CHARANINSURANCE ANNUAL REPORT 2019

Annual Report 2019
Charan Insurance Public Company Limited

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

CHAIRMAN'S MESSAGE

Through 2019, the Charan Insurance Public Company Limited continued to operate under its vision, mission and goal of being an insurer that delivers service excellence and sustainable shareholder value. The Company attaches importance to product development and information technology enhancement in increasing its competitiveness to accommodate expansion of the business and future changes in the insurance industry.

The Company's annual results for 2019 were down owing to a 250% increase in the number of compulsory motor insurance (PorRorBor) policies sold which had low premiums but high coverage thus resulting in a high level of claims. During the reporting year, the Company also participated in the Crop Insurance Scheme and the 2019 production year saw serious damage caused by the most severe drought in 50 years in the northern and northeastern regions covering 519,266 rai of land. The provinces suffering the most damage were Khon Kaen, Chaiyaphum, Chiang Rai and Phetchabun, respectively. The Scheme was created following the measure introduced by the government to manage the risk of disaster damage to rice farmers. It was aimed at enabling farmers to have access to crop insurance and raising their awareness of the benefits of insurance as a risk management tool. As a result, we had to settle insurance claims as per the coverage agreed under contracts of insurance and the losses incurred from crop insurance were within the acceptable level.

On business plans, we expect to have a 0.15% share of the market in 2020 and will continue to seek new and more diverse marketing alliances to increase our distribution channels for boosting direct premiums. The Company is working to develop a new customer base through electronic sales channels by enhancing its IT systems and personnel skills as well as optimizing available resources.

In terms of internal management and governance, the Company focuses on maintaining a balanced organization at all levels, from Board level to executive and staff levels, under the corporate vision of "Charan's promise gives the public peace of mind." The Code of Corporate Governance has also been adopted as guidelines for good management. We give priority to ongoing capacity building for our personnel so that they receive appropriate training and development and can apply the knowledge gained in line with the Company's goals and strategies. We take good care of our people so as to maintain corporate stability and achieve efficiency within the organization.

Finally, on behalf of the Board of Directors, I would like to thank all our shareholders, stakeholders, staff and executives. The Board will remain committed to conducting the business under ethical and good governance principles in driving the Company towards sustainable growth.

Sopon Kluaymai Na Ayudhya

Sopon Klaraymai na Syndhyn

Chairman of the Board

BUSINESS POLICY AND OVERVIEW

The Company aims to conduct its business with a view to providing quality service for customers, building a strong financial base, promoting good governance practices, delivering solid and sustainable value to the organization and its shareholders and to achieving higher returns for all shareholders. The Board of Directors is responsible for setting the vision and mission of the Company so that the executives and the staff share a common goal and direction. Over 2019, the Board reviewed and ensured that the organization's vision, mission, goals and strategies were appropriate and in alignment with the business operations.

Vision

"Charan's promise gives the public peace of mind."

Mission

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

Goals

Our primary aim is to develop products that are diverse and can reach customers and prospects at all levels and to provide information and increase underwriting efficiency in addressing the needs of and creating maximum satisfaction for the insured. To fulfil the aim, the Company has developed appropriate plans to accommodate future changes, while also broadening knowledge necessary for the organization to be the most trusted insurer by 2021. We have established the goal of boosting premiums written by 5% and achieving steady, sustainable growth to accommodate our business expansion in 2021, by setting ourselves the following goals.

- Marketing goal: The Company will develop smartphone-based products/services to enable the insured to choose the products that better suit their needs and to appeal to a wider customer base - a key factor in promoting the insurance business of the Company.
- Operational goal: We develop our personnel and technologies at the same time so as to increase efficiency in our services.
- Investment goal: The Company will consider more diverse investment options with acceptable level of return and risk which are permitted under the Investment in Other Businesses Notification of the Office of Insurance Commission (OIC). The objective is to provide a new direction for boosting the Company's results in addition to the insurance business.

Background and Milestones

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

In 1975: the Company was re-registered under the new name of "Charan Insurance Company Limited".

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

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

1991: The Company increased its registered capital to 30.0 million baht.

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

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

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

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

Today, Charan Insurance Public Company Limited is located at Charan Insurance Building, 408/1 Samsen-Nok, Huaykwang, Bangkok 10310, telephone 02-276-1024, website: www.charaninsurance.co.th. The Company is moving steadiy into its 70th year of operations with authorized paid-up share capital of 120.0 million baht listed on the Stock Exchange of Thailand under registration number 0107537000807 (formerly Bor Mor Jor 327).

NATURE OF BUSINESS

The business operations of Charan Insurance Public Company Limited are divided into two areas,

1. Underwriting

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

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

The Company operates four main classes of non-life insurance underwriting, i.e. fire insurance, marine cargo and logistics insurance, miscellaneous insurance and motor insurance.

2. Investment

As a non-life insurer, the Company is permitted to use its surplus funds to invest or seek returns as another major source of income. When choosing investments, we always consider the level of risk acceptable to the organization. We also ensure that the investments are liquid enough to be easily changed into cash when needed. All our investments conform strictly to the types, proportions and conditions statutorily required under the Office of Insurance Commission's Notification Re: Investment in Other Businesses by Non-Life Insurers (No. 2), B.E. 2558 (2015). The Company's investments consist of loans, securities, bills, bonds, ordinary shares, debentures and bank deposits.

Revenue Structure

The Company's revenue is made up of two major components, i.e. premium income and investment income. A comparative breakdown of income for the years ended 31 December 2019, 2018 and 2017 is shown below.

	2019		2018		2017	
Line of Business	Value (ml bht)	Percentage (%)	Value (ml bht)	Percentage (%)	Value (ml bht)	Percentage (%)
1. Net premiums written *				_		_
1.1 Net fire premiums	29.07	7.10	30.29	16.51	31.69	16.43
1.2 Net marine premiums	5.41	1.32	5.62	3.05	5.33	2.76
1.3 Net motor premiums	303.53	74.14	102.43	55.81	108.04	56.00
1.4 Net miscellaneous premiums	17.42	4.26	17.51	9.54	16.90	8.76
Total	355.43	86.82	155.85	84.91	161.96	83.95
2. Investment income	20.10	4.91	20.19	11.00	20.77	10.76
3. Other income	33.86	8.27	7.51	4.09	10.20	5.29
Total	409.39	100.00	183.55	100.00	192.93	100.00

Market and Competitive Environment

The Thai economy is likely to decelerate in 2020 with growth weaker than forecast and considerably lower than capacity level. This is due to the coronavirus outbreak, the delay in the annual budget act and severe drought which will impact on related businesses and employment on a large scale. Tourism is expected to be significantly down from projections and exports are trending downwards as a consequence of the economy of trading partners and possible effects on regional production chain. On domestic demand, government spending looks set to slow down from the delayed and highly uncertain promulgation of the annual budget act. Furthermore, private consumption will sustain the pressure of negative trend in household income in the service, agricultural and manufacturing sectors, while household debt is at a high level. The government and the Bank of Thailand have introduced a number of targeted fiscal measures in response to the situation.

Monetary conditions have been easing up, with the real interest rate remaining at a low level and government bond yields going down. Financial market liquidity is high, while private-sector credit is likely to slow down in line with economic trends. As for exchange rates, the baht has weakened against the currencies of trading partners and rival countries but still does not correspond to Thailand's economic fundamentals and is expected to fluctuate.

Investment in industries is projected to be similar to the level in 2019. The focus in 2020 will be on research and development for innovative products and information technology as well as investment in automation systems for long-term efficiency gains and cost savings.

The non-life insurance industry is forecast by many agencies to have 1.5 - 3.0% premium growth, reflecting the country's economic expansion. As regards the raising of compulsory motor coverage effective from April 2020, "Mr. Anon Wangwasu", President of the Thai Insurance Association, predicts that there will be little effect as death compensation rates are relatively low compared to repairs and replacement parts - especially for brand-new cars under mall garage repair coverage. Premiums for cars insured under mall garage coverage will likely have to be adjusted up by at least 10%. On overall economic challenges, it is hoped that during the second half of 2020, there will be improvement or clarity on the trade war direction. Thai exports will probably improve, while state mega-projects will resume, thus leading indirectly to private investment such as real-estate developments along city rail routes, major roads or even high-speed train routes. All businesses will be connected into one system, everything will improve and tourism will continue to grow. Such factors will benefit other segments of insurance business, e.g. property insurance, home fire insurance, marine insurance and travel insurance, etc.

Price competition in 2020 "remains aggressive". "Mr. Jiraphan Asawathanakul" is of the view that every company is trying to secure higher renewal rates through direct selling, and getting renewal business through dealers or finance companies may become tougher. No-claim drivers are entitled to 1-2% premium discount, although coverage level will be increased.

It can be seen that, in 2020, premiums for new types of insurance may not grow substantially, and motor premiums will be adjusted up for those products currently operated at a loss. The planned health insurance plus low-income welfare card still awaits the government's finalization as to the welfare/benefits to be included.

Market Segmentation and Market Share

Unit: million baht

Details	Fire	& L	e Cargo ogistics irance	Motor Insurance		Miscellaneous Insurance					Total
Details	Insurance	Hull	Cargo	Compulsory	Voluntary	All-risks	Third-Party Liability	Personal Accident	Health	Other	Premiums
Direct premiums volume	35.83	-	8.19	299.66	20.04	25.16	0.31	1.22	-	20.84	411.25
Direct premiums as percentage of total premiums	8.71%	0%	1.99%	72.87%	4.87%	6.12%	0.07%	0.30%	0%	5.07%	100.00%

As regards market segmentation in 2019, Charan Insurance Public Company Limited sold a total of 433,846 insurance policies – a year-on-year increase of 213.70%, adding up to a combined sum insured of 53,005466,000 million, a 4.57% decrease from 2018.

Unit : baht

Type of Insurance	Numbe	r of Policies	s Sold	Direct	Estimated		
Type of Insurance	2018	2019	Rates %	2018	2019	Rates %	Market Share*
Fire	8,343	7,834	-6.10%	37,053,755.24	35,826,413.02	-3.31%	0.347%
Marine cargo & logistics	3,523	3,345	-5.05%	9,899,946.00	8,185,362.00	-17.32%	0.156%
Compulsory motor	119,467	418,141	250.01%	83,166,305.37	299,661,349.58	260.32%	1.652%
Voluntary motor	5,748	3,272	-43.08%	24,494,822.00	20,042,708.00	-18.18%	0.017%
All-risks	451	458	1.55%	26,292,010.50	25,155,771.00	-4.32%	0.106%
Liability	38	47	23.68%	274,603.45	310,788.45	13.18%	0.010%
Accident	497	517	4.02%	1,214,318.00	1,215,967.00	0.14%	0.005%
Other miscellaneous	231	232	0.43%	2,207,275.00	20,840,497.06	844.17%	0.208%
Fire	138,298	433,846	213.70%	184,603,035.56	411,238,856.11	122.77%	0.180%

Estimated market shares as of 30 September 2019 from https://www.oic.or.th/th/industry/statistic./data/39/2

Market outlook

For 2020, the Company lowers its premiums target by 12%, as it predicts a drop in compulsory motor (PorRorBor) premiums due to stiff competition and increased coverage. We therefore aim to expand more into the miscellaneous insurance market, with an overall market share target of 0.15%. Despite a projected fall in PorRorBor premiums, we still have a new market alliance comprising strong policy-selling networks of brokers and agents which is considered a major force in helping to boost our direct premiums and in developing diverse distribution channels. The Company will also continue to maintain its quality service for customers and business partners and to increase efficiency in operational management, particularly in risk management so as to minimize any risks that could affect or cause damage to the organization, its customers or the insured or its business partners.

Target market

Year 1 (2020)	Year 2 (2012)	Year 3 (2022)
economy will likely slow down. We are therefore trying to retain the existing customer base and attract new customers through online insurance channels by enhancing IT systems, developing	Innovating new products to be more suitable to each specific business or consumer group, while also developing electronic channels of service access through IT system enhancement, personnel development and optimization of existing resources.	more suitable to each specific business or consumer group, while also developing electronic channels of service access through IT system enhancement, personnel development and optimization of

In 2019, there were a total of 62 companies in Thailand's non-life insurance market. Of these, one was a jointly-owned company established pursuant to the Road Accident Victims Protection Act, B.E. 2535 (1992). The non-life insurance industry is forecast to have generated an aggregate of 177,499 million baht in direct premiums.

Direct Premiums Written by Non-Life Insurance Industry

Unit: Million Baht

	Direct Premiums				
Type of Insurance	2019	2018	Increase (Decrease) %		
Fire	7,753	7,850	(1.24)		
Marine	4,135	4,192	(1.36)		
Hull	322	281	14.60		
Cargo	3,813	3,910	(2.02)		
Motor	102,197	99,803	5.40		
Voluntary	91,201	86,204	5.80		
Compulsory	13,996	13,599	2.92		
Miscellaneous	60,414	57,680	4.74		
All-risks	16,772	16,128	4.00		
Liability	2,065	1,993	3.61		
Personal accident	22,328	21,392	4.38		
Health	7,994	7,008	14.07		
Others	9,513	9,458	0.58		
Total	177,499	169,525	4.70		

Direct Premium Written as of 19 November 2019 as Quarter 3 from https://www.oic.or.th/th/industry/statistic./data/39/2

Strategy and Competition

The Company is aware of the impact of domestic and global economic conditions and changes to industry regulations, and of the need to satisfy international regulatory requirements. We have thus placed great emphasis on efficient management by assessing our risk-based capital adequacy and applying the assessment results to plan our 3-5 year business and capital management strategies in ensuring maximum benefit to all our stakeholders. Our business goals are aimed not only at achieving results, but also at weighing value against risk in each area as well as the long-term effects on our capital funds and the benefit to all stakeholders. To build up customer confidence and serve the growing future market, we have therefore focused on developing insurance innovations and expanding our business through quality, customer-oriented products while avoiding price competition. Our approach includes: operating with good governance and effective management towards sustainable growth; diversifying channels of distribution; enhancing service and personnel quality; improving IT systems and adopting new technologies to increase work efficiency and effectiveness and support the expanding business. These measures will help us ensure efficient provision of quality services that promptly meets customers' needs and reach a wider group of consumers.

Products and Services

Our business operations include four lines of insurance products, as follows.

1. Fire insurance

is the insurance underwriting of constructions (excluding foundations) buildings, houses, townhouses, shophouses, commercial buildings, manufacturing plants and/or building contents, stock of merchandise, furniture as well as machinery and equipment. Fire insurance is divided into:

- Home fire insurance covers property loss or damage caused by fire, lightning (including damage to electrical appliances and equipment arising from lightning-caused short circuit), explosion, vehicle impact, aircraft impact, water damage due to accidental discharge, leakage or overflow of water or steam (with protection against 4 natural disasters, i.e. storm, flood, earthquake or volcano eruption or tidal wave or tsunami and hailstorm, of up to 20,000 baht / year for actual damage caused by all disasters). Coverage can also be extended to include rent for temporary dwelling (as per the terms of home fire insurance).
- Fire insurance is the protection against property loss or damage caused by fire, lightning and explosion of lighting- or domestic-use gas. Coverage against additional perils such as explosion, water damage (excluding flood) windstorm, electrical damage is provided only when specifically stated in the insurance policy.

2. Marine cargo and logistics insurance

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

3. Miscellaneous insurance

provides protection against loss or damage arising from perils other than those covered by fire insurance, motor insurance or marine insurance. We offer the following types of miscellaneous insurance products:

- Property Insurance
- Leasehold Contingency Insurance
- Construction Insurance
- Machinery Breakdown Insurance
- Electronic Equipment Insurance
- 200 Microinsurance
- Personal / Group Overseas Travel Insurance
- Cancer Insurance
- Money Insurance
- Product Liability Insurance
- Plate Glass Insurance
- Hazardous Substance Road Transport Liability
 Insurance
- Fidelity Guarantee
- All-Risks Insurance
- Pre-trial Bail Bond Insurance
- Billboard Insurance
- Workmen's Compensation Insurance
- Insurance for Specific-Purpose Motor Sea-craft (Rental Jet Ski)

Surveyors Professional Indemnity Insurance

- Business Interruption Insurance (on all-risks policy)
- Small-Business All-Risks Insurance
- Contractors' Equipment Insurance
- Boiler and Pressure Vessel Insurance
- Personal / Group Accident Insurance
- Travel Accident Insurance
- Tour Operators & Guides' Travel Accident Insurance
- Third-party Liability Insurance
- Burglary Insurance
- Category 3 Licensed Business Liability Insurance
- Compulsory Lodging Tenants' Insurance
- In-season Rice and Corn insurance
- Gold Shop Insurance
- Golfers Insurance
- Terrorism Property Insurance
- Post-trial Bail Bond Insurance
- Watercraft Passenger Insurance
- Unemployment Insurance
- Directors and Officers Indemnity Insurance
 - Unnamed Driver and Passenger Accident Insurance
- Elderly Care Insurance

4. Motor insurance

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

- Compulsory insurance refers to the minimum insurance that the owner of each vehicle is required to have in accordance with the Road Accident Victims Protection Act, B.E. 2535 (1992) and is thus called "Road Accident Victims Protection Insurance" or "PorRorBor Insurance". According to the Act, any person who uses or owns a vehicle for use must take out PorRorBor insurance (except those vehicles exempted by the Act, e.g. vehicles of the Bureau of the Royal Household, vehicles for the monarch's use, ministerial or government departmental vehicles, etc.) or face a penalty up to 10,000 baht.
- Voluntary insurance refers to the type of insurance that is taken out voluntarily by vehicle owner to cover against damage to the vehicle itself and/or the legal liability of the insured towards any third party. Voluntary coverage can be classified into the following five categories:
- Category 1: covers legal liability towards any third party for death, bodily injury and damage to health or property as well as loss of or total or partial damage to the insured vehicle that is caused by accident, theft and fire.
- Category 2: covers legal liability towards any third party for death, bodily injury and damage to health or property as well as loss of or damage to the insured vehicle that is caused by theft and fire.
- Category 3: covers legal liability towards any third party for death, bodily injury and damage to health and property.
 - Category 4: protects against legal liability for third-party property only.
- Category 5: covers legal liability towards any third party for death, bodily injury and damage to health or property as well as loss of or damage to the insured vehicle and its accessories or fixtures, that is caused by road traffic collision where the other party is involved.

FINANCIAL SUMMARY

A summary of key financial information of Charan Insurance Public Company Limited for the years ended 31 December 2019, 2018 and 2017 is shown below.

Unit: Thousand Baht

	2019	2018	2017
Financial Position			
Total Assets	900,350	799,506	807,480
Total Liabilities	371,788	222,998	205,429
Shareholders' Equity	528,562	576,507	602,051
Operating Results			
Gross Premiums	414,856	188,683	198,869
Net Premiums	355,427	155,854	161,956
Net Losses Incurred	122,264	63,833	57,855
Investment Income	20,103	20,194	20,769
Operating Expenditure	46,227	43,297	46,447
Net Profit (loss)	(31,051)	6,200	13,292
Per-Share Value (Baht)			
Earnings (loss) per Share	(2.59)	0.52	1.11
Dividend per Share	0.50	0.50	1.00
Book Value per Share	44.05	48.04	50.17
Financial Ratios (%)			
Return on assets	(3.65)	0.77	1.65
Return on Investment	2.87	2.98	3.06
Return on Equity	(5.62)	1.05	2.22
Payout Ratio	119.31	96.15	90.09

GENERAL INFORMATION

Company Name Charan Insurance Public Company Limited

Company Symbol **CHARAN**

Registration Number 0107537000807 (Bor Mor Jor 327)

Type of Business Non-life insurance

Head Office Charan Insurance Building, 408/1 Rachadapisek Road,

Samsen-Nok, Huaykwang, Bangkok 10310

Telephone : 0-2276-1024

Facsimile 0-2275-4919

E-mail charanins@charaninsurance.co.th

URL www.charaninsurance.co.th

120.0 million baht Registered Paid-up Capital

Comprising 12,000,000 ordinary shares

Par value 10.0 baht

Khon Kaen Branch 377/1-3 Moo 12, Tambon Muang-Kao,

> Amphur Muang, Khon Kaen Telephone: 0-4347-2295-6

Chiang Mai Branch 280-280/1 Moo 6, Chiangmai-Hangdong Road,

Tambon Mae-Hia, Amphur Muang, Chiang Mai,

Telephone: 0-5380-6616-8

Krabi Branch : 305/9 Maharaj Road, Tambon Paknam,

> Amphur Muang, Krabi Telephone: 0-7562-4083-4

Other References:

Registrar Thailand Securities Depository Company Limited

> 93 Rachadapisek Road, Dindaeng, Bangkok 10400 Telephone: 0-2009-9000 Facsimile: 0-2009-9991

Auditors : Mrs. Suvimol Krittayakiern, CPA Registration No. 2982

> and/or Miss Somjintana Pholhirunrat, CPA Registration No. 5599 and/or Mr. Chumpot Prairattanakorn, CPA Registration No. 7645 and/or Miss Supaporn Mangjit, CPA Registration No. 8125

of DIA International Auditing Company Limited

316/32 Sukhumvit 22 Road, Klongtoey Bangkok 10110

Telephone: 0-259-5300-2

Financial Adviser None

RISK FACTORS AND RISK MANAGEMENT

The Charan Insurance Public Company Limited has always made risk management a high priority in order to protect the interests of the insured, the beneficiaries and other claimants and to deliver solid longterm value to our shareholders. As its business is concerned directly with accepting and managing risks, the Company has set up a Risk Management Committee to be responsible for managing, monitoring and controlling risks to be within acceptable levels, and for supporting the performance of the Board based on the established risk management framework and policy as well as good corporate governance. The Committee also has responsibility for developing the organization's risk management processes and continuously improving their efficiency and appropriateness. Furthermore, we have a risk monitoring and review process to ensure that risks are controlled to an appropriate and acceptable level. However, the Company is still faced with major risks which could impact upon its operations and financial position, and each area of such risks is monitored and reported to the Board by the Risk Management Committee on a quarterly basis. The risk factors identified and controlled by the Company in 2019 cover eleven areas of risks, as follows.

1. Strategic Risk

Strategic risk refers to the risk that policies, strategies and operating plans are formulated and implemented in such a way that is not appropriate to or not consistent with internal factors, external circumstances or changes in society, technology and public expectations, thus possibly affecting the attainment of corporate vision or the financial and capital position or financial results of a company.

The Company manages strategic risk by ensuring consistency of all strategic and operating plans with corporate vision and by monitoring implementation of such plans. We also set a system of warning of likely deviation from the formulated plans so as to realign them to such changing circumstances as changes in economic or political situation, competition or applicable statutory requirements. The Company has a focus on improving its information technology and process efficiency and on developing its people to be a powerful force in driving the achievement of the organization's strategies.

As the current competition in the non-life insurance market becomes increasingly fierce, there is the risk that our premium income may drop or may not be as projected. The Company has developed measures to manage such risk which include focusing on offering untapped, profitable products and expanding online business to extend our reach to target customers.

2. Insurance risk

Insurance risk refers to the risk arising from unpredictability of frequency, severity and timing of damage that deviate from the assumptions made in premiums pricing, reserves calculation and insurance underwriting.

The insurance risk that could affect the business operations is insurance claims as they represent major expenditure with potential effect on the Company's performance. Another example of insurance risk is the risk of unbalanced mix of insurance products.

We manage insurance risk through formulation of insurance underwriting policy and reinsurance management strategies and ensuring that they are reviewed on an annual basis. There is a systematic underwriting process which emphasizes acceptance of perils with low degree of risk as well as careful selection of prospective clients, property, types of business and exposure of risks to be accepted and assessment of the area's vulnerability to natural disasters. These factors would be considered based on data and statistics collected before premiums are set appropriately according to the risk and these rates may be adjusted depending on domestic and overseas market conditions. All underwriting criteria are also reviewed and revised to suit competition in the market. The Company also mitigates insurance risk by transferring those large risks to financially sound domestic and overseas reinsurers under different forms of reinsurance contracts such as treaty reinsurance, facultative reinsurance and excess of loss reinsurance. Such arrangements enable the Company to minimize insurance risk and ensure rigorous, systematic processes for managing claims and calculating reserves accurately according to actual loss.

3. Market risk

Market risk refers to the risk arising from movements in interest or exchange rates, or values of investment assets, equity instruments and money market instruments, and commodity prices.

Market risk factors for the Company include movements in share index as a consequence of domestic and international economic situations, as well as fluctuations in interest and exchange rates or values of equities and commodities. This is due to the fact that, apart from premium income, the other main source of revenue for us is income from investment. The Company is therefore faced with the risk of changes in financial instrument values resulting from changes in market factors, which can impact upon its revenue and capital position.

The Company manages market risk by formulating an investment policy which clearly defines the make-up of its bond-equity portfolio. Our investments are in accordance with the Office of Insurance Commission's Regulation Re: Investment in Other Businesses by Non-Life Insurers, B.E. 2562 (2019) which specifies the types and proportions/limits of securities and instruments permissible for investment. Our Investment Committee is responsible for setting specific investment goals and policies, and our careful planning takes account of any potential risks involved in investment. We focus on investing in low-risk, highly reliable securities with regular, appropriate returns, while avoiding high-risk investments such as speculative equities. The Company has its investments diversified across different asset types, i.e. bank deposits, bills, bonds, debentures and ordinary shares, as they not only generate capital gains but also produce returns in the forms of interests and dividends. Moreover, we closely follow and analyze financial and capital market news and information in order to review and revise the investment plan and adjust the investment portfolio to the constantly changing conditions.

4. Credit risk

Credit risk refers to the risk arising from the failure by a counterparty to meet its obligations to a company, and the possibility that a counterparty's credit rating is downgraded.

Factors to consider for credit risk include failure by reinsurers to repay paid claims to the Company when these are demanded as per the obligations under reinsurance contracts. This is because when underwriting large businesses, it is our policy to spread and share the risks with other domestic and overseas

insurers under reinsurance contracts and thus, we are exposed to the risk that the counterparty is unable to meet the contractual obligations. In addition, there is probability that the credit rating of a counterparty is lowered – a situation that can produce adverse effects on our business.

To manage credit risk, we have adopted the measures of considering the credit rating and financial stability of overseas reinsurers, entering into reinsurance contracts with only those on the "A-" and above credit rating lists and following such ratings regularly to ensure up-to-the-minute information. With regard to domestic reinsurers, we opt to consider those insurers with a minimum capital adequacy ratio of 150%, as per the capital adequacy report of the latest quarter before the date of our assessment. The Company also manages credit risk by setting aside, before and after reinsurance cession, sufficient loss reserves to cover losses incurred and not yet incurred. We have obtained extra protection through excess of loss reinsurance contracts as well as engaging the services of reinsurance agents and brokers to help identify reliable domestic and overseas reinsurers that meet our criteria. We further keep under quarterly review the capital adequacy ratios of domestic reinsurers and the credit ratings of overseas reinsurers.

