

Phillip Life Assurance Public Company Limited
Report and financial statements
31 December 2019



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Independent Auditor's Report

To the Shareholders of Phillip Life Assurance Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Phillip Life Assurance Public Company Limited and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the related consolidated statements of comprehensive income, changes in owners' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Phillip Life Assurance Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phillip Life Assurance Public Company Limited and its subsidiary and of Phillip Life Assurance Public Company Limited as at 31 December 2019, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

As described in Note 2.1 to the financial statements, the sudden market volatilities with the fall of interest rates and the capital market poses difficulties for financial institutions in the market place. Adjustments are being made by companies to inject capital to meet prudential requirements as stipulated by the Office of the Insurance Commission (“the OIC”). The OIC has also temporarily lowered the minimum Capital Adequacy Ratio (“CAR”) from 140% to 120% as from 31 December 2019 to 31 December 2021 under the Risk-Based Capital 2 Framework.

The Company is no exception having to inject a total of Baht 1,150 million during the financial year to meet the CAR’s requirement. During the second-half of 2019, the Company’s CAR was lower than 140% twice. The Company applied its short-term plan to rectify such event by several increases in its capital which caused its CAR as at 31 December 2019 to strengthen to 159% (based on management report, not yet audited by the Company’s auditor). The Company plans to increase additional capital in 2020 to support the continuing situation of the persistent low interest rate and execute its long-term plan by readjusting its product and investment strategies to lower the risk charge and enhance a sustainable efficiency in its business operation.

The market circumstances indicate uncertainties, which are dependent upon the success in achieving its capital increase plan and improving its operating performance. The major shareholder has been very supportive of all past capital calls and has undertaken to provide more capital if necessary to meet its growing policy commitments and regulatory capital requirements. Furthermore, the major shareholder stated in its letter dated 18 March 2020 that it will provide financial support to the Company to enable it to maintain the CAR of not lower than the minimum requirement as stipulated by the OIC.

Accordingly, I do not express any qualified opinion in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group’s or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am responsible for the audit resulting in this independent auditor's report.



Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 23 March 2020

Phillip Life Assurance Public Company Limited and its subsidiary

Statements of financial position

As at 31 December 2019 and 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Assets					
Cash and cash equivalents	6	365,763,405	236,188,519	360,621,159	231,189,606
Premium receivables - net	7	130,946,120	94,898,717	130,946,120	94,898,717
Accrued investment income - net	11	73,595,320	65,912,306	73,595,320	65,912,306
Reinsurance assets	8	1,539,411	917,416	1,539,411	917,416
Reinsurance receivables	9	898,656	360,601	898,656	360,601
Investment assets					
Investments in securities - net	10, 31	10,149,719,295	8,069,482,168	10,149,719,295	8,069,482,168
Loans - net	11	1,032,172,635	1,125,885,294	1,032,172,635	1,125,885,294
Investments in a subsidiary	12	-	-	4,955,839	4,915,376
Premises and equipment - net	13	241,332,638	254,228,306	241,332,638	254,228,306
Intangible assets	14	13,860,529	16,684,069	13,860,529	16,684,069
Other assets - net	15	40,623,929	59,608,538	40,661,285	59,686,169
Total assets		12,050,451,938	9,924,165,934	12,050,302,887	9,924,160,028

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

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Phillip Life Assurance Public Company Limited and its subsidiary

Statements of financial position (Continued)

As at 31 December 2019 and 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Liabilities and owners' equity					
Liabilities					
Insurance contract liabilities	16	9,763,554,910	8,021,322,365	9,763,554,910	8,021,322,365
Reinsurance payables	17	5,843,790	5,108,736	5,843,790	5,108,736
Employee benefit obligations	18	57,190,960	38,764,995	57,190,980	38,764,995
Deferred tax liabilities	19	128,911,839	52,138,358	128,911,839	52,138,358
Other liabilities	20	289,356,131	233,634,768	289,213,034	233,634,767
Total liabilities		10,244,857,650	8,350,969,222	10,244,714,553	8,350,969,221
Owners' equity					
Share capital					
Registered					
960,000,000 ordinary shares of Baht 6.25 each					
(2018: 640,000,000 ordinary shares of Baht 6.25 each)					
	21	6,000,000,000	4,000,000,000	6,000,000,000	4,000,000,000
Issued and paid-up					
685,500,000 ordinary shares of Baht 6.25 each					
(2018: 501,500,000 ordinary shares of Baht 6.25 each)					
	21	4,284,375,000	3,134,375,000	4,284,375,000	3,134,375,000
Share subscription receivable	22	(1,128,406)	(1,128,406)	(1,128,406)	(1,128,406)
Issued and paid-up		4,283,246,594	3,133,246,594	4,283,246,594	3,133,246,594
Share subscription receivable	22	(71,089,769)	(71,089,769)	(71,089,769)	(71,089,769)
Deficits		(2,914,875,409)	(1,697,519,451)	(2,914,875,409)	(1,697,519,451)
Other component of owners' equity					
Revaluation surplus on available-for-sale investments					
- net of income taxes					
	10.4	508,306,918	208,553,433	508,306,918	208,553,433
Equity attributable to equity holders of the Company		1,805,588,334	1,573,190,807	1,805,588,334	1,573,190,807
Non-controlling interests of the subsidiary		5,954	5,905	-	-
Total owners' equity		1,805,594,288	1,573,196,712	1,805,588,334	1,573,190,807
Total liabilities and owners' equity		12,050,451,938	9,924,165,934	12,050,302,887	9,924,160,028

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

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Directors



Phillip Life Assurance Public Company Limited and its subsidiary

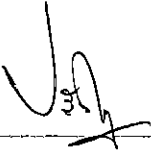


Statements of comprehensive income

For the years ended 31 December 2019 and 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Profit or loss:					
Revenues					
Premium written		2,347,629,761	1,434,526,454	2,347,629,761	1,434,526,454
Less: Premium ceded to reinsurers		(7,440,566)	(10,153,372)	(7,440,566)	(10,153,372)
Net premium written		2,340,189,195	1,424,373,082	2,340,189,195	1,424,373,082
Less: Unearned premium reserves increase from prior year		(233,088,769)	(25,468,300)	(233,088,769)	(25,468,300)
Earned premium after reinsurance		2,107,100,426	1,398,904,782	2,107,100,426	1,398,904,782
Net investment revenues	24	368,303,575	380,914,751	368,284,512	380,914,751
Gains (losses) on investments		(43,366,376)	13,542,643	(43,366,376)	13,542,643
Fair value losses		(3,664,230)	(22,220,458)	(3,664,230)	(22,220,458)
Share of profit (loss) from investment in a subsidiary under equity method		-	-	40,462	(52,298)
Other income		1,094,710	796,260	978,646	796,260
Total revenues		2,429,468,105	1,771,937,978	2,429,373,440	1,771,885,680
Expenses					
Long-term life insurance policy reserves increase from prior year		1,274,457,720	193,329,522	1,274,457,720	193,329,522
Unexpired risk reserves increased from prior year	16.2	32,654,152	-	32,654,152	-
Benefit payments under life policies and gross claims		1,321,851,842	788,524,700	1,321,851,842	788,524,700
Less: Benefit payments under life policies and claims refundable from reinsurance		(1,725,916)	6,610,765	(1,725,916)	6,610,765
Commission and brokerage expenses		595,756,432	412,876,451	595,722,426	412,876,451
Other underwriting expenses		23,337,906	14,286,360	23,337,906	14,286,360
Operating expenses	25	394,266,638	302,522,893	394,226,028	302,470,532
Other expenses		104,106	65,855,597	104,106	65,855,597
Total expenses	26	3,640,722,880	1,784,006,288	3,640,628,264	1,783,953,927
Loss before income tax expenses		(1,211,254,775)	(12,068,310)	(1,211,254,824)	(12,068,247)
Income tax expenses	19.2	(1,835,110)	-	(1,835,110)	-
Loss for the years		(1,213,089,885)	(12,068,310)	(1,213,089,934)	(12,068,247)

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








Phillip Life Assurance Public Company Limited and its subsidiary
 Statements of comprehensive income (Continued)
 For the years ended 31 December 2019 and 2018

(Unit: Baht)

Note	Consolidated financial statements		Separate financial statements		
	2019	2018	2019	2018	
Other comprehensive income (loss):					
Items to be recognised in profit or loss in subsequent periods:					
	Gains (losses) on valuation of available-for-sale investments	374,691,856	(491,767,287)	374,691,856	(491,767,287)
19.2	Add (Less): Income taxes	(74,938,371)	98,353,457	(74,938,371)	98,353,457
Items to be recognised in profit or loss in subsequent periods - net of income taxes					
28		299,753,485	(393,413,830)	299,753,485	(393,413,830)
Items not to be recognised in profit or loss in subsequent periods:					
	Actuarial losses	(4,266,024)	-	(4,266,024)	-
28	Total items not to be recognised in profit or loss in subsequent periods	(4,266,024)	-	(4,266,024)	-
Other comprehensive income (loss) for the years					
		295,487,461	(393,413,830)	295,487,461	(393,413,830)
Total comprehensive loss for the years					
		(917,602,424)	(405,482,140)	(917,602,473)	(405,482,077)
Loss for the periods attributable to:					
	The Company's shareholders	(1,213,089,934)	(12,068,247)	(1,213,089,934)	(12,068,247)
	Non-controlling interests of the subsidiary	49	(63)		
		(1,213,089,885)	(12,068,310)		
Total comprehensive loss for the periods attributable to:					
	The Company's shareholders	(917,602,473)	(405,482,077)	(917,602,473)	(405,482,077)
	Non-controlling interests of the subsidiary	49	(63)		
		(917,602,424)	(405,482,140)		
Earnings per share					
29	Basic earnings per share				
	Loss for the years	(2.23)	(0.02)	(2.23)	(0.02)

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

Phillip Life Assurance Public Company Limited and its subsidiary
 Statements of changes in owners' equity
 For the years ended 31 December 2019 and 2018

(Unit: Baht)

Consolidated financial statement

	Equity attributable to equity holders of the Company						Total
	Issued and paid-up share capital	Share subscription receivable	Deficits	Other component of equity		Equity attributable to non-controlling interests of the subsidiary	
				Revaluation surplus on available-for-sale investments - net of income taxes	Total equity attributable to the Company's shareholders		
Balance as at 1 January 2018	2,833,246,594	(71,089,769)	(1,685,451,204)	601,967,263	1,678,672,884	5,968	1,678,678,852
Loss for the year	-	-	(12,068,247)	-	(12,068,247)	(63)	(12,068,310)
Other comprehensive loss for the year	-	-	-	(393,413,830)	(393,413,830)	-	(393,413,830)
Total comprehensive loss for the year	-	-	(12,068,247)	(393,413,830)	(405,482,077)	(63)	(405,482,140)
Issuance of additional ordinary shares	300,000,000	-	-	-	300,000,000	-	300,000,000
Balance as at 31 December 2018	3,133,246,594	(71,089,769)	(1,697,519,451)	208,553,433	1,573,190,807	5,905	1,573,196,712
Balance as at 1 January 2019	3,133,246,594	(71,089,769)	(1,697,519,451)	208,553,433	1,573,190,807	5,905	1,573,196,712
Loss for the year	-	-	(1,213,089,934)	-	(1,213,089,934)	49	(1,213,089,885)
Other comprehensive income (loss) for the year	-	-	(4,266,024)	299,753,485	295,487,461	-	295,487,461
Total comprehensive income (loss) for the year	-	-	(1,217,355,958)	299,753,485	(917,602,473)	49	(917,602,424)
Issuance of additional ordinary shares	1,150,000,000	-	-	-	1,150,000,000	-	1,150,000,000
Balance as at 31 December 2019	4,283,246,594	(71,089,769)	(2,914,875,409)	508,306,918	1,805,588,334	5,954	1,805,594,288

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



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Phillip Life Assurance Public Company Limited and its subsidiary

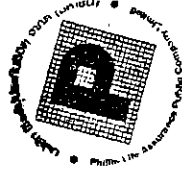
Statements of changes in owners' equity (Continued)

For the years ended 31 December 2019 and 2018

(Unit: Baht)

