



**2014**  
**ANNUAL REPORT**  
**THAI REINSURANCE PCL.**

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## 01

## Introduction

## About The Company &gt;&gt;

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. At present, the shareholders of the company still remained at 12 percent of the shared capital, with a distribution of more than 30 companies.

## General Information &gt;&gt;

Company & Head Office Name	Thai Reinsurance PCL
Location	48/23-24 Soi Rajchadapisek 20, Rajchadapisek Road, Samsennok, Huaykwang, Bangkok 10310 Phone: 0-2660-6111, 0-2290-3111 Fax: 0-2660-6100
Nature of Business	Provision of reinsurance (non-life insurance business)
Registered Number	0107536001729
Home Page	www.thaire.co.th
Registered Capital	Registered Capital of THB 4,214,993,832 with a paid-up capital of THB 4,214,993,832
Issued and Paid-up	4,214,993,832 ordinary shares of THB 1 each, Total THB 4,214,993,832

## 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: 0-2276-8715
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	T.I.I Co., Ltd. (Thailand Insurance Institute)
Location	3354/32 Manorum 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>	Ratana Jala No. 3734 Certified Public Accountant (Thailand) EY Office Limited 193/136-137 Lake Ratchada Office Complex, New Ratchadapisek Road, Bangkok 10110 Phone: 0-2264-0777 Fax: 0-2264-0789-90

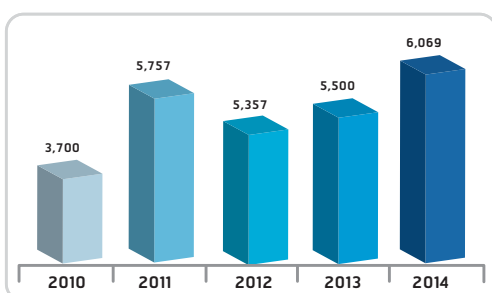
## 02

## Financial Highlights

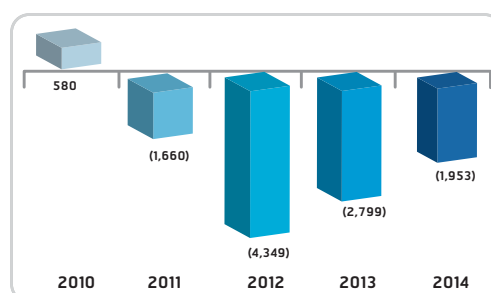
Unit: THB Million

Operating Results				Growth (Percent)	
	2012	2013	2014	2013/2012	2014/2013
Gross Written Premiums	6,261	5,918	6,338	(5.5)	7.1
Net Written Premiums	5,357	5,550	6,069	3.6	9.4
Profit (Loss) before Tax	(5,346)	(3,529)	(1,339)	34.0	62.1
Net Profit (Loss)	(4,349)	(2,799)	(1,953)	35.6	30.2
Net Profit (Loss) per Share (THB)	(1.44)	(0.80)	(0.52)	44.7	34.5

Net Written Premium (THB Million)



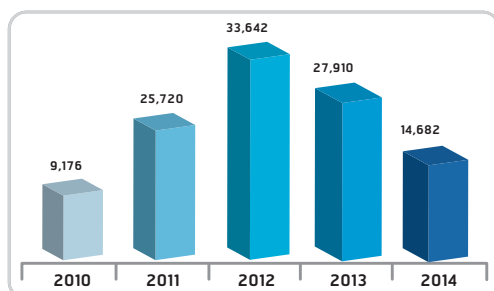
Net Profit (THB Million)



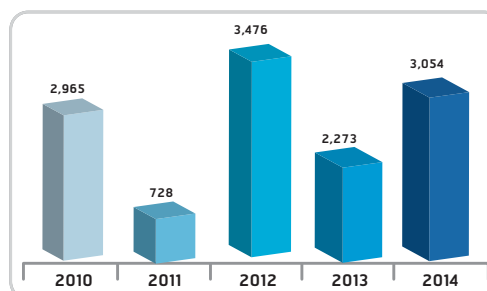
Unit: THB Million

Financial Status at the End of Year				Growth (Percent)	
	2012	2013	2014	2013/2012	2014/2013
Total Assets	33,433	27,910	14,682	(16.5)	(47.4)
Total Liabilities	29,944	25,082	10,899	(16.8)	(56.5)
Paid-up Capital	3,512	3,512	4,215	-	20.0
(Shareholders' Equity)	3,476	2,273	3,054	(34.6)	34.3
Book Value per Share (THB)	0.99	0.65	0.72	(34.3)	10.8
Dividend per Share (THB)	-	-	-	-	-

Total Assets (THB Million)



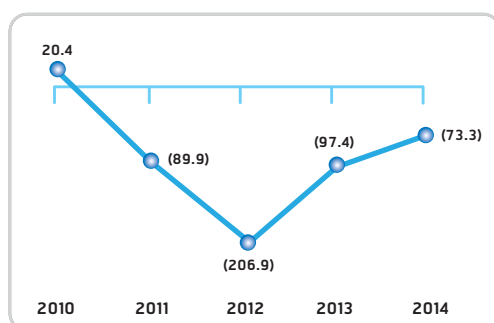
Capital Funds (Shareholders' Equity) (THB Million)



Unit: Percent

Financial Ratios				
		2012	2013	2014
Return on Revenue		(69.1)	(42.7)	(28.2)
Return on Net Written Premium		(81.2)	(50.4)	(32.2)
Return on Equity		(206.9)	(97.4)	(73.3)
Return on Assets		(14.7)	(9.1)	(9.2)
Return on Investments		4.9	4.4	4.5
Combined Ratio		214.0	178.4	129.7

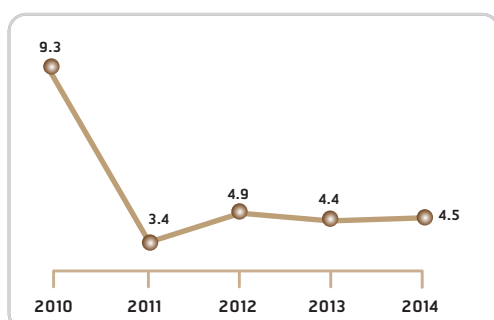
Return on Equity (Percent)



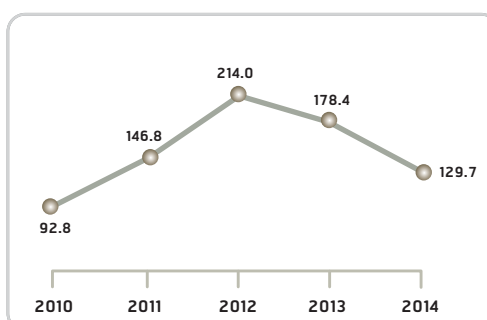
Return on Assets (Percent)



Return on Investments (Percent)



Combined Ratio (Percent)





## 03

## Letter to Shareholders

At the beginning of 2014 Thailand was experiencing political turmoil with major demonstrations opposing the government in Bangkok, finally leading to a military coup on 22<sup>nd</sup> May. The military backed government remains in office with the promise of elections in 2016. The second half of the year was stable and the economy started to reverse some of the declines experienced during the pre-coup period. However the effect of this and the slowing of the world economy led to a low level of economic growth for the year of 0.7%, well below previous years.

The insurance market did experience growth but this stemmed largely from the life insurance sector which grew 13% to reach total premiums of THB 491 billion. In the non-life sector grew only 1% reaching THB 205 billion in direct premiums.

### Company performance

For Thai Re two important events took place during the year, an increase in capital and settlement of all claims resulting from the 2011 floods. The company has been able to meet all its commitments arising from the major flood event and by the year end the bulk of claims lodged with the company had been paid.

These two factors are important as the company is now in a strong position to continue its progress in its diversification away from the traditional property reinsurance market. The decision to move away from property reinsurance was based on the belief that pricing of property insurance had fallen to unrealistic levels and in spite of an uplift in rates following the floods then was very short lived and rates have returned to uneconomic levels for reinsurers.

The move into more personal lines business has proven to be worthwhile with growth coming from new products and distribution channels and the portfolio is now over 80% non-property reinsurance. The underwriting results from this area have been volatile and more growth is needed to achieve critical mass where the underwriting results would be expected to be stable. This point will be achieved within the next three to four years. Compared to property reinsurance this type of business avoids the concentration of risk and whilst the combined operating ratio is still in the high 90's this is expected to fall to below 90 in the coming years.

The consolidated growth in written premiums for the company was over 7% and the underlying (excluding flood losses) combined operating ratio was 93.5%. This bodes well for the future as all flood claims are now settled. Non-life business growth was 4% with a combined ratio of 99%. The life subsidiary grew at 17% with a combined ratio of 79%.

### Investment Income

Investment income was well below 2013 mainly due to the drop in investment assets by THB 6 billion in 2014 after making payments of flood losses. In addition the low levels of interest and a decline in corporate dividends did affect investment income.

### Service businesses

Fee income was up 5% on the previous year at THB 268 million. These businesses provide valuable services to a large number of Thai insurance companies where outsourcing enables them to expand their business without the need for complex and costly organisational changes.

### Human resources

Thai Re has invested heavily in high calibre staff both in readiness for the changes that will flow from the AEC and placing the company in a strong position for the challenges that lie ahead in the Thai insurance sector. In particular actuarial staff, who are in demand from the insurance market, are being encouraged to gain top level professional qualifications, ready for the demands the regulators will be placing on the industry in future years.

### Statement of financial Position

The company's balance sheet remains strong and at 31<sup>st</sup> December Shareholders equity was THB 3,054 million providing a book value of THB 0.72 per share. Total assets were THB 14,682 million and total investment assets THB 9,324 million. The capital adequacy ratio of the company stood at well over 158% and this is expected to reach a level of 250% later in 2015. This strong financial status should place the company in a good position to seek an upward review of its credit rating later in 2015.

### Shareholders

Thai Re would like to record its thanks to all shareholders for their support during the past three years during which time the need to raise new capital became major issues. In addition the support received by Thai Re from Fairfax and its management team during the same period has also been outstanding and helped the company to meet all its commitments to its clients and move forward with optimism.

### Future Prospects

Although economic growth is expected to be sluggish in 2015 the company is seeking to expand premiums by more than 10% in both life and non-life sectors. With the absence of flood claims that have affected the business for over three years there is a considerable degree of optimism that the company will return to a good level of profitability.



**Surachai Sirivallop**  
**Chief Executive Officer**

## 04

## Milestones

**August 2008 >>**

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 >>**

Assigned "axAA-" status on ASEAN Regional Scale Rating by S&P's.

**November 2009 >>**

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 >>**

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 >>**

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 percent.

**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.

**August 2014** >>

The Extraordinary General Meeting of Shareholders No. 1/2014 resolved to approve an increase in the Company's registered capital of THB 702,498,972 from THB 3,512,494,860 to THB 4,214,993,832. The newly issued shares were allocated partly for rights offering to existing shareholders at a ratio of 10 existing shares to 1 new share at a price of THB 3 per share and partly for offering to specific investors on a private placement basis at a price of THB 3 per share.

**August 2014** >>

2014 Extraordinary General Meeting of Shareholders No. 1/2014 on August 4, approved the amendment of Clause 10. of the Article of Association to "Clause 10. The Company's shares can be transferred without any restriction", in order to comply with the Office of Insurance Commission (OIC) letter No. 4220/2385 dated August 15, 2013, stated that foreigners can hold more than 49 percent of the total voting and paid-up shares of the company.

**September 2014** >>

Thai Re successfully completed the capital increase. The gross proceeds of this transaction amounted to THB 2,107.5 million.

**November 2014** >>

A reduction of investment proportion in Thaire Life Assurance Plc. from 51.0 percent to 41.5 percent.

**November 2014** >>

Thai Re sold its entire investment in an associated company, Thai Insurers Datanet Co., Ltd., leading its shareholding of 24.5 percent.

05

## Board Members

**Mr. Suchin Wanglee  
Age 78****Chairman, Independent Director  
and Director of the Investment Committee**

Date of Appointment

June 1978 - Present

Shareholding

0.21 percent

Education

B.E. (Electrical), Northrop Institute of Technology, U.S.A.

Training Courses

- Chairman 2000 / 2001
- The Role of Chairman (RCM) / 2001
- Directors Certification Program (DCP) / 2002  
by the Thai Institute of Directors Association

Experience

**Listed Company**

- Chairman, Independent Director and Director of the Investment Committee, Thai Reinsurance PCL.
- Chairman, Thaire Life Assurance PCL.
- Chairman and Advisor of the Executive Board Navakij Insurance PCL.
- Vice Chairman, Chairman of the Remuneration and Nomination Committee and Director, Thai Metal Drum MFG. PCL.
- Independent Director, Varopakorn PCL.
- Vice Chairman, Independent Director, Director of the Audit Committee and Chairman of Compensation Committee, Sermasuk PCL.
- Independent Director, Director of the Audit Committee and Director of the Remuneration and Nomination Committee, BTS Group Holdings PCL.

**Non-Listed Company**

- Management Advisor, Chairman, Falcon Insurance PCL.
- Chairman, Sathorn Thani Co., Ltd., Rangsit Plaza Co., Ltd.
- Independent Director, Rajadamri Hotel PCL.
- Director, Wanglee Co., Ltd., The Pet Co., Ltd., Nuchaphol Co., Ltd., Wanglee Development Co., Ltd., Aqua Infinite Co., Ltd.
- President and Director, the General Insurance Association of Thailand

**Mr. Chai Sophonpanich**  
**Age 71**
**Vice Chairman, Chairman of the Remuneration  
and Nomination Committee and  
Director of the Investment Committee**

Date of Appointment June 1978 - Present

Shareholding 0.09 percent

Education B.Sc., University of Colorado, U.S.A.

Training Courses

- Directors Certification Program (DCP) / 2002
- Chairman 2000 / 2004
- The Role of Chairman (RCM) / 2004  
by the Thai Institute of Directors Association

Experience

**Listed Company**

- Vice Chairman, Chairman of the Nomination and Remuneration Committee and Director of the Investment Committee, Thai Reinsurance PCL.
- Vice Chairman, Thaire Life Assurance PCL.
- Chairman and Chief Executive Officer, Bangkok Insurance PCL.
- President, Bangkok Insurance PCL.
- Chairman, Charoong Thai Wire & Cable PCL, Furakawa Metal (Thailand) PCL. and Bumrungrad Hospital PCL.
- Director, Bangkok Life Assurance PCL.

**Non-Listed Company**

-None-

**Mr. Kerati Panichewa**  
**Age 55**
**Director**

Date of Appointment April 1992 - Present

Shareholding 0.08 percent

Education M.B.A., College of Notre Dame, U.S.A.

Training Courses

Directors Certification Program (DCP) / 2000  
by the Thai Institute of Directors Association

Experience

**Listed Company**

- Director, Thai Reinsurance PCL.
- Director, TTL Industries PCL.

**Non-Listed Company**

- Chief Executive Officer Krung Thai Panich Insurance PCL.
- Managing Director, Krung Thai Panich Insurance PCL.



Mr. Jiraphant Asvatanakul Age 55	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	Directors 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>• Director, Thaire Life Assurance 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.</li> <li>• Director, the General Insurance Association of Thailand</li> <li>• Deputy General Secretary, Thai Chamber of Commerce</li> <li>• Chairman of The Federation of Thai Insurance Organizations</li> </ul>

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Mr. Chanin Roonsamrarn Age 67	Independent Director and Director of the Audit Committee
Date of Appointment	April 1992 - Present
Shareholding	- None -
Education	M.B.A., Fort Hays State University, U.S.A.
Training Courses	<ul style="list-style-type: none"> <li>• Directors 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>• Chairman of the Risk Management Committee, Director, Director of the Audit Committee, Samaggi Insurance PCL.</li> <li>• Independent Director, Director of the Audit Committee, Director of the Remuneration and Nominating Committee, Home Product Center PCL.</li> </ul>

**Non-Listed Company**

- Chief Executive Director, SBL Leasing Co., Ltd. (Leasing)
- Managing Director and Chief Executive Officer, The Siam Industrial Credit PCL.
- Chairman, Chief Executive Director and Director of the Remuneration Committee, CIMB Securities (Thailand) Co., Ltd.
- Director and Chief Executive Director, SICCO Advisory Co., Ltd.

Ms. Potjanee Thanavarani Age 68	Independent Director and Director of the Audit Committee
Date of Appointment	April 2009 - Present
Shareholding	0.00 percent
Education	M.B.A., Boston University, U.S.A.
Training Courses	<ul style="list-style-type: none"> <li>• Directors Certification Program (DCP) / 2002</li> <li>• The Role of Chairman (RCM) / 2006</li> <li>• Role of the Compensation Committee (RCC) / 2007</li> <li>• Financial Institution Governance Program / 2011</li> <li>• Audit Committee Program (ACP) / 2010</li> <li>• Monitoring The Internal Audit Function (MIA) / 2013</li> <li>• Advance Audit Committee Program / 2013</li> <li>• Anti-Corruption for Executive Program (ACEP) / 2013</li> <li>• Directors Certification Program Update (DCP) / 2014 by the Thai Institute of Directors Association</li> </ul>
Experience	<b>Listed Company</b> <ul style="list-style-type: none"> <li>• Independent Director, Director of the Audit Committee and Director of the Nomination and Remuneration Committee, Thai Reinsurance PCL.</li> <li>• Chairman, Chairman of the Nomination and Remuneration Committee and Director of the Audit Committee, Univentures PCL.</li> </ul>

- Director of the Audit Committee and Independent Director, Bangkok Insurance PCL, Oishi Group PCL.
- Chairman of the Remuneration Committees and Chairman of Good Corporate Governance Committees, Oishi Group PCL.
- Chairman of the Audit Committee, Independent Director, Director of the Audit Committee, Bank of Ayudhya PCL.
- Independent Director, Berli Jucker PCL.

#### Non-Listed Company

- Vice President, the National Legislative Assembly
- Director, BJC Logistics and Warehouse Co., Ltd.
- Member, Council of State Office
- Chairman, Public Sector Audit and Evaluation committee

Mr. Sara Lamsam Age 44	Director
Date of Appointment	April 2009 - Present
Shareholding	- None -
Education	M.B.A., Boston University, U.S.A.
Training Courses	Directors Certification Program (DCP) / 2000 by the Thai Institute of Directors Association
Experience	<b>Listed Company</b> <ul style="list-style-type: none"> <li>• Director, Thai Reinsurance PCL.</li> <li>• Chairman of the Executive Committee and Director of the 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> <b>Non-Listed Company</b> <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> </ul>

- Chief Executive Officer and Director, Muang Thai Group Holding Co., Ltd., Muang Thai Holding
- Vice President (Administration), the Thai Life Assurance Association
- President, the Thai Life Assurance Association.

**Mr. Aswin Kongsiri**  
**Age 69**

**Independent Director  
and Chairman of the Audit Committee**

Date of Appointment April 1993 - Present

Shareholding - None -

Education B.S. Honor (Philosophy, Politics and Economics),  
Oxford University, U.K.

Training Courses

- Directors Certification Program (DCP) / 2001
- The Role of Chairman (RCM) / 2001
- Chairman 2000 / 2001  
by the Thai Institute of Directors Association
- Banff School of Advanced Management, Alberta, Canada

**Experience**

**Listed Company**

- Independent Director, Director of the Audit Committee and Chairman of the Audit Committee, Thai Reinsurance PCL.
- Chairman, Thoresen Thai Agencies PCL.
- Director, Executive Director and Chairman of the Board of Risk Management, Krung Thai Bank PCL.
- Director and Chairman of the Board of Risk Management, Bangkok Aviation Fuel Services PCL.
- Vice Chairman, Electricity Generating PCL.
- Director and Chairman of the Audit Committee, OHTL PCL.
- Director, Director of the Audit and Nomination Committee, Padang Industries PCL.
- Chairman and Director, Ch. Karnchang PCL.

**Non-Listed Company**

- Chairman, AK Place Co., Ltd., Ton Poh Thailand Fund
- Chairman, Krungthai - AXA Life Insurance PCL.  
Thai ORIX Leasing Co., Ltd.
- Director, the Stock Exchange of Thailand
- Director, The Monetary Policy Committee,  
Bank of Thailand

Mr. Chandran Ratnaswami Age 65	Director and Director of the Investment Committee and Director of the Nomination and Remuneration Committee
Date of Appointment	February 2012 - Present
Shareholding	- None -
Education	M.B.A., University of Toronto, Canada
Training Courses	-
Experience	<p><b>Listed Company</b></p> <ul style="list-style-type: none"> <li>• Director, Director of the Investment Committee and Director of the Nomination and Remuneration 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>• Director and Chairman of the Investment Committee, ICICI Lombard General Insurance Co., Ltd., India</li> <li>• Director, First Capital Insurance Ltd.</li> <li>• Director and Director of the Audit Committee, Ridley Inc., Toronto Stock Exchange</li> <li>• Director and Director of the Audit Committee, ZoomerMedia Ltd., TSX Venture Exchange</li> <li>• Director, IIFL Holdings Limited (Listed in India)</li> <li>• Director, Thomas Cook (India) Limited (Listed in India)</li> </ul>

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Mr. Gobinath Arvind Athappan Age 43	Director
Date of Appointment	April 2012 - Present
Shareholding	- None -
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 73	Director and Chief Executive Officer and Chairman of Risk Management Committee
Date of Appointment	January 1991 - Present
Shareholding	- None -
Education	Bachelor of Laws, Thammasart University
Training Courses	Directors 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, Chairman of the Executive Board, Chairman of the Enterprise Risk Management Committee, 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>• Chariman, EMCS Thai Co., Ltd., Thaire Traning Co., Ltd., Thaire Services Co., Ltd., Thaire Actuarial Consulting Co., Ltd.</li> <li>• Vice Chairman, Thai Insurer Datanet Co., Ltd.</li> </ul>

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Mr. Oran Vongsuraphichet Age 45	Director, President and Chief Operating Officer
Date of Appointment	April 2013 - Present
Shareholding	- None -
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> <li>• Director, the Executive Board, Thaire Life Assurance PCL.</li> </ul>

**Non-Listed Company**

- Director and Chief Executive Officer, Falcon Insurance PCL
- Director, thongthai textile Co., Ltd.
- Director, V.A.S Garment Co., Ltd.
- Director, Titansportware Co., Ltd.
- Director, Thaire Training Co., Ltd.
- Director, Thaire Services Co., Ltd.
- Director, Thaire Actuarial Consulting Co., Ltd.,  
EMCS Thai Co., Ltd.

**Management**

Mr. Chuanchai Cheausamut Age 66	Executive Vice President and Chief Investment Officer
Shareholding	0.16 percent
Education	B.A., Chulalongkorn University
Experience	<b>Listed Company</b> <ul style="list-style-type: none"> <li>• Executive Vice President and Chief Investment Officer, Thai Reinsurance PCL.</li> <li>• Director of the Investment Committee, Thaire Life Assurance PCL.</li> </ul> <b>Non-Listed Company</b> <ul style="list-style-type: none"> <li>• Director, Thaire Training Co., Ltd., Thaire Services Co., Ltd., Thaire Actuarial Consulting Co., Ltd., EMCS Thai Co., Ltd.</li> </ul>

Mrs. Thitaporn Tarakit Age 55	Executive Vice President and Chief Financial Officer
Shareholding	0.01 percent
Education	M.B.A., Kasetsart University
Experience	<b>Listed Company</b> <ul style="list-style-type: none"> <li>• Executive Vice President and Chief Financial Officer, Thai Reinsurance PCL.</li> <li>• Senior Vice President, Accounting, Finance and Operation System Line, Thai Reinsurance PCL.</li> </ul> <b>Non-Listed Company</b> <ul style="list-style-type: none"> <li>• Director, Thaire Training Co., Ltd., Thaire Services Co., Ltd., Thaire Actuarial Consulting Co., Ltd.</li> </ul>

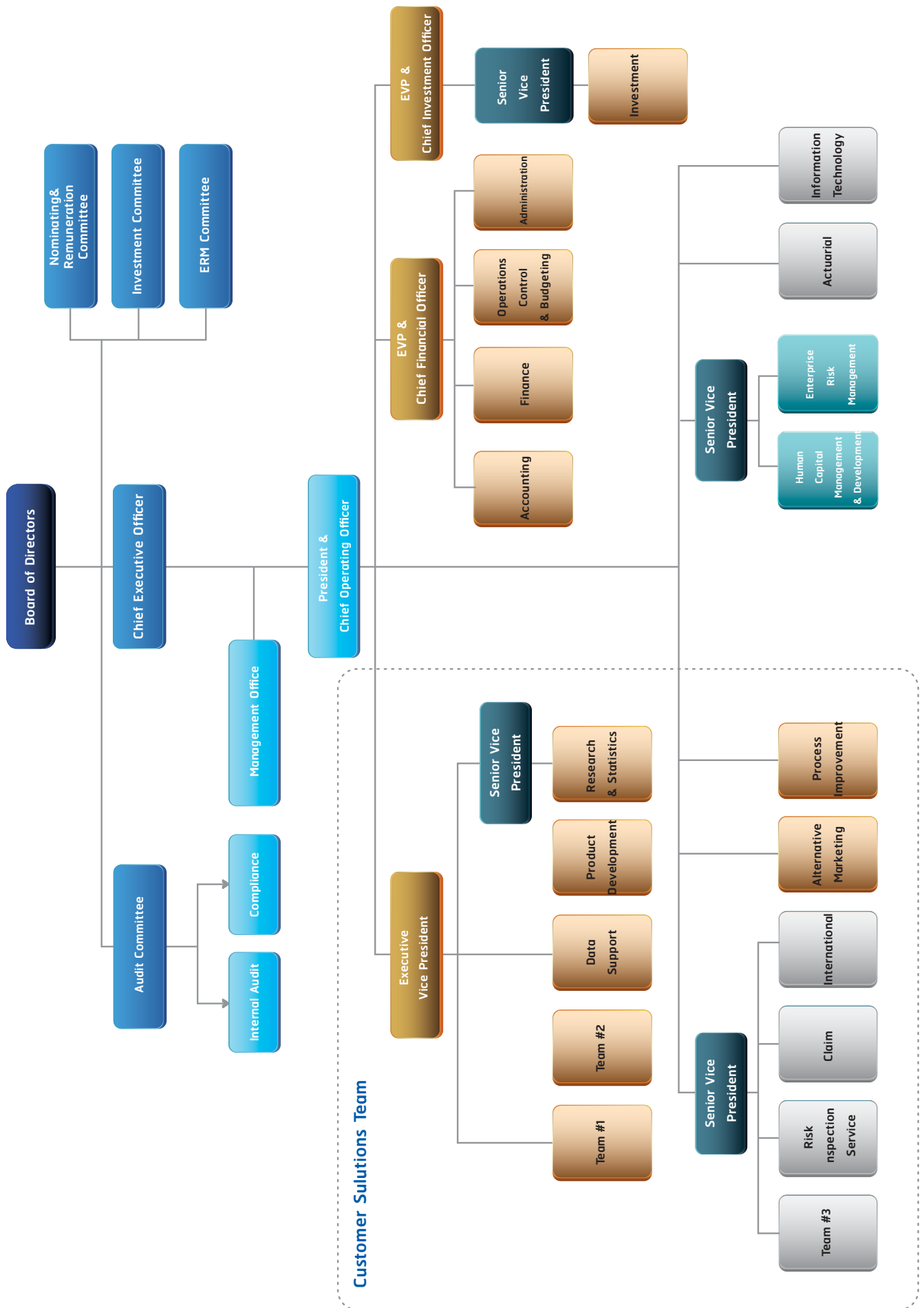
Mrs. Nantinee Chinwanno Age 51	Executive Vice President - Business Development and Customer Support
Shareholding	- None -
Education	M.B.A., University of Missouri, U.S.A.
Experience	<b>Listed Company</b> <ul style="list-style-type: none"> <li>• Executive Vice President - Business Development and Customer Support, Thai Reinsurance PCL.</li> <li>• Senior Vice President, Customer Support Division, Thai Reinsurance PCL.</li> <li>• Vice President, Thai Reinsurance PCL.</li> </ul> <b>Non-Listed Company</b> <ul style="list-style-type: none"> <li>• Director, Thaire Life Assurance Broker Co., Ltd.</li> </ul>

## Secretary

Mr. Chuanchai Cheausamut Age 66	Executive Vice President and Chief Investment Officer
Shareholding	0.16 percent
Education	B.A., Chulalongkorn University
Experience	<b>Listed Company</b> <ul style="list-style-type: none"> <li>• Executive Vice President and Chief Investment Officer, Thai Reinsurance PCL.</li> <li>• Director of the Investment Committee, Thaire Life Assurance PCL.</li> </ul> <b>Non-Listed Company</b> <ul style="list-style-type: none"> <li>• Director, Thaire Training Co., Ltd., Thaire Services Co., Ltd., Thaire Actuarial Consulting Co., Ltd., EMCS Thai Co., Ltd.</li> </ul>



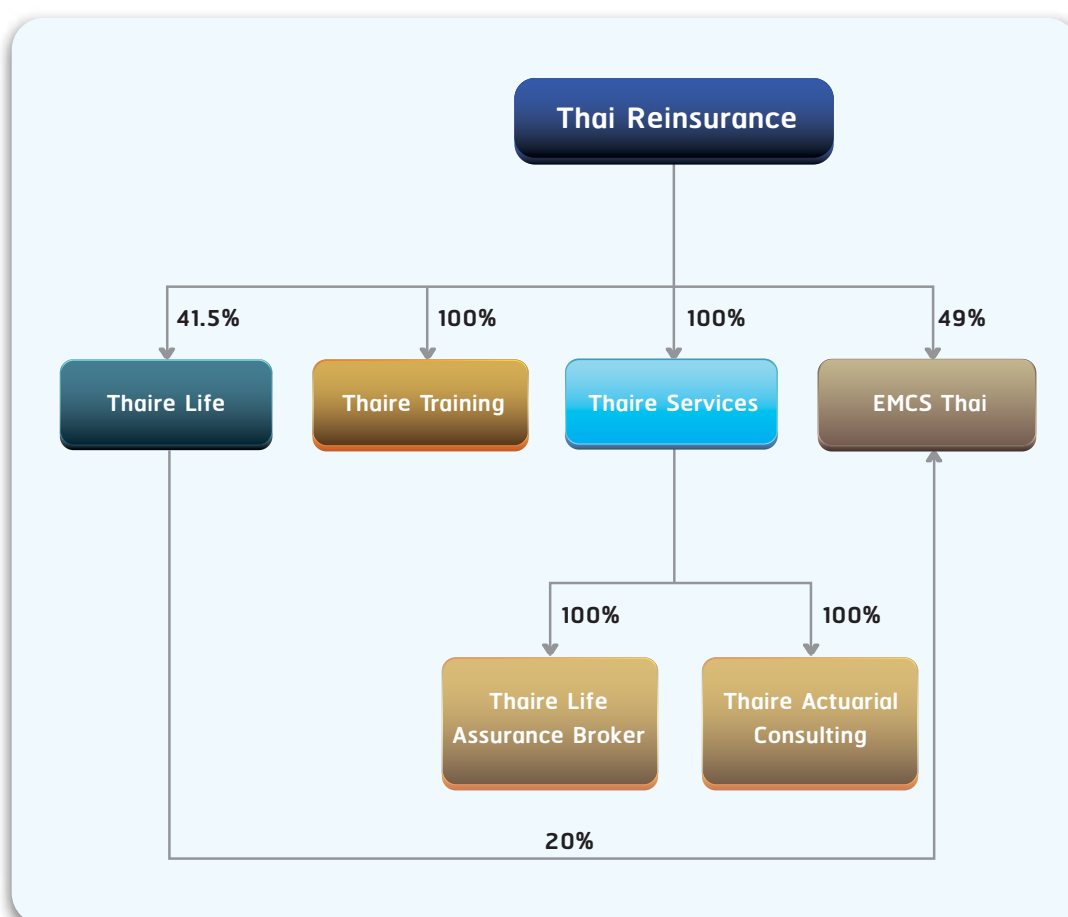
# Organization Chart



## 07

## Types of Businesses

The core competency of the Company is to effectively underwrite our non-life and life clients business. 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 which the clients are base is primarily in the insurance sector. The business structure is shown in the following table:



