,674,464,765	50,968,344	(47,961,172)	1,677,471,937	5.13
Total	2,039,710,773	113,020,355	(62,500,887)	2,090,230,241	6.39
Less: Allowance for impairment	(6,966)	-	-	(6,966)	0.00
<b>Total available-for-sale investments</b>	<b>2,039,703,807</b>	<b>113,020,355</b>	<b>(62,500,887)</b>	<b>2,090,223,275</b>	<b>6.39</b>

## 9.2 Held-to-maturity investments

## Consolidated financial statements

(Unit: Baht)

	2013		2012	
	Cost/ Amortised cost	Percentage of investments to total assets	Cost/ Amortised cost	Percentage of investments to total assets
<b>Government and state enterprise securities</b>				
Thai government bonds	6,253,659,984	22.26	12,492,626,386	37.13
State enterprise bonds	457,045,187	1.63	338,455,003	1.01
Treasury bills	-	-	69,883,981	0.21
Debenture	21,500,000	0.08	1,500,000	0.00
Total	6,732,205,171	23.97	12,902,465,370	38.35
<b>Deposit at financial institutions which amounts maturing in over 3 months</b>				
Deposits at banks	5,417,500,000	19.29	3,260,000,000	9.69
Total	5,417,500,000	19.29	3,260,000,000	9.69
<b>Total held-to-maturity investments</b>	<b>12,149,705,171</b>	<b>43.26</b>	<b>16,162,465,370</b>	<b>48.04</b>

## Separate financial statements

(Unit: Baht)

	2013		2012	
	Cost/ Amortised cost	Percentage of investments to total assets	Cost/ Amortised cost	Percentage of investments to total assets
<b>Government and state enterprise securities</b>				
Thai government bonds	5,895,676,873	22.24	11,977,188,683	36.66
State enterprise bonds	364,045,187	1.37	265,455,003	0.81
Treasury bills	-	-	69,883,981	0.21
Total	6,259,722,060	23.61	12,312,527,667	37.68
<b>Deposit at financial institutions which amounts maturing in over 3 months</b>				
Deposits at banks	5,015,000,000	18.92	3,103,000,000	9.50
Total	5,015,000,000	18.92	3,103,000,000	9.50
<b>Total held-to-maturity investments</b>	<b>11,274,722,060</b>	<b>42.53</b>	<b>15,415,527,667</b>	<b>47.18</b>

## 9.3 Other investments

## Consolidated financial statements

(Unit: Baht)

	2013		2012	
	Cost	Percentage of investments to total assets	Cost	Percentage of investments to total assets
Investments in non-listed companies in Thailand	7,476,110	0.03	7,476,110	0.02
<b>Total other investments</b>	<b>7,476,110</b>	<b>0.03</b>	<b>7,476,110</b>	<b>0.02</b>

## Separate financial statements

(Unit: Baht)

	2013		2012	
	Cost	Percentage of investments to total assets	Cost	Percentage of investments to total assets
Investments in non-listed companies in Thailand	5,370,390	0.02	5,370,390	0.02
<b>Total other investments</b>	<b>5,370,390</b>	<b>0.02</b>	<b>5,370,390</b>	<b>0.02</b>

## 9.4 Maturity of debt securities

## Consolidated financial statements

(Unit: Baht)

	2013			
	Period to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years	
<b>Held-to-maturity investments</b>				
<b>Government and state enterprise securities</b>				
Thai government bonds	3,441,929,225	2,219,894,919	591,835,840	6,253,659,984
State enterprise bonds	63,252,787	343,241,522	50,550,878	457,045,187
Debenture	1,500,000	-	20,000,000	21,500,000
<b>Total</b>	<b>3,506,682,012</b>	<b>2,563,136,441</b>	<b>662,386,718</b>	<b>6,732,205,171</b>
<b>Deposit at financial institutions with amounts maturing in over 3 months</b>				
Deposits at banks	5,042,500,000	375,000,000	-	5,417,500,000
<b>Total</b>	<b>5,042,500,000</b>	<b>375,000,000</b>	<b>-</b>	<b>5,417,500,000</b>
<b>Total held-to-maturity investments</b>	<b>8,549,182,012</b>	<b>2,938,136,441</b>	<b>662,386,718</b>	<b>12,149,705,171</b>

(Unit: Baht)

	2012			
	Period to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years	
<b>Held-to-maturity investments</b>				
<b>Government and state enterprise securities</b>				
Thai government bonds	9,935,496,877	2,436,128,203	121,001,306	12,492,626,386
State enterprise bonds	30,000,000	308,455,003	-	338,455,003
Treasury bills	69,883,981	-	-	69,883,981
Debenture	-	1,500,000	-	1,500,000
Total	10,035,380,858	2,746,083,206	121,001,306	12,902,465,370
<b>Deposit at financial institutions with amounts maturing in over 3 months</b>				
Deposits at banks	2,663,000,000	597,000,000	-	3,260,000,000
Total	2,663,000,000	597,000,000	-	3,260,000,000
<b>Total held-to-maturity investments</b>	<b>12,698,380,858</b>	<b>3,343,083,206</b>	<b>121,001,306</b>	<b>16,162,465,370</b>

## Separate financial statements

(Unit: Baht)

	2013			
	Period to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years	
<b>Held-to-maturity investments</b>				
<b>Government and state enterprise securities</b>				
Thai government bonds	3,360,746,451	2,049,572,251	485,358,171	5,895,676,873
State enterprise bonds	63,252,787	250,241,522	50,550,878	364,045,187
Total	3,423,999,238	2,299,813,773	535,909,049	6,259,722,060
<b>Deposit at financial institutions with amounts maturing in over 3 months</b>				
Deposits at banks	4,735,000,000	280,000,000	-	5,015,000,000
Total	4,735,000,000	280,000,000	-	5,015,000,000
<b>Total held-to-maturity investments</b>	<b>8,158,999,238</b>	<b>2,579,813,773</b>	<b>535,909,049</b>	<b>11,274,722,060</b>



(Unit: Baht)

	2012			
	Period to maturity			Total
	Within 1 year	1 - 5 years	Over 5 years	
<b>Held-to-maturity investments</b>				
<b>Government and state enterprise securities</b>				
Thai government bonds	9,643,335,585	2,253,853,098	80,000,000	11,977,188,683
State enterprise bonds	-	265,455,003	-	265,455,003
Treasury bills	69,883,981	-	-	69,883,981
Total	9,713,219,566	2,519,308,101	80,000,000	12,312,527,667
<b>Deposit at financial institutions with amounts maturing in over 3 months</b>				
Deposits at banks	2,554,000,000	549,000,000	-	3,103,000,000
Total	2,554,000,000	549,000,000	-	3,103,000,000
<b>Total held-to-maturity investments</b>	<b>12,267,219,566</b>	<b>3,068,308,101</b>	<b>80,000,000</b>	<b>15,415,527,667</b>

As at 31 December 2013, government bonds totaling Baht 262 million have been placed as a security in the normal course of the Company's business.

The Group pledged its securities with the Registrar as discussed in Notes 29 and 30 to the financial statements.

