

CHUBB LIFE ASSURANCE PUBLIC COMPANY LIMITED

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2019



Independent Auditor's Report

To the Shareholders of Chubb Life Assurance Public Company Limited

My opinion

In my opinion, the financial statements of Chubb Life Assurance Public Company Limited ("the Company") present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). 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 under the Royal Patronage of His Majesty the King's 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.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, 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.

The audit committee assists management in discharging their responsibilities 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 TSAs 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 TSAs, I exercise professional judgment and maintain professional scepticism 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 the audit committee 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 the audit committee 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.

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in black ink, appearing to read 'Sakuna Y'.

Sakuna Yamsakul

Certified Public Accountant (Thailand) No. 4906
Bangkok
21 April 2020

Chubb Life Assurance Public Company Limited
Statement of Financial Position
As at 31 December 2019

	Notes	2019 Baht	2018 Baht
Assets			
Cash and cash equivalents	7	669,466,169	490,799,978
Premium receivable	8	475,414,400	434,066,794
Accrued investment income		132,557,700	120,039,712
Amount due from reinsurance	9	11,623,652	18,932,537
Invested assets			
Investments in securities	10, 28, 29	14,278,776,750	10,946,189,944
Policy loans	11	318,540,571	269,696,374
Equipment - net	12	37,269,865	34,208,625
Intangible assets - net	13	122,656,324	124,721,619
Other assets	14, 26	100,652,661	113,009,361
Total assets		16,146,958,092	12,551,664,944

CHUBB

Chubb Life Assurance Public Company Limited
บริษัท ชับบ์ไลฟ์ แอสซิวรэнซ์ จำกัด (มหาชน)

 

Directors

The accompanying notes are an integral part of this financial statement.

Chubb Life Assurance Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2019

	Notes	2019 Baht	2018 Baht
Liabilities and equity			
Liabilities			
Insurance liabilities	15	11,376,534,031	10,069,413,946
Amount due to reinsurance	16, 26	57,139,358	52,267,798
Income tax payable		21,963,386	4,384,821
Employee benefit obligations	17, 26	142,121,128	136,690,240
Deferred tax liabilities	18	518,871,460	156,145,859
Other liabilities	26	30,039,261	24,794,147
Other creditors	26	27,146,605	20,004,390
Accrued commission expenses	26	299,154,018	182,540,689
Accrued expenses	26	284,743,992	254,652,406
Total liabilities		12,757,713,239	10,900,894,296
Equity			
Share capital	24		
Registered			
139,025,000 ordinary shares of Baht 10 per share		1,390,250,000	1,390,250,000
Issued and fully paid-up			
139,025,000 ordinary shares of Baht 10 per share		1,390,250,000	1,390,250,000
Deficits		(176,206,011)	(335,220,251)
Other components of equity			
Change in value of available-for-sale investments - net of tax		2,169,914,110	596,432,637
Remeasurements of post-employment benefit obligations - net of tax		63,380	(691,738)
Other reserve		5,223,374	-
Total equity		3,389,244,853	1,650,770,648
Total liabilities and equity		16,146,958,092	12,551,664,944

The accompanying notes are an integral part of this financial statement.

Chubb Life Assurance Public Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2019

	Notes	2019 Baht	2018 Baht
Revenues			
Gross written premiums		6,053,426,625	5,292,328,013
<u>Less</u> premiums ceded to reinsurers	26	(106,169,170)	(92,043,929)
Net written premiums		5,947,257,455	5,200,284,084
<u>Less</u> net change in unearned premium reserve		(57,406,895)	(45,815,699)
Net earned premiums		5,889,850,560	5,154,468,385
Fee and commission income		12,797,776	11,285,911
Net investment income		431,550,727	385,510,660
Other income		29,829	352,348
Total revenues		6,334,228,892	5,551,617,304
Expenses			
Change in long-term technical reserve		1,200,053,782	1,243,383,094
Gross benefits and claim paid		1,711,032,011	1,376,941,462
<u>Less</u> benefits and claim paid recovered from reinsurers		(42,505,848)	(37,895,587)
Commissions and brokerages	26	2,587,421,215	2,230,646,008
Other underwriting expenses		64,429,627	55,710,422
Operating expenses	20, 26	643,438,445	546,762,457
Total expenses		6,163,869,232	5,415,547,856
Profit before income tax expenses		170,359,660	136,069,448
Income tax expenses	22	(11,345,420)	(44,932,171)
Net profit for the year		159,014,240	91,137,277

The accompanying notes are an integral part of this financial statement.

Chubb Life Assurance Public Company Limited
Statement of Comprehensive Income (Cont'd)
For the year ended 31 December 2019

	Notes	2019 Baht	2018 Baht
Other comprehensive income (loss)			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Remeasurement of post-employment benefit obligations		8,778	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	18	<u>746,340</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss		<u>755,118</u>	<u>-</u>
<u>Items that will be reclassified subsequently to profit or loss</u>			
Change in value of available-for-sale investments		1,966,851,841	(269,848,853)
Realised gain from sale of available-for-sale investment transferred to profit or loss		-	-
Income tax relating to items that will be reclassified subsequently to profit or loss	18	<u>(393,370,368)</u>	<u>53,969,771</u>
Total items that will be reclassified subsequently to profit or loss		<u>1,573,481,473</u>	<u>(215,879,082)</u>
Other comprehensive income (loss) for the year, net of tax		<u>1,574,236,591</u>	<u>(215,879,082)</u>
Total comprehensive income (loss) for the year		<u><u>1,733,250,831</u></u>	<u><u>(124,741,805)</u></u>
Earnings per share	25		
Basic earnings per share		<u>1.14</u>	<u>0.66</u>

The accompanying notes are an integral part of this financial statement.

Chubb Life Assurance Public Company Limited
Statement of Changes in Equity
For the year ended 31 December 2019

	Other components of equity								
	Other comprehensive income (loss)						Total Baht		
	Issued and paid-up share capital Baht	Deficits Baht	Change in value of available-for-sale investments - net of tax Baht		Remeasurement of post-employment benefit obligations - net of tax Baht			Other reserve Baht	Total other components of equity Baht
Beginning balance as at 1 January 2019	1,390,250,000	(335,220,251)	596,432,637	(691,738)	-	-	595,740,899	1,650,770,648	
Net profit for the year	-	159,014,240	-	-	-	-	-	159,014,240	
Equity-settled share-based payment	-	-	-	-	5,223,374	-	5,223,374	5,223,374	
Share-based payment reclassified to liabilities	-	-	-	-	-	-	-	-	
Remeasurement of post-employment benefit obligations	-	-	-	755,118	-	-	755,118	755,118	
Change in value of available-for-sale investments	-	-	1,573,481,473	-	-	-	1,573,481,473	1,573,481,473	
Realised gain from sale of available-for-sale investment transferred to profit or loss	-	-	-	-	-	-	-	-	
Ending balance as at 31 December 2019	1,390,250,000	(176,206,011)	2,169,914,110	63,380	5,223,374	-	2,175,200,864	3,389,244,853	
Beginning balance as at 1 January 2018	1,390,250,000	(426,357,528)	812,311,719	(691,738)	-	-	811,619,981	1,775,512,453	
Net profit for the year	-	91,137,277	-	-	-	-	-	91,137,277	
Equity-settled share-based payment	-	-	-	-	15,666,411	-	15,666,411	15,666,411	
Share-based payment reclassified to liabilities	-	-	-	-	(15,666,411)	-	(15,666,411)	(15,666,411)	
Change in value of available-for-sale investments	-	-	(215,879,082)	-	-	-	(215,879,082)	(215,879,082)	
Realised gain from sale of available-for-sale investment transferred to profit or loss	-	-	-	-	-	-	-	-	
Ending balance as at 31 December 2018	1,390,250,000	(335,220,251)	596,432,637	(691,738)	-	-	595,740,899	1,650,770,648	

The accompanying notes are an integral part of this financial statement.