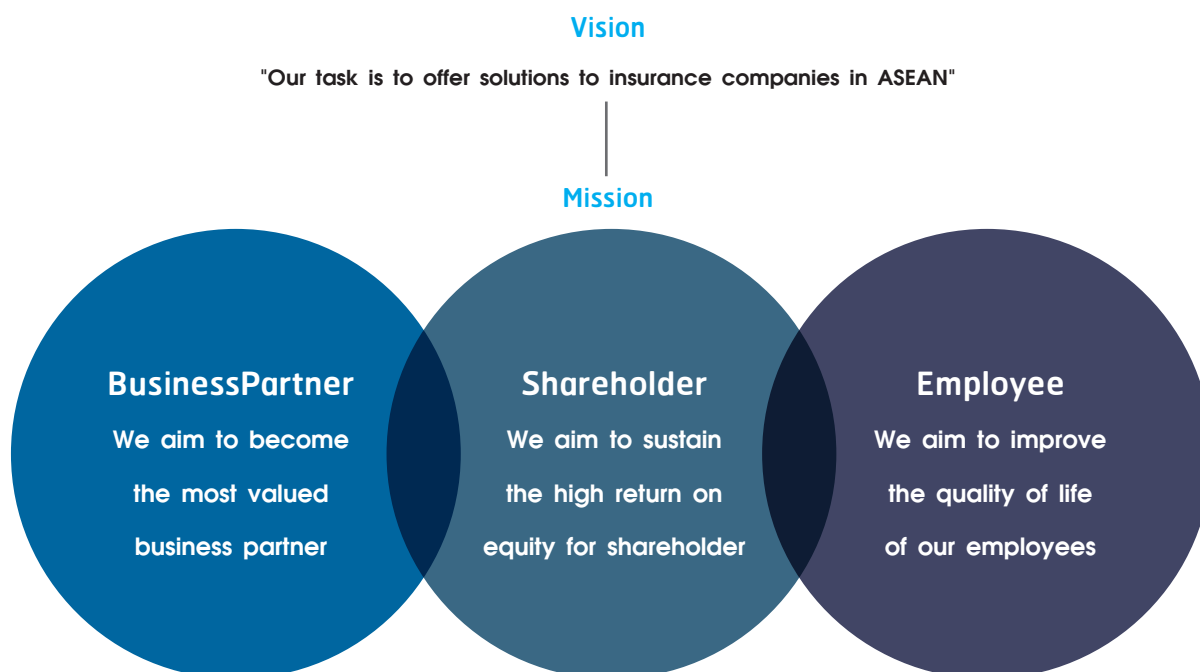
## General Information of Our Group of Companies

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	41.5
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.	Provision of computer service in relation to motor insurance claims and related statistics	30/30	69
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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## Corporate Vision & Mission



### 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 financially 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 15 years ago, Thaire Life Assurance Plc. has experienced considerable growth and expansion. To-date, the net earned premium has been 26.5 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	2012		2013		2014	
		Amount	Percent	Amount	Percent	Amount	Percent
• Net Earned Premiums	Thai Re & Thai Re-Life (Thai Re)	5,355.3	81.8	5,576.2	85.2	6,009.1	88.5
• Net Investment Income <sup>/1</sup>	Thai Re & Subsidiaries (Thai Re) <sup>/2</sup>	4,314.6		4,176.5		4,426.1	
		728.9	11.1	743.7	11.4	594.4	8.8
		1,016.3		3,232.2		1,405.2	
• Fee and Commissions income	Thai Re & Thai Re-Life (Thai Re)	377.4	5.8	114.7	1.8	86.9	1.3
		371.9		110.4		84.2	
• Service Income	Thai Re & Subsidiaries	82.6	1.3	111.0	1.7	97.2	1.4
<b>Total</b>		<b>6,544.2</b>	<b>100.0</b>	<b>6,545.7</b>	<b>100.0</b>	<b>6,787.6</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 2013 and 2014 portfolio is categorized in the following table:

Unit: Percent

			2013	2014
Non Life Reinsurance	• Domestic	Fire	4.7	4.0
		Marine	1.4	0.8
		Motor	6.6	6.7
		Misc.	62.4	62.0
			75.2	73.5
	• Foreign		0.1	0.0
Total Non-Life Reinsurance			75.3	73.5
Life Reinsurance			24.7	26.5
<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

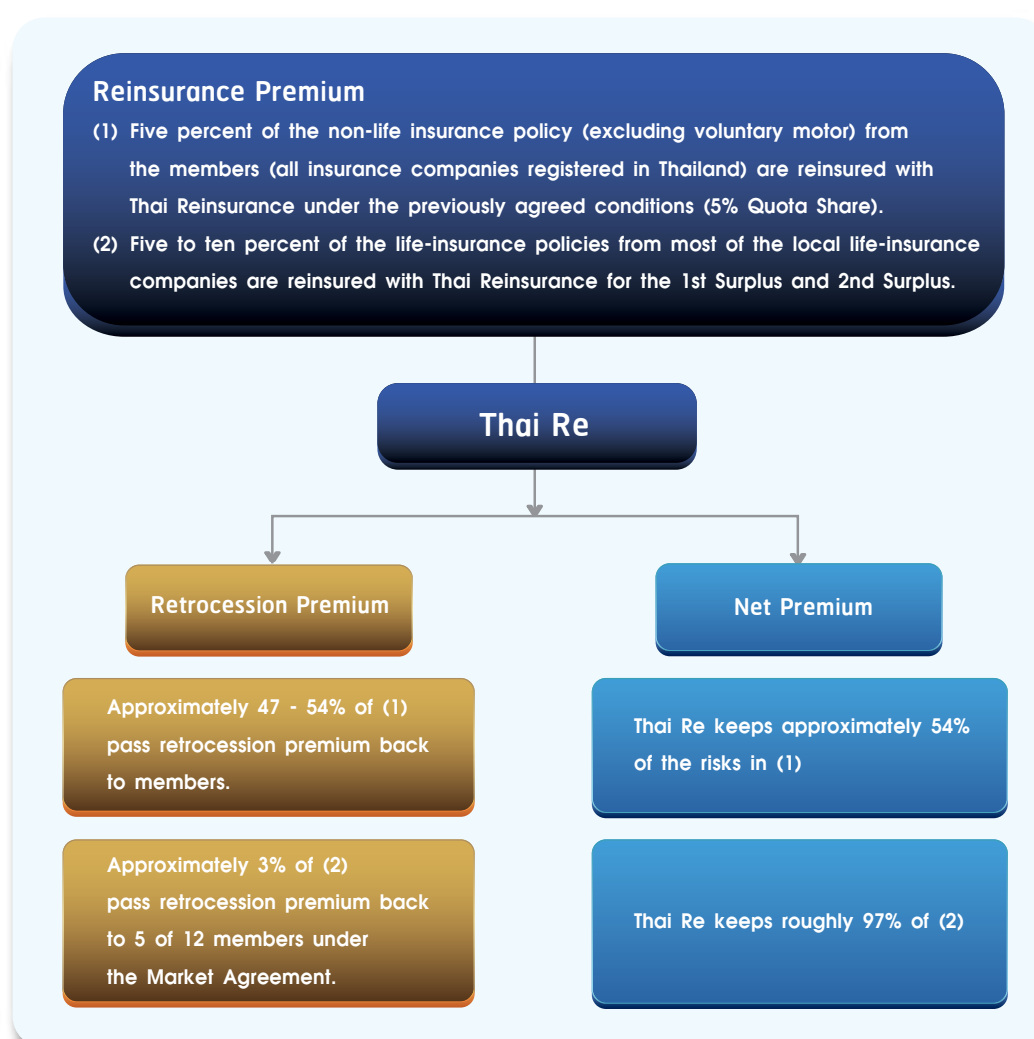
Facultative reinsurance is reinsurance purchased on an individual basis. That is, the type of reinsurance that has no agreements arranged in advance. The terms and conditions are applied and agreed upon specifically for that particular case. Facultative reinsurance is made up approximately 5.1 percent of the total net written premiums at present.

### 2. Treaty Reinsurance

Under treaty arrangements, Thai Re agrees to accept risks offered by insurance companies or in advance with no declining option providing specified risks to fit the treaty's scheme. There are 2 major types of reinsurance treaties:

#### 2.1 The Market Agreement Business

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



There are two benefits to local insurance businesses in Thailand from the establishment of Thai Re. The first benefit is a more evenly distributed insurance premiums among local insurance companies and an increased retention's capability of premiums within Thailand. The second benefit is 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 Re were made.

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, for all cedants. 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 retrocedes this business 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. THREL 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 is required to cede part of its risk to this treaty. THREL will retrocede risks to some ceding members.

The reinsurance premium from the market agreement contract was accounted of 7.0 percent of the net insurance premium, decreased by 8.3 percent of the net insurance premium in 2013. 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 retrocede to the members. The premiums from other agreements make up about 87.8 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 catastrophes. At present, the maximum limit that the Company has to retain for 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 indemnify from its retrocedants the insurer.

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

Thai Re 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	Life Insurance Act
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) Reserves for insurance premiums that have not yet become the Company's revenue; (2) Reserves for losses incurred; and (3) Reserves for other purposes as specified.	Reserves shall be allocated as follows: (1) Reserves for insurance policies that remain binding; and (2) Other reserves.
Placing of premium reserve	Insurance reserves shall be placed with the Registrar in an amount of 25% of the amount of reserves appearing in the following reports: (1) A quarterly capital adequacy report for second quarter; (2) A financial position and business status report for fourth quarter;	Insurance reserves shall be placed with the Registrar in an amount of 25% of the amount of reserves appearing in the following reports: (1) A quarterly capital adequacy report for second quarter; (2) A financial position and business status report for fourth quarter;

Rules and Regulations	Non-Life Insurance Act	Life Insurance Act
Placing of premium reserve	(3) A yearly capital adequacy report. The Company shall deduct from such amount the reserves for premiums on travel accident insurance with protection period less than one month and marine insurance.	(3) A yearly capital adequacy report. The Company shall deduct from such amount the loans that are secured by its insurance policies.
CAR Ratio	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.

## 08

## 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 13.9 percent in 2014. 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 Re and over a hundred foreign reinsurance companies take approximately 86.1 percent of the market share in 2014.

Despite the major flood disaster in 2011 resulting great impact to the insurance industry for the past three years, the growth of insurance market in Thailand is still progressing due to increasing rate of insurance premium in property insurance, personal accident and health insurance. Based on the preliminary data provided by the Office of Insurance Commission, direct written premium of non-life insurance in 2014 was THB 205,248 million, an increase of 1.0 percent from the year 2013. Non-life insurance was reinsured in the amount of THB 59,647 million or a 1.8 percent decrease from the last year. Direct written premiums of life insurance in 2014 were THB 503,850 million, an increase of 14.2 percent comparing to that in the same period last year. Apart of this amount, THB 8,135 million was reinsured, as 13.5 percent increase from the year 2013.

	Non-Life Insurance			Life Insurance		
	THB Million	Proportion	Percent	THB Million	Proportion	Percent
Direct Written Premiums	205,248	100.0	-	503,850	100.0	-
Reinsurance Premiums	59,647	29.1	100.0	8,135	1.6	100.0
• Domestic						
Reinsurance Written Premiums of the Company	4,713	2.3	7.9	1,624	0.3	20.0
Reinsurance Written Premiums of Other Companies	8,263	4.0	13.9	-	-	-
• Foreign	46,671	22.7	78.2	-	-	-

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 29.1. Within this range, there is 21.8 percent reinsured with local companies and the other 78.2 percent was reinsured overseas. Of this amount, the Company holds 7.9 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 20.0 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 35 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 or 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 business 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. However the majority of our clients are local customer. There are 78 local customers, 55 of non-life insurance companies and 23 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 two local health insurance clients 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 4 years, the Company purchased the protection in a proportion of reinsurance premium higher than 10 percent of total premium of the group company (In 2014, from two companies, there was 56.8 percent market share of total reinsurance premium and 47.1 percent in 2013).

## 09

## Risk Factors

The Company believes that effective enterprise risk management plays a crucial role in the success and survival of the Company. The Company, therefore, set up an Enterprise Risk Management (ERM) framework in 2009 and the Enterprise Risk Management Committee began operations in 2010.

The Company's strategies, operations, and decision making are in line with its risk appetite. Key risks are identified, assessed, integrated, monitored through key risk indicators, and responded appropriately so that risks that the Company retain are consistent with the Company's risk appetite. Risk management execution and effectiveness of risk management measures are quarterly assessed and reported to the Enterprise Risk Management Committee. Risk learning from past loss events are taken into account when the Company revises its strategies and operations to provide better results in the future.

Risk management is embedded in all of the Company's core activities i.e. product design and development, pricing, underwriting, claim management, reinsurance, investment and assets management. The Company aims to ensure an appropriate risk-reward balance in all of the Company's risk taking activities and believes that, by linking risk management with business strategies, it can maximize its strategic and operational effectiveness and help the Company achieve its business objectives and sustainable competitive advantages in the long run.

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

### 1. Strategic Risk

Strategic risk is the risk arising from inappropriate or adverse business planning, business decisions, or improper implementation of those decisions, which can affect earnings, capital funds, image, and financial stability of the Company.

### Risk Management Measures

The Company's strategic plans are developed annually in accordance with its long-term strategic plans. They are approved and constantly monitored by the Board of Directors to ensure that they keep up with current and future market conditions.

With 36 years of experience in the reinsurance business, the Company has gained much knowledge and amassed a sizeable database of market statistics that plays an important role for the Company to manage and control its strategic risks to be within its risk appetite. Since property line covers risks that are high sum insured and high accumulation in nature, any loss events might drastically affect the Company's operations, resulting in impairment of capital. The Company, therefore, continuously reduces its property line and expands business in personal line which covers more diversified and low sum insured risk. This will enable the Company to have more sustainable performance in the future.

The Company focuses on developing new distribution channels, creating innovative products and services, improving its business process, structure, and information system to better serve customers and enhance their satisfaction. The Company also continues to develop low cost proactive marketing and develops its staffs at all levels to their fullest potential so that they can help the Company achieve its business objectives and sustainable growth in the long run.

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

One non-life insurance company has contributed more than 20 percent of the Company's overall reinsurance premium. If the Company lost this amount of premium, its revenue and performance would be drastically affected.

Most reinsurance businesses that the Company has with this non-life insurance company are long-term. Premium payments are paid all at once at the beginning of the contract 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 cancelled.

#### **Risk Management Measures**

The Company has a policy to expand new business with other non-life insurance companies to diversify its 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**

The Company has identified root causes for capital deficiency and implemented risk measurement measures for insurance risk, market risk, credit risk, and concentration risk. The Company has integrated risk and capital management concept into its business strategies and core business activities i.e. underwriting, product design and development, pricing, claim management, reinsurance, and investment to make sure that the Company is financially secured and has sufficient capital to cover both current growth and unexpected future exposures. The Company's Capital Adequacy Ratio as of December 31, 2014 is 158 percent.

## **2. Operational Risk**

Operational risk is the risk arising from inadequate or lack of control over internal processes, people, systems, or external events that could affect the Company's income, profit, and capital funds. Operational risk includes, but is not limited to, lack of employee skills, knowledge, and expertise, loss of key persons, inefficient business processes, system security and data integrity, accurate and up-to-date data, delegation of power, duties and responsibilities, the appropriateness of performance management system and the like.

### **Risk Management Measures**

The Company has a clear segregation of duties between the Board of Directors and management teams. Table of authorities are in place and used as operational guideline. Internal operations are monitored and reviewed regularly to ensure that the Company's internal control processes and procedures are adequate and being followed appropriately. In addition the compliance reports are submitted to the audit committee every quarter.

Since the importance of insight and information to business operations is very apparent, the Company has put in place IT security measures and backup systems to protect the Company and ensure its operational continuity. IT policies and procedures are well documented whereas system security and data integrity are periodically monitored. The Company has also implemented business continuity management program and revised its business continuity plan to deal with unprecedented events that could affect the Company's operation and service continuity.

Human capital is the key success factor for Non-life insurance businesses. Insurance business expansion which requires a pool of local professionals leads to "a war of talent" because there is an insufficient talent pool in Thailand. It is very likely that the Company's staffs will be approached by other insurance companies and key skill shortages might eventually affect the Company's



comparative advantage in the future. The Company's executives, therefore, has deployed a variety of measures to manage this issue e.g. revision of individual development program, provision of competitive remuneration and benefits, creation of a pleasant working atmosphere, Employee Stock Option Plan Issuance in 1996, and five-year warrants offer for the Company's Executives in 2001.

### 3. Insurance Risk

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

#### Risk Management Measures

Along with the focus on professional development, the Company put a strong emphasis on underwriting discipline. The Company's risk taking activities are based on risk and reward balance. Geographical areas and its related risks are diversified and taken into account in underwriting process. Underwriting guidelines are developed based on technical knowledge and update statistics and revised periodically to keep up with changes in market conditions. Underwriting audit is in place to assure that underwriting guidelines are strictly followed.

The Company has updated its underwriting guideline for flood, earthquake and windstorm after the 2011 mega flood. A limit is set for the amount insured on each property depending on the level of flood and earthquake risk arising from floods and earthquakes. A limit is also set for the amount insured in each industrial estate in Bangkok and its vicinity as well as a limit per province, per region, and per basin, depending on its risk characteristics. Risk accumulation is closely and timely monitored on a monthly basis. If the amount of sum reinsured reaches 75% of the total sum reinsured, it will be reported promptly to Senior Management so that additional measures will be taken. Simulation models for flood and earthquake are already in place while the Company's excess of loss coverage for natural disasters has been revised and its research on new and emerging risks continues.

The Company maintains its level of capital to comply with the OIC's requirement. The Company has an excess of loss program to protect the reinsurance contracts underwritten and adverse claims experience. The Company has a conservative and actuarially sound loss reserve calculation. Statistical data and insights are incorporated into marketing plans to help the Company developing new profitable products.

#### 4. Market Risk

Market risk is the risk arising from changes in market variables, such as interest rate, exchange rate, equity price, real estate price, commodity price and the like. This volatility could lead to decreases in value of market prices of assets and inevitably affect the Company's assets, income, and capital funds.

##### **Risk Management Measures**

The Company's investment guideline complies with the Life and Non-Life Insurance Acts B.E. 2551 which specifies type of security invested and its limit.

The Company has set up an investment policy and guidelines to provide direction for portfolio management. Changes in the economic conditions and regulation amendments are taken into consideration as part of the Company's ongoing monitoring process. The Company has adopted a prudent investment policy. The Company invests in high quality securities that will generate reasonable and consistent returns and avoids speculative investment that would jeopardize its capital.

The Company regularly monitors and analyzes the volatility of its investment portfolio. Taking this into account when investment decision has been made, it is less likely that the Company's investment portfolio would result in a total loss. Since investment income is one of the major sources of income for the Company investment activities are closely monitored by the Board of Directors and the Company's executive.

#### 5. Credit Risk

Credit risk is the risk arising from possible default by the Company's counterparties or from changes in the credit quality of issuers of securities or the Company's retrocessionaire. This could lead to an overdue or bad debt and eventually affect the Company's cash flow and net profit.

##### **Risk Management Measures**

The Company usually performs credit quality assessment of issuers of securities and its retrocessionaires. Financial analysis of the Company's counterparties is done periodically. The Company also revises its investment and reinsurance portfolios when the ability to fully meet the obligations and creditworthiness of the Company's counterparties are in doubt. In addition the Company invests in debt instruments for which the credit rating of the issuers is at least an "A" and limits its exposure to reinsurance assets through reinsurance contracts with the retrocessionaires that have credit ratings of at least "A."

## 6. Liquidity Risk

Liquidity risk is the risk arising from the Company's inability to meet its debt obligations as they become due, caused by insufficient liquid assets or the lack of marketability of an investment.

### **Risk Management Measures**

The Company manages its liquidity position through prudent investment decisions, cash flow matching of assets and liabilities, and diversification of assets and liabilities to ensure that adequate cash is available when needed. The Company's liquidity position is higher than a minimum level of liquidity required by the OIC.

## 7. Emerging Risk

Emerging risk is the risk that does not currently exist but might emerge at some point in the future due to changes in the political, legal, social, technological, physical, or natural environments. These risks are difficult to identify, appear slowly, and have adverse impacts when they materialize. Examples of emerging risks include pandemic, nanotechnology, genetically modified organisms, and climate changes.

### **Risk Management Measures**

The Company gathers relevant information on emerging risks and continuously analyzes all existing information to develop sound practices to manage emerging risks. The Company periodically revises its policy terms and conditions and makes sure that emerging risks are taken into account in all core activities so that exposure to emerging risk is limited.

## 10

## Structure of shareholders and Management

### Shareholders >>

Ten major shareholders as of October 13, 2014 are as follows :

Unit: Percent

Major Shareholders	No. of Shares	Percentage
1. HWIC Asia Fund	1,264,027,222	29.99
2. The Hongkong And Shanghai Banking Corporation Limited, Fund Services Department	531,959,778	12.62
3. Thai NVDR Co., Ltd.	517,151,346	12.27
4. Viriyah Insurance PCL.	145,925,835	3.46
5. BNP Paribas Securities Services Luxembourg	89,443,230	2.12
6. Bangkok Insurance PCL.	78,952,896	1.87
7. Aberdeen Growth Fund	72,266,810	1.71
8. Aberdeen Long Term Equity Fund	72,210,892	1.71
9. GIC Private Limited – C	70,730,242	1.68
10. Aberdeen Small Cap Fund	65,288,370	1.55
Total	2,907,956,621	68.99
11. Other shareholders	1,307,037,211	31.01
<b>Grand Total</b>	<b>4,214,993,832</b>	<b>100.00</b>

In March 2012 and September 2014, the company raised additional capital in a total of THB 2,325.1 million and THB 702.5 million, respectively. The increased capital stocks were proposed thru private placement to Fairfax Financial Holdings Limited, an existing shareholder,. As a result, Fairfax Financial Holdings Limited, which under a company named HWIC Asia Fund, has become the largest shareholder of the company. Fairfax has owned 29.99 percent of total shares since 13 October 2014,

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

For more information of ten major shareholders please visit <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 issued zero preferred shares. Debt or convertible securities that may affect the rights of shareholders.

## Dividend Policy >>

Under a current policy, minimum dividend payout is 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	2010	2011	2012	2013	2014
Earning per share	0.49	-1.40	-1.44	-0.80	-0.52
Dividend per share	0.41	0.20	0	0	0
Payout Ratio (percent)	83.9	35.9	0	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, 2013	No. of Shares as of Dec 31, 2014	Change Increase (Decrease) in 2014	Percentage
<b>Director</b>					
1.	Mr.Suchin Wanglee	7,185,920	7,904,512	718,592	0.19
	Their spouses and children who have not reached maturity	-	1,000,000	1,000,000	0.02
2.	Mr.Chai Sophonpanich	3,399,186	3,739,104	339,918	0.09
	Their spouses and children who have not reached maturity	-	-	-	-
3.	Mr.Kerati Panichewa	3,019,893	3,321,882	301,989	0.08
	Their spouses and children who have not reached maturity	-	-	-	-
4.	Mr.Jiraphant Asvatanakul	700,560	770,616	70,056	0.02
	Their spouses and children who have not reached maturity	-	-	-	-
5.	Mr.Chanin Roonsamrarn	-	-	-	-
	Their spouses and children who have not reached maturity	-	-	-	-

No.	Name	No. of Shares as of Dec 31, 2013	No. of Shares as of Dec 31, 2014	Change Increase (Decrease) in 2014	Percentage
6.	Ms.Potjane Thanavarant Their spouses and children who have not reached maturity	186,200 -	204,820 -	18,620 -	0.00 -
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. Chandran Ratnaswami Their spouses and children who have not reached maturity	- -	- -	- -	- -
10.	Mr. Gobinath Arvind Athappan Their spouses and children who have not reached maturity	- -	- -	- -	- -
11.	Mr.Surachai Sirivallop Their spouses and children who have not reached maturity	1,229,421 2,669,640	- -	(1,229,421) (2,669,640)	- -
12.	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	5,909,280 -	6,536,264 -	626,984 -	0.16 -
2.	Mrs.Thitaporn Tarakit Their spouses and children who have not reached maturity	468,556 -	518,262 -	49,706 -	0.01 -
3.	Mrs.Nantinee Chinwanno Their spouses and children who have not reached maturity	- -	- -	- -	- -

## 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 to be a professional reinsurer that enhances the ability to retain more risk within the country and promotes business of non-life insurer as business partner. The company also focuses on expanding revenue bases, which are underwriting, investment, and services, to stabilize and diversify revenue sources, and meets client needs more efficiently.

The company's Board of Directors comprises of 12 highly knowledgeable and widely accepted members. There are independent directors, according to the company's definition that complies with the rules set by the Securities and Exchange Commission. A 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 required to be different person. So far, the Board of Directors has elected an independent director to hold the position of Chairman of the Board of Directors.

### Committees

As of December 31, 2014, the Board of Directors of the company consisted of 12 members, 10 members from the non-executive directors, 2 members from the Management Committee, and 4 members were independent directors. Moreover, 9 members have succeeded the course relevant to duty and management skill of committee from the Thai Institute of Directors.

The Board of Directors is responsible for protecting the interests of shareholders, and regulate management in order to meet objectives of the company while at the same time concerning about partners and other third parties. Moreover, its responsibilities also include approval of vision, mission, strategy, objectives, plan and budget as well as creating 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 gives management authorities to CEO. It assigns works and responsibilities to subordinates accordingly except for authority to approve any transactions, which can bring the conflict of interest to the company and its subsidiaries.

### Limitations of the Authorities and Responsibilities of Chairman

1. The Board Chairman or person designated by the Board Chairman has duty to call a meeting of the Board of Directors by submitting an invitation letter at least 14 days before the meeting date in order to allow the directors enough time to study, consider and make a right decision on all matters at the meeting.

2. The Board Chairman has a role in determining the meeting agenda jointly with the CEO.

3. The Board Chairman encourages the directors' participation in the board meeting and acts as chairman of the meeting with duty to control and ensure that the meeting is efficient, allocate sufficient time for the management or concerned parties to present their information, encourage and allow the directors to raise questions and express their opinions freely, control the discussion, and draw a conclusion on the meeting's resolution.

4. The Board Chairman plays a key role in encouraging the directors to comply with the corporate governance principles.



5. The Board Chairman communicates all crucial information to the directors.

6. The Board Chairman encourages the directors' participation in the shareholders' meeting and acts as chairman of the meeting to control and ensure that the meeting is efficient and to answer questions raised by shareholders.

7. The Board Chairman encourages the Board of Directors to perform duty within the purview of power, duty and responsibility of the Board of Directors under the laws and the corporate governance principles of the Company.

## **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 2014, the Board of Directors had 5 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 2014, the committee members met 5 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 2014, EY Office Limited was nominated and appointed as auditor of the Company for another year.

3. Attended joint meetings with the auditor 4 times in 2014. 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 2014, the Nomination and Remuneration committees held 2 meetings to appoint qualified persons to replace outgoing members and determine remuneration for the Committee and the Board of Directors. They also ensure the progress of the newly elected committees and make sure that they perform their assigned duties effectively.

### 4. Investment Committee

In 2014, there was no Investment Committee meeting.

### 5. Enterprise Risk Management Committee

In 2014, The Enterprise Risk Management Committee attended 4 meetings. The committee reported risk management progress to the audit committee on a quarterly basis.

**The names and remunerations of the meeting are listed below:**

Unit: THB

Board of Directors	Position	No. of meetings attended / No. of meetings held			
		Board of Directors	The Audit Committee	Nomination and Remuneration Committee	Investment Committee
Mr.Suchin Wanglee	Chairman, Independent Director and Director of Investment Committee	5/5	-	-	0/0

Unit: THB

Board of Directors	Position	No. of meetings attended / No. of meetings held			
		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	3/5 <sup>4</sup>	-	2/2	0/0
Mr.Kerati Panichewa	Director	5/5	-	-	-
Mr.Jiraphant Asvatanakul	Director and Director of Nomination and Remuneration Committee	5/5	-	2/2	-
Mr.Chanin Roonsamran	Independent Director and Director of the Audit Committee	5/5	5/5	-	-
Mr.Sara Lamsam	Director	3/5 <sup>4</sup>	-	-	-
Mr.Aswin Kongsiri	Independent Director and Director of the Audit Committee	4/5	4/5 <sup>4</sup>	-	-
Mr.Udom Vichaiyabhai	Independent Director and Chairman of the Audit Committee	1/1	1/1	-	-
Ms.Potjaneer Thanavarant	Independent Director and Director of Nomination and Remuneration Committee	5/5	4/4	1/1	-
Mr.Chandran Ratanaswami	Director and Director of Investment Committee	4/5 <sup>4</sup>	-	1/1	0/0
Mr.Gobinath Arvind Athappan	Director	3/5 <sup>4</sup>	-	-	-
Mr.Surachai Sirivallop	Director and Chief Executive Officer	5/5	-	-	-
Mr.Oran Vongsuraphichet <sup>2</sup>	Direct and President	4/5 <sup>4</sup>	-	-	-

Remark :

1 Mr.Udom Vichaiyabhai retired from the Audit Committee due to the end of term since April 2014.

2 Ms.Potjaneer Thanavarant has been appointed as the Audit Committee instead of Mr.Udom Vichaiyabhai since April 2014

3 Mr. Chandran Ratanaswami has been appointed as the Nomination and Remuneration Committee instead of Ms.Potjaneer Thanavarant since May 2014

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

## Executives >>

As of December 31, 2014, 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. Provide necessary suggestions to the Board of Directors regarding the law and regulations according to its requirements 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 take 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 2014 as the resolution of the Annual General Meeting of Shareholders No. 21 on April 25, 2014 are listed below:

(Unit: THB)

Board of Directors	Remunerations (Monthly per person)		Remunerations		Gratuity
	Chairman	Director	Chairman	Director	
Board of Directors	20,000	15,000	35,000	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 2014 are listed below :

Board of Directors	Remuneration (Monthly)	Gratuity <sup>4</sup>	Remunerations <sup>4</sup>				
			Board of Directors	Audit Committee	Nomination and Remuneration Committee	Investment Committee	Total
1. Mr.Suchin Wanglee	160,000	-	165,000	-	-	-	325,000
2. Mr.Chai Sophonpanich	120,000	-	75,000	-	50,000	-	245,000
3. Mr.Kerati Panichewa	120,000	-	125,000	-	-	-	245,000
4. Mr.Jiraphant Aswatanakul	120,000	-	125,000	-	50,000	-	295,000
5. Mr.Chanin Roonsamrarn	120,000	-	125,000	175,000	-	-	420,000
6. Mr.Sara Lamsam	120,000	-	75,000	-	-	-	195,000
7. Mr.Aswin Kongsiri	120,000	-	100,000	185,000	-	-	405,000
8. Mr.Udom Vichaiyabhai <sup>1</sup>	-	-	25,000	50,000	-	-	75,000
9. Ms.Potjaneer Thanavararit <sup>2</sup>	120,000	-	125,000	140,000	25,000	-	410,000
10. Mr.Chandran Ratnaswami <sup>3</sup>	120,000	-	100,000	-	25,000	-	245,000
11. Mr.Gobinath Arvind Athappan	120,000	-	75,000	-	-	-	195,000
12. Mr.Surachai Sirivallop	120,000	-	125,000	-	-	-	245,000
13. Mr.Oran Vongsuraphichet	120,000	-	100,000	-	-	-	220,000
<b>Total</b>	<b>1,480,000</b>	<b>-</b>	<b>1,340,000</b>	<b>550,000</b>	<b>150,000</b>	<b>-</b>	<b>3,520,000</b>

Remark

1. Mr.Udom Vichaiyabhai retired from the Audit Committee due to the end of term since April 2014.
2. Ms.Potjaneer Thanavararit has been appointed as the Audit Committee instead of Mr. Udom Vichayabhai since April 2014.
3. Mr.Chandran Ratnaswami has been appointed as the Nomination and Remuneration Committee instead of Ms.Potjaneer Thanavararit since May 2014.
4. There was no remuneration to the committee in 2014 due to a company's performance loss.
5. The remuneration of committee did not include in the remuneration as the management. Also, there was no remuneration to the Risk Management Committee.