#### 10. Loans and accrued interest

The ending balances of loans and accrued interest as at 31 December 2013 and 2012 consist of loans provided to employees in accordance with employee benefit plans. Interest is charged on the loans at rates of 0.01% to MLR per annum, in accordance with the rates announced by financial institution, depending on the type of investment. The full balance is classified as not yet due and no interest was accrued as of the reporting date. The loans are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Collateralised loans</b>				
Principle	29,536,264	23,732,256	29,536,264	23,732,256
<b>Personal guarantee loans</b>				
Principle	364,669	229,758	364,669	229,758
<b>Total loans</b>	<b>29,900,933</b>	<b>23,962,014</b>	<b>29,900,933</b>	<b>23,962,014</b>

## 11. Investments in subsidiaries

Company’s name	Nature of business	Country of incorporation	Paid-up capital		Percentage holding	
			2013	2012	2013	2012
			Thousand Baht	Thousand Baht	%	%
Investment in subsidiaries directly held by the Company						
Thaire Life Assurance Plc.	Provision of life reinsurance	Thailand	600,000	500,000	50.83	100.00
Thaire Training Co., Ltd. (Formerly known as “TR Training and Consulting Co., Ltd.”)	Provision of training and consulting services	Thailand	500	500	100.00	100.00
EMCS Thai Co., Ltd.	Provision of computer services in relation to motor losses	Thailand	30,000	30,000	49.00	49.00
Firstech Solutions Co., Ltd.	Discontinuing the operation since July 2012	Thailand	-	65,000	-	100.00
Thaire Services Co., Ltd.	Losses claim management services, marketing service and policy printing service	Thailand	60,000	60,000	100.00	100.00
Investment in subsidiary held through Thaire Life Assurance Plc.						
EMCS Thai Co., Ltd.	Provision of computer services in relation to motor losses	Thailand	30,000	30,000	20.00	20.00
Investments in subsidiaries held through Thaire Services Co., Ltd.						
TR Direct Insurance Broker Co., Ltd.	Discontinuing the operation since July 2012	Thailand	-	2,000	-	100.00
Thaire Life Assurance Broker Co., Ltd. (Formerly known as “TR Direct Life Assurance Broker Co., Ltd.”)	Life Assurance Broker	Thailand	2,000	2,000	100.00	100.00
Thaire Actuarial Consulting Co.,Ltd. (Formerly known as “TR Actuarial and Consulting services Co., Ltd.”)	Insurance actuarial service training and consulting Service	Thailand	2,000	2,000	100.00	100.00

(Unit: Thousand Baht)

Company's name	Separate financial statements							
	Cost		Allowance for impairment loss		Carrying amount based cost method		Dividend received for the years ended	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Subsidiaries</b>								
Thaire Life Assurance Plc.	305,000	500,000	-	-	305,000	500,000	161,000	310,000
Thaire Training Co., Ltd. (Formerly known as "TR Training and Consulting Co., Ltd.")	500	500	-	-	500	500	3,500	5,500
EMCS Thai Co., Ltd.	14,700	14,700	-	-	14,700	14,700	2,940	16,170
Firstech Solutions Co., Ltd.	-	54,999	-	(54,999)	-	-	-	-
Thaire Services Co., Ltd.	60,000	60,000	-	-	60,000	60,000	10,800	-
	380,200	630,199	-	(54,999)	380,200	575,200	178,240	331,670

On 19 July 2013, the Extraordinary General Meeting of the shareholders of a subsidiary (Thaire Life Assurance Public Company Limited) passed the following resolutions:

- Approved the allocation of up to 90,000,000 newly issued ordinary shares with a par value of Baht 1 each to the subsidiary's existing shareholders, at a price of Baht 1 per share. The Company purchased all of the additional ordinary shares and made payment for the shares on 14 August 2013. The subsidiary registered the increase of its capital with the Ministry of Commerce on 15 August 2013.

- Approved to allocate up to 10,000,000 newly issued ordinary shares of the subsidiary and residual shares remaining after the allocation to the existing the subsidiary's shareholders (if any), at a par value of Baht 1 each, to initial public offering in accordance with the Notification of the Capital Market Supervisory Board No. TorChor. 28/2551 concerning Application for and Approval of Offer for Sale of Newly Issued Shares dated 15 December 2008. On 30 September 2013, the Company made an initial public offering of 10,000,000 ordinary shares at a price of Baht 9.5 per share. Total proceeds from the initial public offering were Baht 89.8 million (net of related expenses incurred in making the offering amounting to Baht 5.2 million). The subsidiary registered the paid-up share capital with the Ministry of Commerce on 3 October 2013.

On 30 September 2013, the Company sold ordinary shares of 285 million shares in a subsidiary (Thaire Life Assurance Public Company Limited) to a third party at a price of Baht 9.5 per share, or for a total of Baht 2,174.6 million (net of related expenses incurred in making the offering, amounting to Baht 60.4 million and corporate income tax amounting to Baht 472.5 million). As a result, the Company's shareholding decreased from 100% to 51.7% and Thaire Life Assurance Public Company Limited remains a subsidiary of the Company. In addition, Thaire Life Assurance Public Company Limited made an initial public offering of 10,000,000 ordinary shares. As a result, the Company's shareholding decreased to 50.8%. The Company recorded the change in the parent's ownership interest in the subsidiary without a loss of control, amounting to Baht 1,703 million, under surplus from change in percentage of shareholding of subsidiary in the consolidated financial statements (presented Baht 2,362.1 million as gain on investment in the separate financial statements).

## 12. Investment in associate

### 12.1 Detail of investment in associate

Company's name	Nature of business	Country of incorporation	Paid-up capital		Percentage holding	
			2013 Thousand Baht	2012 Thousand Baht	2013 %	2012 %
Thai Insurer Datanet Co., Ltd.	Provision of computer services	Thailand	10,000	10,000	24.49	24.49

(Unit: Thousand Baht)

Company's name	Cost		Separate financial statements		Consolidated financial statements	
			Carrying amount based on cost method		Carrying amount based on cost method	
	2013	2012	2013	2012	2013	2012
Thai Insurer Datanet Co., Ltd.	2,592	2,592	2,592	2,592	3,803	3,647

### 12.2 Share of income and dividend received

(Unit: Thousand Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of income for the years ended 31 December		Dividend received during the years ended 31 December	
	2013	2012	2013	2012
Thai Insurer Datanet Co., Ltd.	279	438	122	-

### 12.3 Summarised financial information of associate

(Unit: Million Baht)

Company's name	Total assets as at 31 December		Total liabilities as at 31 December		Total revenues for the years ended 31 December		Profit for the years ended 31 December	
	2013	2012	2013	2012	2013	2012	2013	2012
Thai Insurer Datanet Co., Ltd.	18.6	21.6	3.1	7.8	43.8	62.0	2.3	0.7

As at 31 December 2013, the value of the Company's investment in an associate was determined under the equity method on the basis of financial information for recording in the Company's consolidated financial statements provided by the associate's management. This was unaudited/unreviewed by its external auditor since, due to time constraints; the associate's management was unable to arrange for its financial statements to be audited/reviewed.

The Company received 2012 financial statements of Thai Insurer Datanet Company Limited which was audited by associated company' auditor per report dated 27 March 2013. There was not significant difference from the financial information provided by the associate's management.