Separate financial statements

	Note	Issued and paid-up share capital	Share subscription receivable	Deficits	Other component of equity			Total
					Revaluation surplus on available-for-sale investments - net	of income taxes		
Balance as at 1 January 2018		2,833,246,594	(71,089,769)	(1,685,451,204)	601,967,263		1,678,672,884	
Loss for the year		-	-	(12,068,247)	-		(12,068,247)	
Other comprehensive loss for the year		-	-	-	(393,413,830)		(393,413,830)	
Total comprehensive loss for the year		-	-	(12,068,247)	(393,413,830)		(405,482,077)	
Issuance of additional ordinary shares	21	300,000,000	-	-	-		300,000,000	
Balance as at 31 December 2018		3,133,246,594	(71,089,769)	(1,697,519,451)	208,553,433		1,573,190,807	
Balance as at 1 January 2019		3,133,246,594	(71,089,769)	(1,697,519,451)	208,553,433		1,573,190,807	
Loss for the year		-	-	(1,213,089,934)	-		(1,213,089,934)	
Other comprehensive income (loss) for the year		-	-	(4,266,024)	299,753,485		295,487,461	
Total comprehensive income (loss) for the year		-	-	(1,217,355,958)	299,753,485		(917,602,473)	
Issuance of additional ordinary shares	21	1,150,000,000	-	-	-		1,150,000,000	
Balance as at 31 December 2019		4,283,246,594	(71,089,769)	(2,914,875,409)	508,306,918		1,805,588,334	



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

Phillip Life Assurance Public Company Limited and its subsidiary

Statements of cash flows

For the years ended 31 December 2019 and 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Cash flows from (used in) operating activities					
Gross premium from direct insurance		2,312,028,486	1,411,814,213	2,312,028,486	1,411,814,213
Cash paid from reinsurance		(7,699,309)	(8,907,578)	(7,699,309)	(8,907,578)
Interest income		270,001,546	242,265,463	269,982,484	242,265,463
Dividend income		99,698,134	163,336,399	99,698,134	163,336,399
Other income		1,070,147	772,150	954,083	772,150
Benefit payments under life policies and gross claims					
from direct insurance		(1,118,273,937)	(780,040,321)	(1,118,273,937)	(780,040,321)
Commission and brokerage expenses on direct insurance		(560,674,390)	(346,932,657)	(560,640,384)	(346,932,657)
Other underwriting expenses		(17,850,864)	(13,619,268)	(17,850,864)	(13,619,268)
Operating expenses		(314,574,425)	(257,413,371)	(314,616,638)	(257,413,371)
Other expenses		(3,230)	(65,849,662)	(3,230)	(65,849,662)
Investments in securities		(1,756,430,454)	(894,264,682)	(1,756,430,454)	(894,264,682)
Loans		103,053,243	19,546,435	103,053,243	19,546,435
Net cash used in operating activities		(989,655,053)	(529,292,879)	(989,798,386)	(529,292,879)
Cash flows from (used in) investing activities					
Building and equipment		(28,363,946)	(174,523,778)	(28,363,946)	(174,523,778)
Intangible assets		(2,406,115)	(15,460,130)	(2,406,115)	(15,460,130)
Net cash used in investing activities		(30,770,061)	(189,983,908)	(30,770,061)	(189,983,908)
Cash flows from (used in) financial activities					
Proceeds from issuance of additional ordinary shares	21	1,150,000,000	300,000,000	1,150,000,000	300,000,000
Net cash provided by financing activities		1,150,000,000	300,000,000	1,150,000,000	300,000,000
Net increase (decrease) in cash and cash equivalents		129,574,886	(419,276,787)	129,431,553	(419,276,787)
Cash and cash equivalents at beginning of the years		236,188,519	655,465,306	231,189,606	650,466,393
Cash and cash equivalents at end of the years		365,763,405	236,188,519	360,621,159	231,189,606

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

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Phillip Life Assurance Public Company Limited and its subsidiary

Table of contents for notes to financial statements

For the years ended 31 December 2019 and 2018

Note	Contents	Page
1.	Corporate information	1
2.	Basis of preparation of financial statements	1
3.	New financial reporting standard	3
4.	Summary of significant accounting policies	7
5.	Significant accounting judgements and estimates	18
6.	Cash and cash equivalents.....	21
7.	Premium receivables	21
8.	Reinsurance assets	22
9.	Reinsurance receivables	22
10.	Investments in securities	23
11.	Loans and interest receivables	26
12.	Investment in a subsidiary	27
13.	Premises and equipment.....	28
14.	Intangible assets	29
15.	Other assets	30
16.	Insurance contract liabilities.....	30
17.	Reinsurance payables	35
18.	Employee benefit obligations.....	35
19.	Deferred tax liabilities and income tax expenses	37
20.	Other liabilities	40
21.	Share capital	40
22.	Share subscription receivable.....	42
23.	Statutory reserve	45
24.	Net investment revenues	45
25.	Operating expenses	45
26.	Expenses by nature	46
27.	Provident fund	46
28.	Components of other comprehensive income (loss)	47
29.	Earnings per share	47
30.	Related party transactions	48
31.	Securities placed with the Life Assurance Registrar and commercial bank.....	50
32.	Contributions to the Life Insurance Fund	50
33.	Operating lease commitments	51

Phillip Life Assurance Public Company Limited and its subsidiary
Table of contents for notes to financial statements (Continued)
For the years ended 31 December 2019 and 2018

Note	Contents	Page
34.	Life insurance company's risk.....	51
35.	Financial instruments.....	56
36.	Capital management	64
37.	Reclassification.....	65
38.	Events after the reporting period	65
39.	Approval of financial statements.....	65

Phillip Life Assurance Public Company Limited
Notes to financial statements
For the years ended 31 December 2019 and 2018

1. Corporate information

Phillip Life Assurance Public Company Limited (the "Company") was established as a limited company under Thai laws and domiciled in Thailand whereby on 13 March 2014, the Company registered the change of its status to be a public company. As at 31 December 2019 and 2018, its major shareholder is Phillip Life Company Limited, which was incorporated in Singapore, holding 99.70% and 98.87%, respectively, of the issued and paid-up share capital of the Company.

The Company is principally engaged in the provision of life insurance services. The registered office of the Company is located at No. 849, Vorawat Building, Silom Road, Silom Sub-district, Bangrak District, Bangkok. As of 31 December 2019 and 2018, the Company had altogether 27 branches, and 27 branches, respectively.

2. Basis of preparation of financial statements

2.1 Going concern assumption

The sudden market volatilities with the fall of interest rates and the capital market poses difficulties for financial institutions in the market place. Adjustments are being made by companies to inject capital to meet prudential requirements as stipulated by the Office of the Insurance Commission ("the OIC"). The OIC has also temporarily lowered the minimum Capital Adequacy Ratio ("CAR") from 140% to 120% as from 31 December 2019 to 31 December 2021 under the Risk-Based Capital 2 Framework.

The Company is no exception having to inject a total of Baht 1,150 million during the financial year to meet the CAR's requirement. During the second-half of 2019, the Company's CAR was lower than 140% twice. The Company applied its short-term plan to rectify such event by several increases in its capital which caused its CAR as at 31 December 2019 to strengthen to 159% (based on management report, not yet audited by the Company's auditor). The Company plans to increase additional capital in 2020 to support the continuing situation of the persistent low interest rate and execute its long-term plan by readjusting its product and investment strategies to lower the risk charge and enhance a sustainable efficiency in its business operation.

The major shareholder has been very supportive of all past capital calls and has undertaken to provide more capital if necessary to meet its growing policy commitments and regulatory capital requirements. Furthermore, the major shareholder stated in its letter dated 18 March 2020 that it will provide financial support to the Company to enable it to maintain the CAR of not lower than the minimum requirement as stipulated by the OIC.

With Such short-term and long-term plans, the Company's management believes that the Company would be able to operate an on-going business and these financial statements were therefore prepared under the going concern assumptions, with assets and liabilities carried on the basis that the Company will be able to realise assets and settle liabilities in the normal course of business.

2.2 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547, and in accordance with Thai accounting practices related to life insurance and the accounting and reporting guidelines prescribed by the Office of Insurance Commission ("OIC"), and their presentation has been in accordance with the format of financial statements specified in the Notification of the OIC regarding criteria, procedures, terms and conditions for preparation and submission of financial statements and operating performance reports of life insurance companies dated 4 March 2016.

These financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding a summary of significant accounting policies.

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 financial statements in Thai language.

2.3 Basis of consolidation

- (a) The consolidated financial statements include the financial statements of Phillip Life Assurance Public Company Limited ("the Company") and the following subsidiary (collectively called "the Group").

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			31 December 2019 (Percent)	31 December 2018 (Percent)
Phillip Insurance Broker Company Limited	Non-life insurance broker	Thailand	99.88	99.88

- (b) Subsidiary is 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 subsidiary is prepared using the same significant accounting policies as the Company.
- (d) Material balances and transactions between the Group have been eliminated from the consolidated financial statements.
- (e) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiary that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.4 Separate financial statements

The Company has prepared its separate financial statements, which have presented investment in a subsidiary under the equity method.

3. New financial reporting standard

3.1 Financial reporting standards that became effective in the current year

During the year, the Group adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements. However, the new standard involves changes to key principles, which are summarised below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on these financial statements.

TFRS 4 (revised 2018) Insurance Contracts

This standard provides an additional option to insurers that meet certain criteria stipulated in the standard, whereby they can be temporarily exempted from adoption of certain measures under TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which applicable for the financial reporting period beginning in or after 1 January 2020, and can instead adopt the Thai Accounting Guidance applicable for insurance business related to financial instruments and disclosures for the financial reporting period beginning before 1 January 2022 or before the effective date of TFRS 17 Insurance Contracts (when issued).

This standard does not have any significant impact on these financial statements.

3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Accounting standard:

TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business

Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business was issued to comply with TFRS 4 (revised 2019) Insurance contracts, which allows insurers who meet certain criteria stipulated in TFRS 4 to delay adoption of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which are applicable for the financial reporting period beginning on or after 1 January 2020, and to adopt the Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business instead.

This accounting guidance has some differences from TFRS 9, with the significant differences being described as below.

- Classification and measurement of financial assets: These are to be classified as trading securities, available-for-sale securities, held to maturity debt securities, and loans and receivables, with no requirement to take into account the assessment of the Company's business model and the characteristics of the contractual cash flows.
- Loss on impairment, gain or loss on derecognition, and gain and loss on fair value hedges for available-for-sale equity securities items are to be recognised in profit or loss.
- The embedded derivatives in financial assets that are hybrid contracts are to be separated from host contract if they meet all criteria for separation.

In addition, the accounting guidance has certain differences from TFRS 7 with respect to disclosures.

According to the Company's statement of financial position as at 31 December 2017, the Company had liabilities in connection of insurance services under the scope of TFRS4: Insurance Contracts of more than 90% of the carrying value of total liabilities, which allow the Company to adopt the Thai Accounting Guidance related to financial instruments and disclosures applicable for insurance business instead of TFRS 9: Financial Instruments and TFRS 7: Financial Instruments: Disclosures, which are effective for financial reporting beginning on or after 1 January 2020, and the Company management has already considered to adopt such Thai Accounting Guidance and expected that adoption of such guidance will have impacts to the Company's financial statements as below.

The Company's management expects the adoption of this Thai Accounting Guidance to result in the financial statement in important matters as following.

- Classification and measurement of investments in non-listed equity securities (General investments)

The Company is to measure the investments in non-listed equity securities, which are previously measured at cost less allowance for impairment (if any), at fair value through profit and loss or fair value through other comprehensive income.

- Recognition of credit losses

The Company is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred.

The Company's management is currently evaluating the impact of this Thai Accounting Guidance on the financial statements in the year when it is adopted.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Company plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information would not be restated.

The Company's management is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

4. Summary of significant accounting policies

4.1 Product classification

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

The Company classifies contracts based on an assessment of a significant level of the insurance risk at an inception of a contract on a contract-by-contract basis. Once a contract is classified as an insurance contract, it will continue to be an insurance contract until its rights and obligations are terminated or expire. If any contract is classified as an investment contract at an inception of the contract, it can later be reclassified to be an insurance contract if the insurance risk becomes significant.

Insurance and investment contracts may contain a feature of either with or without a discretionary participation feature ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are likely to be a significant portion of the total contractual benefits, the amount or timing of which is contractually at the discretion of the insurance contract issuer, with the benefits based on the performance of a specified pool of contracts, or realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or the profit or loss of a company, a fund or other entity that issues the contract.

4.2 Revenue recognition

(a) Premium written

For the first year policies, premium written after net of premium ceded and refund, is recognised as revenue on the effective date of the insurance policies. For renewal policies, it is recognised as revenue when the premium is due and the policy is still in force at the end of reporting periods.

(b) Net investment revenue

Net investment revenue are investment revenues net of investment expenses. Investment expenses consist of management fee and relevant bank charges.