**b) Monetary remuneration for executives**

In 2014, the Company paid salary and bonus to five executives, according to the name-list in the 'Management' Section, in a total amount of THB 46.0 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 2014, 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 3 million;
- Contribution to the retirement fund totaling THB 2.0 million.

## Human Resources >>

As of December 31, 2014, the Company had 320 employees as per the following allocations:

Department	Employees
<b>Reinsurance Business</b>	
Business Development	30
Operation Support	27
Finance and Accounting	19
Other	62
<b>Total Reinsurance Business</b>	<b>138</b>
<b>Services Business</b>	<b>182</b>
<b>Total</b>	<b>320</b>

### Remunerations of the Employees

THRE's compensation policy is to pay the salary and benefit package to compete with market pay reference in Financing industry (Banking) and Insurance industry. We apply to the inflation rate as measured by Bank of Thailand and adjust to salary structure based on market survey result by professional outsource organization. Moreover, we hired a consultant to enhance KPI, PMS and salary structure to prepare the benchmarking compensation for long term. The company will have the competitive rate, good career path enough to challenge with the talent staffs to meet the company succession plan.

The remuneration package includes bonuses, employee provident fund, which the Company contributes 5 to 10 percent depending on years of working, healthcare, social security fund, life & accident insurance and training. In 2014, the company paid THB 384 million on remuneration. Details are as follows:

Employees expenses (THB Million)	Reinsurance Business	Services Business	Total
Salary and wage	250	93	343
Social security fund	3	1	4
Contribution to provident fund	14	5	19
Defined benefit plans	2	2	4
Other benefits	10	4	14
<b>Total</b>	<b>279</b>	<b>105</b>	<b>384</b>

### 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 aboard with interest at a lenient rate.

In 2014, the Company sent 435 employees to 110 training courses

Course		Number of Courses	Number of Participants
Within Thailand	• Other	97	142
	• Thai Re	8	287
Overseas		4	4
Insurance related courses such as LOMA, CII, ANZIF, CAS		1	2

Besides the employees' skill development, 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 any labor dispute.



## 11

## Corporate Governance

### Corporate Governance Policies of THRE Group >>

The Board of Directors of THRE and its subsidiaries mutually agrees that in order for an organization or business to achieve sustainable growth, it must have in place a good corporate governance system that is compatible with its status. This is a key fundamental for enhancing both operational efficiency and benefit for all stakeholders. Therefore, the Board of Directors is committed to operating business under good corporate governance and management practices by upholding the code of business ethics and transparency and focusing on creating value for shareholders, employees, customers, business partners and all stakeholders. The Company has accordingly set out policies on corporate governance for the directors, executives and staff members to observe in performing their duties, as follows:

1. The Board of Directors, executives and employees shall perform duties with strong determination, integrity and responsibility to generate the utmost benefit to the Company by adhering to good corporate governance principles and business ethics in their operation.

2. The Board of Directors plays a crucial role in formulating the Company's vision, strategy, policy, management structure and significant business plans and must take action to ensure that the internal control system, accounting-finance system and financial reporting are reliable.

3. The Board of Directors and executives shall take the lead on ethics and act as a role model for performing duties with strong determination and integrity under corporate governance principles.

4. The Board of Directors, executives and employees shall uphold fairness and treat all groups of stakeholders on an equitable basis, and shall monitor, control, prevent and eradicate any conflict of interest that may take place.

5. The Board of Directors, executives and employees shall adhere to the anti-fraud policy.

6. The Board of Directors shall ensure that the shareholders are treated equally, have the right to access information, and have an appropriate channel to communicate with the Company, and shall form an investor relations center to be responsible for providing information to investors and the general public.

7. The Board of Directors and executives shall ensure that personnel at all levels are properly selected and that the selection process is fair and transparent.

Compliance with THRE Group's corporate governance policy is a key indicator to measure the business management performance of the Board of Directors and executives and to evaluate the performance of all employees.

The Company encourages compliance with the corporate governance principles and code of business ethics and communicates with the directors, executives and employees to ensure that they would realize and acknowledge the significance of corporate governance and ethics and that all employees have studied, familiarized themselves with, and signed to acknowledge the corporate governance and ethics as a guideline for their operation. Moreover, the Company has to maintain corporate governance policies on its website and regularly monitors the compliance program in general. An assigned working party must report all updates and progresses to the Board of Directors. For instance, the Audit Committee has been entrusted with duties to monitor issues concerning a conflict of interest, internal control and audit, and compliance with laws and regulations prescribed by relevant authorities, and to regularly report the Board of Directors on a quarterly basis. The Company Secretary is responsible for reporting on securities holding by directors and executives and informing the results thereof to the Board of Directors on a quarterly basis; and so on.

## Subcommittees >>

### Scope of Authorities and Responsibilities

To enhance efficiency in business administration and supervision, the Board of Directors has appointed subcommittees to specially oversee and follow up on the routinely important activities or the activities that need close attention. There are 4 subcommittees at present. 4, namely the Audit Committee, the Nomination and Remuneration Committee, the Enterprise Risk Management Committee, and the Investment Committee. Their structures and responsibilities are clearly identified as follows:

#### (a) Audit Committee

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

Name	Position
Mr.Aswin Kongsiri	Chairman of Audit Committee
Mr.Chanin Roonsamrarn	Audit Committee
Ms.Potjanee Thanavarani	Audit Committee

Remark : All Committee members have expertise in accounting and finance (please see their profiles in Board Members Section). Miss Potjanee Thanavarani was appointed as the Audit Committee member in place of Mr. Udom Vichayabhai who retired by rotation in April 2014.

The Audit Committee has duties and responsibilities to report to the Board of Directors in the following issues:

1. To review and ensure that the Company's financial reporting is accurate and adequate.
2. To review and ensure that the Company's internal control and internal audit systems are suitable and effective; and to consider independence of the internal audit unit and approve an appointment, rotation, termination of employment of head of the internal audit unit or any other units responsible for internal audit.
3. To review and ensure the Company's compliance with the law on securities and exchange, regulations of the Stock Exchange of Thailand and the laws applicable to the Company's business.
4. To consider, select and nominate an independent person for appointment as the Company's auditor and propose remuneration for such person, as well as to attend a non-management meeting with the auditor at least once a year.
5. To consider connected transactions or transactions with a possibility of conflict of interest and ensure that they conform to the laws and the SET regulations and are reasonable and most beneficial to the Company.
6. To prepare for an Audit Committee's report, in which it must be published in the Company's annual report. Also, the report must be signed by the Audit Committee Chairman and contain minimum information required by the SET.
7. To review and ensure that the Company has in place a risk management policy and properly and effectively implements the risk management policy and guideline; and to supervise the Enterprise Risk Management Committee.
8. To perform any other duties as assigned by the Board of Directors with the consent 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 existing members are listed below:

Name	Position
Mr.Chai Sophonpanich	Chairman of Nomination and Remuneration Committee
Mr.Jiraphant Asvatanakul	Nomination and Remuneration Committee
Mr.Chandran Ratanaswami <sup>1</sup>	Nomination and Remuneration Committee

Remark : 1 Being a member of the Nomination and Remuneration Committee in replacement of Miss Potjane Thanavaranit.

The Board of Directors appoints the Nomination and Remuneration Committee which has duties, responsibilities, and authority as follows:

1. To determine and recommend the structure, size, composition, and qualification of the Board of Directors and subcommittees.
2. To determine policy, criterion, qualification, and nominating procedures for appointing directors and subcommittee members to replace the outgoing members.
3. To determine and recruit the directors and subcommittee members from the qualified candidates and submit the lists to the Board of Directors for approval and/or propose them to the meeting of shareholders for approval, as the case may be.
4. To select, screen and propose a qualified person to assume the position of Chief Executive Officer (CEO) when it becomes vacant, including succession plan and regulations for the key top management positions, and submit these to the Board of Directors for consideration. In this regard, top management means CEO and senior executives in the first- and second-highest ranking position after the CEO.
5. To determine policies and structure of remuneration and other benefits for directors, board advisors, and subcommittee members of the Company that are subject to transparent criteria and are commensurate with their responsibilities, taking into account duties, responsibilities and related risks and focusing on increase in shareholders' equity in the long term.
6. To determine a policy on remuneration of top management that is consistent with the Company's overall performance and the performance of that executive.
7. To determine annual remuneration of the Board of Directors and subcommittee members and propose it to the meeting of shareholders for approval.
8. To determine annual remuneration of individual top management and propose to the Board of Directors for approval.
9. To perform any other duties as assigned by the Board of Directors with the consent of the Nomination and Remuneration Committee.

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

The Enterprise Risk Management Committee was approved by the Board of Directors to be established on February 25, 2010, consisting of Director & Chief Executive Officer as the Committee Chairman, Director & President as Vice Chairman, and senior executives from various departments as members. The Committee is under the supervision of the Audit Committee. The duties and responsibilities of the Enterprise Risk Management Committee are as follows:

1. To determine risk management policy and ensure that it is consistent with the board-approved business policy and target of the Company.
2. To monitor, assess and integrate risk management activities such as identification and assessment of all risks of the Company and follow-up on the progress and result of each risk management measure to control risks at the proper level.
3. To encourage the translation of risk management measures into practice and ensure that the results can be monitored and effectively evaluated.
4. To promote the development of necessary infrastructure for enterprise risk management program, including information technology, risk management tools, monitoring and reporting system.
5. To encourage the development of an enterprise risk management culture so as to ensure the employees at all levels are aware of and participate in management of risks associated with the functions they are in charge of.
6. To report the results of enterprise risk management to the Board of Directors through the Audit Committee.
7. To perform any other duties as assigned by the Board of Directors or the Audit Committee.

**(d) Investment Committee**

The Investment Committee was established on February 28, 1994, consisting of 3 members. The Investment Committee is responsible for investment policy and also provides recommendation and consultation on the investment issues. The Committee members are:

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

The Investment Committee may also appoint other Sub-Committees to manage special critical tasks from time to time.

## Nomination and Appointment of Director and Top Management >>

### 1. Nomination and Appointment of Independent Directors

The Company sets out criteria for selection process of independent directors. A candidate must meet the qualifications for director nomination of the Company as well as the qualifications of 'Independent Director' as defined by the SEC, which are:

### Qualifications of Independent Director

“Independent Director” is a person who meets all 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 who may have a conflict of interest. The shareholding of relatives is also 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 at least for 2 years,

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.

## 2. Nomination of Directors and Executives

### Criteria for Director Nomination

The Nomination and Remuneration Committee selects and nominates a director by taking into account a suitable composition of the whole board and a policy on diversity of board structure in terms of professional skill and specialized expertise. The existing THRE Board of Directors is composed of 12 members, the number of which is compatible with the Company's business operation. All of them have had work experience or used to assume a top-ranking position in the business and government sectors. In view of their educational background, most of the directors finished their studies in the field of business administration and economics and some of them graduated in accounting and laws. As such, the Board of Directors is composed of experts with skills and experience in a diverse field of professions that can suitably cover all aspects of the Company's affairs.

### Nomination and Appointment Process for 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 to the end of fiscal year. The candidates must be competent and have a proficiency background in various professional fields. Also, the candidates must have leadership skills, vision, virtue and ethic, exceptional working history as well as 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 apply 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.

### **Criteria for Executive Recruitment**

The Board of Directors, upon the recommendation of the Nomination and Remuneration Committee, considers an appointment of top management at an executive vice president level and higher to be responsible for business operation, based on both the candidate's qualifications for an executive position and the Company's succession plan.

### **Nomination and Appointment Process for Executives**

The Nomination and Remuneration Committee is responsible for nominating a qualified candidate for the chief executive officer (CEO) position. CEO and the Nomination and Remuneration Committee are jointly responsible for nominating senior executives in the first and second layers below the CEO, i.e., the president and executive vice president levels. Qualified candidates are considered based on their knowledge, competence, skill and experience that will be useful for the Company's business operation, as well as their profound understanding of the Company's business and administrative ability to achieve the Company's goals and objectives. After completion of the selection and nomination process, names of the qualified persons will be proposed to the Board of Directors for approval.

The Nomination and Remuneration Committee is also responsible for the Company's management succession plan.

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

The Board of Directors and/or the management have been responsible for nominating and voting on appointment of the Company's representatives to serve as directors of the subsidiaries and associated companies. The appointed persons 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 or associated companies to which the Company is entitled is allocated according to the Company's shareholding percentage in any such entities or as agreed upon in the shareholders agreement.

In the case of subsidiary companies, the Company has stipulated that its 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 policy to prohibit executives and employees at all levels from using internal information for personal benefit. Apart from the data security measure that limits number of personnel who could access confidential information and the requirement for directors and executives to comply with the SEC regulations, the Company has incorporated best practices into its code of business ethics and clearly stipulated disciplines and disciplinary actions in the Company's work regulations. In this respect, all employees are to sign the data security policy compliance agreement in a bid to prevent them from using the Company's information for personal benefit or to prevent unauthorized use of such information. Moreover, the Company adopts the following policies and measures to monitor executives for a use of internal information for personal benefit and for securities trading :

1. The directors and executives shall be informed of their duty to report securities holding by each of them and their spouse and minor children to the SEC pursuant to Section 59 and penalty clauses under Section 275 of the Securities and Exchange Act B.E. 2535 (and as amended), and duty to report acquisition or disposal of securities by each of them and their spouse and minor children to the SEC pursuant to Section 246 and penalty clauses under Section 298 of the Securities and Exchange Act B.E. 2535 (and as amended).

2. The directors, executives and employees who work in the unit that can access or use internal information and their spouse and minor children/adopted children shall be prohibited from selling or buying the Company's securities during a 30-day period before disclosure of material internal information to the public and until one day after the disclosure date. The responsible unit shall notify such timeframe to the concerned persons in advance from time to time.

3. The directors and executives shall prepare and submit a report on securities holding by each of them and their spouse and minor children in form specified under the regulations for securities holding, and shall submit a copy of such report to the Company on the same day that the report is sent to the SEC and the SET. The report thereof shall be prepared and submitted to the Board of Directors on a quarterly basis.

4. Regarding to control over the use of internal information, the Company has personnel who are specifically responsible for the task, and reminds its operating staffs to exercise due care in keeping all information. Where it is necessary to disclose any information, it shall then be disclosed only by the person/s designated by the Company.

The Company ensures safe-keeping of data on its financial statements and information memorandum before submission to the SET. Its executives and concerned staffs shall strictly keep the Company's confidential information.

## Auditors' Remuneration >>

### Audit Fee

Remuneration for the external auditors payable by the Company and its subsidiaries is comprised of 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 2014, a total of THB 5,854,000 was paid to EY Office Ltd., an audit firm with which the auditors have worked, consisting of an audit fee for the Company of THB 2,500,000 and an audit fee for the six subsidiaries totaling THB 3,004,000 which was paid by each subsidiary itself.

### Non-Audit Fee

In the fiscal year 2014, the Company and its 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 Good Corporate Governance Principles by the Company in 2014 >>

The Company adheres to and complies with the corporate governance principles for listed companies as outlined by the Stock Exchange of Thailand and in line with the international practices. Thus, a policy and guideline have been clearly defined in the corporate governance and ethics handbook to make certain that the Company upholds a good management standard, operates business with responsibility and transparency, has a mechanism of checks and balances, and acts ethically with respect to the organization, third parties and all groups of stakeholders. The Company strictly conforms to the 5 corporate governance principles, which are:

### Chapter 1 : Rights of Shareholders

#### 1.1. Rights of Shareholders

The Company gives importance to and respects rights to which the shareholders are entitled in their capacity as both investors and owners of the Company, and accordingly provides the shareholders with an opportunity to exercise their basic rights under the laws, comprising right to sell, buy or transfer shares held by them, right to receive a fair share of profit from the Company, right to attend a shareholders' meeting, right to cast votes at the meeting, right to express an opinion, right to jointly decide on crucial issues of the Company such as appointment or removal of directors, appointment of an auditor, amendment to the Articles of Association or the Memorandum of Association, etc.

In addition, the Company recognizes the shareholders' rights beyond such basic rights, including right to have access to crucial information sufficiently and timely via the Company's website, right to communicate with the Board of Directors through the channels designated by the Company, etc.

### **1.2 Shareholders' Meeting**

The Company sets out that an annual general meeting of shareholders is held within the first 4 months after the end of an accounting year and that, where there is an urgent need to consider any matter which could affect or is related to the shareholders' interest and is subject to the shareholders' approval, the Board of Directors may then convene an extraordinary general meeting of shareholders case by case. In 2014, the Company held two shareholders' meetings: the Annual General Meeting of Shareholders No. 21 on April 25, 2014, which was attended by 10 out of the total 13 directors, and the Extraordinary General Meeting of Shareholders No. 1/2014 on August 4, 2014, attended by 10 out of the total 12 directors. At these meetings, the Company adopted the best practices in accordance with the AGM Checklist project carried out by the Thai Investors Association, which are :

#### **Treatment of shareholders before the meeting date**

- The Company provided the shareholders with an opportunity to propose meeting agenda or submit questions about the Company for the 2014 Annual General Meeting of Shareholders and to nominate qualified persons for election as the Company's directors in advance during the period from September 18, 2013 until December 31, 2013 through e-mails or letters sent directly to the Company Secretary. At the end of such period none of the shareholders proposed the meeting agenda or nominated qualified persons as the Company's directors for the Board of Directors' consideration.

- The notice of the meeting, meeting agenda with the Board of Directors' opinion, proxy forms prescribed by Ministry of Commerce comprising Proxy Form A, Form B and Form C (applicable to only shareholders who were registered as foreign investors and have appointed a custodian in Thailand to accept deposit and take care of their shares), documents or evidence showing identification of the shareholders or proxies entitled to attend the meeting, and documents for all agenda items are publicized via the Company's website in both Thai and English languages at least 30 days ahead of the meeting date and prior to the delivery of those documents to the shareholders by mail. In 2014, the Company posted the notice of the shareholders' meeting on its website 45 days prior to the meeting date.

- The Company delivers notice of the shareholders' meeting, giving detailed information of the meeting date, time and venue, meeting agenda, objectives and reasons, opinion of the Board of Directors, minutes of the previous meeting, annual report, proxy forms prescribed by Ministry of Commerce with proxy-granting instructions that are clear and easy for the shareholders to follow,

list of independent directors whom the shareholders can select and assign as their proxy to attend the meeting on their behalf, details of documents that the shareholders must bring on the meeting date, the Company's Articles of Association pertinent to the shareholders' meeting and method of vote casting, and all other documents to preserve their right to attend the meeting. The Company submits the notice of the meeting and all relevant documents to the shareholders at least 21 days ahead of the meeting date so that the shareholders could obtain sufficient, accurate and complete information and have sufficient time to study the meeting agenda in advance. Moreover, the notice of the meeting is published in local newspapers for 3 consecutive days at least 3 days before the meeting date so that the shareholders would be informed of the meeting notice in advance and could prepare for participation. In 2014, the Company submitted the notice of the shareholders' meeting and relevant documents to the shareholders 22 days in advance.

- The Company facilitates and encourages all shareholder groups, whether individual or juristic persons and institutional investors, to participate in a shareholder meeting in order to allow for all shareholders to equally exercise their rights at the meeting, by setting the suitable meeting time and date and arranging the meeting venue that is conveniently accessible to all shareholders. The Company also provides proxy forms, i.e. Proxy Form A, Form B and Form C (applicable to only shareholders who were registered as foreign investors and have appointed a custodian in Thailand to accept deposit and take care of their shares), for all shareholder groups who are unable to attend the meeting to assign a proxy to attend the meeting on their behalf. In addition, the Company contacts institutional investors such as asset management companies or custodians to dispatch their representatives to attend the meeting and assists in screening all documents for meeting attendance in advance.

#### **Treatment of shareholders on the meeting date**

- The Company place importance on fair and equal treatment of all shareholders and proxies whether they are individuals, juristic or institutional investors. The Company has to arrange for a sufficient number of reception staffs, document screening staffs and computer equipments to facilitate the registration, the meeting and the vote counting in efficient manner. English language interpreters are available for foreign investors who wish to attend the meeting.

- Registration begins 2 hours before the start of the meeting. The Company will not perform any act in such a way that will restrict rights of the shareholders to attend the meeting and all shareholders are entitled to register for attending the meeting at any time throughout the meeting.

- The barcode system is used for meeting registration and vote counting for accuracy, convenience, and speediness.

- Before the start of the meeting, the Chairman will introduce to the shareholders the Board of Directors, the management, the auditors and legal advisors who have been assigned as inspectors of the meeting, and will explain to the shareholders about how to cast votes and use voting ballots for each agenda item, whereby the voting ballots for director election will be separated from other

agenda items. The shareholders and proxies attending the meeting have the right to cast votes equal to the number of shares they hold. One ordinary share is equal to one vote. The Company has only one type of shares, i.e. ordinary shares, and does not have any preferred shares and any other types of securities.

- The Company's legal advisors are assigned to serve as inspectors to independently monitor and ensure that the registration, the meeting and the vote counting are conducted transparently and accurately at every step in accordance with the laws and the Company's Articles of Association, while the shareholders are given an opportunity to volunteer to witness the vote counting and to raise any questions regarding the vote counting.

- The Company conducts the meeting according to the agenda and will not add any new agenda items or distribute or change material information without notifying the shareholders in advance. During the meeting, the Chairman allows shareholders to raise questions and express opinions on each agenda item and will give clarifications to all queries to shareholders' satisfaction. At the previous meeting of shareholders, the Board Chairman, Chairman of the Nomination and Remuneration Committee, Chairman of the Audit Committee, Director & CEO, top management, the auditors and the legal advisors participated in the meeting to answer the questions raised by shareholders.

- After the meeting has been declared open shareholders who attend the meeting have the right to cast votes on the agenda item that is still under consideration and has not yet been voted on.

#### **Treatment of shareholders after the meeting date**

Resolutions of the shareholders' meeting will be disclosed together with voting results by the next business day immediately after the meeting date through a news release to the SET. For the 2014 shareholders' meeting, the Company disclosed the meeting resolutions and voting results on the meeting date after adjournment of the meeting.

The Company prepares minutes of the shareholders' meeting by containing therein all material information such as explanations, questions, comments, voting procedures, voting results, and so on. For the 2014 Annual General Meeting and the previous extraordinary general meeting of shareholders, the Company made the minutes available within 14 days after each meeting in accordance with the SET requirements and already posted the minutes on the Company's website. Audio and visual records of the meeting were also made available in VCD format for interested shareholders who did not attend the meeting.

Moreover, the Company communicates with shareholders, discloses significant information and discloses the shareholding structure in its subsidiaries and associated companies clearly in its annual report and on its website. Such disclosure is to give shareholders confidence that the Company's management structure is efficient, transparent and examinable, which could lead to sustainable growth and generate a reasonable rate of return for shareholders.

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## Chapter 2 : Equitable Treatment of Shareholders

### 2.1 Treatment of Shareholders

All groups of shareholders, whether major shareholders, minority shareholders, institutional investors or foreign investors, are treated on a fair and non-discriminatory basis with their rights being equally protected. The Company has upheld the following best practices :

- All shareholders are given an equal right, regardless of their shareholding percentage, to nominate persons for director election and to propose meeting agenda in advance. The Company has disclosed this information via the SET and posted the clearly-defined relevant process on the Company's website. For the recent 2014 Annual General Meeting, the shareholders were allowed a period of time from September 18, 2013 until December 31, 2013, or 3 months before the end of the accounting year, to propose such director nomination and meeting agenda through e-mails or letters sent directly to the Company Secretary for compilation and submission to the Nomination and Remuneration Committee and/or the Board of Directors for further consideration. In the event that the Board of Directors resolves to reject the agenda items proposed by the shareholders, the Company will notify the shareholders of reasons for such rejection at the shareholders' meeting. Besides, the shareholders who attend the annual general meeting are also granted the right to additionally nominate persons for director election directly to the meeting. At the recent 2014 Annual General Meeting, none of the shareholders nominated qualified persons for election as directors or proposed any additional agenda items.

- Shareholders are able to forward their questions, comments or suggestions in advance through e-mails or letters directly to the Company Secretary prior to the meeting date so that all

questions could be gathered for answering at the meeting. In 2014, none of the shareholders submitted questions, comments or suggestions in advance through the channels mentioned previously.

- In order to protect the interest of and facilitate communication with all groups of shareholders, the notice of the meeting, meeting materials, minutes of the previous meeting, and any related information posted on the Company's website are available in both Thai and English. The Company also arranges for its staff members proficient in English language to serve as interpreters for the foreign shareholders who attend the meeting.

- The meeting is conducted according to the agenda indicated in the meeting notice. The Company complies with the policy and does not add any new agenda items at the meeting without notifying shareholders in advance.

- All shareholders have an equal access to the Company's information. Up-to-date information is always disclosed via the Company's website. Shareholders are properly and equitably treated by having an access to information disclosed through the SET's information disclosure system and the Company's website and investor relations unit.

- The Company has devised measures against misuse of internal information by its directors, executives and employees, as described in 'Internal Information Disclosure Policy' Section. Information regarding interests of the directors, executives and their related persons is reported to the Board of Directors. The directors or executives who have a conflict of interest in or are connected with any transactions shall be prohibited from involving in the approval process for any such transactions. The Audit Committee is assigned to follow up on this matter and report to the Board of Directors on a quarterly basis.

## **2.2 Participation in Shareholders' Meeting**

- Shareholders who are unable to attend the meeting by themselves are encouraged to appoint other persons or any of the independent directors as their proxy to attend the meeting and cast votes on their behalf by using the proxy form that allows the shareholders to determine their voting direction. The Company posts the proxy forms including all relevant details and procedures on its website at least 30 days in advance. At the annual general meeting held in April 2014, a total number of 208 shareholders attended the meeting, 80 attended the meeting in person and 128 were proxies. For the extraordinary general meeting in August 2014, a total of 208 shareholders attended the meeting, 108 attended the meeting in person and 100 were proxies.

- Shareholders are encouraged to use ballots for voting on each agenda item. Ballots are separately provided for each agenda item. In particular, ballots for election of directors are arranged on an individual basis so that the shareholders can cast votes as they deem fit. The voted ballots are collected in the meeting room and the total votes derived will be aggregated with the votes pre-determined in the proxy forms, the final voting result of which will be announced in the meeting room.

- The shareholders' meeting is conducted according to the agenda specified in the notice

of the meeting and in line with the policy. Additional items will not be included in the agenda without informing shareholders in advance to ensure that shareholders have an opportunity to study all information before making decision.

- Minutes of the shareholders' meeting are correctly and completely recorded and are delivered to the SET and the SEC 14 days after adjournment of the meeting and also posted on the Company's website so that shareholders, who absent from or present at the meeting, can view the minutes as well.
- Visual records of the meeting are also available on the Company's website.

## Chapter 3 : Awareness of Stakeholders' Roles

### 3.1 Non-Violation of Human Rights

The Company recognizes the importance of and is committed to responsibility for all groups of stakeholders, including shareholders, investors, employees, customers, business partners, competitors, creditors, other stakeholders, communities, society and environment as a whole, to create a sustainable common benefit. The Company respects stakeholders' rights under the laws or the obligations or agreements made between them and shall not perform any act in violation of the rights of those stakeholders. The Company has formulated a policy on human rights for the Board of Directors, executives and all employees to adhere to and have clearly defined the rights of all groups of stakeholders in the code of ethics and business conduct. The Company also make certain that all such rights are protected with fair treatment and that stakeholders receive a fair compensation for any damage arising from violation by the Company. The details are as follows:

#### Policy on Human Rights

THRE and its subsidiaries conduct business under the corporate governance principles and recognize and give importance to fair and equitable treatment of all groups of stakeholders. The Company shall not perform any act in violation of the rights of all groups of stakeholders and shall adhere to the principles of human rights and labor employment by placing importance on the value of life, body and property and ensuring the employees' quality of life and happiness at work. A guideline on human rights has been drawn up for the directors, executives and all employees to abide by, as follows:

1. The Company treats all of its staff members on an equitable and non-discriminatory basis and without division of their national origin, race, religion, gender, age, complexion, education, family background or any other status that is unrelated to their work.
2. The Company allows for all employees to have an equal right to work under its rules and regulations.
3. The employees' personal information is treated in strict confidence and shall not be disclosed or forwarded to any unrelated parties.
4. The Company adopts a fair practice in the management of wages and all other benefits.



5. The Company neither advocates any business activity that infringes on the international human rights principles, nor discriminates against all groups of stakeholders. The Company promotes equality without division of gender and class, never exploits child labor, and resists all forms of fraud and corruption.

### **3.2 Treatment of All Groups of Stakeholders**

A guideline on treatment of all groups of stakeholders has been devised for the Board of Directors, executives and employees to observe, as follows:

#### **Treatment of Shareholders**

The Company respects the shareholders' basic rights under the laws and the Company's Articles of Association, including right to attend a shareholders' meeting and to cast votes, right to freely express opinion at the meeting, and right to receive a fair return. Moreover, the Company recognizes rights of the shareholders beyond their basic rights and strictly protects the shareholders' rights.

- The Company ensures that shareholders receive adequate and appropriate information by disclosing crucial information, both financial and non-financial, to shareholders in an accurate, complete and timely manner through various channels such as the SET's electronic information disclosure system, the Company's website, newspaper, press release, or written letter, etc.
- The Company encourages shareholders to exercise their right to attend the shareholders' meeting, right to cast votes at the meeting, and other rights to which they are entitled, and shall not perform any act that will infringe on or prejudice the shareholders' rights.
- The Company grants rights to shareholders to express their comments or lodge any complaints regarding the Company's business operation through channels indicated on the Company's website. All comments are screened and forwarded to the Board of Directors or the concerned units and any development thereof will be informed to the relevant shareholders in due course. In 2014, there were no suggestions or complaints rather only some phone contacts with our Investor Relations unit, inquiring about the Company's business operation.