Chubb Life Assurance Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2019

	2019	2018
	Baht	Baht
Cash flows provided by (used in) operating activities		
Written premium received from direct insurance	5,954,315,401	5,163,550,485
Cash paid to reinsurance	(38,685,101)	(38,334,538)
Net investment income	446,568,600	378,267,665
Other income	110,302	341,809
Gross benefits and claim paid from direct insurance	(1,666,478,656)	(1,304,965,319)
Commissions and brokerages from direct insurance	(2,434,883,540)	(2,178,713,154)
Other underwriting expenses	(63,511,612)	(54,433,870)
Operating expenses	(574,600,878)	(555,863,955)
Income tax expense	(23,665,282)	(42,668,944)
Cash received for investment in securities	174,383,940	21,580,653
Cash paid for investment in securities	(1,565,934,709)	(1,417,240,472)
Cash received for policy loans	126,421,438	112,658,766
Cash paid for policy loans	(112,055,925)	(101,278,820)
Net cash provided by (used in) operating activities	221,983,978	(17,099,694)
Cash flows provided by (used in) investing activities		
Cash received in relation to equipment	17,095	25,850
Cash paid in relation to equipment	(14,404,233)	(10,863,112)
Cash paid in relation to computer software	(28,930,649)	(25,334,360)
Net cash used in investing activities	(43,317,787)	(36,171,622)
Net increase (decrease) in cash and cash equivalents	178,666,191	(53,271,316)
Cash and cash equivalents at beginning of the year	490,799,978	544,071,294
Cash and cash equivalents at the end of the year	669,466,169	490,799,978

Non-cash transaction

The Company had the significant non-cash transactions as follows:

Payable from purchasing equipment	1,730,369	1,045,390
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The accompanying notes are an integral part of this financial statement.

1 General information

Chubb Life Assurance Public Company Limited ("the Company") was registered as a limited company under the law of Thailand on 23 June 1997. The Company was converted to a public company limited and registered with the Ministry of Commerce on 16 October 2012.

The address of its registered office is as follow:

11th - 12th floor, 130 - 132 Sindhorn Tower 1, Wireless Road, Lumpini, Pathumwan, Bangkok 10330.

The principal business operation of the Company is to provide life insurance.

The major shareholder of the Company is Eksupsiri Company Limited, a local Thai affiliate of Chubb Limited, which is incorporated in Switzerland.

The financial statements were authorised by the Board of Directors on 21 April 2020.

2 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

2.1 Basis of preparation

The financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards (TFRSs) issued under the Accounting Profession Act B.E. 2547. In addition, the financial statements presentation have been prepared based on the format of life insurance financial statements attached in an Office of Insurance Commission's notification "Principle, methodology, condition and timing for preparation, submission and reporting of financial statements and operation performance for life insurance company B.E. 2559" dated on 4 March 2016 ("OIC Notification").

The financial statements have been prepared under the historical cost convention except certain investments which are presented at fair value as disclosed in the accounting policies.

The preparation of financial statements in conformity with Thai Generally Accepted Accounting Principles requires the use of certain critical accounting estimates. It also requires management's judgement in applying the Company's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

An English version of the financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

2 Accounting policies (Cont'd)

2.2 The Company has applied the following standard and amendments for the first time for their annual reporting commencing 1 January 2019

TFRS 2 (revised 2018)	Share-based payment
TFRS 4 (revised 2018)	Insurance contracts
TFRS 15	Revenue from contracts with customers

- a) Thai Financial Reporting Standard no.2 (TFRS 2) (revised 2018), Share-based payment

The amendments made to TFRS 2 clarify:

- the measurement basis for cash-settled share-based payments; and
- the accounting for modifications that change an award from cash-settled to equity-settled.

They also introduce an exception to the classification principles in TFRS 2. Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole amount will be treated as if it is equity-settled. Previously the tax portion was accounted for as cash-settled.

- b) Thai Financial Reporting Standard no.4 (TFRS 4) (revised 2018), Insurance contracts

TFRS 4 has been amended to provide insurance companies an optional temporary exemption from compliance with TFRS 9 and TFRS 7. Entities who choose to use the exemption must follow the 'financial instruments and disclosure for insurance companies' accounting guidelines' issued by the Federation of Accounting Professions until TFRS 17 becomes effective.

- c) Thai Financial Reporting Standard no.15 (TFRS 15), Revenue from contracts with customers

TFRS 15 provides the requirements for the revenue recognition. The standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Company has adopted these standards for the current period. The above standards do not have significant impact on the Company.

2 Accounting policies (Cont'd)

2.3 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020 and have not been early adopted by the Company

a) Financial instruments

The new financial reporting standards relate to financial instruments are:

TAS 32	Financial instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These new standards address the classification, measurement, derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, and presentation and disclosure of financial instruments.

On 1 January 2020, the Company passes criteria of temporarily exemption from TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures under TFRS 4 (revised 2018) Insurance Contracts. The Company is eligible to apply the 'financial instruments and disclosures for insurance companies' accounting guidance' ('the Accounting Guidance') as the Company has not previously applied TFRS 9 Financial Instrument and the Company's activities are predominantly connected with insurance business. Insurance liabilities under TFRS 4 (revised 2018) Insurance Contracts as at 1 January 2018 is greater than 90% of the Company's total liabilities. The Company chose to apply the Accounting Guidance. From the preliminary assessment, the management expects that the Company will be affected on the following areas.

Impairment

The impairment requirements relating to the accounting for an entity's expected credit losses on its investment in debt securities classified as available-for-sale investments. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The entity always accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. In which, the three-stage expected credit loss impairment will be as the following stages:

- Stage 1 - from initial recognition of a financial assets to the date on which the credit risk of the asset has not increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.
- Stage 2 - following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset.
- Stage 3 - When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised.

As a consequence, the method of impairment loss calculation will be changed from an incurred loss basis to the expected credit loss impairment calculated by Company's model with taking effect of forward-looking adjustment. The expected credit loss will be recognised in profit or loss.

2 Accounting policies (Cont'd)

2.3 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020 and have not been early adopted by the Company (Cont'd)

a) Financial instruments (Cont'd)

Transitional impact

On 1 January 2020, the Company will apply the Accounting Guidance. The transitional impact will be recognised as an adjustment to the opening balance of retained earnings. From the preliminary assessment, management expect that the material adjustment to the opening balance of retained earnings will affect on the following items:

- Change in method of impairment loss calculation of available-for-sale investments in debt instruments under the Accounting Guidance.

The Company's management is currently assessing the quantitative impact of the first-time adoption of the Accounting Guidance.

b) TFRS 16 Leases

TFRS 16 will result in almost all leases, where the Company is a lessee, being recognised on the statement of financial position as the distinction between operating and finance lease is removed. The right-of-use assets and lease liabilities are recognised, with exception on short-term or low-value leases.

On 1 January 2020, the Company will apply TFRS 16 Leases with modified retrospective approach. From the preliminary impact assessment, the management expects that the Company will be materially affected by this financial reporting standard from the recognition of right-of-use assets and lease liabilities under building lease agreements, which were previously classified as 'operating lease' under TAS 17 Leases.

The Company will recognise the following items upon adoption of TFRS 16 including:

- liabilities under lease agreements are recognised in accordance with the obligations and discounting to present values with incremental borrowing rates of the lessees and;
- right-of-use assets are recognised equal to the present value of liabilities under the lease agreements adjusted by any lease prepayments made at or before the commencement date and;
- adjust opening retained earnings of the Company from the reversal of accrued lease expenses arising from the recognition of the rental expense under a straight-line method over the term of lease agreements.

The Company's management is currently assessing the quantitative impact of the first-time adoption of TFRS 16 Lease.

2 Accounting policies (Cont'd)

2.3 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020 and have not been early adopted by the Company (Cont'd)

c) Other new/amended standards

The new and amended financial reporting standards that are relevant to the Company are:

TAS 12	Income tax
TAS 19	Employee benefits

TAS 12 clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

TAS 19 clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.

2.4 Recognition of revenues and expenses

Ordinary premium income is recognised as revenue when premium is received and on the effective date of the insurance policies for the first year premium. For the renewal year premium, premium income is recognised as revenue when premium is due. Premium receivable is additionally recognised as revenue when the policy is still in force and in the process of collection.

Group premium income is recognised as revenue when the policies are effective and issued.

Benefits payments to life policy and insurance claims are recorded when notices of claims have been received or the policyholders request to surrender the policy. Other benefits are recognised when due or on maturity.

