

Mitsui Sumitomo Insurance Company Limited
Thailand Branch

Financial statements for the year ended
31 December 2019
and
Independent Auditor's Report

Independent Auditor's Report

To the Management of Mitsui Sumitomo Insurance Company Limited Thailand Branch

Opinion

I have audited the financial statements of Mitsui Sumitomo Insurance Company Limited Thailand Branch (the "Branch"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in Head Office Account and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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 Branch in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is 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 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 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 Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch'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 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 Branch'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 Branch'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 Branch 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.



(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
20 March 2020

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

Assets	Note	31 December	
		2019	2018
		(in Baht)	
Cash and cash equivalents	4	859,085,406	2,124,609,930
Premiums due and uncollected	5, 16	863,272,417	884,756,763
Accrued investment income		64,014,824	62,009,662
Reinsurance assets	9	2,069,456,076	1,609,542,279
Reinsurance receivables	6, 16	363,551,625	59,835,851
Investments assets			
Investments in securities	7, 18, 19	15,933,965,896	13,849,501,852
Leasehold building improvement and equipment		16,406,556	15,237,871
Intangible assets		3,952,382	1,053,799
Deferred tax assets	15	439,493,777	313,915,486
Income tax refundable		108,100,281	104,046,565
Other assets	8, 16	132,129,699	78,686,069
Total assets		20,853,428,939	19,103,196,127

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

		31 December	
Liabilities and Head Office Account	Note	2019	2018
(in Baht)			
<i>Liabilities</i>			
Insurance contract liabilities	9, 16	6,244,974,180	5,465,358,580
Reinsurance payable	10, 16	397,184,163	394,096,935
Employee benefit obligations		77,456,189	45,690,244
Other liabilities	11, 16	488,687,401	330,167,302
Total liabilities		7,208,301,933	6,235,313,061
<i>Head Office Account</i>			
Funds from Head Office	16	101,901,346,126	102,979,889,812
Head Office current account	16	(97,734,417)	(104,326,356)
Deficits		(88,320,184,827)	(90,015,731,557)
Other components of Head Office Account	7, 12	161,700,124	8,051,167
Total Head Office Account		13,645,127,006	12,867,883,066
Total liabilities and Head Office Account		20,853,428,939	19,103,196,127

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of comprehensive income

		Year ended 31 December	
	Note	2019	2018
		(in Baht)	
Revenues			
Gross premiums written	16	6,030,839,320	5,836,419,813
Less premiums ceded	16	(1,446,015,226)	(1,370,477,910)
Net premiums written		4,584,824,094	4,465,941,903
Unearned premium reserve increased from previous year		(222,020,356)	(312,364,039)
Less reinsurers' share of unearned premium reserve increased (decreased) from previous year		(15,221,885)	71,764,048
Net premium earned		4,347,581,853	4,225,341,912
Commission and brokerage income	16	153,452,808	136,275,693
Net investment income		318,912,321	291,894,090
Gain on investments		31,986,037	38,024,919
Loss on foreign exchange rate		(539,157)	(11,398,326)
Other income		2,512,943	660,628
Total revenues		4,853,906,805	4,680,798,916
Expenses			
Insurance claims expenses	14, 16	2,839,908,054	2,480,245,469
Less insurance claims expenses recovered from reinsurers	16	(875,597,854)	(761,382,911)
Net insurance claims expenses		1,964,310,200	1,718,862,558
Commission and brokerage expenses	16	810,414,947	795,772,816
Other underwriting expenses	14	279,550,107	263,180,693
Operating expenses	13, 14, 16	259,335,976	230,659,608
Total expenses		3,313,611,230	3,008,475,675
Profit before income tax		1,540,295,575	1,672,323,241
Income tax expense (benefit)	15	(160,994,359)	324,143,634
Net profit		1,701,289,934	1,348,179,607
Other comprehensive income (loss)			
<i>Component of other comprehensive income (loss) that will be reclassified subsequently to profit or loss</i>			
Net changes in fair value of available-for-sale securities		192,061,196	(157,548,101)
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss	15	(38,412,239)	31,509,620
Total component of other comprehensive income (loss) that will be reclassified subsequently to profit or loss		153,648,957	(126,038,481)
<i>Component of other comprehensive income that will not be reclassified to profit or loss</i>			
Actuarial gains (losses) on defined employee benefit plans		(8,739,376)	696,682
Income tax relating to components of other comprehensive income (loss) that will be not reclassified subsequently to profit or loss	15	2,996,172	-
Total component of other comprehensive income that will not be reclassified to profit or loss		(5,743,204)	696,682
Other comprehensive income (loss) for the year, net of tax		147,905,753	(125,341,799)
Total comprehensive income for the year		1,849,195,687	1,222,837,808

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of changes in Head Office Account

				Other components of Head Office Account	
		Head Office		Net changes in fair value of available-for-sale securities	Total Head Office Account
	Note	Funds from Head Office	current account	Deficits <i>(in Baht)</i>	
Year ended 31 December 2018					
Balance at 1 January 2018		102,979,889,812	(99,039,088)	(91,364,607,846)	134,089,648
Comprehensive income (loss) for the year					
Net profit		-	-	1,348,179,607	-
Other comprehensive income (loss)		-	-	696,682	(126,038,481)
Total comprehensive income (loss) for the year		-	-	1,348,876,289	(126,038,481)
Head Office current account	16	-	(5,287,268)	-	-
Balance at 31 December 2018		102,979,889,812	(104,326,356)	(90,015,731,557)	8,051,167