#### **Treatment of Employees**

Since THRE has engaged in service business, employees are deemed as a key resource crucial to the business success. The Company wishes for all employees to take a pride in the organization and have a good career advancement opportunity and, therefore, gives priority to continuous development and enhancement of our employees' capabilities. Focusing on fair treatment of employees, the Company makes certain that our employee remuneration package is

appropriate and comparable to others in the industry. The Company also focuses on employees' happiness at work by improving office environment and equipment to ensure readiness, convenience, safety and efficiency and providing proper health-related welfare and recreation benefits. The details are as follows :

- The Company treats all staff members under the principles of human rights, dignity and equality and does not perform any act that will infringe on or prejudice rights of the employees.
- The Company recruits suitable personnel at all levels through a fair and transparent process, based on factors such as qualification for each position, scholastic requirement, work experience and other requirements essential for such job, without discrimination on the grounds of gender, age, race, religion or any other status unrelated to work.
- The Company places importance on safety, sanitation and pleasant environment by ensuring a good workplace ambience for employees and facilitating customers, business partners and stakeholders' contact with the Company. The Company conducts a fire drill at least once a year to prepare for unexpected events such as fire and other crisis, and maintains and repairs all equipments to ensure it is in fully operational status at all times. In order to emphasize the importance of this among all parties concerned, the Company has incorporated the above guideline as part of the code of ethics and business conduct. In 2014, none of the employees had an accident or illness caused by their performing of duty.
- The Company has formed a Welfare Committee to represent employees in improving welfare in conjunction with the management.
- As a preventive measure, the Company provides a pre-employment health check-up program for new-coming staff and a compulsory annual health check-up program, classified by age group, for all employees. The Company also encourages and stimulates employees to maintain regular exercise by providing a fully-equipped standard gym as well as various activities, believing that employees with good health condition will help decrease illness rate and increase their working efficiency.
- The Company adopts a policy and practice that ensures employees' remuneration and fringe benefits are at an appropriate level and commensurate with their duty and responsibility and are comparable with those of similar businesses. To serve this purpose, salary and compensation survey data in insurance and similar industries from different sources and data on yearly performance evaluation of the individual employees are used as a basis for such consideration. In addition, the Company provides a provident fund, allowing employees to receive contribution and benefit thereon from the Company upon their completion of the required years of service specified by the Company so that employees could accumulate fund for their future needs. Details of employee remuneration (including contribution to the provident fund) are described in 'Human Resources' Section.

- Realizing that personnel are the organization's most valued resources, the Company implements a policy on personnel development by encouraging employees to undergo training and competence development in order to strengthen their working efficiency and advance their career. All employees are developed according to the training road map, career path and career plan designed for the individual employees. Number of employees' training hours are described in 'Human Resources' Section.

- The Company allows employees to always be updated on relevant news and information through channels such as the Company's Intranet, internal news circular, e-mail, etc. in a bid to promote communication between the organization and employees and, hence, increase teamwork efficiency and relation.

- Every year the Company conducts an employee attitude and satisfaction survey in order to use the comments and suggestions obtained from the survey for further corrective actions. Clarifications to all of the employees' comments or suggestions are disclosed to all of them via the Intranet.

- The Company also allows employees to convey their opinions and lodge complaints and any other issues relating to their work either to their supervisors or directly to top management. All comments/complaints are considered on a fair and transparent basis and in conformity with the policy on management of complaints/clues to misconduct and protection of reporting persons.

#### **Treatment of Customers**

The Company gives importance to customer satisfaction while upholding the code of best practices towards customers, including, among others, fair and non-discriminatory treatment of customers, promotion of good and sustainable relationship, and others as specified in the Company's good management practices and anti-fraud policy, which can be summed up as follows:

- The Company treats customers on a fair and non-discriminatory basis and avoids any unethical acts such as collusion in price fixing or job allocation or use of customers' confidential information for the benefit of a third party.

- The Company strictly honors the conditions made with customers and delivers a quality and reliable service in accordance with its business standards.

- The Company provides services in a polite and respectful manner and promotes a good and sustainable relationship with its partners to ensure friendliness and satisfaction for all parties, thereby resulting in service rendering with quality, accuracy, rapidity, responsiveness to customer needs, and cost-saving.

- The Company shall not disclose customers' information that it could access from business operation but should in usual circumstances be kept confidential, unless otherwise permitted by the customers or where it has the duty or is required by law to make such disclosure or where the disclosure will benefit insurance business or the public as a whole.

- The Company gives advice on and assistance in matters relevant to its business or matters that are not beyond its ability.

- The Company improves and maintains its service standard in order to timely and truly address customers' requirements by establishing a Customer Solutions unit to closely take care of the individual customers. It conducts a study, survey and co-development of products and services that genuinely meet customers' demand, as well as prepares analytical and research papers and arranges seminars that are useful to customers and trade partners in their business operation

#### **Treatment of Business Partners, Competitors and Creditors**

The Company strictly adheres to the policy to treat business partners, competitors and creditors under the rules for ethical, free and fair trade competition and within the purview of the laws and their mutual obligations. This has been incorporated into the code of ethics and business conduct in order for all parties to abide by.

- The Company sets out rules for evaluation and selection of partners and counterparties and opts to do business with partners and counterparties who conduct business with accountability, ethics and integrity and do not get involved in any form of frauds.

- The Company treats all partners and counterparties on an equitable and non-discriminatory basis and does not take advantage of its partners and counterparties.

- The Company puts in place a management and follow-up system to ensure the agreement conditions are completely fulfilled, together with a fraud prevention process at all steps of its operation.

- The Company does not perform any act that will tarnish its competitors' reputation through any discredit allegation without any reasonable grounds.

- The Company does not seek to obtain confidential information of its competitors by any unethical or improper method.

- The Company does not perform any act that will infringe upon intellectual property and invention under the patent of other parties or its competitors.

- The Company complies with all conditions under agreements made with creditors in a strict, correct, complete and punctual manner with respect to guarantee, fund management, payment and any other matters agreed upon with the creditors.

- In the event of failure to fulfill the conditions, the Company will promptly notify the creditors and provide reasons and remedial measures for such failure in order to jointly identify solutions to the problems.

- The Company abides by the anti-fraud policy and the principle of integrity, and neither gives nor receives any bribe whether in form of a gift or any other benefit. It shall not perform any act that is conducive to fraud and bribery, and shall not perform any act or assist in or support

any act that is deemed as a misconduct according to the relevant laws and notifications, nor perform any act relating to property in bad faith or any act that is detrimental to the national economy or security, nor conceal or take part in a transfer or sale of property obtained from such act.

- The Company has a policy to abide by the laws governing intellectual property or copyright and does not infringe on intellectual property or copyright. Besides, before using any invention or information belonging to a third party, the Company shall examine and make certain that it is not an infringement on intellectual property or copyright of other party.

In the past year, the Company did not have any dispute or complaint with its customers, partners, competitors and creditors which could cause a material impact.

#### **Treatment of Regulatory Bodies and Government Agencies**

The Company complies with the laws, notifications, rules and regulations stipulated by the concerned regulatory bodies and government agencies, including Department of Business Development under Ministry of Commerce, Revenue Department under Ministry of Finance, Office of Insurance Commission, Stock Exchange of Thailand, Securities and Exchange Commission, etc. The Company also cooperates and collaborates in corporate governance and other issues as well as anti-corruption that have been supported by the regulatory bodies and government agencies or other private agencies in order to enhance management efficiency and ultimately achieve strong and sustainable development.

#### **Treatment of Society and Environment**

In conducting business, the Company pays attention to all concerned parties and acts as a good corporate citizen contributing positively to the community and environment conservation. The Company has incorporated into the code of ethics and business conduct, to which all staff members must adhere, the best practices towards our society and environment including promotion of an efficient use of resources.

- The Company encourages all employees to join in CSR activities and community development, and operates business without creating any impact on society and environment. In 2014, the Company arranged the CSR Day event by inviting a guest speaker from Thaipat Institute to deliver a lecture on CSR, which relatively enabled the employees to gain better understanding that CSR does not have the sole meaning of giving, but also of a unified cooperation among all members of the organization in conducting business without creating any impact on the society, environment and all groups of stakeholders, while still being able to carry on sustainable business development.

- The Company is determined to operate business with fairness and responsibility for the society, environment and all groups of stakeholders in its core business process. In the following years,

the Company will assess impacts from its operation in the economic, social and environmental aspects and determine the issues that significantly affect its operation or have influence on stakeholders' decision making so that it could identify the operational goals that cause no impact on the society and environment and could disclose only operational information that is crucial to the business and stakeholders.

- The Company educates and trains its employees on conservation of natural resources and environment. It encourages all employees to most efficiently use natural resources with the least possible waste rate by, for example, using the computerized data filing technology so as to reduce paper consumption, ensuring that both sides of the paper are used, replacing electrical appliances with the energy-saving type, setting the turn-on/off times for air-conditioners, switching off air-conditioners and lightings during lunchtime or when they are not needed in order to save energy, recycling used items, etc.

- Workplace environment is improved and maintained to be in a tidy, pleasant and healthy condition. Safety standard is upgraded to ensure employees' security while at work.

- The Company is aware of the importance of the society and community. As part of Thai society, the Company deems that it has duty and responsibility to support and operate CSR activities and community development, which is in line with the main objective of its establishment to operate business for the utmost benefit of insurance business and national economy as a whole. The CSR activities performed by the Company in 2014 are described in 'Corporate Social Responsibility' Section.

### 3.3 Clue or Complaint Report

The Company, with the Board of Directors' approval, outlines a policy on management of complaints/clues to misconduct and protection of the reporting persons, or whistleblowers, and puts in place measures, regulations, guidelines and procedures under such policy that are adequate for risks and are communicated to all concerned parties to ensure they understand and could perform relevant tasks correctly and properly. The details are as follows :

#### Policy on Complaint/Clue Report Management and Whistleblower Protection

All of the directors, executives and employees shall not be ignorant or negligent when becoming aware of any misconduct that is concerned with the Company.

The Company shall arrange secure and easily accessible channels for employees or outsiders to report complaints about damages occurring to them or voice concerns/report suspicious incidents and to report clues to possible misconduct concerned with the Company, as well as to seek advice on compliance with the code of business conduct and the related policy. The reported information shall be treated confidential and the reporting persons, or 'Whistleblowers,' shall be protected and

shall neither be punished nor be adversely affected from their reporting such complaints or clues.

The Company shall put in place measures, regulations, guidelines and procedures under such policy that are adequate for risks and shall communicate these to all concerned parties to ensure they understand and could act correctly and properly.

### Definition

Misconduct refers to a violation of laws, rules and regulations stipulated by external regulatory bodies and/or a violation of the code of business conduct, policies, measures, regulations and procedures determined by the Company.

### Complaint Reporting Channels for Stakeholders

Regarding channels for reporting complaints relating to its corporate governance, the Company posts on its website the channels for all groups of stakeholders to communicate their complaints or to report clues or provide suggestions to the Board of Directors via letter or e-mail. The Company also has in place a mechanism to protect whistleblowers and their anonymity and gives importance to treating such complaints in strict confidence.

In 2014, the Company did not receive any complaints or clues to conduct against its corporate governance principles and code of ethics.

### Procedures Formulated for Implementing the Policy on Complaint/Clue Report Management and Whistleblower Protection

3.3.1 The Company provides more than one complaint channel and complaints are received by officials from different units in order for the whistleblowers to rest assured that the officials receiving their complaints have no conflict of interest.

3.3.2 Investors, outsiders or directors of the Company may provide opinions or report complaints/clues by sending letters or e-mails to

(1) Board Chairman through Company Secretary at the following address:

- Letter addressed to Company Secretary at the Company's office
- E-mail: chuanch@thaire.co.th; or

(2) Audit Committee Chairman through Secretary to the Audit Committee at the following address:

- Letter addressed to secretary to the Audit Committee at the Company's office
- E-mail: auditsecretary@thaire.co.th; or

(3) Director & CEO at the following address:

- Letter addressed to Director & CEO at the Company's office
- E-mail: waraporn@thaire.co.th

3.3.3 Employees who wish to make comments or report complaints/clues to misconduct may send letters or e-mails to

- (1) Immediate supervisor, or
- (2) Human Capital Management & Development Department, or
- (3) Supervisor at a higher level, or
- (4) Audit Committee Chairman through Secretary to the Audit Committee

E-mail: auditsecretary@thaire.co.th, or

- (5) Board Chairman through Company Secretary E-mail: chuanch@thaire.co.th,

whichever is the case.

3.3.4 In reporting complaints/clues to misconduct, a whistleblower shall indicate name/s of the person/s suspicious of committing any misconduct and give details of such act and other information that will be useful for an investigation. Details about name of the whistleblower and how to reach him/her, such as by telephone, need to be provided in order to demonstrate the whistleblower's sincerity with no intention to slander or cause damage to other person/s or to the Company.

3.3.5 The Company shall follow the examination procedures and record the evidence in writing without revealing names of the whistleblowers and shall keep information on sources of the clues in strict confidence. The whistleblowers shall receive fair treatment and be safeguarded from any adverse action as a result of their report of such complaints or clues. For instance, if a whistleblower is its employee, the Company will protect him/her from penalty, termination of employment, demotion, rotation from his/her current job/office to an inferior status, suspension from work, intimidation/disturbance in his/her work, etc.

3.3.6 The directors and employees shall not be ignorant or negligent when discovering or suspecting any conduct against the corporate governance principles or code of ethics of the Company, including any fraudulent act, and shall report such act through the channels designated by the Company and provide cooperation in the investigation of facts.

3.3.7 The person receiving reports shall handle them in the order of importance in complying with the applicable laws and regulations as well as the corporate governance principles, as follows :

- (a) Complaints about a breach of the Company's corporate governance principles or code of ethics, including fraud;
- (b) Complaints or information that might be useful for investigation about fraud or unlawful act of the Company or its directors or executives or employees which will cause damage or loss of benefit to the Company;
- (c) Complaints about the laws, rules and regulations to be observed by the Company;
- (d) Complaints about the established operational policy and accounting and financial policy of the Company;



- (e) Complaints about transactions with a conflict of interest or connected transactions as defined under regulations of the SEC or the SET;
- (f) Complaints about financial statements and financial information of the Company;
- (g) Complaints about the Company's performance and operation; and
- (h) Other complaints as additionally defined by the Board of Directors or the Audit Committee.

## Chapter 4 : Information Disclosure and Transparency

### 4.1 Disclosure of Information

The Company gives importance to disclosure of significant information such as financial reports or others and discloses such information to the public through various channels as required by laws or by concerned authorities in a strict, complete and timely manner, by ensuring that the information disclosed is accurate, precise and relevant. The Company also discloses the following information to demonstrate its governance compliance and business transparency:

- To ensure that its activities are carried on in a fair and correct manner, the Company has established the code of business ethics and best practices for the Board of Directors, the management and staff to adhere to since 2000. The code and the good governance policy are posted on the Company's website, whereas working rules and regulations are provided on the Intranet. In 2014, the Board of Directors approved a revision of the code of business ethics and issued several new policies to more fully cover all aspects of corporate governance. The Company has disseminated a Handbook on Corporate Governance and Business Ethics of THRE Group for all directors, executives and staff members to familiarize themselves with, acknowledge and abide by.
- The Company's information, both financial and non-financial, is disclosed. The financial information, especially financial statements, are to be audited/reviewed by the auditors and approved by the Audit Committee and the Board of Directors before submission to the SET, the SEC, shareholders, investors and concerned agencies.
- The information is made available on the Company's website in both Thai and English languages, including financial statements, annual reports, etc.
- The Company also discloses the roles and duties of the Board of Directors and subcommittees, number of meetings and attendance of each member in the past year, details of which can be found in 'Management Structure' Section.
- The Company publishes a report on the Board of Directors' responsibility for the financial report in its annual report (Form 56-2).
- The Company discloses information on remuneration for directors and management in the annual registration statement (Form 56-1) and the annual report (Form 56-2) and also discloses

the policy on remuneration for directors and top management, including type, nature and amount of remuneration received by each member for serving on the subcommittees and as director in subsidiaries, details of which can be found in 'Management Structure' Section.

- The Company sets a requirement to report all trading transactions/securities holdings of directors and executives. The Company Secretary is assigned to collect all of such information for reporting to the Board of Directors' meeting on a quarterly basis.

#### **4.2 Investor Relations**

The Company gives importance to investor relations management by remaining committed to performing duties with strong determination, dedication, accountability and integrity and providing accurate, adequate and reliable information to ensure that the investors, analysts and concerned parties could receive the information in a correct, sufficient, complete, transparent and equitable manner.

The Company has assigned Mr. Surachai Sirivallop, Chief Executive Officer (CEO), and Mr. Chuanchai Cheausamut, Company Secretary, to be in charge of "Investor Relations" unit. For enquiries, please call 02 290 3111 or e-mail to chuanch@thaire.co.th. For activities in 2014, there were 40 meetings with members of the media, securities analysts, investors and fund managers.

#### **4.3 Report on Interest**

The Company has established rules and procedures for reporting interest of directors, executives and their related persons, which were duly approved by the Board of Directors, as a guideline for all concerned parties to abide by. Such report will be useful in complying with the regulations for connected transactions and monitoring the interest of directors, executives and their related persons insofar as the said interest is relevant to the Company's business management.

- The Company has a policy under which the directors and executives are required to disclose their interest and interest of their related persons in form designated by the Company on a yearly basis and when there is a change in such information during the year. The directors and executives who have interest in any transactions of the Company shall not participate in decision-making on such transactions, and the transactions shall be processed according to the measures or procedures for approval of related party transactions of the Company.

- The Company has a policy on trading of the Company's securities and procedures for reporting of securities holding in order for the directors, executives and employees who can access and use internal information to abide by, and requires that the directors and executives have duty to report their securities holding in accordance with the SEC's regulations.

## Chapter 5: Board of Directors' Responsibility

### 5.1 Responsibility of the Board of Directors

In addition to its power, duties and responsibilities prescribed under the laws and the Company's Articles of Association as described in 'Management Structure' Section, the Board of Directors also has other responsibilities as follows:

- The Board of Directors has arranged for the corporate governance policy and the code of ethics and business conduct of the Company to be established in writing since 2000 and has disseminated the said policy and the code to all employees to familiarize themselves with, acknowledge and be ready to comply with, as well as reviewed and followed up on compliance with the policy and the code on a regular basis. Most recently, the Board of Directors decided to review and amend the corporate governance policy and the code of ethics and business conduct in December 2014, as disclosed on the Company's website.
- 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 can be found in '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, using an evaluation form determined by the SET Corporate Governance Center. The purpose of this is to jointly review performance, problems and obstacles in the past year. The result will be used as a guideline to improve the work of the Board of Directors to ensure greater effectiveness and efficiency. In 2014, the SET Corporate Governance Center's form was used, similar to the past years. All directors completed the evaluation and the result showed that the Board of Directors made comments on all of the six main subjects of the evaluation as follows:

1. Structure and qualification of the Board of Directors,
2. Roles, duties and responsibilities of the Board of Directors,
3. Board meeting,
4. Performance of directors,
5. Relation with the management, and
6. Self-development of directors and development of executives

In the level of considerably agreed or excellent action, the mean score is 3.78 points out of 4 points. This score has been slightly reduced from last year mean score at 3.75 points.

Apart from that, the committee also held the evaluation of the sub-committees. The assessment covered the following issues.

1. Structure and qualification of the Audit committee,
2. Roles, duties and responsibilities of the Audit committee,
3. Committee meeting,
4. Performance of the Audit committee,
5. Relation with the management

This overall results of the year 2014 found that sub-committees completely performed their duties and in accordance with the charter. Their opinion in general and specific issues were in the level of strongly agreed or the level of agreed that the operation is excellent.

### **5.3 Performance Evaluation of Top Management**

The Board of Directors sets out that there shall be a performance evaluation of CEO and other top executives on an annual basis at the last meeting of the year to be a basis for consideration on their compensation. In this respect, the Nomination and Remuneration Committee shall consider and recommend compensation rate for CEO and top executives.

### **5.4 Development of Directors and Executives**

The Board of directors supports and facilitates the training and provision of knowledge for all directors, executives and concerned personnel so that they could continuously develop and improve their operation. To such end, information about training programs that are useful for their discharge of duty is occasionally forwarded to the concerned staff.

To ensure that the newly elected directors can perform their duties effectively, the Company will arrange an orientation program for them. The Board Chairman and the CEO will brief the new directors on information essential for performing their duties such as business status, roles, duties and responsibilities of the Board of Directors, and so on.

In addition, the Company has prepared a succession plan for CEO and high-ranking positions continuously for more than five years. The CEO and the Nomination and Remuneration Committee are jointly in charge of administration of the plan and submission of a progress report to the Board of Directors from time to time.

#### **5.5 Succession Plan for Top Management**

The Nomination and Remuneration Committee collaborates with the CEO in preparing a succession plan and determining qualified persons under the plan, as well as reporting the progress on plan implementation to the Board of Directors at least once a year.

#### **5.6 Remuneration of Directors, Committee Members and Executives**

The policy and criteria for director remuneration are consistent with the best practices. Since the Board of Directors plays a vital role in directing the policy and overseeing the operation of the Company, the remuneration of directors and members of all committees should be reasonable and commensurate with their respective duties and responsibilities, including their role and engagement, and should be comparable with similar businesses.

The Nomination and Remuneration Committee has duty to consider remuneration of directors and top management at the EVP level and higher. The director remuneration is subject to approval from the shareholders' meeting, whereby approval shall be separately sought for remuneration of directors and remuneration of committee members. Meanwhile, the remuneration of CEO and top management is subject to approval from the Board of Directors' meeting and is decided based on comparison with similar businesses at the same level, considering that the remuneration is commensurate with their duties and responsibilities and sufficient to motivate and retain quality personnel. The Board of Directors will conduct a yearly performance evaluation and use the evaluation result as a basis for determining the remuneration of each member of the top management.

Moreover, in November 2014 the Board of Directors, with the recommendation of the Nomination and Remuneration Committee, approved a five-year special compensation plan for top management as a long-term incentive which is consistent with the Company's performance and the benefit to be generated for shareholders.

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

1. On February 12, 2015 (the conference committee no.1/2015), 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. Kittti Wichitsawangwong as internal audit manager.

4. The Company has established a compliance department, which was approved by the Board of Directors on October 10, 2014. The Department will be under supervision of the Audit Committee.

The department is currently under recruitment process. Meanwhile, the management appointed Mr. Kittti Wichitsawangwong, Internal Audit Manager Duty, acting as the head of Compliance department until the completion of recruitment.

During the year, the department performed compliance monitoring and report to the audit committee to review on a regular basis every quarter. The quarter 1-3/2014 revision was done by the internal audit department, and in quarter 4/2014 was done by the compliance department.

## 12

**Company and Society****Policy Overview >>**

Thai Reinsurance PCL and its subsidiaries have the key objective to conduct business for the optimum benefit of Thai insurance industry and overall economy, in parallel with social and environmental development. The Company has thus formulated a policy on corporate governance and code of business ethics, which also entail duty and responsibility for the society and environment, as a guideline for the directors, executives and staff members to perform duties in a socially and environmentally responsible manner in business process pursuant to the policy on social and environmental responsibility, as follows:

“Thai Reinsurance PCL encourages all employees to take part in activities intended for social contribution and community development and operates business without creating any social and environmental impact.”

**CSR Activities and Reports >>**

In its core business process, the Company is mindful of the adverse impact on the society, environment and stakeholders and ensures that its business process does not affect the surrounding community and society, which is in line with its policy on social and environmental responsibility. The Company upholds good corporate governance practices, human right principles and legal provisions, taking into consideration shareholders' profit and return and stakeholders' interest without harming the society and environment in a bid to achieve sustainable business development.

The Company prepares a CSR report based on the SET's 8-point social responsibility guideline. For 2014, the Company operated business on a socially and environmentally responsible basis with respect to its core business process, which can be summarized as follows:

**1. Business Operation with Fairness**

The Company conducts business under corporate governance principles, recognizing and giving importance not only to treatment of all groups of stakeholders in an equitable, fair and honest manner but also to strict compliance with legal provisions.

The Company ensures fair treatment of customers, business partners, competitors and creditors by putting in place the good practices as follows:

Issue on	THRE Practices
Fair Competition	<ul style="list-style-type: none"> <li>• Treat business partners and competitors within the scope of honest, free and fair competition, legal framework and mutual obligation.</li> <li>• Treat customers on a fair and non-discriminatory basis by avoiding any improper conducts such as collusion in price fixing, bid rigging, task allocation or unethical use of customers' secrets for the benefit of a third party, etc.</li> <li>• Promote co-development of products and services with customers and business partners, which will lead to efficient innovation, cost saving for business bargaining and competition, and equal opportunity for the Company and the related parties in generating returns, by primarily paying attention to consumers, society and environment.</li> </ul>
Social Responsibility Promotion	<ul style="list-style-type: none"> <li>• Adopt criteria to evaluate and select business partners and counterparties that operate business in an accountable, ethical and honest manner without involvement in any form of fraudulent act.</li> </ul>

## 2. 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 obtainable from the Company on an equitable basis.

The Company has established a policy on human rights and posted this on its website. All employees are given a code of business conduct handbook, the Company's rules and regulations, and policy on confidentiality and security of data and data system in order for them to study and 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's good practices on respect for human rights are as follows:



Issue on	THRE Practices
Human Rights and Participation of Employees and Stakeholders	<ul style="list-style-type: none"> <li>• Communicate to all employees so that they would acknowledge the policy on human rights and all rights to which they are entitled, which are incorporated in writing into the Company's rules and regulations and corporate governance and ethics handbook and are also posted on the Company's Intranet.</li> <li>• Set up the Welfare Committee to hold negotiation with the employer, to examine, control and monitor welfare arrangement by the employer, and to give suggestions and guidelines on provision of welfare that is useful and appropriate for employees.</li> <li>• Ensure that employees can always access relevant news and information via the Intranet in order to promote intercommunication between the organization and the employees, which will help enhance co-working efficiency and relationship.</li> <li>• Conduct an employee attitude and satisfaction survey on a yearly basis in order to use the comments and suggestions obtained from the survey for further corrective actions, and ensure that clarifications are made to all of the employees' comments or suggestions via the Intranet.</li> <li>• Encourage and provide an opportunity for all groups of stakeholders, including the community and society, to convey their opinions, and notify, through the Company's website, all stakeholders of an opportunity given to them to contact, communicate and give suggestions, complaints or information to the Company's Board of Directors, subcommittees or directors. In 2014, none of them reported any complaints to the Board of Directors through the channels provided by the Company as well as other communication channels.</li> <li>• Arrange a mechanism for reporting complaints and clues to any misconduct in a way that allows for independent examination and decision-making based on the principles of human rights in order to enable employees or any persons whose rights are believed to be infringed upon or treated unfairly to seek a remedial action. This has been communicated to employees and concerned parties through the Company's website.</li> </ul>

### 3. Fair Labor Treatment

Being always aware that personnel are a crucial driving force for business success, 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 to a cooperative working condition. The details are as follows:

Issue on	THRE Practices
Employment	<ul style="list-style-type: none"> <li>• Ensure that personnel at all levels are properly selected through a fair and transparent recruitment process and that all candidates are given an equal opportunity to undergo the selection process via written tests and interviews under the Company's employment standards.</li> <li>• Treat all employees on an equitable and non-discriminatory basis and without division of their national origin, race, religion, gender, age, complexion, education, family background or any other status that is unrelated to their work.</li> <li>• Ensure that employees' compensation is commensurate with their duties and responsibilities and comparable with the similar businesses.</li> <li>• Formulate rules and regulations that are clear and cover all aspects such as employment, pay rate, discipline and disciplinary action, termination of employment, complaint, etc. and communicate to all employees the rights to which they are entitled.</li> </ul>
Personnel Development	<ul style="list-style-type: none"> <li>• Provide training programs for skill and capability development on a continuous basis, covering business knowledge, knowledge relating to trainees' work, and general knowledge, through various forms of training. In 2014, there were 431 employees attending 106 training courses, with a total of 4,507 training hours.</li> <li>• Encourage employee self-learning and enable them to transfer knowledge or experience obtained from any interesting events to their fellow workers in order to share opinions.</li> <li>• Provide overseas training and study trip programs. In 2014, total number of employees attending these programs was 4 persons, with 4 programs.</li> <li>• Grant master's degree scholarships to employees to further their studies in the fields that could support the Company's business.</li> </ul>

Issue on	THRE Practices
Health and Safety	<ul style="list-style-type: none"> <li>• Provide a pre-employment health check-up program for new-coming staff and a compulsory annual health check-up program, classified by age group, for all employees.</li> <li>• Provide flu vaccinations for all employees on a yearly basis.</li> <li>• Encourage and stimulate employees to maintain regular exercise by providing a fully-equipped standard gym as well as various activities.</li> <li>• Prepare and rehearse an emergency plan at least once a year to safeguard against unexpected events such as fire and other disastrous events.</li> <li>• Inspect and repair all office equipment to be functional at all times.</li> <li>• Maintain internal workplace environment and environment of community nearby to ensure cleanliness, safety and comfort and create a pleasant ambience for working and living with the community and society around the organization.</li> </ul>

#### 4. Responsibility towards Consumers

Placing importance on business operation that is socially and environmentally responsible, the Company creates a corporate value and culture that encourages an access to business goals and a survey of demand from insurance companies, which are consumers in the Company's business chain. The Company can then leverage on the survey results in developing products and services with value to the society and environment, thereby generating benefits to the Company and responding to the needs of each group of consumers.

Besides, the Company operates business with social responsibility in its business chain to create the utmost benefit to Thai insurance industry and overall economy in line with its core business objective. In 2014, the Company operated business with responsibility towards consumers as follows:

Issue on	THRE Practices
Product and Service Development	<ul style="list-style-type: none"> <li>• Arrange for a work unit to make a study and survey on customers' operational goals and a consumer demand survey for joint product development with insurance companies and also for marketing plan development so as to deliver products to society that could truly meet consumers' requirements and at a fair price.</li> </ul>

Issue on	THRE Practices
Business Operation that is Beneficial to Insurance Business	<ul style="list-style-type: none"> <li>• Disclose information about business and services on the Company's website and arrange for some officials to take care of customers and provide them with correct and adequate information such as details of insurance agreements, details of products and insurance policies, etc.</li> <li>• Safely keep customer information and not forward any confidential information of customers or consumers without their prior consent.</li> <li>• Coordinate, by work units of the Company and Thaire Life Assurance PCL. (THREL) such as Product Development, Business Development, and Research &amp; Statistics Departments, in organizing seminars and workshops for life and non-life insurers. In 2014, the Company and THREL jointly arranged seminars for insurance companies on the topic, "Insurance Business: How to Enter the Aging Society," aiming to provide information and knowledge that help to promote a product development process to support Thailand's entry into an aging society. The issues discussed included existing situation and future trend of senior citizens in Thailand and ASEAN, impact and direction of government sector's preparation attempts, viewpoints derived from marketing research, and experience in product design.</li> <li>• Prepare research and statistic reports on non-life insurance business of all types, including any statistics requested by member companies, so that they could use the information in their business operation, underwriting decision and marketing operation.</li> <li>• Create models for natural disaster impact assessment for member companies, prepare an impact assessment report for them, and render technical assistance in implementing the models so that they could use this system for underwriting decision and risk management with respect to insurance against natural disaster, which will ultimately contribute to non-life insurance business development in Thailand.</li> <li>• Collaborate with other agencies such as Thai General Insurance Association and Geo-Informatics and Space Technology Development Agency (Public Organization). The Company has joined with them in pushing for a project on template development for flood-prone area mapping and simulation for insurance in Thailand.</li> </ul>

Issue on	THRE Practices
	<ul style="list-style-type: none"> <li>• Act as manager of the National Catastrophe Insurance Fund, which was set up by Thai government in the wake of severe flood crisis in 2011. The government then had an urgent need to rehabilitate the country, provide relief aids to flood victims, assist the public and entrepreneurs in protecting their properties and businesses, and enable the public to access a comprehensive catastrophe insurance coverage at appropriate insurance premium rates. The aims were to boost foreign investors' and entrepreneurs' confidence in continuing their businesses in Thailand and to increase reinsurance capacities at the lowest premium rate. Having trust in THRE, the government allowed the Company to play a part in this task for the benefit of the Thai people as a whole.</li> <li>• Jointly sign a memorandum of understanding on building of a safe-driving corporate culture in insurance industry under the "Project on Corporate Road Safety Campaigning in Insurance Sector," and appoint the Company's representative to serve on the Committee for Corporate Road Safety in Insurance Sector in collaboration with other participating insurance companies in order to set targets, regulations and guidelines for corporate employee road safety practices.</li> </ul>

## 5. Innovations and Dissemination of Innovations from CSR Activities

Recognizing responsibility towards the society and environment, THRE has developed new innovations in products, services and business process that are beneficial to both the Company and the society, details of which are as follows:

Issue on	THRE Practices
Product	<ul style="list-style-type: none"> <li>• Recognizing responsibility towards the society and environment, THRE has developed new innovations in products, services and business process that are beneficial to both the Company and the society, details of which are as follows:</li> </ul>

Issue on	THRE Practices
	<ul style="list-style-type: none"> <li>• iBike Insurance - This is an insurance plan that provides protection for cyclists, number of which is substantially growing. The coverage includes legal liability for damages incurred while riding, with protection for both bikers and other parties. This product could serve customers' needs and remarkably contribute to the society and environment.</li> <li>• Win Million Insurance - This is an insurance plan for low- to middle-income earners. While insurance is basic welfare that helps to build a good society, a majority of Thai people deem that insurance purchase will cause them an extra expense. The Win Million Insurance program allows the people to more easily buy insurance at an affordable premium rate as low as Baht 365 per year, or an average of only Baht 1 per day.</li> </ul>
Services	<ul style="list-style-type: none"> <li>• The Company offers a fully-fledged insurance service to insurance companies by providing services that are supplemental to services rendered by its subsidiaries. Apart from services offered by the Customer Business Promotion Department team in insurance policy preparation, premium calculation, underwriting consideration, and training on insurance products, its subsidiaries are able to deliver a wide variety of services to customers such as training on insurance agent or broker examination and license, accident and health insurance claim management by specialists, call center service, etc.</li> </ul>
Business Process	<ul style="list-style-type: none"> <li>• Employ work systems that help to increase business process rapidity and minimize paper use for data filing, including a procurement-repair system, a leave system, a training request system, etc.</li> </ul>

## Business Operation with CSR Impact >>

In 2014, THRE operated business for the utmost benefit of the Company and insurance industry by primarily paying attention to the society's needs without creating any social and environmental impact.