## 13. Property, building and equipment

## Consolidated financial statements

(Unit: Baht)

	Land	Buildings	Leasehold improve ment	Motor vehicles	Office equipment and furniture	Computer	Building under renovation	Total
<b>Cost</b>								
1 January 2012	72,464,000	55,128,006	26,862,871	21,820,463	31,254,696	55,900,566	44,654,452	308,085,054
Additions	-	603,470	-	6,960,191	1,911,259	4,970,972	32,508,646	46,954,538
Disposals	-	-	-	(3,956,550)	(78,190)	(15,818,477)	-	(19,853,217)
Transfers in / (out)	-	50,990,558	-	-	26,172,540	-	(77,163,098)	-
31 December 2012	72,464,000	106,722,034	26,862,871	24,824,104	59,260,305	45,053,061	-	335,186,375
Additions	22,643,416	10,273,371	40,760	1,111,215	3,892,638	4,941,825	-	42,903,225
Disposals	-	-	(26,068,584)	-	(5,105,651)	(812,843)	-	(31,987,078)
31 December 2013	95,107,416	116,995,405	835,047	25,935,319	58,047,292	49,182,043	-	346,102,522
<b>Accumulated depreciation</b>								
1 January 2012	-	5,327,978	24,290,644	10,627,841	25,474,657	44,262,776	-	109,983,896
Depreciation for the year	-	3,043,805	573,174	3,781,198	2,642,605	7,210,174	-	17,250,956
Depreciation for the disposals	-	-	-	(833,422)	(53,226)	(14,644,481)	-	(15,531,129)
31 December 2012	-	8,371,783	24,863,818	13,575,617	28,064,036	36,828,469	-	111,703,723
Depreciation for the year	-	5,362,085	325,760	3,289,931	7,856,929	4,531,566	-	21,366,271
Depreciation for the disposals	-	-	(24,790,566)	-	(5,025,613)	(776,815)	-	(30,592,994)
31 December 2013	-	13,733,868	399,012	16,865,548	30,895,352	40,583,220	-	102,477,000
<b>Net book value</b>								
31 December 2012	72,464,000	98,350,251	1,999,053	11,248,487	31,196,269	8,224,592	-	223,482,652
31 December 2013	95,107,416	103,261,537	436,035	9,069,771	27,151,940	8,598,823	-	243,625,522
<b>Depreciation for the year:</b>								
<b>2012</b>								<b>17,250,956</b>
<b>2013</b>								<b>21,366,271</b>

On 31 December 2013 and 2012, land and buildings thereon of a subsidiary with net book values totaling Baht 36.9 million and Baht 37.7 million respectively, were mortgaged with financial institution to secure credit facilities granted by these financial institution, as discussed in Note 19 to the financial statements.

## Separate financial statements

(Unit: Baht)

	Land	Buildings	Leasehold improve ment	Motor vehicles	Office equipment and furniture	Computer	Building under renovation	Total
<b>Cost</b>								
1 January 2012	36,624,000	-	26,064,584	20,634,482	19,424,021	32,563,891	44,654,452	179,965,430
Additions	-	274,609	-	3,951,585	1,502,386	2,560,192	32,508,646	40,797,418
Disposals	-	-	-	(3,956,550)	(67,271)	(15,269,844)	-	(19,293,665)
Transfer in (out)	-	50,990,558	-	-	26,172,540	-	(77,163,098)	-
31 December 2012	36,624,000	51,265,167	26,064,584	20,629,517	47,031,676	19,854,239	-	201,469,183
Additions	-	86,200	-	-	2,849,546	1,942,528	-	4,878,274
Disposals	-	-	(26,064,584)	-	(5,060,250)	(32,500)	-	(31,157,334)
31 December 2013	36,624,000	51,351,367	-	20,629,517	44,820,972	21,764,267	-	175,190,123
<b>Accumulated depreciation</b>								
1 January 2012	-	-	24,051,706	10,356,851	19,019,908	27,821,622	-	81,250,087
Depreciation for the year	-	270,422	493,349	3,246,430	775,137	3,761,087	-	8,546,425
Depreciation for the disposals	-	-	-	(833,422)	(48,542)	(14,400,305)	-	(15,282,269)
31 December 2012	-	270,422	24,545,055	12,769,859	19,746,503	17,182,404	-	74,514,243
Depreciation for the year	-	2,565,900	243,732	2,273,220	6,003,534	1,764,144	-	12,850,530
Depreciation for the disposals	-	-	(24,788,787)	-	(4,982,923)	(13,111)	-	(29,784,821)
31 December 2013	-	2,836,322	-	15,043,079	20,767,114	18,933,437	-	57,579,952
<b>Net book value</b>								
31 December 2012	36,624,000	50,994,745	1,519,529	7,859,658	27,285,173	2,671,835	-	126,954,940
31 December 2013	36,624,000	48,515,045	-	5,586,438	24,053,858	2,830,830	-	117,610,171
<b>Depreciation for the year:</b>								
<b>2012</b>								<b>8,546,425</b>
<b>2013</b>								<b>12,850,530</b>

As at 31 December 2013, certain equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to Baht 61.3 million (the Company only: Baht 39.8 million (2012: the Group: Baht 82.5 million and the Company only: Baht 64.8 million)).

## 14. Intangible asset – software

(Unit: Baht)

	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
1 January 2012	69,705,341	43,228,372
Addition	3,066,930	3,734,132
Disposal	(1,522,482)	(1,502,152)
31 December 2012	71,249,789	45,460,352
Addition	3,211,887	3,562,621
Disposal	(2,000,000)	-
31 December 2013	72,461,676	49,022,973
<b>Accumulated amortisation</b>		
1 January 2012	54,426,678	38,082,455
Amortisation	3,482,496	1,848,910
Amortisation for the disposal	(1,417,984)	(1,413,384)
31 December 2012	56,491,190	38,517,981
Amortisation	2,990,332	2,014,751
31 December 2013	59,481,522	40,532,732
<b>Net book value</b>		
31 December 2012	14,758,599	6,942,371
31 December 2013	12,980,154	8,490,241
<b>Amortisation for the year</b>	<b>2,990,332</b>	<b>2,014,751</b>

As at 31 December 2013 and 2012, certain software have been fully amortised but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to Baht 43.3 million and Baht 40 million, respectively.

## 15. Due to reinsurers

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Outward premium payables	7,281,408	13,264,392	7,255,863	9,084,257
Deferred commission and fee revenue	36,471,488	62,829,098	36,417,973	62,794,351
Amounts withheld on reinsurance	16,773,423	56,927,034	16,773,423	56,927,034
Other reinsurance payables	1,478,026,740	941,842,863	1,308,128,973	766,855,407
<b>Total due to reinsurers</b>	<b>1,538,553,059</b>	<b>1,074,863,387</b>	<b>1,368,576,232</b>	<b>895,661,049</b>

## 16. Loss reserves and outstanding claims

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Beginning balance	18,315,460,108	14,737,508,751	18,290,346,125	14,724,211,837
Claims and loss adjustment expenses for the year	10,226,725,753	12,466,462,180	9,722,580,890	12,086,566,048
Claims and loss adjustment expenses paid during the year	(14,793,961,066)	(8,888,510,823)	(14,309,114,767)	(8,520,431,760)
<b>Ending balance</b>	<b>13,748,224,795</b>	<b>18,315,460,108</b>	<b>13,703,812,248</b>	<b>18,290,346,125</b>

Loss reserves and outstanding claims as at 31 December 2013 includes loss reserves and outstanding claims from flooding claim amounting to Baht 11,675 million as discussed in Note 1.2 to the financial statements (2012: Baht 15,951 million).



## 17. Premium reserve

### 17.1 Unearned premium reserve

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Beginning balance	2,383,120,110	2,834,690,625	2,016,511,686	2,554,191,713
Premium written for the year	5,918,320,771	6,260,502,536	4,530,464,816	5,115,554,474
Premium earned for the current year	(5,957,991,491)	(6,712,073,051)	(4,598,957,068)	(5,653,234,501)
Ending balance	2,343,449,390	2,383,120,110	1,948,019,434	2,016,511,686

### 17.2 Unexpired risk reserve

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Beginning balance	1,109,648,560	1,169,685,943	975,847,151	1,086,845,961
Estimated claims for the year	2,966,940,419	2,763,246,990	2,547,504,350	2,476,746,118
Risk expired during the year	(2,883,755,414)	(2,823,284,373)	(2,455,432,649)	(2,587,744,928)
Ending balance	1,192,833,565	1,109,648,560	1,067,918,852	975,847,151

## 18. Employee benefit obligations

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Short-term employee benefit	4,000	66	-	-
Long-term employee benefit	35,869	31,863	23,231	15,622
Employee benefit obligations	39,869	31,929	23,231	15,622