5. Liquidity risk

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

Liquidity risk factors that could adversely affect the operations include the occurrence of unexpected large-scale damage caused by disastrous catastrophe which may prevent the Company from meeting its liabilities or obligations as they fall due.

The Company manages liquidity risk by allocating part of its investment funds to bank deposits, bills and short-term bonds which are highly liquid and suit the needs for cash and for meeting existing obligations. The funds are also invested in highly liquid marketable securities which can be easily changed into cash at prices similar to fair value. Furthermore, we comply with the regulations of the Office of Insurance Commission (OIC) by maintaining an acceptable level of risk-based capital, i.e. at a minimum ratio of 180% which is higher than the OIC's required level of 140%. The aim is to provide assurances that our capital funds are sufficient to cover all risks and appropriate to our business direction, while also helping to raise the standards of the insurance industry through conformity to international practices.

6. Operational risk

Operational risk refers to the risk of loss resulting from lack of effective oversight or good corporate governance or effective controls relating to internal processes, personnel, systems, information technology, data security or external events.

Examples of operational risk incident include rapid changes to a large number of rules, regulations or requirements of regulatory agencies which could result in the personnel or those concerned being unaware of or failing to comply properly with the new regulations.

We manage operational risk by: giving priority to and maintaining effective internal controls; assigning sufficient and suitable staff and specialists to every function to ensure all processes are efficient and staff are able to cover or substitute for one another thereby maintaining operational continuity; arranging for personnel to receive training to gain work-related skills and knowledge; and continuously

improving processes to suit changing conditions. In addition, the Company has a Compliance Department responsible for keeping up to date on regulatory changes, for communicating to all personnel the rules and regulations issued by regulators and for monitoring strict compliance with such requirements. Each department is also required to be responsible for its own operational risk management and for increasing, among their own staff, awareness of and positive attitude towards management of all risks. In terms of information technology, data security or external events, the Company has set its data security policy and guidelines and formulated a business continuity plan which will enable the organization to mitigate any potential impact and continue the business even in an emergency.

7. Reputational risk

Reputational risk refers to the risk of damage to corporate reputation due to negative perception of a company among customers, partners, shareholders and/or regulating bodies.

Factors to consider for reputational risk would be delay in settling insurance claims within the period required by law or regulations which may result in the Company's being negatively perceived by customers or business partners.

The Company manages reputational risk by adhering to good governance principles. We also focus on maintaining a good image with customers, business partners, shareholders and regulators through our strict compliance with applicable laws to prevent any penalty or fine which could affect the stability, financial position and reputation of the Company.

8. Information technology risk

Information technology risk refers to the risk potentially arising from IT utilization in the operations which may affect the systems or activities of a company, and the risk of cyber threats.

Examples of information technology risk incident are cyber threats from the use of the Internet for communication of the Company.

In order to manage IT risk, we have formulated our data security policy and guidelines for rigorous compliance by all personnel. Firewalls have been installed to control and restrict access to data or detect internal and external intrusion, making the Internet safe from cyber threats. Antivirus software has also been installed on all computers in the organization to protect data - the core of our business - from being attacked or destroyed.

9. Catastrophe risk

Catastrophe risk refers to the risk of loss caused by one event or series of events on a large scale that could result in a substantial deviation in actual claims from forecast claims.

The risk factors that could have an adverse effect on the operations would be underwriting of risk exceeding the capacity limit for each geographical risk area.

The Company manages the risk by making reinsurance contracts with reinsurers with credit rating of A- and above in order to allow for potential catastrophe risk. We also have the policy of underwriting only those areas with low risk of catastrophe and of employing information technology to monitor and prevent exceeding of capacity limit for each geographical risk area.

10. Group risk

Group risk refers to the risk that a company may be negatively affected by risk events (either of financial or non-financial nature) arising from member(s) of its corporate group. It also includes the risk relating to the solvency of the whole corporate group or member(s) of the group affected by a member's event which could either be an internal event within the group or an external one.

The Company is not impacted by group risk, as it has neither subsidiaries nor associated companies and does not belong to any group of companies.

11. Emerging risk

Emerging risk refers to the risk of loss that may have never occurred or never been experienced and is difficult to quantify in terms of frequency and severity because of uncertainties and changes in such conditions as politics, law, society, technology, physical environment and natural changes.

The operations of the Company can be affected by emerging risk that has never arisen or never been experienced and is difficult to quantify in terms of impact.

We have adopted measures to manage emerging risk by establishing a Risk Management Committee and a Risk Management Working Group that are well prepared for dealing with the risk. Incident Report has been introduced to record unusual events and to identify real causes of each incident and timely action to remedy and restore the situation. The report is also designed to record all aspects of incidents as well as preventive and remedial steps so as to enable each department/office to monitor and improve processes in ensuring normal operations.

REPORT OF THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee has discharged its duties as stipulated in the Risk Management Committee Charter and in line with statutory and regulatory requirements as well as the Company's corporate governance guidelines. During 2019, the Committee held a total of five meetings to perform its functions which can be summarized under the following 11 categories of risk.

- 1. Strategic risk: The risk was reviewed against such factors as: the core strategy for optimizing available resources which led to renegotiations of service agreements with significant reduction in fees/charges and better services from vendors and which could be extended to all areas of work to increase the organization's overall efficiency; and the Company's capital adequacy ratio as at 31 December 2019 which stood at 262% and was regarded as being within acceptable level and higher than the OIC's minimum requirement of 120%.
- 2. Insurance risk: The risk was reviewed against the overall ratio of claims to earned premiums of 45% as at 31 December 2019 and was considered to be within the acceptable level. As for underwriting expenses for the year which exceeded the requirement, the Company has taken steps to reduce the expenditure to the required level.
- 3. Market risk: Having considered the rate of return of 2.74% as at 31 December 2019, the Committee concluded that the rate was within the acceptable level and higher than the OIC's standard of 1%.
- 4. Credit risk: The reviews of credit ratings of overseas and domestic reinsurers as at 31 December 2019 found that capital adequacy ratios of domestic reinsurers were higher than 200% while overseas reinsurers' credit was rated A- and above. The risk was thus within the acceptable level.
- **5. Liquidity risk:** Based on the Company's liquidity ratio of 893% as at 31 December 2019, it was agreed that the ratio was within the acceptable level and higher than the standard required by the OIC of 100%.
- **6. Operational risk:** The risk was reviewed and considered to be within the acceptable level, based on the premium receivable ratio as at 31 December 2019 of 99% which was higher than the OIC's standard of 80% and on the incident report which revealed no operational incident in 2019.
- 7. Reputational risk: The number of complaints received from business partners or the insured was found to be very small and within the acceptable level. All issues have also been rectified without any impact on the Company's reputation.
- **8. Information technology risk:** As neither event affecting the Company's systems or activities nor event of cyber threat was detected in 2019, the risk was considered to be within the acceptable level.
- **9. Catastrophe risk:** The risk was assessed against the number of incident and loss caused by large-scale event which results in substantial deviation in actual claims from forecast. As no such incident occurred in 2019, the risk is regarded as being within the acceptable level.

- 10. Emerging risk: Assessments during 2019 identified no incident that had never occurred or never been experienced. This area of risk is therefore within the acceptable level.
- 11. Group risk: As the Company is not connected with any group of companies, this type of risk has no impact on the Company's operations.

The reviews of the Company's overall risks found that the organization continued to have adequate and effective risk management plans for controlling various types of risk in its activities. Having reviewed the organization's risk management performance over the reporting year, the Risk Management Committee is of the opinion that the risk management framework and policy in place remain effective for the Company's business operations.

Sukich Charanvas

Chairman of the Risk Management Committee

SHAREHOLDING STRUCTURE

Shareholders

The list of the top ten shareholders of Charan Insurance Public Company Limited, with number and percentage of shares held as at 20 March 2020, is set out below.

	Name	Number of Shares held	Percentage of Shares held
1. Mr. Sukich	Charanvas	2,167,944	18.07
2. Mr. Vichien	Srimuninnimit	1,089,700	9.08
3. Mr. Kittipong	Charanvas	718,100	5.98
4. Mr. Kitti	Charanvas	692,000	5.77
5. Bangkok Insurance Public Company Limited		578,000	4.82
6. Mr. Sittichai Kueakiatngam		568,200	4.74
7. Mrs. Elizabeth	Charanvas	467,200	3.89
8. Mr. Nibhond	Charanvas	412,800	3.44
9. Ms. Veerada	Kueakiatngam	400,000	3.33
10. Thai NVDR Co	mpany Limited	239,200	1.99

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

Dividend Policy

It is the policy of the Company to distribute not less than 60% of its net profit to shareholders as dividends. In 2014, the Company posted a net after-tax profit of 21.58 million baht. The Annual General Meeting of the Shareholders held on 29 April 2015 passed a resolution to approve a dividend of 12.50 baht a share, totalling 75.0 million baht, with details as follows: 1) It was resolved that 6.0 million bonus ordinary shares at par value of 10.0 baht each be distributed to the Company's shareholders at the rate of one new share for every one existing share; the bonus shares had a total value of 60.0 million baht or equal to a dividend of 10.0 baht a share. 2) It was also resolved that a cash dividend of 2.50 baht per share for six million shares totalling 15.0 million baht be paid to the shareholders. Both the share dividend and the cash dividend were paid out on 22 May 2015. The Annual General Meeting of the Shareholders held on 28 April 2017 resolved to approve a dividend, on 2016 results, of 1.50 baht per share for 12 million shares totalling 18.0 million baht which was paid out on 26 May 2017. The Annual General Meeting of the Shareholders held on 26 April 2018 passed a resolution to approve a dividend, on 2017 results, of 1.00 baht per share for 12 million shares totalling 12.0 million baht which was scheduled to be paid on 25 May 2018. The Annual General Meeting of the Shareholders held on 24 April 2019 resolved to approve a dividend, on 2018 results, of 0.50 baht per share for 12 million shares totalling six million baht which was payable on 24 May 2019. On 24 February 2020, the meeting of the Board resolved to recommend that a dividend of 0.50 baht a share for 12 million shares totalling six million baht be paid from the Company's retained earnings.

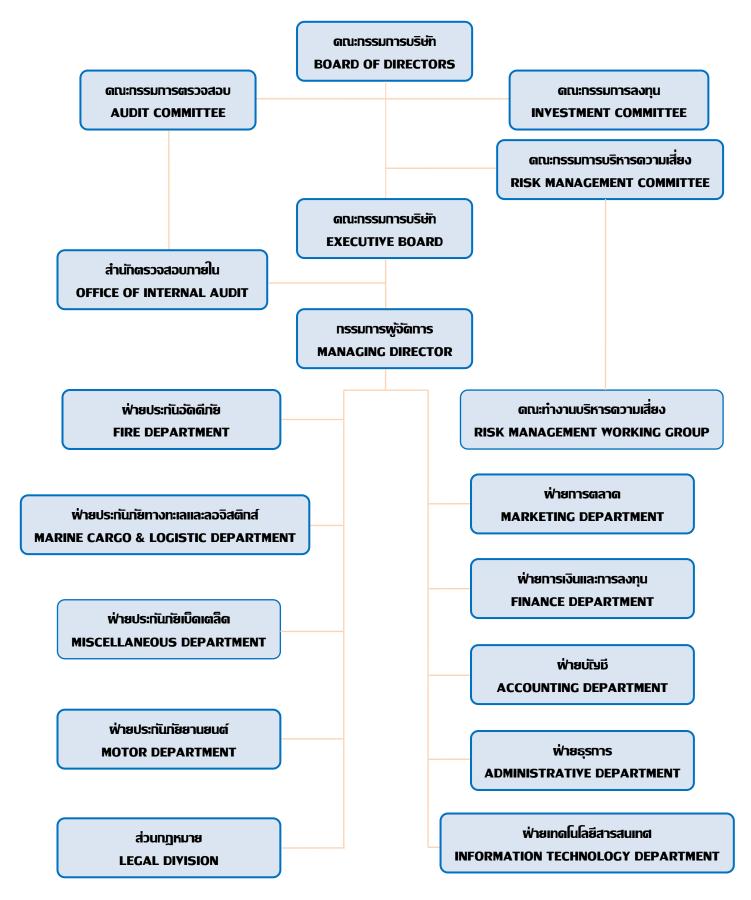
Five-Year Comparison of Dividends Paid

Year	2019*	2018	2017	2016	2015
Net profit per share (baht)	(2.59)	0.52	1.11	2.12	3.00
Dividend per share (baht)	0.50	0.50	1.00	1.50	2.00
Payout ratio (%)	119.31	96.15	90.09	70.75	66.77

^{*}The above dividend is subject to approval by shareholders at the Annual General Meeting No. Bor Mor Jor 27 on 27 April 2020, and is scheduled to be paid on 27 May 2020.

ORGANIZATION STRUCTURE

Organization structure of Charan Insurance Public Company Limited as at 31 December 2019



Board of Directors

Mr. Sopon Kluaymai Na Ayudhya

Age 68

Position

• Chairman of the Board

Date of appointment

17 January 2008

Educational Background

- Master of Business Administration, Texas Christian University, U.S.A.
- Bachelor of Business Administration, Chiang Mai University

Training Courses

Director Certification Program (DCP) 105/2008,
 Thai Institute of Directors (IOD)

CHARAN shareholding as at 31 December 2019

Self: None Spouse: None

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

Chairman of the Board
 Charan Insurance Public Company Limited

Criminal records in the past ten years

Mr. Sompol Chaiyachow

Age 73

Mrs. Poodpong Arsingsamanunta

Age 71

Position

- Chairman of the Audit Committee
- Independent Director

Date of appointment

17 January 2008

Educational Background

- Master of Business Administration, Texas ADI University, U.S.A.
- Bachelor of Business Administration, Texas ADI University, U.S.A.

Training Courses

• Director Accreditation Program (DAP) 45/2005, Thai Institute of Directors (IOD)

CHARAN shareholding as at 31 December 2019

Self: None Spouse: None

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

• Chairman of the Audit Committee and Independent Director, Charan Insurance Public Company Limited

Criminal records in the past ten years

None

Position

- Member of the Audit Committee
- Independent Director

Date of appointment

22 September 2006

Educational Background

- Master of Business Administration in General Management, Ramkhamhaeng University
- Bachelor of Commerce and Accountancy (Finance and Banking), Thammasat University

Training Courses

• Director Accreditation Program (DAP) 45/2007, Thai Institute of Directors (IOD)

CHARAN shareholding as at 31 December 2019

Self: None Spouse: None

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

• Member of the Audit Committee and Independent Director, Charan Insurance Public Company Limited

Criminal records in the past ten years

Mr. Vorayuth Charoenloet

Age 71

Position

- Member of the Audit Committee
- **Independent Director**

Date of appointment

13 June 2002

Educational Background

- Master of Economics. Pittsburg State University, U.S.A.
- Master of Economics (honours), University of Delhi, India

Training Courses

• Director Accreditation Program (DAP) 45/2005, Thai Institute of Directors (IOD)

CHARAN shareholding as at 31 December 2019

Self: 0.01% Spouse: None

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

• Member of the Audit Committee and Independent Director, Charan Insurance Public Company Limited

Criminal records in the past ten years

None

Mr. Sukich Charanvas

Age 74

Position

- Managing Director
- Executive Director
- Secretary to the Board of Directors

Date of appointment

1 January 1974

Educational Background

- Master of Civil Engineering, California State University at Long Beach, U.S.A.
- Bachelor of Civil Engineering, California State University at Long Beach, U.S.A.

Training Courses

• Director Accreditation Program (DAP) 39/2005, Thai Institute of Directors (IOD)

CHARAN shareholding as at 31 December 2019

Self: 18.07% Spouse: 3.89%

Family relationship with any executive

Father of Mr. Kittiping Charanvas (Director) and Mr. Kitti Charanvas (Executive)

Position in other Company

None

Experience in the past five years

• Managing Director, Executive Director and Secretary to the Board of Director, Charan Insurance Public Company Limited

Criminal records in the past ten years

Mr. Pon Titipanichayangoon

Age 70

Mr. Kittipong Charanvas

Age 46

Position

- Executive Director
- Manager, Motor Department

Date of appointment

1 July 1985

Educational Background

• Vocational Certificate, Bangkok Commercial College

Training Courses

- Director Accreditation Program (DAP) 40/2005, Thai Institute of Directors (IOD)
- Insurance Management Development Program (IMDP) 7/1996, General Insurance Management Development Institute, Thammasat University

CHARAN shareholding as at 31 December 2019

Self: 0.83% Spouse: 0.07%

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

• Executive Director and Motor Department Manager Charan Insurance Public Company Limited

Criminal records in the past ten years

None

Position

- Executive Director
- Assistant Managing Director

Date of appointment

1 February 2005

Educational Background

 Bachelor of Science in Business Administration - General Management, City University of Seattle, U.S.A.

Training Courses

• Insurance Management Development Program (IMDP) 14/2006, General Insurance Management Development Institute, Thammasat University

CHARAN shareholding as at 31 December 2019

Self: 5.98% Spouse: None

Family relationship with any executive

Son of Mr. Sukich Charanvas (Managing Director)

Position in other Company

None

Experience in the past five years

 Executive Director and Assistant Managing Director, Charan Insurance Public Company Limited

Criminal records in the past ten years

Executive Officers

Mr. Kitti Charanvas

Age 49

Position

• Assistant Managing Director for Marketing

Date of appointment

19 March 2014

Educational Background

Bachelor of Arts in Business Management,
 Whitwort University, U.S.A.

Training Courses

 Insurance Management Development Program (IMDP) 22/2016,

General Insurance Management Development Institute, Chulalongkorn University

CHARAN shareholding as at 31 December 2019

Self: 5.77% Spouse: 0.07%

Family relationship with any executive

Son of Mr. Sukich Charanvas (Managing Director)

Position in other Company

None

Experience in the past five years

 Assistant Managing Director for Marketing, Charan Insurance Public Company Limited

Criminal records in the past ten years

None

Mr. Kosit Angkasuwan

Age 49

Position

 Assistant Managing Director for Risk Management

Date of appointment

1 April 2018

Educational Background

- Master of Science in Applied Mathematics,
 King Mongkut's University of Technology
 Thonburi
- Bachelor of Science in Information Technology,
 King Mongkut's University of Technology
 Thonburi

Training Courses

• Insurance Management Development Program (IMDP) 20/2014,

General Insurance Management Development Institute, Chulalongkorn University

Information System Audit and Control Course,
 Information Systems Audit and Control Association

CHARAN shareholding as at 31 December 2019

Self : None Spouse : None

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

 Assistant Managing Director for Risk Management,
 Charan Insurance Public Company Limited

Criminal records in the past ten years

Miss Sudarat Wiwattanadej

Age 66

Miss Kantawan Trisaksuriyan

Age 64

Position

Accounting Manager

Date of appointment

1 December 1981

Educational Background

• Bachelor of Accounting, University of the Chamber of Commerce

Training Courses

• Insurance Management Development Program (IMDP) 5/1993,

General Insurance Management Development Institute, Thammasat University

CHARAN shareholding as at 31 December 2019

Self: 0.01% Spouse: None

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

• Accounting Manager, Charan Insurance Public Company Limited

Criminal records in the past ten years

None

Position

• Finance Manager

Date of appointment

1 July 1985

Educational Background

 Bachelor of Business Administration, Dhonburi Rajabhat University

Training Courses

• Insurance Management Development Program (IMDP) 5/1993,

General Insurance Management Development Institute, Thammasat University

CHARAN shareholding as at 31 December 2019

Self: 0.01% Spouse: None

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

• Finance Manager Charan Insurance Public Company Limited

Criminal records in the past ten years

Mrs. Somjai Bunditkitsada

Age 63

Position

• Manager, Fire Department

Date of appointment

Educational Background

• Diploma, Bangkok Commercial College

Training Courses

• Insurance Management Development Program (IMDP) 7/1996,

General Insurance Management Development Institute, Thammasat University

CHARAN shareholding as at 31 December 2019

Self: None Spouse: None

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

• Manager, Fire Department, Charan Insurance Public Company Limited

Criminal records in the past ten years

None

Miss Punrada Ayucharoenkul

Age 55

Position

Manager, Miscellaneous Department

Date of appointment

15 March 2004

Educational Background

• Diploma, Ratchadamnern-Thonburi College

Training Courses

• Insurance Management Development Program (IMDP) 11/2002,

General Insurance Management Development Institute, Chulalongkorn University

CHARAN shareholding as at 31 December 2019

Self: None Spouse: None

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

• Manager, Miscellaneous Department, Charan Insurance Public Company Limited

Criminal records in the past ten years

Mr. Wisith Limcharoensuk

Age 74

Position

• Manager, Marine Cargo and Logistics Department

Date of appointment

3 December 2007

Educational Background

• Vocational Certificate, Bangkok Technical Institute

Training Courses

CHARAN shareholding as at 31 December 2019

Self: 0.03% Spouse: None

Family relationship with any executive

Position in other Company

None

Experience in the past five years

• Manager, Marine Cargo and Logistics Department, Charan Insurance Public Company Limited

Criminal records in the past ten years

None

Mr. Nopadol Suwankareekul

Age 49

Position

• Manager, Information Technology Department

Date of appointment

13 March 1994

Educational Background

- Master of Business Administration (Finance & Banking), Sripatum University
- Bachelor of Business Administration (Computer), Sripatum University

Training Courses

CHARAN shareholding as at 31 December 2019

Self: None Spouse: None

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

• Manager, Information Technology Department, Charan Insurance Public Company Limited

Criminal records in the past ten years

Mrs. Promporn Lamdabpang

Age 49

Position

• Manager, Administration Department

Date of appointment

4 January 2012

Educational Background

• Bachelor of Business Administration in Accounting, Chandrakasem Rajabhat University

Training Courses

CHARAN shareholding as at 31 December 2019

Self: None Spouse: None

Family relationship with any executive

None

Position in other Company

None

Experience in the past five years

• Manager, Administration Department, Charan Insurance Public Company Limited

Criminal records in the past ten years

Detail of Directors

Board of Directors

As at 31 December 2019, the Board of Directors was composed of seven members in accordance with the Company's Articles of Association re: board of directors which stipulate that the number of directors shall be not less than five and that at least half of the directors must be residents of the Kingdom. The Chairman of the Board was not the same person as the chief executive of the Company so that there were a clear separation of roles and proper balance of power. In conducting the business, the Directors were required to perform their duties in accordance with the law, the Company's objectives and Articles of Association as well as the resolutions of shareholders with care and honesty to protect the interests of the organization.

The Board and Management structure provided an adequate system of checks and balances on the basis that:

- a. the Board was composed of three Independent Directors, or 42.9% of total Board membership, three Executive Directors and one Non-Executive Director, or 14.3% of total Board membership;
- the Audit Committee, consisting of three Independent Directors, had the responsibilities as stipulated by the regulations of the Stock Exchange of Thailand and the Audit Committee Charter;
 - c. there was specific delegation of authority between the Board and the Management.

Board Composition

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

	Name	Position
1. Mr. Sopon	Kluaymai Na Ayudhya	Chairman of the Board
2. Mr. Sompol	Chaiyachow	Chairman of the Audit Committee and Independent Director
3. Mrs. Poodpong	Arsingsamanunta	Member of the Audit Committee and Independent Director
4. Mr. Vorayuth	Charoenloet	Member of the Audit Committee and Independent Director
5. Mr. Pon	Titipanichayangoon	Executive Director
6. Mr. Kittipong	Charanvas	Executive Director And Assistant Managing Director
7. Mr. Sukich	Charanvas	Managing Director, Executive Director, and Secretary to the Board

Authorized signatories

The Board may designate any Director(s) or any other person(s) to undertake any task on its behalf and in such cases the signatures of any two of the following three authorized Directors, i.e. Mr. Sukich Charanvas, Mr. Pon Titipanichayangoon and Mr. Kittipong Charanvas, together with the Company seal, would be required to be binding upon the Company.

Authority of the Board of Directors

The Board of Directors has the authority to approve corporate matters within its responsibilities prescribed by law or by the Company's Articles of Association, Board of Directors Charter and shareholders' resolutions. This includes the authority to set and review the Company's vision, mission, operating strategy and plan, risk management policy and annual business plan, to define business and strategic goals, to monitor and evaluate performance against plans, and to consider investment spending and material related-party transactions.

Duties and responsibilities of the Board of Directors:

- 1. Determine policies, vision, mission, strategies, goals and direction of the Company as well as overseeing the effective and efficient implementation of established policies by the Management;
- 2. Set policies on corporate governance and social responsibility including anti-fraud and corruption policy as well as ensuring that such policies are efficiently applied;
- 3. Consider and decide upon significant matters concerning the Company's operations such as business policies and plans, management authority, acquisition or disposal of assets and any other statutory transactions, except where such matters or transactions require the approval of a general meeting;
- 4. Consider the appointments of members of Board committees, e.g. the Audit Committee, the Executive Board and/or any other sub-committee or recommending their appointments to the general meeting for approval, by taking account of qualification and disqualification criteria for committee membership prescribed by securities and exchange laws;
- 5. Consider and endorse the nominations and appointments to the Management, of qualified candidates with knowledge and competences suitable for the roles and experience beneficial to the organization;
- 6. Consider the appointment / removal of company secretary to assist the Board of Directors in the discharge of its responsibilities to ensure that the Company operates in accordance with applicable laws, rules and regulations;
- 7. Oversee the appropriate system of internal controls and risk management that ensures an acceptable level of risks and effective achievement of objectives as well as conformity with the law, the Company's standards and Articles of Association and with the best practice principles of honesty, justification and prudence;
- 8. Monitor and evaluate the Management's performance on a regular, continuous basis in ensuring successful implementation of plans and strategies.
- 9. Consider and recommend Directors' remuneration and annual dividend payout for the approval by a general meeting;

- 10. Determine the framework and policy on salaries, pay rises, bonuses and remuneration for staff and executives;
- 11. Oversee the organization's drive for innovation and technology adoption to develop capacity for increasing business opportunities and enhancing the operations; oversee the Company's IT risk management and ensure: that there is ongoing compliance with IT-related laws, regulations and standards; that data security measures are in place to protect the confidentiality, reliability and availability of data and to safeguard against improper use or unauthorized modification of data; and that there are measures to deal with incidents affecting IT system's security in ensuring the organization's ability to achieve its principal aim and objective;
- 12. Convene an annual general meeting of shareholders within four months of the end of each accounting year by stating the date, time, venue and agenda of the meeting as well as proposed dividend (if applicable) and the Board's opinions on matters put forward to shareholders;
- 13. Oversee the efficiency of the Company's accounting system as well as the accuracy, objectivity and completeness of its financial reporting and disclosures of significant information including resolutions and minutes of general meetings, while also ensuring that all financial statements, annual reports, and Annual Registration Statements (Form 56-1) reflect accurately the Company's financial position, financial liquidity and operating performance in a timely, adequate manner and in accordance with applicable regulations and that complete records are maintained for future inspection.

