

## **Management Discussion and Analysis on the performance for the three-months period ended 30 June 2021**

### **The Company's overall performance**

The Company's performance for the 2<sup>nd</sup> quarter of 2021 was still affected from Covid 19 pandemic, especially motor premiums in Bangkok area which is the main customers of the Company. The Company's premium therefore decreased for both 3 months and 6 months period ended 30 June 2021, for 3 months period ended 30 June 2021 gross written premium was underwritten by Baht 160.1 million, decreased by 6 percent. For 6 months period ended 30 June 2021, the gross written premium was Baht 336.8 million, or decreased by 11 percent compared with the same period of the prior year. Revenue from investments and other income for the quarter is decreased due to the depression of investment market both local and foreign market. However, the foreign market is resuming while the Company has less proportion in global equity. The overall return on investments therefore declined, with an average rate of return as of June 30, 2021 at 2 percent.

Other acquisition costs seem stable, however claim expenses which is the main acquisition cost is increased even though the premium decreased. Claim expenses mainly incurred from the policies written in the year before the current year. The numbers of claims were tended to reduce by 20-30 percent resulted from the government policies to control the Covid 19 pandemic especially in Bangkok however, the average severity seems increased. Loss ratio is increased from 51 percent in 2020 to 57 percent in 2021. Other operating expenses decreased, total expenses for 3 months and 6 months ended 30 June 2021 were Baht 133.9 million and Baht 277.8 million compared with Baht 177.8 million and Baht 374.1 million in 2020, or decreased by Baht 43.9 million and Baht 96.2 million, respectively.

The Company's net loss for 3 months period ended 30 June 2021 amounted to Baht 18.6 million and for 6 months period ended 30 June 2021 amounted to Baht 37.8 million, decreased by Baht 20.3 million and Baht 67.8 million, or equivalent to 52 percent and 64 percent respectively.

Capital Adequacy Ratio (CAR) as of 30 June 2021 is 484 percent which is substantially higher than the ratio monitored by Office of Insurance Commission (OIC) at 140 percent.

## **Underwriting income**

Underwriting revenue for 2<sup>nd</sup> quarter of 2021 is Baht 109.1 million, decreased by 15 percent. Net Earned Premium is Baht 80.9 million and Brokerage Income from reinsurance is Baht 28.2 million. Gross Written Premium for the 2<sup>nd</sup> quarter is Baht 160.1 million, decreased by 6 percent compared with the same period of the prior year. As a results of Covid 19 pandemic, the government policies to control the situations such as stay home, areas locked down affects to the automobile use of the customers. Since motor premium is the major portion of the Company's premium, at 80 percent of total premium, and 60 percent of premiums are written in Bangkok area therefore the Company's premiums are directly affected from these circumstances.

Brokerage Income from reinsurance decreased from the prior year by Baht 9.4 million or 25 percent, the decreased in brokerage income derived from the reduction of ceded premium of motor compulsory policies. The gross written premium of motor compulsory decreased by 25 percent while the net written premium increased by 6 percent, even though the brokerage income rate increased but the decreased in net written premium ultimately reduced the amount of brokerage income.

## **Underwriting expenses**

Commission expenses decreased in line with the decreased in gross written premium at 6 percent. Gross claim incurred increased from Baht 80.1 million to Baht 93.7 million however, Net claim incurred decreased by 1 percent. Loss ratio to Earned premium increased by 6 percent, derived from claims of the motor compulsory policies written before 2021 which the Company is able to recover from reinsurer at 50 percent, higher than the recovery of the policies written in 2021. Other underwriting expenses is a bit decreased by Baht 0.1 million.

## **Underwriting profit**

The Company's underwriting profit for the 2<sup>nd</sup> quarter of 2021 was Baht 5.2 million, compared with Baht 23.2 million in 2020. The decreased in underwriting profit mainly resulted from the decreased in written premium and brokerage income from reinsurers as well as the claim development of year 2020 which will continuously developing until fully developed within 2 years.

## **Investment income**

Investment income decreased from Baht 12.2 million to Baht 3.5 million, unrealized gain from the revaluation of investments was Baht 0.2 million. The Company reduced the proportion of global equity by 15 percent compared with the prior year and invest in debt securities and local equity in order to properly maintain the Company's risks capital level. However, in 2<sup>nd</sup> quarter of 2021 the return from global equity is higher than domestic investments therefore the investment income is decreased from the prior year.

## **Other operating expenses**

Other operating expenses for the 3 months period ended 30 June 2021 decreased from Baht 72.3 million to Baht 30.1 million, decreased by Baht 43.8 million or equivalent to 25 percent since there is no marketing promotion expenses paid in 2021. Total other operating expenses for the 6 months period ended 30 June 2021 decreased by Baht 78.1 million from the decreased in marketing promotion expenses amounted to Baht 30 million and provision for bad debts against reinsurance receivable amounted to Baht 30 million, which was recognized in 2020.

## **Financial position as of 30 June 2021**

### **Assets**

The Company's total assets are Baht 1,290 million, decreased when compared with the balance of total assets as of 31 December 2020 by Baht 8.6 million. The investments decreased by Baht 70 million from matured investments and the Company hasn't been renewed the certain investments, resulted the balance of cash and cash equivalents increased by Baht 44.8 million. Reinsurance receivable increased by Baht 33.2 million, due to some delay in statements confirmation due to the work from home policy of the Company and its reinsurance broker company. However, the Company has settled the balance of reinsurance receivable in July 2021. The balance of Right Of Use balance increased by Baht 7.7 million as the Company estimated the lease periods of office building, according to TFRS no. 16 re :- Lease agreements. The balance of Deferred income tax assets and other assets increased by Baht 3 million. Premium receivable decreased by Baht 7.7 million in line with the decreased in written premium. The Company has no significant effects from bad debts or uncollected

premiums. Reinsurance assets balance increased by Baht 16.8 million from ceded premium and premium release from the prior year.

### **Liabilities**

The Company's total liabilities balance increased by Baht 29.2 million, mainly from reinsurance payable by Baht 21.3 million. Insurance liabilities gradually increased by Baht 2.6 million and other liabilities increased by Baht 7.3 million as resulted from an increasing in estimate lease period of office building as earlier mentioned. Deferred tax liabilities increased by Baht 0.4 million.

### **Shareholders' equity**

Shareholders' equity as of 30 June 2021 is Baht 377.5 million, decreased by Baht 37.8 million, from the net loss for the 6 months period ended 30 June 2021 amounted to Baht 38.2 million and other comprehensive income increased Baht 0.4 million from an unrealized gain from the revaluation of other investment.