## Activities Contributing to Society and Environment >>

### Participation in Community, Social and Environmental Development

THRE conducts business by paying regard to all groups of stakeholders and contributing to community and environmental preservation. To such end, the Company has established social and environmental best practices in the code of business ethics for all parties to follow insofar as it concerns with the society and environment. Efficient use of resources is promoted by, among others, turning off electrical appliances during lunch-breaks, filing data in electronic format to save paper and ink, etc.

In addition to its core business process that takes into account impacts on the society, environment and stakeholders (CSR-in-process) as described above, the Company recognizes the importance of the society and community and, as a member of Thai society, deems that it has duty and responsibility to participate in supporting and implementing social and community development activities (CSR-after-process). The Company has continuously engaged in these activities, focusing especially on the importance of education and public health which are instrumental in national development and, yet, remain very weak particularly in remote communities.

In 2014, the Company launched the following CSR-after-process activities:

### Activities Contributing to the Society at Large

1. Education : THRE strongly determines and commits to provide scholarships for needy children who wish to continue their studies and, after graduation, to use the knowledge for making contribution to 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 2014 amounted to Baht 2.67 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 also made donations to other social contribution activities, including:

- An activity, joined by employees, to donate necessities to children with visual impairment at Pattaya Redemptorist School for the Blind, and the Agricultural Patch for School Lunch and Big Cleaning Day activity at Map Prachan School, Chon Buri Province.
- Money donation for the Royal Kathin Robe Offering Ceremony 2014 at Wat Thatthong, Watthana District, Bangkok.
- Donation of 16 sets of computer equipment that are still in good condition of the Company for learning and teaching development to Ban Nong Kham School, Nakhon Sawan Province.

Total money spent by the Company on CSR activities in 2014 was Baht 2.7 million.

## Anti-Corruption Activities >>

The Company has a policy to counter corruption and bribery for commercial benefit and has established this as the best practices for customers, competitors and state agencies in its code of business ethics since 2000. Under the policy, all directors, executives and employees shall abide by the principles of integrity and shall neither give nor receive any bribe whether in form of a gift or any other benefit. They shall not perform any act that is conducive to fraud and bribery; nor perform any act or assist in or support any act that is deemed as a misconduct according to the relevant laws and notifications; nor perform any act relating to property in bad faith or any act that is detrimental to the national economy or security; nor conceal or take part in a transfer or sale of property obtained from such act.

In addition, the Company has drawn up a policy on interest and conflict of interest and a policy on control over the use of internal information, aiming to ensure performing of duties in a transparent and examinable manner in line with its corporate governance principles.

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 ("IOD").

In 2014, the Company established an anti-fraud policy, outlining therein the definitions, risk assessment process, and procedures for fraud control and monitoring in the organization. It has also followed up on and evaluated compliance with the anti-fraud policy, as a testimony to the Company's concrete commitment to conducting business with integrity, transparency and fairness to the society and all groups of stakeholders, which was consistent with the criteria under IOD's project on Thai listed companies' corporate governance survey and CAC project. The Company's anti-fraud policy, which was approved by the Board of Directors' meeting, has been communicated to all employees through training on policy and procedures for resistance to fraud and production of a corporate governance and ethics handbook in which the anti-fraud policy is included. The handbook is also made available on the Company's website for the stakeholders and interested persons to access. Details of the anti-fraud policy are as follows:

### Anti-Fraud Policy

All directors, executives and employees shall neither commit any fraud nor allow any form of fraud to be committed in relation to the Company, including businesses of the Company and its subsidiaries and transactions made with the government and private agencies, and in conformity with the laws applicable in each country where the Company operates business.



Fraud is deemed as a severe breach of the Company's ethics code and shall be subject to penalty under the Company's regulations and/or the laws.

The directors, executives or employees who resist any act of fraud shall be protected and shall neither be punished nor be adversely affected from their adhering to this policy.

The Company shall put in place the measures/regulations/guidelines/procedures under this policy that are adequate for risk and shall communicate these to all concerned parties to ensure they understand and could act correctly and properly.

### Definitions

Fraud refers to a misconduct or omission to perform one's duty in order for that person or his/her related person to acquire or retain the benefit for which he/she is not eligible.

An act of fraud can be classified into the following types:

- Corruption consists of conflict of interest, giving or receipt of bribery, and economic extortion. However, some acts that are conducive to corruption and may tarnish the Company's reputation, such as political contribution, charitable contribution and sponsorship, gifts and hospitality, are allowed to be performed only insofar as they do not breach the laws and regulations/procedures of the Company.
- Asset Misappropriation includes theft of cash, inventory or other asset, fraudulent disbursements, and misuse of asset.
- Financial statement fraud is a financial over/understatement.

Misconduct refers to a violation of laws, rules and regulations stipulated by external regulatory bodies and/or a violation of the code of business conduct, policies, measures, regulations and procedures determined by the Company.

### Measures for Anti-Fraud Policy Implementation

1. Scope – These measures are applicable to THRE and its subsidiaries and are encouraged to also apply to associated companies.

2. The Company has outlined adequate procedures, roles and duties of the parties in charge so as to ensure that the policy is effectively implemented. The Company's procedures range from risk evaluation to measure planning and communication, translation into practice, follow-up and evaluation, and continuous improvement and development.

Roles and duties of the parties in charge as determined by the Company are as follows:

(1) Board of Directors

- Formulate the policy based on the laws, regulations and corporate governance principles.
- Allocate sufficient resources for policy implementation.

- Monitor and follow up on adequacy of the policy and the measures for policy implementation.

(2) Audit Committee

- Render opinion to the Board of Directors regarding adequacy of the policy and the measures for policy implementation.

(3) Enterprise Risk Management Committee

- Evaluate risk involved with policy achievement and draw up measures for policy implementation.

- Review risk and adequacy of the measures for policy implementation.

(4) Company Secretary

- Communicate the policy and the measures for policy implementation, as well as the outcomes, to investors and the public.

(5) Management (referring to any internal work unit designated by the Enterprise Risk Management Committee to be responsible for the measures for policy implementation)

- Prepare and revise measures for policy implementation as assigned.
- Prepare a plan on and propose need for resources for policy implementation.
- Communicate the policy and the measures for policy implementation to employees

(inclusive of executives).

- Monitor and follow up on policy compliance and measures for policy implementation.

- Evaluate policy compliance and measures for policy implementation and report evaluation results to the Enterprise Risk Management Committee and the Audit Committee.

(6) Employees (inclusive of executives)

- Familiarize and comply with the policy and the measures for policy implementation.

### 3. Best Practices

3.1 The directors and employees (inclusive of executives) shall not get involved in any act of fraud and breach of laws, whether directly or indirectly.

3.2 Persons who have committed an act of fraud shall be deemed as having severely breached the Company's code of ethics and business conduct and shall be subject to disciplinary action in accordance with the Company's regulations and/or subject to prosecution if the act is a legal offence.

3.3 The directors and employees shall not be ignorant or negligent when discovering or suspecting any conduct against the corporate governance principles or code of ethics of the Company, including any fraudulent act, and shall report such act through the channels designated by the Company and provide cooperation in the investigation of facts.

3.3 The directors and employees shall not be ignorant or negligent when discovering or suspecting any conduct against the corporate governance principles or code of ethics of the Company, including any fraudulent act, and shall report such act through the channels designated by the Company and provide cooperation in the investigation of facts.

3.4 The directors and employees (inclusive of executives) who have declined to participate in fraud and/or have reported clues through the channels designated by the Company shall be protected and shall neither be punished nor be adversely affected. The Company shall put in place a policy and measures for handling complaints/clues to misconduct and whistleblower protection.

3.5 All employees shall strictly abide by the corporate governance principles, code of business ethics, rules and regulations, and operational authority, as well as any relevant policies, measures, regulations, guidelines and procedures of the Company, which include the regulations that the Company must rigidly observe in its capacity as a financial institution such as anti-money laundering policy and measures, internal control policy, rules and procedures for money receipt and payment, etc.

3.6 Some activities are carried out in a way that is highly conducive to corruption and may affect the Company's reputation. Therefore, the persons in charge must comply with the policy specifically determined by the Company as follows:

(1) Political Contribution

The Company has a policy to remain politically neutral and shall not support or act in a way that sides with any political party, whether directly or indirectly, nor use the Company's resources in activities that will cause the Company to lose its political neutrality and/or sustain damage by being involved in such activities.

(2) Charitable Contribution and Sponsorship

The Company has a policy to control charitable contribution and sponsorship by ensuring that they are provided for public benefit and/or with no reasonable ground for suspecting that the activities are part of corruption. The Company sets out that the activities are subject to approval by top management and that filing of all payment evidence and documents must be reliable and allow for checking back on the objective of the activities.

The Company has no policy to accept sponsorship from any third parties.

(3) Gifts and Hospitality

The Company stipulates that giving or receiving gifts and entertainment is permitted only insofar as it is deemed proper according to custom and tradition, and that it has no policy on giving or receiving objects of excessively high value in order to prevent the recipients from being motivated to perform or omit to perform their duty that could lead to corruption.

3.7 The Company communicates the anti-fraud policy and measures, the policy and measures for handling complaints/clues to misconduct and whistleblower protection, and the channels for complaint or clue report to its personnel through various methods such as board meetings, staff orientation programs, the Intranet or e-mail, signing for acknowledgement, etc.

3.8 The Company communicates the anti-fraud policy and measures, the policy and measures for handling complaints/clues to misconduct and whistleblower protection, and the channels for complaint or clue report to investors and the public through various methods such as the Company's website, annual report, notification letter to business partners, and so forth.

3.9 The Company puts in place a personnel management process that reflects its commitment to the anti-fraud policy and measures, ranging from personnel selection, training, performance evaluation, compensation, promotion, organizational set-up with suitable separation of duties to ensure appropriate checks and balances, to allocation of resources and personnel with adequate skills for implementation of this policy.

3.10 The Company clearly, thoroughly and reasonably stipulates rules on operational authority as a basis for the directors and executives in approving transactions such as payment and disbursement, budgeting, incurrence of obligation, and activities prone to cause negative impact on the Company's image.

3.11 The Company puts in place an internal control system for finance, accounting, data filing and recording, and other processes within the organization relating to anti-fraud measures, and communicates internal control results to the personnel in charge.

3.12 The Company arranges for an audit of internal work system for significant activities such as execution of agreements and expenses thereon, procurement, etc. to ensure that the established goals of internal control are achievable, and gives advice on development of work system efficiency.

3.13 In the case where the directors or employees (inclusive of executives) are unsure of any decision-making or discharge of duty regarding any activities doubtful whether to breach the corporate governance principles, code of business ethics, and relevant policies of the Company, the Company has outlined the procedures for preliminary consideration as follows:

(1) First, ponder on the following checklist:

- Is that activity against the laws?
- Does that activity violate the policy, code of conduct or ethics or damage the Company's image?
- Does that activity have a severely adverse impact on the Company's stakeholders?
- Is that activity acceptable and can it be disclosed to the public?

(2) Seek advice through the complaint/clue report channels designated by the Company, whereby there are responsible staffs available to provide suggestions regarding the corporate governance principles, code of ethics and relevant policies of the Company.

3.14 The Enterprise Risk Management Committee holds meetings on a quarterly basis to consider and follow up on progress of key risk management. The assessment of fraud risk and the formulation of monitoring and control procedures for fraud risk prevention and supervision and guidelines on monitoring and evaluation of compliance with anti-fraud policy and policy on complaint/clue report management and whistleblower protection are deemed as part of the management of key risk of the Company with respect to "Reputation."

#### **Declaration of Intent on Other Anti-Fraud Activities**

The Company supported Thailand's 5th National Conference on Collective Action against Corruption organized on October 16, 2014 at Chrystal Hall, Plaza Athenee Bangkok, A Royal Meridien Hotel, by Thai Institute of Directors, Thai Chamber of Commerce, Thai Bankers' Association, Joint Foreign Chambers of Commerce, Thai Listed Companies Association, Federation of Thai Capital Market Organizations, the Federation of Thai Industries, and Tourism Council of Thailand.

### **Corporate Social Responsibility Plan >>**

The Company is committed to operate its business fairly, with social and environment responsibility in all sectors in the core operations of the Company. The Company is being operated appropriately, with correspond to the business operation.

## 13

## Related Party Transactions

## Related Party Transactions &gt;&gt;

In the past, the company Group has had 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 a summary report to Audit Committees to review and issue quarterly report to the Board of Directors. In the 2014 report, Audit Committees also agreed that 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
	2014	2013	2014	2013	2014	2013	2014	2013	
Krungthai Panich Ins. PCL	8.9	19.3	2.7	36.4	0.2	0.4	1.5	8.7	Mr.Kerati Panichewa
Thaivivat Ins. PCL	135.8	104.6	7.1	35.4	0.1	(1.5)	1.4	6.8	Mr.Jiraphant Asavatanakul
Bangkok Ins. PCL	358.6	385.5	22.0	38.5	43.0	71.7	26.3	21.8	Mr.Chai Sophonpanich Ms.Potjaneer Thanavarant
Bangkok Life Assurance PCL.	170.5	164.8	3.0	1.6	-	-	21.0	27.2	Mr.Chai Sophonpanich
The Navakij Ins. PCL	75.3	73.1	6.9	22.6	8.0	10.2	8.2	12.5	Mr.Suchin Wanglee
Falcon Ins. PCL	32.1	31.8	0.4	0.4	3.9	4.1	1.2	1.0	Mr.Suchin Wanglee Mr.Oran Vongsuraphichet
Muang Thai Insurance. PCL	363.1	303.0	5.6	23.3	0.3	0.8	8.0	14.5	Mr.Sara Lamsam
Muang Thai Life Assurance PCL	623.5	531.9	78.9	100.1	-	-	132.5	21.8	Mr.Sara Lamsam
Thai Life Ins. PCL	16.1	12.2	1.6	3.0	2.2	2.1	1.7	1.8	Mr.Apirak Thaipatanagul
<b>Total</b>	<b>1,783.9</b>	<b>1,626.2</b>	<b>128.2</b>	<b>261.3</b>	<b>57.7</b>	<b>87.8</b>	<b>201.8</b>	<b>116.1</b>	

## Other Services (Performed by Subsidiary Companies)

Unit: THB Million

Company Involved	Rendering of Services		Account Receivable		Accrued Revenue		Name of Director
	2014	2013	2014	2013	2014	2013	
Krungthai Panich Ins. PCL	0.6	0.4	-	-	-	0.1	Mr.Kerati Panichewa
Thaivivat Ins. PCL	0.1	0.2	-	-	-	-	Mr.Jiraphant Asavatanakul
Bangkok Ins. PCL	5.5	5.1	-	1.0	-	0.3	Mr.Chai Sophonpanich Ms.Potjaneer Thanavarant
The Navakij Ins. PCL	1.4	1.1	-	-	0.4	0.4	Mr.Suchin Wanglee
Falcon Ins. PCL	0.1	0.2	-	-	-	-	Mr.Suchin Wanglee Mr.Oran Vongsuraphichet
Muang Thai Insurance PCL	13.7	14.5	1.3	1.0	-	-	Mr.Sara Lamsam
Muang Thai Life Assurance PCL	27.2	39.8	3.6	6.3	-	-	Mr.Sara Lamsam
<b>Total</b>	<b>48.6</b>	<b>61.3</b>	<b>4.9</b>	<b>8.3</b>	<b>0.4</b>	<b>0.8</b>	

## Investment in Securities

Unit: THB Million

Company Involved	Type of Investment	Investment Fund (Market Value)		Dividend / Interest		Name of Director
		2014	2013	2014	2013	
Bangkok Ins. PCL	Common Stock	593.4	414.9	17.7	14.0	Mr.Chai Sophonpanich Ms.Potjaneer Thanavarant
Muang Thai Insurance PCL	Common Stock	27.3	17.0	1.0	-	Mr.Sara Lamsam
<b>Total</b>		<b>620.7</b>	<b>431.9</b>	<b>18.7</b>	<b>14.0</b>	

All of the investments mentioned above were traded in the Stock Exchange of Thailand as long-term investments. They performed well and 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 1.5 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
		2014	2013	2014	2013	
Thaire Life Assurance PCL	Average expense that company collect	2.4	1.8	0.5	0.1	Cost Plus
Thaire Training Co., Ltd.	Average expense that company collect	0.6	0.6	0.1	0.1	Cost Plus
Thaire Training Co., Ltd.	Training cost that company paid	0.4	0.1	-	-	Market Value
Thaire Services Co., Ltd.	Average expense that company collect	-	0.2	-	-	Cost Plus
Thaire Services Co., Ltd.	Technical service fee paid	9.4	6.1	-	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 associate are also considered a maximization of the existing resources together with the company and also a cutting down on the expenses.

### Policy on Interest and Conflict of Interest

The Board of Directors recognizes the importance of prevention of interest and conflict of interest and has established a policy on interest and conflict of interest as follows:

1. The Board of Directors shall prudently control and monitor any transactions that are prone to a conflict of interest by determining approval procedures for connected transactions in writing.
2. The Audit Committee shall report transactions with a possible conflict of interest and connected transactions to the Board of Directors on a quarterly basis.
3. If there are any connected transactions that are subject to disclosure rules or approval from the shareholders pursuant to the SET's requirements, the company shall, before entering into the transactions, clearly disclose to shareholders the information regarding relationship of the connected persons, policy on determination of transaction value, reasons for entry into the transactions, and opinion of the Board of Directors on the transactions.
4. The Board of Directors sets out that materials on related party transactions shall be disclosed in the annual registration statement (Form 56-1) and annual report of the company, with details about names of persons who may have a conflict of interest, relationship, nature of the transactions, conditions, policy on price determination and value of the transactions, reasons and necessity of the transactions.



### **Guidelines on Consideration of Transactions that Have/May Have a Conflict of Interest**

Consideration of transactions that have/may have a conflict of interest shall comply with the rules set forth by the SEC and the SET. The Audit Committee has duty to monitor and ensure that the rules are strictly adhered to, as well as duty to compile and report transactions with related parties that may lead to transactions with a possible conflict of interest to the Board of Directors on a quarterly basis.

### **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 information about the types and values of the related party transactions and also to provide reasons why they choose to do related party transactions in the annual shareholders meeting. Prior to any related party transactions by the company, permission from the 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.

### **Connected transaction**

#### **The Board of Directors Meeting 3/2014 on June 26, 2014 for consideration.**

1. To Increase the share capital in amount of THB 702,498,972 from existing capital THB 3,512,494,860 to THB 4,214,993,832 by issuing new ordinary shares of 702,498,972 shares at a par value of THB 1 for a part in improving the capital adequacy ratio of the above, according to the law. And to strengthen the financial position of the company. We transferred the debt to compensation that need pay to the 2 Insurance company under the insurance which the company to TIG insurance Barbados Ltd. ("TIG"). Then they will pay to the creditors.

2. To allotment the share capital of the company in amount of THB 702,498,972 new ordinary shares in the share allocation.

2.1 To allocate to the existing shareholders of the company (Rights Offering). Proportion 10 existing shares for one new share not more than 351,249,486 shares at a par value of THB 1 per share. The exercise price is THB 3.00 per share.

However, there are still outstanding shares granted to existing shareholders above. We will allocate the remainder of the private placement.

2.2 To allocate 351,249,486 shares at par value of THB 1 per share at a price of THB 3.00 for the private placement, who is HWIC Asia Fund ("HWIC").

As The TIG and HWIC are firm and fund Fairfax Financial Holdings Limited, both directly and indirectly holds 100 percent of the company considers the connected transaction. When, we calculate the transaction scale of 1 and 2 above, the transaction is a transaction that is the very essence.

The Board of Director's opinion, the transactions under paragraphs 1 and 2 above are the items that are the benefit of the company. Not conflict of interest between the companies and the person may have a conflict. It is the policy of the transactions relating to the company as well as the rules of the Securities and Exchange Commission and SET. The Board has approved the proposal as per the Extraordinary General Meeting of Shareholders of the company for approval.

On August 4, 2014, the Extraordinary General Meeting of Shareholders No. 1/2014, the conclusion of meeting was approved the agenda of the capital increase and the allotment as mentioned above. And approve to make a connected transaction with the company and major shareholders.

After, the Extraordinary General Meeting of Shareholders No. 1/2014 has approved the company to transfer the transaction compensation to TIG, Creditors make decided to obtain payment for completion in 2014. The company held a board meeting No. 4/2014 on August 28, 2014, the consideration of Board of Directors, The insurance company agreed to pay to the creditor completed in 2014. Will enable the company's benefit increases, therefore the Board of Directors has approved the cancellation transfer the debt to TIG and switch a payment to the insurer accounts for completion in year 2014, which will result in the issue of flood finish on 2014 in order to start a business in the future.

Thus, in 2014 the company makes the connected transactions with major shareholder who is HWIC. A record is the allotment of new shares and the remaining share that proceeds to shareholders to private placement. Amount of shares was 351,249,490 shares, was THB 1,053.75 million, so a stake of HWIC increased from 22.53% to 29.10%.

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

Affected by the flood crisis as described above, THRE's overall operating performance has shown a successive loss since 2011. In 2014, the Company successfully finalized value of the flood losses and accordingly recognized an increase in claims of THB 2,173 million together with additional claims payment due to such event. Thus, as at the end of 2014, the Company made total claims payment of THB 19,161 million, representing 98 percent of total claims for which the Company was liable of THB 19,528 million.

According to its consolidated financial statements in 2014, the Company recorded loss before tax deduction of THB 1,097 million and net loss after tax deduction of THB 1,719 million. When the net amount was deducted by profit attributable to non-controlling interests of the subsidiaries, the net loss of the Company became THB 1,921 million or loss per share of THB 0.514, compared with the net loss of THB 2,799 million in 2013.

Apart from considerable losses from operation, the flood impact also affected income from the reinsurance business in 2012 and continuingly through 2014, with the credit rating agency, S&P's, downgrading the Company's credit rating from A- to BBB +. This led the Company's 14 clients, most of which were foreign insurance companies operating in Thailand, to withhold business relationship with the Company, and resulted in a net premium loss of about THB 500 million a year since 2012. Moreover, the flood impact led to the cancellation and withdrawal of 31 insurance companies under market agreements in 2012 and 2013, representing a net written premium loss since 2012, compared with 2011, of around THB 300 million per year.

In 2013, the Company listed Thaire Life Assurance Public Company Limited ("THREL"), a subsidiary, on the Stock Exchange of Thailand and offered its 285 million ordinary shares held in THREL together with 10 million newly issued shares of THREL for sale to the public. Despite that, the Company still owned a 50.8 percent stake in THREL, making THREL remain a subsidiary and under the control of the Company. From such partial divestment of the ordinary shares in THREL, the Company recorded gains on investments of THB 2,362 million. Later in 2014, it additionally sold 56 million shares in THREL, thereby recording gains of THB 768 million in the separate financial statements. This enabled the Company to reduce the impact on additional record of flood losses as expenses in 2013 and 2014 to some extent.

From the underwriting results for 2014, the Company and its subsidiaries recorded total life and non-life reinsurance premium of THB 6,338 million, growing by 7.1 percent, and net reinsurance premium of THB 6,068 million, increasing by 9.1 percent. Loss from underwriting after operating expenses deduction amounted to THB 1,772 million, which dropped by 59.0 percent from the prior year as a result of flood claims being recorded as expenses in an amount of THB 4,801 million in 2013 and only THB 2,173 million in 2014.

The perception of Thailand as a country least vulnerable to natural and man-made catastrophes that could cause severe damages such as earthquake, volcano, storm or terrorism began to change at the onset of the tsunami disaster in late 2004 and several massive floods in 2005, 2006, 2010 and 2011 as well as threat of terrorism which caused extensive loss of life and property. As a reinsurance company which mainly serves domestic market, THRE is inevitably affected by any possible damages that involve substantial losses. In order to limit and control the maximum loss retained by the Company itself in an amount compatible with its financial status, the Company has concentrated less on property reinsurance, but more on personal-line business. For risk management, the Company has purchased an excess of loss protection reinsurance plan to control and limit the Company's maximum loss. The excess of loss protection reinsurance plan purchased in 2014 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

\* Remark : Realizing that an earthquake risk is less likely to happen but, once occurring, involves a remarkably high value of loss, the Company has especially purchased earthquake coverage of THB 1,000 million, in addition to the protection already included in the fire and miscellaneous insurance agreement of THB 910 million, making up a total of THB 1,910 million. All other risks such as fire, flood, etc. are still covered in the amount of the THB 910 million, which is sufficient for the Company's total risks.

However, the Company believes that the severe impact on its status such as that caused by the late-2011 flood crisis will not recur as it has decreased the limit of reinsured amount for a place. Moreover, there is a limit on reinsured amount per industrial estate, per area in Bangkok and its vicinities, per province, per region, and per river basin, depending on the kind of natural disaster risk, while the accumulated risk is regularly monitored on a monthly basis. A focus is placed more on new types of business, i.e. non-conventional reinsurance, than on conventional reinsurance because the non-conventional classes have a lower individual insured amount with broader risk diversification, resulting in lower accumulated risk.

In terms of investments, the Company recorded net revenue from investments of THB 590 million according to its 2014 consolidated financial statements, a drop of THB 150 million from the previous year. This resulted from the fact that in 2014 the Company could finalize the value of flood losses and had paid for the flood claims totaling THB 8.4 billion, thus leading to a decrease in value of investments in securities and value of revenue from investments. The net return on investments was 4.7 percent, increasing 0.1 point relative to 2013.

Services provided by subsidiaries, generated service revenue of THB 220.0 million in 2014, up by 6.1 percent, and profit before extraordinary items of THB 54.4 million, decreasing 12.0 percent from the previous year due to difference in the interpretation of 'revenue,' used as a basis for corporate income tax calculation, between the subsidiary and the Revenue Department. The subsidiary's revenue for 2008 was assessed by the Revenue Department with an increased amount. They therefore paid the income tax for 2008 with penalty by an extra amount of THB 5.4 million, causing the profit from services of the group to decrease by 20.7 percent to THB 49.0 million.

Despite the flood impact on its 2013 performance, the Company could still perform well in other parts with growth seen in almost every unit. By excluding the impact of the flood disaster mentioned above, the Company could earn from its usual performance in 2014 an after-tax profit of THB 699 million, plunging by 33.4 percent from a year earlier due to a decline in value of revenue from investments as discussed above coupled with an increase in value of claims from health and PA insurance and credit life insurance. Irrespective of the country's economic condition, the Company has a vision that focuses on business success and sustainable growth in the long term, as well as a policy on product and service development to meet demand from all target groups in a systematic, timely and continuous manner. Also, the Company emphasizes quality insurance so that it could take the utmost level of risk. Operating expenses are controlled at a low and competitive level. The proportion of risk is well managed at a proper level, while creating a balance for insurance portfolio to avoid full reliance on any single kind of insurance. Risk is managed to be at an acceptable level. Technical and statistic information is used for selecting the type and amount of risk. The Company also purchases excess of loss protection from international market, makes an investment decision with due care and vision, and is able to promptly adjust to the changing money and capital market condition. Moreover, investment is used as a tool for enhancing business potential in the long term to achieve the goal to change its role from a conventional reinsurer to a service provider which will help create more revenues by providing not only reinsurance services but a more diverse range of insurance services. This will reduce the effect from volatility in insurance service provision. Apparently, in the past six years, the Company

has established subsidiaries and associated companies to engage in service business and help to grow revenues from services to become another main source of income apart from the existing sources of revenues from non-life reinsurance, life reinsurance, and investments.

In addition to its impressive performance, the Company also realizes the importance and improvement of corporate governance. This is evident from it receiving the "Most Distinctive Board of Directors of the Year 2008/2009" award for two successive years, organized by Thai Institute of Directors (IOD) in conjunction with the Stock Exchange of Thailand and the business sector. From the assessment of Thai listed companies' corporate governance by IOD, the Company is always rated at the level of "very good" or "excellent." Meanwhile, according to the evaluation of annual general meeting arrangement by Thai Investors Association, the Company was assessed at the level of "excellent." These could demonstrate that the Company has always been accepted for its corporate governance by all sectors.