Role and duties of the Chairman of the Board:

- Oversee, monitor and ensure that the Board performs its duties efficiently to achieve the organization's principal aim and objective;
- 2. Chair all Board meetings and general meetings and ensure that each meeting is conducted in accordance with the Company's Articles of Association and the published agenda, while also encouraging all Directors to engage in promoting the Company's ethical culture and good corporate governance;
- Set board meeting agenda in consultation with the Managing Director and ensure that important matters are included; have the casting vote where there is an equality of votes at a board meeting;
- 4. Allocate sufficient time for matters proposed for thorough discussions by Directors; encourage Directors to exercise prudent judgement and express independent opinions;
- Strengthen good relationships between Executive and Non-Executive Directors and between the Board and the Management.

Managing Director

Authority and Responsibilities of the Managing Director:

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

Managing the business in accordance with the Company's objectives, Articles of Associations and delegated authority as well as resolutions of Board meetings, while having authority over all staff and employees of the Company. In the management of the operations, the Managing Director is responsible to the Board of Directors.

- 2. Setting terms of employment for staff/employees as well as issuing orders and notifications concerning day-to-day and operational management of the Company in line with corporate rules, Board resolutions, the labour law and other applicable laws.
- On business/activities involving external parties, the Managing Director and the signatory Directors are authorized to act on behalf of and bind upon the Company within the scope of the delegated authority specified under paragraph 1 above. However, if the Managing Director or the authorized Director(s) is an interested party or constitutes a conflict of interest with the Company in such transactions, then the transactions can only be conducted with the approval and resolution of a Board meeting attended only by Independent Directors. In this respect, the Managing Director and the signatory Directors may designate any person to undertake a particular task or transaction on their behalf.
- 4. Ensuring that any transactions over his authorized limit must be submitted to the consideration and approval of the meeting of the Board according to the Company's Articles of Association or other applicable laws.
- 5. Employing, appointing, promoting and terminating staff and employees, assigning them to posts as well as raising their salaries, and taking disciplinary measures against them where appropriate. These do not include, however, any staff members or employees where established rules specifically mandate that employment, appointment, assignment of post and taking of disciplinary action in respect of such staff are under the authority of the Board of Directors.
- 6. Managing the operations in accordance with the statutory rules and provisions, i.e. the Civil and Commercial Code, the law governing non-life insurance business, the Non-Life Insurance Act, the Public Limited Companies Act and other applicable laws in force currently and in the future. In addition to integrity and fairness, the Managing Director is required to discharge his duties with the best of his ability and prudence in achieving the Company's established objectives.

Board Committees

As at 31 December 2019, the Company had four committees of the Board, i.e. the Executive Board, the Audit Committee, the Investment Committee and the Risk Management Committee, as described in detail below.

Executive Board

As at 31 December 2019, the Executive Board consisted of Executive Directors appointed by the Board of Directors, as listed below. The term of appointment of its members expires according to the individual director's term of office.

Name		Position	
1. Mr. Sukich	Charanvas	Managing Director,	
		Executive Director,	
		and Secretary to the Board	
2. Mr. Pon	Titipanichayangoon	Executive Director	
3. Mr. Kittipong	Charanvas	Executive Director	

Authority of the Executive Board

The authority of the Executive Board and the authority delegated to other persons as it deems appropriate, does not include authority or delegated authority to approve any transaction to which any of its members or their related person is an interested party or which may be in conflict with the Company's interests or any transaction which is conducted out of the normal course of the Company's business. Such transactions are subject to consideration and approval by the meeting of the Board and/or the meeting of shareholders as prescribed by the Company's Articles of Association or by applicable law.

Duties and responsibilities of the Executive Board:

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

Audit Committee

As at 31 December 2019, the Audit Committee was comprised of three Independent Directors named below, who fully meet the qualification criteria established by the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. All members of the Committee are recognized for their expertise and experience, and Mrs. Poodpong Arsingsamanunta is also a qualified accounting professional skilled and experienced in reviewing the reliability of financial statements.

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

Authority of the Audit Committee

- 1. Having authority to scrutinize and investigate the persons concerned for more or clearer information within the scope of its authority and duty;
- 2. Having authority to engage the services of specialists to assist with audit work as the Committee deems appropriate.

Duties and responsibilities of the Audit Committee

- 1. Review and ensure the accuracy and objectivity of the Company's financial reports as well as the adequacy of disclosures;
- 2. Review and ensure the appropriateness and effectiveness of the Company's systems of internal control and internal audit; assess the independence of the internal audit unit as well as recommending the appointment or removal of the head of internal audit;
- 3. Review compliance by the Company with the law governing securities and exchange, regulations and notifications of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand as well as all other laws, rules and regulations applicable to the Company and/or its business;
- 4. Consider and recommend, to the meeting of the Board, the appointment of independent persons as external auditors to the Company as well as the approval of the auditors' remuneration; meet with the auditors at least once a year, without the participation of the Management;
- 5. Consider and ensure compliance of related-party transactions and potential conflict-of-interest transactions with the law governing securities and exchange as well as regulations and notifications of the Stock Exchange of Thailand or all other laws applicable to the Company and/or its business in providing assurance that all transactions are justified and conducted in the best interests of the Company;
- 6. Prepare an audit committee report, for consideration by the Board and for inclusion in the Company's annual report, which shall be signed off by the Committee Chairman and shall include the following information, at a minimum:
 - (a) Opinion on the accuracy, completeness and reliability of the Company's financial reports;
 - (b) Opinion about the adequacy of the Company's internal control system;
 - (c) Opinion on compliance with the law governing securities and exchange, regulations and notifications of the Stock Exchange of Thailand and other laws relevant and applicable to the Company and its business;
 - (d) Comments on the suitability of the auditors;
 - (e) Opinion about transactions with potential conflict of interest;
 - (f) Number of meetings held by the Audit Committee and attendance by each Committee member at such meetings;
 - (g) Overall opinion on the Audit Committee's performance in accordance with the Committee Charter:
 - (h) Other matters considered useful to shareholders and general investors that falls within the scope of the Committee's responsibilities delegated by the Board.
- 7. Review and recommend, for the Board's consideration, any revision of the authority and responsibilities of the Audit Committee to suit changing circumstances;

- 8. In the event that the Audit Committee discovers or suspects any of the following acts or transactions which could materially impact on the Company's financial position or performance, it shall immediately report such act/transaction to the Board of Directors so that remedial action can be taken:
 - (a) transaction involving conflict of interest;
 - (b) fraud or irregularity or material weakness in the internal control system;
 - (c) violation of securities and exchange law or the Stock Exchange of Thailand's regulations and notifications or any laws applicable to the Company and/or its business;

If the Board of Directors or the Management does not take any remedial action, a member of the Audit Committee may report the act or transaction discovered to the Office of Securities and Exchange Commission or to the Stock Exchange of Thailand.

- 9. Review compliance with the Companay's anti-corruption policy and measures to provide assurance of the adequacy of internal controls;
- 10. Review regularly the Company's anti-corruption policy so as to recommend appropriate policy revisions for approval by the Board;
 - 11. Undertake any other tasks delegated by the Board and mandated in the Company's policy.

Investment Committee

As at 31 December 2019, the Investment Committee was made up of Executive Directors and executive officers appointed by the Board of Directors, as listed below. The term of appointment of committee members expires according to the individual director's/officer's term of office.

Name		Position
1. Mr. Sukich	Charanvas	Managing Director
		Executive Director
		Secretary to the Board
2. Mr. Pon	Titipanichayangoon	Executive Director
		Manager, Motor Department
3. Mr. Kittipong	Charanvas	Executive Director
4. Miss Sudarat	Wiwattanadej	Accounting Manager
5. Miss Kanyawan	Trisaksuriyan	Finance Manager

Role and responsibilities of the Investment Committee

- Developing, for approval by the Board of Directors, an investment policy framework; 1.
- Ensuring that investment plans are in line with the Board-approved policy framework and risk management policies as well as meeting the requirements of the OIC and applicable laws;
 - Devising guidelines on investment risk management; 3.
 - Drawing up the Company's investment procedures; 4.
 - Overseeing and ensuring that the Company's investments are in accordance with the 5.

investment policy framework, the investment plans and procedures, and the risk management policies approved by the Board;

- Reviewing and revising the investment policy framework and investment plans to suit the changing circumstances before submitting them to the Board for approval;
 - Approving investments in securities;
 - 8. Approving general loans;
 - Approving sale of immovable property.

Risk Management Committee

As at 31 December 2019, the Risk Management Committee was composed of Executive Directors and executive officers appointed by the Board of Directors, as listed below. The term of appointment of committee members expires according to the individual director's/officer's term of office.

Name		Position
1. Mr. Sukich	Charanvas	Managing Director
		Executive Director
		Secretary to the Board
2. Mr. Pon	Titipanichayangoon	Executive Director
3. Mr. Kittipong	Charanvas	Executive Director
4. Miss Kanyawan	Trisaksuriyan	Finance Manager
5. Mr. Kosit	Angkasuwan	Assistant Managing Director
		for Risk Management

Authority and responsibilities of the Risk Management Committee

- 1. Defining, and presenting to the Board of Directors for approval, the Company's risk management framework and policy which must cover at least the following significant risks:
 - 1.1 Strategic Risk
 - 1.2 Insurance Risk
 - 1.3 Market Risk
 - 1.4 Credit Risk
 - 1.5 Liquidity Risk
 - 1.6 Operational Risk
 - 1.7 Reputational Risk
 - 1.8 Information Technology Risk
 - 1.9 Catastrophe Risk
 - 1.10 Emerging Risk
 - 1.11 Group Risk (where applicable)

The scope of risk management must cover the following core activities of the Company:

- (1) insurance product development, and premium rating / pricing
- (2) selling / offering for sale (of insurance products), and premium collection;
- (3) insurance underwriting;
- (4) insurance reserving;
- (5) claims management;
- (6) reinsurance;
- (7) investment in other businesses;
- (8) asset–liability management;
- (9) outsourcing (if applicable)
- 2. Assessing the adequacy, efficiency and effectiveness of the Company's risk management;
- 3. Meeting regularly once every quarter, at a minimum, to monitor status of and changes in the Company's risks as well as progress in risk management implementation and to make recommendations for improvements; and reporting results of its meetings to the Board of Directors at least quarterly;
 - 4. Overseeing the overall risk related activities of the Company;
 - 5. Ensuring that the Company carries out its activities under the risk management policy;
 - 6. Formulating risk mitigation plans to deal with risks in emergencies.

Detail of Executive Officers, Employees and Personnel

Executive Officers

All executive officers are selected and appointed on the basis of their skills, suitability and experience in the insurance business to provide assurance that the new officers are able to perform their duties and execute on the established goals and objectives. The selection process is in accordance with the Company's human resource management rules and reported to the Board of Directors.

As at 31 December 2019, The Company has a total of nine executive officers as listed below.

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

Staff

The Board of Directors gives priority to staff's quality of life and always recognizes that the staff is a critical success factor for the organization. We have established guidelines for ensuring appropriate compensation and benefits for our staff in line with the Company's short- and long-term results by taking into account industry practices, the individual's competences, job responsibilities, as well as experience and skills required for the position. Our personnel are awarded pay rises based on inflation, gross domestic product growth rate and the Company's operating results.

In 2019, there was no significant change in the staffing level and there had never been any labour dispute since the Company's establishment.

•	Total r	number of company staff:	65
	Comprising:		
	-	Management function staff	6
	-	Operational function staff	41
	_	Support function staff:	18

- Total compensation and benefits for staff:
 - Salaries, bonuses and other compensation for 2019 totaled 35.06 million baht.
 - Staff benefits included healthcare, recreational welfare, provident fund, discounts on company products.

Company Secretary

The Board of Directors has appointed Mrs. Somporn Rasabutr, who is suitably experienced and qualified, as Company Secretary to have responsibility for: providing advice on legal and regulatory requirements which the Board needs to be aware of and comply with; organizing shareholders' meetings and Board meetings in accordance with the law, the Company's Articles of Association and codes of best practice; taking minutes of meetings and following up on implementation of meeting resolutions; communicating with and keeping shareholders informed of their rights and company news; coordinating the work and activities of the Board; and maintaining statutorily required documents.

Remuneration of Directors and Executives

Cash remuneration

- Directors' remuneration

The Company has a clear policy on directors' remuneration which ensures the setting of remuneration appropriate to the roles and responsibilities, as collectively considered by the Board based on such relevant factors as the size and expansion of the business, the Company's profit growth and comparability with industry peers. Remuneration of Directors is approved annually by the meeting of shareholders. Cash remuneration in the form of attendance fee is payable to the Directors on a per-meeting basis, as shown below.

Name of Director		Position	No. of Meeting Attended	Attendance fee	Directors' Annual fees	
1. Mr. Sopon	Kluaymai Na Ayudhya	Chairman of the Board	5/5	100,000	60,000	
2. Mr. Sompol	Chaiyachow	Audit Committee Chairman and Independent Director	5/5	75,000	40,000	
3. Mrs. Poodpong	Arsingsamanunta	Audit Committee Member and Independent Director	5/5	75,000	40,000	
4. Mr. Vorayuth	Charoenloet	Audit Committee Member and Independent Director	5/5	75,000	40,000	
5. Mr. Pon	Titipanichayangoon	Director	5/5	75,000	40,000	
6. Mr. Kittipong	Charanvas	Director	5/5	75,000	40,000	
7. Mr. Sukich	Charanvas	Managing Director Secretary to the Board	5/5	75,000	40,000	
	To	otal		550,000	300,000	

- Executive and staff compensation

The Company has established basis and criteria for executive and employee compensation. Our guidelines, which ensure appropriate compensation and benefits for staff in line with the organization's short- and long-term performance, takes into consideration industry practices, the individual's competences, job responsibilities, as well as experience and skills required for the respective position. Staff members are awarded pay rises based on inflation, gross domestic product growth rate and the Company's operating results.

Non-cash compensation

- 1. We have set up an employee provident fund into which staff members pay a contribution every month. The fund, managed by a licensed fund manager, is registered under and compliant with the Provident Fund Act.
- Staff benefits range from general/housing loans to medical and dental expense reimbursement to annual health check-up and annual outing or party.

CORPORATE GOVERNANCE

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

The Board of Directors of the Company consists of qualified, experienced members who are committed to discharging their duties with accountability, prudence and integrity and to fulfilling statutory requirements, the Company's objectives and Articles of Association as well as the resolutions of Board meetings and shareholders' meetings. The Board of Directors is responsible for: determining strategies, goals and annual plans; overseeing the appropriateness and adequacy of risk management and internal control systems; setting delegated authority levels appropriate to the Management's responsibilities; allocating resources and budgets; monitoring and evaluating corporate performance; and ensuring conformity of financial disclosures to established requirements. The Company attaches particular importance to internal control system as it is an essential mechanism for mitigating business risks, safeguarding its property against loss or misuse and for preventing fraud and misconduct within the organization. The Board and the Management perform their duties carefully and exercise rigorous controls to ensure compliance of the operations with applicable statutory provisions and regulatory frameworks. An Audit Committee that meets the requirements of the Stock Exchange of Thailand has also been established as a key component of good governance to help discharge the Board's oversight responsibility and to provide unbiased opinions on the Company's financial reporting and internal control system. The Company has adhered to the Corporate Governance Code (CG Code) principles and guidelines of the Stock Exchange of Thailand and the Office of Insurance Commission (OIC). Based on these standards, we have set down our good governance policy in promoting transparency, building confidence among investors and all stakeholders as well as preventing conflicts of interest. It is also our policy to ensure equitable treatment of all shareholders and stakeholders for the best interests of all parties, i.e. shareholders, customers, business partners and staff members. Our corporate governance principles and practices are set out below.

Principle 1 Principle 1.1 Recognize value creating leadership role and responsibility of the Board Understand leadership role and responsibility for good corporate governance

In ensuring optimum benefit for the Company and all shareholders, the Board is responsible for the discharge of its duties and is truly independent of the Management. There is clear separation of roles between the Board and the Management. The Board of Directors determines the Company's policies and oversees proper implementation of such policies in line with applicable statutory requirements and ethical standards, while the Management has responsibility for managing the activities of the organization in accordance with the established policies. Both roles take account of the following:

1.1.1 Defining of goals and objectives

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

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

1.1.2 Formulation of policies and strategies

The Board has instituted such policies as corporate governance policy, anti-corruption policy, ethical standards, and code of business ethics to be followed by members of the Board, the Management and the staff. These principles and guidelines are set down in writing and communicated to all Directors, executives and employees. Mechanisms for ensuring effective implementation of the policies are also adequately maintained through internal communication channels like the Company's website, noticeboards or other appropriate methods.

1.1.3 Monitoring and evaluation of results

The Board has the authority to approve the Company's affairs within the duties mandated by law, the Company's Articles of Association and regulatory agencies and to monitor and review results of the implementation of the established policies.

Principle 1.2 Perform governance role in pursuing sustainable value creation outcomes

- 1.2.1 The Board gives emphasis not only to financial results but also to clean and ethical competition framework that is in line with legal requirements and principles of transparency and fairness.
- 1.2.2 The Board focuses on ensuring that the Directors distinguish themselves as exemplars of leader and champion of a corporate culture based on ethical business with respect for and accountability to others and stakeholders as well as good governance principles, with a view to achieving the objective of creating sustainable value for the Company.
- 1.2.3 To ensure no adverse effects of the operations on society, the Board has established a Code of Business Ethics as guidelines for all Directors, executive officers and staff. The Code has been communicated in writing and posted on the Company's website.
- 1.2.4 To enable the business to adapt quickly to changing conditions, the Board ensures that Directors, executives and staff are well informed and prepared for any possible changes, while also monitoring implementation as well as reviewing policies on a regular basis.

Principle 1.3 Perform governance role in ensuring compliance

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

<u>Principle 1.4</u> Define and delegate authority and responsibility and monitor performance against delegated duties

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

Principle 2 Define principal aim and objective for sustainable value creation

<u>Principle 2.1</u> Define clear aims or objectives for creating sustainable value for the business, customers, stakeholders and society

The Board directs the activities of the Company while recognizing the corporate aims of earning customer trust and confidence: by defining corporate vision, mission, policies, strategies, goals and direction; by overseeing the Management's effective and efficient implementation of the established policies; and by seeking to make the company a non-life insurer with optimal level of trust and satisfaction under the vision of "Charan's promise gives the public peace of mind." and corporate policies of continuously improving operational efficiency and maintaining quality and service assurance. The Board also oversees the appropriate system of internal controls and risk management that ensures an acceptable level of risks and effective achievement of objectives as well as conformity with the law, the Company's standards and Articles of Association and with the best practice principles of honesty, reasonableness and prudence.

<u>Principle 2.2</u> Ensure that business goals and objectives are in line with the principal aim, and that innovations and technologies are utilized safely and appropriately

The Board oversees the Company's drive for innovation and technology adoption to build capacity for increasing business opportunities and improving the operations. The Board also oversees the organization's IT risk management and ensure that there is ongoing compliance with IT-related laws, regulations and standards, that data security measures are in place to protect the confidentiality, reliability and availability of information and safeguard against improper use of information or unauthorized

modification of information, and that there are measures to manage incidents affecting IT system's security in ensuring the organization's ability to achieve its principal aim and objective.

Principle 3 Strengthen Board effectiveness

<u>Principle 3.1</u> Determine and review the Board structure, in terms of size, composition and independent membership needed to lead the organization towards defined objectives

3.1.1 Director qualification criteria

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

3.1.2 Independent director qualification criteria

The Company has three independent members on the Board of Directors, as required by its Articles of Association. All three Independent Directors fully meet the requirements of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand and can work efficiently with other Board members while also being able to exercise their independent judgement. The requirements or qualification criteria for independent directors are as follows:

- (a) Not holding more than 1% of the total number of voting shares of the Company or any of its major shareholders or controlling parties; The number of shares held shall include those owned by any person related to such independent director.
- (b) Neither being an executive director, employee, staff member or adviser receiving regular compensation from, nor being a controlling person or major shareholder of the Company or its controlling party, either currently or within at least two years prior to appointment as independent director;
- (c) Not being a relation, either by blood or by law, of any director, executive, major shareholder, controlling party or any person being nominated as a director, executive or controlling party of the Company; A relation shall include father, mother, spouse, sibling and child including son- or daughter-in-law.
- (d) Not having any business relationships with the Company or any of its major shareholders or controlling parties in such a way that may prevent the exercise of independent judgement, and neither being nor having previously been a significant shareholder or controlling person of any party that has business relationships with the Company or any of its major shareholders or controlling parties, either currently or within at least two years prior to appointment as independent director;
- (e) Neither being an auditor to the Company or any of its major shareholders or controlling parties, nor being a significant shareholder (owning more than 10% of

the total number of voting shares, including those owned by any related person), a controlling person or a partner of an audit firm which is the affiliation of the auditors to the Company or to any of its major shareholders or controlling parties, either currently or within at least two years prior to appointment as independent director;

- (f) Neither being a provider of any professional services, including legal or financial advice, that receives payments exceeding two million baht per year from the Company or from any of its major shareholders or controlling parties, nor being a significant shareholder, a controlling person or a partner of such professional service provider, either currently or within at least two years prior to appointment as independent director;
- (g) Not being a director who has been appointed to represent any director or major shareholder of the Company, or any shareholder related to a major shareholder of the Company;
- (h) Neither engaging in any business of the same nature as or in significant competition with the business of the Company, nor being a significant partner of a partnership or an executive director, employee, staff member or adviser who receives regular compensation from or hold more than 1% of the voting shares of another company engaging in any business of the same nature as or in significant competition with that of the Company;
- (i) Not having any characteristics which could interfere with the exercise of their independent judgement on the Company's operations.

Board composition 3.1.3

The board structure is in accordance with the Corporate Governance Code, i.e. the number of directors shall be not less than five but shall not exceed twelve, and at least half of the directors must be residents of the Kingdom. There is an appropriate balance between executive and non-executive directors on the Board. No single person or group of persons is allowed to have sole decision-making authority to enable efficient governance as well as a good balance of power. Our gender-neutral Board consists of members who have diverse skills, expertise, experience and specializations beneficial to the organization as well as a good understanding of director's responsibilities and the Company's business operations. All Directors are ready to express their views in considering and making decisions by taking into account maximum benefit to the organization and fairness to shareholders, the insured or stakeholders, while being able to devote their time and efforts to the Company. The current composition of our Board of Directors is as follows:

- three Executive Directors;
- one Non-Executive Director;
- three Independent Directors serving on the Audit Committee (constituting 42.9% of total Board membership)

All seven members of the Board are suitably qualified and have no disqualifying characteristics under the law governing non-life insurance, i.e.

(a) Three out of seven members of the Board are Executive Directors.

- (b) The Chairman of the Board is a Non-Executive Director who plays an important role in making policy decisions resulting from Board meetings where business goals are considered and set in consultation with the Management. Apart from closely monitoring the Management's performance, the Non-Executive Director has oversight of corporate strategies and policies, oversees overall compliance with applicable laws and regulations, and is in charge of the efficient conduct of all Board meetings by encouraging active participation and independent views from all Directors.
- (c) As stipulated by its Articles of Association, the Company has three Independent Directors who meet all the requirements of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. The Independent Directors are able to work efficiently with all members of the Board and to express their opinions independently.

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

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

3.2.1 Board independence

The Board of Directors selects a suitable person as Chairman of the Board who must be an independent director and has no relationship with the Management in ensuring separation of roles from routine management.

3.2.2 Roles and duties of the Chairman and the Managing Director

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

(1) Role and duties of the Chairman as leader of the Company

- (a) Overseeing, monitoring and ensuring that the Board performs its duties efficiently to achieve the organization's principal aim and objective;
- (b) Chairing all Board meetings and general meetings and ensuring that each meeting is conducted in accordance with the Company's Articles of Association and the published agenda, while also encouraging all Directors to engage in promoting the Company's ethical culture and good corporate governance;

- (c) Setting board meeting agenda in consultation with the Managing Director and ensuring that important matters are included; having the casting vote where there is an equality of votes at a board meeting;
- (d) Allocating sufficient time for matters proposed for thorough discussions by Directors; encouraging Directors to exercise prudent judgement and express independent opinions;
- (e) Strengthening good relationships between Executive and Non-Executive Directors and between the Board and the Management.

(2) Role and duties of the Managing Director

- (a) Managing the business in accordance with the Company's objectives, Articles of Associations and delegated authority as well as resolutions of Board meetings, while being in charge of all staff and employees of the Company. In the management of the business, the Managing Director is responsible to the Board of Directors.
- (b) Setting terms of employment for staff/employees as well as issuing orders and notices concerning day-to-day and operational management of the Company in line with corporate rules, Board resolutions, the labour law and other applicable laws;
- (c) On business/activities involving external parties, the Managing Director and the signatory Directors are authorized to act on behalf of and bind upon the Company within the scope of the delegated authority specified under paragraph (a) above. However, if the Managing Director or the authorized Director(s) is an interested party or constitutes a conflict of interest with the Company in such transactions, then the transactions can only be conducted with the approval and resolution of a Board meeting attended only by Independent Directors. In this respect, the Managing Director and the signatory Directors may designate any person to undertake a particular task or transaction on their behalf.
- (d) Ensuring that any transactions over his authorized limit must be submitted to the consideration and approval of the meeting of the Board according to the Company's Articles of Association or other applicable laws;
- (e) Employing, appointing, promoting and terminating staff and employees, assigning them to posts as well as raising their salaries, and taking disciplinary measures against them where appropriate. These do not include, however, any staff members or employees where established rules specifically mandate that employment, appointment, assignment of post and taking of disciplinary action in respect of such staff are under the authority of the Board of Directors.
- (f) Managing the business in accordance with the regulations, procedures and stipulations prescribed by law, i.e. the Civil and Commercial Code, the law governing non-life insurance business, the Non-Life Insurance Act, the Public Limited Companies Act and other applicable laws in force currently and in the

future. In addition to integrity and fairness, the Managing Director is required to discharge his duties with the best of his ability and prudence in achieving the Company's established objectives.

3.2.3 Board committees

The Board of Directors has appointed committees to ensure that significant matters and specific areas of work are considered carefully and in detail and relevant information duly vetted. Each committee shall perform the duties assigned to it and shall submit its reports to the Board. The charter of each committee is approved by the Board of Directors. Required to meet at least quarterly, each committee has its role, responsibilities and composition clearly defined which are also set out in the Company's annual report.