Expenses relating to the sale of life insurance policies i.e. commissions and brokerages are recognised when incurred.

Interest income is recognised on an accrual basis. Dividends on securities are recognised on the dividend declaration date.

Other income and expenses are recognised on an accrual basis.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call, short-term highly liquid investments with maturities of three months or less from acquisition date

2 Accounting policies (Cont'd)

2.6 Premium receivable

Premium due and uncollected are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amount at the year end. Bad debts are written-off during the year in which they are identified.

2.7 Reinsurance transactions

Reinsurance transactions are recorded based on estimates of amounts to be received or paid from reinsurers in accordance with term and condition in agreements. Premiums ceded and claims reimbursed are presented on a gross basis in profit or loss and net basis by reinsurer in statement of financial position. The Company presents net of reinsurance to the same entity (reinsurance assets or amounts due to reinsurers) when the following criteria for offsetting are met.

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

Amount due from reinsurance are subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year-end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written-off during the year in which they are identified and recognised in profit or loss.

2.8 Investments in securities

Investments are classified as available-for-sale investments. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Available-for-sale investments are intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates.

The Company initially recognises at cost, which is equal to the fair value of consideration paid plus a transaction cost.

Available for sale investments are subsequently measured at fair value. The fair value of investments is based on the yield curve at the close of business on the statement of financial position date by reference to the Thai Bond Market Association. The unrealised gains and losses of available-for-sale investments are recognised in other comprehensive income.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to profit or loss.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss. When disposing of part of the Company's holding of a particular investment in debt securities, the carrying amount of the disposed part is determined by the weighted average carrying amount of the total holding of the investment.

2 Accounting policies (Cont'd)

2.9 Equipment

Equipment are recorded at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset and bringing it to the location and condition necessary for its intended use. Equipment are presented in the statement of financial position at cost less any accumulated depreciation and any allowance for the decrease in value (if any).

The Company includes in cost of leasehold improvements, an initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located, when the Company has obligation to do. The Company calculates depreciation expense on the straight-line basis over the remaining contractual period. The estimated useful life, residual value and method of depreciation are revised at least at each financial year-end.

Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Leasehold improvements	3 - 9 years
Office equipment	5 years
Furniture and fixtures	5 - 9 years
Computers	3 - 7 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

When long-term asset is disposed, the Company will write off both the asset account and its related accumulated depreciation, and recognised any gain or loss from disposal of the asset in profit or loss.

The cost of leasehold improvements under operating lease is capitalised and depreciated using straight-line method over the remaining life of the lease or the useful life of the improvement, whichever is shorter.

2.10 Computer software

Computer software is stated at cost less accumulated amortisation and is amortised using straight-line method over the estimated useful life of 5 - 7 years.

2.11 Impairment of non-financial assets

Equipment and non-financial assets, including intangible assets are tested annually for decrease in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A loss on decrease in value is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing decrease in value, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets that suffered a decrease in value are reviewed for possible reversal of the decrease in value at each reporting date.

2 Accounting policies (Cont'd)

2.12 Policy loan

Policy loan is stated at the principal amount.

Policy loan has cash surrender value as collateral. In case of cash surrender value less than the policy loan amount, the Company has a right to offset loan balance with cash surrender value automatically.

2.13 Leases - where the Company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant or equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment acquired under finance leases is depreciated over the shorter period of the useful life of the asset and the lease term.

2 Accounting policies (Cont'd)

2.14 Employee benefits

2.14.1 Provident fund

The Company established a contributory registered provident fund in accordance with the Provident Fund Act B.E. 2530. The registered provident fund plan was approved by the Ministry of Finance on 13 January 1997.

Under the plan, the employees must contribute a certain percentage of their basic salary to be matched by the Company. The Company appointed a fund manager to manage the fund in accordance with the terms and conditions as prescribed in the Ministerial Regulations under Provident Fund Act B.E. 2530.

The Company's contributions to the provident fund are charged to profit or loss in the year to which they relate.

2.14.2 Retirement benefit

A defined benefit plan is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Under Labour Laws applicable in Thailand and the Company's employment policy, all employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60. The severance pay will be at the rate according to number of years of service as stipulated in the Labor Law which is currently at a maximum rate of 400 days of final salary.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Gains or losses on remeasurement of employee benefit obligation are charged or credited to other components of equity through other comprehensive income (loss) in the period which they arise.

Past-service costs are recognised immediately in profit or loss.

2.14.3 Share-based payment

The Company's parent company operates equity-settled share-based compensation plans. The total expense is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied and is determined by reference to the fair value on the date of the grant. The Company presents it under other components of equity and recognises the recharge over the vesting period as employee benefit obligations.

2 Accounting policies (Cont'd)

2.15 Insurance liabilities

2.15.1 Product classification

The Company classified its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Company classified all its policies as insurance contracts, owing to the significant insurance risk present in all of the contracts.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Company to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. Once a contract has been classified as an insurance or investment contract, no reclassification is subsequently performed unless the terms of the agreement are later amended.

Some insurance contracts have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed policyholder bonus. The DPF benefits in question are not significant portion of the total contractual benefits and cannot be unbundled from the underlying insurance contracts. As such the Company continues its existing accounting policies for the recognition and measurement of for these insurance contracts and does not report the DPF benefits separately, as permitted by TFRS 4 (revised 2018).

2.15.2 Liability adequacy test

The purpose of LAT is to verify the adequacy of life insurance liabilities provisions. The test consists of comparing the insurance contract provisions with the gross premium valuation of the insurance liabilities without a provision for the risk of adverse deviation, calculated from the future expected contractual and other cash flows on a best estimate basis as at the valuation date. The LAT test is performed on the company level. If the test shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

2.15.3 Long-term and short-term insurance contracts

Long-term insurance contracts are insurance contracts which the term of contract is more than 1 year or the contract which have automatic approve of renewal which the Company cannot terminate and cannot increase or decrease premium including the change in other benefit throughout the contract term.

Short term insurance contracts are insurance contracts which do not have terms and conditions as long-term insurance contracts.

The mentioned classification of long-term and short-term insurance contracts is in accordance with approach for Risk-based Capital.

2.15.4 Life policy reserves

Life policy reserves represent the accumulated total net premium valuation reserves under actuarial principle for future insurance claims and benefits paid for life policies in force as at the statement of financial position date. This method uses assumptions approved by OIC without a provision for adverse deviation. These assumptions are set at the policy inception date remained locked-in thereafter.

2 Accounting policies (Cont'd)

2.15 Insurance liabilities (Cont'd)

2.15.5 Loss reserve and outstanding claims

The loss reserve and outstanding claims include the claims incurred and reported, claims incurred but not reported (IBNR) as well as claim handling costs.

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

IBNR is calculated using actuarial techniques and based on a best estimate of claims which are expected to be paid in respect of losses occurring prior to the reporting date.

2.15.6 Unearned premium reserves

Unearned premium reserves for group insurance and short-term riders are calculated on a proportionate of underwriting period basis.

2.15.7 Unpaid policy benefit

Provisions are made for the benefits unpaid at the date of the statement of financial position, recorded when due or on maturity.

2.16 Provisions

Provisions, excluding provisions for employee benefits, are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.17 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Baht, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

2 Accounting policies (Cont'd)

2.18 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets carried on the statement of financial position include cash and cash equivalents, accrued investment income, investments in securities, policy loan and certain balances included in other assets. Financial liabilities carried on the statement of financial position include certain balances in other liabilities.

The particular recognition methods adopted are disclosed in the individual accounting policy associated with each item.

2.19 Current and deferred income taxes

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 Risk management

As an insurer, the Company's activities expose it to a variety of insurance risks and financial risks. The Company applies a consistent risk management policy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed. In addition, the Company has established the enterprise risk management function for managing and monitoring the enterprise wide risks.

The Company has no policy to speculate or trade in any derivative financial instruments.

The following section summarises the Company's risk management.

3.1 Insurance risk management

Insurance risk is risks undertaken by life insurance companies through contracts they underwrite. The risks within this category are associated with the perils covered (e.g. death, accident, illnesses) and with the specific processes associated with the conduct of life insurance business.