Investment revenues consist of interest and dividend income.

Interest income

Interest income on investments is recognised as revenue on an accrual basis based on the effective interest rate. Interest income on loans is recognised as revenue over the term of the loans based on the amount of outstanding principal. No accrual is made for loans with interest default over six continuous months. Interest income on deposits is recognised as revenue over the term of deposits on an accrual basis.

Dividend income

Dividends on investments are recognised as revenues when the right to receive the dividends is established.

(c) Gains (losses) on investments

Gains or losses on investments are recognised as revenues or expenses on the transaction dates.

4.3 Expense recognition

(a) Premium ceded to reinsurers

Premium ceded to reinsurers recognised as expenses when the insurance risk is transferred to another reinsurer.

(b) Benefit payments under life policies

Benefit payments under life policies are recorded when notices of claims have been received or when benefits are due in accordance with conditions in policies.

(c) Gross claims

Gross claims consist of insurance claims and losses adjustment expenses for incurred claims whether reported or not, which represent the claim amount and related expenses, and loss adjustments of the current and prior years incurred during the years, and are deducted by relevant claims refundable from reinsurers.

Gross claims are recognised upon the receipt of the claims advice from the insured, based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimated is not to exceed the sum insured under the relevant policy.

(d) Commission and brokerage expenses

Commissions and brokerages are expended when incurred.

(e) Other underwriting and operating expenses

Other underwriting and operating expenses are recognised as expenses on an accrual basis.

4.4 Cash and cash equivalents

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

4.5 Premium receivables

Premium receivables are stated at the net realisable value. The Company sets up an allowance for doubtful accounts based on the estimated loss that may incur in collection of the premium receivables. The allowance is generally based on collection experience and a review of current status of the premium receivables as at the end of the reporting periods.

For ordinary policies, the grace period is 45 days after the due date. In case of policies having overdue periods after the grace period allowed and their cash value being in excess of overdue premium receivables, such overdue premium receivables will be settled under the conditions of the automatic policy loans.

4.6 Reinsurance assets

Reinsurance assets are stated at the amounts of insurance reserves refundable from reinsurers, which consist of (a) loss reserves and (b) unearned premium reserves that are estimated based on related reinsurance contracts in accordance with insurance reserve calculation law.

The Company sets up an allowance for impairment, of reinsurance assets based on losses that may be incurred due to irrecoverable, taking into account collection experience, aged of balance, and the status of receivables from reinsurers as at the end of the reporting periods. Increase (decrease) in an allowance for impairment is recorded as an increase (a decrease) to expenses during the years in profit or loss.

4.7 Reinsurance receivables and payables

(a) Reinsurance receivables

Reinsurance receivables are stated at the outstanding balances of amounts due from reinsurers net of allowance for doubtful accounts (if any).

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

(b) Reinsurance payables

Reinsurance payables are stated at the outstanding balances of payables due to reinsurers.

Reinsurance payables consist of reinsurance premiums payable and other items payable to reinsurers, excluding accruals and reserves relating to claims.

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

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

4.8 Investment assets

(a) Investments in securities

The Company measures its investments in securities according to investment classification as follows:

Investments held for trading are stated at fair value. Change in the fair value of these investments are recorded in profit or loss.

Available-for-sale investments are stated at fair value. Changes in the fair value of these investments are recorded in other comprehensive income, and will be recorded in profit or loss when the investments are disposed of.

Held-to-maturity investments 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 investments in debt securities are classified as held-to-maturity debt securities when the Company has the positive intention and abilities to hold them to maturity.

Investments in non-marketable securities, which the Company classifies as general investments, are stated at cost net of allowance for impairment (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the years as quoted on the Stock Exchange of Thailand. The fair value of debt instruments is determined based on the yield rates quoted by the Thai Bond Market Association. The fair value of investments units is determined from their net asset value.

In the event the Company reclassifies an investment from one type to another, such investment will be readjusted to its fair value as at the reclassification date. The difference between the carrying amount of the investment and the fair value on the date of reclassification is recorded in profit or loss or recorded as revaluation surplus or deficit on investments in owners' equity, depending on the type of investment that is reclassified.

Purchase and sales of investments are recorded on the trading dates.

On disposal of an investment, the difference between net disposal proceed and the cost of investment is recognised as revenue or expense in profit or loss. The Company uses the weighted average method for computation of the cost of investment.

(b) Loans

Loans are stated at net realisable value. The Company sets up an allowance for doubtful accounts based on the estimated loss that may incur in collection of receivables, on the basis of analysis of payment histories, future expectations of customer payments, the aging of the amount receivable and appraisal value of the underlying collateral. The increase (decrease) in allowance for doubtful accounts is recognised as expense in profit or loss.

(c) Investment in a subsidiary

Investments in a subsidiary as presented in the financial statements, in which the equity method is applied, is recorded initially at cost and adjusted to reflect the proportionate share of the subsidiary's operating results and is deducted by dividend income.

4.9 Premises and equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for impairment (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
Building improvements	- 5 years
Furniture, fixtures and office equipment	- 5 years
Computers	- 5 years
Vehicles	- 5 years

Depreciation is recognised in profit or loss and no depreciation is provided on land and assets in progress.

An item of premises 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 from operation when the asset is derecognised.

4.10 Impairment of assets

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

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 Company 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.

4.11 Insurance contract liabilities

(a) Long-term life insurance policy reserves

Long-term life insurance policy reserves represent the accumulated total liability for policies in force as at the end of the reporting periods. The Company calculates these reserves, using an actuarial method as prescribed by the OIC in its 2015 Notification regarding determination of types of capital, together with the guidelines, procedures and conditions for calculating capital of life insurance companies, which indicates that reserves under long-term policies are determined using the gross premium valuation ("GPV") method as referred to in the OIC's 2011 Notification regarding valuation of assets and liabilities of life insurance companies. Key assumptions used are lapse rates or surrender rates, selling and administrative expenses, mortality and morbidity rates, discount rates and non-guaranteed dividend rates, etc.

(b) Loss reserves

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

Loss reserves are calculated using the actuarial method and are the best estimates of claims expected to pay to the insured in the future for losses incurred on or before the reporting dates both reported and not yet reported to the Company and also include loss adjustment expenses. If the then-calculated loss reserves are higher than the amount already recognised in the accounts, such difference is recognised as incurred but not yet reported ("IBNR") loss reserves.

(c) Premium reserves

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

(a) Unearned premium reserves

Unearned premium reserves are set aside on net premium written at the daily average basis over the coverage period of each policy.

(b) Unexpired risk reserves

Unexpired risk reserves are the amounts set aside for claims, which may occur in the future, of the in-force policies. Unexpired risk reserves are determined using an actuarial method. The reserves are determined using the best estimates of the claims, which are expected to occur during the remaining coverage period, with reference to its historical claim data.

However, the increase or decrease in unearned premium reserves from prior year is to be recognised in profit or loss.

(d) Unpaid policy benefits

Unpaid policy benefits are recorded when notices of the claims are received or when conditions in the policy are met.

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

Defined benefit plans and other long-term employee benefits

The Company has obligations in respect of the severance payments they must make to employees upon retirement under labor law and other employee benefit plans. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company also provides other long-term employee benefit plan, namely long service awards, to its employee.

The obligations under the defined benefit plan and other long-term employee benefit plan are determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from the defined benefit plan are recognised immediately in other comprehensive income or loss and directly charged against retained earnings.

Actuarial gains and losses arising from other long-term employee benefit plan are recognised immediately in profit and loss.

4.13 Provisions for liabilities

Provisions for liabilities are recognised when the Company 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.

4.14 Long-term leases

Leases of premises and equipment, which do not transfer substantially all the risks and rewards of ownership, are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease terms.

4.15 Income taxes

Income tax expenses represent the sum of corporate income taxes currently payable and deferred income taxes.

(a) Current income taxes

Current income taxes are 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.

(b) Deferred income taxes

Deferred income taxes are 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 periods.

The Group recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses brought forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses brought forward can be utilised.

At each reporting date, the Group reviews and reduce 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 assets to be utilised.

The Group records deferred taxes directly to owners' equity if the taxes relate to items that are recorded directly to owners' equity.

4.16 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 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.

4.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Group applies a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except in case there is no active market of an identical asset or liability or when a quoted market price is not available, the Group measures fair value using valuation technique that are appropriate in the circumstances and maximise the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Group determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting periods that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

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

5.1 Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statements of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (the Company and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Changes in assumptions about these factors could affect the fair value recognised in the statements of financial position and the fair value reported in disclosures of fair value hierarchy.

5.2 Allowance for doubtful accounts/Allowance for impairment

In determining allowances for doubtful accounts and impairment on premium receivables, reinsurance assets, reinsurance receivables and loans, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

5.3 Allowance for impairment on investments in equity securities

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

5.4 Premises and equipment and depreciation

In determining depreciation of buildings and equipment, the management is required to make estimates of the useful lives and residual values of the building and equipment, include disused assets, and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment losses in profit or loss 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.

5.5 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. 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 taxable profits.

5.6 Long-term insurance policy reserves

Long-term insurance policy reserves are life policy reserves, which are calculated using the actuarial method based on the current assumptions or assumptions determined on the policy inception dates, which reflect the best estimate at that time. The key assumptions used are policy surrender rates or lapse rates, selling and administrative expenses, mortality rates, morbidity rates, discount rates, non-guaranteed dividend rates and so on. However, the use of different assumptions could affect the amount of life policy reserves and adjustments to the reserve may therefore be required in the future.

5.7 Loss reserves

At each reporting period, the Company is required to estimate loss reserves taking into account two parts. These are the claims incurred and already reported on or before the end of reporting periods and the claims incurred but not yet reported (IBNR) by the end of the reporting periods. The estimation is made using the actuarial techniques and the key assumptions used relate to historical experience, including the development of claims estimates, paid and incurred losses, average costs per claim and claim numbers, etc. Nevertheless, such estimates are forecasts of future outcomes, and actual claims could differ.

5.8 Unexpired risk reserves

Unexpired risk reserves are calculated using an actuarial method, based on the best estimate of the claims expected to be paid over the remaining terms of the insurance. Estimating the reserves require management to exercise judgment, with reference to historical data and the best estimates available at the time.

5.9 Employee benefit obligations

Employee benefit obligations are determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rates, future salary incremental rates, mortality rates, staff turnover rates and so on. However, actual outcome could differ from the estimates.

5.10 Litigation

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

5.11 Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether or not significant risk and rewards of ownership of the leased asset has been transferred to the Company, taking into consideration terms and conditions of the arrangement.

6. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Consolidated	
	financial statements		financial statements	
	31 December		31 December	
	2019	2018	2019	2018
Cash on hand	1,046	1,367	1,046	1,367
Deposits at banks with no fixed maturity date	364,717	234,822	359,575	229,823
Cash and cash equivalents	<u>365,763</u>	<u>236,189</u>	<u>360,621</u>	<u>231,190</u>

As at 31 December 2019 and 2018, bank deposits in saving accounts carried interests between 0.05 - 0.48 percent per annum and 0.05 - 0.66 percent per annum, respectively.

7. Premium receivables

As at 31 December 2019 and 2018, the outstanding balances of premium receivables, classified by overdue periods, counted from the grace-period due dates, were as follows:

	(Unit: Thousand Baht)	
	Consolidated and separate	
	financial statements	
	Direct insurance	
	31 December	
	2019	2018
Not yet due	130,508	94,881
Not over 30 days	238	6
Over 31 days to 60 days	-	2
Over 61 days to 90 days	5	4
Overdue longer than 90 days	6,489	5,854
Total premium receivables	<u>137,240</u>	<u>100,747</u>
Less: Allowance for doubtful accounts	(6,294)	(5,848)
Premium receivables - net	<u>130,946</u>	<u>94,899</u>

For insurance policies with individuals, the grace periods are 30 - 60 days after the due dates. For overdue insurance policies having a cash value greater than the amounts of overdue premium receivables, the overdue premium receivables will be automatically settled under the conditions of the automatic policy loans.