Currently, four committees have been established by the Board:

- 1) The Executive Board
- 2) The Audit Committee
- 3) The Investment Committee
- 4) The Risk Management Committee

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

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

Principle 3.4 Determine remuneration of Directors

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

<u>Principle 3.5</u> Ensure all Directors are accountable for their duties and allocate sufficient time to discharge their responsibilities

- 3.5.1 The Board helps all Directors to gain full understanding of their roles and duties;
- 3.5.2 The Board has set a policy limiting the number of directorships that the Managing Director and each Director of the Company can hold, as follows:
- Each member of the Board is allowed to hold up to three directorships in other listed companies as per the regulations of the Stock Exchange of Thailand.
- The Managing Director is allowed to hold up to three directorships in other firms. However, such other positions must not hinder the discharge of his duties of Managing Director of the

Company and such other firms must neither be in the same industry as that of the Company nor in competition with the business of the Company. The Managing Director is also required to obtain prior approval from the Board before taking up a directorship with other company.

- 3.5.3 The Board has instituted policies and rules to prevent the use of inside information for personal gain by directors, executives and related parties. All Directors and executives of the Company, including their spouses and children under legal age, as well as the auditors are required to submit online a declaration of holding in the Company (Form 59-2) to the Office of the Securities and Exchange Commission within three days of the date of acquisition, selling or transfer of such shareholding, and to have the declaration published on the Company's website. The aim is to prevent any conflict of interest arising from their shareholdings and to ensure transparent disclosure under good governance principles. All Directors, executives and units/departments are also forbidden from disclosing any information which has not yet been made public to outside parties or unauthorized persons to prevent misuse of inside information.
- Every Director of the Company attended not less than 86% of the total number of Board meetings held during the reporting year.

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

Board's Self-assessment

Self-assessment is conducted by the Board of Directors at least once a year. The evaluation allows the Board to review its own performance as well as issues and challenges arising over the preceding year and helps to increase the Board's effectiveness, reflecting its conformity to the Corporate Governance Code. The assessment formats and criteria are as follows.

1) Overall Board performance assessment

The Board's collective performance is evaluated against six aspects: Board structure and qualifications; Board's role and responsibility; Board meetings; Board's performance of duties; Board-Management relationship; and Board and executive development.

2) Individual Director performance review (self-assessment)

Individual performance is appraised against three aspects: Board structure and qualifications; Board's role and responsibility; Board meetings.

3) Committee performance assessment

The assessment aspects are the same as individual director performance review.

The Company Secretary shall compile all assessment results to be presented to the Board so that the performance of the Board can be analyzed and fed back into further improvement. The procedures and results of performance reviews are disclosed in the annual report.

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

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

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

3.8.1 Board meetings

- The Board of Directors meets regularly and has its meeting scheduled for at least once every quarter (minimum of four meetings per year). Special additional meetings may also be held, when necessary, to consider financial statements, to discuss and set policies and to monitor performance. Every Director must always be ready to attend a Board meeting.
- Specific agenda including the date, time and location of the meeting along with supporting documents are sent to all Directors at least seven days in advance, except in exigent circumstances, to allow Board members sufficient time to peruse the information.
- Under the Company's policy, a vote at a meeting of the Board shall require a quorum of not less than two-thirds of the total number of Directors.
- The Board of Directors has access to significant information either from the Managing Director, the Company Secretary or other designated executives.
- The Board encourages the Managing Director to invite key executives to Board meetings to present details on matters they are directly responsible for, and to allow the Board to gain familiarity with the executives for succession planning purposes.
- At each meeting, the Chairman shall assign the Managing Director to present agenda items, allocate time for discussions and summarize issues for consideration by the Directors. Every member of the Board is encouraged and given the opportunity to express their views and opinions, all of which are gathered for decision-making and conclusion of the meeting.

3.8.2 **Company Secretary**

The Board of Directors has appointed a company secretary who has suitable qualifications and receives continuous training and development to assist with ensuring that the Company is managed most efficiently in accordance with the Corporate Governance Code. The duties and responsibilities of the Company Secretary are as follows:

- Providing advice and supporting the Company's work concerning legal requirements and procedures;

- Ensuring that the management of the Company conforms to the Corporate Governance Code, while also monitoring effective implementation of the Board's policies and recommendations;
 - Preparing and keeping documents and records;
- Ensuring that the Company, the Board of Directors and the Management comply with statutory requirements and regulations;
 - Communicating with shareholders and providing them with appropriate support;
 - Liaising with regulatory agencies.

<u>Principle 4</u> Ensure effective processes for top executive nomination and development and for personnel development

- <u>Principle 4.1</u> Maintain an effective process for nomination and development of Managing Director and key executives that ensures they possess the knowledge, skills, experience and qualities necessary for the organization to achieve its objectives
- 4.1.1 Despite the absence of a nomination committee, the Board has set the criteria for the selection of key executives based on the standards laid down by the Company, e.g. seniority, qualification, professional ethics and work experience. The Board would meet with the Managing Director to consider candidates against such criteria and final selection of a successful candidate is subject to agreement by the meeting of the Board.
- 4.1.2 The Company recognizes the importance of preparing the right people to be successors by putting in place a clear, efficient, transparent and accountable process of nomination. Consideration is given to those with suitable skills, specializations, experience, leadership skills and ethical behaviours. The aim is to provide our shareholders, investors and staff with assurances of continuity of the Company's business.
- 4.1.3 The Board encourages and supports the Managing Director and key executives in development and training to expand knowledge and experience relevant to their roles.

Principle 4.2 Ensure appropriate compensation structure and performance appraisal

- 4.2.1 The Board ensures that the compensation structure incentivizes the Managing Director, key executives and personnel at all levels to carry out their duties in support of the Company's principal objective and long-term value. This is achieved by:
- ensuring appropriate relation between salary-based compensation, e.g. bonus, and long-term operating results;
- adopting a compensation policy that takes account of industry peer standards and the Company's performance;
 - setting performance appraisal criteria and communicating them across the organization.
- 4.2.2 The Board plays a major part in determining the compensation of and in evaluating the performance of the Managing Director, through:
- agreeing performance appraisal criteria for the Managing Director based on the Company's principal objective and strategy and in line with its long-term value;

- appraising the performance of the Managing Director on an annual basis;
- approving annual compensation of the Managing Director, taking into consideration his performance and other factors;
- 4.2.3 The Board approves the performance appraisal indicators and criteria and compensation structure of key executives. The Board also ensures that the Managing Director evaluates the performance of key executives against the predetermined criteria and that there are clearly defined performance indicators and evaluation criteria for all personnel.

<u>Principle 4.3</u> Understand shareholder structure and relationships that may impact on the management and operations of the Company

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

<u>Principle 4.4</u> Monitor personnel management and development to ensure proper staffing and appropriately skilled, knowledgeable, experienced and motivated personnel

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

Principle 5 Foster innovation and responsible business

<u>Principle 5.1</u> Focus on and promote innovation that creates value for the business and delivers benefits to its customers, stakeholders, society and the environment

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

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

The Board respects the rights of all stakeholders of the organization. The Company's integrity and ethical conduct not only ensures that none of its activities is in violation of the rights of any stakeholder, but also provides an organization-wide direction for achieving the principal objective and

sustainable success. In this connection, the Board has adopted policies and practices on corporate responsibility to stakeholders, which can be summarized as follows.

5.2.1 Responsibility to employees and staff

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

5.2.2 Responsibility to customers

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

5.2.3 Responsibility to business partners

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

5.2.4 Responsibility to the environment

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

5.2.5 Responsibility to competitors

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

5.2.6 Responsibility to the public sector

The Company operates within the law and maintains good relationships with regulating agencies through open liaison and communication and ready cooperation with regulators' requests with the aim of demonstrating the organization's transparency and promoting mutual trust and confidence.

5.2.7 Anti-fraud and corruption

With fair and transparent conduct of business being our priority, we realize that fraud and corruption poses a major obstacle to social and economic development. This is because corrupt behaviours

create business unfairness which could dent the reputation and stability of the Company, thereby making it unacceptable to society. For this reason, we have adopted an anti-corruption policy to be strictly followed and complied with by our Directors, executives, staff members and all parties concerned.

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

- 5.3.1 The Board has a complete understanding of the varied resource needs of the different parts of the operations, ranging from financial to production, human and natural resources, and has therefore entrusted the Management with the appropriate and sufficient allocation of resources in ensuring smooth running of the business.
- 5.3.2 The Board understands the wide-ranging impact of the business model on resources and thus determines the optimization of resources on the basis of ethical, responsible creation of sustainable value.
- 5.3.3 The Board ensures that the Company's resources optimization is reviewed, adapted and improved, with external factors always taken into consideration, in achieving the principal corporate aim and objective.

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

- The Board has entrusted the Information Technology (IT) Department with the responsibility for devising all IT-related strategies of the organization by taking into account the actual operational needs and by developing backup plans to support insufficient resources allocation. The Department is also responsible for improving and bringing the Company's IT systems up to date so as to keep pace with the industry and increase opportunities for the business.
- The Board ensures that the enterprise risk management framework covers IT risk 5.4.2 management. The Information Technology Department Manager is required to submit a risk report to the Risk Management Committee on a regular basis.
- The Board has adopted a corporate IT security policy as the framework for ensuring security of the Company's IT systems and for safeguarding against improper use of or unauthorized modification of data.

Principle 6 Ensure appropriate risk management and internal control systems

Principle 6.1 Ensure risk management and internal control systems enable the organization to effectively meet objectives and comply with applicable laws and standards

6.1.1 Risk management system

The Risk Management Committee is responsible for considering and ensuring that the risk management and internal control systems in place enable the organization to achieve its objectives, comply with applicable laws and standards and conform to good governance principles. The Committee meets at least once every quarter and reports risk management performance against plans to the Board of Directors. The Company's risk management policy covers the following 11 major risks:

- Strategic Risk
- Insurance Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk
- Reputational Risk
- Information Technology Risk
- Catastrophe Risk
- Group Risk
- Emerging Risk

The Company also gives priority to warning signs of risks by reporting risk status based on the early warning system on a monthly basis and summarizing risk management results for presentation to the Board of Directors.

6.1.2 **Internal controls**

The Board of Directors has instituted an internal control system which ensures that the Company is run and managed in accordance with the law and regulations while also putting in place an efficient mechanism for internal audit and promoting its continuous improvement.

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

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

- Review and ensure the accuracy and completeness of the Company's financial reports as well as the adequacy of disclosures;
- Review and ensure the appropriateness and effectiveness of the Company's systems of internal control and internal audit; assess the independence of the internal audit unit as well as recommending the appointment, transfer or termination of the head of internal audit or the head of any unit/department responsible for internal audit;
- Review compliance by the Company with the law governing securities and 6.2.3 exchange, regulations of the Stock Exchange of Thailand (SET) and any other applicable laws;
- Consider and recommend the appointment of independent persons as external 6.2.4 auditors to the Company, and the approval of their remuneration; meet with the auditors at least once a year, without the participation of the Management;

- 6.2.5 Ensure compliance of related-party-transaction disclosures and conflict-of-interest disclosures with the law and the Stock Exchange's regulations in providing assurance that all transactions are justified and conducted in the best interests of the Company;
- 6.2.6 Produce, for inclusion in the Company's annual report, an audit committee report which shall be signed off by the Audit Committee Chairman and shall include the following information, at the minimum:
 - (a) Opinion on the accuracy, completeness and reliability of the Company's financial reports;
 - (b) Opinion on the adequacy of the Company's internal control system;
 - (c) Opinion on compliance with the law governing securities and exchange, Stock Exchange's regulations and other applicable laws;
 - (d) Comments on the suitability of the external auditors;
 - (e) Opinion about transactions with potential conflict of interest;
 - (f) Number of meetings held by the Audit Committee and attendance by each Committee member at such meetings;
 - (g) Overall opinion on the Audit Committee's performance in accordance with the Committee Charter;
 - (h) Other matters considered useful to shareholders and general investors that fall within the scope of the Committee's responsibilities delegated by the Board.
 - 6.2.7 Undertake any other tasks assigned by the Board and agreed by the Committee.

The Board has also set up an internal audit unit to be responsible for reviewing and improving the effectiveness of the Company's systems of risk management and internal controls. In this regard, the Audit Committee is mandated by the Board to make judgement on the risk management and internal control systems and to have authority to gain access to information needed for the task delegated to it. This includes the authority to call upon the persons/parties concerned to supply information, and to have consultations with the external auditors. The internal audit unit is required to submit, to the Audit Committee, its reports on review results which are disclosed in the annual report.

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

The Company has instituted a policy to prevent exploitation of inside information by directors and executives. All executives including their spouses and children under legal age are forbidden, under the provisions of securities law, from buying, selling or accepting transfer of the Company's shares on information which has not yet been made public. All Directors and executives are further required to declare any changes to their holdings in the Company, including those holdings by their spouses, children under legal age or any related persons, to the Office of the Securities and Exchange Commission within three days of the transaction date. In addition, the Board has set down a Code of Conduct for Staff as part of the Code of Business Ethics to govern confidentiality and prohibit the use of one's position or information obtained in

the course of one's duties that is not available to the public in a dishonest way or the disclosure of such information to an outside party either for personal gain or gain of related person(s) or to the disadvantage of the Company, or any act that causes a conflict of interest. Procedures have been put in place to ensure security of data in the IT systems, to protect the Company's information against external access, and to authorize levels of data access appropriate to staff's responsibilities. The Management shall report annually, to the Board, on any instances of use of inside information or behaviour that may cause harm or damage to the Company.

<u>Principle 6.4</u> Establish clear anti-corruption policy and guidelines and communicate them organization-wide and externally to ensure tangible practice

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

Principle 6.5 Establish a mechanism for handling complaints and whistle-blowing

To ensure transparency in the operations, the Board oversees the organization's mechanism for dealing with complaints and whistle-blowing from stakeholders by providing a number of safe and appropriate channels for informers. Any shareholders, customers, stakeholders or members of the public who have found any irregularities possibly caused by governance weaknesses, unusual financial reporting, violation of rules or regulations, breach of rights, coercion or fraud or who have other doubts can always report such irregularities or file their complaints through the following channels.

Address : Charan Insurance Public Company Limited

408/1 Rachadapisek Road, Samsen-Nok,

Huaykwang, Bangkok 10310

Email : charanins@charaninsurance.co.th

Website : www.charaninsurance.co.th

Telephone : 02-2761024 Ext. 207

Fax : 02-2754919

Staff members and stakeholders can make a complaint or suggestion directly to the Board and the Management through the Company Secretary.

Principle 7 Ensure financial integrity and disclosures

<u>Principle 7.1</u> Ensure the Company's financial reporting and disclosures are in conformity with applicable requirements and standards

- 7.1.1 The Board has designated the officer concerned who has relevant knowledge, skills and experience to be responsible for ensuring complete and transparent disclosures of true, accurate financial information in line with applicable regulations, standards and guidelines. When approving financial information disclosures, the Board considers all relevant factors as follows:
 - 1) the results of internal control adequacy assessment;
 - 2) the external auditor's opinions on financial reports and observations on internal control system;
 - 3) the opinions of the Audit Committee;
 - 4) consistency with the Company's principal objective, strategies and policies
- 7.1.2 The Board ensures that information disclosures, which include quarterly financial statements, annual reports and Form 56-1, reflect the Company's financial position and performance adequately. Management discussion and analysis (MD&A) is also produced to give investors more complete information and better understanding about changes to the Company's financial status and performance for each quarter rather than only the figures in financial statements.

Principle 7.2 Monitor the Company's financial liquidity and solvency

- 7.2.1 The Board ensures that the relevant department is designated to monitor, assess and report the Company's financial status to the Board on a regular basis. There are procedural rules to guide and ensure that any detected threats to the Company's financial liquidity and solvency are promptly dealt with.
- 7.2.2 The Board assures that any transactions approved or put forward for shareholder approval shall not negatively affect business continuity, financial liquidity or solvency of the Company.

<u>Principle 7.3</u> Ensure plans and mechanisms are in place to resolve financial difficulties, with due regard to stakeholder rights

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

Principle 7.4 Ensure sustainability reporting, as appropriate

- 7.4.1 The Board of Directors determines the appropriate disclosures to be made under the Company's rules, regulations and procedures to prevent leakages of corporate information in accordance with the requirements of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. Our information is disclosed in the Annual Registration Statement (Form 56-1) and the annual report (Form 56-2).
- 7.4.2 The Company discloses such significant information as biographical details and scope of duties of Directors, remuneration of Directors and executive officers, shareholding structure,

operating results and financial position, corporate governance policy, code of business ethics, and risk management policy. All these information is presented in Thai and English versions to provide all shareholders, customers and those interested with easy and equitable access to reliable information.

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

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

• Khun Somporn Rasabutr

Address : Charan Insurance Public Company Limited

408/1 Rachadapisek Road, Samsen-Nok,

Huaykwang, Bangkok 10310

Email : charanins@charaninsurance.co.th

Website : www.charaninsurance.co.th

Telephone : 02-2761024 Ext. 207

Fax : 02-2754919

Principle 7.6 Ensure effective use of information technology in information dissemination

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

Principle 8 Ensure engagement and communication with shareholders

Principle 8.1 Ensure shareholders' involvement in significant decision-making

The Board of Directors gives precedence to the rights of and equality for shareholders, ensuring that they are involved in all significant decision-making of the Company.

Pre-meeting

8.1.1 The Board makes shareholders' meetings a high priority by holding an annual general meeting within four months of the end of each accounting year. The notice of the meeting was given to the shareholders through the Stock Exchange of Thailand. The Company also encourages shareholders' engagement by offering minority shareholders the opportunity to put forward agenda items / questions and nominations for directorship three months in advance of the meeting. The criteria and procedures for sending in such input are published on the corporate website and are in accordance with the law and the Company's Articles of Association.

8.1.2 The Board ensures that all important corporate decisions are considered and/or approved by the shareholders. Such decisions include legally required or related matters and matters

potentially affecting the Company's business direction, Directors' remuneration, appropriation of earnings and dividend payment, and appointment and remuneration of auditors.

- When scheduling a shareholders' meeting, the Board gives consideration to the convenience of our shareholders by ensuring that meeting date is appropriate, sufficient time is allocated for discussions and meeting venue is easily accessible.
- The Board ensures that the notice of the shareholders' meeting gives accurate, complete and sufficient information in Thai and in English. The notice states the date, time, venue and agenda of the meeting, and the matters to be presented for the information, for the approval or for the consideration of the shareholders including objectives, rationale and the Board's opinion for such matters. The meeting notice is accompanied by relevant supporting documents and forms of proxy, stipulated by the Commerce Ministry, for those shareholders unable to attend the meeting in person.
- The Board ensures that the notice of the general meeting and related documents are published under the Investors Section on the Company's website at least 30 days in advance of the meeting and that the shareholders are informed of the notice via the Stock Exchange's publicity channels. The meeting notice is also sent to all shareholders and to the Registrar at least 14 days prior to the date of the meeting and is published in newspapers at least three days in advance of the meeting.
- The Board gives all shareholders the opportunity to suggest questions prior to the meeting through the Company's website or through the pre-specified postal channel.

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

Day of meeting

- The Board ensures that there is nothing to restrict the shareholders' attendance or to put an undue burden on the shareholders by, for example, never asking shareholders or proxies to produce proof or documentation more than that is required.
- The Company has introduced technologies to its general meetings by using bar coding in the registration and in the counting and displaying of votes for each resolution. This helps increase speed and accuracy of each process, making voting results readily available to the shareholders.
- The Chairman of the Board chairs the general meeting and is responsible for ensuring that the meeting is conducted in accordance with applicable law and regulations, that appropriate time is allocated for each item on the agenda, and that all shareholders are offered equal opportunities to share their views or ask questions about agenda items. The legal adviser makes sure that the meeting is transparent and compliant with the law and the Company's Articles of Association. The Company also has shareholders' rights protection volunteers and Thai Investors Association representative acting as observers through the vote counting process.
- All Directors, executives, officers of Accounting Department and Legal Division as well as the external auditors' representative attend every general meeting to provide clarifications and answer questions from the shareholders, except when prevented by important commitments.

- 8.2.5 Before the start of the meeting, the Managing Director shall inform the shareholders of the numbers and percentages of the shareholders present in person and by proxy, meeting rules and procedure as well as voting and vote counting methods.
- At the meeting, ballot papers are used for voting on each resolution. Each share shall represent one vote and a resolution shall be passed by a majority of votes.

Principle 8.3 Ensure completeness and accuracy of disclosure of shareholder resolutions and minutes of shareholders' meetings

Post-meeting

- The Board ensures that the Company makes the resolutions and voting results at the general meeting available, in Thai and in English, through the Stock Exchange's publicity channels by 0900 hours on the next business day. The Board also ensures that the minutes of the shareholders' meeting, prepared in Thai and in English, are submitted to the Stock Exchange of Thailand within 14 days of the date of the meeting and posted on the Company's website.
- 8.3.2 The Board ensures that the minutes of the general meeting are taken and prepared with the following information, at a minimum:
 - list of Directors and executives present, and percentages of Directors present and absent;
 - voting and vote counting methods, meeting resolutions, and voting results (votes for, votes against, abstentions and spoiled ballots) for each resolution;
 - questions asked and answers provided during the meeting, including the name of the persons asking and answering the questions.

These corporate governance principles are reflected in the values, guidelines and directions of the practices internally implemented in the Company which shall enhance the Company's assurances that the business can compete well, efficiently and effectively under the business ethics and also conforms with the international standards and laws, in accordance with the Principles of Good Corporate Governance of the Stock Exchange of Thailand and regulations of the Securities and Exchange Commission.

CORPORATE GOVERNANCE COMPLIANCE REPORT

The Company has implemented major changes and improvements relating to its reviews of corporate governance policy and practices through the reporting year. Existing documents have been revised and updated so that all information is complete and accurate. Results of the reviews have also been fed back to the relevant corporate departments to ensure their conformity to the Corporate Governance Code for Listed Companies 2017 ("CG Code") and to increase governance efficiency. All of these have demonstrated the Company's continuous efforts to raise its corporate governance standards.

As a result of consistent implementation of corporate governance policy, the Company was ranked "good" in the 2019 Annual General Meeting Quality Assessment. We also received a "good" rating or three stars for 2019 Corporate Governance Report Assessment under the Corporate Governance Report Survey of Thai Listed Companies, 2019 (CGR 2019) conducted by the Thai Institute of Directors (IOD). The information used by the IOD for the evaluation was from such sources as annual report, Annual Registration Statement (Form 56-1), notice and minutes of general meeting, Articles of Association, corporate governance policy, corporate website, information about the Company publicized through the Stock Exchange of Thailand or the Office of Securities and Exchange Commission, and other information made available by the Company to the public.

Board-related policies and practices

The Board of Directors recognizes it leadership role and responsibility all the time by adhering to the Corporate Governance Code. Such adherence includes Directors' effective performance, equitable treatment of shareholders and stakeholders, and emphasis on efficient management and achievement of objectives. The Board believes that good governance processes will help drive the Company's operations towards sustainable growth and are key to the success of delivering maximum shareholder value. The Board therefore focuses on pursuing the characteristics of good governance which are reflected through the following corporate values and practices.

Nomination and appointment of Directors and CEO

Although a nomination committee has not been established, there is a collective process for selecting qualified individuals for appointment as company directors and chief executive. The selection criteria range from skills, capabilities, proven track record, maturity and confidence to meeting all qualification requirements under the Company's Articles of Association and in line with corporate vision and goals to expertise and specializations needed to enhance Board strength and effectiveness. The aim is to ensure professionalism and diversity of company directors, with the structure, size and composition of the Board also taken into consideration.

Remuneration of Directors and CEO

Currently, the Company has not set up a committee in charge of remuneration of directors and chief executive. However, a clear and transparent process is in place for determining remuneration commensurate with the Directors' respective responsibilities, taking into account the standards of peer companies in the industry as well as the Company's performance. Recommendations of appropriate remuneration are then presented to the Board for consideration and endorsement before submission to the shareholders' meeting for approval. The policy on remuneration of Directors is detailed below.

Directors' Remuneration Policy, 2019

Divertor	Cash Remuneration (baht)			
Director	Attendance fee	Directors' annual fees		
Board of Directors				
• Chairman	20,000 baht / meeting	300,000 baht, which was calculated from the rate of 5% of dividend payout and the Chairman of the Board was paid 50% higher than the rate payable to each member of the Board.		
Board Member		300,000 baht, which was calculated from the rate of 5% of dividend payout and the Chairman of the Board was paid 50% higher than the rate payable to each member of the Board.		
Audit Committee				
• Committee Chairman	20,000 baht / meeting	×		
Committee Member	15,000 baht / member / meeting	×		
Others Committee	×	×		

CEO's remuneration

The Company has a set a policy on short-term and long-term remuneration and performance of the CEO. The performance of the Managing Director is appraised on an annual basis by the Board of Directors. Approved by the Board, the appraisal results are considered confidential and not to be disclosed. The basis or criteria by which the Managing Director's performance is assessed for short-term and long-term remuneration can be summarized as follows.

Short-term:

1st part: Evaluated on the basis of organizational performance;

2nd part : Evaluated on the basis of leadership performance (leadership qualities, strategy formulation, strategy execution, financial planning and performance, relations with the Board, external relations, personnel management and relations, succession planning, and personal traits)

Results of the evaluations shall be used for determining the rate of salary increase for the Managing Director which is subject to approval by the Board of Directors.

Long-term:

Remuneration is in the form of salary and bonus based on own performance.

Board meetings

- (1) The Board of Directors meets regularly and has its meeting scheduled for at least once every quarter (minimum of four meetings per year). Special additional meetings may also be held, when necessary, to consider financial statements, to discuss and set policies and to monitor performance. Every Director must always be ready to attend a Board meeting.
- (2) Specific agenda including the date, time and location of the meeting along with supporting documents are sent to all Directors at least seven days in advance, except in exigent circumstances, to allow Board members sufficient time to peruse the information.

In 2019, schedules of Board meetings and Audit Committee meetings for 2020 were drawn up in advance as follows (these may change as necessary).

Meeting No.	Board Meeting	Audit Committee Meeting
1	25 February 2020	11 February 2020
2	13 May 2020	11 March 2020
3	9 August 2020	7 May 2020
4	12 November 2020	5 August 2020
5	-	11 November 2020
6	-	25 December 2020

- (3) Under the Company's policy, a vote at a meeting of the Board shall require a quorum of not less than two-thirds of the total number of Directors.
- (4) The Board of Directors has access to significant information either from the Managing Director, the Company Secretary or other designated executives.
- (5) The Board encourages the Managing Director to invite key executives to Board meetings to present details on matters they are directly responsible for, and to allow the Board to gain familiarity with the executives for succession planning purposes.
- (6) At each meeting, the Chairman shall assign the Managing Director to present agenda items, allocate time for discussions and summarize issues for consideration by the Directors. Every member of the Board is encouraged and given the opportunity to express their views and opinions, all of which are gathered for decision-making and conclusion of the meeting.

Board's independence from Management

The role and duties of the Board are separate from the Management. The authority reserved to the Board is specifically defined with governance responsibility for overseeing the setting of clear business goals as operational direction for executives and staff. The Board ensures that its roles and responsibilities as well as those of its committees and the Management are properly defined in accordance with the law and the relevant charters. These include the roles and main functions of the Audit Committee, the external auditors, the internal auditors, and the person in charge of financial reporting. The Board governs the organization with its knowledge of the business and expertise valuable to the Company.