The Company prepared product pricing guidelines following actuarial principle, underwriting guidelines, underwriting authorities and claims approval and settlement authorities to mitigate the insurance risks that are associated with product design, pricing and underwriting and claims management.

Concentration

The management considers the concentration risk of insurance products from various perspectives to avoid a concentration risk when the event of loss occurs. The Company has maintained a broad range and well-mixes of insurance products such as whole life, saving, protection, accident and health, and credit life to various group of customers in order to ensure portfolio diversification. The Company considered proportion of various products and monitored the concentration risk by the management.

The following table presents the concentration of insurance liabilities separated by product for the years ended 31 December 2019 and 2018.

	2019			
	Ordinary individual life and riders Baht	Personal accident Baht	Group Baht	Total Baht
Long-term technical reserves	9,234,384,523	-	1,254,930,437	10,489,314,960
Loss reserve and outstanding claims	49,993,898	4,875,039	226,458,766	281,327,703
Total	9,284,378,421	4,875,039	1,481,389,203	10,770,642,663
	2018			
	Ordinary individual life and riders Baht	Personal accident Baht	Group Baht	Total Baht
Long-term technical reserves	8,182,103,770	-	1,107,157,408	9,289,261,178
Loss reserve and outstanding claims	30,801,634	3,577,116	238,189,823	272,568,573
Total	8,212,905,404	3,577,116	1,345,347,231	9,561,829,751

3 Risk management (Cont'd)

3.1 Insurance risk management (Cont'd)

Lapse

Experience study on lapse is carried out on an annual basis using statistical method. Lapse assumptions vary by product type and policy duration. The lapse rates for riders are assumed to follow the same lapse rates as the attached base products. For new products that still do not have credible lapse experience, best estimates from experience of comparable products will be used. The lapse assumption is reviewed annually.

Expenses

The expense assumptions were set in line with actual expenses. The Company derived unit costs assumptions from actual expenses varied by product type and expenses assumption is inflated annually to reflect higher cost of underwriting, issuing and maintaining the policies. The expense assumption is reviewed annually.

Mortality and Morbidity

The deviation of actual claims experience and mortality and morbidity assumption used can significantly impact the operating result. The experience is volatile at the individual product level, particularly for smaller products such as basic term assurances. Experience study on mortality and morbidity rates is carried out on an annual basis. The mortality and morbidity rates are in line with actual experience and are compared with other life insurers. The Company's mortality and morbidity assumptions vary by product type and considered to be adequate. The mortality and morbidity assumptions are reviewed annually.

3.2 Financial risk management

Currency risk

As of 31 December 2019 and 2018, the Company has no significant foreign currency financial instruments.

3 Risk management (Cont'd)

3.2 Financial risk management (Cont'd)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The outstanding balances of significant financial assets, including the interest rate as of 31 December 2019 and 2018 are summarised as follows:

2019								
Fixed interest rate								
	At call Baht	< 1 year Baht	1 - 5 years Baht	> 5 years Baht	Floating interest rate Baht	No interest rate Baht	Total Baht	Rate %
Financial assets								
Cash and cash equivalents	-	-	-	-	367,700,825	301,765,544	669,466,169	0.05 - 0.38
Accrued investment income	-	-	-	-	-	132,557,700	132,557,700	-
Investments in securities	-	-	1,349,840,030	12,928,938,720	-	-	14,278,778,750	2.79 - 7.99
Policy loans	247,595,724	70,944,847	-	-	-	-	318,540,571	4.00 - 8.00
	<u>247,595,724</u>	<u>70,944,847</u>	<u>1,349,840,030</u>	<u>12,928,938,720</u>	<u>367,700,825</u>	<u>434,323,244</u>	<u>15,399,341,190</u>	
2018								
Fixed interest rate								
	At call Baht	< 1 year Baht	1 - 5 years Baht	> 5 years Baht	Floating interest rate Baht	No interest rate Baht	Total Baht	Rate %
Financial assets								
Cash and cash equivalents	-	-	-	-	357,735,211	133,064,767	490,799,978	0.05 - 0.38
Accrued investment income	-	-	-	-	-	120,039,712	120,039,712	-
Investments in securities	-	177,497,731	855,825,771	9,912,866,442	-	-	10,946,189,944	2.79 - 7.99
Policy loans	223,299,001	46,397,373	-	-	-	-	269,696,374	4.00 - 8.00
	<u>223,299,001</u>	<u>223,895,104</u>	<u>855,825,771</u>	<u>9,912,866,442</u>	<u>357,735,211</u>	<u>253,104,479</u>	<u>11,826,726,008</u>	

Credit risk

The Company has no significant concentrations of credit risk. The Company chooses to provide services to the customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's financial assets mainly comprised of cash and deposits with bank and investments in securities which are highly liquid and able to be sold quickly at close to their fair value when the Company wishes to raise fund.

4 Fair value

4.1 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follow:

- Quoted prices (unadjusted) in active markets for identical assets of liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's financial assets that are measured at fair value as at 31 December 2019 and 2018.

	2019			Total Baht
	Level 1 Baht	Level 2 Baht	Level 3 Baht	
Assets				
Investment in securities				
Available-for-sale securities				
- Government and state enterprise securities	- 10,722,821,313		- 10,722,821,313	
- Private enterprise securities	- 3,555,955,437		- 3,555,955,437	
Total assets	- 14,278,776,750		- 14,278,776,750	
	2018			Total Baht
	Level 1 Baht	Level 2 Baht	Level 3 Baht	
Assets				
Investment in securities				
Available-for-sale securities				
- Government and state enterprise securities	- 8,742,685,500		- 8,742,685,500	
- Private enterprise securities	- 2,203,504,444		- 2,203,504,444	
Total assets	- 10,946,189,944		- 10,946,189,944	

There were no transfers between levels during the year.

4.2 Valuation techniques used to derive Level 2 fair values

Level 2 debt investments of marketable securities are fair valued based on the yield curve of the Thai Bond Market Association at the close of business on the statements of financial position date.

4.3 Fair value estimation of assets and liabilities not carried at fair value but for which the fair value is disclosed.

Fair value of policy loans is calculated at amortised cost using the effective yield method. The policy loans mainly are fixed interest rates which the management assesses that the effective yield of loans is a reasonable approximation to the market yield. Accordingly, their carrying amount is a reasonable approximation of fair value.

Other financial instruments not carried at fair value are typically short-term. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash and cash equivalents, accrued investment income, receivable from sale of investments, other assets, other liabilities and payable for purchase of investments.

5 Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

5.1 Product classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Company exercises significant judgment to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Company to pay significant additional benefits to its customers.

In the event the Company has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. The accounting policy on product classification is described in Note 2.15.

5.2 Insurance liabilities

The Company calculates the insurance contract liabilities for traditional life insurance using a net premium valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses assumptions prescribed by OIC without a provision for the risk of adverse deviation. These assumptions are set at the policy inception date and remained locked in thereafter, unless a deficiency arises on liability adequacy testing. If the test shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

5.3 Loss reserve and outstanding claims

At the end of each reporting date, the Company has to estimate loss reserves and outstanding claims taking into account two factors. These are the claims incurred and reported, based on the claims notified by the insured, other available information and management's own assessment and the claims incurred but not reported (IBNR). The ultimate cost of outstanding claims is established using a range of standard actuarial claims projection techniques, the Company is using the Chain Ladder method (Bornhuetter-Ferguson Technique) for short-term insurance. IBNR reserve for long-term insurance is calculated using actuarial techniques and based on best estimate of claims which are expected to be paid in respect of losses occurring prior to the reporting date.

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

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

5 Critical accounting estimates, assumptions and judgments (Cont'd)

5.4 Liability adequacy testing

The Company evaluates the adequacy of its insurance contract liabilities quarterly. Significant judgment is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Under liability adequacy testing, the insurance contract liabilities were calculated using a gross premium valuation method without a provision for the risk of adverse deviation. The discounting interest is the risk-free rate based on the yield curve of the Thai Bond Market Association, adjusted by illiquidity premium. Liability adequacy is assessed in accordance with the Company's manner of acquiring, servicing and measuring the profitability of its insurance contracts. The Company performs liability adequacy testing by considering all insurance contracts.