8. Reinsurance assets

As at 31 December 2019 and 2018, reinsurance assets consisted of reserves refundable from reinsurers as follows:

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	31 December	
	2019	2018
Insurance reserve refundable from reinsurers		
Unearned premium reserves	1,539	917
Reinsurance assets	1,539	917

9. Reinsurance receivables

As at 31 December 2019 and 2018, reinsurance receivables consisted of the following:

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	31 December	
	2019	2018
Amounts due from reinsurers	899	361
Reinsurance receivables	899	361

As at 31 December 2019 and 2018, the balances of amounts due from reinsurers were classified by overdue periods as follows:

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	31 December	
	2019	2018
Not yet due	899	361
Total amounts due from reinsurers	899	361

10. Investments in securities

10.1 Classified by investment type

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	31 December			
	2019		2018	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading investments				
Unit trust	2,207,631	2,218,335	1,489,230	1,484,547
Total	2,207,631	2,218,335	1,489,230	1,484,547
Add (less): Revaluation allowance	10,704		(4,683)	
Trading investments - net	2,218,335		1,484,547	
Available-for-sale investments				
Government and state enterprise securities				
	2,293,460	2,469,772	1,852,517	2,011,905
Private sector debt securities				
	3,319,108	3,620,614	2,182,731	2,312,757
Equity securities				
	1,768,700	1,837,731	2,395,155	2,258,552
Warrants				
	-	-	9	7
Total	7,381,268	7,928,117	6,430,412	6,583,221
Add (less): Revaluation allowance				
from fair value measurement	635,384		260,692	
from translation of foreign currencies	(64,123)		(45,447)	
Total	571,261		215,245	
Less: Allowance for impairment	(24,412)		(62,436)	
Available-for-sale investments - net	7,928,117		6,583,221	
General investment				
Equity securities - ordinary shares				
	3,267		1,714	
Total general investment	3,267		1,714	
Investments in securities - net	10,149,719		8,069,482	

10.2 Classified by remaining periods of debt securities

As at 31 December 2019 and 2018, investments in debt securities had the following remaining periods to maturity.

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	31 December 2019			
	Periods to maturity			Total
1 year	1 - 5 years	Over 5 years		
Available-for-sale investments				
Government and state enterprise securities				
Government bonds	-	237,075	1,466,076	1,703,151
State enterprise bonds	-	340,172	-	340,172
State enterprise debentures	60,162	69,975	120,000	250,137
Total	60,162	647,222	1,586,076	2,293,460
Add: Revaluation allowance	1,494	50,427	124,391	176,312
Total	61,656	697,649	1,710,467	2,469,772
Private sector securities				
Debentures	200,503	1,203,906	1,914,699	3,319,108
Add: Revaluation allowance	3,350	74,177	223,979	301,506
Total	203,853	1,278,083	2,138,678	3,620,614
Total available-for-sale investments	265,509	1,975,732	3,849,145	6,090,386
Total investments in debt securities	265,509	1,975,732	3,849,145	6,090,386

(Unit: Thousand Baht)

Consolidated and separate financial statements				
31 December 2018				
Periods to maturity				
	1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments				
Government and state enterprise securities				
Government bonds	231,623	135,379	894,813	1,261,815
State enterprise bonds	-	340,226	-	340,226
State enterprise debentures	-	90,341	160,135	250,476
Total	231,623	565,946	1,054,948	1,852,517
Add: Revaluation allowance	3,670	33,011	122,707	159,388
Total	235,293	598,957	1,177,655	2,011,905
Private sector securities				
Debentures	30,000	1,122,347	1,030,384	2,182,731
Add: Revaluation allowance	451	62,599	66,976	130,026
Total	30,451	1,184,946	1,097,360	2,312,757
Total available-for-sale investments	265,744	1,783,903	2,275,015	4,324,662
Total investments in debt securities	265,744	1,783,903	2,275,015	4,324,662

10.3 Investments subject to restrictions

As at 31 December 2019 and 2018, the Company had government and state enterprise bonds and private debentures placed as securities as described in Note 31 to the financial statements.

10.4 Revaluation surplus on available-for-sale investments

For the years ended 31 December 2019 and 2018, the Company had movements in revaluation surplus on available-for-sale investments as follows:

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	For the year ended 31 December	
	2019	2018
Revaluation surplus on available-for-sale investments		
- beginning of the years	260,692	752,459
Gains (losses) on revaluation of available-for-sale investments	288,680	(446,981)
(Gains) losses on sales of available-for-sale investments		
during the years transferred to be recognised in profit or loss	86,012	(44,786)
Revaluation surplus on available-for-sale investments		
- end of the years	635,384	260,692
Less: Income taxes	(127,077)	(52,138)
Revaluation surplus on available-for-sale investments		
- net of income taxes	508,307	208,554

11. Loans and interest receivables

As at 31 December 2019 and 2018, the balances of loans and interest receivables were classified by overdue periods of principal and interest receivables as follows:

(Unit: Thousand Baht)

Overdue periods	Consolidated and separate financial statements								
	31 December 2019								
	Policy loans		Mortgage loans		Other loans		Total		
	Principal	Interest receivables ⁽¹⁾	Principal	Interest receivables ⁽¹⁾	Principal	Interest receivables ⁽¹⁾	Principal	Interest receivables ⁽¹⁾	Total
Not yet due	517,398	15,771	52,891	1,380	140	-	570,429	17,151	587,580
Past due									
Less than 3 months	-	-	27,530	889	-	-	27,530	889	28,419
3 - 6 months	-	-	1,409	55	-	-	1,409	55	1,464
6 - 12 months	-	-	4,124	20	-	-	4,124	20	4,144
Over 12 months	-	-	500,426	20,192	5,079	303	505,505	20,495	526,000
Total loans and interest receivables	517,398	15,771	586,360	22,536	5,219	303	1,108,997	38,610	1,147,607
Less: Allowance for doubtful accounts	-	-	(71,745)	(15,649)	(5,079)	(303)	(76,824)	(15,952)	(92,776)
Loans and interest receivables - net	517,398	15,771	514,635	6,887	140	-	1,032,173	22,658	1,054,831

⁽¹⁾ Presented as a part of "Accrued investment income - net" in the statements of financial position.

Consolidated and separate financial statements

31 December 2018

Overdue periods	Policy loans		Mortgage loans		Other loans		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
		receivables ⁽¹⁾		receivables ⁽¹⁾		receivables ⁽¹⁾		receivables ⁽¹⁾	Total
Not yet due	522,004	16,016	58,260	1,984	164	-	580,428	18,000	598,428
Past due									
Less than 3 months	-	-	29,067	978	-	-	29,067	978	30,045
3 - 6 months	-	-	125	-	-	-	125	-	125
6 - 12 months	-	-	7,027	155	-	-	7,027	155	7,182
Over 12 months	-	-	590,122	24,182	5,315	314	595,437	24,496	619,933
Total loans and interest									
receivables	522,004	16,016	684,601	27,299	5,479	314	1,212,084	43,629	1,255,713
Less: Allowance for									
doubtful accounts	-	-	(80,884)	(17,775)	(5,315)	(314)	(86,199)	(18,089)	(104,288)
Loans and interest									
receivables - net	522,004	16,016	603,717	9,524	164	-	1,125,885	25,540	1,151,425

⁽¹⁾ Presented as a part of "Accrued investment income - net" in the statements of financial position.

As at 31 December 2019 and 2018, mortgage loans were loans provided to agents, employees and external individuals on which interest was charged at the rates between 6 to 19 percent per annum and 6 to 19 percent per annum, respectively. Collateral used to secure such loans comprised land and buildings.

As at 31 December 2019 and 2018, other loans were loans provided to employees and agents, which were guaranteed by personal guarantees or motor vehicles and on which interest was charged at the rates between 7 to 15 percent per annum and 7 to 15 percent per annum, respectively.

12. Investment in a subsidiary

As at 31 December 2019 and 2018, detail of investment in a subsidiary, as presented in the separate financial statements, was as follows:

Company's name	Type of business	Country of incorporation	Issued and paid-up share capital		Shareholding percentage		Cost		Carrying value under equity method	
			31 December		31 December		31 December		31 December	
			2019	2018	2019	2018	2019	2018	2019	2018
					(%)	(%)				
Phillip Insurance Broker Company Limited	Non-life insurance broker	Thailand	5,000	5,000	99.88	99.88	4,994	4,994	4,956	4,915
Total investment in a subsidiary							4,994	4,984	4,956	4,915

The Company recognised share of loss from investment in a subsidiary in its separate statements under the equity method, which was based on the subsidiary's financial statements, prepared by the management but not yet audited by its auditor.

13. Premises and equipment

(Unit: Thousand Baht)

Consolidated and separate financial statements								
	Land	Buildings and building improvements	Furniture, fixtures and office equipment	Computers	Vehicle	Assets in progress	Idle assets	Total
Cost								
1 January 2018	36,714	114,503	60,802	46,460	7,427	-	4,085	269,991
Additions	-	133,236	7,039	8,823	-	40,916	-	190,014
Disposals/write-off	-	-	(935)	(116)	-	-	-	(1,051)
Transfer in (out)	-	38,186	2,730	-	-	(40,916)	-	-
31 December 2018	36,714	285,925	69,636	55,167	7,427	-	4,085	458,954
Additions	-	797	2,204	1,668	-	23,720	-	28,389
Disposals/write-off	-	(444)	(916)	(9)	-	-	-	(1,369)
Transfer in (out)	-	20,635	3,085	-	-	(23,720)	-	-
31 December 2019	36,714	306,913	74,009	56,826	7,427	-	4,085	485,974
Accumulated depreciation								
1 January 2018	-	73,164	51,261	36,839	6,767	-	1,100	169,131
Depreciation for the year	-	27,002	4,862	4,501	269	-	-	36,634
Accumulated depreciation on disposals/write-off	-	-	(929)	(110)	-	-	-	(1,039)
31 December 2018	-	100,166	55,194	41,230	7,036	-	1,100	204,726
Depreciation for the year	-	30,292	5,307	5,316	268	-	-	41,183
Accumulated depreciation on disposals/write-off	-	(343)	(916)	(9)	-	-	-	(1,268)
31 December 2019	-	130,115	59,585	46,537	7,304	-	1,100	244,641
Net book value								
31 December 2018	36,714	185,759	14,442	13,937	391	-	2,985	254,228
31 December 2019	36,714	176,798	14,424	10,289	123	-	2,985	241,333
Depreciation for the year								
2018								36,634
2019								41,183

As at 31 December 2019 and 2018, certain equipment items were fully depreciated but have been still in use. The original costs, before deducting accumulated depreciation, of those assets amounted to approximately Baht 168 million and Baht 99 million, respectively.

14. Intangible assets

(Unit: Thousand Baht)

	Consolidated and Separate financial statements		
	Computer software	Computer software under development	Total
Cost			
1 January 2018	22,497	481	22,978
Additions	15,460	-	15,460
31 December 2018	37,957	481	38,438
Additions	2,407	-	2,407
Transfer in (out)	481	(481)	-
31 December 2019	40,845	-	40,845
Accumulated amortisation			
1 January 2018	17,590	-	17,590
Amortisation for the year	4,164	-	4,164
31 December 2018	21,754	-	21,754
Amortisation for the year	5,230	-	5,230
31 December 2019	26,984	-	26,984
Net book value			
31 December 2018	16,203	481	16,684
31 December 2019	13,861	-	13,861
Amortisation for the year			
2018			4,164
2019			5,230

As at 31 December 2019 and 2018, certain computer software was fully amortised but have been still in use. The original costs, before deducting accumulated amortisation, of those assets amounted to approximately Baht 15 million and Baht 13 million, respectively.