The movements in the present value of reserve for retirement benefit as at 31 December 2013 and 2012 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Present value of obligation at the beginning of the year	36,555	29,701	18,657	19,640
Current service cost	1,261	2,214	673	666
Current interest cost	1,618	1,534	1,052	805
Actuarial (gains) losses	(3,565)	3,106	2,849	(2,454)
Present value of obligation at the end of the year	35,869	36,555	23,231	18,657
Present value of unrecognised obligations	-	(4,692)	-	(3,035)
Present value of obligation with recognised at the end of year	35,869	31,863	23,231	15,622

Reserves for retirement benefit expense which recognised in the years ended 31 December 2013 and 2012 consist of:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Current service cost	1,261	2,214	673	666
Interest cost	1,168	1,534	1,052	805
Actuarial (gains) losses recognised during the year	(3,565)	3,106	2,849	(2,454)
Retirement benefit expenses	(686)	6,854	4,574	(983)
Present value of unrecognised obligation recognised during the year	4,692	4,700	3,036	3,036
Total expenses recognised in profit or loss	4,006	11,554	7,610	2,053

The main assumption which used for calculation the defined benefit plan was summarised below:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Discount rate	4.8%	4.5%	4.8%	4.5%
Average of salary increasing rate	8.0%	8.2%	8.0%	8.2%
Employee turnover rate	5.7% - 26.2%	5.9% - 25.7%	5.7% - 26.2%	5.9% - 25.7%

Amounts of defined benefit obligation and experience adjustments on the obligation for the current and previous period are as follows:

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2013	35,869	23,231	997	1,037
Year 2012	31,863	15,622	1,649	(3,873)
Year 2011	20,309	13,569	2,105	2,432
Year 2010	10,849	6,788	1,690	1,367

Due to time constraints and readiness of its associate, the associate still has not been adopted Thai Accounting Standard No. 19 "Employee Benefits", However, the Group believes that there will not have any significant impact on the consolidated financial statements from excluding the standard of its associate.

### 19. Bank overdraft with financial institution

A subsidiary was granted an overdraft facility by a financial institution with interest at rate MOR, which is secured by the mortgage of the land and buildings of the subsidiary, as discussed in Note 13 to the financial statements.

### 20. Income Tax

Corporate income taxes of the Company for the year ended 31 December 2013 have been calculated on taxable income at rates of 20% (2012: 23%) after adding back provisions and certain expenses which are disallowed for tax computation purposes, deducting dividends exempted from income tax and adjusting deferred tax expenses.

Corporate income taxes of its subsidiaries for the years ended 31 December 2013 have been calculated at the rates of 15-20% (2012: 15-23%) on income before income tax, after adding back provisions and certain expenses which are not deductible for tax computation purposes, deducting dividends exempted from income tax, and adjusting deferred tax expenses.

Income tax expenses for the years ended 31 December 2013 and 2012 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Current income tax:</b>				
Current income tax charge	104,890	94,380	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(362,857)	(1,370,224)	(362,659)	(1,351,161)
Effects of changes in the applicable tax rates	-	279,400	-	275,706
Relating to surplus from change in percentage of shareholding in subsidiary	(472,418)	-	-	-
<b>Income tax revenue reported in the statement of income</b>	<b>(730,385)</b>	<b>(996,444)</b>	<b>(362,659)</b>	<b>(1,075,455)</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Deferred tax relating to gains (losses) on changes in values of available-for-sale investments	(27,565)	35,458	(26,241)	26,685
Effects of changes in the applicable tax rates	-	(2,604)	-	(1,516)
changes in the applicable tax rates	(27,565)	32,854	(26,241)	25,169

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Accounting losses before tax	(3,484,022)	(5,337,358)	(1,478,410)	(5,344,311)
Applicable tax rate	15 - 20%	15 - 23%	20%	23%
Accounting losses before tax multiplied by applicable tax rate	(660,472)	(1,148,043)	(295,682)	(1,229,192)
Effects of changes in the applicable tax rates	-	279,400	-	275,706
Effects of non-deductable expense and revenue	(69,913)	(127,801)	(66,977)	(121,969)
Income tax revenue reported in the statement of income	(730,385)	(996,444)	(362,659)	(1,075,455)

Components of deferred income tax presented in financial statements as at 31 December 2013 and 2012 are as follows:

### Consolidated financial statements

(Unit: Thousand Baht)

	Statements of financial position		Statements of income	
	2013	2012	2013	2012
<b>Deferred tax assets</b>				
Loss reserves	1,524,125	1,767,284	(243,159)	850,435
Unearned premium reserve	26,148	4,767	21,381	4,767
Commission payable from reinsurance	31,737	38,599	(6,862)	13,116
Deferred commission and fee income	7,294	12,566	(5,272)	(40,196)
Loss brought forward	797,308	222,426	574,882	220,672
Unrealised losses from changes in values of investments - available-for-sale investment	16,229	-	-	-
Allowance for doubtful accounts	784	781	3	(22)
Others	12,775	8,656	4,119	(11,261)
<b>Total</b>	<b>2,416,400</b>	<b>2,055,079</b>	<b>345,092</b>	<b>1,037,511</b>
<b>Deferred tax liabilities</b>				
Unrealised gains from changes in values of investments - available-for-sale investment	6,026	17,362	-	-
Deferred commission and brokerage expense	173,560	176,072	(2,512)	(63,121)
Others	1,118	16,621	(15,503)	9,808
<b>Total</b>	<b>180,704</b>	<b>210,055</b>	<b>(18,015)</b>	<b>(53,313)</b>
<b>Deferred tax assets-net</b>	<b>2,235,696</b>	<b>1,845,024</b>		

## Separate financial statements

(Unit: Thousand Baht)

	Statements of financial position		Statements of income	
	2013	2012	2013	2012
<b>Deferred tax assets</b>				
Loss reserves	1,515,243	1,762,261	(247,018)	848,471
Unearned premium reserve	26,148	4,767	21,381	4,767
Commission payable from reinsurance	6,271	8,575	(2,304)	(1,380)
Deferred commission and fee income	7,284	12,559	(5,275)	(40,190)
Loss brought forward	797,291	222,426	574,865	222,426
Unrealised losses from changes in values of investments - available-for-sale investments	16,137	-	-	-
Allowance for doubtful accounts	706	717	(11)	(7)
Others	7,716	3,126	4,590	(12,646)
<b>Total</b>	<b>2,376,796</b>	<b>2,014,431</b>	<b>346,228</b>	<b>1,021,441</b>
<b>Deferred tax liabilities</b>				
Unrealised gains from changes in values of investments - available-for-sale investments	-	10,104	-	-
Deferred commission and brokerage expense	159,893	161,455	(1,562)	(63,900)
Others	64	14,934	(14,870)	9,886
<b>Total</b>	<b>159,957</b>	<b>186,493</b>	<b>(16,432)</b>	<b>(54,014)</b>
<b>Deferred tax assets-net</b>	<b>2,216,839</b>	<b>1,827,938</b>		

## 21. Share Capital

On 6 February 2012, the Extraordinary General Meeting of Shareholders No. 1/2012 approved the increase of the Company's registered capital by Baht 2,325,139,920 from Baht 1,187,354,940 to Baht 3,512,494,860 by issuing 2,325,139,920 newly issued ordinary shares of the Company at the par value of Baht 1 per share by allocation of the Company's newly issued ordinary shares in the number of not more than 2,325,139,920 shares, at the par value of Baht 1 per share, to the following persons:

1) To allocate up to 1,583,139,920 newly issued ordinary shares of the Company, at the par value of Baht 1 per share, to the Company's existing shareholders prorata to their shareholding (Rights Offering), at the price of Baht 3 per share, at the ratio of 0.75 existing shares for 1 newly issued ordinary share, whereby any fraction of newly issued ordinary shares shall be

rounded down. If there are shares outstanding from the first allocation to the shareholders according to their rights offering, the Company will re-allocate such remaining shares to the shareholders who express their intention to subscribe to newly issued ordinary shares in excess of their proportion according to their rights offering, until all the newly issued ordinary shares have been sold out or there is only a fraction of share that can not be allocated by the Company or no shareholders express their intention to subscribe to such newly issued ordinary shares. In addition, it was scheduled that 15 February 2012 is the date of determining the names of shareholders who will be entitled to subscribe to and be allocated with newly issued ordinary shares (Record Date), and that the date of gathering of the names of shareholders under Section 225 of the Securities and Exchange Act B.E. 2535 (as amended) by closing the share register book and suspension of share transfer will be on 16 February 2012. If there are shares outstanding from the allocation to the shareholder according to their rights offering as stated in 1), the Company will offer such outstanding shares to specific persons under a private placement scheme, together with the shares to be allocated by the Company to the private placement, as will be stated in 2) below.