5.5 Employee benefits

The Company has legal commitment on post-retirement benefits to employee on reaching retirement age. The present value of employee benefit liabilities recognised in statements of financial position is determined on present value of defined benefit obligation which depends on a number of factors that are determined on an actuarial basis using a number of assumptions, including discounting assumption. Any changes in these assumptions will have an impact on the carrying amount of defined benefit obligation. The assumptions used in determining the net year cost for employee benefits includes the salary and years of services of respective employees which are payable in the future year and interest rate. Any changes in these assumptions will have an impact on the carrying amount of employee benefit obligations.

On a yearly basis, the Company revises the appropriate discount rate, which represents the discount rate that should be used to determine the present value of future cash flows to settle the nearly reach retired employee benefits. In determining the appropriate discount rate, the Company considers the market yield of government bonds that are nominated in the currency in which the benefits will be paid and that have terms to maturity approximately the terms of the related pension liabilities.

Chubb Limited (Parent Company) has a Long-term Incentive Plan. The total expense is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied and is determined by reference to the fair value on the date of the grant. The weighted average fair value of options granted during the period are determined using the Black-Scholes option-pricing valuation model. The significant inputs into the model were exercise price at the grant date, volatility, dividend yield and an annual risk-free interest rate.

5.6 Deferred tax

Deferred tax liabilities are provided in full on all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. The Company considers future taxable income and tax loss carried forward in assessing whether to recognise deferred tax assets.

6 Capital risk management

The objectives when managing capital are to safeguard the ability to continue as a going concern in order to meet policyholder liabilities whilst provide returns for shareholders and benefits for other stakeholders.

The Company monitors solvency capital in compliance with the requirement of the Office of Insurance Commission under the Risk-Based Capital framework under Life Insurance Act B.E 2535 and amended by Life Insurance Act No.2 B.E 2551, No.3 B.E 2558 and No.4 B.E 2562 for the purpose of assessing the solvency capital requirement.

7 Cash and cash equivalents

	2019 Baht	2018 Baht
Cash	102,500	119,200
Deposits held at call with bank	669,363,669	490,680,778
Total cash and cash equivalents	<u>669,466,169</u>	<u>490,799,978</u>

8 Premium receivable

As at 31 December 2019 and 2018, the balances of premium receivable are aged as follows:

	From direct insurance	
	2019 Baht	2018 Baht
Current	475,414,400	434,066,794
Overdue	-	-
Total premium receivable	<u>475,414,400</u>	<u>434,066,794</u>

9 Amount due from reinsurance

	2019 Baht	2018 Baht
Due from reinsurers	11,623,652	18,932,537
Total amount due from reinsurance	<u>11,623,652</u>	<u>18,932,537</u>

The amount due from reinsurance are aged as follows:

	2019 Baht	2018 Baht
Current	11,623,652	18,932,537
Overdue		
Not over 12 months	-	-
1 - 2 years	-	-
Over 2 years	-	-
Total amount due from reinsurance	<u>11,623,652</u>	<u>18,932,537</u>

Chubb Life Assurance Public Company Limited
Notes to the Financial Statements
For the year ended 31 December 2019

10 Investments in securities

10.1 Available-for-sale

	2019		2018	
	Cost Baht	Unrealised gains on changes in fair value of investment Baht	Fair value Baht	Unrealised gains on changes in fair value of investment Baht
Government and state enterprise securities				
Government bonds	8,186,654,590	2,490,256,795	10,676,911,385	8,002,613,465
Debentures	30,000,000	15,909,928	45,909,928	60,118,807
Private enterprise securities				
Debentures	3,349,729,522	206,225,915	3,555,955,437	2,137,916,875
Total available-for-sale	11,566,384,112	2,712,392,638	14,278,776,750	10,200,649,147
				2,203,504,444
				10,946,189,944

The Company disclosed information regarding the restricted amount of investments in Notes 28 and 29.

During the year 2019, the Company recognised interest income amounted to Baht 430,763,332 (2018: Baht 383,415,211).

During the year 2019, the Company has no sales of available-for-sale investments (2018: Nil).

10 Investments in securities (Cont'd)

10.2 Maturity of debt securities

Investments in debt securities as at 31 December 2019 and 2018 will be due as follows:

	2019			
	Period to maturity			Total Baht
	Within 1 year Baht	1 - 5 years Baht	Over 5 years Baht	
Available-for-sale				
Government and state enterprise securities				
Government bonds	-	671,944,170	7,514,710,420	8,186,654,590
Debentures	-	30,000,000	-	30,000,000
Add Unrealised gains on changes in fair value of investments	-	73,105,153	2,433,061,570	2,506,166,723
Total government and state enterprise securities	-	775,049,323	9,947,771,990	10,722,821,313
Private enterprise securities				
Debentures	-	531,968,840	2,817,760,682	3,349,729,522
Add Unrealised gains on changes in fair value of investments	-	42,821,867	163,404,048	206,225,915
Total private enterprise securities	-	574,790,707	2,981,164,730	3,555,955,437
Total available-for-sale	-	1,349,840,030	12,928,936,720	14,278,776,750

	2018			
	Period to maturity			
	Within 1 year Baht	1 - 5 years Baht	Over 5 years Baht	Total Baht
Available-for-sale				
Government and state enterprise securities				
Government bonds	60,551,775	432,162,487	7,509,899,203	8,002,613,465
Debentures	30,118,807	30,000,000	-	60,118,807
Add Unrealised gains on changes in fair value of investments	1,382,195	33,664,750	644,906,283	679,953,228
Total government and state enterprise securities	92,052,777	495,827,237	8,154,805,486	8,742,685,500
Private enterprise securities				
Debentures	84,383,940	341,767,192	1,711,765,743	2,137,916,875
Add Unrealised gains on changes in fair value of investments	1,061,014	18,231,342	46,295,213	65,587,569
Total private enterprise securities	85,444,954	359,998,534	1,758,060,956	2,203,504,444
Total available-for-sale	177,497,731	855,825,771	9,912,866,442	10,946,189,944

11 Policy loans

The balances of policy loans and accrued interest income were classified by aging as follows:

	2019			2018		
	Principal Baht	Accrued interest income Baht	Total Baht	Principal Baht	Accrued interest income Baht	Total Baht
Current	318,540,571	44,645,883	363,186,454	269,696,374	33,784,772	303,481,146
Overdue	-	-	-	-	-	-
Total	318,540,571	44,645,883	363,186,454	269,696,374	33,784,772	303,481,146
<u>Less</u> Allowance for doubtful accounts	-	-	-	-	-	-
Policy loans - net	318,540,571	44,645,883	363,186,454	269,696,374	33,784,772	303,481,146

Cash values of insurance policies were used as collateral of the policy loans.

Accrued interest income was presented in accrued investment income in the statement of financial position.

12 Equipment - net

	2018											
	Cost						Accumulated depreciation					
	Beginning balance Baht	Additions Baht	Disposals Baht	Write-off Baht	Transfer Baht	Ending balance Baht	Beginning balance Baht	Additions Baht	Disposals Baht	Write-off Baht	Ending balance Baht	Net balance Baht
Leasehold improvements	39,732,352	-	-	-	828,526	40,560,878	23,539,349	2,854,480	-	-	26,393,829	14,167,049
Leasehold improvements in progress	230,728	1,358,886	-	-	(1,502,630)	86,984	-	-	-	-	-	86,984
Office equipment	18,897,678	271,131	(133,610)	(23,005)	66,704	19,078,898	16,278,462	1,352,849	(118,299)	(23,004)	17,490,008	1,588,890
Furniture & fixtures	4,735,566	98,377	-	-	607,400	5,441,343	3,685,255	260,787	-	-	3,946,042	1,495,301
Computers	35,420,268	2,511,332	-	-	6,467,401	44,399,001	22,066,919	5,461,681	-	-	27,528,600	16,870,401
Hardware in progress	-	6,467,401	-	-	(6,467,401)	-	-	-	-	-	-	-
Total	99,016,592	10,707,127	(133,610)	(23,005)	-	109,567,104	65,569,985	9,929,797	(118,299)	(23,004)	75,358,479	34,208,625