Directors' development

(1) Orientation of new directors

The Board ensures there is proper induction for every new director to provide understanding of the Company's business and activities and prepare the new member for the role. It is also the policy of the Board to help each director to gain new knowledge and perspectives on corporate governance, technologies and innovations in enabling the new director to take office as soon as possible and perform his/her duties efficiently. The Company Secretary coordinates the induction programme which includes the following:

- Essential matters: business structure, Board structure, scope of authority and duties, essential legal matters;
- General knowledge of the business: operating approaches, and observation of each department at work;
- Meetings/briefings: with the Chairman of the Board and the Managing Director to obtain indepth information about the business operations of the Company.

Although no new director was appointed to the Board during 2019, the Company continued to ensure all Directors had up-to-date information through revisions of director handbook as well as rules and standards under applicable laws, regulations and key policies such as the Corporate Governance Policy, Business Ethics and other key principles.

2) Ongoing development

The Company makes training and development a priority by arranging for the Directors to attend courses and programmes which are beneficial to their roles and duties. The activities not only enhance their management efficiency in ensuring the organization's adaptability to changes, but also provide fresh perspectives useful to the Company's business. It is therefore our policy to ensure that members of the Board receive such training from the Thai Institute of Directors (IOD) as the Director Certification Program (DCP) and the Director Accreditation Program (DAP).

During 2019, the Company provided and supported a total of 33 training events/seminars for five Directors, each receiving an average of 6 training hours per year.

Directors' performance assessment

It is the Company's policy that the performance of the Board of Directors is evaluated at least once a year. The annual evaluation includes overall Board performance assessment, individual director performance appraisal, and Board committee performance assessment. The exercises allow the Board and its committees to review their own performance as well as issues and challenges arising over the preceding year while also helping to increase their effectiveness under the Corporate Governance Code.

In 2019, the Board ensured that (1) overall Board self-assessment, (2) individual director self-appraisal, (3) self-assessment by one committee of the Board, i.e. the Audit Committee, were conducted under the process and criteria described below.

Board and Director Performance Assessment Process

(1) The Board approves and reviews the assessment forms to ensure that they are proper and complete and meet the standards of the regulatory agencies.

- (2) The Company Secretary collates appraisal results from each Director as well as analyzing and summarizing assessments of the Board's effectiveness over the past year, before reporting assessment analyses to the Board of Directors.
- (3) The Company Secretary then compiles the analyses and additional opinions from the Board into an improvement action plan.

Overall Board / Individual Director / Committee Performance Assessment Criteria

Assessment Criteria	Overall Board	Individual Director	Committee
Board/committee structure and qualifications	✓	✓	✓
Board's / committee's role and responsibility	✓	✓	✓
Board meeting / committee meeting	✓	✓	✓
Board's functions	✓	×	×
Board-Management relationship	✓	×	×
Board and executive development	✓	×	×

The results of Board and Director performance assessment for 2019 are as follows:

(1) Results of overall Board self-assessment for 2019

Average score: 3.52 = Excellent

Assessment aspect:

-	Board structure and qualifications	Average	3.58
-	Board's role and responsibility	Average	3.45
-	Board meeting	Average	3.48
-	Board's functions	Average	3.63
-	Board-Management relationship	Average	3.74
-	Board and executive development	Average	3.29

(2) Results of individual director self-appraisal for 2019

Average score: 3.10 = Good

Assessment aspect:

-	Board structure and qualifications	Average	3.36
-	Board's role and responsibility	Average	3.37
_	Board meeting	Average	2.57

(3) Results of committee self-assessment for 2019

3.1 Audit Committee

Average score: 3.64 = Excellent

Assessment aspect:

-	Committee structure and qualifications	Average	3.86
-	Committee's role and responsibility	Average	3.50
_	Committee meeting	Average	3.57

3.2 Executive Board

Average score: 3.44 = Good

Assessment aspect:

Committee structure and qualifications Average 3.33 Committee's role and responsibility Average 3.67 Committee meeting Average 3.33

Policies and practices concerning shareholders and stakeholders

Rights of shareholders

Pre-meeting

The Company gives special emphasis to protecting shareholders' rights by promoting and protecting their exercise of basic rights and facilitating all aspects that ensure all shareholders can equally enjoy the rights they are entitled to. These include, among others, the right to receive adequate information, the right to suggest agenda items and questions in advance of a meeting, and the right to vote on important matters. We shall avoid anything that might violate any right of our shareholders.

In 2019, the Company held one general meeting on 24 April 2019 at 15.00 hours and designated its Registrar, Thailand Securities Depository Company Limited, to send the notice of the meeting to the shareholders 21 days prior to the meeting, as statutorily required. The meeting notice was also posted on our website 30 days in advance to allow our shareholders sufficient time to peruse the supporting information provided. The Company also invited all shareholders to put forward questions in advance of the meeting. The notice provided clear details, in Thai and in English, of the date, time, venue and agenda of the meeting as well as attendance and voting procedures along with sufficient advance information relating to the decisions to be made under each agenda item. Each item on the agenda was marked clearly as for information or for consideration and included opinion of the Board on the matter. We ensured that there was nothing to limit the shareholders' opportunity to peruse meetingrelated information or to attend the general meeting. In addition, the notice advised the shareholders of the proof of identity required to be produced on the day of the meeting in ensuring their right to attendance. The Company further arranged for the notice of the general meeting to be published in newspapers three days in advance.

Day of meeting

The Company continued to attach great importance to all shareholders and their convenience by choosing to hold its general meeting at Rachada 2 Room, 2nd Floor, Chaophya Park Hotel, Rachadapisek Road, Samsen-Nok, Huaykwang, Bangkok 10310, an easily accessible location with proximity to Ratchadaphisek MRT Station. We provided facilities to suit the convenience of attending shareholders, e.g. arranging well-staffed reception and registration areas; using barcoding to facilitate registration and voting processes; providing printed supplementary documents, proxy forms in the formats prescribed by the Ministry of Commerce, and voting ballot papers; and allowing shareholders to register one hour before the start of the meeting for more convenience.

The Board has a policy that requires all Directors, particularly the Chairman of the Board, as well as senior executives, Company Secretary and external auditors to attend every general meeting in order to answer questions from the shareholders. Our 2019 general meeting was also attended by shareholders' rights protection volunteers from the Thai Investors Association who acted as observers to ensure transparent conduct of meeting in accordance with the law and the Company's Articles of Association. Before the meeting started, the Managing

Director was assigned by the Chairman to inform the meeting of the numbers of the shareholders present in person and by proxy and to explain the rules and procedure of voting by ballot on each agenda item - especially with regard to votes against and abstentions so as to ensure all votes of the shareholders were transparent and could be verified should a dispute arise.

During the meeting, the chairperson conducted the meeting according to the stated agenda and allocated sufficient time for consideration of each item before putting it to a vote. Information about the Company's external auditors were also presented to the meeting to demonstrate their independence. Moreover, all shareholders are given opportunities to exercise fully their right to protect their interest by debating, querying, suggesting or expressing their opinions at the meeting. The chairperson and executives provided clear and pertinent answers to every question. A written record or minutes were taken of the proceedings of the meeting, together with details of questions and answers as well as voting results for each resolution, i.e. votes for, votes against, abstentions and spoiled ballots.

Post-meeting

After the meeting, the Company ensured that the minutes were clearly recorded with list of Directors present, questions and significant clarifications, and details of each resolution, and that the resolutions passed at the meeting and the voting results were disclosed via the Stock Exchange of Thailand's SET portal and submitted to the relevant agencies within 14 days of the meeting date. The minutes were also posted in Thai and in English on the Company's website.

Equitable treatment of shareholders

It is the Company's policy to promote and emphasize fair and equitable treatment of all shareholders in order to protect their exercise of basic rights, particularly the rights of minority shareholders that might be infringed on. We have therefore adopted the following practices to ensure consistency with the policy.

- 1. Every general meeting is conducted according to the order of the agenda given in the meeting notice and no extra items shall be added to the agenda without notifying the shareholders in advance. This is to ensure that the shareholders have sufficient time to consider information relating to each item on the agenda before making a decision.
- 2. We invite our shareholders to suggest agenda items in advance of the meeting by issuing an invitation to all shareholders on our website and on the website of the Stock Exchange of Thailand. Details are also provided as to the procedure for advance suggestion of agenda items and the criteria for inclusion of such items on the agenda. Suggestions received shall be screened by the Board of Directors, and those approved by the Board will be included on the agenda. Any suggestions not agreed for inclusion by the Board shall be communicated, along with the reasons, to the shareholders via the Company's website.
- 3. We encourage shareholders to use form of proxy by sending Proxy Form A, Form B and Form C prescribed by the Ministry of Commerce's notification and by which shareholders can indicate their voting preference, together with details of the Independent Director designated by the Company as shareholders' proxy. The forms enable shareholders to appoint any person to attend and vote on their behalf or to appoint the Independent Director as their proxy at the meeting. The Company also arranges for duty stamps to be available for those proxy forms produced without stamps on to facilitate attendance by shareholder's representative.
- 4. Before the start of the meeting, the Managing Director shall give clear explanations of the voting and vote counting rules and procedures which are in accordance with the Company's Articles of Association.

Such rules are: that each shareholder shall have one vote for every share held, and voting shall be done in an open manner; that ballot papers shall be used for voting on each item on the agenda, especially on the appointment of Directors, where shareholders can exercise their right to appoint each director individually; that the meeting shall be conducted in accordance with the Company's Articles of Association and with no items other than those on the agenda originally stated in the notice; and that, during the meeting, the chairperson shall allocate time for all shareholders to ask questions and make comments or suggestions in an equitable manner before putting the item to the vote.

- Voting and vote counting is done in a speedy manner. All shareholders are given ballot papers, which are made for each significant agenda item so that they can be used properly. All ballot papers cast will be kept for verification purposes. The number of votes cast at the meeting shall be added to the number of votes indicated in advance in the proxy forms before voting results are announced to the meeting.
- The Company ensures that each resolution passed with the number of votes for, votes against, abstentions and spoiled ballots are recorded in writing in the minutes of the meeting, along with all questions, answers, clarifications and opinions at the meeting. Within 14 days of the meeting, we shall publish the minutes on our website and keep the original minutes at the Company's head office for scrutiny by all concerned.
- 7. The Company has formulated a policy and guidelines governing inside information, which prohibit executives and staff at all levels from making use of inside information for personal gain. All Directors and executives have a duty to submit a declaration of their interest or the interest of their related persons, a declaration of their shareholding in the Company or such holdings of their spouse and children under legal age, and a declaration of any change to such holding either from buying, selling, transferring or accepting transfer of shares. Details of the policy and guidelines are set out under the "Prevention of inside information misuse" section.

Rights of stakeholders

The Company ensures that its business activities and organizational management are transparent and compliant with applicable laws and regulations and that there are accountable disclosures of significant information. Such practices provide the assurance for all our shareholders and stakeholders that their basic statutory rights are fully protected at all times. We have established the framework for ethical business conduct, which is published on our website, as an understanding that the Company shall not engage in anything that would violate the rights of our stakeholders and that our responsibility towards each group of stakeholders shall be demonstrated through the following practices.

- **Shareholders:** We consider very important the rights and equitable treatment of all shareholders which include the right to attend general meetings and to vote and express views at such meetings and the right to fair returns. The Company is committed to delivering maximum satisfaction to all shareholders through good and steady returns as well as quality and transparent disclosures of complete, reliable information.
- **Staff:** We regard our people as valuable and pivotal to the efficient conduct of the business and therefore ensure that they are treated fairly and their rights duly respected. The safety and welfare of the staff is always our chief concern. Committed to equal treatment and opportunity for all, the Company provides fair and appropriate compensation and benefits. Staff members are remunerated according to their responsibility and labour market mechanism as well as the Company's short- and long-term performance. Rules concerning personnel management have also been established in line with the provisions of the labour law. Our staffs are offered training opportunities aimed at promoting their advancement and enabling them to acquire the skills to

perform their duties successfully and achieve maximum customer satisfaction. Furthermore, the Company attaches importance to health and hygiene standards at work by maintaining a clean, safe and healthy workplace environment for all personnel.

Benefits for staff include:

- an employee provident fund into which staff pay a contribution every month; the fund is managed by a licensed fund manager and is registered under and compliant with the Provident Fund Act.
 - general / housing loans;
 - reimbursement for medical and dental expenses;
 - annual check-up for staff;
 - annual outing or party

Human resource development policy

We recognize how truly instrumental our people are in the success of the Company, and thus are always aware that our goals can only be achieved through ongoing and systematic training and development of personnel. The Company has therefore provided staff at all levels with learning and developing opportunities. These range from organizing in-house training sessions to arranging for staff to attend external training programs all aimed at broadening and sharpening their skills and knowledge for their own advancement and for the organization's sustainable success and development. The average training time for each staff member in 2019 was 17.5 hours per year.

- **Business partners:** Our Code of Business Ethics ensures that we conduct our business with all partners with fair and appropriate treatment within an honest, transparent competitive framework. The Code includes such standards as: honouring the commercial terms and agreements/contracts which are fair to the partners; notifying the partners to find a solution together whenever unable to meet the agreed conditions; avoiding all possibilities of conflict of interest; setting down clear rules concerning procurement and other arrangements; not soliciting or accepting any monies or gains from business partners; not having any dealings which are in breach of human rights or intellectual property rights or involved in illegal behaviours; and assessing partners against established requirements so as to develop sustainable mutual partnerships.
- **Creditors:** We strictly meet all contractual obligations while never engaging in any act that is in breach of any agreed terms or that is intended to conceal information or facts and thus causing damage to any of our creditors. Such practices have always earned us the trust of all creditors. In the event of our inability to meet an agreed condition or where circumstances may force us to default on a debt, we shall notify the creditor in advance as soon as possible so as to find a prompt and fair solution together.
- **Customers:** The Company is committed to improving product and service quality and to offering protection to suit customers' needs through fair and ethical practices. We also have a duty to all customers to provide correct information and to put in place a dedicated unit responsible for receiving complaints and suggestions from customers.
- **Competitors:** Adhering to the rules of fair and transparent competition, the Company avoids gaining unfair competitive advantage and aims to compete on service quality and efficiency for the maximum benefit of customers. We never fail to meet any confidentiality obligations nor find out about any competitor's trade secrets by dishonest means. We also comply with the competition policy stipulated in our Code of Business

Ethics, viewing all competitors as allies in business. Over the reporting year, the Company was not involved in any dispute with any competitor.

- Communities, society and the environment: We always recognize our responsibility towards communities, society and the environment by allocating a budget for CSR activities as a way to contribute back to our society and communities. The Company also promotes resource efficiency and avoids anything that produces negative effects on the environment. Our environmental responsibility includes economical use of water, using recycled resources, and restoration of biodiversity impacted by the business operations.
- **The public sector:** The Company are committed to operating strictly under statutory requirements, rules and regulations and maintaining good relationships with regulating agencies through open communication and ready cooperation with regulators' requests in order to demonstrate the organization's transparency and credibility.

Prevention of inside information misuse

The Company gives emphasis to inside information requirements under the Corporate Governance Code and has instituted rules and measures to prevent misuse of insider information. These include: defining the roles of those with direct responsibility; setting levels of authorized access to proprietary information; having a policy forbidding all personnel from disclosing or making use of information about the Company's operations for personal gain. Financial or other information of such nature that could affect the Company's share value and which is known by anyone in the organization must not be disclosed to any external party or unauthorized person. Trading of the Company's shares is neither permitted within one month prior to any public disclosure of financial or other information that could affect the Company's share value nor allowed within 24 hours of any public disclosure of such information. Failure to comply with the rules is considered a disciplinary offence. Any director, executive or employee who misuses or exploits inside information will face disciplinary action ranging from warning and pay cut to unpaid suspension through to dismissal.

- Declaration of holding

The Company has adopted measures to prevent exploitation of inside information by making it the duty of all directors and executives to declare their holdings in the Company, including those holdings by their spouses and children under legal age. Declarations of any changes to such holdings either from buying, selling, transferring or accepting transfer of the Company's shares must also be made within three business days of the transaction date in accordance with the regulations of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. A copy of all declarations must be provided to the Company Secretary to ensure transparency under the Corporate Governance Code. Information on shareholdings in the Company is given below.

Board of Directors

	Name	Position	Number of Shares held at 3.2.2020	Number of Shares held at 3.2.2019	Change (%)
1. Mr. Sopon	Kluaymai Na Ayudhya	Chairman of the Board	-	-	-
2. Mr. Sompol	Chaiyachow	Audit Committee Chairman and Independent Director	-	-	-
3. Mr. Vorayuth	Charoenloet	Audit Committee Member and Independent Director	200	200	-
4. Mrs. Poodpong	Arsingsamanunta	Audit Committee Member and Independent Director	-	-	-
5. Mr. Sukich	Charanvas	Managing Director, Executive Director and Secretary to the Board	2,635,144	2,564,044	2.77
6. Mr. Pon	Titipanichayangoon	Executive Director and Motor Department Manager	108,000	108,000	-
7. Mr. Kittipong	Charanvas	Executive Director and Assistant Managing Director	718,100	709,000	1.28

Note: The above information was as at 20 March 2020 and included shareholdings by spouse and children under legal age.

Executive Officers

	Name	Position	Number of Shares held at 3.2.2020	Number of Shares held at 3.2.2019	Change (%)
1. Mr. Kitti	Charanvas	Assistant Managing Director for Marketing	692,000	692,000	-
2. Mr. Kosit	Angkasuwan	Assistant Managing Director for Risk Management	-	-	-
3. Mr. Wisith	Limcharoensuk	Manager, Marine Cargo and Logistics Department	4,000	4,000	-
4. Miss Sudarat	Wiwattanadej	Accounting Manager	1,000	1,000	-
5. Miss Kanyawan	Trisaksuriyan	Finance Manager	1,000	1,000	-
6. Mrs. Somjai	Bunditkitsada	Manager, Fire Department	-	-	-
7. Miss Punrada	Ayucharoenkul	Manager, Miscellaneous Department	-	-	-
8. Mr. Nopadol	Suwankareekul	Manager, Information Technology Department	-	-	-
9 Mrs. Promporn	Lamdabpang	Manager, Administration Department	-	-	-

Note: The above information was as at 20 March 2020 and included shareholdings by spouse and children under legal age.

- Declaration of interest

All Directors and executives are required to declare their interest in the management of the Company, including the interest of their related persons. The declaration must be made, in a pre-specified format, for the first time within 30 days of their appointment as Director or executive. An updated declaration in a pre-specified form must also be completed within 30 days of when there is a change to such interest. All declarations shall be kept by the Company Secretary who shall submit them to the Board of Directors and the Audit Committee as per the rules of the Office of Securities and Exchange Commission.

Anti-corruption policy

Focusing on fair and transparent business conduct, we realize that fraud and corruption pose a major obstacle to social and economic development. This is because corrupt behaviours create business unfairness which could dent the reputation and stability of the Company, thereby making it unacceptable to society. For this reason, we have adopted an anti-corruption policy to be strictly followed and implemented by our Directors, executives, staff and all parties concerned. Our anti-fraud and corruption guidelines are outlined below.

- A Code of Business Ethics has been issued in writing to promote conformity to ethical standards, thus leading to preventive measures. The established organizational structure ensures that the management of the operations is in alignment with corporate goals and that there are appropriate separation of duties and a balance of power. Ethical emphasis is communicated across the organization through channels like the Company's website and comment box, while compliance with the Code is monitored and reviewed appropriately.
- The head of each department is responsible for: overseeing and assessing departmental performance to mitigate fraud risk; maintaining an effective internal control system in order to close any loopholes for possible wrongdoing as well as continuously reviewing and improving its effectiveness; and monitoring the performance of their respective team to prevent failures arising from work activities.
- The Company works with the internal auditors to review conformity to rules, procedures and the Code of Business Ethics, to assess fraud-corruption risk and warning signs, and to assess the adequacy of the internal control system for preventing, monitoring and detecting fraud risk. Results of such reviews and assessments are reported to the Board of Directors quarterly at the minimum.
- The Company provides safe channels for reporting instances of fraud and corruption and has in place measures to protect whistle-blowers, informers or those cooperating in reporting such fraud and to minimize any harm caused. Details of these are given in the "Whistle-blowing and whistle-blower protection measures" section.
- If any wrongdoing is discovered and there is evidence of fraud, a temporary special investigative panel shall be set up to ensure fair treatment of any person accused of wrongdoing as well as appropriate protection for the whistle-blower.
- The wrongdoing discovered shall be used as a case study for devising preventive measures and ways to identify the cause of such act so as to prevent any further fraud.

Whistle-blowing and whistle-blower protection measures

It is the Company's policy to protect every group of stakeholders. We have adopted whistle-blowing measures which ensure details and identity of the whistle-blowers or informers and the person being reported are kept confidential and shall be disclosed, as necessary, only to an authorized person/party. We give prime consideration to the safety of and potential harm to any informant and all concerned to provide assurance for those involved in the whistle-blowing procedure. The Company Secretary is designated to receive and collect reports of wrongdoing for further submission to the Audit Committee. Any suspicious instances of fraud or corruption can also be reported directly via the following channels:

Address : Charan Insurance Public Company Limited

408/1 Rachadapisek Road, Samsen-Nok,

Huaykwang, Bangkok 10310

Email : charanins@charaninsurance.co.th

Website : www.charaninsurance.co.th

Telephone : 02-276-1024 Ext. 207

Fax : 02-275-4919

Staff members and stakeholders can make a complaint or suggestion directly to the Board and the Management through the Company Secretary.

Summary of Board's performance over the reporting year

The Executive Board has authority to manage activities relating to the Company's business operations. Every matter or transaction in which the Executive Board or any of its members has an interest or which could constitute a conflict of interest of any kind with the Company is required to be submitted to the Board of Directors for consideration and approval.

Over the course of 2019, the Company continued to comply with the Corporate Governance Code, except in certain cases as follows.

- (1) The Chairman of the Board was not an Independent Director. This was due to the Company's need to rely on a competent professional with long experience and leadership skills to take the organization forward towards the established goals. However, the Company's business conduct continued to be based on good governance principles and there was appropriate balance of power in the Board's composition, while all activities were carried out under the Company's rules and Articles of Association as well as the Corporate Governance Code.
- (2) The Company's Independent Directors have held office for over nine years. This is because the Company deems that the Independent Directors are knowledgeable and experienced in the insurance business and have demonstrated good performance throughout the years while also meeting all the qualification requirements of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. It is therefore agreed that they should continue to serve on the Company's Board so as to help drive the organization towards its goals.
- (3) The Company has not offered shareholders the opportunity to propose nominations for directors, as it is still in the process of determining the related policy and procedures.

Nomination of Directors and Performance of Committees

- Nomination of Independent Directors

The Company has set the definition of "independent director" in line with the Corporate Governance Code and the guidelines of the Office of Securities and Exchange Commission so as to provide assurance for investors and maintain its governance standards.

The Board's independent membership, i.e. three Independent Directors, is in accordance with the Company's Articles of Association and meets all the qualification standards of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand which require that an independent director is a director who: is not involved in the day-to-day management of the company; is independent of the management and the controlling shareholder; does not have any business relationship with the Company in such a way that may restrict the exercise of independent judgement; is able to work efficiently with other members of the Board and provide independent opinions. Although, during the reporting year, no new independent director was nominated to the Board, the Company maintained its qualification criteria for independent director, as follows.

Qualification criteria for independent director:

- (1) Not holding more than 1% of the total number of voting shares of the Company or any of its major shareholders or controlling parties; The number of shares held shall include those owned by any person related to such independent director.
- (2) Neither being an executive director, employee, staff member or adviser receiving regular compensation from, nor being a controlling person or major shareholder of the Company or its controlling party, either currently or within at least two years prior to appointment as independent director;
- (3) Not being a relation, either by blood or by law, of any director, executive, major shareholder, controlling party or any person being nominated as a director, executive or controlling party of the Company; A relation shall include father, mother, spouse, sibling and child including son- or daughter-in-law.
- (4) Not having any business relationships with the Company or any of its major shareholders or controlling parties in such a way that may prevent the exercise of independent judgement, and neither being nor having previously been a significant shareholder or controlling person of any party that has business relationships with the Company or any of its major shareholders or controlling parties, either currently or within at least two years prior to appointment as independent director;
- (5) Neither being an auditor to the Company or any of its major shareholders or controlling parties, nor being a significant shareholder (owning more than 10% of the total number of voting shares, including those owned by any related person), a controlling person or a partner of an audit firm which is the affiliation of the auditors to the Company or to any of its major shareholders or controlling parties, either currently or within at least two years prior to appointment as independent director;

- (6) Neither being a provider of any professional services, including legal or financial advice, that receives payments exceeding two million baht per year from the Company or from any of its major shareholders or controlling parties, nor being a significant shareholder, a controlling person or a partner of such professional service provider, either currently or within at least two years prior to appointment as independent director;
- (7) Not being a director who has been appointed to represent any director or major shareholder of the Company, or any shareholder related to a major shareholder of the Company;
- (8) Neither engaging in any business of the same nature as or in significant competition with the business of the Company, nor being a significant partner of a partnership or an executive director, employee, staff member or adviser who receives regular compensation from or hold more than 1% of the voting shares of another company engaging in any business of the same nature as or in significant competition with that of the Company;
- (9) Not having any characteristics which could interfere with the exercise of their independent judgement on the Company's operations.

Nomination of Directors

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

Director Nomination Criteria and Procedure

- (1) According to the Company's Articles of Association, the number of company directors shall be not less than five but not more than fifteen, and not less than half of the directors must be residents of the Kingdom.
- The Company shall select and nominate persons for appointment as company directors by giving consideration to the elements still lacking on the Board such as experience, profession, skills and specialization including age and gender which can add to the strength and diversity of the Board.
- (3) The directors shall be elected by a majority vote at a general meeting as per the following rules and procedure:
 - (3.1) Each shareholder shall be entitled to one vote for every share held.
 - (3.2) Each shareholder may use all the votes entitled to him/her under paragraph (3.1) to vote for either the election of each nominated director individually or the election of all nominated directors.
 - (3.3) The persons receiving the greatest number of votes "for" their election, up to the number of directors to be elected at the meeting, shall be elected as directors. In the case of an equality of votes, the chairperson of the meeting shall have a casting vote.

- (4) At every annual general meeting, one-third of the directors shall retire by rotation. If the number of directors is not divisible by three, the number nearest to one-third shall retire from office.
- (5) A director retiring by rotation may then be re-elected.

Nomination of Chief Executive

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

Monitoring of Corporate Governance Policy and Guidelines Compliance

- Conflict of interest prevention

The Board puts strong emphasis on prevention of conflict of interest to guard against attempts to seek personal gain by setting procedural rules to be observed by all Directors and staff. The Audit Committee has also been mandated to oversee activities within the organization and to bring to the attention of the Board any transactions with possible conflict of interest so that they can be carefully considered with honest, reasonable and independent judgement for the benefit of the Company.