2) To allocate up to 742,000,000 newly issued shares of the Company, at the par value of Baht 1 per share, to specific persons under the private placement scheme, and to authorise the Company's Chairman, Vice-Chairman, and Chief Executive Officer to jointly determine the offering price of such newly issued ordinary shares which will not be lower than the offering price of the Company's ordinary shares offered to existing shareholders of the Company according to their right (Rights Offering), as stated in 1).

The Company registered the increase in its share capital with the Ministry of Commerce on 19 March 2012. In addition, the Office of Insurance Commission ("OIC") considered the passed resolutions at a meeting on 20 January 2012 and resolved to allow foreigners to hold up to 49% of the voting shares of the Company that have been sold. (the OIC's letter dated 21 February 2012).

## 22. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company and a subsidiary are required to set aside a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

Under Section 1202 of the Civil and Commercial Code, the subsidiaries are required to set aside a statutory reserve equal to at least 5% of its net income each time the subsidiaries pays



out a dividend, until such reserve reaches 10% of the subsidiaries' registered share capital. The statutory reserve could not use to offset with deficit and could not use for dividend payment.

During 2013, the subsidiaries approved to allocate retained earnings to statutory reserve amounting to Baht 11.5 million (2012: Baht 0.2 million).

### 23. Underwriting information reported by insurance categories

#### Consolidated financial statements

Underwriting information classified by insurance categories for the year ended 31 December 2013 is as follows:

(Unit: Baht)

	Traditional products - non participating dividend	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
<b>Underwriting income</b>							
Premium written	1,148,030,596	372,537,165	106,584,035	364,760,994	1,183,892,276	2,742,515,705	5,918,320,771
Less: Premium ceded	(14,264,708)	(109,010,419)	(26,325,370)	(138,915)	(117,740,522)	(101,240,775)	(368,720,709)
Net premium written	1,133,765,888	263,526,746	80,258,665	364,622,079	1,066,151,754	2,641,274,930	5,549,600,062
Add (less): Unearned premium reserve	(14,262,386)	68,399,226	10,809,617	(24,045,183)	(59,041,111)	(9,991,645)	(28,131,482)
Earned premium	1,119,503,502	331,925,972	91,068,282	340,576,896	1,007,110,643	2,631,283,285	5,521,468,580
Fee and commission income	4,319,178	30,236,138	6,221,879	(11,479)	43,806,708	30,154,977	114,727,401
<b>Total underwriting income</b>	<b>1,123,822,680</b>	<b>362,162,110</b>	<b>97,290,161</b>	<b>340,565,417</b>	<b>1,050,917,351</b>	<b>2,661,438,262</b>	<b>5,636,195,981</b>
<b>Underwriting expenses</b>							
Claims and losses							
adjustment expenses	376,700,655	4,896,742,523	82,552,804	180,876,870	533,392,303	1,446,887,734	7,517,152,889
Commission and brokerage expenses	314,107,929	174,641,771	42,317,319	105,434,753	414,117,938	1,154,966,708	2,205,586,418
Other underwriting expenses	9,343,686	2,871,107	685,814	2,568,066	25,106,235	30,403,213	70,978,121
<b>Total underwriting expenses</b>	<b>700,152,270</b>	<b>5,074,255,401</b>	<b>125,555,937</b>	<b>288,879,689</b>	<b>972,616,476</b>	<b>2,632,257,655</b>	<b>9,793,717,428</b>

Underwriting information classified by insurance categories for the year ended 31 December 2012 is as follows:

(Unit: Baht)

	Traditional products - non participating dividend	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
<b>Underwriting income</b>							
Premium written	928,976,055	855,634,932	185,359,510	317,297,384	951,289,829	3,021,944,826	6,260,502,536
Less: Premium ceded	(16,892,354)	(508,006,916)	(53,246,511)	(156,972)	(138,565,997)	(186,808,398)	(903,677,148)
Net premium written	912,083,701	347,628,016	132,112,999	317,140,412	812,723,832	2,835,136,428	5,356,825,388
Add (less): Unearned premium reserve	(69,514,839)	163,087,884	35,769,664	33,326,100	60,875,408	(225,095,546)	(1,551,329)
Earned premium	842,568,862	510,715,900	167,882,663	350,466,512	873,599,240	2,610,040,882	5,355,274,059
Fee and commission income	5,580,467	204,839,639	21,381,807	31,104	76,463,498	69,153,029	377,449,544
<b>Total underwriting income</b>	<b>848,149,329</b>	<b>715,555,539</b>	<b>189,264,470</b>	<b>350,497,616</b>	<b>950,062,738</b>	<b>2,679,193,911</b>	<b>5,732,723,603</b>
<b>Underwriting expenses</b>							
Claims and losses							
adjustment expenses	284,286,821	6,428,630,308	133,999,679	266,309,688	431,417,471	1,554,899,557	9,099,543,524
Commission and brokerage expenses	318,221,880	428,237,834	91,525,138	106,538,906	398,008,974	1,169,984,897	2,512,517,629
Other underwriting expenses	16,205,569	4,958,121	1,175,744	1,759,044	27,458,906	33,006,244	84,563,628
<b>Total underwriting expenses</b>	<b>618,714,270</b>	<b>6,861,826,263</b>	<b>226,700,561</b>	<b>374,607,638</b>	<b>856,885,351</b>	<b>2,757,890,698</b>	<b>11,696,624,781</b>

### Separate financial statements

Underwriting information classified by insurance categories for the year ended 31 December 2013 is as follows:

(Unit: Baht)

	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
<b>Underwriting income</b>						
Premium written	372,537,165	106,584,035	364,760,994	944,066,917	2,742,515,705	4,530,464,816
Less: Premium ceded	(109,010,419)	(26,325,370)	(138,915)	(117,653,524)	(101,240,775)	(354,369,003)
Net premium written	263,526,746	80,258,665	364,622,079	826,413,393	2,641,274,930	4,176,095,813
Add (less):						
Unearned premium reserve	68,399,226	10,809,617	(24,045,183)	(44,791,339)	(9,991,645)	380,676
Earned premium	331,925,972	91,068,282	340,576,896	781,622,054	2,631,283,285	4,176,476,489
Fee and commission income	30,236,138	6,221,879	(11,479)	43,806,619	30,154,977	110,408,134
<b>Total underwriting income</b>	<b>362,162,110</b>	<b>97,290,161</b>	<b>340,565,417</b>	<b>825,428,673</b>	<b>2,661,438,262</b>	<b>4,286,884,623</b>
<b>Underwriting expenses</b>						
Claims						
and losses adjustment expenses	4,896,742,523	82,552,804	180,876,870	407,842,686	1,446,887,734	7,014,902,617
Commission and brokerage expenses	174,641,771	42,317,319	105,434,753	342,531,652	1,154,966,708	1,819,892,203
Other underwriting expenses	2,888,951	690,919	2,585,537	23,334,905	30,535,174	60,035,486
<b>Total underwriting expenses</b>	<b>5,074,273,245</b>	<b>125,561,042</b>	<b>288,897,160</b>	<b>773,709,243</b>	<b>2,632,389,616</b>	<b>8,894,830,306</b>