15. Other assets

As at 31 December 2019 and 2018, other assets consisted of the following items:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December		31 December	
	2019	2018	2019	2018
Rental deposits	7,387	7,293	7,387	7,293
Other receivables	87,013	86,569	87,050	86,569
Withholding taxes	19,255	36,087	19,255	36,087
Receivables from sales of investments	-	1,994	-	1,994
Receivable from the Legal Executive Department	4,444	4,444	4,444	4,444
Others	15,756	29,595	15,756	29,672
Total	133,855	165,982	133,892	166,059
Less: Allowance for doubtful accounts	(93,231)	(106,373)	(93,231)	(106,373)
Other assets - net	40,624	59,609	40,661	59,686

16. Insurance contract liabilities

(Unit: Thousand Baht)

	Consolidated and separate financial statements					
	31 December 2019			31 December 2018		
	Insurance contract liabilities	Reinsurance of liabilities	Net	Insurance contract liabilities	Reinsurance of liabilities	Net
Long-term insurance policy reserves	8,679,969	-	8,679,969	7,405,511	-	7,405,511
Loss reserves						
Claims incurred and reported	170,289	-	170,289	26,452	-	26,452
Claims incurred but not yet reported	20,554	-	20,554	3,400	-	3,400
Premium reserves						
Unearned premium reserves	360,591	(1,539)	359,052	126,881	(917)	125,964
Unexpired risk reserves	30,472	2,182	32,654	-	-	-
Unpaid policy benefits	42,115	-	42,115	39,532	-	39,532
Other insurance liabilities	459,565	-	459,565	419,546	-	419,546
Total	9,763,555	643	9,764,198	8,021,322	(917)	8,020,405

(1) Presented as part of "Other liabilities" in the statements of financial position

16.1 Long-term insurance policy reserves

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	For the year ended 31 December	
	2019	2018
Balances - beginning of the years	7,405,511	7,212,182
Insurance policy reserves increased for new businesses and inforce policies	1,139,842	750,047
Insurance policy reserves released from death, benefit paid, lapse and surrender	(526,254)	(420,914)
Change in insurance policy reserves as a result of assumption changes	657,756	(136,617)
Changes in insurance policy reserves as a result of experience adjustments	3,114	813
Balances - end of the years	<u>8,679,969</u>	<u>7,405,511</u>

16.2 Short-term insurance policy reserves

(a) Loss reserves

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	For the year ended 31 December	
	2019	2018
Balances - beginning of the years	29,852	21,975
Claims incurred in the current years	516,395	175,852
Changes in estimation and assumptions	(6,643)	(10,500)
Claims paid during the years	(348,761)	(157,475)
Balances - end of the years	<u>190,843</u>	<u>29,852</u>

(b) Claims development table

(Unit: Thousand Baht)

Accident year/ Reporting year	Before 2012	2012	2013	2014	2015	2016	2017	2018	2019	Total
Loss estimates:										
- End of the accident year	63,169	53,130	49,183	45,122	48,266	81,953	143,288	169,373	480,575	
- One year later	65,782	55,743	51,614	47,506	51,122	82,252	144,501	167,671		
- Two years later	65,828	55,770	51,635	47,647	51,126	82,264	146,018			
- Three years later	65,842	55,774	51,640	47,538	51,132	82,282				
- Four years later	65,842	55,780	51,631	47,541	51,135					
- Five years later	65,850	55,815	51,631	47,547						
- Six years later	65,850	55,782	51,633							
- Seven years later	65,850	55,782								
- Eight years later	65,852									
Ultimate loss estimates	65,853	55,782	51,633	47,548	51,136	82,287	146,156	167,764	516,395	1,184,554
Cumulative losses paid	(65,852)	(55,782)	(51,631)	(47,541)	(51,132)	(82,245)	(144,516)	(167,552)	(327,460)	(993,711)
Total loss reserves	1	-	2	7	4	42	1,640	212	188,935	190,843

(c) Unearned premium reserves

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	For the year ended 31 December	
	2019	2018
Balances - beginning of the years	126,881	100,926
Premium written during the years	788,807	277,365
Premium earned during the years	(555,097)	(251,410)
Balances - end of the years	360,591	126,881

(d) Unexpired risk reserves

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	For the year ended 31 December	
	2019	2018
Balances - beginning of the years	119,916	91,872
Estimated claims	852,761	253,222
Risk expired during the years	(581,614)	(225,178)
Balances - end of the years	391,063	119,916

As at 31 December 2019, unexpired risk reserves were higher than unearned premium reserves by Baht 30.5 million, which was already recognised in profit or loss.

16.3 Significant assumptions

(a) Long-term insurance policy reserves

The Company uses the Gross Premium Valuation (“GPV”) method to value total obligated liabilities for long-term insurance contracts. The GPV method is an actuarial valuation method, which determines the present value of cash flows expected to receive from insurance premiums and expected to pay on benefits committed under insurance policies, including related expenses expected to be incurred in the future. However, key assumptions used are based on the Company’s historical experiences and the Insurance Industry’s historical experiences, the regulator’s requirements, forecasts of related expenses, and so on. Key assumptions used in such actuarial estimation are summarised as below.

Mortality and morbidity rates

The Company sets mortality and morbidity rate assumptions with reference to the rates announced in the Thai Mortality Ordinary Table, the Thai Mortality Industry Table and the Thai Annuitant Table, which are also widely used in the business sector, as required by the office of Insurance Commission, the Company’s historical experiences and expert judgement of actuaries.

Lapse rates

The Company sets lapse rate assumptions with reference to its historical experiences, separated by product types, lives of policies and expert judgement of actuaries.

Discount rates

The Company sets discount rate assumptions with reference to zero coupon government bonds, which are in accordance with criteria laid down by the office of Insurance Commission in valuation of liabilities of life insurance companies and the bond yields for each duration used will correspond to the durations of the expected cash flows.

Operational expenses

The Company sets operating expense assumptions with reference to actual operating expenses on in-force policies incurred in the past, trend of operating expenses in the future and expert judgement of actuaries.

(b) IBNR loss reserves

The Company estimates IBNR loss reserves using the Chain Ladder method, which is an international standard actuarial technique. The key assumptions used are claim development rates, which are derived from historical latest 5-years claim experiences available to the Company and expert judgement of actuaries.

16.4 Unpaid policy benefits

(Unit: Thousand Baht)

Consolidated and separate
financial statements

	31 December	
	2019	2018
Death benefits	4,319	1,881
Maturity payments	21,209	22,365
Surrender	974	479
Benefit payments under policies	1,339	1,740
Others	14,274	13,067
Total unpaid policy benefits	42,115	39,532

16.5 Other insurance liabilities

(Unit: Thousand Baht)

Consolidated and separate
financial statements

	31 December	
	2019	2018
Deposits of the insured	441,070	405,184
Others	18,495	14,362
Total other insurance liabilities	459,565	419,546

17. Reinsurance payables

As at 31 December 2019 and 2018, the Company had reinsurance payables classified by type of liabilities as follows:

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	31 December	
	2019	2018
Outward premium payables	5,844	5,109
Total due to reinsurers	5,844	5,109

18. Employee benefit obligations

For the years ended 31 December 2019 and 2018, employee benefit obligations were presented as follows:

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	For the years ended 31 December	
	2019	2018
Employee benefit obligations at beginning of the years	38,765	39,053
Recognised in profit or loss:		
Current service costs	4,271	3,360
Interest costs	1,310	835
Past service costs	11,926	-
Actuarial (gains) losses arose from:		
Demographic assumption changes	66	-
Financial assumption changes	(25)	-
Experience adjustments	160	-
Total	17,708	4,195
Recognised in other comprehensive income or loss:		
Actuarial (gains) losses arose from:		
Demographic assumption changes	1,702	-
Financial assumption changes	(397)	-
Experience adjustments	2,961	-
Total	4,266	-
Less: Benefits paid during the years	(3,548)	(4,483)
Employee benefit obligations at end of the years	57,191	38,765

As at 31 December 2019 and 2018, the Company expected to pay Baht 7.3 million and Baht 5.5 million, respectively, on employee benefit obligations during the next 1 year period.

As at 31 December 2019 and 2018, the weighted average payment durations of employee benefit obligations were 11 years and 11 years, respectively.

Significant actuarial assumptions at the valuation dates were as follows:

	Consolidated and separate financial statements	
	2019	2018
	(% per annum)	(% per annum)
Average discount rate	2.26	2.16
Future salary incremental rate	5.00	5.00
Staff turnover rates (depending on service years of each employee)	3.50 - 25.00	4.00 - 24.00

The impact of sensitivity analysis for significant actuarial assumptions on employee benefit obligations as at 31 December 2019 and 2018 was summarised below:

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	31 December 2019		31 December 2018	
	Increase (decrease) in employee benefit obligations		Increase (decrease) in employee benefit obligations	
Change in assumptions		Change in assumptions		
	(% per annum)	(% per annum)		
Discount rate	+ 0.5%	(1,611)	+ 0.5%	(1,409)
Discount rate	- 0.5%	1,715	- 0.5%	1,499
Future salary incremental rate	+ 0.5%	2,156	+ 0.5%	1,490
Future salary incremental rate	- 0.5%	(1,322)	- 0.5%	(1,413)
Turnover rate	+ 10.0% ⁽¹⁾	(1,163)	+ 10.0% ⁽¹⁾	(1,477)
Turnover rate	- 10.0% ⁽¹⁾	2,022	- 10.0% ⁽¹⁾	1,564

⁽¹⁾ 10% of the turnover rate used as assumption

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment. The Group's management considered to approve the change of the defined benefit plan to conform to the new law and therefore incurred on additional provision for employee benefit of Baht 11.9 million. The Group already reflected the effect of the change by recognising past service costs as expenses in the statement of income.

19. Deferred tax liabilities and income tax expenses

19.1 Deferred tax liabilities

As at 31 December 2019 and 2018, deferred tax liabilities consisted of tax effects arose from the following temporary difference items:

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	31 December		Changes in deferred tax liabilities reported in the statements of comprehensive income for the years ended 31 December	
	2019	2018	2019	2018
Deferred tax liabilities arose from:				
Unrealised gains on available-for-sale investments	127,077	52,138	(74,939)	98,353
Unrealised gains on trading investments	1,835	-	(1,835)	-
Total deferred tax liabilities	128,912	52,138		
Total changes			(76,774)	98,353
Recognition of changes in				
- Statement of income			(1,835)	-
- Statements of comprehensive income			(74,939)	98,353
Total changes			(76,774)	98,353

As at 31 December 2019 and 2018, the Company had tax-deductible temporary differences and unused tax losses for which the Company did not record deferred tax assets since the management has already assessed and believes that it will not have sufficient taxable profit in the future to utilise such deductible temporary differences and unused tax losses before they expire. Those tax-deductible temporary differences and unused tax losses items are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
Allowance for impairment	24,412	62,436	24,412	62,436
Employee benefit obligations	57,191	38,765	57,191	38,765
Loss reserves	190,843	29,853	190,843	29,853
Premium reserves	48,481	10,623	48,481	10,623
Unexpired risk reserves	32,654	-	32,654	-
Unrealised (gains) losses on trading investments	-	5,649	-	5,649
Tax losses brought forward no longer than five fiscal years	1,474,616	772,814	1,474,657	772,761
Total	1,828,197	920,140	1,828,238	920,087

19.2 Income tax expenses

Income tax expenses for the years ended 31 December 2019 and 2018 were made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2019	2018	2019	2018
Current income taxes:				
Corporate income tax for the years	-	-	-	-
Deferred income taxes:				
Relating to origination and reversal of temporary differences	(1,835)	-	(1,835)	-
Income tax expenses recognized in profit or loss	(1,835)	-	(1,835)	-

Reconciliations between income tax expenses and the product of accounting loss for the years ended 31 December 2019 and 2018 and the applicable tax rate were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2019	2018	2019	2018
Accounting loss before income tax expenses	(1,211,255)	(12,068)	(1,211,255)	(12,068)
Applicable tax rate	20%	20%	20%	20%
Amount of income taxes at the applicable tax rate	242,251	2,414	242,251	2,414
Net tax effect on revenues or expenses that are not taxable or not deductible in determining taxable profits	8,901	25,545	8,901	25,545
Temporary differences, which are not recognised as deferred tax assets	(40,398)	(12,262)	(40,398)	(12,262)
Deferred income taxes on losses for the years, which are expected not to be able to utilise	(212,589)	(15,697)	(212,589)	(15,697)
Income tax expenses recognised in profit or loss	(1,835)	-	(1,835)	-

The amounts of income taxes relating to each component of other comprehensive income (loss) for years ended 31 December 2019 and 2018 were as follows:

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	For the years ended 31 December	
	2019	2018
Income taxes relating to:		
(Gains) on revaluation of available-for-sale investments	(57,736)	89,396
Gains (losses) on sales of available-for-sale investments during the years transferred to be recognised in profit or loss	(17,203)	8,957
Income taxes reported in other comprehensive income or loss	(74,939)	98,353

20. Other liabilities

As at 31 December 2019 and 2018, other liabilities consisted of the following items:

	(Unit: Thousand Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	31 December		31 December	
	2019	2018	2019	2018
Accrued commission and brokerage expenses	151,772	116,690	151,772	116,690
Deposits from agents	62,752	45,974	62,752	45,974
Accrued operating expenses	56,913	55,244	56,770	55,244
Payables on purchases of investments	1,135	-	1,135	-
Others	16,784	15,727	16,784	15,727
Total other liabilities	<u>289,356</u>	<u>233,635</u>	<u>289,213</u>	<u>233,635</u>

21. Share capital

21.1 Registered share capital

By the resolution of the Annual General Meeting of the Company's shareholders held on 25 April 2018, it is resolved to approve the decrease in the registered share capital of the Company from Baht 3,034,375,000 to Baht 2,834,375,000 by the decrease of unissued 32 million ordinary shares at a par value of Baht 6.25 each, or total of Baht 200 million. In addition, it is resolved to approve the increase in the registered share capital of the Company from Baht 2,834,375,000 to Baht 4,000,000,000 by the increase of 186.50 million ordinary shares at a par value of Baht 6.25 each, or a total of Baht 1,165,625,000 million. The Company registered the decrease and increase in the registered share capital with the Ministry of Commerce on 18 June 2018.