- **Exploitation of Inside Information**

This is covered under the section of the policy on "Prevention of insider information misuse".

- Anti-corruption policy

Monitoring and review

It is the policy of the Company that the anti-corruption policy and guidelines are monitored and reviewed on annual basis by the departments responsible. Any instance of suspected breach of policy or law or regulation must be reported via the whistle-blowing channels.

Corruption risk assessment

With awareness of the importance of risk management process, the Company has developed a fraud risk incident assessment form which uses vulnerability and incident likelihood as risk indicators. The findings are put into a report to be presented annually to the Audit Committee to ensure that any fraud and corruption risks involved in the Company's operations are identified through analysis of impact and probability of incidents.

Whistle-blowing

There were neither whistle-blowing cases nor reports of any wrongdoing during 2019.

Audit Committee's performance over the past year

Attendance at meetings of the Audit Committee during 2019 is as follows.

Name		Position	No. of Meeting Attended	Attendance fee
1. Mr. Sompol	Chaiyachow	Audit Committee Chairman	6/6	120,000
		Independent Director		
2. Mrs. Poodpong	Arsingsamanunta	Audit Committee Member	6/6	90,000
		Independent Director		
3. Mr. Vorayuth	Charoenloet	Audit Committee Member	5/6	60,000
		Independent Director		
	,	Fotal		270,000

Summary of the performance of other committees

Attendance at meetings of other committees during 2019 is as follows.

Name		Investment Committee Meeting	Risk Management Committee Meeting
1. Mr. Sukich	Charanvas	4/4	5/5
2. Mr. Pon	Titipanichayangoon	4/4	4/5
3. Mr. Kittipong	Charanvas	4/4	5/5
4. Miss Kanyawan	Trisaksuriyan	4/4	5/5
5. Miss Sudarat	Wiwattanadej	4/4	-
6. Mr. Kosit	Angkasuwan	-	5/5

Over the reporting year, the above committees were delegated by the Board to be responsible for their respective functions. Each of the committees reported its performance to the Board on a quarterly basis to evaluate and follow the progress of the performance of each department.

Auditors' Fees

Audit Fee and Non-Audit Fee in the year 2019, the Company has made the following payment to DIA International Co., Ltd

Type of Audit Fee	Auditors' name	Price (baht)
Audit Fee		
1. Fee for review three quarterly Financial Statement	Mr. Suvimol Kritthayakiern and / or	570,000
2. Audit Fee for the year ended 31 December 2019	Miss Somjintana Pholhirunrat and / or	780,000
3. Fee for review of the Risk Based Capital (RBC)	Mr. Chumpot Prirattanakorn and / or	200,000
report for half – yearly	Miss Supaporn Mangjit	
Other	-	-
Total		1,550,000

SUSTAINABLE BUSINESS DRIVE

Sustainability Management Policy and Objective

The Company conducts its business by seeking to deliver service excellence through ethical responsibility that covers social, economic and environmental aspects and pays regard to all stakeholders so as to achieve mutual sustainable development. We believe that a good organization begins at its people, i.e. directors, executives and employees. We have the objective of building a firm foundation for management and driving the operations towards sustainable growth. The Company appreciates the importance of sustainable development and has therefore adopted it as the organization's approach and guidelines for ensuring that the business is conducted under good governance principles with a commitment to operating transparently, offering high service standards, promoting community wellbeing and preserving natural resources and the environment. To that end, we have set and pursued the policy of ensuring the organization's sustainable development which covers the following areas.

Environmental sustainability management

The business of the Company is one that provides services and thus produces no direct impact on the environment. Nevertheless, we realize how important energy saving within the organization is, viz. that every member of our staff must cooperate and share an attitude of engaging in environmental protection. We raise awareness of disciplined energy saving behaviour and encourage efficient use of energy. Our socialenvironmental care policy includes:

- (1) Conducting the business in a way that contributes to the overall economy and society;
- (2) Complying with the law and cooperating with agencies/organizations that support social causes:
- (3) Assisting and providing support for the disadvantaged and disaster victims;
- (4) Fostering, among our personnel, a responsibility towards society and the environment as well as conformity to the Company's energy-saving and global warming reducing policies such as:
 - Using recycled paper;
 - Printing only the pages needed;
 - Sending information/messages by email instead of on paper;
 - Turning lights off as soon as leaving an office or meeting room and during lunch break;
 - Turning monitor off whenever not in use;
 - Taking the stairs rather than the lift (for one or two floors up or down)

Social sustainability management

(1) Respect for human rights

The Company has a human rights policy which is strictly followed by all Directors, executive officers and employees. It is our common practice to respect human rights, to have regard for equality, rights, freedom and dignity of all individuals, and to avoid all forms of discrimination either on the grounds of race, nationality, language, religion, gender, age or education. It is also our policy to never support any businesses which violate human rights.

(2) Fair treatment for staff

We realize that our staff is vital to the success of the organization and therefore ensure they are treated fairly through the following practices:

- respecting human rights of every member of staff;
- ensuring that compensation is commensurate with responsibility and consistent with labour market mechanism while incentivizing staff to work to the best of their ability, and that there is performance evaluation by managers/supervisors;
- providing various employee benefits, implementing the policy of promoting health and safety of personnel, and improving the workplace environment;
- promoting ongoing capacity-building for staff by providing training and development for personnel at all levels;

(3) Product–service responsibility towards customers

With a firm commitment to enhancing service quality and standard, we have set up a unit to receive comments and suggestions from customers and take care of their queries and needs. The feedback is used to improve our products and services in achieving maximum customer confidence and satisfaction.

(4) Community and social development

The Board of Directors always recognizes the corporate social responsibility (CSR) of the Company and has therefore allocated funds to departments for organizing socially and community benefiting programmes. During 2019, the Company carried out the following social responsibility activities:

CSR activity: "Donations to provide educational opportunities for students of Baan Nong Khon School in Saiyoke District, Kanchanaburi Province"

INTERNAL CONTROLS AND RELATED-PARTY TRANSACTION

Internal Controls

The Board of Directors is responsible for the Company's internal control system and has therefore kept it under continuous review to increase efficiency and minimize operational losses amid dynamic internal and external environments. The Board has always paid particular attention to internal controls by requiring cooperation from all departments/divisions and their awareness of the significance of internal controls in every area of work, i.e. resources management and allocation, accounting-finance, human resource management, procurement, information technology, and legal affairs. To prevent any serious damage or dispute leading to civil or criminal action, the Company has maintained the following processes.

- (1) The Company has established an organization structure corresponding to the nature of functions and has defined clearly the scope of authority and responsibility to ensure operational flexibility. This includes: the Board of Directors to oversee corporate policy and accountability to stakeholders; the Management to be in charge of executing plans and achieving goals; and the committees of the Board, i.e. the Executive Board, the Audit Committee, the Investment Committee and the Risk Management Committee to discharge their respective responsibilities delegated by the Board. The Company's departments/divisions are divided into operational function and support function, which are sufficiently and appropriately staffed. Such structure ensures that there are effective management, balance of power among members of each group or each department, as well as processes for managing risks to acceptable levels.
- (2) The Board has mandated all three members of the Audit Committee to monitor and assess the adequacy and appropriateness of the internal control system in response to the constantly changing circumstances and to report monitoring results to the Board.

Each year, the Audit Committee meets regularly, at least once every quarter, with the Company's external auditors, DIA International Auditing Company Limited, and the internal auditors, Thirty-Four Audit Office Company Limited, to monitor and follow up on the organization's internal control system. explanations received by the Committee over the reporting year revealed no material weaknesses in the Company's internal controls, except a few points which should be perfected and these have since been duly actioned by the responsible departments.

At departmental level, the Company has adopted self assessment to be conducted annually by each department with the aim of reviewing and improving performance and processes, ensuring effective internal controls and promoting continuous development.

(3) To build organizational resilience and lay the foundation for long-term stability, we have developed our corporate culture by relying on personnel as frame of reference, i.e. doing training, observing the Company's code of conduct and ethics.

The Board ensures that the Office of Internal Audit works to improve internal processes in an independent and ethical manner. In this regard, the Company has engaged Thirty-Four Audit Office Company Limited as its internal auditors and assigned Mr. Silpchai Raksaphol, a certified public accountant, the primary role and responsibility of internal auditor. The Audit Committee has, after considering the

qualifications of Thirty-Four Audit Office Company Limited and Mr. Silpchai Raksaphol, agreed that both are sufficiently suitable to perform such function on the basis of their independence and 42-year experience in internal auditing of insurance and similar businesses as well as the internal audit related training they have received, i.e. training courses/sessions by the Revenue Department, the Ministry of Commerce, the Office of Insurance Commission, Thailand Professional Qualification Institute, and the Cooperative Auditing Department.

The appointment or removal of the Company's internal auditors is subject to approval or agreement of the Audit Committee.

The Company has further designated Mr. Sornchai Kaewrakmuk as Head of Compliance Department to have responsibility for ensuring compliance by the organization with the rules and requirements of the agencies regulating the business.

Related-Party Transactions

During the year ended 31 December 2019, the Company had no related-party transactions. However, the Board has stipulated that if in the future there is a need for transactions to be made between the Company and any of its directors, executives or related persons, such transactions must be strictly compliant with the related-party disclosure regulations and procedures prescribed by law or by the regulators. In such cases, prices and conditions must be specified as if the transactions were conducted with an external party, and the transactions must be agreed on fair and arm's-length' terms. Any director, executive or staff member who is an interested party to the transactions must not be involved in the approval process. The Audit Committee is responsible for scrutinizing such transactions and for providing opinion as to their justification for recommendation to the Board for approval. In this connection, the Board of Directors shall adhere to the Stock Exchange's rules and notifications governing the matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Discussion and Analysis of Financial Position and Operating Results

Operating Results for 2019

For the year ended 31 December 2019, the Charan Insurance Public Company Limited posted a net loss of 31.05 million baht, down by 37.25 million baht or 600.81% from 2018's net profit of 6.20 million baht. The Company's revenue was from two main sources, as follows:

- 1. Underwriting income: Gross premiums written from all lines of business in 2019 totalled 414.86 million baht, up by 226.18 million baht or 119.87% on 2018. The rise was largely from motor insurance business and attributed to our efforts to expand markets. Premiums ceded during the year were 59.43 million baht, representing 14.33% of gross premiums. Net premiums written or retained premiums, which amounted to 355.43 million baht, consisted of motor premiums 303.53 million baht, fire premiums 29.08 million baht, marine cargo and logistics premiums 5.41 million baht, personal accident premiums 0.67 million baht and miscellaneous premiums 16.74 million baht.
- 2. Investment Income for 2019, comprising interests and dividends, amounted to 20.10 million baht, a year-on-year decrease of 0.09 million baht or 0.45%. Return on investment for 2019 went down to 2.87% from 2.98% in 2018.

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

- Underwriting expenses amounted to 381.35 million baht, a year-on-year increase of 190.91 million baht or 100.25%. Insurance claims during the year from normal operations totalled 122.26 million baht. The ratio of loss to earned premiums was 44.83%, up from 2018's ratio of 40.71%.
- Operating expenses for 2019 came to 46.23 million baht, up by 2.93 million baht or 6.77% over the prior year. The biggest expenditure items were staff-related costs and other operating expenses which mostly included IT investment spending.

Financial Position

Assets

As at 31 December 2019, the Company had total assets of 900.35 million baht, an increase of 100.84 million baht or 12.61% over 2018. Investments in securities, comprising ordinary shares, debentures, premium savings bonds, bank deposits and bonds, totalled 668.65 million baht, up from 2018's level by 18.94 million baht or 2.92%. All securities were carried at fair value, with revaluation surplus on investments of 37.18 million baht duly recorded under shareholders' equity. The Company's cash and cash equivalents, loans and investments in securities (excluding equity securities and general investments) at year end added up to 517.83 million baht, a year-on-year increase of 77.88 million baht or 17.70%. This was the result of the Company's policy to invest more in debentures.

Reinsurance assets and reinsurance receivables at the end of 2019 totalled 63.16 million baht, up by 86.20% on 2018's total of 29.24 million baht.

Accounts Receivable

At the end of 2019, premiums due and uncollected totalled 29.74 million baht, up on the previous year by 5.21%. The accounts receivable is set out in the aging schedule below.

Unit: million baht

		2019		2018		
Age of Accounts Receive	From the Insured	From Insured Agents and Brokers	Total	From the Insured	From Insured Agents and Brokers	Total
1. Not yet due	1.74	23.71	25.45	1.49	21.41	22.90
2. Up to 30 days past due	0.01	3.30	3.31	0.07	3.90	3.97
3. 31–60 days past due	-	1.11	1.11	-	1.86	1.86
4. 61–90 days past due	-	0.45	0.45	-	0.25	0.25
5. 91 days–1 year past due	-	0.97	0.97	-	0.76	0.76
6. More than 1 year past due	-	-	-	-	-	-
Total premiums due and uncollected	1.75	29.54	31.29	1.56	28.18	29.74
Allowance for doubtful accounts	-	(0.97)	(0.97)	-	(0.76)	(0.76)
Net premiums due and uncollected	1.75	28.57	30.32	1.56	27.42	28.98

The average collection period for premiums due and uncollected for 2019 was 26 days. The Company pursued its policy of rigorous credit control aimed at ensuring the established risk management policies and plans are effectively implemented. At year end, an allowance for doubtful accounts was made for 0.97 million baht, which was based on past collection experience and regarded as adequate.

Investment in Securities

Unit: million baht

			2019					2018		
Available-for-sale Investment	Cost	Unrealized Gain	Unrealized Loss	Fair Value	Equity Investment as Percentage of Total Assets	Cost	Unrealized Gain	Unrealized Loss	Fair Value	Equity Investment as Percentage of Total Assets
Government and state										
enterprise securities										
Equity shares	38.61	74.96	(10.27)	103.30	11.47	40.50	63.24	-	103.74	12.98
Private securities										
Equity shares	125.70	44.90	(63.12)	107.48	11.49	129.67	13.81	(17.38)	126.10	15.77
Total	164.31	119.86	(73.39)	210.78	23.41	170.17	77.05	(17.38)	229.84	28.75

Unit: million baht

		2019	2018		
Held-to-Maturity Investment	Amortized Cost	mortized Cost Equity Investment as Percentage of Total Assets		Equity Investment as Percentage of Total Assets	
Government and state enterprise securities					
Premium savings bonds	1.60	0.18	1.60	0.20	
Foreign bonds	15.00	1.67	15.00	1.88	
Debentures, convertible debentures	55.00	6.11	25.00	3.13	
Private securities					
Debentures, convertible debentures	251.00	27.87	208.00	26.02	
Bank deposits	134.93	14.98	169.93	21.25	
Investment outside the Stock Exchange of Thailand	0.34	0.04	0.34	0.04	
Total	457.87	50.85	419.87	52.52	

In 2019, the Company's investment in securities consisted of: available-for-sale investments of 210.78 million baht, a decrease of 19.06 million baht or 8.29% from 2018; and held-to-maturity investments of 457.87 million baht, up on the prior year by 38.00 million baht or 9.05%.

Liquidity

Net cash generated from operating activities in 2019 was up year over year by 62.75 million baht, while net cash used in investing activities in 2019 was 0.13 million baht, a decrease of 0.06 million baht from 2018. Cash and cash equivalents as at 31 December 2019 totalled 53.02 million baht, up by 41.15 million baht from the previous year.

As at 31 December 2019, the Company's liquidity ratio was 2.20 times, down from the 2018's ratio of 3.26 times. Current assets available were sufficient to cover current liabilities and were in line with the liquidity risk management policy set by the Company.

Liabilities

The Company's total liabilities amounted to 371.79 million baht, an increase of 148.79 million baht from the prior year's total of 223.00 million baht. Debt-to-equity ratio went up to 0.70 times from 0.39 times in 2018. The majority of the Company's liabilities were composed of unearned premium reserve, outstanding claims, provision for incurred but not reported (IBNR) claims, amounts withheld on reinsurance treaties, amounts due to reinsurers, employee benefits obligations, and deferred tax liabilities.

Shareholders' Equity

Shareholders' equity at year end was 528.56 million baht, down by 47.95 million baht from 576.51 million baht in 2018. This was due to a decrease in revaluation surplus on investments of 10.56 million baht as a result of the continued fall in the stock exchange index in 2019. In addition, the Company paid out 6.0 million baht in dividends in 2019, whereas the dividend payout in 2018 amounted to 12.0 million baht.

Events after the Reporting Period

The Board of Directors resolved to approve payment of a dividend, from retained earnings, of 0.50 baht a share on 12 million shares, amounting to a total payout of 6 million baht.

REPORT OF THE AUDIT COMMITTEE

Over the course of 2019, the Audit Committee performed its duties as delegated by the Board of Directors while fulfilling its oversight role in accordance with the Audit Committee Charter and the Corporate Governance Code. The main points of the Committee's performance in 2019 can be summarized as follows.

1. Reviewing quarterly financial statements and audited annual financial reports

The Audit Committee reviewed the Company's quarterly and annual financial statements for 2019 by inviting the executives concerned and the external auditors to take part in the financial statement reviews to ensure conformity of the audited statements with financial reporting standards as well as adequate disclosure of complete, reliable information. The observations made by the auditors at each meeting were fed back for consideration and appropriate improvement by the Company. Through these reviews, the Committee concluded that all financial statements gave true and accurate information in all material aspects in accordance with the current financial reporting standards and the rules of the Office of Insurance Commission (OIC).

2. Reviewing internal controls assessment

The Audit Committee reviewed the Company's internal control systems: by appraising the systems with the external auditors and regularly considering reports from the Office of Internal Audit, where no material weaknesses were identified; by assessing the adequacy of and the risks involved in the internal control systems to prioritize and align each system with the organization's goals; and by providing operational guidance to the Office of Internal Audit. Through such assessments, the Audit Committee agreed that the Company's internal control systems were adequate and appropriate.

3. Reviewing risk management

The Risk Management Committee has been established to be in charge of the Company's risk management. In this regard, the Audit Committee carried out reviews with company executives to ensure that risk management plans were developed and that there was sufficiently effective monitoring and assessment of risks potentially arising from the changing business environment, i.e. strategic risk, insurance risk, credit risk, liquidity risk, market risk, operational risk, reputational risk, information technology risk, catastrophe risk, group risk and emerging risk. The Committee then provided its opinions to the Board on the areas for improvement in ensuring the Company's efficient risk management and compliance with the requirements and guidelines of the Office of Insurance Commission (OIC).

4. Reviewing related-party and conflict-of-interest transactions

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

disclosure of information was duly made by the Company in line with good governance policies and the notifications of the SET and SEC.

5. Reviewing statutory compliance

The Audit Committee reviewed the Company's operations and ensured that all activities conformed with the established procedures/processes, that the Company operated with integrity and complied strictly with the law governing securities and exchange and all other laws applicable to its operations. The reviews found no indication of any non-compliance with or practices contrary to applicable laws and regulations and that the Company met all of its business obligations properly.

6. Recommending appointment of external auditors and their fees for 2019

The Audit Committee considered and selected the external auditors by taking into consideration their performance, independence, qualifications, audit skills and experience, the audit firm's business and financial statements for the past year as well as their audit fees. The Committee made its recommendation, to the Board for further approval by the 2019 general meeting, that the following auditors of DIA International Auditing Company Limited be appointed as the Company's external auditors for fiscal 2019: Mrs. Suvimol Krittayakiern, CPA Registration No. 2982 and/or Miss Somjintana Pholhirunrat, CPA Registration No. 5599 and/or Mr. Chumpot Prairattanakorn, CPA Registration No. 7645 and/or Miss Supaporn Mangjit, CPA Registration No. 8125.

In conclusion, the Audit Committee discharged its duties in 2019 by monitoring the Company's activities with competence and sufficient independence in accordance with the responsibilities stated in the Audit Committee Charter. The Committee has reached the opinion that, during the reporting year, the Company's financial reporting continued to provide material, reliable information in line with generally accepted accounting standards, that there was adequate disclosure of related-party transactions and transactions with potential conflict of interest, that there were effective systems to ensure good governance and to manage risks to acceptable levels, that the internal control systems in place were adequate for the operations, and that there was full compliance with all the laws, rules and regulations applicable to the Company's business operations.

On behalf of the Audit Committee

Sompol Chaiyachow

Sompol Cheigrachen.

Chairman of the Audit Committee

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL REPOETS

The Board of Directors is responsible for the Company's financial statements and financial information presented in the Annual Report. The financial statements for the year ended 31 December 2019 have been prepared in accordance with generally accepted accounting standards in Thailand, using appropriate and consistent accounting policies and based on sound, prudent and reasonable judgement. Significant information on accounting policies and financial reporting standards has also been adequately disclosed in the Notes to the Financial Statements. The Company's financial position and results are thus reflected accurately and transparently, providing useful facts for the shareholders and investors in general. Such financial statements have been audited and given an unqualified opinion by independent certified auditors.

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

The Board of Directors is of the view that the Company's overall system of internal controls is adequate and appropriate to provide assurance that the financial statements of Charan Insurance Public Company Limited for the year ended 31 December 2019 present accurately, in all material respects, the financial position, operating results and cash flow of the Company.

Sopon Kluaymai Na Ayudhya

Sopon Klaymai na Syndhyn

Chairman of the Board

Sukich Charanvas

Managing Director

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of CHARAN INSURANCE PUBLIC COMPANY LIMITED

Opinion

I have audited the financial statements of CHARAN INSURANCE PUBLIC COMPANY LIMITED, which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in owners' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CHARAN INSURANCE PUBLIC COMPANY LIMITED as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Gross premium written

The Company had gross premium written amount of Baht 414.86 million, representing 85.40 percent of total revenues before premium coded to reinsurers which are insurance from retail customers and there were a large number of insurance policies written. Calculation and recognition of gross premium written as revenue are dependent upon information and technology (IT) systems. Hence, I focused on examining whether gross premium written are correctly recorded as actually incurred.

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

 Obtained an understanding and tested internal control system relating to operation procedure, insurance policy issuance, recording data in information and technology systems (IT) and gross premium written account.

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

Loss reserves

The Company had loss reserves of Baht 85.11 million (presented as a part of insurance contract liabilities.) representing 22.89 percent of total liabilities. Loss reserves are included both claims incurred and reported and not yet reported. Such reserves are calculated by the Management under actuarial method and key assumption used in calculation referred from information in the past and judgment made by the Management to determine assumption. Hence, I focused on examining the adequacy of loss reserves.

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

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

Other Information

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after that date.

My opinion on the financial statements does not cover the other information and I do not and will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for appropriate correction.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

D I A International Audit Co., Ltd

(Mrs. Suvimol Chrityakierne)

9. Unityahirm

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

FINANCIAL STATEMENT

CHARAN INSURANCE PUBLIC COMPANY LIMITED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

(Unit: Baht)

	Note	December 31, 2019	December 31, 2018
ASSETS			
Cash and cash equivalents	6	53,022,357.90	11,875,195.93
Premium due and uncollected	7	30,325,742.29	28,984,979.72
Accrued investment income		2,892,958.31	3,297,036.40
Reinsurance assets	8	36,760,390.42	25,020,734.59
Reinsurance receivables	9	26,400,176.00	8,902,865.15
Investment properties			
Investments in securities	10	668,653,258.22	649,707,448.06
Loans	11	7,281,766.56	8,547,552.64
Property, plant and equipment	12	42,872,766.09	43,453,740.05
Other intangible assets	13	12,449.48	56,149.85
Deferred tax assets	14	18,669,962.34	11,952,510.79
Other assets	15	13,458,522.12	7,707,311.34
TOTAL ASSETS		900,350,349.73	799,505,524.52

CHARAN INSURANCE PUBLIC COMPANY LIMITED STATEMENT OF FINANCIAL POSITION (CONT.) AS AT DECEMBER 31, 2019

(Unit: Baht)

	Note	December 31, 2019	December 31, 2018
LIABILITIES AND OWNERS' EQUITY			
Insurance contract liabilities	16	275,357,807.42	154,119,404.80
Due to reinsurers	17	20,985,069.98	19,877,969.60
Income tax payables		-	1,071,302.42
Employee benefit obligations	19	13,294,767.00	8,766,376.00
Deferred tax liabilities	14	9,294,522.24	11,934,534.61
Others liabilities			
Unearned revenue		12,625,471.50	11,083,803.28
Others	20	40,230,786.39	16,145,103.98
TOTAL LIABILITIES		371,788,424.53	222,998,494.69

CHARAN INSURANCE PUBLIC COMPANY LIMITED STATEMENT OF FINANCIAL POSITION (CONT.) AS AT DECEMBER 31, 2019

(Unit: Baht)

	December 31, 2019	December 31, 2018
LIABILITIES AND OWNERS' EQUITY		
Owners' equity		
Share capital		
Registered capital		
12,000,000 ordinary shares of Baht 10.00 each	120,000,000.00	120,000,000.00
Issued and paid-up share capital		
12,000,000 ordinary shares of Baht 10.00 each	120,000,000.00	120,000,000.00
Premium on share capital	258,000,000.00	258,000,000.00
Retained earnings		
Appropriated		
Statutory reserve	12,000,000.00	12,000,000.00
Unappropriated	101,383,836.22	138,768,891.38
Other components of equity	37,178,088.98	47,738,138.45
TOTAL OWNERS' EQUITY	528,561,925.20	576,507,029.83
TOTAL LIABILITIES AND OWNERS' EQUITY	900,350,349.73	799,505,524.52

CHARAN INSURANCE PUBLIC COMPANY LIMITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

(Unit: Baht)

	Note	December 31, 2019	December 31, 2018
Revenues			
Premium written		414,856,166.34	188,682,947.33
Less: Premium ceded		(59,428,962.34)	(32,828,789.65)
Net Premium written		355,427,204.00	155,854,157.68
Add/Less: Unearned premium reserves from prior period		(82,691,552.11)	927,481.82
Net Premiums earned	34	272,735,651.89	156,781,639.50
Fee and commission income	34	16,968,755.35	11,645,834.17
Income on investments - net	34	20,103,427.22	20,194,324.80
Gain on investment		17,204,980.00	-
Other income		16,655,732.69	7,509,672.17
Total revenues		343,668,547.15	196,131,470.64
Expenses			
Gross benefits and claims		168,448,154.99	73,975,799.22
Less: claims recovered from reinsurers		(46,184,375.67)	(10,142,608.09)
Insurance claims and loss adjustment expenses	34	122,263,779.32	63,833,191.13
Commissions and brokerages	34	54,185,607.45	29,767,197.70
Other underwriting expenses	34	158,677,013.14	53,543,889.66
Operating expenses	22	46,227,005.95	43,297,273.70
Total expenses		381,353,405.86	190,441,552.19
Profit (loss) before income tax		(37,684,858.71)	5,689,918.45
Tax income	14.2	6,633,921.95	509,628.78
Profit (loss) for the year		(31,050,936.76)	6,199,547.23