Underwriting information classified by insurance categories for the year ended 31 December 2012 is as follows:

(Unit: Baht)

	Fire	Marine and transportation	Motor	Personal accident	Miscellaneous	Total
<b>Underwriting income</b>						
Premium written	855,634,932	185,359,510	317,297,384	735,317,822	3,021,944,826	5,115,554,474
Less: Premium ceded	(508,006,916)	(53,246,511)	(156,972)	(138,498,326)	(186,808,398)	(886,717,123)
Net premium written	347,628,016	132,112,999	317,140,412	596,819,496	2,835,136,428	4,228,837,351
Add (less):						
Unearned premium reserve	163,087,884	35,769,664	33,326,100	78,688,251	(225,095,546)	85,776,353
Earned premium	510,715,900	167,882,663	350,466,512	675,507,747	2,610,040,882	4,314,613,704
Fee and commission income	204,839,639	21,381,807	31,104	76,463,446	69,153,029	371,869,025
<b>Total underwriting income</b>	<b>715,555,539</b>	<b>189,264,470</b>	<b>350,497,616</b>	<b>751,971,193</b>	<b>2,679,193,911</b>	<b>4,686,482,729</b>
<b>Underwriting expenses</b>						
Claims						
and losses adjustment expenses	6,428,630,308	133,999,679	266,309,688	338,496,091	1,554,899,557	8,722,335,323
Commission and brokerage expenses	428,237,834	91,525,138	106,538,906	327,580,513	1,169,984,897	2,123,867,288
Other underwriting expenses	4,958,121	1,175,744	1,759,044	23,866,303	33,012,244	64,771,456
<b>Total underwriting expenses</b>	<b>6,861,826,263</b>	<b>226,700,561</b>	<b>374,607,638</b>	<b>689,942,907</b>	<b>2,757,896,698</b>	<b>10,910,974,067</b>

## 24. Operating expenses

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Personnel expenses which are not expense for underwriting and claims	99,061,742	74,709,658	82,444,754	65,865,060
Premises and equipment expenses which is not expense for underwriting	21,600,782	16,051,019	24,289,380	20,937,097
Taxes and duties	3,025,763	317,189	252,662	189,483
Bad debts and doubtful accounts (reversal)	(61,721)	439,770	(61,721)	3,826,170
Other operating expenses	39,312,061	37,179,909	31,298,048	30,690,749
<b>Total operating expenses</b>	<b>162,938,627</b>	<b>128,697,545</b>	<b>138,223,123</b>	<b>121,508,559</b>

## 25. Employee expenses

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Salary and wage	228,388,571	182,376,208	126,280,094	103,897,699
Social security fund	2,366,272	1,891,709	863,446	755,550
Contribution to provident fund	12,192,857	10,427,771	7,069,080	6,276,548
Post employee benefits	4,005,904	11,554,557	7,609,169	2,052,995
Other benefits	12,492,133	7,948,716	8,334,261	5,900,636
<b>Total employee expenses</b>	<b>259,445,737</b>	<b>214,198,961</b>	<b>150,156,050</b>	<b>118,883,428</b>

The Group and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the Group on a monthly basis, at rates ranging from 5% to 10% of the employees' basic salaries, based on the length of employment. The fund is managed by Ayudhya Fund Management Company Limited and will be paid to employees upon termination in accordance with the fund rules. During the year 2013, the Group contributed Baht 12 million to the fund (2012: Baht 10 million) (the Company only: Baht 7 million and 2012: Baht 6 million).

## 26. Earnings (losses) per share

Basic earnings (losses) per share is determined by dividing profit (losses) for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

## 27. Related party transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The relationships between the Group and its related parties are summarised below:

Name of related parties	Relationship with the Company
Bangkok Insurance Plc.	Related by way of common directors and shareholding
Bamrungrad Hospital Plc.	Related by way of common directors and shareholding
The Navakij Insurance Plc.	Related by way of common directors and shareholding
Thaivivat Insurance Plc.	Related by way of common directors and shareholding
Krungthai Panich Insurance Plc.	Related by way of common directors and shareholding
The Falcon Insurance Plc.	Related by way of common directors and shareholding
Thai Life Insurance Plc.	Related by way of common directors
Bangkok Life Assurance Plc.	Related by way of common directors and shareholding
Muang Thai Insurance Plc.	Related by way of common directors and shareholding
Muang Thai Life Assurance Plc.	Related by way of common directors and shareholding
Furukawa Metal (Thailand) Plc.	Related by way of common directors and shareholding

During the years, the Group had significant business transactions with its related parties, which have been concluded on commercial term and bases agreed upon in the ordinary course of businesses between the Group and those companies. Below is a summary of those transactions.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	2013	2012	2013	2012	
<b>Transactions with subsidiaries</b> (eliminated from the consolidated financial statements)					
Service income	-	-	3	7	At cost
<b>Transactions with related parties</b>					
Premium income	1,626	2,827	917	2,264	Normal ceded rates depending on type of insurance and insurance contract
Dividend income	14	15	11	13	The declared amount
Claim refundable income	203	4,521	202	4,521	As per identified in each contract
Premium ceded	(88)	(176)	(86)	(174)	Normal ceded rates depending on type of insurance and insurance contract
Claim expense	(451)	(7,172)	(280)	(7,062)	As per identified in each contract
Service income	61	65	-	-	Normal of business

During the years ended 31 December 2013 and 2012, the Group has recorded commission and fee income and commission and brokerage expense as noted in reinsurance contract with its related parties as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	2013	2012	2013	2012	
<b>Transactions with related parties</b>					
Commission income	33	69	32	69	Normal ceded rates
Commission expense	(546)	(1,003)	(330)	(824)	Normal ceded rates

The Group had the following significant balances of assets and liabilities as at 31 December 2013 and 2012 with its related companies as follows:

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
Transactions with related parties					
Investments in securities - Stocks	11	431,908	422,621	344,049	359,632
Amounts deposited on reinsurance	10	116,269	95,298	111,111	91,509
Due from reinsurers	10	235,333	222,006	134,317	159,110
Premium receivables	9	25,909	38,207	22,305	36,182
Deferred commission and brokerage expense	10	309,657	160,422	290,300	134,988
Accounts receivable (Including in other assets)		8,313	6,483	-	-
Advance for claim payment					
(Including in other assets)		-	1,058	-	-
Amounts withheld on reinsurance	17	(75)	(75)	(75)	(75)
Due to reinsurers	17	(115,320)	(208,042)	(64,556)	(168,158)
Outward premium payables	17	(757)	(2,737)	(738)	(2,229)
Loss reserve					
and outstanding claims	18	(904,166)	(6,323,433)	(886,283)	(6,308,112)
Deferred commission and brokerage	17	(24,642)	(22,778)	(24,628)	(22,773)
Advance received for premium-net		(454,254)	(286,039)	(454,254)	(286,039)
Revenue received in advance					
(Including in other liabilities)		(392)	(385)	-	-

Transactions with subsidiaries and associate are not significant, and therefore no disclosure of such transactions is made.

The Siam Commercial Samaggi Insurance Plc. was related to the Company by virtue of having common directors and shareholding. In April 2013, the relationship between the Group and such company ceased (related by way of common directors and shareholding) and the above related transactions are transactions between the Group and such company before the end of relationship.