13 Intangible assets - net

Intangible assets as at 31 December 2019 and 2018 comprises:

	2019 Baht	2018 Baht
Computer software beginning balance - net	123,006,671	127,692,040
Additions	7,418,198	19,612,095
Transfer in	17,100,552	4,031,392
Amortization charges	(30,995,944)	(28,328,856)
Computer software ending balance - net	<u>116,529,477</u>	<u>123,006,671</u>
Computer software in progress beginning balance - net	1,714,948	24,075
Additions	21,512,451	5,722,265
Transfer out	(17,100,552)	(4,031,392)
Computer software in progress ending balance - net	<u>6,126,847</u>	<u>1,714,948</u>
Total intangible assets - net	<u>122,656,324</u>	<u>124,721,619</u>

14 Other assets

Other assets as at 31 December 2019 and 2018 comprises:

	2019 Baht	2018 Baht
Security and deposits	13,472,017	13,259,996
Prepaid tax	1,537	1,537
Prepaid expense	81,498,156	95,328,938
Others	5,680,951	4,418,890
Total other assets	<u>100,652,661</u>	<u>113,009,361</u>

Chubb Life Assurance Public Company Limited
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15 Insurance liabilities

	2019			2018		
	Insurance contract liabilities Baht	Liabilities recovered from reinsurance Baht	Net Baht	Insurance contract liabilities Baht	Liabilities recovered from reinsurance Baht	Net Baht
Long-term technical reserves	10,489,314,960	-	10,489,314,960	9,289,261,178	-	9,289,261,178
Claim liability						
- Reported claim	156,237,084	(22,662,943)	133,574,141	167,897,779	(12,101,720)	155,796,059
- Claims incurred but not reported	125,090,619	-	125,090,619	104,670,794	-	104,670,794
Premium liability						
- Unearned premium reserve	346,323,931	-	346,323,931	288,917,037	-	288,917,037
Unpaid policy benefits	234,930,753	(17,300,887)	217,629,866	202,911,499	(27,108,891)	175,802,608
Due to insured	24,636,684	-	24,636,684	15,755,659	-	15,755,659
Total	11,376,534,031	(39,963,830)	11,336,570,201	10,069,413,946	(39,210,611)	10,030,203,335

The Company's unexpired risk reserve (URR) is lower than unearned premium reserve (UPR), so no disclosure for unexpired risk reserve required.

15 Insurance liabilities (Cont'd)

15.1 Long-term technical reserves

The movement of long-term technical reserves during the years ended 31 December 2019 and 2018 are as follows:

	2019 Baht	2018 Baht
Beginning balance for the year	9,289,261,178	8,045,878,084
Policy reserve movement for new policies and inforce policies during the year	1,777,516,083	1,526,625,175
Net movement in benefits payable to life policyholders for death, maturity, surrenders, other policyholders benefits and claims	(577,462,301)	(283,242,081)
Closing balance at the end of year	<u>10,489,314,960</u>	<u>9,289,261,178</u>

The assumptions used in actuarial estimation are as follows:

	2019 %	2018 %
Morbidity, mortality, and survival rate	15 - 130 TMO	15 - 130 TMO
Discount rate	2 - 6	2 - 6
Benefit paid to insured	1 - 800 SA	1 - 800 SA

Aging of undiscounted insurance contract liabilities' repayment is as follows:

	2019 Baht	2018 Baht
Repayment within 1 year	1,261,707,159	916,880,603
Repayment after 1 year but within 5 years	4,519,832,355	4,158,567,395
Repayment over 5 years	<u>74,232,946,968</u>	<u>69,220,613,423</u>
Total	<u>80,014,486,482</u>	<u>74,296,061,421</u>

15 Insurance liabilities (Cont'd)

15.2 Short-term technical reserves

15.2.1 Claim liability

The movement of claim liability during the years ended 31 December 2019 and 2018 are as follows:

	2019 Baht	2018 Baht
Beginning balance for the year	272,568,573	225,695,079
Insurance claims and loss adjustment expenses incurred during the year	822,549,558	745,808,713
Change in claim reserve and assumptions	20,419,825	18,704,066
Insurance claims and loss adjustment expenses paid during the year	(834,210,253)	(717,639,285)
Closing balance for the year	281,327,703	272,568,573

The assumptions used in actuarial estimation are as follows:

	2019 %	2018 %
Weighted average loss ratio	28.7	28.0

Aging of undiscounted insurance contract liabilities' repayment based on current estimate is as follows:

	2019 Baht	2018 Baht
Repayment within 1 year	275,127,267	267,794,923
Repayment after 1 year but within 5 years	-	-
Repayment over 5 years	-	-
Total	275,127,267	267,794,923

15.2.2 Unearned premium reserve

The movement of unearned premium reserve during the year ended 31 December 2019 and 2018 are as follows:

	2019 Baht	2018 Baht
Beginning balance for the year	288,917,037	243,101,338
Premium written for the year	2,891,232,120	2,395,933,124
Premium earned in the year	(2,833,825,226)	(2,350,117,425)
Closing balance for the year	346,323,931	288,917,037

15 Insurance liabilities (Cont'd)

15.3 Claim Development Table

15.3.1 Claim development table before reinsurance

Reported Year	2019							
	Incident Year						Total Baht	
	2013 Baht	2014 Baht	2015 Baht	2016 Baht	2017 Baht	2018 Baht		2019 Baht
Estimated claim:								
- At the end of the year	302,927,071	397,757,611	427,261,231	484,019,021	522,054,571	652,883,380	684,443,768	3,471,346,653
- After 1 year	362,097,529	452,530,602	479,511,887	538,889,681	593,734,086	738,251,484	-	3,165,015,269
- After 2 year	365,838,736	453,647,822	483,103,403	542,397,676	598,248,073	-	-	2,443,235,710
- After 3 year	365,982,632	454,251,632	483,344,706	542,513,341	-	-	-	1,846,092,311
- After 4 year	366,894,074	454,489,953	483,468,711	-	-	-	-	1,304,852,738
- After 5 year	367,063,874	454,734,994	-	-	-	-	-	821,798,868
- After 6 year	367,063,874	-	-	-	-	-	-	367,063,874
Absolute estimated claim	382,067,678	480,522,888	503,725,538	550,986,712	651,255,854	762,050,379	738,425,957	4,069,035,006
Cumulative claim paid	364,044,723	447,981,833	477,733,900	539,725,119	578,340,558	726,159,166	659,922,440	3,793,907,739
Total claim liability	18,022,955	32,541,055	25,991,638	11,261,593	72,915,296	35,891,213	78,503,517	275,127,267
Expired cheque								6,200,436
Total claim liability								281,327,703

15 Insurance liabilities (Cont'd)

15.3 Claim Development Table (Cont'd)

15.3.2 Claim development table - net

Reported Year	2019						
	Incident Year						
	2013 Baht	2014 Baht	2015 Baht	2016 Baht	2017 Baht	2018 Baht	2019 Baht
Estimated claim:							
- At the end of the year	299,390,704	393,114,195	422,273,389	478,368,590	515,960,113	645,261,629	676,453,581
- After 1 year	357,870,408	447,247,766	473,914,072	532,598,691	586,802,843	729,633,147	-
- After 2 year	361,567,940	448,351,944	477,463,661	536,065,733	591,264,133	-	-
- After 3 year	361,710,156	448,948,705	477,702,147	536,180,048	-	-	-
- After 4 year	362,610,957	449,184,244	477,824,704	-	-	-	-
- After 5 year	362,778,775	449,426,424	-	-	-	-	-
- After 6 year	362,778,775	-	-	-	-	-	-
Absolute estimated claim	377,607,425	474,913,271	497,845,053	544,554,501	643,653,102	753,154,214	729,805,584
Cumulative claim paid	359,794,870	442,752,099	472,156,841	533,424,376	571,589,019	717,681,994	652,218,516
Total claim liability	17,812,555	32,161,172	25,688,212	11,130,125	72,064,083	35,472,220	77,587,068
Recovered claim liability receivable from reinsurer							(19,451,111)
Expired cheque							6,200,436
Total claim liability							258,664,760