## 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 2014, the non-life reported gross written premiums of THB 4,713 million, an increase in 4.1 percent. Net written premiums were THB 4,463 million, an increase in 6.9 percent. A loss before deducting operating expenses from reinsurance was at THB 1,972 million, a loss decrease in 57.1 percent from the severe impact of the floods. This can be summarized as follows:

Unit: THB Million

	2014	2013	Growth (Percent)
<b>Gross Premium Written</b>			
Fire	332	372	(10.7)
Marine	73	106	(31.2)
Motor	407	365	11.5
Miscellaneous	3,901	3,684	5.9
<b>Total</b>	<b>4,713</b>	<b>4,528</b>	<b>4.1</b>
<b>Net Premium Written</b>			
Fire	244	263	(7.5)
Marine	51	80	(36.8)
Motor	407	365	11.5
Miscellaneous	3,761	3,465	8.5
<b>Total</b>	<b>4,463</b>	<b>4,173</b>	<b>6.9</b>

Unit: THB Million

	2014	2013	Growth (Percent)
<b>Underwriting Profit (Loss) (1)</b>			
Fire	(2,041)	(4,710)	(56.7)
Marine	45	(29)	251.5
Motor	47	55	(8.5)
Miscellaneous	(23)	129	(124.6)
<b>Total</b>	<b>(1,972)</b>	<b>(4,555)</b>	<b>(57.1)</b>
<b>Loss Ratio (Percent)</b>			
Fire	840.7	1,476.1	
Marine	(27.3)	92.3	
Motor	55.0	52.9	
Miscellaneous	56.6	53.7	
<b>Total</b>	<b>101.3</b>	<b>167.6</b>	
<b>Combined Loss and Expense Ratio (Percent)</b>			
Fire	887.7	1,519.7	
Marine	21.9	131.7	
Motor	88.0	83.8	
Miscellaneous	100.6	96.2	
<b>Total</b>	<b>144.5</b>	<b>209.2</b>	

Note: (1) Excluded Operating Expenses

### Fire

The fire insurance in the country experiences a steady decline in premium due to a decrease in popularity. The proportion of the net reinsurance premium in 2014 represented 5.5 percent of net insurance premium of the country (in 2013, accounted for 6.3 percent). The gross premium written in 2014 is THB 332 million, 10.7 percent decrease and a net written premium income of THB 244 million, 7.5 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 loss ratios 1,263.1 percent, 1,476.1 percent and 840.7 percent in 2012-2014 respectively. There is a loss from reinsurance before deducting operating expenses of THB 2,041 million in 2014, compared to the loss of THB 4,710 million in 2013.

### Marine

The amount of marine reinsurance premium in 2014 is THB 73 million, decreasing of 31.2 percent from that in the same period last year. The amount of net reinsurance premium is THB 51 million, decreasing of 36.8 percent due to cancellation by the foreign customers most of which are in marine market. The ratio of loss was decreased from 92.3 percent in 2013 to -27.3 percent in 2014, due to the reduction of loss reported during the year 2012-2013, which was over by THB 25.6 Million. Therefore, there is a profit before deduction of operational expenses in amount of THB 45 million, 251.5 percent increase.

### Motor

In 2014, motor reinsurance reported gross written premiums at THB 407 million, 11.5 percent increase from that in the same period last year and also net written premiums was THB 407 million, an increase of 11.5 percent. The loss ratio was increased, from 52.9 percent in 2013 and 55.0 percent in 2014. Then, the profit in reinsurance before deducting the operating expenses is THB 47 million, 8.5 percent decrease.

### 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 2014, gross written premiums of Miscellaneous from domestics was recorded at THB 3,901 million, increased by 5.9 percent from the previous year and THB 3,761 million of net written premiums, an increase of 8.5 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 reinsurance written premiums of Miscellaneous reported at 84.3 percent of the total non-life net written premiums. Net underwriting profit was reported at THB 23 million, a decrease of 124.6 percent from the previous year, due to the increasing of the incurred losses from personal accident class mainly.

### Overseas Non-Life Reinsurance

Unit: THB Million

	2014	2013	Growth (Percent)
Gross Premium Written	1	3	(71.7)
Net Premium Written	1	3	(71.9)
Underwriting Profit (Loss) (1)	1	(12)	112.0
Loss Ratio (Percent)	-245.5	239.0	
Combined Loss and Commission (Percent)	-92.9	275.9	

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

Unit: THB Million

	2014	2013	Growth (Percent)
Gross Premium Written	1,624	1,388	17.0
Net Premium Written	1,607	1,374	17.0
Underwriting Profit (Loss) (1)	374	450	(17.0)
Loss Ratio	40.8	37.3	
Combined Loss and Commission (Percent)	76.4	66.5	

Note: (1) Excluded operating expenses

Life reinsurance growth in gross written premiums in 2014 continued to increase of 17.0 percent compared with the previous year. The underwriting profit was recorded at THB 374 million, a decrease of 17.0 percent from the prior, while net written premiums 26.5 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.

### Investment

Unit: THB Million

	31 December 2014		31 December 2013	
	Amount	Proportion (Percent)	Amount	Proportion (Percent)
Bonds and Treasury Bills	2,051	22.0	6,711	44.3
Stocks <sup>/1</sup>	1,180	12.7	483	3.2
Debentures	65	0.7	22	0.1
Deposits	3,052	32.7	5,928	39.1
Loan	31	0.3	30	0.2
Unit Trusts	2,945	31.6	1,984	13.1
Total	9,324	100.0	15,158	100.0

Note: <sup>/1</sup> 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 2014 as shown in the consolidated balance sheet as recorded at the market price at THB 9,324 million, a decrease of THB 5,834 million or 38.5 percent decrease from

the same period last year, which caused by the compensation from major flood disaster. Investment of the Company is comprise of fixed income securities, which generated the return in the form of interest of 64.5 percent of total invested assets, and equity instruments or unit trusts, accounted for 35.5 percent of total invested assets. In 2014, the net investment income with operating expenses deduction was THB 590 million, 20.3 percent decrease from the same period last year. The favorable Stock Exchange of Thailand conditions, the investment profit averaged at 4.7 percent, an increase of 0.1 percent points compared to 4.6 percent points in 2013.

### The Operating Result of the Subsidiaries

Unit: THB Million

Company Name	Nature of Business	Share (percent)	Income	Profit (Loss)	Paid up Capital	Asset
Thaire Traning Co., Ltd.	Training and consulting service whose client base is primarily in the insurance sector	100	25.7	2.4	0.5	6.3
EMCS Thai Co., Ltd. (EMCS)	Claim management and operation supporter for insurance business, for example, Call Center	69	92.1	38.6	30.0	109.0
Thaire Services Co., Ltd.	Provision of computer service in relation to motor insurance claims and related statistics	100	109.7	7.4	60.0	155.9
Thaire Life Assurance Broker Co., Ltd.	Operated as a life insurance broker to support sales through the Call Center.	100	7.3	1.4	2.0	3.3
Thaire Actuarial Consulting Co., Ltd.	Actuarial service	100	0	(0.3)	2.0	1.9

The result of subsidiaries, even though the revenues are not rarely generated about only 3.6 percent of total net written premium. In general, the result of operation of the Company has total profits, THB 49 million, a decrease of 20.7 percent from the last year.

### Financial Ratios

The overall financial ratio of the Company in 2014 improved from the preceding year, but still lower than level used to be due to fallout from the late-2011 flood crisis, thereby resulting in a substantial loss. Return on equity, which normally was achieved close to the target at 20 percent, has turned negative during 2011 - 2014. Similarly, return on total assets has been in deficit. The measurement of the combined ratio between the loss ratio and the operating expense ratio is most widely used for measuring the underwriting performance. If the combined ratio is well below 100, it implies that the Company is profitable from the underwriting business. In 2014, the ratio fell from 178.4 percent in 2013 to 129.5 percent. The table below shows such loss as a result of the floods.

Unit: percent

	2014	2013
Loss Ratio	85.1	136.1
Operating Expenses	44.4	42.3
<b>Combined Ratio</b>	<b>129.5</b>	<b>178.4</b>

## Financial Information

### Asset

At yearend 2014, the Company and its subsidiaries had total assets under the consolidated balance sheets of THB 14,682 million, a plunge of 47.4 percent relative to 2013. The assets were primarily composed of income-generating investments, which made up 63.5 percent; reinsurance assets and premium receivable, making up 22.2 percent; property, building and equipment, operating properties and other assets, accounting for 14.3 percent.

Investment assets include Thai government bonds, deposits at banks, promissory notes of finance companies, debentures and unit trusts of open-ended funds that invest in debt securities and listed equity securities, shares of associated companies and non-listed companies, and unit trusts of open-ended funds that invest in shares. Allowance for impairment of investments (if any) is provided in accordance with the accounting standards.

The collection of accounts receivable remained efficient. A net balance of debts or premium receivable was THB 49 million in 2014, a drop of 24.6 percent from THB 65 million in 2013, which was contrary to the increase in the net reinsurance premium income mentioned above.

In addition, another important asset item, reinsurance assets, in 2014 amounted to THB 3,206 million, a decrease of THB 6,725 million or 67.7 percent from 2013 due to successful finalization on the value of flood losses and complete receipt/payment of such flood claims. As a result, the claims recovered from the reinsurance company in case of floods decreased by THB 5,079 million.

### Liability

Financial liabilities according to the consolidated financial statements as at December 31, 2014 totaled THB 10,899 million, a decrease of 56.5 percent. The major item was the insurance contract liabilities, details of which are as follows:

Loss reserves and outstanding claims amounted to THB 2,381 million, plunging by 82.7 percent due to finalization of the flood loss value and payment for the said flood claims during the year 2014 which accordingly led the loss reserves and outstanding claims to decrease by THB 11,237 million. From January 1, 2009 onwards, the Company has allocated funds towards the incurred but not reported claims (IBNR) in the amount higher than that between the loss reserve amount calculated by the actuarial method and the amount based on 2.5 percent of the net premiums written after twelve months. This is to comply with the current Notification of the Ministry of Commerce,

Re: "Allocation of premium reserves that have not vested in the Company's revenue and claim reserves of non-life insurance companies."

Premium reserves and life insurance reserves were THB 2,374 million in total, a rise of 1.3 percent in line with the increase in the net reinsurance premiums. Such reserves will be recognized as revenue in a gradual manner throughout the duration of the policy coverage.

Another item was net advance received for premium that was recorded in 'other liabilities' in the amount of THB 4,796 million of the long-term reinsurance policy premiums received in advance, recognized as revenue by installments throughout the duration of the policy coverage.

### Liquidity

In 2014, the Company had sufficient liquidity for immediate payment of claims incurred in case of any flood taking place, which was in line with its policy to maintain adequate liquidity for any unprecedented claims. The Company also had a policy to focus on short-term investments in highly liquid assets to cushion against any potential impact of the current economic and financial crisis. The Company's statements of cash flow for 2014 can be summarized as follows:

Unit: THB Million

Beginning Cash and Equivalent	511.0
Cash Flow from Operating Activities	(8,691.1)
Cash Received from Investing Activities	7,519.6
Cash Received from Financing Activities	1,981.8
Ending Cash and Equivalent	1,321.3

As of December 31, 2014, the Company and its subsidiaries' liquid assets consisted of cash and cash equivalent as shown in the statements of cash flow of THB 1,321.3 million. Liquidity ratio, or a ratio of current assets to current liabilities, was 1.1 time, close to that of 2012 and 2013, which was sufficient to conduct business as usual.

In 2014, cash flow provided from or used in various activities under major transactions can be summed up as follows:

1. Cash flow used in operating activities primarily due to net claim payment for floods totaled THB 8,391.1 million.
2. Cash flow provided from investing activities resulted from a decrease in investments in securities, especially bonds, treasury bills and time deposits (based on the investment structure under 'Investment Performance'). Moreover, the Company sold 56 million shares held in Thaire Life Assurance Plc. ("THREL"), its subsidiary, with total proceeds received in an amount of THB 819.8 million.

3. Cash flow provided from financing activities came from proceeds obtained from the Company's capital increase in September 2014 through issuance of 702.5 million shares at THB 3 per share totaling THB 2,107.5 million.

### Capital Expenditure

- None -

### Sources of Funds

The debt to equity ratio as of December 31, 2014 stood at 3.6 times, falling from 11.03 in 2013 as a result of the finalization of flood loss value and flood claim payment during the year 2014, which accordingly led to a decline in the loss reserves and outstanding claims as described in 'Liabilities' Section.

The Company has never had sources of funds from loans or other off-balance sheet funding sources. However, a subsidiary raised a long-term loan, which as of the end of 2014 was recorded in 'liabilities' item in an amount of THB 23.3 million. The loan was borrowed from a bank to fund an acquisition of office building under its business expansion, with the repayment term ending in 2019. The subsidiary also borrowed an overdraft loan from bank, which as at year-end 2014 had a balance of THB 1.7 million, for making an advance payment for claims on behalf of its clients.

Shareholders' equity was reported at THB 3,054 million, rising from THB 2,273 million in 2013 due to the Company's capital increase of 702.5 million shares at THB 3 per share, thereby bringing its paid-up registered capital up by THB 702.5 million with premium on ordinary shares of THB 1,393.2 million. Moreover, the Company recorded an increase in unappropriated retained losses of THB 1,953.8 million, arising from net loss from the statements of income, the main item of which was an increase in the realized flood losses in 2014. The book value of shareholders' equity at year-end 2014 was THB 0.72 per share, compared with the book value of THB 0.65 per share in 2013.

### Significant Accounting Policies

These financial statements have been prepared in accordance with the financial reporting standards prescribed in the Accounting Profession Act B.E. 2547, the accounting procedure for insurance in Thailand and other relevant regulations set forth by the Office of Insurance Commission ("OIC"). All items in the financial statements were presented in conformity with the OIC Notification dated May 27, 2010.

Details of significant accounting policies of the Company and its subsidiaries can be found in the audited financial statements shown in the annual report (Form 56-2), which is available at [www.thaire.co.th](http://www.thaire.co.th) or [www.set.or.th](http://www.set.or.th).

Re: "Allocation of premium reserves that have not vested in the Company's revenue and claim reserves of non-life insurance companies."

Premium reserves and life insurance reserves were THB 2,374 million in total, a rise of 1.3 percent in line with the increase in the net reinsurance premiums. Such reserves will be recognized as revenue in a gradual manner throughout the duration of the policy coverage.

Another item was net advance received for premium that was recorded in 'other liabilities' in the amount of THB 4,796 million of the long-term reinsurance policy premiums received in advance, recognized as revenue by installments throughout the duration of the policy coverage.

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Beginning Cash and Equivalent	511.0
Cash Flow from Operating Activities	(8,691.1)
Cash Received from Investing Activities	7,519.6
Cash Received from Financing Activities	1,981.8
Ending Cash and Equivalent	1,321.3

As of December 31, 2014, the Company and its subsidiaries' liquid assets consisted of cash and cash equivalent as shown in the statements of cash flow of THB 1,321.3 million. Liquidity ratio, or a ratio of current assets to current liabilities, was 1.1 time, close to that of 2012 and 2013, which was sufficient to conduct business as usual.

In 2014, cash flow provided from or used in various activities under major transactions can be summed up as follows:

1. Cash flow used in operating activities primarily due to net claim payment for floods totaled THB 8,391.1 million.
2. Cash flow provided from investing activities resulted from a decrease in investments in securities, especially bonds, treasury bills and time deposits (based on the investment structure under 'Investment Performance'). Moreover, the Company sold 56 million shares held in Thaire Life Assurance Plc. ("THREL"), its subsidiary, with total proceeds received in an amount of THB 819.8 million.
3. Cash flow provided from financing activities came from proceeds obtained from the Company's capital increase in September 2014 through issuance of 702.5 million shares at THB 3 per share totaling THB 2,107.5 million.

# Financial Information

	2014	2013	2012	2011	2010*	2009*	2008	2007	2006	2005
<b>Operations</b>										
• Gross Written Premiums	6,337,503	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
• Net Written Premiums	6,068,949	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
• Net Underwriting Profit (Loss) (Note 1)	(1,812,367)	(4,320,460)	(6,092,599)	(2,352,098)	267,336	568,682	484,218	348,785	317,759	257,586
• Net Investment Income	591,202	741,306	727,168	272,128	440,137	146,364	168,362	295,003	293,500	353,041
• Service Income	219,998	207,264	171,506	141,709	137,772	112,689	77,557	51,988	27,222	14,847
• Net Income (Loss) from Services	49,015	61,809	44,647	21,242	(14,702)	(594)	14,998	12,902	(1,373)	1,608
• Net Income (Loss) from Investment in Associate	(945)	279	438	76	(548)	(1,379)	196	211	576	(194)
• Net Profit (Loss)	(1,953,358)	(2,799,113)	(4,349,169)	(1,660,484)	580,461	523,877	473,336	515,131	460,747	481,781
<b>Ratio (Percent)</b>										
• Loss Ratio (Note 2)	85.3	136.1	169.9	103.7	48.9	40.8	42.3	44.2	44.7	45.0
• Expense Ratio (Note 3)	44.4	42.3	44.1	43.1	43.9	42.0	42.1	41.5	41.6	42.2
• Combined Ratio	129.7	178.4	214.0	146.8	92.8	82.8	84.4	85.8	86.2	87.1
• Return on Equity	(73.3)	(97.4)	(206.9)	(89.9)	20.4	23.2	20.9	21.4	19.7	20.4
• Earning per share (Baht)	(0.52)	(0.80)	(1.44)	(1.40)	0.49	0.44	0.40	0.43	0.39	0.41
<b>Financial Information</b>										
• Total Assets	14,681,633	27,910,087	33,432,860	25,720,293	9,175,551	7,576,889	4,849,237	4,971,526	4,626,236	4,648,537
• Total Invested Assets	9,324,024	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
• Technical Reserve (Note 4)	3,694,846	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
• Paid-up Capital	4,214,994	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
• Shareholders' Equity	3,053,564	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
• Book Value per share (Baht)	0.72	0.65	0.99	0.61	2.50	2.30	1.73	2.08	1.97	1.99
• Dividend per share (Baht)	0.00	0.00	0.00	0.20	0.41	0.40	0.36	0.38	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 realized 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

## 16

## 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



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## Audit Committee Report

The Audit Committee comprises of 3 independent members: Mr. Mr.Aswin Kongsiri as Head of Audit Committee, Mr. Chanin Roonsamrarn, and Ms.Potjanee Thanavarani. They are 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 2014, the Audit Committee completed their duties under the scope of responsibilities assigned by the Board of Directors and Audit Committee Charter. The committee members met 5 times in 2014 and all meetings met its full quorum. Management, 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 2014, EY Office Limited was nominated and appointed as auditor of the Company for another year.
3. Attended joint meetings with the auditor 4 times. 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.



Aswin Kongsiri

Chairman of the Audit Committee

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## 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 2014, and the related consolidated statements of income, comprehensive income, changes in owners' 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

As mentioned in Note 1.2 to the financial statements, 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 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. In the event of any changes in circumstances, the Company would have to consider adjusting the loss reserves to reflect the subsequent circumstances and evidence. However, in 2013, the Company and its counterparties were in the process of negotiating the losses reported under the surveyor reports, and the Company was in the process of investigating evidence that the loss amounts were in accordance with the terms in the insurance contracts. As a result, the previous auditor was unable to audit and was unable to identify whether and to what extent the loss reserves, claims refundable from reinsurers, and related deferred taxes needed to be adjusted. The previous auditor expressed a qualified opinion on the 2013 annual financial statements regarding this limitation of circumstance. My opinion on the current year's financial statements is modified solely with respect to the possible effect on the comparability of the current year's figures with the corresponding figures.

As mentioned in Note 1.2 to the financial statements, in 2014, the Company negotiated and reached final agreements with insurance creditors and entered into payment agreements to settle claims liabilities under insurance contracts. The Company then adjusted claims for flooding damage to reflect the terms of these agreements, recording additional estimated losses before reinsurance amounting to Baht 3,144 million (including other expense relating to claim assessment) and additional claims refundable from reinsurers amounting to approximately Baht 971 million in 2014. As at 31 December 2014, the Company has recorded all flood claims in accordance with the agreements made with those insurance creditors.

### Qualified Opinion

In my opinion, except for the possible effects on 2013 corresponding figures of the matter comparative information, described in the Basis for Qualified Opinion paragraph, 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 2014, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



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Ratana Jala

Certified Public Accountant (Thailand) No. 3734

EY Office Limited

Bangkok: 26 February 2015



# FINANCIAL

statement and Notes to consolidated financial statements

## Thai Reinsurance Public Company Limited and its subsidiaries

## Statement of financial position

As at 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Assets</b>					
Cash and cash equivalents	6	1,321,307,749	511,038,014	1,216,705,546	431,635,312
Accrued investment income		53,858,894	124,496,448	42,475,632	114,478,527
Premium receivables	7, 23	49,325,307	65,404,302	39,126,131	61,567,314
Reinsurance assets	8, 23	3,206,396,725	9,931,114,984	2,800,657,841	9,561,980,541
Investment assets					
Investments in securities	23, 30, 31				
Trading investments	9	301,218,000	-	220,698,000	-
Available-for-sale investments	9	3,000,094,391	2,456,077,720	2,551,546,373	2,042,515,658
Held-to-maturity investments	9	4,663,276,101	12,149,705,171	3,772,539,581	11,274,722,060
Other investments	9	7,476,110	7,476,110	5,370,390	5,370,390
Loans	10	30,651,403	29,900,933	30,651,403	29,900,933
Investments in subsidiaries	11	-	-	324,199,615	380,199,615
Investment in associate	12.1	-	3,803,445	-	2,591,820
Property, building and equipment	13	267,229,437	243,625,522	106,539,720	117,610,171
Intangible assets	14	17,005,377	12,980,154	12,508,236	8,490,241
Deferred tax assets	15.1	1,543,377,380	2,236,062,478	1,519,943,447	2,216,838,991
Other assets					
Corporate income tax refundable		34,178,265	35,864,591	27,763,954	28,694,641
Deferred excess of loss		7,200,000	-	7,200,000	-
Others	23, 32	179,037,835	102,537,488	139,402,291	67,056,938
<b>Total assets</b>		<b>14,681,632,974</b>	<b>27,910,087,360</b>	<b>12,817,328,160</b>	<b>26,343,653,152</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 2014**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Liabilities and equity</b>					
<b>Liabilities</b>					
Income tax payable		43,352,940	64,489,759	-	-
Due to reinsurers	16, 23	870,565,560	1,538,553,059	587,480,641	1,368,576,232
Insurance contract liabilities					
Life policy reserve	17	215,830,021	215,816,596	-	-
Loss reserves and outstanding claims	18, 23	2,380,790,096	13,748,224,795	2,342,504,276	13,703,812,248
Premium reserve	19.1	2,158,651,296	2,127,632,794	1,955,379,471	1,948,019,434
Underwriting compensation reserves		1,771,302	-	1,771,302	-
Employee benefit obligations	20	41,162,123	39,869,077	28,233,093	23,231,247
Bank overdraft from financial institution	21	1,715,435	604,934	-	-
Deferred tax liabilities	15.1	202,052	366,716	-	-
Other liabilities					
Advance received for premium, net		4,796,381,042	5,775,599,551	4,796,381,042	5,775,599,551
Advance received for claim recovery		66,218,750	1,282,799,808	66,218,750	1,282,799,808
Dividend payables	29	2,462,672	2,517,493	2,446,371	2,517,493
Liability under lease agreement		335,511	1,091,157	-	-
Long-term loans	22	23,273,000	-	-	-
Others	23	296,711,643	284,459,339	267,496,429	253,626,102
<b>Total liabilities</b>		<b>10,899,423,443</b>	<b>25,082,025,078</b>	<b>10,047,911,375</b>	<b>24,358,182,115</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 2014**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Equity</b>					
Share capital					
Registered	24				
4,214,993,832 ordinary shares of Baht 1 each					
(2013: 3,512,494,860 ordinary shares of Baht 1 each)		4,214,993,832	3,512,494,860	4,214,993,832	3,512,494,860
Issued and paid-up					
4,214,993,832 ordinary shares of Baht 1 each					
(2013: 3,512,494,860 ordinary shares of Baht 1 each)		4,214,993,832	3,512,494,860	4,214,993,832	3,512,494,860
Premium on share capital		6,206,965,221	4,813,717,910	6,206,965,221	4,813,717,910
Retained earnings					
Appropriated					
Statutory reserve	25	184,226,400	183,726,400	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 (deficit)		(10,006,274,293)	(8,052,486,683)	(7,940,382,855)	(6,544,968,192)
Other components of equity		2,303,652,704	1,665,636,467	19,064,187	(64,549,941)
<b>Equity attributable to owners of the Company</b>		<b>3,053,563,864</b>	<b>2,273,088,954</b>	<b>2,769,416,785</b>	<b>1,985,471,037</b>
Non-controlling interests of the subsidiaries		728,645,667	554,973,328	-	-
<b>Total equity</b>		<b>3,782,209,531</b>	<b>2,828,062,282</b>	<b>2,769,416,785</b>	<b>1,985,471,037</b>
<b>Total liabilities and equity</b>		<b>14,681,632,974</b>	<b>27,910,087,360</b>	<b>12,817,328,160</b>	<b>26,343,653,152</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 2014**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Income</b>					
Net earned premium		6,009,052,638	5,576,229,002	4,426,090,183	4,176,476,489
Commissions and brokerages income		86,929,487	114,727,401	84,216,384	110,408,134
<b>Total income</b>		6,095,982,125	5,690,956,403	4,510,306,567	4,286,884,623
<b>Expenses</b>					
Underwriting					
Insurance reserves increase (decreased) from prior year		(218,317)	54,760,422	-	-
Claim expenses					
Claim and loss adjustment expenses		5,123,274,447	7,517,152,889	4,477,897,266	7,014,902,617
Commissions and brokerages expenses		2,490,580,294	2,205,586,418	1,930,323,484	1,819,892,203
Other underwriting expenses		79,006,504	70,978,121	72,879,132	60,035,486
Operating expenses	26	215,706,224	162,938,627	188,888,797	138,223,123
<b>Total underwriting expenses</b>		7,908,349,152	10,011,416,477	6,669,988,679	9,033,053,429
<b>Losses from underwriting</b>		(1,812,367,027)	(4,320,460,074)	(2,159,682,112)	(4,746,168,806)
Net investment income		441,896,122	618,927,111	535,283,861	744,465,333
Gains on investments	9, 11	140,552,606	122,378,911	854,139,524	2,484,364,498
Gains on change in value of trading investments		8,753,138	-	9,500,001	-
Share of profit (loss) from associates	12.2	(945,380)	279,056	-	-
<b>Service income</b>					
Service income		219,997,767	207,264,398	-	-
Service expenses		(170,982,800)	(145,455,463)	-	-
<b>Income on services</b>		49,014,967	61,808,935	-	-
Net management income from					
National Catastrophe Insurance Fund		48,225,131	49,185,753	47,051,141	48,390,204
Other income		4,116,144	2,115,360	6,239,880	3,343,930
Other expenses		(47,888)	(3,587,786)	(47,888)	(1,446,080)
<b>Losses from operations</b>		(1,120,802,187)	(3,469,352,734)	(707,515,593)	(1,467,050,921)
Contribution to the Office of Insurance Commission		(15,095,326)	(13,995,172)	(11,977,772)	(11,358,751)
<b>Losses before income tax expenses and finance cost</b>		(1,135,897,513)	(3,483,347,906)	(719,493,365)	(1,478,409,672)
Finance cost		(918,152)	(674,220)	-	-
<b>Losses before income tax expenses</b>		(1,136,815,665)	(3,484,022,126)	(719,493,365)	(1,478,409,672)
Add (less): Income tax expenses	15.2	(614,733,126)	730,385,430	(675,992,012)	362,659,182
<b>Losses for the year</b>		(1,751,548,791)	(2,753,636,696)	(1,395,485,377)	(1,115,750,490)

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 2014**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Profit (losses) attributable to:</b>					
Equity holders of the Company		(1,953,358,324)	(2,799,113,361)	(1,395,485,377)	(1,115,750,490)
Non-controlling interests of the subsidiaries		201,809,533	45,476,665		
		(1,751,548,791)	(2,753,636,696)		
<b>Earnings per share</b>	28				
Basic losses per share					
Losses attributable to equity holders of the Company		(0.52)	(0.80)	(0.37)	(0.32)
Weighted average number of ordinary shares (shares)		3,739,604,117	3,512,494,860	3,739,604,117	3,512,494,860

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 2014**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Losses for the year</b>		(1,751,548,791)	(2,753,636,696)	(1,395,485,377)	(1,115,750,490)
<b>Other comprehensive income:</b>					
Gains (losses) on change in value of available-for-sale investments		100,244,395	(137,825,742)	104,517,660	(131,206,894)
Income tax relating to components of other comprehensive income	15	(20,048,879)	27,565,148	(20,903,532)	26,241,379
Other comprehensive income for the year, net of tax		80,195,516	(110,260,594)	83,614,128	(104,965,515)
<b>Total comprehensive income for the year</b>		(1,671,353,275)	(2,863,897,290)	(1,311,871,249)	(1,220,716,005)
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		(1,868,005,301)	(2,906,282,824)	(1,311,871,249)	(1,220,716,005)
Non-controlling interests of the subsidiaries		196,652,026	42,385,534		
		(1,671,353,275)	(2,863,897,290)		

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

**Thai Reinsurance Public Company Limited and its subsidiaries**  
**Statement of changes in owners' equity**  
**For the year ended 31 December 2014**

	Note	Consolidated financial statements												(Unit: Baht)
		Attributable to equity holders of the parent										Equity attributable to non-controlling interests of the subsidiaries		
		Retained earnings						Other components of equity						
Issued and paid-up share capital	Premium on share capital	Statutory reserve	General reserve	Emergency reserve	Unappropriated (deficit)	Other comprehensive income	Surplus (deficit) on changes in value of available-for-sale investments	Surplus from change in percentage of shareholding in subsidiary	Total other components of equity	Total equity attributable to equity holders of the Company	Total equity			
<b>Balance as at 1 January 2013</b>		3,512,494,860	4,813,717,910	172,226,400	106,000,000	44,000,000	(5,242,031,331)	69,448,174	-	69,448,174	3,475,856,013	12,969,734	3,488,825,747	
Profit (loss) for the year		-	-	-	-	-	(2,799,113,361)	-	-	-	(2,799,113,361)	45,476,665	(2,753,636,696)	
Other comprehensive income for the year		-	-	-	-	-	-	(107,169,463)	-	(107,169,463)	(107,169,463)	(3,091,131)	(110,260,594)	
Total comprehensive income for the year		-	-	-	-	-	(2,799,113,361)	(107,169,463)	-	(107,169,463)	(2,906,282,824)	42,385,534	(2,863,897,290)	
Surplus from change in percentage of shareholding in the subsidiary without 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	25	-	-	11,500,000	-	-	(11,500,000)	-	-	-	-	-	-	
Dividend paid of subsidiary		-	-	-	-	-	-	-	-	-	-	(60,860,623)	(60,860,623)	
Reversal of dividend payable	29	-	-	-	-	-	158,009	-	-	-	158,009	-	158,009	
<b>Balance as at 31 December 2013</b>		3,512,494,860	4,813,717,910	183,726,400	106,000,000	44,000,000	(8,052,486,683)	(37,721,289)	1,703,357,756	1,665,636,467	2,273,088,954	554,973,328	2,828,062,282	
<b>Balance as at 1 January 2014</b>		3,512,494,860	4,813,717,910	183,726,400	106,000,000	44,000,000	(8,052,486,683)	(37,721,289)	1,703,357,756	1,665,636,467	2,273,088,954	554,973,328	2,828,062,282	
Profit (loss) for the year		-	-	-	-	-	(1,953,358,324)	-	-	-	(1,953,358,324)	201,809,533	(1,751,548,791)	
Other comprehensive income for the year		-	-	-	-	-	-	85,353,023	-	85,353,023	85,353,023	(5,157,507)	80,195,516	
Total comprehensive income for the year		-	-	-	-	-	(1,953,358,324)	85,353,023	-	85,353,023	(1,868,005,301)	196,652,026	(1,671,353,275)	
Increase share capital	24	702,498,972	1,393,247,311	-	-	-	-	-	-	-	2,096,746,283	-	2,096,746,283	
Changing in percentage of shareholding in the subsidiary without loss of control	11	-	-	-	-	-	-	(20,173,243)	572,836,467	552,663,214	552,663,214	114,420,597	667,083,811	
Unappropriated retained earnings transferred to statutory reserve - subsidiary	25	-	-	500,000	-	-	(500,000)	-	-	-	-	-	-	
Dividend paid of subsidiary		-	-	-	-	-	-	-	-	-	-	(137,400,284)	(137,400,284)	
Reversal of dividend payable	29	-	-	-	-	-	70,714	-	-	-	70,714	-	70,714	
<b>Balance as at 31 December 2014</b>		4,214,993,832	6,206,965,221	184,226,400	106,000,000	44,000,000	(10,006,274,293)	27,458,491	2,276,194,213	2,303,652,704	3,053,563,864	728,645,667	3,782,209,531	