CHARAN INSURANCE PUBLIC COMPANY LIMITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

(Unit: Baht)

	Note	December 31, 2019	December 31, 2018
Other comprehensive income (expenses)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		(417,648.00)	700,938.00
Income tax relating to other comprehensive income	14.3	83,529.60	(140,187.60)
Remeasurements of post-employment benefit obligations - net of tax		(334,118.40)	560,750.40
Items that will be reclassified subsequently to profit or loss			
Fair value changes on available-for-sale investments		(13,200,061.84)	(25,380,627.11)
Income tax relating to component of other comprehensive income	14.3	2,640,012.37	5,076,125.42
Other comprehensive income (expenses) for the year, net of tax		(10,560,049.47)	(20,304,501.69)
Other comprehensive income (expenses) for the years, net of tax		(10,894,167.87)	(19,743,751.29)
Total comprehensive income (expenses) for the years		(41,945,104.63)	(13,544,204.06)
Earnings per share			
Basic earning (loss) per share		(2.59)	0.52
Number of ordinary shares		12,000,000	12,000,000

CHARAN INSURANCE PUBLIC COMPANY LIMITED STATEMENTS OF CHANGES IN OWNERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

(Unit: Baht)

				Retained Earnings (deficit)		Other Component of equitys	Total
	Note	Issued and	ned and Share Capital			Fair Value	
				Appropriated Statutory Reserve	Unappropriated	Changes on Available for Sale Investments	
Balance as at December 31, 2017		120,000,000.00	258,000,000.00	12,000,000.00	144,008,593.75	68,042,640.14	602,051,233.89
Profit for the years		-	-	-	6,199,547.23	-	6,199,547.23
Other comprehensive income (expenses) for the year		-	-	-	560,750.40	(20,304,501.69)	(19,743,751.29)
Dividend	21	-	-	-	(12,000,000.00)	-	(12,000,000.00)
Balance as at December 31, 2018		120,000,000.00	258,000,000.00	12,000,000.00	138,768,891.38	47,738,138,.45	576,507,029.83
Loss for the years		-	-	-	(31,050,936.76)	-	(31,050,936.76)
Other comprehensive income (expenses) for the year		-	-	-	(334,118.40)	(10,560,049.47)	(10,894,167.87)
Dividend	21	-	-	-	(6,000,000.00)	-	(6,000,000.00)
Balance as at December 31, 2019		120,000,000.00	258,000,000.00	12,000,000.00	101,383,836.22	37,178,088,.98	528,561,925.20

CHARAN INSURANCE PUBLIC COMPANY LIMITED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

(Unit: Baht)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIE		
Net direct premium written	411,231,156.62	183,253,992.80
Cash paid for reinsurance	(56,792,779.03)	(25,855,300.12)
Interest income	13,766,717.81	10,791,103.56
Dividend	6,993,223.15	8,824,265.60
Other income	16,655,732.69	7,509,672.17
Losses incurred of direct insurance	(112,614,062.96)	(46,263,375.91)
Commissions and brokerages	(37,263,364.26)	(18,000,399.36)
Other underwriting expenses	(158,677,013.14)	(53,543,889.66)
Operating expenses	(20,271,535.62)	(43,711,574.77)
Tax expense	(2,078,555.45)	(2,115,056.32)
Investments in securities	(14,940,892.00)	(38,000,000.00)
Collateralized loans	1,265,786.08	1,630,377.56
NET CASH PROVIDED BY (USE IN) OPERATING ACTIVITIES	47,274,413.89	(15,480,184.45)

CHARAN INSURANCE PUBLIC COMPANY LIMITED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

(Unit : Baht)

	2019	2018
Cash flows used in		
Equipment	(127,251.92)	(194,430.84)
NET CASH USED IN INVESTING ACTIVITIES	(127,251.92)	(194,430.84)
NET CASH USED IN INVESTING ACTIVITIES	(127,251.92)	(194,430.84)
NET CASH USED IN FINANCING ACTIVITIES		
Dividend	(6,000,000.00)	(12,000,000.00)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,147,161.97	(27,674,615.29)
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR	11,875,195.93	39,549,811.22
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	53,022,357.90	11,875,195.93

NOTES OF FINANCIAL STATEMENTS

CHARAN INSURANCE PUBLIC COMPANY LIMITED FOR THE YEAR ENDED DECEMBER 31, 2019

GENERAL INFORMATION

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

2. BASIS FOR THE PREPARATION OF INTERIM FINANCIAL STATEMENTS

2.1 Preparation of financial statements

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

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

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

2.2 Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised (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 summarized below:

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related interpretations.

Thai Accounting Standards

TAS 11 (Revised 2017) Construction contracts

TAS 18 (Revised 2017) Revenue

Thai Standing Interpretations Committee

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

Services

Thai Financial Reporting Standards Interpretations

TFRIC 13 (Revised 2017) Customer Loyalty Programmes

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

TFRIC 18 (Revised 2017) Transfers of Assets from Customers

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 recognized 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 the Company's 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 the Company's financial statements.

2.3 Financial reporting standards that became 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 summarized 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:

Thai Financial Reporting Standards

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Thai Accounting Standards

TAS 32 Financial Instruments: Presentation

Thai Financial Reporting Standards Interpretations

TFRIC 16 Hedges of a Net Investments in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortized 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 2018) 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 as described 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 recognized 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 some differences from TFRS 7 with respect to disclosures.

The Company's management decided to adopt Thai Accounting Guidance related to financial instruments and disclosures applicable to insurance business after deciding that the Company meets the criteria stipulated in TFRS 4 Insurance contracts, making it eligible to adopt the Thai Accounting Guidance, and that adopting this Thai Accounting Guidance is more appropriate in the current situation.

The Company's management expects the adoption of this Thai Accounting Guidance to financial instruments and disclosures applicable to insurance business, to result in the following adjustments.

- Classification and measurement of investments in equity instruments of non-listed companies
 - The Company is to measure investment in equity instruments of non-listed company at fair value and to classify the investments as financial asset at fair value through other comprehensive income.
- Recognition of credit losses The Company is to recognize 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 management of the Company is currently evaluating the impact of this Thai Accounting Guidance to Financial instruments and disclosures applicable to insurance business 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 recognize 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 recognized as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

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

3. ACCOUNTING POLICY

3.1 Product classification

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

The Company classifies contracts based on an assessment of the insurance risk at an inception of contract on a contract-by-contract basis. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, unless all rights and obligations are extinguished or expire. If any contract is previously classified as investment contracts at an inception date, it can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

3.2 Revenue recognition

(a) Premium

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

(b) Reinsurance premium income

Reinsurance premium income is recognized as income when the reinsurer places the reinsurance application or statement of accounts with the Company.

(c) Commission and brokerage fee income

Commission and brokerage fee from ceded premium are recognized as income when services have been rendered to the reinsurers. Commission and brokerage fees from ceded premium with coverage periods longer than 1 year are recorded as unearned items and recognized as income over the coverage period.

(d) Interest income and dividends

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

(e) Gain (loss) on trading securities

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

(f) Other income

Other income is recognized on the accrual basis

3.3 Premium reserve

(a) Unearned premium reserve

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

Type of insurance

- Transportation (cargo), travelling accident with coverage periods of not over six months

- Others

Reserve Calculation Method

- 100% of premium as from the date policy is effective, throughout the period of insurance coverage
- Monthly average basis (the one-twenty fourth basis)

(b) Unexpired risks reserve

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

The Company compares the amounts of unexpired risks reserve with unearned premium reserve, and if unexpired risks reserve is higher than unearned premium reserve, the difference is recognized as unexpired risks reserve in the financial statements.

3.4 Loss reserve and outstanding claims

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

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

3.5 Commissions, brokerages and other expense

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

3.6 Cash and cash equivalents

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

3.7 Premium due and uncollected

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

3.8 Reinsurance assets

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

3.9 Reinsurance receivables and due to reinsurers

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

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

- (b) Amounts due from reinsurers are stated at the outstanding balance payable from reinsurance and amounts withheld on reinsurance. Amounts due to reinsurers consist of reinsurance premiums and other items payable to reinsurers, excluding claims. The Company presents net of reinsurance to the same entity (reinsurance receivables or amounts due to reinsurers) when the criteria for offsetting as follows.
 - (1) The entity has a legal right to offset amounts presented in the statements of financial position, and
 - (2) The entity intends to receive or pay the net amount recognized in the statements of financial position, or to realize the asset at the same time as it pays the liability.

3.10 Investments

- (a) Investments in securities held for trading are stated at fair value. Gains or losses arising from changes in the carrying amount of securities are included in the Statements of comprehensive income.
- (b) Investments in available-for-sale securities are stated at fair value. Changes in the carrying amounts of securities are recorded as operation comprehensive income and recognized this

accumulation to owners' equity until sold out these securities that will be record in the profit or loss.

- (c) Investments in held-to-maturity debt securities are recorded at amortized cost. The premium/discount on debt securities is amortized by the effective rate method with the amortized amount presented as an adjustment to the interest income.
- (d) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for the diminution in value (if applicable).

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

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

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

3.11 Assets held for sales

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

3.12 Loans and allowance for doubtful accounts.

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

3.13 Property, Plant and equipment, and depreciation

- (a) Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if applicable).
- (b) Depreciation of plant and equipment is calculated by reference to their costs on the straightline basis over the following estimated useful lives.

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

Land and construction in progress were not depreciated.

3.14 Intangible assets and amortization

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

Computer software

years

5

3.15 Impairment of assets

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

3.16 Income tax

Income tax consists of current income tax and deferred income tax

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

(b) Deferred Tax

- Deferred income tax is calculated based on temporary differences between book value of assets and liabilities as book in the Statements of financial position compare with these taxes base of assets and liabilities. The Company will be evaluate the value of deferred tax assets and liabilities by tax rate for each period that the Company has expected to be get benefit from deferred tax assets or in each period to expected to paid for deferred tax liabilities.
- 2) The Company recognizes deferred tax liabilities for taxable temporary differences and recognizes deferred tax assets by compare with the deductible temporary differences and tax losses carried forward. The Company recognizes deferred tax assets to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilized.
- 3) At each Statements of financial position date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized or change in tax rate.
- 4) The Company recognizes deferred tax expenses to revenue or expense in the statements of income, except when the temporary differences relate to items under the owners' equity, in which case the deferred tax is directly recorded in the owners' equity.

3.17 Related party transactions

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

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

3.18 Employee benefits

Short-term benefit

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

Post-employment benefits (Defined contribution plan)

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

Post-employment benefits (Defined benefit plan)

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

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

3.19 Operating lease

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

3.20 Foreign currencies

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

3.21 Provision, expenses and contingent assets

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

3.22 Use of accounting estimates

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

3.23 Segment reporting

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

3.24 Financial instruments

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

3.25 Basic earnings per share

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

4. Critical accounting estimates, assumptions and judgements

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

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

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

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

the closing date and other information disclosed in public are additionally determined for reinsurance assets.

4.2 Impairment of equity investments

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

4.3 Property, plant and equipment / intangible assets

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

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

4.4 Deferred tax

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

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

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

4.6 Employee benefits obligations

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

4.7 Unexpired risk reserve

Unexpired risk reserve is calculated using an actuarial method, based on a best estimate of the claims expected to incur over the remaining term of the insurance. Estimating the reserve

requires the management to exercise judgment, with reference to historical data and the best estimates available at the time.

4.8 Litigation

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

5. FAIR VALUE MEASUREMENT

The Company use the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available. The Company used an appropriate measurement such as the present value determination of cash flows etc.

Fair value hierarchy

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

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

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

(Unit: Baht)

	2019					
	Carrying		Fair V	alues		
	Values	Level 1	Level 2	Level 3	Level 4	
Assets measured at fair value						
Available-for-sale investments						
Equity securities	210,782,198.22	210,782,198.22	-	-	210,782,198.22	
Assets for which fair value are disclosed						
Cash and cash equivalents	53,022,357.90	53,022,357.90	-	-	53,022,357.90	
Premium receivables	30,325,742.29	-	-	30,325,742.29	30,325,742.29	
Reinsurance assets - claim reserves						
refundable from reinsurers	10,356,939.23	-	-	10,356,939.23	10,356,939.23	
Reinsurance receivables	26,400,176.00	-	-	26,400,176.00	26,400,176.00	
Held to maturity investments						
Government and state enterprise securities	16,600,000.00	-	-	16,600,000.00	16,600,000.00	
Private sector debt securities	306,000,000.00	-	312,818,487.49	-	312,818,487.49	
Deposits at financial institutions which						
matured over 3 months	134,930,000.00	134,930,000.00	-	-	134,930,000.00	
General investments	341,060.00	-	-	24,112,077.94	24,112,077.94	
Loans	7,281,766.56	-	-	7,281,766.56	7,281,766.56	
Liabilities which fair value are disclosed						
Insurance contract liabilities - claim						
reserves	85,105,272.39	-	-	85,105,272.39	85,105,272.39	
Amounts due to reinsurances	20,985,069.98	-	-	20,985,069.98	20,985,069.98	

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

FAIR VALUE MEASUREMENT (Cont.)

(Unit: Baht)

	2018						
	Carrying		Fair V	alues			
	Values	Level 1	Level 2	Level 3	Level 4		
Assets measured at fair value							
Available-for-sale investments							
Equity securities	229,836,388.06	229,836,388.06	-	-	229,836,388.06		
Assets for which fair value are disclosed					·		
Cash and cash equivalents	11,875,195.93	11,875,195.93	-	-	11,875,195.93		
Premium receivables	28,984,979.72	-	-	28,984,979.72	28,984,979.72		
Reinsurance assets - claim reserves							
refundable from reinsurers	7,941,522.82	-	-	7,941,522.82	7,941,522.82		
Reinsurance receivables	8,902,865.15	-	-	8,902,865.15	8,902,865.15		
Held to maturity investments							
Government and state enterprise securities	16,600,000.00	-	-	16,749,583.20	16,749,583.20		
Private sector debt securities	233,000,000.00	-	236,683,075.49	-	236,683,075.49		
Deposits at financial institutions which							
matured over 3 months	169,930,000.00	169,930,000.00	-	-	169,930,000.00		
General investments	341,060.00	-	-	22,998,812.04	22,998,812.04		
Loans	8,547,552.64	-	-	8,547,552.64	8,547,552.64		
Liabilities which fair value are disclosed							
Insurance contract liabilities - claim							
reserves	55,882,661.30	-	-	55,882,661.30	55,882,661.30		
Amounts due to reinsurances	19,877,969.60	-	-	19,877,969.60	19,877,969.60		

6. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash	859,473.58	748,116.25
Deposits at banks with no fixed maturity date	32,162,884.32	11,127,079.68
Deposits at banks with fixed maturity date	20,000,000.00	-
Cash and cash equivalents	53,022,357.90	11,875,195.93

7. PREMIUM DUE AND UNCOLLECTED

As at December 31, 2019 and 2018, the Company has balances of premium due and uncollected which classified by aging from the maturity date under the stipulated law of the premium collection as follows:

(Unit : Baht)

	Ι	December 31, 201	9	December 31, 2018			
	Due from insured	Due from Agents and Brokers	Total		Due from Agents and Brokers	Total	
Not yet due	1,741,035.77	23,712,498.92	25,453,534.69	1,491,626.66	21,414,787.92	22,906,414.58	
Not over 30 days	5,893.03	3,299,329.62	3,305,222.65	65,382.38	3,900,605.76	3,965,988.14	
Over 30 days to 60 days	-	1,113,565.12	1,113,565.12	-	1,859,639.42	1,859,639.42	
Over 60 days to 90 days	(919.13)	454,338.96	453,419.83	-	252,937.58	252,937.58	
Over 90 days	-	967,221.39	967,221.39	-	758,616.25	758,616.25	
Total premium receivables	1,746,009.67	29,546,954.01	31,292,963.68	1,557,009.04	28,186,586.93	29,743,595.97	
Less: Allowance for doubtful							
accounts	-	(967,221.39)	(967,221.39)	-	(758,616.25)	(758,616.25)	
Total premium due and uncollected, net	1,746,009.67	28,579,732.62	30,325,742.29	1,557,009.04	<u>27,427,970.68</u>	28,984,979.72	

8. REINSURANCE ASSETS

As at December 31, 2019 and 2018, the Company has reinsurance assets as below:

(Unit : Baht)

	December 31, 2019	December 31, 2018
Cash		
Deposits at banks with no fixed maturity date	10,356,939.23	7,941,522.82
Deposits at banks with fixed maturity date	26,403,451.19	17,079,211.77
Cash and cash equivalents	36,760,390.42	25,020,734.59

9. REINSURANCE RECEIVABLES

As at December 31, 2019 and 2018, the Company has reinsurance receivables as below:

	December 31, 2019	December 31, 2018
Amounts due from reinsurers	26,400,176.00	8,902,865.15
Total	26,400,176.00	8,902,865.15

REINSURANCE RECEIVABLES (Cont.)

As at December 31, 2019 and 2018, balances of amounts due from reinsurers are classified by aging as follows:

(Unit: Baht)

	December 31, 2019	December 31, 2018
Within credit terms	26,248,816.18	8,806,608.01
Not over 12 months	151,359.82	96,257.14
Total	26,400,176.00	8,902,865.15

10. INVESTMENT IN SECURITIES

10.1 Classified by type of investments

	December 3	1, 2019	December 3	51, 2018
	Cost/ Amortised Cost	Fair Value	Cost/ Amortised Cost	Fair Value
Available-for-sale investments				
Equity securities	164,309,587.00	210,782,198.22	170,163,715.00	229,836,388.06
Total	164,309,587.00	210,782,198.22	170,163,715.00	229,836,388.06
Unrealized gain (loss)	46,472,611.22	-	59,672,673.06	-
Available-for-sale investments - net	210,782,198.22	210,782,198.22	229,836,388.06	229,836,388.06
Held-to-maturity investments				
Government and state enterprise securities	16,600,000.00		16,600,000.00	
Private sector debt securities	306,000,000.00		233,000,000.00	
Deposits at financial institutions which				
matured over 3 months	134,930,000.00		169,930,000.00	
Held-to-maturity investments - net	457,530,000.00		419,530,000.00	
General investments				
Equity securities	341,060.00		341,060.00	
General investments - net	341,060.00			
Investments in securities - net	668,653,258.22		649,707,448.06	

10.2 Period to maturity

(Unit : Baht)

	December 31, 2019							
		Period to 1	Maturity					
	Within 1 year 1-5 years Over 5 years Total							
Available-for-sale investments								
Government and state enterprise securities	10,000,000.00	1,600,000.00	5,000,000.00	16,600,000.00				
Private sector debt securities	48,000,000.00	218,000,000.00	40,000,000.00	306,000,000.00				
Deposits at financial institutions which								
matured over 3 months	120,930,000.00	14,000,000.00	-	134,930,000.00				
Total available-for-sale investments	178,930,000.00	233,600,000.00	45,000,000.00	457,530,000.00				

(Unit : Baht)

	December 31, 2018						
		Period to I	Maturity				
	Within 1 year 1-5 years Over 5 years Total						
Available-for-sale investments							
Government and state enterprise securities	-	11,600,000.00	5,000,000.00	16,600,000.00			
Private sector debt securities	52,000,000.00	104,000,000.00	77,000,000.00	233,000,000.00			
Deposits at financial institutions which							
matured over 3 months	169,930,000.00	-	-	169,930,000.00			
Total available-for-sale investments	221,930,000.00	115,600,000.00	82,000,000.00	419,530,000.00			

10.3 Investments subject to restriction

As at December 31, 2019 and 2018, the Company pledged bank deposit Baht 89.93 million and Baht 54.93 million, respectively as collateral as stated in note 35.

11. LOANS

As at December 31, 2019 and 2018, loans and accrued interest aged by principal and accrued interest are as follows:

(Unit : Baht)

	December 31, 2019						
	Mortgage	Mortgage Loans Others Total					
	Principal	Interest	Principal	Interest	Principal	Interest	Total
Not yet due	7,026,491.11	-	255,275.45	-	7,281,766.56	-	7,281,766.56
Total	7,026,491.11	-	255,275.45	-	7,281,766.56	-	7,281,766.56

	December 31, 2018						
	Mortgage	Loans	Othe	ers		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Total
Not yet due	8,173,894.91	-	373,657.73	-	8,547,552.64	-	8,547,552.64
Total	8,173,894.91	-	<u>373,657.73</u>	-	8,547,552.64	-	8,547,552.64

- 11.1 The collateralized loans are loan facilities provided to employees as part of the credit welfare project for house with interest rate MLR -1.5% and MOR -2.0% per annum.
- 11.2 The collateralized loans are personal loans provided to employees as part of the benefit program with interest rate at MLR 1.5% per annum and MOR per annum.
- 11.3 The collateralized loans are loan facilities provided to other person at interest rate MOR-1.5% per annum.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019				
	Land	Building	Fixture and Office Equipment	Vehicle	Total
Cost:					
At December 31, 2018	41,549,000.00	80,536,138.70	4,477,293.76	14,608,961.54	141,171,394.00
Additions	-	-	128,154.76	-	128,154.76
Disposal	-	-	(134,771.95)	(1,068,867.23)	(1,203,639.18)
At December 31, 2019	41,549,000.00	80,536,138.70	4,470,676.57	13,540,094.31	140,095,909.58
Accumulated depreciation:					
At December 31, 2018	-	80,054,318.78	3,384,625.83	14,278,709.34	97,717,653.95
Depreciation for the year	-	78,685.63	450,440.63	179,099.62	708,225.88
Disposal	-	-	(133,873.11)	(1,068,863.23)	(1,202,736.34)
At December 31, 2019	-	80,133,004.41	3,701,193.35	13,388,945.73	97,223,143.49
Net book value :					
At December 31, 2018	41,549,000.00	<u>481,819.92</u>	1,092,667.93	330,252.20	43,453,740.05
At December 31, 2019	41,549,000.00	403,134.29	769,483.22	<u>151,148.58</u>	42,872,766.09
Depreciation for the year:					
At December 31, 2019					708,225.88

PROPERTY, PLANT AND EQUIPMENT (Cont.)

(Unit : Baht)

	December 31, 2018				
	Land	Building	Fixture and Office Equipment	Vehicle	Total
Cost:					
At December 31, 2017	41,549,000.00	80,536,138.70	53,972,158.10	14,608,961.54	190,666,258.34
Additions	-	-	194,530.84	-	194,530.84
Disposal	-	-	(49,689,395.18)	-	(49,689,395.18)
At December 31, 2018	41,549,000.00	80,536,138.70	4,470,676.57	14,608,961.54	141,171,394.00
Accumulated depreciation:					
At December 31, 2017	-	79,975,633.15	52,530,194.59	14,099,609.72	146,605,437.46
Depreciation for the year	-	78,685.63	543,726.42	179,099.62	801,511.67
Disposal	-	-	(49,689,298.18)	-	(49,689,295.18)
At December 31, 2018	-	80,054,318.78	3,384,625.83	14,278,709.34	97,717,653.95
Net book value:					
At December 31, 2017	41,549,000.00	<u>560,505.55</u>	<u>1,441,963.51</u>	509,351.82	44,060,820.88
At December 31, 2018	41,549,000.00	<u>481,819.92</u>	1,092,667.93	330,252.20	43,453,740.05
Depreciation for the year:					
At December 31, 2018					801,511.67

As at December 31, 2019 and 2018, the Company has furniture, fixtures and office equipment at cost before deducting accumulated depreciation amount of Baht 93.65 million and Baht 94.79 million, respectively which are fully depreciated and still used in its operation.

13. INTANGIBLE ASSETS

	Computer Software
Cost:	
At December 31, 2017	1,941,571.03
Additions	-
At December 31, 2018	1,941,571.03
Additions	-
At December 31, 2019	1,941,571.03
Accumulated amortization	
At December 31, 2017	1,825,021.18
Amortization charge	60,400.00
At December 31, 2018	1,885,421.18
Amortization charge	43,700.37
At December 31, 2019	1,929,121.55
Net book value:	
At 31 December 2018	56,149.85
At 31 December 2019	12,449.48
Amortization for the year 2019	43,700.37
Amortization for the year 2018	60,400.00

14. DEFERED TAX

14.1 As at December 31, 2019 and 2018, the component of deferred tax assets and liabilities consist of following items.

(Unit : Baht)

	December 31, 2019	December 31, 2018
Deferred tax assets		
Premium reserve	2,815,075.28	2,242,608.56
Loss reserves and outstanding claims	9,520,027.38	5,241,138.70
Loss reserves incurred but not reported (IBNR)	3,482,462.01	2,563,765.09
Allowance for doubtful accounts	193,444.27	151,723.24
Employee benefit obligation	2,658,953.40	1,753,275.20
Total	18,669,962.34	11,952,510.79
Deferred tax liabilities		
Unrealized gain from investment valuation – Available for sale	9,294,522.24	11,934,534.61
Total	9,294,522.24	11,934,534.61
Deferred tax assets (liabilities) - net	9,357,440.10	<u>17,976.18</u>

14.2 Income tax for the year ended December 31, 2019 and 2018, is summarized as follows:

	2019	2018
Current Income Tax		
Income tax for the year	-	2,957,338.47
Deferred income tax		
Deferred tax from temporary difference	(6,633,921.95)	(3,466,967.25)
Income tax presented in statement of comprehensive income	(6,633,921.95)	(509,628.78)

14.3 The amount of income tax relating to each component of other comprehensive incomes for the year ended December 31, 2019 and 2018, are summarized as follows:

(Unit : Baht)

	2019	2018
Deferred tax relating to Remeasurements of post-employment		
benefit obligations for the year	83,529.60	(140,187.60)
Deferred tax relating to gain (loss) from investment valuation		
Available for sale	2,640,012.37	5,076,125.42
	<u>2,723,541.97</u>	4,935,937.82

14.4 Reconciliation amount between income tax expenses and multiplication of taxable profit and tax rate used for the year ended December 31, 2019 and 2018, are presented as follows:

(Unit : Baht)

	2019	2018
Profit (Loss) from accounting before income tax	(37,684,858.71)	<u>5,689,918.45</u>
Income tax rate	20%	20%
Profit (Loss) from accounting before income tax multiplied by		
income tax rate	(7,536,971.75)	1,137,983.69
Income tax adjusted of previous year		
The effect from changing income tax rate of deferred tax		
The effect of income tax:	-	(850,994.11)
Current year tax loss for which no deferred tax asset was		
recognized	2,195,164.83	-
Non taxable revenues and expenses	(1,393,644.63)	(929,313.83)
Non-deductible expenses	101,529.60	132,695.47
Income tax presented in statement of comprehensive income	(6,633,921.95)	(509,628.78)

15. OTHER ASSTES

	December 31, 2019	December 31, 2018
Prepaid long-term commission	2,288,304.51	2,200,589.34
Loss recovery from counter parties	3,627,883.76	2,023,435.58
Other receivables	3,229,010.23	1,111,112.49
Others	4,313,323.62	2,372,173.93
Total	13,458,522.12	7,707,311.34

16. INSURANCE CONTRACT LIABILITIES

(Unit : Baht)

	December 31, 2019		
	Insurance Contract Liabilities	Liabilities on reinsurance	Net
Loss reserves and outstanding claims			
- Incurred and agreed claim reserves	58,808,348.40	(1,472,325.27)	57,336,023.13
- Incurred but not reported claim reserves	26,296,923.99	(8,884,613.96)	17,412,310.03
Premium liabilities - Unearned premium reserves	190,252,535.03	(26,403,451.19)	163,849,083.84
Total	275,357,807.42	(36,760,390.42)	238,597,417.00

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

Loss reserves and outstanding claims

(Unit: Baht)

	December 31, 2019	December 31, 2018
Beginning balances	55,882,661.30	34,367,951.77
Claim incurred in this year	160,768,900.65	76,285,073.68
Changes in claim reserves in previous year	(10,695,634.97)	(1,500,322.54)
Changes in claim reserves assumptions	11,301,226.23	1,713,717.14
Claim paid in this year	(132,151,880.82)	(54,983,758.75)
Ending balances	85,105,272.39	55,882,661.30

As at December 31, 2019, the Company had loss reserves and outstanding claims under reinsurance contracts of Baht 3.17 million (31 December 2018: Baht 3.97 million).