By the resolution of the Extraordinary General Meeting No.1/2019 of the Company's shareholders held on 10 October 2019 it is resolved to approve the decrease in the registered share capital of the Company from Baht 4,000,000,000 to Baht 3,634,375,000 by the decrease of unissued 58.50 million ordinary shares at a par value of Baht 6.25 each, or total of Baht 365,625,000. In addition, it is resolved to approve the increase in the registered share capital of the Company from Baht 3,634,375,000 to Baht 6,000,000,000 by the increase of 378.50 million ordinary shares at a par value of Baht 6.25 each, or a total of Baht 2,365,635,000. The Company registered the decrease and increase in the registered share capital with the Ministry of Commerce on 31 October 2019 and 6 November 2019, respectively.

21.2 Issued and paid-up share capital

By the resolution of the Meeting No. 6/2018 of the Company's Board of Directors held on 27 November 2018, it is resolved to approve the issuance of the Company's additional 48 million ordinary shares at a par value of Baht 6.25 each, or a total of Baht 300 million to existing shareholders in the ratio of 1 existing share to 0.1058434 new ordinary shares for the purpose of meeting the Capital Adequacy Requirement as required by the Office of Insurance Commission. On 18 December 2018, the Company received payments for such additional ordinary shares and registered the issued and paid-up share capital with the Ministry of Commerce on 28 December 2018.

By the resolution of the Meeting No. 1/2019 of the Company's Board of Directors held on 25 February 2019, it is resolved to approve the issuance of the Company's additional 32 million ordinary shares at a par value of Baht 6.25 each, or a total of Baht 200 million to existing shareholders at the ratio of 1 existing share to 0.0638086 new ordinary shares for the purpose of meeting the Capital Adequacy Requirement as required by the Office of Insurance Commission. On 25 March 2019, the Company received payments for such additional ordinary shares and registered the issued and paid-up share capital with the Ministry of Commerce on 29 March 2019.

By the resolution of the Meeting No. 21/2019 of the Executives Committee held on 4 September 2019, it is resolved to approve the issuance of the Company's additional 48 million ordinary shares at a par value of Baht 6.25 each, or a total of Baht 300 million to existing shareholders at the ratio of 1 existing share to 0.0899719 new ordinary shares for the purpose of meeting the Capital Adequacy Requirement as required by the Office of Insurance Commission. On 20 September 2019, the Company received payments for such additional ordinary shares and registered the issued and paid-up share capital with the Ministry of Commerce on 30 September 2019.

By the resolution of the Meeting No. 6/2019 of the Company's Board of Directors held on 8 November 2019, it is resolved to approve the issuance of the Company's additional 64 million ordinary shares at a par value of Baht 6.25 each, or a total of Baht 400 million to existing shareholders at the ratio of 1 existing share to 0.1100602 new ordinary shares for the purpose of meeting the Capital Adequacy Requirement as required by the Office of Insurance Commission. On 25 November 2019, the Company received payments for such additional ordinary shares and registered the issued and paid-up share capital with the Ministry of Commerce on 29 November 2019.

By the resolution of the Meeting No. 31/2019 of the Executives Committee held on 4 December 2019, it is resolved to approve the issuance of the Company's additional 40 million ordinary shares at a par value of Baht 6.25 each, or a total of Baht 250 million to existing shareholders at the ratio of 1 existing share to 0.0619675 new ordinary shares for the purpose of meeting the Capital Adequacy Requirement as required by the Office of Insurance Commission. On 18 December 2019, the Company received payments for such additional ordinary shares and registered the issued and paid-up share capital with the Ministry of Commerce on 24 December 2019.

21.3 Reconciliation of registered, issued and paid-up share capital

Reconciliation of the registered, issued and paid-up share capital of the Company during the years ended 31 December 2019 and 2018 were as follows:

(Unit: Baht)

	Par value per share	For the year ended 31 December 2019		For the year ended 31 December 2018	
		No. of shares	Amount	No. of shares	Amount
Registered share capital:					
Balance at beginning of the years	6.25	640,000,000	4,000,000,000	485,500,000	3,034,375,000
Registered the increased/decreased share capital during the years	6.25	<u>320,000,000</u>	<u>2,000,000,000</u>	<u>154,500,000</u>	<u>965,625,000</u>
Balance as at 31 December	6.25	<u>960,000,000</u>	<u>6,000,000,000</u>	<u>640,000,000</u>	<u>4,000,000,000</u>
Issued and paid-up share capital:					
Balance at beginning of the years	6.25	501,500,000	3,134,375,000	453,500,000	2,834,375,000
Issued additional shares during the years	6.25	<u>184,000,000</u>	<u>1,150,000,000</u>	<u>48,000,000</u>	<u>300,000,000</u>
Balance at end of the years	6.25	<u>685,500,000</u>	<u>4,284,375,000</u>	<u>501,500,000</u>	<u>3,134,375,000</u>

22. Share subscription receivable

On 8 September 2004, the Company had issued and paid-up share capital of Baht 2,100 million, consisting of 21,000,000 ordinary shares at a par value of Baht 100 each. The Company did not receive payment of Baht 72,218,175 for 722,182 ordinary shares held by a shareholder. Such unsettled amount has been recorded as "Share subscription receivable", which has been presented as a deduction item in owners' equity since the beginning.

In the year 2009; the Company decreased its issued and paid-up share capital for three times by ways of reducing a par value per share and combining 4 existing shares into 1 new share. These caused the issued and paid-up share capital to be decreased from Baht 2,200 million to Baht 34.375 million by decreasing the share capital of Baht 2,165.625 million and decreasing the share premium of Baht 172.33 million to offset against deficit of Baht 2,337.955 million. After such capital decreases, the Company's issued and paid-up share capital was Baht 34.375 million, consisting of 5,500,000 ordinary shares at a par value of Baht 6.25 each. The number of ordinary shares held by the shareholder, who still owes to the Company on the unsettled shares as mentioned above, is also reduced to 180,545 shares at a par value of Baht 6.25 each after such capital decreases whereby the outstanding unsettled balance from such shareholder still remains at Baht 72,218,175. Legal action was taken against this shareholder whereby the outcome of the case was finalised and the executing officer already seized the unsettled shares for further auction. The parent company won the bid and already paid for shares.

Reconciliations of the issued and paid-up share capital as described above are detailed as below.

Year	Description	Par value per share (Baht)	Number of shares (Shares)	Issued and paid- up share capital (Thousand Baht)	Share subscription receivable (Thousand Baht)
Year 2004		100	21,000,000	2,100,000	72,218
Year 2008	Issuance of additional ordinary shares	100	1,000,000	100,000	-
		100	22,000,000	2,200,000	72,218
No.1 - Year 2009	Decrease share capital by reduction of a par value per share		-	(1,650,000)	(54,163)
		25	22,000,000	550,000	18,055
No.2 - Year 2009	Decrease share capital by reduction of a par value per share		-	(412,500)	(13,541)
		6.25	22,000,000	137,500	4,514
No.3 - Year 2009	Decrease share capital by combining 4 existing shares into 1 new share		(16,500,000)	(103,125)	(3,386)
		6.25	5,500,000	34,375	1,128

On 26 June 2015, the Civil Court had a judgment to order F&V Alliance Company Limited to pay to the Company for a total of Baht 95,689,080 including interest determined until the suing date. However, according to the 2015 financial position information of F&V Alliance Company Limited, it showed a significant amount of liabilities and a capital deficit. It is therefore unable to pay to the Company according to the Court's judgement and entered into a compromise agreement with the Company allowing the Company to proceed for the capital decrease. As for the capital decrease process, the Company determined 2 approaches, that is to get an approval from the OIC to reduce the 3,626,571 registered and paid-up shares in the Shareholders Registrar or to sell these shares at auction through the Legal Execution Department.

On 27 April 2017, it was resolved in the 2017 Annual General Meeting of the Company's shareholders to approve the decrease in the registered share capital by 3,626,571 shares amounting to Baht 22,666,068.75 held by a shareholder, namely F&V Alliance Company Limited for the Share Certificate No. 1096644 to No. 4723214 because F&V Alliance Company Limited did not pay such shares.

On 30 May 2017, the Company sent the letter to the OIC requesting for approval of the capital decrease. However, the Company was informed that the OIC cannot approved such capital decrease due to the fact that the Life Insurance Act did not have any clauses specifying that the Registrar can approve the capital decrease due to such reason. Therefore, the Company will proceed to sell those shares through auction, another approach as approved in the Annual General Meeting of the Company's shareholders.

On 8 November 2017, the Company requested the executing officer to seize assets of F&V Alliance Company Limited to settle the balance according to the Court's judgement dated 26 June 2015.

On 7 March 2018, the executing officer sent a letter to the Company informing that they already seized the unsettled shares of the Company held by F&V Alliance Company Limited.

On 26 June 2019, the executing officer sold shares through auction. Phillip Life Company Limited, the parent company, won the bid at the price of Baht 13,420,000 and already placed the deposit of Baht 1,000,000 with the Bangkok Civil Litigation Office 2 whereby it is required to settle the price within 11 October 2019.

On 25 September 2019, Philip Life Company Limited, the parent company, made a payment for the remaining share price to the Bangkok Civil Litigation Office 2.

On 4 March 2020, the Company already received such share price payment from the Bangkok Civil Litigation Office 2.

23. Statutory reserve

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

24. Net investment revenues

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2019	2018	2019	2018
Investment revenues:				
Interest income	275,444	236,323	275,425	236,323
Dividend income	99,803	152,901	99,803	152,901
Less: Investment expenses	(6,943)	(8,309)	(6,943)	(8,309)
Net investment revenues	<u>368,304</u>	<u>380,915</u>	<u>368,285</u>	<u>380,915</u>

25. Operating expenses

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2019	2018	2019	2018
Personnel expenses	210,926	180,174	210,926	180,174
Premises and equipment expenses	97,662	89,660	97,662	89,660
Taxes and duties	9,930	8,015	9,930	8,015
Bad debt and doubtful accounts (reversal)	(11,016)	(51,124)	(11,016)	(51,124)
Other operating expenses	86,785	75,798	86,724	75,746
Total operating expenses	<u>394,287</u>	<u>302,523</u>	<u>394,226</u>	<u>302,471</u>

26. Expenses by nature

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2019	2018	2019	2018
Reserves for long-term insurance				
contracts increased from prior year	1,274,458	193,330	1,274,458	193,330
Unexpired risk reserves increased				
from prior year	32,654	-	32,654	-
Benefit payments under life policies	928,645	677,816	928,645	677,816
Claims	391,481	117,319	391,481	117,319
Commission and brokerages expenses	595,756	412,876	595,722	412,876
Employee expenses	228,660	192,599	228,660	192,599
Other underwriting expenses	23,338	14,286	23,338	14,286
Premises and equipment expenses	101,046	92,184	101,046	92,184
Bad debt and doubtful accounts				
(reversal)	(11,016)	(51,124)	(11,016)	(51,124)
Others	75,701	134,720	75,640	134,668
Total expenses	3,640,723	1,784,006	3,640,628	1,783,954

27. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company contributes to the fund monthly at the rate of 5 - 10 percent of basic salary and employees contribute 5 - 15 percent of their basic salary. The fund, which is managed by CIMB-Principal Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the years ended 2019 and 2018, the Company contributed Baht 10.5 million and Baht 8.8 million, respectively, to the fund.

28. Components of other comprehensive income (loss)

(Unit: Thousand Baht)

	Consolidated and separate financial statements					
	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Amounts before taxes	Tax expenses	Amounts net of taxes	Amounts before taxes	Tax expenses	Amounts net of taxes
Gains (losses) on revaluation of available-for-sale investments	374,692	(74,939)	299,753	(491,767)	98,353	(393,414)
Actuarial losses on the defined benefit plan	(4,266)	-	(4,266)	-	-	-
Total	370,426	(74,939)	295,487	(491,767)	98,353	(393,414)

29. Earnings per share

Basic earnings per share is calculated by dividing loss for the years (excluding other comprehensive income (loss)) by the weighted average number of ordinary shares in issue during the years.