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

**Thai Reinsurance Public Company Limited and its subsidiaries**  
**Statement of changes in owners' equity (continued)**  
**For the year ended 31 December 2014**

		Separate financial statements										(Unit: Baht)
		Issued and paid-up share capital	Premium on share capital	Retained earnings				Other components of equity			Total equity	
				Appropriated		Unappropriated (deficit)	Other comprehensive income	Total other components of equity				
				Statutory reserve	General reserve				Emergency reserve			
<b>Balance as at 1 January 2013</b>		3,512,494,860	4,813,717,910	118,776,400	106,000,000	44,000,000	(5,429,375,711)	40,415,574	40,415,574	3,206,029,033		
Loss for the year		-	-	-	-	-	(1,115,750,490)	-	-	(1,115,750,490)		
Other comprehensive income for the year		-	-	-	-	-	-	(104,965,515)	(104,965,515)	(104,965,515)		
Total comprehensive income for the year		-	-	-	-	-	(1,115,750,490)	(104,965,515)	(104,965,515)	(1,220,716,005)		
Reversal of dividend payable	29	-	-	-	-	-	158,009	-	-	158,009		
<b>Balance as at 31 December 2013</b>		3,512,494,860	4,813,717,910	118,776,400	106,000,000	44,000,000	(6,544,968,192)	(64,549,941)	(64,549,941)	1,985,471,037		
<b>Balance as at 1 January 2014</b>		3,512,494,860	4,813,717,910	118,776,400	106,000,000	44,000,000	(6,544,968,192)	(64,549,941)	(64,549,941)	1,985,471,037		
Loss for the year		-	-	-	-	-	(1,395,485,377)	-	-	(1,395,485,377)		
Other comprehensive income for the year		-	-	-	-	-	-	83,614,128	83,614,128	83,614,128		
Total comprehensive income for the year		-	-	-	-	-	(1,395,485,377)	83,614,128	83,614,128	(1,311,871,249)		
Increase share capital	24	702,498,972	1,393,247,311	-	-	-	-	-	-	2,095,746,283		
Reversal of dividend payable	29	-	-	-	-	-	70,714	-	-	70,714		
<b>Balance as at 31 December 2014</b>		4,214,993,832	6,206,965,221	118,776,400	106,000,000	44,000,000	(7,940,382,855)	19,064,187	19,064,187	2,769,416,785		

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 2014**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Cash flows from operating activities</b>				
Cash paid for reinsurance	(7,408,382,922)	(5,182,222,993)	(8,439,371,398)	(5,961,473,086)
Other underwriting expenses	(79,006,504)	(70,978,121)	(72,879,132)	(60,035,486)
Investment income	652,850,004	664,828,447	544,449,127	616,730,426
Other income	258,622,894	262,063,950	52,185,939	51,728,068
Commission and brokerage expenses	(1,657,210,715)	(1,514,865,408)	(1,094,168,748)	(1,138,261,069)
Operating expenses	(193,263,808)	(146,155,370)	(156,776,016)	(126,384,682)
Other expenses	(150,288,122)	(140,590,413)	(47,888)	(1,446,081)
Corporate income tax	(114,483,017)	(48,384,478)	930,686	42,716,391
Others	31,402	1,419,159	-	-
<b>Net cash used in operating activities</b>	<b>(8,691,130,788)</b>	<b>(6,174,885,227)</b>	<b>(9,165,677,430)</b>	<b>(6,576,425,519)</b>
<b>Cash flows from investing activities</b>				
Cash flows from				
Investments in securities	9,827,744,450	9,187,762,001	9,459,730,666	8,865,240,686
Loans	5,348,431	1,961,081	5,348,431	1,961,081
Dividend received from subsidiaries and associates	-	122,490	152,619,866	178,362,167
Cash received from sold the subsidiary without loss of control	819,854,765	2,647,092,018	819,854,765	2,647,092,018
Cash received from sold the associated company	3,094,342	-	3,094,342	-
Equipment	1,110,608	3,396,167	1,105,140	1,378,579
<b>Net cash from investing activities</b>	<b>10,657,152,596</b>	<b>11,840,333,757</b>	<b>10,441,753,210</b>	<b>11,694,034,531</b>
Cash flows used in				
Investments in securities	(3,079,591,372)	(5,377,224,332)	(2,573,259,241)	(4,897,934,355)
Loans	(6,098,900)	(7,900,000)	(6,098,900)	(7,900,000)
Property, building and equipment	(51,873,149)	(46,805,642)	(7,393,688)	(8,440,895)
<b>Net cash used in investing activities</b>	<b>(3,137,563,421)</b>	<b>(5,431,929,974)</b>	<b>(2,586,751,829)</b>	<b>(4,914,275,250)</b>
<b>Net cash from investing activities</b>	<b>7,519,589,175</b>	<b>6,408,403,783</b>	<b>7,855,001,381</b>	<b>6,779,759,281</b>
<b>Cash flows from financing activities</b>				
Proceeds from increase in share capital	2,107,496,916	89,162,825	2,107,496,916	-
Related expenses of the offering new shares	(11,750,633)	-	(11,750,633)	-
Dividend paid of subsidiaries	(137,400,284)	(60,860,623)	-	-
Bank overdraft	774,787	(10,582,977)	-	-
Long-term loans	22,690,562	-	-	-
<b>Net cash from financing activities</b>	<b>1,981,811,348</b>	<b>17,719,225</b>	<b>2,095,746,283</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>810,269,735</b>	<b>251,237,781</b>	<b>785,070,234</b>	<b>203,333,762</b>
Cash and cash equivalents at beginning of year	511,038,014	259,800,233	431,635,312	228,301,550
<b>Cash and cash equivalents at end of year (Note 6)</b>	<b>1,321,307,749</b>	<b>511,038,014</b>	<b>1,216,705,546</b>	<b>431,635,312</b>

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 2014

#### 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 29% of its total share capital (2013: 23%). 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	438	(71)	367
Claims paid	31,805	(12,644)	19,161
Total	32,243	(12,715)	19,528
Claims reserve refundable under Excess of Loss contracts			(5)
Claims refundable under Excess of Loss contracts			(3,348)
Net claims expense - statement of income			16,175
Less: Net claims expense - statement of income - year 2011 - 2012			(9,202)
Less: Net claims expense - statement of income - year 2013			(4,800)
Net claims expense - statement of income - year 2014			2,173

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.

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.

As at 31 December 2013, the Company recorded losses before reinsurance and losses after reinsurance additional to the amounts recorded as at 30 June 2013, amounting to Baht 5,989 million and Baht 3,912 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 31 December 2013 and 31 March 2014, 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.

On 26 June 2014, the Board of Directors passed a resolution to propose that the Extraordinary General Meeting of shareholders consider and approve an agreement to transfer obligations to settle the portion of claims under the insurance agreements for which the Company is responsible, amounting to Baht 1,836 million, to TIG Insurance Barbados Ltd ("TIG"), a related party. For the transfer of this liability, the Company will pay cash equal to the debts amount and a compensation to TIG in an amount that is to be negotiated with TIG, but shall not exceed Baht 1,100 million and authorize the Chairman and the Chief Executive Officer to consider and determine the details regarding the execution of the agreement to transfer obligations to settle the portion of claims under the insurance agreements. Then, the Company proposes the above matter to an Extraordinary General Meeting of Shareholders for consideration and approval.

On 4 August 2014, the Extraordinary General Meeting of shareholders approved the transfer of obligation to settle the claims under the insurance agreements to TIG. However, following the Extraordinary General Meeting of shareholders, the Chairman and the Chief Executive Officer entered into the negotiation with insurance creditors to get the final agreement. The Company and the insurance creditors has finally reached final agreements to settle all claim debts and disputes arising from the claims for flood damages. The insurance creditors expressed an intention to receive the payment of claims from the Company in the agreed amount, and it was agreed that the payment will be completed by the end of 2014. On 28 August 2014, the Board of Directors' meeting considered this matter and viewed that the agreement to pay the debts to the creditors in such manner would be beneficial to the Company. Therefore, the Board of Directors approved the cancellation of claim settlement by transferring the debt to TIG, and approved direct payment to insurance creditors instead. Such payment is to be completed by the end of 2014.

In August and September 2014, after negotiation and agreement conclusion, the Company entered into payment agreements to settle debts with 3 insurance creditors as discussed in Note 18 to the financial statements. The Company then adjusted claims for flooding damage to reflect the terms of these agreements, recording additional estimated losses before reinsurance amounting to Baht 3,144 million (including other expense relating to claim assessment) and additional claims refundable from reinsurers amounting to Baht 971 million.

As at 31 December 2014, the Company recorded claims before reinsurance amounting to Baht 32,243 million (including other expenses relating to claim assessment of Baht 38 million) and claims after reinsurance (including other expenses relating to claim assessment) amounting to Baht 19,528 million, which were the losses reported and agreed with insurance companies, in the financial statements. The management believes that the losses, claims refundable from reinsurers and related other transactions recorded are appropriate and sufficient.

Risk-based capital

During late 2011, 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 requirements and regulations for non-life insurance companies that had been affected by the 2011 floods, and approved an extension of the term of the measures for non-life insurance companies on a case-by-case basis, for further period 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 insures.

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

The Company has submitted a request for an extension of the term of the relaxed measures, and the OIC has granted approval. OIC has stipulated certain conditions to follow during the relaxation period, including a submission of progress reports of resolving its financial situation and claims settlement to OIC every 3 months as from 30 June 2014 onwards and a 75% completion of claim management within 30 September 2014. On 7 July 2014, the Company received a letter from the Office of Insurance Commission (OIC), ordering the Company to adjust its claims provisions to accord with the current situation and to reflect the Company's obligations under reinsurance contracts and/or contractual claims agreements within 30 September 2014.

As discussed in Note 24 to the financial statements, in the third quarter of 2014, the Company increased its registered and paid up share capital, from the existing registered capital of Baht 3,512.5 million to Baht 4,215.0 million in accordance with the resolution of the Extraordinary General Meeting of Shareholders No.1/2014, and had completely settled claims with the insurance creditors. The Company therefore adjusted its estimated claims provision and claims refundable to reflect the agreements. On

25 September 2014, the Company submitted a report describing the progress of improvement over its financial situation and settlement of claims for flood damages to the OIC.

## 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, 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

- (a) 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	
			2014	2013
			%	%
Thaire Life Assurance Plc.	Provision of life reinsurance	Thailand	41.50	50.83
Thaire Training 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	57.30	59.17
Thaire Services Co., Ltd.	Losses claim management services, marketing service and policy printing service	Thailand	100.00	100.00
Thaire Life Assurance Broker Co., Ltd.	Life insurance Broker	Thailand	100.00	100.00
Thaire Actuarial Consulting Co., Ltd.	Actuarial service	Thailand	100.00	100.00

The Company treats Thaire Life Assurance Plc. as a subsidiary company since it is able to exercise management control. Namely, the Company appointed directors and management to manage such company which made the Company has the power to determine the financial policies and operating of this subsidiary.

- (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 financial reporting standards

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

#### 3.1 Financial reporting standards that became effective in the current accounting period

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

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

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

## Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

## Financial Reporting Standard Interpretations:

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

## Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

### **3.2 Financial reporting standards that will become effective in the future**

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

**Financial reporting standards become effective for fiscal years beginning on or after 1 January 2015.**

#### **TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate Financial Statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgment when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

#### **TFRS 12 Disclosure of Interests in Other Entities**

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company's and its subsidiaries.

**TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

**TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognize actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

At present, the Company and its subsidiaries immediately recognize actuarial gains and losses in profit or loss in the period in which they occur. The assessment of the management of the Company and its subsidiaries is that when the revised standard is applied in 2015 and the method of recognizing those gains and losses is changed to immediately recognize them in other comprehensive income, there will be no impact to provision for long-term employee benefit liabilities and retained earnings in the financial statements.

**Financial reporting standards become effective for fiscal years beginning on or after 1 January 2016.****TFRS 4 Insurance Contracts**

The objective of this standard is to specify the financial reporting for insurance contracts issued by any entity until the second phase of its project on insurance contracts is completed. In particular, this TFRS requires disclosure that identifies and explains the amounts in an insurer's financial statements arising from insurance contracts and prohibits provisions for possible claims under contracts that are not in existence at the end of the reporting period. In addition, it requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets. This TFRS exempts an insurer temporarily from some requirements of other TFRSs, including the requirement to consider the framework in selecting accounting policies for insurance contracts.

At presents, the management of the Company and its subsidiaries is still evaluation the first-year impact to the financial statements and has yet to reach 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 income is recognised as income when the reinsurer submits the reinsurance application or the statement of accounts and the Group confirms the coverage under the reinsurance contracts 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 income

Commission and brokerage 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 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 expenses

Commissions and brokerages 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 Life policy reserves

Life policy reserves are long term insurance contract reserve. As at the end of reporting period, the subsidiary company compares the amounts of gross premium valuation with unearned premium reserve, and if gross premium valuation is higher than unearned premium reserve, the difference is recognised as gross premium valuation in the financial statements.

##### (a) Unearned premium reserve

Life reinsurance - Treaty	- Monthly average basis (the one-twenty fourth basis)
Life reinsurance - Facultative	- Daily average basis (the one-three hundred and sixty fifth basis)

##### (b) Gross premium valuation

Gross premium valuation is a life policy reserve, set aside using an actuarial method in accordance with OIC notifications. The main assumptions applied relate to lapse or surrender rate, selling and administrative expenses, mortality, morbidity, discount rate and non-guaranteed dividend payment rate.

#### 4.12 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.

#### 4.13 Premium reserve

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

##### (a) Unearned premium reserve

Fire, motor and miscellaneous insurance - Treaty	- Monthly average basis (the one-twenty fourth basis)
Fire, motor and miscellaneous insurance - Facultative	- Daily average basis (the one-three hundred and sixty fifth basis)
Hull insurance	- Monthly average basis (the one-twenty fourth basis)
Cargo insurance - Treaty	- Net reinsurance premium written for the last three months
Cargo insurance - Facultative and 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 different is recognised as unexpired risk reserve in the financial statements.

#### 4.14 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.

#### 4.15 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.

#### 4.16 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.

#### 4.17 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.

**4.18 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.

**4.19 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 losses incurred will not exceed the recorded amounts as at the end of reporting period.

## 6. Cash and cash equivalents

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Cash on hand	99,500	99,500	35,000	35,000
Deposits at banks with no fixed maturity date				
Saving and current accounts	283,699,515	480,938,514	250,851,936	431,600,312
Investment in money market funds	816,008,734	-	780,818,610	-
Deposits at banks with fixed maturity date and certificate of deposit	2,768,500,000	5,447,500,000	2,332,000,000	5,015,000,000
Total cash and deposits at financial institutions	3,868,307,749	5,928,538,014	3,363,705,546	5,446,635,312
Less: Deposits at banks which amounts maturing in over 3 months	(2,547,000,000)	(5,417,500,000)	(2,147,000,000)	(5,015,000,000)
Cash and cash equivalents	1,321,307,749	511,038,014	1,216,705,546	431,635,312

As at 31 December 2014, bank deposits in saving accounts, fixed deposits and short-term investment carried interests between 0.30 and 3.70 percent per annum (2013: between 0.50 and 4.00 percent per annum).

## 7. Premium receivables

The balances as at 31 December 2014 and 2013 of premium receivables are classified by aging from the maturity date as specified in inward statements as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Not yet due	35,614,512	35,900,344	25,415,337	32,063,356
Not over 30 days	3,195,721	5,048,323	3,195,721	5,048,323
Over 30 days to 60 days	1,913,688	3,433,116	1,913,688	3,433,116
Over 60 days to 90 days	785,000	2,604,336	785,000	2,604,336
Over 90 days to 1 year	1,742,669	7,001,537	1,742,669	7,001,537
Over 1 year	6,764,224	11,837,853	6,764,223	11,837,853
Total premium receivables	50,015,814	65,825,509	39,816,638	61,988,521
Less: Allowance for doubtful accounts	(690,507)	(421,207)	(690,507)	(421,207)
Total premium receivables, net	49,325,307	65,404,302	39,126,131	61,567,314

## 8. Reinsurance assets

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Amounts deposit on reinsurance	596,635,956	585,568,635	521,358,198	513,723,056
Amounts due from reinsurers, net	661,910,831	2,247,278,682	408,594,415	2,021,402,723
Insurance reserve refundable from reinsurers	1,060,425,115	6,230,467,210	1,057,094,627	6,227,389,388
Deferred commissions and brokerages expenses	887,424,823	867,800,457	813,610,601	799,465,374
Reinsurance assets, net	3,206,396,725	9,931,114,984	2,800,657,841	9,561,980,541

Insurance reserve refundable from reinsurers as at 31 December 2014 include insurance reserve refundable from reinsurers from flooding loss amounting to Baht 76 million as described in Note 1.2 to the financial statements (2013: Baht 5,155 million).

The balances as at 31 December 2014 and 2013 of amounts due from reinsurers are classified by aging as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Not yet due	533,036,093	1,333,723,937	285,124,439	1,115,443,853
Not over 12 months	74,831,234	641,968,876	69,426,472	634,422,059
Over 1 year to 2 years	53,229,364	266,813,168	53,229,364	266,764,110
Over 2 years	44,429,785	7,881,395	44,429,785	7,881,395
Total amounts due from reinsurers	705,526,476	2,250,387,376	452,210,060	2,024,511,417
Less: Allowance for doubtful accounts	(43,615,645)	(3,108,694)	(43,615,645)	(3,108,694)
Total amounts due from reinsurers, net	661,910,831	2,247,278,682	408,594,415	2,021,402,723

## 9. Investments in securities

## 9.1 Classified by type of investment

## 9.1.1 Trading investments

Consolidated financial statements

					(Unit: Baht)
2014					
	Cost	Unrealised gains	Unrealised losses	Fair value	Percentage of investments to total assets
<b>Private enterprises securities</b>					
Equity securities	292,464,862	9,500,001	(746,863)	301,218,000	2.05
Total trading investments	292,464,862	9,500,001	(746,863)	301,218,000	2.05

Separate financial statements

					(Unit: Baht)
2014					
	Cost	Unrealised gains	Unrealised losses	Fair value	Percentage of investments to total assets
<b>Private enterprises securities</b>					
Equity securities	211,197,999	9,500,001	-	220,698,000	1.72
Total trading investments	211,197,999	9,500,001	-	220,698,000	1.72

During 2014, the Company and its subsidiary have reclassified investments in marketable securities with book values totaling Baht 173 million (the Company only: Baht 143 million) from available-for-sale investments to trading investments due to the change of an investment policy of the Company and its subsidiary in respond to the investment market situation and the volatility of stocks prices on The Stock Exchange of Thailand, and sold such investments resulting in gain amounting to Baht 115 million (the Company only: Baht 65 million), which were recorded in statement of income for the year 2014.

## 9.1.2 Available-for-sale investments

Consolidated financial statements

					(Unit: Baht)
2014					
	Cost	Unrealised gains	Unrealised losses	Fair value	Percentage of investments to total assets
<b>Private enterprises securities</b>					
Equity securities	693,798,675	187,400,809	(9,969,856)	871,229,628	5.93
Unit trusts	2,257,073,811	41,170,210	(169,372,292)	2,128,871,729	14.50
Total	2,950,872,486	228,571,019	(179,342,148)	3,000,101,357	20.43
Less: Allowance for impairment	(6,966)	-	-	(6,966)	-
Total available-for-sale investments	<u>2,950,865,520</u>	<u>228,571,019</u>	<u>(179,342,148)</u>	<u>3,000,094,391</u>	<u>20.43</u>
					(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	1.69
Unit trusts	2,120,198,499	35,925,725	(172,331,337)	1,983,792,887	7.11
Total	2,507,100,210	124,637,794	(175,653,318)	2,456,084,686	8.80
Less: Allowance for impairment	(6,966)	-	-	(6,966)	-
Total available-for-sale investments	<u>2,507,093,244</u>	<u>124,637,794</u>	<u>(175,653,318)</u>	<u>2,456,077,720</u>	<u>8.80</u>

**Separate financial statements**

(Unit: Baht)

	2014				
		Unrealised	Unrealised		Percentage of investments to total assets
	Cost	gains	losses	Fair value	
<b>Private enterprises securities</b>					
Equity securities	642,623,901	147,284,349	(8,864,100)	781,044,150	6.09
Unit trusts	1,885,099,205	27,153,549	(141,743,565)	1,770,509,189	13.81
Total	2,527,723,106	174,437,898	(150,607,665)	2,551,553,339	19.90
Less: Allowance for impairment	(6,966)	-	-	(6,966)	-
Total available-for-sale investments	2,527,716,140	174,437,898	(150,607,665)	2,551,546,373	19.90

(Unit: Baht)

	2013				
		Unrealised	Unrealised		Percentage of investments to total assets
	Cost	gains	losses	Fair value	
<b>Private enterprises securities</b>					
Equity securities	347,685,594	40,069,079	(3,321,981)	384,432,692	1.46
Unit trusts	1,775,524,457	25,526,905	(142,961,430)	1,658,089,932	6.29
Total	2,123,210,051	65,595,984	(146,283,411)	2,042,522,624	7.75
Less: Allowance for impairment	(6,966)	-	-	(6,966)	-
Total available-for-sale investments	2,123,203,085	65,595,984	(146,283,411)	2,042,515,658	7.75



## 9.1.3 Held-to-maturity investments

Consolidated financial statements

(Unit: Baht)

	2014		2013	
	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	1,837,556,564	12.52	6,253,659,984	22.41
State enterprise bonds	213,719,537	1.46	457,045,187	1.64
Debentures	40,000,000	0.27	21,500,000	0.08
Total	2,091,276,101	14.25	6,732,205,171	24.13
<b>Private enterprises debt securities</b>				
Debentures	25,000,000	0.17	-	-
Total	25,000,000	0.17	-	-
<b>Deposit at financial institutions which amounts maturing in over 3 months</b>				
Deposits at banks	2,547,000,000	17.35	5,417,500,000	19.41
Total	2,547,000,000	17.35	5,417,500,000	19.41
<b>Total held-to-maturity investments</b>	<b>4,663,276,101</b>	<b>31.77</b>	<b>12,149,705,171</b>	<b>43.54</b>

Separate financial statements

(Unit: Baht)

	2014		2013	
	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	1,524,957,188	11.90	5,895,676,873	22.38
State enterprise bonds	100,582,393	0.78	364,045,187	1.38
Total	1,625,539,581	12.68	6,259,722,060	23.76
<b>Deposit at financial institutions which amounts maturing in over 3 months</b>				
Deposits at banks	2,147,000,000	16.75	5,015,000,000	19.04
Total	2,147,000,000	16.75	5,015,000,000	19.04
<b>Total held-to-maturity investments</b>	<b>3,772,539,581</b>	<b>29.43</b>	<b>11,274,722,060</b>	<b>42.80</b>

## 9.1.4 Other investments

Consolidated financial statements

		(Unit: Baht)	
		2014	2013
		Cost	Percentage of investments to total assets
		Cost	Percentage of investments to total assets
Investments in non-listed companies in Thailand		7,476,110	0.05
<b>Total other investments</b>		<b>7,476,110</b>	<b>0.05</b>

Separate financial statements

		(Unit: Baht)	
		2014	2013
		Cost	Percentage of investments to total assets
		Cost	Percentage of investments to total assets
Investments in non-listed companies in Thailand		5,370,390	0.04
<b>Total other investments</b>		<b>5,370,390</b>	<b>0.04</b>

## 9.2 Classified by remaining periods of debt securities

Investments in debt securities as at 31 December 2014 and 2013 will be matured redemption as follows:

### Consolidated financial statements

(Unit: Baht)

	2014			
	Period to maturity			
	Within 1 year	1 - 5 years	Over 5 years	Total
<b>Held-to-maturity investments</b>				
<b>Government and state enterprise securities</b>				
Thai government bonds	540,939,503	1,075,610,404	221,006,657	1,837,556,564
State enterprise bonds	-	213,719,537	-	213,719,537
Debentures	-	20,000,000	20,000,000	40,000,000
Total	540,939,503	1,309,329,941	241,006,657	2,091,276,101
<b>Private enterprises debt securities</b>				
Debentures	-	25,000,000	-	25,000,000
Total	-	25,000,000	-	25,000,000
<b>Deposit at financial institutions with amounts maturing in over 3 months</b>				
Deposits at banks	2,452,000,000	95,000,000	-	2,547,000,000
Total	2,452,000,000	95,000,000	-	2,547,000,000
<b>Total held-to-maturity investments</b>	2,992,939,503	1,429,329,941	241,006,657	4,663,276,101

(Unit: Baht)

	2013			
	Period to maturity			
	Within 1 year	1 - 5 years	Over 5 years	Total
<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
Debentures	1,500,000	-	20,000,000	21,500,000
Total	3,506,682,012	2,563,136,441	662,386,718	6,732,205,171
<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
Total	5,042,500,000	375,000,000	-	5,417,500,000
<b>Total held-to-maturity investments</b>	8,549,182,012	2,938,136,441	662,386,718	12,149,705,171

Separate financial statements

(Unit: Baht)

	2014			
	Period to maturity			
	Within 1 year	1 - 5 years	Over 5 years	Total
<b>Held-to-maturity investments</b>				
<b>Government and state enterprise securities</b>				
Thai government bonds	460,071,793	984,885,395	80,000,000	1,524,957,188
State enterprise bonds	-	100,582,393	-	100,582,393
Total	460,071,793	1,085,467,788	80,000,000	1,625,539,581
<b>Deposit at financial institutions with amounts maturing in over 3 months</b>				
Deposits at banks	2,147,000,000	-	-	2,147,000,000
Total	2,147,000,000	-	-	2,147,000,000
<b>Total held-to-maturity investments</b>	2,607,071,793	1,085,467,788	80,000,000	3,772,539,581

(Unit: Baht)

	2013			
	Period to maturity			
	Within 1 year	1 - 5 years	Over 5 years	Total
<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>	8,158,999,238	2,579,813,773	535,909,049	11,274,722,060

**9.3 Other component of owners' equity - Revaluation surplus on available-for-sale investments**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Revaluation surplus (deficit) on available-for-sale investments – beginning of the year	(47,151,611)	86,810,218	(80,687,426)	50,519,468
Gains (losses) on revaluation during the year	153,660,144	(96,155,781)	132,733,205	(93,352,681)
Decrease from changing in percentage of shareholding in subsidiary	(25,216,554)	-	-	-
Gains on sales of available-for-sale investments during the years transferred to be recognised in statements of income	(46,968,865)	(37,806,048)	(28,215,546)	(37,854,213)
Revaluation surplus (deficit) on available-for-sale investments - end of the year	34,323,114	(47,151,611)	23,830,233	(80,687,426)
Add (less): Income taxes	(6,864,623)	9,430,322	(4,766,046)	16,137,485
Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	<u>27,458,491</u>	<u>(37,721,289)</u>	<u>19,064,187</u>	<u>(64,549,941)</u>

**9.4 Investments subject to restriction**

As at 31 December 2014, government bonds totaling Baht 312 million (2013: 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 30 and 31 to the financial statements.

## 10. Loans and accrued interest

The ending balances of loans and accrued interest as at 31 December 2014 and 2013 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 -3.00% per annum, with reference to the MLR rate announced by commercial bank, depending on the type of loans. 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 and separate financial statements	
			2014	2013
<b>Collateralised loans</b>				
Principle			30,305,025	29,536,264
<b>Personal guarantee loans</b>				
Principle			346,378	364,669
<b>Total loans</b>			<b>30,651,403</b>	<b>29,900,933</b>

## 11. Investments in subsidiaries

Company's name	Nature of business	Country of incorporation	Paid-up capital		Percentage holding	
			2014	2013	2014	2013
			Thousand Baht	Thousand Baht	%	%
Investments in subsidiaries directly held by the Company						
Thaire Life Assurance Plc.	Provision of life reinsurance	Thailand	600,000	600,000	41.50	50.83
Thaire Training 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
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	8.30	10.17
Investments in subsidiaries held through Thaire Services Co., Ltd.						
Thaire Life Assurance Broker Co., Ltd.	Life Assurance Broker	Thailand	2,000	2,000	100.00	100.00
Thaire Actuarial Consulting 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 on cost method		Dividend received for the years ended	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Subsidiaries</b>								
Thaire Life Assurance Plc.	249,000	305,000	-	-	249,000	305,000	137,250	161,000
Thaire Training Co., Ltd.	500	500	-	-	500	500	1,000	3,500
EMCS Thai Co., Ltd.	14,700	14,700	-	-	14,700	14,700	7,350	2,940
Thaire Services Co., Ltd.	60,000	60,000	-	-	60,000	60,000	7,020	10,800
	<u>324,200</u>	<u>380,200</u>	<u>-</u>	<u>-</u>	<u>324,200</u>	<u>380,200</u>	<u>152,620</u>	<u>178,240</u>

On 30 September 2013, the Company sold ordinary shares of 285 million ordinary 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 million 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 million as gain on investment in the separate financial statements).

In 2014, the Company sold 56 million ordinary shares in a subsidiary (Thaire Life Assurance Public Company Limited) to a third party, totaling Baht 824.6 million. As a result, the Company's shareholding decreased from 50.83% to 41.50% and Thaire Life Assurance Public Company Limited remains a subsidiary of the Company. The Company recorded the change in its ownership interest in the subsidiary without loss of control amounting to Baht 573 million under surplus from change in shareholding percentage in subsidiary in the consolidated financial statement (represented as gain on investments of Baht 768 million 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	
			2014	2013	2014	2013
			Thousand Baht	Thousand Baht	%	%
Thai Insurer Datanet Co., Ltd.	Provision of computer services	Thailand	-	10,000	-	24.49

Company's name	Cost		Consolidated financial statements		Separate financial statements	
	2014	2013	Carrying amount based on cost method		Carrying amount based on equity method	
	2014	2013	2014	2013	2014	2013
Thai Insurer Datanet Co., Ltd.	-	2,592	-	3,803	-	2,592

### 12.2 Share of profit (loss) and dividend received

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit (loss) for the years ended 31 December		Dividend received during the years ended 31 December	
	2014	2013	2014	2013
	2014	2013	2014	2013
	2014	2013	2014	2013
Thai Insurer Datanet Co., Ltd.	(945)	279	-	122

### 12.3 Summarised financial information of associate

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	
	2014	2013	2014	2013	2014	2013	2014	2013
	2014	2013	2014	2013	2014	2013	2014	2013
Thai Insurer Datanet Co., Ltd.	-	18.6	-	3.1	-	43.8	-	2.3

In November 2014, the Company sold investment in Thai Insurer Datanet Co., Ltd., which is an associated company, at price of Baht 3.1 million. The gain from disposal of the investment, amounting to Baht 0.5 million, is presented in the income statement.