Unearned premium reserve

(Unit: Baht)

	December 31, 2019	December 31, 2019
Beginning balances	55,882,661.30	34,367,951.77
Premium written for the year	414,856,166.34	188,682,947.33
Premium earned for the current year	(322,840,374.81)	(190,603,018.86)
Ending balance	190,252,535.03	98,236,743.50

Unexpired risk reserve

	December 31, 2019	December 31, 2019
Balance as at January 1	35,158,902.71	29,433,219.54
Estimated claims for the year	172,275,812.81	61,738,451.72
Expired risk during the year	(115,544,478.84)	(56,012,768.55)
Ending balance	91,890,236.68	<u>35,158,902.71</u>

As at December 31, 2019, the Company has not provided for unexpired risk reserve for the amount of Baht 91.89 million (December 31, 2018, Baht 35.16 million) since unexpired risk reserve is lower than unearned premium reserve.

Gross claims table

(Unit: Baht)

Accident year/Reporting year	2014	2015	2016	2017	2018	2019	Total
Claim estimates:							
- as at accident year	56,211,432	60,702,000	64,010,739	55,364,197	71,469,051	171,146,908	
- Next one year	54,771,859	58,031,013	63,261,824	55,203,840	65,399,721		
- Next two years	55,440,388	58,553,284	65,920,735	51,323,420			
- Next three years	55,785,856	57,884,918	65,700,784				
- Next four years	55,785,856	57,884,918					
- Next five years	55,785,856						
Cumulative claim estimates	55,785,856	57,884,918	65,700,784	51,323,420	65,399,731	171,146,908	467,241,608
Cumulative payments 2013 - 2018	55,785,856	57,884,918	65,700,784	51,053,284	51,735,149	171,146,908	467,241,608
Total	-	_		270,137	13,664,572	67,002,578	80,937,287
Claims before 2013							1,593,337
Others							2,574,648
Total gross loss reserves							85,105,272

Net claims table

							(Citi. Buili)
Accident year/Reporting year	2014	2015	2016	2017	2018	2019	Total
Claim estimates:							
- as at accident year	49,727,350	52,321,459	47,303,374	45,887,288	60,216,395	133,884,158	
- Next one year	40,798,794	49,355,510	46,158,395	46,222,054	57,141,350		
- Next two years	41,583,811	49,779,703	48,653,956	43,058,124			
- Next three years	41,922,646	49,830,805	48,501,457				
- Next four years	41,922,646	49,830,805					
- Next five years	41,922,646						
Cumulative claim estimates	41,922,646	49,830,805	48,501,457	43,058,124	57,141,350	133,884,158	374,338,541
Cumulative payments 2013 - 2018	41,922,646	49,830,805	48,501,457	42,805,135	44,901,248	78,856,058	306,817,348
Total		-	_	252,990	12,240,103	55,028,100	67,521,193
Claims before 2013							345,284
Others							(12,483,682)
Total net loss reserves							55,382,795

INSURANCE CONTRACT LIABILITIES (Cont.)

Key assumptions

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

(a) The assumptions of in claim experiences.

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

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

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

(b) The assumption of the relevant expenses.

The estimation of unallocated loss adjustment expenses (ULAE).

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

17. DUE TO REINSURERS

	December 31, 2019	December 31, 2019
Premium ceded payables	11,118,758.19	10,743,655.71
Amount withheld on reinsurance	9,866,311.79	9,134,313.89
Total reinsurance payables	20,985,069.98	19,877,969.60

18. BANK OVERDRAFTS

As at December 31, 2019 and 2018, the Company has credit facilities of bank overdrafts amounting to Baht 20.00 million with interest rate at MOR - 3 % guaranteed by fixed deposit as disclosed in note 35.

19. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefits expenses project as determined :	December 31, 2019	December 31, 2019
Current service cost	675,244.00	406,294.00
Interest cost	219,159.00	213,180.00
Remeasurements of post-employment benefit obligations for the year	417,648.00	(700,938.00)
Total expenses	<u>1,312,051.00</u>	(81,464.00)
The statement of financial position obligation was determined		
as follows:		
Present value of the defined benefit obligations	8,766,376.00	9,467,314.00
Unrecognized actuarial (gain) loss	417,648.00	(700,938.00)
Defined benefit obligation at end of year	9,184,024.00	8,766,376.00
Movement in the present value of the defined benefit obligations:		
Defined benefit obligations at January 1,	8,766,376.00	9,529,040.00
Current service cost	675,244.00	406,294.00
Interest cost	219,159.00	213,180.00
Less Benefits paid	-	(681,200.00)
Past Service Cost – Plan Changes	3,216,340.00	-
Remeasurements of post-employment benefit obligations for the year	417,648.00	(700,938.00)
Defined benefit obligation at December 31,	13,294,767.00	8,766,376.00

Actuarial assumptions to use for calculation:

	2019	2018
	Percentage	Percentage
Retirement age	60 Years old	60 Years old
Discount Rate	1.32	2.50
Long term salary increase	2.25	2.00
Employees turn over	0.00-20.00	0.00-15.00
Mortality Rate	TMO2017	TMO2017

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

(Unit : Baht)

Assumptions	December 31, 2019
Experience Adjustments on Plan Liabilities	(740,178.00)
Change in Demographic Assumptions on Plan Liabilities	(6,572.00)
Change in Financial Assumptions on Plan Liabilities	1,164,398.00
Total	<u>417,648.00</u>

Sensitivity analysis:

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

(Unit : Baht)

Defined benefit obligation at December 31, 2019	Increase	Decrease
Discount Rate (1.0% movement)	(820,237.00)	913,066.00
Long term salary increase (1.0% movement)	969,704.00	(886,863.00)
Employees turn over (10.0% movement)	(111,863.00)	114,577.00

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

On April 5, 2019, the Labor Protection Act (No. 7) B.E. 2562 was published in the Royal Gazette which is effective from May 5, 2019 onwards that determined the additional rate of severance pay in the case of termination of employment for a terminated employee who has worked for 20 consecutive years or more and shall be entitled to receive payment not less than the last rate of wages for 400 days. Therefore, such changes have affected to the additional providing employee benefit amount of Baht 3.22 million. The Company has recognized the previous service costs as expenses immediately in the statement of comprehensive income.

20. OTHER LIABILITIES

(Unit : Baht)

	December 31, 2019	December 31, 2019
Accrued expense	14,724,486.93	7,284,172.22
Accrued commission	4,281,584.10	4,240,381.09
Others	21,224,715.36	4,620,551.67
Total	40,230,786.39	16,145,104.98

21. DIVIDEND PAYMENT

According to the resolution of annual general shareholders' meeting for the year 2018 held on April 24, 2019, The company passed resolution to pay dividend to the shareholders from result of its operation of the year 2018 at the rate Baht 0.50 per share for 12 million shares total amount of Baht 6 million. The company already paid dividend on May 24, 2019.

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

22. OPERATING EXPENSES

	2019	2018
Personal expenses which are not expenses for underwriting and claims	25,281,375.59	25,186,545.93
Premises and equipment expenses which is not expenses for underwriting	9,188,840.89	8,088,462.79
Taxes and duties	2,390,263.74	1,394,068.32
Bad debts and doubtful accounts	208,605.14	-
Directors' remuneration	1,145,000.00	1,295,000.00
Other operating expenses	8,012,920.59	7,333,196.66
Total operating expenses	46,227,005.95	43,297,273.70

23. EMPLOYEE BENEFIT EXPENSE

(Unit : Baht)

	December 31, 2019	December 31, 2019
Management		
Wages and salaries	11,667,824.00	11,249,040.00
Pension costs - defined contribution plans	179,808.00	195,432.00
Others	1,957,803.90	2,293,837.59
	13,805,435.90	13,738,309.59
Other employees		
Wages and salaries	17,605,887.00	20,025,599.00
Pension costs - defined contribution plans	239,586.18	263,083.06
Others	3,413,658.51	2,022,694.28
	21,259,131.69	22,311,376.34
Total	35,064,567.59	36,049,685.93
Employee benefit expenses has been allocated to:		
Other underwriting expenses	6,170,000.00	6,872,220.000
Insurance claim and loss adjustments	2,468,192.00	2,695,920.00
Operating expenses	26,426,375.59	26,481,545.93
Total	35,064,567.59	36,049,685.93

24. BENEFITS PAID TO DIRECTORS AND KEY MANAGEMENT

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

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

Directors' remuneration and management benefit expenses for the year ended December 31, 2019 and 2018, are presented as follows.

	December 31, 2019	December 31, 2019
Short-term benefits	11,928,987.90	13,350,549.59
Long-term benefits	1,876,448.00	387,760.00
Total	13,805,435.90	13,738,309.59

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

(Unit : Baht)

	Amount before Tax	Benefit (Expenses) Tax	Net Amount from Tax
As at December 31, 2019			
Gains on changes in values of investments	(13,200,061.84)	2,640,012.37	(10,560,049.47)
Remeasurements of post-employment benefit obligations	(417,648.00)	83,529.60	(334,118.40)
Total	(13,617,706.84)	2,723,541.97	(10,894,167.87)
As at December 31, 2018			
Gains on changes in values of investments	(25,380,627.11)	5,076,125.42	(20,304,501.69)
Remeasurements of post-employment benefit obligations	700,938.00	(140,187.60)	560,750.40
Total	(24,679,689.11)	4,935,937.82	(19,743,751.29)

26. RISKS OF NON-LIFE INSURANCE BUSINESS

Insurance risk

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

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

Insurance risk (Cont.)

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

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

	December 31, 2019			December 31, 2019			
	Gross Premium Reserves	Outward Premium Reserves	Net	Gross Premium Reserves	Outward Premium Reserves	Net	
Fire	18,947,680.17	(4,366,272.47)	14,581,407.70	19,509,807.32	(4,164,394.06)	15,345,413.26	
Marine and transportation	4,107,181.94	(1,543,432.21)	2,563,749.73	5,254,390.18	(2,358,975.39)	2,895,414.79	
Motor	145,535,508.49	(7,358,299.06)	138,177,209.43	56,556,398.87	(2,755,436.47)	53,800,962.40	
Personal accident	622,862.91	(261,505.49)	361,357.42	1,247,600.61	(264,215.22)	983,385.39	
Miscellaneous	21,039,301.52	(12,873,941.96)	8,165,359.56	15,668,546.52	(7,536,190.63)	8,132,355.89	
Total	190,252,535.03	(26,403,451.19)	163,849,083.84	98,236,743.50	(17,079,211.77)	81,157,531.79	

(Unit : Baht)

	December 31, 2019			December 31, 2019			
	Gross Premium Reserves	Outward Premium Reserves	Gross Premium Reserves	Outward Premium Reserves	Gross Premium Reserves	Outward Premium Reserves	
Fire	5,032,978.69	94,676.67	5,127,655.36	15,310,656.84	(4,740,720.70)	10,569,936.14	
Marine and transportation	4,700537.60	(631,598.56)	4,068,939.04	1,792,208.48	(339,504.35)	1,452,704.13	
Motor	63,286,004.37	(1,427,612.19)	61,858,392.18	33,654,449.57	(812,018.01)	32,842,431.56	
Personal accident	191,956.4	(20,285.06)	171,671.34	622,036.39	(46,363.71)	575,675.68	
Miscellaneous	11,893,795.33	(8,372,120.09)	3,521,675.24	4,503,310.02	(2,002,919.05)	2,500,390.97	
Total	85,105,272.39	10,356,939.23	74,748,333.16	55,882,661.30	7,941,522.82	47,941,138.48	

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

	Assumption Change	Provision for Gross Loss Reserves	Provision for Net Loss Reserves	Profit (Loss) before Income Tax
Ultimate Loss Ratios	+1%	3,371,949	2,860,359	(2,860,359)
	-1%	(3,371,949)	(2,860,359)	2,860,359
ULAE Ratio	+1%	532,799	532,799	(532,799)
	-1%	(532,799)	(532,799)	532,799

Financial instruments and risk management

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

(a) Credit risk

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

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

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

Interest rate risk

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

		December 31, 2019					
	Fixe	d Interest Rates		Floating Interest Rate	erest Interest	Total	Effective Interest Rate (% per
	Within 1 year	1 – 5 years	Over 5 years				annum)
Financial Assets							
Cash and cash equivalents	-	-	-	53,022,357.90	-	53,022,357.90	0.00 - 1.10
Premium receivables	-	-	-	-	30,325,742.29	30,325,742.29	-
Reinsurance assets – claim reserves refundable from							
reinsurers	-	-	-	-	10,356,939.23	10,356,939.23	-
Reinsurance receivables	-	-	-	-	26,400,176.00	26,400,176.00	-
Investment in securities							
Government and state							
enterprise securities	10,000,000.00	1,600,000.00	5,000,000.00	-	-	16,600,000.00	0.00 - 5.00
Equity securities	-	-	-	-	211,123,258.22	211,123,258.22	-
Private sector debt securities	48,000,000.00	218,000,000.00	40,000,000.00	-	-	306,000,000.00	1.74 - 5.50
Deposits at financial institutions which matured							
over 3 months	120,930,000.00	14,000,000.00	-	-	-	134,930,000.00	0.65 - 1.70
Loans	-	-	-	7,281,766.56	-	7,281,766.56	5.275 - 5.900
Financial Liabilities							
Insurance contract liabilities							
- claim reserves	-	-	-	-	85,105,272.39	85,105,272.39	-
Amounts due to reinsurances	-	-	-	-	20,985,069.98	20,985,069.98	-

ความเสี่ยงของธุรกิจประกันวินาศภัย (ต่อ)

	December 31, 2019						
	Fixe	ed Interest Ra	ates Over 5 years	Floating Interest Rate	Non- Interest Bearing	Total	Effective Interest Rate (% per annum)
Financial Assets	·	•	·				annum)
Cash and cash equivalents	-	-	-	11,875,195.93	-	11,875,195.93	0.00 - 1.35
Premium receivables	-	-	-	-	28,984,979.72	28,984,979.72	-
Reinsurance assets – claim reserves refundable from					T 041 522 02	T 041 522 02	
reinsurers Reinsurance receivables	-	-	-	-	7,941,522.82	7,941,522.82	-
Investment in securities	-	-	-	-	8,902,865.15	8,902,865.15	-
Government and state enterprise securities	-	11,600,000.00	5,000,000.00	-	-	16,600,000.00	0.00 - 5.00
Equity securities	-	-	-	-	230,177,448.06	230,177,448.06	-
Private sector debt securities	52,000,000.00	104,000,000.00	77,000,000.00	-	-	233,000,000.00	1.97 – 4.95
Deposits at financial institutions which matured							
over 3 months	169,930,000.00	-	-	-	-	169,930,000.00	0.65 - 1.60
Loans	-	-	-	8,547,522.64	-	8,547,522.64	5.275 - 5.900
Financial Liabilities							
Insurance contract liabilities - claim reserves	-	-	-	-	55,8982,661.30	55,882661.30	-
Amounts due to reinsurances	-	-	-	-	19,877,969.60	19,877,969.60	-

(c) Liquidity risk

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

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

As at December 31, 2019 and 2018, the periods to maturity of financial assets and liabilities are as follows:

	December 31, 2019					
	At Call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
Financial Assets						
Cash and cash equivalents	53,022,357.90	-	-	-	-	53,022,357.90
Premium receivables	-	30,325,742.29	-	-	-	30,325,742.29
Reinsurance assets – claim						
reserves refundable from						
reinsurers	-	10,356,939.23	-	-	-	10,356,939.23
Reinsurance receivables	-	26.400.176.00	-	-	-	26,400,176.00
Investment in securities	-	178,930,000.00	233,600,000.00	45,000,000.00	211,123,258.22	668,653,258.22
Loans	-	122,550.75	331,339.67	6,827,876.14	-	7,281,766.56
Financial Liabilities						
Insurance contract liabilities						
- claim reserves	-	85,105,272.39	-	-	-	85,105,272.39
Amounts due to reinsurances	-	20,985,069.98	-	-	-	20,985,069.98

(Unit: Baht)

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

Fair value of financial instruments

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

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

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

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

Foreign currency risk

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

27. CAPITAL FUND MANAGEMENT

The primary objectives of the Company's capital fund management are to ensure that it has an appropriate financial structure, presences the ability to continue its business as a going concern and to maintain capital reserve in accordance with Notifications of the Office of Insurance Commission (OIC).

28. CONTRIBUTION TO NON-LIFE GUARANTEE FUND

(Unit : Baht)

	For the years ended December	
	2019	2018
Accumulated contribution at the beginning of the year	4,384,967.69	3,923,460.10
Contribution during the year	1,028,097.14	461,507.59
Accumulated contribution at the end of the year	5,413,064.83	4,384,967.69

29. ASSETS PLEDGED WITH REGISTRAR

As at December 31, 2019 and 2018, the Company used bank deposit amount of Baht 14 million as collateral with the registrar in accordance with the Section 19 of Insurance Act B.E. 2535. (1992).

30. ASSETS RESERVE PLEDGED WITH REGISTRAR

As at December 31, 2019 and 2018, bank deposit amount of Baht 55.00 million and Baht 20.00 million respectively used as collateral against premium reserve with the registrar.

31. PROVIDENT FUND

The Company and its employees have jointly registered a provident fund scheme under Provident Fund Act B.E. 2530. (1987). The fund is contributed to by the Company and its employees at the equal monthly rate of 3 percent of the employees' basic salary, based on the length of employment and will be paid to the employees upon termination in accordance with the rules of the fund. The fund is managed by Kasikorn Management Company Limited. For year ended December 31, 2019 and 2018, the Company contributed to Fund approximately Baht 0.42 million and Baht 0.46 million respectively.

32. LEGAL RESERVE

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

33. EARNINGS PER SHARE

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

(Unit: Baht)

	December 31, 2019	December 31, 2018
Profit for the year	(31,050,936.76)	6,199,547.23
Weighted average number of ordinary shares	12,000,000	12,000,000
Earnings per share	(2.59)	0.52

34. FINANCIAL INFORMATION BY SEGMENT

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

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

FINANCIAL INFORMATION BY SEGMENT (Count.)

The following tables present revenue and profit information regarding the Company's operating segments for the years ended December 31, 2019 and 2018, respectively.

						(Chu . Banı)		
		For the year ended December 31, 2019						
	Fire	Marine and Transportation	Motor	Personal Accident	Miscellaneous	Total		
<u>Underwriting income</u>								
Premium written	37,706,880.30	8,760,900.31	319,704,057.58	1,172,949.33	47,511,378.82	414,856,166.34		
Less: Premium ceded	8,637,585.17	3,354,258.18	16,171,236.53	498,351.11	30,767,531.35	59,428,962.34		
Net premium written	29,069,295.13	5,406,642.13	303,532,821.05	674,598.22	16,743,847.47	355,427,204.00		
Add/Less: Unearned premium reserves	764,005.56	331,665.06	(84,376,247.03)	622,027.97	(33,003.67)	(82,691,552.11)		
Earned premium written	29,833,300.69	5,738,307.19	219,156,574.02	1,296,626.19	16,710,843.80	272,735,651.89		
Fee and commissions income	6,062,755.62	1,205,240.82	2,544,508.19	176,859.33	6,979,391.39	16,968,755.35		
Total underwriting income	35,896,056.31	6,943,548.04	221,701,082.21	1,473,485.52	23,690,235.19	289,704,407.24		
<u>Underwriting expenses</u>								
Claims and losses adjustment	16,258,631.48	3,489,648.06	91,168,663.96	668,100.24	10,678,735.58	122,263,779.32		
Commissions and brokerages	8,869,617.22	1,285,870.63	39,190,766.09	175,116.57	4,664,236.94	54,185,607.45		
Other underwriting expenses	3,327,470.86	1,937,929.49	150,829,342.82	6,687.82	2,575,582.15	158,677,013.14		
Total underwriting expenses								
before operating expenses	<u>28,455,719.56</u>	<u>6,713,448.18</u>	<u>281,188,772.87</u>	849,904.63	17,918,554.67	335,126,399.91		
Operating expenses						46,227,005.95		
Total underwriting expenses						381,353,405.86		
Loss from underwriting						(91,648,998.62)		
Net investment income						20,103,427.22		
Gain on investment						17,204,980.00		
Other income						16,655,732.69		
Loss before income tax expenses						(37,684,858.71)		
Income tax (expenses) income						6,633,921.95		
Loss for the year						(31,050,936.76)		

						(Onu . Dam)
	For the year ended December 31, 2019					
	Fire	Marine and Transportation	Motor	Personal Accident	Miscellaneous	Total
<u>Underwriting income</u>						
Premium written	38,227,935.55	10,349,016.20	107,661,127.37	2,220,584,.53	30,224,283.68	188,682,947.33
Less: Premium ceded	7,935,392.92	4,724,374.98	5,228,463.26	493,404.97	14,447,153.52	32,828,789.65
Net premium written	30,292,542.63	5,624,641.22	102,432,664.11	1,727,179.56	15,777,130.16	155,854,157.68
Add/Less: Unearned premium						
reserves	(245,714.19)	(181,878.27)	860,877.22	13,294.01	480,903.05	927,481.82
Earned premium written	30,046,828.44	5,442,762.95	103,293,541.33	1,740,473.57	16,258,033.21	156,781,639.50
Fee and commissions income	3,286,845.28	2,042,033.13	891,296.31	170,467.84	5,255,191.61	11,645,834.17
Total underwriting income	33,333,673.72	7,484,796.08	104,184,837.64	1,910,941,41	21,513,224.82	168,427,473.67
<u>Underwriting expenses</u>						
Claims and losses adjustment	8,508,402.01	1,307,520.33	51,404,674.76	1,095,674.96	1,516,919.07	63,833,191.13
Commissions and brokerages	8,986,346.15	1,476,088.81	13,970,911.29	571,510.00	4,762,341.45	29,767,197.70
Other underwriting expenses	4,570,011.58	2,454,209.70	45,413,113.23	6,678.75	1,099,876.40	53,543,889.66
Total underwriting expenses						
before operating expenses	22,064,759.74	<u>5,237,818.84</u>	11,778,699.28	1,673,863.71	7,379,136.92	147,144,278.49
Operating expenses						43,287,273.70
Total underwriting expenses						190,441,552.19
Loss from underwriting						(22,014,078.52)
Net investment income						20,194,324.80
Gain on investment						7,509,672.17
Other income						5,689,918.45
Loss before income tax expenses						509,628.78
Income tax (expenses) income						6,199,547.23

FINANCIAL INFORMATION BY SEGMENT (Count.)

The following table presents segment assets and liabilities of the Company's operating segments as at December 31, 2019 and 2018, are as follows:

(Unit : Baht)

	Fire	Marine and Transportation	Motor	Personal Accident	Miscellaneous	Unallocated Assets	Total
Assets							
As at December 31, 2018	26,201,916.22	<u>5,520,159.35</u>	33,505,304.37	658,396.05	36,177,533.29	798,287,040.45	900,350,349.73
As at December 31, 2017	22,731,019.21	5,116,215.01	22,909,250.92	954,663.71	16,879,385.78	730,914,989.89	799,505,524.52
Liabilities							
As at December 31, 2018	47,626,427.34	10,306,664.74	212,200,972.59	<u>859,757.16</u>	36,096,572.10	57698,303.60	371,788,424.53
As at December 31, 2017	58,897,300.94	9,320,569.25	96,541,108.47	2,075,048.71	22,598,113.26	33,566,354.06	222,998,494.69

Mayor customers

For the years 2019 and 2018, the Company has no major policyholder with revenue of 10 percent or more of the Company's gross premium.

35. RESTRICTED ASSETS WITH COMMITMENT

As at December 31, 2019 and 2018, the Company pledged bank deposit of Baht 89.93 million and Baht 54.93respectively as collaterals follows:

	December 31, 2019	December 31, 2018
Bank deposit as collateral for:		
Bank overdraft	20,000,000.00	20,000,000.00
Assets pledged with registrar	14,000,000.00	14,000,000.00
Assets reserve pledged with registrar	55,000,000.00	20,000,000.00
Credit card usage	500,000.00	500,000.00
Electricity usage	430,000.00	430,000.00
Total	89,930,000.00	54,930,000.00

36. CONTINGENT LIABILITIES AND COMMITMENT

Litigation

As at December 31, 2019 and 2018, the Company was sued from act as insurer with the prosecution value of Baht 0.18 million and Baht 0.63 million, respectively. However, the Company's contingent liabilities from prosecution cases in the value not more than the policy custody amount of Baht 0.18 million and Baht 0.65 million, respectively. Those prosecution cases have been incompletely considered and the Company expects to win the mostly cases. Nevertheless, the Company recorded the provision for contingent loss amount of Baht 0.19 million and Baht 0.64 million respectively in the financial statements.

Guarantees

As at December 31, 2019 and 2018, the Company has the unused letter of guarantee issued by bank in the name of the Company for the amount of Baht 0.93 million relating to guarantee for electricity usage.

Operating lease commitments

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

(Unit: Baht)

	December 31, 2019	December 31, 2018
Due within 1 year	2,464,236.00	2,464,236.00
Total	2,464,236.00	2,464,236.00

37. EVENTS AFTER THE REPORTING PERIOD

According to the Board of Director meeting held on February 24, 2020, the Company passes resolution to pay dividend to shareholders from, retained earnings at the rate Baht 0.5 per share total amount of Baht 6 million.

38. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These financial statements have been approved to be issued by authorized directors on February 24, 2020.

BRANCH DIRECTORY

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4. Krabi Branch		
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