15 Insurance liabilities (Cont'd)

15.4 Unpaid policy benefits

The details of unpaid policy benefits as at 31 December 2019 and 2018 are as follows:

	2019 Baht	2018 Baht
Death benefits	47,752,315	35,216,856
Coupon	158,819,594	140,683,445
Expired cheque	28,358,844	27,011,198
Total	234,930,753	202,911,499

16 Amount due to reinsurance

	2019 Baht	2018 Baht
Outward premium payable	57,139,358	52,267,798
Total amount due to reinsurance	57,139,358	52,267,798

17 Employee benefit obligations

	2019 Baht	2018 Baht
Short-term employee benefits	33,535,480	32,097,223
Long-term employee benefits	69,572,418	69,572,418
Post-employment benefits	39,013,230	35,020,599
Total employee benefit obligations	142,121,128	136,690,240

Post-employment benefit obligations from defined benefit plan

The amounts recognised in the statements of financial position are as follows:

	2019 Baht	2018 Baht
Present value of post-employment benefit obligations	39,013,230	35,020,599
Total obligations	39,013,230	35,020,599

The amounts recognised in profit or loss are as follows:

	2019 Baht	2018 Baht
Current service costs	6,551,738	3,026,784
Past service costs	2,373,621	-
Interest costs	883,936	518,235
	9,809,295	3,545,019

17 Employee benefit obligations (Cont'd)

Changes in the present value of post-employment benefit obligations are as follows:

	2019 Baht	2018 Baht
Beginning balance at 1 January	35,020,599	31,475,580
Current service costs	6,551,738	3,026,784
Past service costs	2,373,621	-
Interest costs	883,936	518,235
Remeasurements:		
Loss from change in financial assumptions	999,042	-
Gain from experience	(1,007,820)	-
<u>Less</u> benefits paid during the year	(5,807,886)	-
Closing balance at 31 December	<u>39,013,230</u>	<u>35,020,599</u>

Significant assumptions used in the actuarial calculation are summarised as follows:

	2019	2018
Discount rate	2.67%	3.09%
Mortality rate	Thai Mortality Ordinary Table 2017	Thai Mortality Ordinary Table 2017
Retirement age	60 years old	60 years old
Salary increase rate	5% - 8%	5% - 8%
Turnover rate	0% - 20%	0% - 20%

Sensitivity analysis on key assumptions changes are as follows:

	Change in assumption		Impact on defined benefit obligations			
			Increase in assumption		Decrease in assumption	
	2019	2018	2019	2018	2019	2018
Discount rate	1.00%	1.00%	Increase by 8.00%	Decrease by 5.00%	Decrease by 7.00%	Increase by 6.00%
Salary growth rate	1.00%	1.00%	Increase by 9.00%	Increase by 7.00%	Decrease by 8.00%	Decrease by 6.00%
Turnover rate	20.00%	20.00%	Increase by 11.00%	Decrease by 8.00%	Decrease by 8.00%	Increase by 10.00%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the post-employment benefit obligations recognised within the statement of financial position.

	2019 Years	2018 Years
Weighted average duration of the defined benefit obligations	10.4	11.5

17 Employee benefit obligations (Cont'd)

Maturity analysis of undiscounted defined benefits:

	2019 Baht	2018 Baht
Maturity analysis of benefits expected to be paid		
Benefits expected to be paid within 1 year	2,998,771	5,773,835
Benefits expected to be paid after 1 year but within 5 years	18,081,491	19,336,881
Benefits expected to be paid after 5 years	97,344,890	63,919,543

18 Deferred income taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2019 Baht	2018 Baht
Deferred tax assets:		
Deferred tax asset to be settled within 12 months	31,974,936	3,265,734
Deferred tax asset to be settled after 12 months	6,298,798	7,474,344
	<u>38,273,734</u>	<u>10,740,078</u>
Deferred tax liabilities:		
Deferred tax liability to be settled within 12 months	(8,000,000)	(7,155,308)
Deferred tax liability to be settled after 12 months	(549,145,194)	(159,730,629)
	<u>(557,145,194)</u>	<u>(166,885,937)</u>
Deferred tax assets (liabilities) - net	<u>(518,871,460)</u>	<u>(156,145,859)</u>

The movement in deferred tax assets and deferred tax liabilities during the year is as follows:

	Employee benefit obligations Baht	Accrued commission expenses Baht	IBNR Baht	Total Baht
Deferred tax assets				
At 1 January 2019	10,327,767	412,311	-	10,740,078
Increase (decrease) to profit and loss	(3,297,233)	1,962,838	28,121,711	26,787,316
Increase to other comprehensive income (loss)	746,340	-	-	746,340
At 31 December 2019	<u>7,776,874</u>	<u>2,375,149</u>	<u>28,121,711</u>	<u>38,273,734</u>
At 1 January 2018	7,480,376	1,993,472	13,334,141	22,807,989
Increase (decrease) to profit or loss	2,847,391	(1,581,161)	(13,334,141)	(12,067,911)
At 31 December 2018	<u>10,327,767</u>	<u>412,311</u>	<u>-</u>	<u>10,740,078</u>

18 Deferred income taxes (Cont'd)

	Unrealised gains on changes in fair value of investments Baht	Prepaid expense Baht	Total Baht
Deferred tax liabilities			
At 1 January 2019	149,108,159	17,777,778	166,885,937
Decrease to profit or loss	-	(3,111,111)	(3,111,111)
Increase to other comprehensive income (loss)	393,370,368	-	393,370,368
At 31 December 2019	542,478,527	14,666,667	557,145,194
At 1 January 2018	203,077,930	-	203,077,930
Increase to profit or loss	-	17,777,778	17,777,778
Decrease to other comprehensive income (loss)	(53,969,771)	-	(53,969,771)
At 31 December 2018	149,108,159	17,777,778	166,885,937

As at 31 December 2019 and 2018, the Company had unutilised deductible temporary tax difference that the Company did not recognise as deferred tax assets in the financial statements as follows:

	2019	
	Expiry date	
	Within 12 months Baht	Over 12 months Baht
Employee benefit obligations	-	18,012,193
Accrued commission expenses	-	-
Leasehold demolishing cost	-	6,181,079
IBNR	-	-
	-	24,193,272
	2018	
	Expiry date	
	Within 12 months Baht	Over 12 months Baht
Employee benefit obligations	-	44,283,014
Accrued commission expenses	12,605,995	-
Leasehold demolishing cost	-	5,696,360
IBNR	117,250,159	-
	129,856,154	49,979,374

19 Share-based payment

Chubb Limited (Parent Company), which is listed on the New York Stock Exchange, has a stock option plan, a restricted stock plan and an employee share participation plan. As at 31 December 2019, total liabilities for share-based payment are amounted to Baht 69,572,418 (2018: Baht 69,572,418) presented in employee benefit obligations.

Stock Option Plan

Under Chubb Limited's long-term incentive plan, restrictive share options were granted to eligible employees of the Company. The exercisable price of these options is the fair market value at grant date. These options vest at various dates over a 3 year period from the grant date and any unvested options are cancelled on termination of employment. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb Limited to the Company on an annual basis. Any option not exercised or cancelled pursuant to the terms of plan will be forfeited by the tenth anniversary from the date of grant. The total value of the options granted during the year 2019 was USD 390,720 (2018: USD 450,516).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Average exercise price per share (USD)	Options (Shares)	Average exercise price per share (USD)	Options (Shares)
At 1 January	127.25	8,141	120.45	11,331
Granted	133.90	2,918	143.07	3,149
Exercised	147.70	(1,555)	139.70	(3,130)
Forfeited	-	(626)	-	(3,209)
Expired	-	-	-	-
At 31 December	129.73	8,878	127.25	8,141

As at 31 December 2019, out of the 8,878 outstanding options (2018: 8,141 options), 4,546 options (2018: 4,021 options) were exercisable.

For exercised options during the year ended 31 December 2019, the weighted-average fair value of stock was USD 147.70 per share (2018: USD 139.70 per share).