## 13. Property, building and equipment

Consolidated financial statements

(Unit: Baht)

	Land	Buildings	Leasehold improvement	Motor vehicles	Office equipment and furniture	Computer	Building under improvement	Total
<b>Cost</b>								
1 January 2013	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	515,955	40,760	1,111,215	3,892,638	4,941,825	9,757,416	42,903,225
Disposals	-	-	(26,068,584)	-	(5,105,651)	(812,843)	-	(31,987,078)
31 December 2013	95,107,416	107,237,989	835,047	25,935,319	58,047,292	49,182,043	9,757,416	346,102,522
Additions	22,272,000	40,950	5,932	46,636	852,343	5,689,127	15,419,398	44,326,386
Disposals	-	-	-	(7,402,460)	(89,508)	(1,687,585)	-	(9,179,553)
31 December 2014	117,379,416	107,278,939	840,979	18,579,495	58,810,127	53,183,585	25,176,814	381,249,355
<b>Accumulated depreciation</b>								
1 January 2013	-	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
Depreciation for the year	-	5,373,917	83,850	3,123,559	7,526,202	4,614,870	-	20,722,398
Depreciation for the disposals	-	-	-	(7,402,458)	(89,488)	(1,687,534)	-	(9,179,480)
31 December 2014	-	19,107,785	482,862	12,586,649	38,332,066	43,510,556	-	114,019,918
<b>Net book value</b>								
31 December 2013	95,107,416	93,504,121	436,035	9,069,771	27,151,940	8,598,823	9,757,416	243,625,522
31 December 2014	117,379,416	88,171,154	358,117	5,992,846	20,478,061	9,673,029	25,176,814	267,229,437
<b>Depreciation for the year:</b>								
2013								21,366,271
2014								20,722,398

On 31 December 2014 and 2013, land and buildings thereon of a subsidiary with net book values totaling Baht 72.9 million and Baht 36.9 million respectively, were mortgaged with financial institution to secure credit facilities and long-term loan granted by these financial institution, as discussed in Note 21 and 22 to the financial statements.

**Separate financial statements**

(Unit: Baht)

	Land	Buildings	Leasehold improvement	Motor vehicles	Office equipment and furniture	Computer	Total
<b>Cost</b>							
1 January 2013	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
Additions	-	40,950	-	-	398,547	1,105,265	1,544,762
Disposals	-	-	-	(7,402,460)	(52,304)	(1,655,685)	(9,110,449)
31 December 2014	36,624,000	51,392,317	-	13,227,057	45,167,215	21,213,847	167,624,436
<b>Accumulated depreciation</b>							
1 January 2013	-	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
Depreciation for the year	-	2,568,089	-	2,059,486	6,185,718	1,801,862	12,615,155
Depreciation for the disposals	-	-	-	(7,402,458)	(52,298)	(1,655,635)	(9,110,391)
31 December 2014	-	5,404,411	-	9,700,107	26,900,534	19,079,664	61,084,716
<b>Net book value</b>							
31 December 2013	36,624,000	48,515,045	-	5,586,438	24,053,858	2,830,830	117,610,171
31 December 2014	36,624,000	45,987,906	-	3,526,950	18,266,681	2,134,183	106,539,720
<b>Depreciation for the year:</b>							
2013							12,850,530
2014							12,615,155

As at 31 December 2014, 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 60.3 million (the Company only: Baht 33.0 million (2013: the Group: Baht 61.3 million and the Company only: Baht 39.8 million).

**14. Intangible asset - software**Consolidated financial statements

(Unit: Baht)

	Computer software	Computer software under development	Total
<b>Cost</b>			
1 January 2013	71,249,789	-	71,249,789
Addition	1,211,887	2,000,000	3,211,887
Disposal	(2,000,000)	-	(2,000,000)
31 December 2013	70,461,676	2,000,000	72,461,676
Addition	3,848,805	2,942,313	6,791,118
31 December 2014	74,310,481	4,942,313	79,252,794
<b>Accumulated amortisation</b>			
1 January 2013	56,491,190	-	56,491,190
Amortisation for the year	2,990,332	-	2,990,332
31 December 2013	59,481,522	-	59,481,522
Amortisation for the year	2,765,895	-	2,765,895
31 December 2014	62,247,417	-	62,247,417
<b>Net book value</b>			
31 December 2013	10,980,154	2,000,000	12,980,154
31 December 2014	12,063,064	4,942,313	17,005,377
<b>Amortisation for the year</b>			
2013			2,990,332
2014			2,765,895

As at 31 December 2014 and 2013, 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 51.1 million and Baht 43.3 million, respectively.

Separate financial statement

(Unit: Baht)

	Computer software		
	Computer software	under development	Total
<b>Cost</b>			
1 January 2013	45,460,352	-	45,460,352
Addition	3,562,621	-	3,562,621
31 December 2013	49,022,973	-	49,022,973
Addition	3,886,613	1,962,313	5,848,926
31 December 2014	52,909,586	1,962,313	54,871,899
<b>Accumulated amortisation</b>			
1 January 2013	38,517,981	-	38,517,981
Amortisation for the year	2,014,751	-	2,014,751
31 December 2013	40,532,732	-	40,532,732
Amortisation for the year	1,830,931	-	1,830,931
31 December 2014	42,363,663	-	42,363,663
<b>Net book value</b>			
31 December 2013	8,490,241	-	8,490,241
31 December 2014	10,545,923	1,962,313	12,508,236
<b>Amortisation for the year</b>			
2013			2,014,751
2014			1,830,931

**15. Deferred tax assets/deferred tax liabilities and income tax expenses****15.1 Deferred tax assets/deferred tax liabilities**

The components of deferred tax assets/deferred tax liabilities are the tax effects arose from the following transactions:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Deferred tax assets arose from:</b>				
Loss reserves	278,918	1,524,125	271,260	1,515,243
Unearned premium reserve	14,170	26,148	14,170	26,148
Commission payable from reinsurance	38,175	31,737	5,971	6,271
Deferred commissions and brokerages income	5,051	7,294	5,045	7,284
Loss brought forwards	1,366,306	797,308	1,366,259	797,291
Unrealised losses from changes in values of available-for-sale investments	60	16,229	-	16,137
Allowance for doubtful accounts	8,989	784	8,861	706
Unrealised gains from changes in values of available-for-sale investments	(9,906)	(6,026)	(4,766)	-
Deferred commission and brokerages expense	(177,485)	(173,560)	(162,722)	(159,893)
Others	19,099	12,024	15,865	7,652
<b>Deferred tax assets</b>	<b>1,543,377</b>	<b>2,236,063</b>	<b>1,519,943</b>	<b>2,216,839</b>
<b>Deferred tax liabilities arose from:</b>				
Others	202	367	-	-

## 15.2 Income tax expenses

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Current income tax:</b>				
Current income tax charge	95,032	104,890	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of				
temporary differences	672,472	(362,857)	675,992	(362,659)
Relating to surplus from change in percentage of				
shareholding in subsidiary	(152,771)	(472,418)	-	-
<b>Income tax expense (revenue) reported in</b>				
<b>    the statement of income</b>	<u>614,733</u>	<u>(730,385)</u>	<u>675,992</u>	<u>(362,659)</u>

Reconciliation between income tax expenses and the product of accounting profits for the years ended 31 December 2014 and 2013 and the applicable tax rates are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Accounting losses before income tax				
expenses	(1,136,816)	(3,484,022)	(719,493)	(1,478,410)
Applicable tax rate	15 - 20%	15 - 20%	20%	20%
Income taxes at the applicable tax rates	(195,424)	(660,472)	(143,899)	(295,682)
Tax effect of:				
Tax losses not expected to be used	883,297	-	883,297	-
Non - taxable revenues	(80,283)	(71,484)	(67,471)	(68,098)
Stock dividends received -				
taxable revenues	16,126	-	9,750	-
Non - deductible expenses	2,372	2,833	887	1,414
Others	(11,355)	(1,262)	(6,572)	(293)
Total	<u>810,157</u>	<u>(69,913)</u>	<u>819,891</u>	<u>(66,977)</u>
<b>Income tax expense (revenue) reported in</b>				
<b>    the statement of income</b>	<u>614,733</u>	<u>(730,385)</u>	<u>675,992</u>	<u>(362,659)</u>

As at 31 December 2014 the Company has estimation of unused tax losses approximately Baht 4,416 million, on which deferred tax assets have not been recognised as the Company believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Deferred income taxes relating to:				
Gains (losses) on revaluation during the year	34,730	(27,565)	26,547	(26,241)
Losses on sales of available-for-sale investments transferred to be recognised in the statements of income	(14,681)	-	(5,643)	-
Income tax expense (revenue) as reported in the statements of comprehensive income	20,049	(27,565)	20,904	(26,241)

#### 16. Due to reinsurers

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Outward premium payables	3,976,492	7,281,408	3,820,227	7,255,863
Deferred commission and brokerages income	25,257,012	36,471,488	25,222,618	36,417,973
Amounts withheld on reinsurance	18,842,791	16,773,423	18,842,791	16,773,423
Other reinsurance payables	822,489,265	1,478,026,740	539,595,005	1,308,128,973
Total due to reinsurers	870,565,560	1,538,553,059	587,480,641	1,368,576,232



**17. Life policy reserves**

(Unit: Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2014	2013
Beginning balances of year	215,816,596	160,751,478
Life policy reserves for premium received during the year	215,830,021	215,816,596
Decreases in reserves for enforced policies	(215,816,596)	(160,751,478)
Ending balances of year	215,830,021	215,816,596

**18. Loss reserves and outstanding claims**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Beginning balance	13,748,224,795	18,315,460,108	13,703,812,248	18,290,346,125
Claims and loss adjustment expenses for the year	6,130,890,683	10,226,725,753	5,482,492,465	9,722,580,890
Claims and loss adjustment expenses paid during the year	(17,498,325,382)	(14,793,961,066)	(16,843,800,437)	(14,309,114,767)
Ending balance	2,380,790,096	13,748,224,795	2,342,504,276	13,703,812,248

Loss reserves and outstanding claims as at 31 December 2014 includes loss reserves and outstanding claims from flooding claim amounting to Baht 438 million as discussed in Note 1.2 to the financial statements (2013: Baht 11,675 million).

In August and September 2014, the Company entered into payment agreements with 3 insurance creditors to settle claim debts and disputes arising from the claims for flood damages. The payment amount remained after the settlement of debts between the Company and the creditors was Baht 10,516 million in total. The amount is to be paid in two installments in September and December 2014. If the Company fails to make payment of such installments in accordance with the payment schedule specified in the agreements, it will be charged with additional debts and interest at the rate of 7.5% per annum on the outstanding claim debts until the debt repayment is completed.

As at 31 December 2014, the Company has made full repayments for these claim debts to the three insurance creditors in accordance with the payment agreements.

**19. Premium reserve****19.1 Unearned premium reserve**

(Unit: Baht)

	Consolidated		Separate financial statements	
	financial statements			
	For the years ended 31		For the years ended 31	
	December		December	
	2014	2013	2014	2013
Beginning balance	2,127,632,794	2,222,368,632	1,948,019,434	2,016,511,686
Premium written for the year	5,409,204,816	5,084,139,718	4,713,729,602	4,530,464,816
Premium earned for the current year	(5,378,186,314)	(5,178,875,556)	(4,706,369,565)	(4,598,957,068)
Ending balance	<u>2,158,651,296</u>	<u>2,127,632,794</u>	<u>1,955,379,471</u>	<u>1,948,019,434</u>

**19.2 Unexpired risk reserve**

(Unit: Baht)

	Consolidated		Separate financial statements	
	financial statements			
	For the years ended 31		For the years ended 31	
	December		December	
	2014	2013	2014	2013
Beginning balance	1,192,833,565	1,109,648,560	1,067,918,852	975,847,151
Estimated claims for the year	2,332,490,307	2,966,940,419	1,813,292,422	2,547,504,350
Risk expired during the year	(2,244,647,703)	(2,883,755,414)	(1,751,746,571)	(2,455,432,649)
Ending balance	<u>1,280,676,169</u>	<u>1,192,833,565</u>	<u>1,129,464,703</u>	<u>1,067,918,852</u>

**20. Employee benefit obligations**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Short-term employee benefit	2,169	4,000	-	-
Long-term employee benefit	38,993	35,869	28,233	23,231
Employee benefit obligations	<u>41,162</u>	<u>39,869</u>	<u>28,233</u>	<u>23,231</u>

The movements in the present value of reserve for retirement benefit as at 31 December 2014 and 2013 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Present value of obligation at				
the beginning of the year	35,869	36,555	23,231	18,657
Current service cost	1,891	1,261	982	673
Interest cost	(3,524)	1,618	1,078	1,052
Actuarial (gains) losses	4,757	(3,565)	2,942	2,849
Present value of obligation with				
recognised at the end of year	38,993	35,869	28,233	23,231

Reserves for retirement benefit expense which recognised for the years ended 31 December 2014 and 2013 consist of:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Current service cost	1,891	1,261	982	673
Interest cost	(3,524)	1,618	1,078	1,052
Actuarial (gains) losses recognised during				
the year	4,757	(3,565)	2,942	2,849
Retirement benefit expenses	3,124	(686)	5,002	4,574
Present value of unrecognised				
obligation recognised in statement of				
income during the year	-	4,692	-	3,036
Total expenses recognised in				
statement of income	3,124	4,006	5,002	7,610

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

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Discount rate	4.0%	4.8%	4.0%	4.8%
Average of salary increasing rate	8.0%	8.0%	8.0%	8.0%
Employee turnover rate	4.9% - 25.4%	5.7% - 26.2%	4.9% - 25.4%	5.7% - 26.2%

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

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated	Separate	Consolidated	Separate
	financial statements	financial statements	financial statements	financial statements
Year 2014	38,993	28,233	(163)	(79)
Year 2013	35,869	23,231	997	1,037
Year 2012	31,863	15,622	(3,351)	(3,873)
Year 2011	20,309	13,569	2,105	2,432
Year 2010	10,849	6,788	1,690	1,367

## 21. 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.

**22. Long-term loans**

	(Unit: Baht)	
	Consolidated financial statements	
	2014	2013
Current - portion	4,908,000	-
Long-term loans, net of current - portion	18,365,000	-
Total	23,273,000	-

A subsidiary obtained a long-term loan amounting to Baht 24.5 million from a commercial bank, which carried interest at the rate of MLR+1.25% per annum. The repayment is to be made in 60 monthly installments, starting from October 2014.

The loan is secured by the subsidiary's mortgage of land and construction thereon. Under the loan agreement, the Company must comply with certain financial covenants as specified in the agreement, including the maintenance of debt to equity and debt service coverage ratios according to the agreement, among other things.

**23. Related party transactions****23.1 Nature of relationship**

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 summarized 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
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

### 23.2 Significant related party transactions

During the years, the Group had significant business transactions with its related parties. Such transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Group and those related parties are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		
	For the years ended 31 December		For the years ended 31 December		Pricing policy
	2014	2013	2014	2013	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Service income	-	-	3	3	At cost
Dividend income	-	-	153	178	The declared amount
<u>Transactions with related parties</u>					
Premium income	1,784	1,626	974	917	Normal ceded rates depending on type of insurance and reinsurance contract
Claim refundable income	(12)	203	(13)	202	As per identified in each insurance contract
Commission income	25	33	24	32	Normal ceded rates
Dividend income	19	14	15	11	The declared amount
Service income	49	61	-	-	Normal of business rates
Premium ceded	(58)	(88)	(56)	(86)	Normal ceded rates depending on type of insurance and reinsurance contract
Claim expense	(778)	(451)	(497)	(280)	As per identified in each contract
Commission expense	(603)	(546)	(319)	(330)	Normal ceded rates

### 23.3 Outstanding balances

As at 31 December 2014 and 2013, the Group had the outstanding balances with its related parties as follows:

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
	Note	2014	2013	2014	2013
<u>Transactions with related parties</u>					
Investments in securities - stocks	9	620,789	431,908	480,178	344,049
Amounts deposited on reinsurance	8	101,715	116,269	96,282	111,111
Due from reinsurers	8	105,788	235,333	27,863	134,317
Premium receivables	7	22,352	25,909	16,771	22,305
Deferred commission and brokerage expense	8	212,431	309,657	192,102	290,300
Accounts receivable <sup>(1)</sup>		4,956	8,406	-	-
Amounts withheld on reinsurance	16	(75)	(75)	(75)	(75)
Due to reinsurers	16	(200,770)	(115,320)	(45,725)	(64,556)
Outward premium payables	16	(1,026)	(757)	(874)	(738)
Loss reserve and outstanding claims	18	(279,772)	(904,166)	(273,396)	(886,283)
Deferred commission and brokerage income	16	(11,362)	(24,642)	(11,356)	(24,628)
Advance received for premium-net		(189,445)	(454,254)	(189,445)	(454,254)
Revenue received in advance <sup>(2)</sup>		(443)	(848)	-	-

<sup>(1)</sup> Including in "Other assets" in statements of financial position

<sup>(2)</sup> Including in "Other liabilities" in statements of financial position

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

**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		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Short-term employee benefits	77,376	66,616	48,410	44,323
Long-term benefits	4,748	4,227	2,970	2,779
Termination benefits	(1,523)	4,420	1,999	3,524
Total	80,601	75,263	53,379	50,626

**24. Registered and paid-up share capital**

Movements in the number of ordinary shares, the paid-up share capital and premium on ordinary shares are as follows:

	Number of ordinary shares (Thousand Shares)	Paid-up share capital (Thousand Baht)	Premium on ordinary shares (Thousand Baht)
<u>Registered share capital</u>			
At the beginning of the year	3,512,495		
Increase during the year	702,499		
At the end of the year	4,214,994		
<u>Issued and paid-up share capital</u>			
At the beginning of the year	3,512,495	3,512,495	4,813,718
Increase during the year	702,499	702,499	1,404,998
Less: Related expenses of the offering new shares	-	-	(11,751)
At the end of the year	4,214,994	4,214,994	6,206,965



The Extraordinary General Meeting of Shareholders No. 1/2014 on 4 August 2014 resolved to increase the registered capital of the Company, from the existing registered capital of Baht 3,512.5 million to Baht 4,215.0 million, by issuing 702.5 million new ordinary shares with a par value of Baht 1 per share and allocating the new shares to the groups as detailed below.

1. Up to 351.2 million newly issued ordinary shares with the par value of Baht 1 each shall be allocated to the existing shareholders of the Company in proportion to their shareholding percentage (Right Offering) at the offering price of Baht 3.00 per share in the allocation ratio of 10 existing shares to 1 newly issued share (share fractions derived from calculation shall be rounded down). In the case where there are newly issued shares left after the first round allocation, the Company will re-allocate those unsubscribed shares to all shareholders who have expressed their intention to oversubscribe shares in excess of their existing shareholding percentage. If there are still shares remained after the right offering and the oversubscription allocation, the Company will allocate the remaining shares to private placement subscribers as specified in 2.

The Board of Director's meeting also set the date for determining the names of shareholders who shall be entitled to new share subscription and allocation to be on 13 August 2014 and the date for share register closing and share transfer suspension to be on 14 August 2014.

The Company received full payment for the additionally registered capital of Baht 1,053.7 million from existing shareholders in September 2014.

2. Up to 351.2 million newly issued ordinary shares with the par value of Baht 1 each shall be allocated to HWIC Asia Fund, the major shareholder of the Company, at the offering price of Baht 3.00 per share (Private Placements).

The Company received full payment for the additionally registered capital of Baht 1,053.7 million from HWIC Asia Fund in September 2014, resulting in HWIC Asia Fund having 29% of equity stake in the Company.

Even though the offering of the newly issued shares under Private Placements will result in the Company being held by foreigners more than 49% of its total voting and paid-up shares, the Company has been approved to do so per the Office of Insurance Commission ("OIC")'s letter no. 4220/2385 dated 15 August 2013 which allows foreigners to hold more than 49% of the Company's total voting and paid-up shares. Furthermore, the Extraordinary General Meeting of Shareholders approved the amendment of the Company's Article of Association according to the above change. The Company duly registered such amendment with the Ministry of Commerce on 15 August 2014.

The Company duly registered the increased of share capital with the Ministry of Commerce on 15 September 2014 and the trading of the newly issued ordinary shares commenced on 18 September 2014.

## **25. 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 2014, the subsidiaries approved to allocate retained earnings to statutory reserve amounting to Baht 0.5 million (2013: Baht 11.5 million).

**26. Operating expenses**

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Personnel expenses which are not				
expenses for underwriting and claims	95,035,927	99,061,742	79,078,814	82,444,754
Premises and equipment expenses				
which is not expense for underwriting	21,949,961	21,600,782	27,080,028	24,289,380
Taxes and duties	3,189,656	3,025,763	728,108	252,662
Bad debts and doubtful accounts				
(reversal)	41,313,696	(61,721)	41,313,696	(61,721)
Other operating expenses	54,216,984	39,312,061	40,688,151	31,298,048
Total operating expenses	<u>215,706,224</u>	<u>162,938,627</u>	<u>188,888,797</u>	<u>138,223,123</u>

**27. Employee expenses**

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Salary and wage	250,028,804	228,388,571	133,432,519	126,280,094
Social security fund	3,098,793	2,366,272	1,089,611	863,446
Contribution to provident fund	14,084,942	12,192,857	7,944,630	7,069,080
Post employee benefits	2,414,116	4,005,904	4,292,917	7,609,169
Other benefits	10,442,338	12,492,133	6,184,569	8,334,261
Total employee expenses	<u>280,068,993</u>	<u>259,445,737</u>	<u>152,944,246</u>	<u>150,156,050</u>

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 2014, the Group contributed Baht 14 million to the fund (2013: Baht 12 million) (the Company only: Baht 8 million and 2013: Baht 7 million).

**28. Earnings per share**

Basic loss per share is determined by dividing 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.

**29. Reversal of dividend payable**

During the year 2014, the Company reversed dividend payable amounting to Baht 0.07 million (2013: 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.

**30. Assets pledged with the Registrar**

As at 31 December 2014 and 2013, 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			
	2014		2013		2014		2013	
	Fair		Fair		Fair		Fair	
	Cost	value	Cost	value	Cost	value	Cost	value
Bonds	35.0	33.9	35.0	32.7	14.0	14.5	14.0	14.5

**31. Assets reserved with the Registrar**

As at 31 December 2014 and 2013, 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			
	2014		2013		2014		2013	
	Fair		Fair		Fair		Fair	
	Cost	value	Cost	value	Cost	value	Cost	value
Bonds	556.7	575.5	548.7	561.0	465.7	481.0	477.7	488.8

**32. Assets deposited to guarantee securities**

As at 31 December 2014, the Company recorded guarantees totaling Baht 112.7 million (2013: Baht 57.1 million) for performance bonds required by the Company in the normal course of its business. The guarantees are included in other assets.

**33. Capital commitments**

As at 31 December 2014, the Company and its subsidiaries had capital commitments of Baht 14 million, relating to the development the computer software.

**34. Litigation**

As at 31 December 2014, the Company has been sued as insurer for damages totaling approximately Baht 187 million. The cases have yet to be finalised. However, the Company has set aside reserves for contingent losses in the financial statements amounting to approximately Baht 182 million, with the recoverable portion from reinsurers amounting to approximately Baht 128 million. The Company's management believes that such reserve is adequate.

**35. Segment information**

The Group's main business is the reinsurance business and other related services. The reinsurance business divides by types of products and services. The reinsurance's operating segments are "conventional products" and "non-conventional products". During the current year, there was no change in the organisation structure of its reportable segments.

**Consolidated financial statements**

Assets and liabilities information as at 31 December 2014 and 2013 can be classified by type of insurance as follows:

(Unit: Baht)				
2014				
	Life insurance	Non-life insurance	Others	Total
Total assets	1,959,558,454	12,485,905,157	236,169,363	14,681,632,974
Total liabilities	788,610,655	10,047,890,799	62,921,989	10,899,423,443
(Unit: Baht)				
2013				
	Life insurance	Non-life insurance	Others	Total
Total assets	1,770,961,972	25,959,434,261	179,691,127	27,910,087,360
Total liabilities	691,124,680	24,356,412,913	34,487,485	25,082,025,078

Operating segment information can be classified by type of insurance products as follows:

(Unit: Baht)

	For the year ended 31 December 2014				
	Conventional products		Non-conventional products		Total
	Life insurance	Non - life Insurance	Life insurance	Non - life Insurance	
<b>Underwriting income</b>					
Premium written	1,183,002,346	1,037,585,420	440,771,416	3,676,144,182	6,337,503,364
Less: Premium ceded	(17,173,766)	(222,404,442)	-	(28,976,293)	(268,554,501)
Net premium written	1,165,828,580	815,180,978	440,771,416	3,647,167,889	6,068,948,863
Add (less): Unearned premium reserve	(17,605,225)	45,055,023	(6,032,316)	(81,313,707)	(59,896,225)
<b>Earned premium</b>	<u>1,148,223,355</u>	<u>860,236,001</u>	<u>434,739,100</u>	<u>3,565,854,182</u>	<u>6,009,052,638</u>
<b>Underwriting expenses</b>					
Insurance reserves increased					
(decreased) from the prior year	1,800,939	-	(2,019,256)	-	(218,317)
Claim and loss adjustment expenses	474,260,386	2,553,642,670	171,142,331	1,924,229,060	5,123,274,447
Commissions and brokerages expenses	427,268,403	316,161,395	130,275,304	1,529,945,705	2,403,650,807
Other underwriting expenses	4,493,190	6,275,700	2,225,371	66,012,243	79,006,504
<b>Total underwriting expenses</b>	<u>907,822,918</u>	<u>2,876,079,765</u>	<u>301,623,750</u>	<u>3,520,187,008</u>	<u>7,605,713,441</u>
<b>Profits (losses) from underwriting</b>	<u>240,400,437</u>	<u>(2,015,843,764)</u>	<u>133,115,350</u>	<u>45,667,174</u>	<u>(1,596,660,803)</u>
Operating expenses					(189,487,854)
Bad debts and doubtful account					(41,313,696)
<b>Losses before service income and investment income</b>					<u>(1,827,462,353)</u>
Net income on services					49,014,967
Net investment income					590,283,714
Share of loss from associate					(945,380)
Other income					52,293,387
<b>Losses before income tax</b>					<u>(1,136,815,665)</u>
Add (less): income tax expenses					(614,733,126)
<b>Losses for the year</b>					<u>(1,751,548,791)</u>

(Unit: Baht)

	For the year ended 31 December 2013				
	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	16,078,702	111,877,647	10,169,562	(111,496,971)	26,628,940
<b>Earned premium</b>	991,900,083	970,976,448	407,852,430	3,205,500,041	5,576,229,002
<b>Underwriting expenses</b>					
Insurance reserves increased from the prior year	48,662,027	-	6,098,395	-	54,760,422
Claim and loss adjustment expenses	368,935,587	5,280,512,556	133,314,685	1,734,390,061	7,517,152,889
Commissions and brokerages 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>	732,550,823	5,646,925,753	216,995,054	3,137,278,819	9,733,750,449
<b>Profits (losses) from underwriting</b>	259,349,260	(4,675,949,305)	190,857,376	68,221,222	(4,157,521,447)
Operating expenses					(176,995,520)
Reversal bad debts and doubtful account					61,721
<b>Losses before service income and investment income</b>					(4,334,455,246)
Net 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>					(3,484,022,126)
Add (less): income tax expenses					730,385,430
<b>Losses for the year</b>					(2,753,636,696)

During the year ended 31 December 2014, Baht 3,492 million of the Group's net premiums written was received from two major insurance companies (2013: Baht 2,788 million of the Group's net premiums written was received from a major insurance company).

### **36. Financial instruments**

#### **36.1 Financial risk management**

The Group's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, premium receivables, amounts due from/to reinsurers, investments in securities, loans and long-term 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 premium receivables, 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 premium receivables, amounts due from reinsurers 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, bank overdraft and long-term loans.



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As at 31 December 2014 and 2013 financial assets and liabilities classified by type of interest rate are summarised in the table below.

	Carrying value		(Unit: Thousand Baht)	
	as at 31 December 2014		as at 31 December 2013	
	Floating interest rate	Fixed interest rate	Floating interest rate	Fixed interest rate
<b>Financial assets</b>				
Cash equivalents	1,099,708	221,500	480,939	30,000
Investments in securities				
Government and state				
enterprise securities	186,258	1,905,018	-	6,732,205
Private enterprises debt				
securities	-	25,000	-	-
Deposits at banks	-	2,547,000	-	5,417,500
Loans	30,305	346	29,536	365
Total	1,316,271	4,698,864	510,475	12,180,070
<b>Financial liabilities</b>				
Bank overdraft from				
financial institutions	1,715	-	605	-
Long-term loans	23,273	-	-	-
Total	24,988	-	605	-

As at 31 December 2014 and 2013, 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)

	2014				Average interest rate (percent per annum)
	Within 1 year	1 - 5 years	More than 5 years	Total	
<b>Financial assets</b>					
Cash equivalents	221,500	-	-	221,500	2.60
Investments in securities					
Government and state					
enterprise securities	540,940	1,309,330	54,748	1,905,018	2.19
Private enterprises debt					
securities	-	25,000	-	25,000	2.88
Deposits at banks	2,452,000	95,000	-	2,547,000	2.83
Loans	5	341	-	346	4.59
<b>Total</b>	<b>3,214,445</b>	<b>1,429,671</b>	<b>54,748</b>	<b>4,698,864</b>	

(Unit: Thousand Baht)

	2013				Average interest rate (percent per annum)
	Within 1 year	1 - 5 years	More than 5 years	Total	
<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>	

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As at 31 December 2014 and 2013, financial assets classified by type of interest rate are summarised in the table below:

	Carrying value		Carrying value	
	as at 31 December 2014		as at 31 December 2013	
	Floating	Fixed	Floating	Fixed
	interest rate	interest rate	interest rate	interest rate
<b>Financial assets</b>				
Cash equivalents	1,031,671	185,000	431,600	-
Investments in securities				
Government and state				
enterprise securities	80,000	1,545,540	-	6,259,722
Deposits at banks	-	2,147,000	-	5,015,000
Loans	30,305	346	29,536	365
Total	1,141,976	3,877,886	461,136	11,275,087

As at 31 December 2014 and 2013, 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)

	2014				
	Within		More than		Average
	1 year	1 - 5 years	5 years	Total	interest rate
					(percent
					per annum)
<b>Financial assets</b>					
Cash equivalents	185,000	-	-	185,000	2.60
Investments in securities					
Government and state					
enterprise securities	460,072	1,085,468	-	1,545,540	2.18
Deposits at banks	2,147,000	-	-	2,147,000	3.07
Loans	5	341	-	346	4.59
Total	2,792,077	1,085,809	-	3,877,886	

(Unit: Thousand Baht)

	2013				Average interest rate (percent per annum)
	Within 1 year	1 - 5 years	More than 5 years	Total	
<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
Total	8,158,999	2,580,179	535,909	11,275,087	

**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 2014, the balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2014
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	0.02	(0.02)	32.9187
Hong Kong dollar	0.05	(0.05)	4.2436

**36.2 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.

**Long-term loans**

For long-term loans carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximates their fair value.

As at 31 December 2014, the aggregate carrying values of the Company's financial instruments which are different from their aggregate fair values can be defined as follows:

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(Unit: Thousand Baht)

	31 December 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
<b>Held-to-maturity debt securities</b>				
Government and state enterprise securities				
Bonds	2,051,276	2,097,353	6,710,705	6,735,354
Debenture - net	40,000	45,008	21,500	19,017
<b>Private enterprises debt securities</b>				
Debenture - net	25,000	25,633	-	-

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	(Unit: Thousand Baht)			
	31 December 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
<b>Held-to-maturity debt securities</b>				
Government and state enterprise securities				
Bonds	1,625,540	1,668,595	6,259,722	6,291,672

**37. 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.

During late 2011, 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 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 approved an extension of the term of the measures for non-life insurance companies on a case by case basis, for further period of one year until 31 March 2015 as discussed in Note 1.2 to the financial statements.

**38. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors 26 February 2015.