MSIG Insurance (Thailand) Co., Ltd. was related to the Company by virtue of having common directors and shareholding. In April 2012, the relationship between the Group and such company ceased (related by way of common directors and shareholding) and the above related transactions are transactions between the Group and such company before the end of relationship.



Dhipaya Insurance Plc. was related to the Company by virtue of having common directors and shareholding. In May 2012 the relationship between the Group and such company ceased (related by way of common directors and shareholding) and the above related transactions are transactions between the Group and such company before the end of relationship.

#### Directors and management's benefits

During the years, the Group had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Short-term employee benefits	66,766	79,056	44,323	40,941
Long-term benefits	4,227	5,172	2,779	2,838
Termination benefits	4,420	10,540	3,524	2,955
<b>Total</b>	<b>75,413</b>	<b>94,768</b>	<b>50,626</b>	<b>46,734</b>

#### 28. Reversal of dividend payable

During the year 2013, the Company reversed dividend payable amounting to Baht 0.2 million (2012: Baht 0.2 million) for which the statutory period per civil and commercial law has expired. The effect of such reversal has already been appropriately reflected in the Company's financial statements, in unallocated retained earnings.

#### 29. Assets pledged with the Registrar

As at 31 December 2013 and 2012, the following assets have been pledged with the Registrar in accordance with the Non-Life Insurance Act and Life Insurance Act.

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2013		2012		2013		2012	
	Cost	Fair value	Cost	Fair value	Cost	Fair value	Cost	Fair value
Bonds	35.0	32.7	34.0	34.9	14.0	14.5	14.0	14.6

### 30. Assets reserved with the Registrar

As at 31 December 2013 and 2012, the following assets have been pledged as non-life insurance policy reserve and life assurance policy reserve with the Registrar in accordance with the Non-Life Insurance Act and Life Insurance Act.

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2013		2012		2013		2012	
	Cost	Fair value	Cost	Fair value	Cost	Fair value	Cost	Fair value
Bonds	548.7	561.0	558.7	577.0	477.7	488.8	477.7	494.6

### 31. Assets deposited to guarantee securities

As at 31 December 2013, the Company recorded guarantees totaling Baht 57.1 million (2012: Baht 30.7 million) for performance bonds required by the Company in the normal course of its business. The guarantees are included in other assets.

### 32. Segment information

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

The Group's operations operate in Thailand. As a result, all of the revenues, assets and liabilities as reflected in these financial statements pertain exclusively to this geographical reportable segment.

For management purposes, the Group's main business is the reinsurance business and other related services. The reinsurance's operating segments are "non-life conventional products and life conventional products" and "non-life non-conventional products and life non-conventional products". Segments are differentiated based on the design of the product, and specifically whether they are a traditional product line available in the current market or a new type of product introduced by the Group and which it conceived and developed in cooperation with other insurance companies in expectation of market demand, for which marketing plans and channels have also been developed.

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Operating Decision Maker has reviewed the operating results of the operating segments separately for the purpose of making decisions and assessing performance. Segment performance is measured based on operating profit or loss, total assets and total liabilities and on a basis consistent with that used to measure operating profit or loss, total assets and total liabilities in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

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Assets and liabilities information as at 31 December 2013 and 2012 can be classified by type of insurance as follows:

(Unit: Baht)

	2013			
	Life insurance	Non-life insurance	Others	Total
Total assets	1,790,656,005	26,119,391,086	180,377,799	28,090,424,890
Total liabilities	710,818,713	24,516,369,738	35,174,157	25,262,362,608

(Unit: Baht)

	2012			
	Life insurance	Non-life insurance	Others	Total
Total assets	1,400,496,529	32,095,751,811	146,183,554	33,642,431,894
Total liabilities	654,247,940	29,464,654,170	34,704,037	30,153,606,147

Statement of income information for the year ended 31 December 2013 can be classified by type of insurance as follows:

(Unit: Baht)

	Conventional products		Non-conventional products		Total
	Life insurance	Non-life Insurance	Life insurance	Non-life Insurance	
<b>Underwriting income</b>					
Premium written	990,173,087	1,180,387,161	397,682,868	3,350,077,655	5,918,320,771
Less: Premium ceded	(14,351,706)	(321,288,360)	-	(33,080,643)	(368,720,709)
Net premium written	975,821,381	859,098,801	397,682,868	3,316,997,012	5,549,600,062
Add (less)					
Unearned premium reserve	(32,583,325)	111,877,647	4,071,167	(111,496,971)	(28,131,482)
<b>Earned premium</b>	<b>943,238,056</b>	<b>970,976,448</b>	<b>401,754,035</b>	<b>3,205,500,041</b>	<b>5,521,468,580</b>
<b>Underwriting expenses</b>					
Claims and					
losses adjustment expenses	368,935,587	5,280,512,556	133,314,685	1,734,390,061	7,517,152,889
Commission and brokerage expenses	307,452,988	358,090,879	73,921,960	1,351,393,190	2,090,859,017
Other underwriting expenses	7,500,221	8,322,318	3,660,014	51,495,568	70,978,121
<b>Total underwriting expenses</b>	<b>683,888,796</b>	<b>5,646,925,753</b>	<b>210,896,659</b>	<b>3,137,278,819</b>	<b>9,678,990,027</b>
<b>Profit (losses) from underwriting</b>	<b>259,349,260</b>	<b>(4,675,949,305)</b>	<b>190,857,376</b>	<b>68,221,222</b>	<b>(4,157,521,447)</b>
Operating expenses					(176,995,520)
Losses from operation					(4,334,516,967)
Reversal of doubtful accounts					61,721
<b>Losses before service income and investment income</b>					<b>(4,334,455,246)</b>
Income on services					61,808,935
Net investment income					740,631,802
Share of profit from associate					279,056
Other income					47,713,327
<b>Losses before income tax</b>					<b>(3,484,022,126)</b>
Income tax revenue					730,385,430
<b>Losses for the year</b>					<b>(2,753,636,696)</b>

During the year ended 31 December 2013, Baht 2,788 million of the Group's net premiums written was received from a major insurance company.

Statement of income information for the year ended 31 December 2012 can be classified by type of insurance as follows:

(Unit: Baht)

	Conventional products		Non-conventional products		Total
	Life insurance	Non-life Insurance	Life insurance	Non-life Insurance	
<b>Underwriting income</b>					
Premium written	828,344,056	1,891,704,206	316,604,006	3,223,850,268	6,260,502,536
Less: Premium ceded	(16,960,025)	(845,913,039)	-	(40,804,084)	(903,677,148)
Net premium written	811,384,031	1,045,791,167	316,604,006	3,183,046,184	5,356,825,388
Add (less)					
Unearned premium reserve	(44,129,876)	334,379,846	(43,197,806)	(248,603,493)	(1,551,329)
<b>Earned premium</b>	<b>767,254,155</b>	<b>1,380,171,013</b>	<b>273,406,200</b>	<b>2,934,442,691</b>	<b>5,355,274,059</b>
<b>Underwriting expenses</b>					
Claims and					
losses adjustment expenses	314,645,939	7,196,896,357	62,562,262	1,525,438,966	9,099,543,524
Commission and brokerage expenses	268,166,076	535,155,987	114,903,746	1,216,842,276	2,135,068,085
Other underwriting expenses	13,779,258	11,250,594	6,018,914	53,514,862	84,563,628
<b>Total underwriting expenses</b>	<b>596,591,273</b>	<b>7,743,302,938</b>	<b>183,484,922</b>	<b>2,795,796,104</b>	<b>11,319,175,237</b>
<b>Profit (losses) from underwriting</b>	<b>170,662,882</b>	<b>(6,363,131,925)</b>	<b>89,921,278</b>	<b>138,646,587</b>	<b>(5,963,901,178)</b>
Operating expenses					(142,699,924)
Losses from operation					(6,106,601,102)
Doubtful accounts					(439,770)
<b>Losses before service income and investment income</b>					<b>(6,107,040,872)</b>
Income on services					44,647,426
Net investment income					725,933,011
Share of income from associate					437,761
Other expenses					(1,335,726)
<b>Losses before income tax</b>					<b>(5,337,358,400)</b>
Income tax revenue					996,444,370
<b>Losses for the year</b>					<b>(4,340,914,030)</b>

During the year ended 31 December 2012, Baht 2,874 million of the Group's net premiums written was received from a major insurance company.