Basic earnings per share for the years ended 31 December 2019 and 2018 were determined as follows:

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2019	2018	2019	2018
Loss for the years (Thousand Baht)	(1,213,090)	(12,068)	(1,213,090)	(12,068)
Weighted average number of ordinary shares (Thousand shares)	544,585	501,319	544,585	501,319
Basis earning per share				
Loss for the years (Baht/share)	(2.23)	(0.02)	(2.23)	(0.02)

30. Related party transactions

30.1 Type of relationship

The relationship between the Company and its related parties, who have significant business transactions with the Company, are summarised below.

Name of related parties	Type of relationship
Phillip Life Company Limited	Parent company
Phillip Insurance Broker Company Limited	Subsidiary
Phillip Securities (Thailand) Public Company Limited	Having common directors
Key management personnel	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

30.2 Significant business transactions with related parties

The Company 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 Company and those parties, were as follows:

(Unit: Thousand Baht)

	Consolidated and separate financial statements		Pricing policy
	For the years ended 31 December		
	2019	2018	
Related parties			
Income			
Premium written	193	-	Contractual rates
Expenses			
Securities management fee	5,424	7,486	Similar to those charged to general customers of a related company
Commission expenses	1,592	276	The agreed-upon rates

30.3 Outstanding balances with related parties

As at 31 December 2019 and 2018, the outstanding balances between the Company and its related parties were as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	2019	2018	2019	2018
Subsidiary				
Assets				
Receivables from related parties	-	-	38	38
Related company				
Assets				
Premium receivables	193	-	193	-
Liabilities				
Accrued commission expenses	231	-	231	-
Accrued securities management fee	1,116	1,825	1,116	1,825

30.4 Directors' and key management's remunerations

The Company had employee benefit expenses incurred in relation to its directors and key management as below.

	(Unit: Thousand Baht)	
	Consolidated and separate	
	financial statements	
	For the years ended 31 December	
	2019	2018
Short-term employee benefits	3,843	3,039
Long-term employee benefits	133	265
Total	3,976	3,304

31. Securities placed with the Life Assurance Registrar and commercial bank

As at 31 December 2019 and 2018, the Company had the following securities placed with the Registrar in accordance with the Life Assurance Act.

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	31 December 2019		31 December 2018	
	Amortised cost	Fair value	Amortised cost	Fair value
Placed with the Life Assurance Registrar:				
As securities				
Government bonds	20,465	20,952	20,145	20,460
As life insurance reserves				
Government and state enterprise bonds	1,511,259	1,681,147	1,535,240	1,683,120
Private debentures	404,920	463,201	355,559	392,985
Total	1,916,179	2,144,348	1,890,799	2,076,105

32. Contributions to the Life Insurance Fund

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	For the years ended 31 December	
	2019	2018
Accumulated contributions at beginning of the years	12,158	10,724
Contributions during the years	2,348	1,434
Accumulated contributions at end of the years	14,506	12,158

33. Operating lease commitments

The Company has entered into several operating lease agreements in respect of the lease of office building. The terms of the agreements are generally between 1 year and 3 years. As at 31 December 2019 and 2018, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

(Unit: Thousand Baht)

Payable within	Consolidated and separate financial statements	
	31 December	
	2019	2018
Within 1 year	28,587	27,121
1 to 3 years	60,757	17,772
Total	89,344	44,893

34. Life insurance company's risk

The Company recognises the importance of risk management within the organization. Risk Management is an important tool in organisational management according to the Risk Management Policy. It is required under the Notification of the Office of Insurance Commission that the Company's Risk Management Policy must be identified and reviewed by the Risk Management Committee and approved by the Company's Board of Directors. The Company proceeds according to the Risk Management Process, which covers key risk area as follows:

34.1 Life insurance risk

Life insurance risk is a risk that is caused by the volatility of frequency, severity and timing of occurrence that is deviated from assumptions used in pricing, calculation of reserves and underwriting consideration.

The Company sets up standard underwriting guidelines standard for each product plan, age and gender for selection of life insurance target group, taking into consideration various factors such as mortality rates, persistency rates, and soon. The Company assesses the adequacy of insurance reserves and capital adequacy ratio to meet the regulatory requirements in order to be assured that the Company is able to accept the risks that may arise in the future.

In addition, The Company has reinsurance policies to diversify those risks to the reinsurers for huge damage or disaster events.

The sensitivity analysis on the insurance contract liabilities is a tool to help analysing impact from volatility of assumptions used in calculation of insurance contract liabilities both before and after reinsurance. The risks may be caused by the frequency and severity of damages and loss adjustment expenses are not as expected.

(a) The sensitivity analysis on long-term insurance policy reserves

(Unit: Thousand Baht)

Consolidated and separate financial statements							
31 December 2019							
Assumptions	increase	Increase (decrease) in long-term insurance policy reserves - both		Assumptions	decrease	Increase (decrease) in long-term insurance policy reserves - both	
		gross and net of reinsurance	Increase (decrease) in owners' equity			gross and net of reinsurance	Increase (decrease) in owners' equity
Mortality rate	+ 15%	68,661	(68,661)	- 15%		(72,348)	72,348
Lapse rate	+ 20%	(167,107)	167,107	- 20%		200,704	(200,704)
Discount rate	+ 0.5%	(614,912)	614,912	- 0.5%		696,241	(696,241)
Related expenses	+ 5%	58,874	(58,874)	- 5%		(58,874)	58,874

(Unit: Thousand Baht)

Consolidated and separate financial statements							
31 December 2018							
Assumptions	increase	Increase (decrease) in long-term insurance reserves - both		Assumptions	decrease	Increase (decrease) in long-term insurance reserves - both	
		gross and net of reinsurance	Increase (decrease) in owners' equity			gross and net of reinsurance	Increase (decrease) in owners' equity
Mortality rate	+ 15%	71,380	(71,380)	- 15%		(75,618)	75,618
Lapse rate	+ 20%	(59,703)	59,703	- 20%		64,161	(64,161)
Discount rate	+ 0.5%	(411,816)	411,816	- 0.5%		460,524	(460,524)
Related expenses	+ 5%	50,113	(50,113)	- 5%		(50,113)	50,113

(b) The sensitivity analysis on loss reserves

(Unit: Thousand Baht)

Loss Development Factor (LDF)	Consolidated and separate financial statements			
	31 December 2019		31 December 2018	
	Increase (decrease) in loss reserves	Increase (decrease) in owners' equity	Increase (decrease) in loss reserves	Increase (decrease) in owners' equity
+ 10%	106,548	(106,548)	69,395	(69,395)
- 10%	(7,716)	7,716	(1,299)	1,299

34.2 Concentrations of life insurance risk

The Company manages concentration risk by distributing a variety of life insurance products in order to meet customers' needs of each customer segment. Circumstances that may affect the concentration of its products include:

1. Changes in market interest rate and the significant down trend of interests rates on deposits may have a negative impact on the Company's endowment and whole-life products.
2. Changes in mortality rate, which has an upward trend of average longevity age, may have a negative impact on the Company's pension products.

As at 31 December 2019 and 2018, concentration risk on insurance contract liabilities, classified by types of insurance products, were shown below.

(Unit: Thousand Baht)

	Consolidated and separate financial statements					
	31 December 2019			31 December 2018		
	Gross long-term insurance reserves	Reinsurance	Net long-term insurance reserves	Gross long-term insurance reserves	Reinsurance	Net long-term insurance reserves
Endowment	4,757,585	-	4,757,585	4,257,202	-	4,257,202
Whole life	3,214,566	-	3,214,566	2,655,117	-	2,655,117
Term insurance						
& mortgage	8,986	-	8,986	8,963	-	8,963
Annuity	59,125	-	59,125	5,777	-	5,777
Reduce paid-up	324,452	-	324,452	292,258	-	292,258
Extended term						
insurance	169,963	-	169,963	144,597	-	144,597
Long term rider	145,292	-	145,292	41,597	-	41,597
Total	8,679,969	-	8,679,969	7,405,511	-	7,405,511

(Unit: Thousand Baht)

	Consolidated and separate financial statements					
	31 December 2019			31 December 2018		
	Gross loss reserves	Reinsurance	Net loss reserves	Gross loss reserves	Reinsurance	Net loss reserves
Personal accident	2,059	-	2,059	1,781	-	1,781
Accidental rider	2,917	-	2,917	620	-	620
Critical illness						
rider	911	-	911	-	-	-
Health rider	84,471	-	84,471	21,979	-	21,979
Group insurance	100,485	-	100,485	5,472	-	5,472
Total	190,843	-	190,843	29,852	-	29,852

34.3 Insurance contract assets and liabilities

As at 31 December 2019 and 2018, insurance contract assets and liabilities, classified by remaining maturity periods as from the reporting dates, were summarised below:

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	31 December 2019			
	Within 1 year	1 - 5 years	Over 5 years	Total
<u>Insurance contract assets</u>				
Premium receivables - net	130,946	-	-	130,946
Reinsurance assets	1,539	-	-	1,539
Reinsurance receivables	899	-	-	899
<u>Insurance contract liabilities</u>				
Insurance contract liabilities				
Long-term insurance policy				
reserves ⁽¹⁾	96,055	1,681,317	11,196,312	12,973,684
Loss reserves	95,461	5,024	-	100,485
Reinsurance payables	5,844	-	-	5,844

⁽¹⁾ Estimated timing of the net cash outflows

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	31 December 2018			
	Within 1 year	1 - 5 years	Over 5 years	Total
<u>Insurance contract assets</u>				
Premium receivables - net	94,899	-	-	94,899
Reinsurance assets	917	-	-	917
Reinsurance receivables	361	-	-	361
<u>Insurance contract liabilities</u>				
Insurance contract liabilities				
Long-term insurance policy				
reserves ⁽¹⁾	197,139	1,974,078	9,269,256	11,440,473
Loss reserves	28,360	1,492	-	29,852
Reinsurance payables	5,109	-	-	5,109

⁽¹⁾ Estimated timing of the net cash outflows

35. Financial instruments

35.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, investments in securities, and loans. The financial risks associated with these financial instruments and how they are managed is described below.

(a) Credit risk

Credit risk occurs when the counter party is unable to honor an agreement made with the company including a chance that the credit rating of the counter party may be adjusted credit down.

Key areas that the Company is exposed to credit risk are cash positions, premium receivables, policy loans, mortgaged loans and investments in debt securities.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all policyholders, borrowers and debt securities on an ongoing basis. At the reporting date, there were no significant credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statements of financial position.

Concentrations of the credit risk with respect to loans and premium receivables are low due to the large number of borrowers and customers in the Company's customer base and their dispersion across different industries and geographic regions in Thailand. The maximum exposure to credit risk is the carrying value of these assets as presented in the statements of financial position.

The Company expects no risk on policy loans since the sum that the Company has lent to the insured parties is less than the cash values of their policies with the Company and the maximum value of the risk arising from mortgage loans is the amount of the loan less the value at which the Company is able to derive from the mortgaged assets.

(b) Interest rate risk

Interest rate risk means the risk that occurs from the fluctuations in interest rates due to changes in market interest rates.

The Company manages this risk by performing sensitivity test in the condition of market interest rate's changing to show the impact on the changing in Capital Adequacy Ratio under the changing in market interest rate and will find out the solution to control that impact.