19 Share-based payment (Cont'd)

Share options outstanding as at 31 December 2019 and 2018 have the following expiry date and exercise prices:

Expiry year	Exercise price per share (USD)	Options (Shares)	
		2019	2018
2020	50.37	-	-
2021	62.64	-	-
2022	73.35	52	52
2023	85.39	79	79
2024	96.76	269	472
2025	114.78	1,019	1,477
2026	118.39	1,475	1,932
2027	139.01	1,760	2,281
2028	143.07	1,456	1,848
2029	133.90	2,768	-
Outstanding balance		8,878	8,141

The weighted average fair value of options granted during the year, determined using the Black-Scholes option-pricing valuation model, was USD 18.78 per option (2018: USD 29.71). The significant inputs into the model were exercise price of USD 133.90 (2018: USD 143.07) at the grant date, the exercise price shown above, volatility of 16.00% (2018: 23.16%), dividend yield of 2.24% (2018: 2.04%), an expected option life of 10 years and an annual risk-free interest rate of 2.56% (2018: 2.73%).

Restricted Stock Plan

Under Chubb Limited's long-term incentive plan, there were 2,194 restricted stock, with weighted average fair value at USD 133.90 per share, awarded to eligible employees during the year ended 31 December 2019 (2018: 2,363 restricted stock, with weighted average fair value at USD 143.07 per share). These shares vest at various dates over a 4-year period from the grant dates and any unvested shares are cancelled on termination of the employment of the eligible employees. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb Limited to the Company on an annual basis. The annual expense is based on an amortised calculation that is reflective of the current year's expense portion of all restricted stock grants issued in the current and prior years and is consistent with the treatment required by TFRS 2: Share-based payment. There is liability to the Company for the unamortised portion of the restrictive stock grants issued. The amortised calculation incorporates the fair market value of Chubb Limited's common stock in determining the expense amount. Expected future dividend payments in relation to the restrictive stock grants issued are made directly by Chubb Limited to the eligible employees. The total expense for the year 2019 was Baht 7,939,306 (2018: Baht 8,528,616).

Employee Share Participation Plan

The Company collects money from local eligible employees and acquires ordinary shares in Chubb Limited on behalf of the employees on a bi-annual basis. Annual purchases by eligible employees are limited at USD 25,000. The price paid by the eligible employees is set at a discount of 15% to the fair value of the ordinary shares at the date of acquisition; this discount is incurred at the group level by Chubb Limited and not charged to the Company. During the year 2019, employees paid for purchase of ordinary shares of Chubb Limited was Baht 3,172,776 (2018: Baht 2,290,112).

20 Operating expenses

	2019 Baht	2018 Baht
Employee expenses not relating to underwriting expenses and claim management expenses	299,581,337	273,077,677
Property and equipment expenses not relating to underwriting expenses	112,933,797	93,198,519
Tax expenses	901,010	807,042
Selling and administrative expenses	184,293,504	151,808,478
Other operating expenses	45,728,797	27,870,741
Total operating expenses	643,438,445	546,762,457

21 Employee benefit expenses

	2019 Baht	2018 Baht
Salary	220,518,324	186,038,014
Social security fund	1,538,508	1,502,374
Contribution to defined benefit plan	8,363,742	8,080,064
Bonus	58,667,739	66,452,844
Other employee benefit expenses	52,264,440	44,095,343
Total employee benefit expenses	341,352,753	306,168,639

22 Income tax expenses

	2019 Baht	2018 Baht
Current tax:		
Current income tax on taxable profits for the year	41,243,847	15,086,482
Total current tax	41,243,847	15,086,482
Deferred tax:		
(Increase) decrease in deferred tax assets (Note 18)	(26,787,316)	12,067,911
Increase (decrease) in deferred tax liabilities (Note 18)	(3,111,111)	17,777,778
Total deferred tax	(29,898,427)	29,845,689
Total income tax expenses	11,345,420	44,932,171

Below is a reconciliation between effective tax rate and income tax rate used.

	2019 %	2018 %
Income tax rate used	20	20
Temporary difference		
Commission and brokerages	-	1
Insurance claims	3	2
Other operating expenses	2	(12)
Permanent difference	-	-
Previously unrecognised deferred tax assets	(18)	22
Effective tax rate	7	33

Income tax rate used for 2019 is 20% (2018: 20%).

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23 Tax effects from other comprehensive income (loss)

	2019			2018		
	Before tax Baht	Tax benefit (expense) Baht	Net of tax Baht	Before tax Baht	Tax benefit (expense) Baht	Net of tax Baht
Remeasurement of post-employment benefit obligations	8,778	746,340	755,118	-	-	-
Change in value of available-for-sale investments	1,966,851,842	(393,370,368)	1,573,481,474	(269,848,853)	53,969,771	(215,879,082)
Total	1,966,860,620	(392,624,028)	1,574,236,592	(269,848,853)	53,969,771	(215,879,082)

24 Share capital

	Ordinary shares	
	Number of shares	Baht
At 31 December 2017	139,025,000	1,390,250,000
Issue of shares	-	-
At 31 December 2018	139,025,000	1,390,250,000
Issue of shares	-	-
At 31 December 2019	139,025,000	1,390,250,000

25 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2019	2018
Net profit for the year (Baht)	159,014,240	91,137,277
Weighted average number of ordinary shares in issue during the year (shares)	139,025,000	139,025,000
Basic earnings per share (Baht)	1.14	0.66

There are no potential dilutive ordinary shares issued for the years ended 31 December 2019 and 2018.

26 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

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

The related party transactions are mainly transacted with the group companies of Chubb Limited as follows:

a) Statements of comprehensive income

	2019 Baht	2018 Baht
Affiliate Company		
Premiums ceded to reinsurers	3,935,397	2,703,817
Commissions and brokerages	859,074	2,301,785
Operating expenses	25,668,578	16,381,706

b) Statements of financial position

	2019 Baht	2018 Baht
Assets		
Affiliate Company		
Other assets	2,827,645	2,494,721
Liabilities		
Parent Company		
Employee benefit obligations	69,572,418	69,572,418
Affiliate Company		
Amount due to reinsurance	3,935,397	844,617
Other liabilities	4,987,734	5,063,227
Other creditors	73,038	2,962,436
Accrued commission expenses	620,129	664,907
Accrued expenses	4,327,860	3,221,451
Equity		
Parent Company		
Share-based payment	5,223,374	-

27 Key management's compensation

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Company. Their compensations for the years ended 31 December 2019 and 2018 are as follows:

	2019 Baht	2018 Baht
Short-term employee benefits	82,284,796	70,395,631
Long-term employee benefits	680,695	403,755
Total	<u>82,965,491</u>	<u>70,799,386</u>

28 Assets deposited with Insurance Registrar

As at 31 December 2019 and 2018, the Company deposited certain assets with the Registrar of the Office of Insurance Commission in accordance with the Life Insurance Act (No. 2) Section 20 B.E. 2551 as follows:

	Carrying value	
	2019 Baht	2018 Baht
Government bonds	<u>37,898,449</u>	<u>31,101,062</u>

29 Assets pledged as reserve with registrar

As at 31 December 2019 and 2018, the following assets have been pledged as life assurance policy reserve with the Registrar of the Office of Insurance Commission in accordance with the Life Insurance Act (No. 2) Section 24 B.E. 2551 as follows:

	Carrying value	
	2019 Baht	2018 Baht
Government bonds	<u>3,228,551,540</u>	<u>2,186,332,925</u>

30 Contribution to Life Insurance Fund

In compliance with the Life Insurance Act B.E. 2535, as at 31 December 2019, the Company had cumulative contribution to Life Insurance Fund amounted to Baht 39,515,646 (31 December 2018: Baht 33,462,219).

31 Commitments

The Company has commitments relating to operating leases for office and service agreements as follows:

		2019		
		Operating lease Baht	Service fee and others Baht	Total Baht
Due within 1 year		24,327,050	5,490,373	29,817,423
Due more than 1 year but no later than 5 years		24,471,152	2,377,014	26,848,166
		<u>48,798,202</u>	<u>7,867,387</u>	<u>56,665,589</u>
		2018		
		Operating lease Baht	Service fee and others Baht	Total Baht
Due within 1 year		23,189,880	4,044,047	27,233,927
Due more than 1 year but no later than 5 years		46,988,452	3,599,495	50,587,947
		<u>70,178,332</u>	<u>7,643,542</u>	<u>77,821,874</u>