### 33. Financial instruments

#### 33.1 Financial 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 receivables, investments in securities and loans. The financial risks associated with these financial instruments and how they are managed is described below.

##### Credit risk

The Group is exposed to credit risk primarily with respect to amounts due from reinsurers, and loans. The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Group does not have high concentration of credit risk since it has a customer base, most of which are non-life insurance companies and life insurance companies in Thailand. The maximum exposure to credit risk is limited to the carrying amounts of receivables and loans as stated in the statements of financial position.

##### Interest rate risk

The Group's exposure to interest rate risk relates primarily to its deposits at financial institutions, investments in securities, loans and bank overdraft.

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As at 31 December 2013 and 2012 financial assets classified by type of interest rate are summarised in the table below.

(Unit: Thousand Baht)

	Carrying value as at 31 December 2013		Carrying value as at 31 December 2012	
	Floating interest rate	Fixed interest rate	Floating interest rate	Fixed interest rate
<b>Financial assets</b>				
Cash equivalents	480,939	30,000	259,722	-
Investments in securities				
Government and state enterprise securities	-	6,732,205	121,001	12,781,464
Deposits at banks	-	5,417,500	-	3,260,000
Loans	29,536	365	23,732	230
Total	510,475	12,180,070	404,455	16,041,694
<b>Financial liability</b>				
Bank overdraft from financial institution	605	-	10,514	-

As at 31 December 2013 and 2012, the financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date as follows:

(Unit: Thousand Baht)

	2013				
	Within 1 year	1 - 5 years	More than 5 years	Total	Average interest rate (percent per annum)
<b>Financial assets</b>					
Cash equivalents	30,000	-	-	30,000	3.05
Investments in securities					
Government and state enterprise securities	3,506,682	2,563,136	662,387	6,732,205	2.54
Deposits at banks	5,042,500	375,000	-	5,417,500	3.24
Loans	-	365	-	365	4.78
<b>Total</b>	<b>8,579,182</b>	<b>2,938,501</b>	<b>662,387</b>	<b>12,180,070</b>	

(Unit: Thousand Baht)

	2012				
	Within 1 year	1 - 5 years	More than 5 years	Total	Average interest rate (percent per annum)
<b>Financial assets</b>					
Investments in securities					
Government and state enterprise securities	10,035,381	2,746,083	-	12,781,464	2.79
Deposits at banks	2,663,000	597,000	-	3,260,000	3.31
Loans	-	230	-	230	1.86
<b>Total</b>	<b>12,698,381</b>	<b>3,343,313</b>	<b>-</b>	<b>16,041,694</b>	

### Separate financial statements

As at 31 December 2013 and 2012, financial assets classified by type of interest rate are summarised in the table below:

(Unit: Thousand Baht)

	Carrying value as at 31 December 2013		Carrying value as at 31 December 2012	
	Floating interest rate	Fixed interest rate	Floating interest rate	Fixed interest rate
<b>Financial assets</b>				
Cash equivalents	431,600	-	228,267	-
Investments in securities				
Government and state enterprise securities	-	6,259,722	80,000	12,232,528
Deposits at banks	-	5,015,000	-	3,103,000
Loans	29,536	365	23,732	230
<b>Total</b>	<b>461,136</b>	<b>11,275,087</b>	<b>331,999</b>	<b>15,335,758</b>

As at 31 December 2013 and 2012, the financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date as follows:

(Unit: Thousand Baht)

	2013				
	Within 1 year	1 - 5 years	More than 5 years	Total	Average interest rate (percent per annum)
<b>Financial assets</b>					
Investments in securities					
Government and state enterprise securities	3,423,999	2,299,814	535,909	6,259,722	2.52
Deposits at banks	4,735,000	280,000	-	5,015,000	3.23
Loans	-	365	-	365	4.78
<b>Total</b>	<b>8,158,999</b>	<b>2,580,179</b>	<b>535,909</b>	<b>11,275,087</b>	



(Unit: Thousand Baht)

	2012				
	Within 1 year	1 - 5 years	More than 5 years	Total	Average interest rate (percent per annum)
<b>Financial assets</b>					
Investments in securities					
Government and state enterprise securities	9,713,220	2,519,308	-	12,232,528	2.79
Deposits at banks	2,554,000	549,000	-	3,103,000	3.30
Loan	-	230	-	230	1.86
<b>Total</b>	<b>12,267,220</b>	<b>3,068,538</b>	<b>-</b>	<b>15,335,758</b>	

### Foreign currency risk

The Group's exposure to foreign currency risk arises mainly from foreign currency denominated underwriting, reinsurance with foreign reinsurers that is denominated in foreign currencies. The Group does not utilise forward foreign currency contracts to mitigate its exposure to foreign currency risk.

As at 31 December 2013, the balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Average exchange rate as at 31 December 2013 (Baht per 1 foreign currency unit)
US dollar	0.07	(0.10)	32.7645
Hong Kong dollar	0.05	(0.05)	4.2232

### 33.2 Fair value

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. The fair value is determined by depending on the nature of the instrument. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique if the appropriate market price cannot be determined, depending on the nature of the instrument.

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

### Investments in securities

The fair value of equity securities and debt securities are based on their quoted market prices.

The fair value of deposits at financial institutions, notes bonds and debentures with maturity periods of less than 90 days is based on their carrying value. For those with maturity periods longer than 90 days, fair value is estimated using a discounted cash flow analysis based on the current interest rate and the remaining period to maturity.

### Secured loans

For floating interest rate loans with no significant credit risk, fair value is based on carrying value. The fair value of fixed interest rate loans is estimated using a discounted cash flow analysis based on the current interest rate.

As at 31 December 2013, the aggregate carrying values of the Company's financial instruments which are different from their aggregate fair values can be defined as follows:

### Consolidated financial statements

(Unit: Thousand Baht)

	31 December 2013		31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
<b>Held-to-maturity debt securities</b>				
Investments in bonds	6,710,705	6,735,354	12,831,081	12,863,587
Investments in treasury bills	-	-	69,884	69,895
Investments in debenture - net	21,500	19,017	1,500	1,499

### Separate financial statements

(Unit: Thousand Baht)

	31 December 2013		31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
<b>Held-to-maturity debt securities</b>				
Investments in bonds	6,259,722	6,291,672	12,242,644	12,272,192
Investments in treasury bills	-	-	69,884	69,895

### 34. Capital management

The primary objectives of the Group's capital management are to ensure that it preserves the ability to continue its business as a going concern and to maintain risk-based capital in accordance with Declaration of the OIC.

Nevertheless, the OIC has announced a measure to relax the risk-based capital requirements for losses arising from the floods, for a period of 15 months from 31 December 2011 to 31 March 2013. In February 2013 the OIC has extended the period of the measure relaxing the risk-based capital requirements until 31 March 2014, with certain additional conditions stipulated.

On 28 February 2014, the OIC's resolution to extend the term of the measure relaxing the risk-based capital requirements for losses arising from the floods by one year, on a case by case basis, until 31 March 2015. The OIC has granted preliminary approval for a relaxation of requirements for the Company, with the imposition of certain additional conditions as discussed in Note 1.2.

### 35. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised director on 28 February 2014.