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

As at 31 December 2019 and 2018, significant financial assets classified by type of interest rates are summarised in the table below, with those financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Thousand Baht)

Consolidated financial statements							
31 December 2019							
Fixed interest rates							
Remaining periods to repricing dates or maturity dates							
Within			Floating	No	Total	Interest rate	(% p.a.)
1 year	1 - 5 years	Over 5 years	interest rate	interest			
Financial Assets							
Cash and cash equivalents	-	-	-	349,197	16,566	365,763	0.05 - 0.48
Investments in securities							
Equity securities							
Government and state							
enterprise securities	61,656	697,649	1,710,467	-	-	2,469,772	1.54 - 4.98
Private sector debt							
securities	203,853	1,278,083	2,138,678	-	-	3,620,614	3.68 - 5.25
Policy loans	517,398	-	-	-	-	517,398	4.75 - 8.00
Mortgage and other loans - net	51,177	179,335	77,621	-	206,642 ⁽¹⁾	514,775	6.00 - 19.00
Total	834,084	2,155,067	3,926,766	349,197	4,282,541	11,547,655	

⁽¹⁾ Non-performing loans

(Unit: Thousand Baht)

Consolidated financial statements

31 December 2018

	Fixed interest rates			Floating interest rate	No interest	Total	Interest rate (% p.a.)
	Remaining periods to repricing dates or maturity dates						
	Within 1 year	1 - 5 years	Over 5 years				
Financial Assets							
Cash and cash equivalents	-	-	-	208,855	27,334	236,189	0.05 - 0.66
Investments in securities							
Equity securities	-	-	-	-	3,744,820	3,744,820	-
Government and state enterprise securities	235,292	598,957	1,177,656	-	-	2,011,905	3.58 - 6.40
Private sector debt securities	30,451	1,184,946	1,097,360	-	-	2,312,757	3.68 - 5.50
Policy loans	522,004	-	-	-	-	522,004	5.00 - 10.00
Mortgage and other loans - net	100,997	181,589	35,027	-	286,268 ⁽¹⁾	603,881	6.00 - 19.00
Total	888,744	1,965,492	2,310,043	208,855	4,058,422	9,431,556	

⁽¹⁾ Non-performing loans

(Unit: Thousand Baht)

Separate financial statements

31 December 2019

	Fixed interest rates			Floating interest rate	No interest	Total	Interest rate (% p.a.)
	Remaining periods to repricing dates or maturity dates						
	Within 1 year	1 - 5 years	Over 5 years				
Financial Assets							
Cash and cash equivalents	-	-	-	344,055	16,566	360,621	0.05 - 0.48
Investments in securities							
Equity securities	-	-	-	-	4,059,333	4,059,333	-
Government and state enterprise securities	61,656	697,649	1,710,467	-	-	2,469,772	1.54 - 4.98
Private sector debt securities	203,853	1,278,083	2,138,678	-	-	3,620,614	3.68 - 5.25
Policy loans	517,398	-	-	-	-	517,398	4.75 - 8.00
Mortgage and other loans - net	51,177	179,335	77,621	-	206,642 ⁽¹⁾	514,775	6.00 - 19.00
Total	834,084	2,155,067	3,926,766	344,055	4,282,541	11,542,513	

⁽¹⁾ Non-performing loans

(Unit: Thousand Baht)

Separate financial statements							
31 December 2018							
Fixed interest rates							
Remaining periods to repricing dates or maturity dates							
	Within 1 year	1 - 5 years	Over 5 years	Floating interest rate	No interest	Total	Interest rate (% p.a.)
Financial Assets							
Cash and cash equivalents	-	-	-	203,855	27,335	231,190	0.05 - 0.66
Investments in securities							
Equity securities	-	-	-	-	3,744,820	3,744,820	-
Government and state enterprise securities	235,292	598,957	1,177,656	-	-	2,011,905	3.58 - 6.40
Private sector debt securities	30,451	1,184,946	1,097,360	-	-	2,312,757	3.68 - 5.50
Policy loans	522,004	-	-	-	-	522,004	5.00 - 10.00
Mortgage and other loans - net	100,997	181,589	35,027	-	286,268 ⁽¹⁾	603,881	6.00 - 19.00
Total	888,744	1,965,492	2,310,043	203,855	4,058,423	9,426,557	

⁽¹⁾ Non-performing loans**(c) Liquidity risk**

Liquidity risk is the risk that the Company will be unable to liquidate financial assets and/or procure sufficient funds to discharge obligations in a timely manner or able to make payment at a cost higher than acceptable level, resulting in a financial loss. The Company manage liquidity risk by maintaining a level of cash and cash equivalents appropriate to their operations to reduce the effects of fluctuations in cash flows.

In addition, the Company prepares risk monitoring reports on Key Risk Indicators (KRIs) and Capital Adequacy Ratio required by regulation.

(Unit: Thousand Baht)

Consolidated financial statements							
Outstanding balances of financial instruments as at 31 December 2019							
	At call	Less than 6 months	6 months - 1 year	1 - 3 years	Over 3 years	Unspecified	Total
Financial Assets							
Cash and cash equivalents	365,763	-	-	-	-	-	365,763
Investments in securities							
Equity securities	4,056,066	-	-	-	-	3,267	4,059,333
Government and state enterprise securities	-	-	61,656	275,139	2,132,977	-	2,469,772
Private enterprise debt securities	-	30,210	173,643	590,863	2,825,898	-	3,620,614
Policy loans	517,398	-	-	-	-	-	517,398
Mortgage and other loans - net	303,285	90	4,442	71,938	135,020	-	514,775
Total	5,242,512	30,300	239,741	937,940	5,093,895	3,267	11,547,655

(Unit: Thousand Baht)

Consolidated financial statements

Outstanding balances of financial instruments as at 31 December 2018							
	At call	Less than 6 months	6 months - 1 year	1 - 3 years	Over 3 years	Unspecified	Total
Financial Assets							
Cash and cash equivalents	236,189	-	-	-	-	-	236,189
Investments in securities							
Equity securities	3,743,106	-	-	-	-	1,714	3,744,820
Government and state enterprise securities	-	-	235,292	241,395	1,535,218	-	2,011,905
Private enterprise debt securities	-	-	30,451	558,395	1,723,911	-	2,312,757
Policy loans	522,004	-	-	-	-	-	522,004
Mortgage and other loans - net	341,303	6,880	410	116,973	138,315	-	603,881
Total	4,842,602	6,880	266,153	916,763	3,397,444	1,714	9,431,556

(Unit: Thousand Baht)

Separate financial statements

Outstanding balances of financial instruments as at 31 December 2019							
	At call	Less than 6 months	6 months - 1 year	1 - 3 years	Over 3 years	Unspecified	Total
Financial Assets							
Cash and cash equivalents	360,621	-	-	-	-	-	360,621
Investments in securities							
Equity securities	4,056,066	-	-	-	-	3,267	4,059,333
Government and state enterprise securities	-	-	61,656	275,139	2,132,977	-	2,469,772
Private enterprise debt securities	-	30,210	173,643	590,863	2,825,898	-	3,620,614
Policy loans	517,398	-	-	-	-	-	517,398
Mortgage and other loans - net	303,285	90	4,442	71,938	135,020	-	514,775
Total	5,237,370	30,300	239,741	937,940	5,093,895	3,267	11,542,513

(Unit: Thousand Baht)

Separate financial statements

Outstanding balances of financial instruments as at 31 December 2018							
	At call	Less than 6 months	6 months - 1 year	1 - 3 years	Over 3 years	Unspecified	Total
Financial Assets							
Cash and cash equivalents	231,190	-	-	-	-	-	231,190
Investments in securities							
Equity securities	3,743,106	-	-	-	-	1,714	3,744,820
Government and state enterprise securities	-	-	235,292	241,395	1,535,218	-	2,011,905
Private enterprise debt securities	-	-	30,451	558,395	1,723,911	-	2,312,757
Policy loans	522,004	-	-	-	-	-	522,004
Mortgage and other loans - net	341,302	6,880	410	116,973	138,316	-	603,881
Total	4,837,602	6,880	266,153	916,763	3,397,445	1,714	9,426,557

(d) Foreign currency risk

The Company's significant exposure to foreign currency risk is in respect of its investments in equity securities and unit trusts which are denominated in foreign currencies.

As at 31 December 2019 and 2018, the balances of financial assets denominated in foreign currencies, which were not hedged for foreign exchange risk, were summarised below.

Consolidated and separate financial statements						
31 December 2019						
Foreign currency	Cost		Fair value		Exchange rate	
	(Thousand units)	(Thousand Baht)	(Thousand units)	(Thousand Baht)	(Baht per unit)	
Available-for-sales investments						
Equity securities	Singapore dollar	16,767	433,937	21,627	477,000	22.06
Investment unit	Singapore dollar	2,481	54,711	2,482	54,737	22.06

Consolidated and separate financial statements						
31 December 2018						
Foreign currency	Cost		Fair value		Exchange rate	
	(Thousand units)	(Thousand Baht)	(Thousand units)	(Thousand Baht)	(Baht per unit)	
Available-for-sales investments						
Equity securities	Singapore dollar	17,964	466,103	21,667	507,370	23.42
Investment unit	Singapore dollar	47	1,124	47	1,112	23.42

35.2 Fair values of financial instruments

As at 31 December 2019 and 2018, the Group had assets and liabilities that were measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2019				
	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	
Assets measured at fair values					
Trading investments					
Equity securities	-	2,218,335	-	2,218,335	2,218,335
Available-for-sale investments					
Equity securities	1,837,731	-	-	1,837,731	1,837,731
Debt securities	-	6,090,386	-	6,090,386	6,090,386
Assets for which fair values were disclosed					
Cash and cash equivalents	365,763	-	-	365,763	365,763
General investment	-	-	6,410	6,410	3,267
Policy loans	-	-	605,183	605,183	517,398
Mortgaged and other loans - net	-	-	626,573	626,573	514,775

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2018				
	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	
Assets measured at fair values					
Trading investments					
Equity securities	-	1,484,547	-	1,484,547	1,484,547
Available-for-sale investments					
Equity securities	2,258,552	-	-	2,258,552	2,258,552
Debt securities	-	4,324,662	-	4,324,662	4,324,662
Warrants	7	-	-	7	7
Assets for which fair values were disclosed					
Cash and cash equivalents	236,189	-	-	236,189	236,189
General investment	-	-	4,914	4,914	1,714
Policy loans	-	-	577,696	577,696	522,004
Mortgaged and other loans - net	-	-	688,682	688,682	603,881

(Unit: Thousand Baht)

Separate financial statements					
31 December 2019					
	Fair value			Total	Carrying value
	Level 1	Level 2	Level 3		
Assets measured at fair values					
Trading investments					
Equity securities	-	2,218,335	-	2,218,335	2,218,335
Available-for-sale investments					
Equity securities	1,837,731	-	-	1,837,731	1,837,731
Debt securities	-	6,090,386	-	6,090,386	6,090,386
Assets for which fair values were disclosed					
Cash and cash equivalents	360,621	-	-	360,621	360,621
General investment	-	-	6,410	6,410	3,267
Investments in subsidiary	-	-	4,956	4,956	4,956
Policy loans	-	-	605,183	605,183	517,398
Mortgaged and other loans - net	-	-	626,573	626,573	514,775

(Unit: Thousand Baht)

Separate financial statements					
31 December 2018					
	Fair value			Total	Carrying value
	Level 1	Level 2	Level 3		
Assets measured at fair values					
Trading investments					
Equity securities	-	1,484,547	-	1,484,547	1,484,547
Available-for-sale investments					
Equity securities	2,258,552	-	-	2,258,552	2,258,552
Debt securities	-	4,324,662	-	4,324,662	4,324,662
Warrants	7	-	-	7	7
Assets for which fair values were disclosed					
Cash and cash equivalents	231,190	-	-	231,190	231,190
General investment	-	-	4,914	4,914	1,714
Investments in subsidiary	-	-	4,915	4,915	4,915
Policy loans	-	-	577,696	577,696	522,004
Mortgaged and other loans - net	-	-	688,682	688,682	603,881

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

The methods and assumptions used by the Group in estimating the fair value of financial instruments are as follows:

- (a) The fair values of financial assets having short-term maturity, which are cash and short-term deposits at financial institutes, are estimated to approximate their carrying values.
- (b) Investments in debts securities are determined for fair values using the yield curve as announced by the Thai Bond Market Association.
- (c) Investment in equity securities are determined for fair values according to market prices or using the net asset value per unit as announced by the fund managers. In case of non-marketable equity securities, the fair value is generally determined using generally accepted pricing model or approximated to their net book values if the fair value cannot be reliably estimated.
- (d) The fair value of policy loans is estimated from the present value of cash flows discounted by zero coupon bonds.
- (e) The fair value of mortgaged loans is estimated from the present value of cash flows discounted by an average retail lending rates of 5 commercial banks.

36. Capital management

The primary objectives of the Group's capital management are to ensure that they have appropriate financial structure to preserve the Group's ability to continue their businesses as a going concern and to maintain capital in accordance with Declarations of the Office of Insurance Commission.

37. Reclassification

The Company reclassified certain line items for more appropriate comparison with current year's financial statements. However, such reclassifications had no effect to previously reported loss for the year or owners' equity. The reclassification was as follows:

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	For the year ended 31 December 2018	
	As reclassified	As previously reported
Statements of income		
Revenues		
Net investment revenues	380,914	371,483
Fair value losses	(22,220)	(12,789)
	<u>358,694</u>	<u>358,694</u>

38. Events after the reporting period

On 11 March 2020, the Meeting No. 9/2020 of the Executives Committee resolved to approve the issuance of the Company's additional 80 million ordinary shares at a par value of Baht 6.25 each, or a total of Baht 500 million to existing shareholders at the ratio of 1 existing share to 0.1167031 new ordinary shares for the purpose of meeting the Capital Adequacy Requirement as required by the Office of Insurance Commission.

39. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of directors on 23 March 2020.