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of changes in Head Office Account

				Other components of Head Office Account	
		Head Office		Net changes in	
	Note	Funds from Head Office	current account	fair value of available-for-sale securities	Total Head Office Account
			Deficits		
			(in Baht)		
Year ended 31 December 2019					
Balance at 1 January 2019		102,979,889,812	(104,326,356)	(90,015,731,557)	8,051,167
Comprehensive income (loss) for the year					
Net profit		-	-	1,701,289,934	-
Other comprehensive income (loss)		-	-	(5,743,204)	153,648,957
Total comprehensive income (loss) for the year		-	-	1,695,546,730	153,648,957
Head Office current account	16	(1,078,543,686)	6,591,939	-	(1,071,951,747)
Balance at 31 December 2019		101,901,346,126	(97,734,417)	(88,320,184,827)	161,700,124

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of cash flows

		Year ended 31 December	
	Note	2019	2018
		(in Baht)	
Cash flows from operating activities			
Premium received		5,707,366,507	5,422,882,124
Cash paid to reinsurers		(1,060,115,005)	(788,199,558)
Interest received		316,830,658	298,136,881
Dividend received		76,500	354,132
Other income		2,626,684	699,972
Insurance claims expenses		(2,223,422,246)	(1,902,739,811)
Commission and brokerage expenses		(623,301,268)	(640,008,145)
Other underwriting expenses		(279,550,107)	(263,180,693)
Operating expenses		(159,687,354)	(187,545,664)
Income tax received (paid)		(4,053,715)	1,443,812
Investment in securities		(845,416,812)	(767,927,959)
Deposits at financial institutions		(1,015,000,000)	600,000,000
Net cash flows provided by (used in) operating activities		(183,646,158)	1,773,915,091
Cash flows from investing activities			
Cash flows provided by			
Proceeds from sale of leasehold building improvement and equipment		502,302	569,816
Cash flows provided by investing activities		502,302	569,816
Cash flows used in			
Purchase of leasehold building improvement and equipment		(6,397,373)	(1,779,777)
Purchase of intangible assets		(3,492,391)	-
Cash flows used in investing activities		(9,889,764)	(1,779,777)
Net cash flows used in investing activities		(9,387,462)	(1,209,961)
Cash flows from financing activities			
Fund transferred to Head Office	16	(1,078,543,686)	-
Head Office current account	16	6,591,939	(5,287,268)
Net cash flows used in financing activities		(1,071,951,747)	(5,287,268)
Net increased (decrease) in cash and cash equivalents		(1,264,985,367)	1,767,417,862
Cash and cash equivalents at 1 January		2,124,609,930	368,590,394
Effect of exchange rate changes on balances held in foreign currencies at 31 December		(539,157)	(11,398,326)
Cash and cash equivalents at 31 December	4	859,085,406	2,124,609,930

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

Note	Contents
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Cash and cash equivalents
5	Premiums due and uncollected
6	Reinsurance receivables
7	Investments in securities
8	Other assets
9	Insurance contract liabilities
10	Reinsurance payables
11	Other liabilities
12	Reserves
13	Operating expenses
14	Employee benefit expenses
15	Income tax expense (benefit)
16	Related parties
17	Insurance and financial risk management
18	Securities and assets pledged with the Registrar
19	Restricted and collateral assets
20	Contribution to Non Life Insurance Fund
21	Commitments with non-related parties
22	Contingent liabilities
23	Thai Financial Reporting Standards (TFRS) not yet adopted

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the management on 20 March 2020.

1 General information

Mitsui Sumitomo Insurance Company Limited Thailand Branch, (the “Branch”), was granted the license to engage in non-life insurance business dated 5 October 2001 (the former licenses dated 26 November 1964). The Branch’s office is located at Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, Thailand.

The ultimate parent company, MS&AD Insurance Group Holdings, Inc., is incorporated in Japan and Mitsui Sumitomo Insurance Company Limited is the Head Office and is incorporated in Japan.

The principal business of the Branch is the provision of non-life insurance.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRSs) and guidelines promulgated by the Federation of Accounting Professions. In addition, the financial statements are prepared in accordance with the Notification of the Office of Insurance Commission regarding “Rules, Procedures, Conditions and Timing for the Preparation and Submission of the Financial Statements and Reporting of the Operations of Non-Life Insurance Companies” B.E. 2559, dated 4 March 2016.

New and revised TFRSs are effective for annual accounting periods beginning on or after 1 January 2019. The initial application of these new and revised TFRSs has resulted in changes in certain of the Branch’s accounting policies. There is no material impact on the Branch’s financial statements. The Branch has initial applied TFRS 15 *Revenue from Contracts with Customers* (“TFRS 15”) which replaces TAS 18 *Revenue* (“TAS 18”), TAS 11 *Construction Contracts* (“TAS 11”) and related interpretation. The details of accounting policies are disclosed in note 3(k).

In addition, the Branch has not early adopted a number of new and revised TFRSs which are not yet effective for the current period in preparing these financial statements. Those new and revised TFRSs that are relevant to the Branch’s operations are disclosed in note 23.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following item:

<i>Item</i>	<i>Measurement base</i>
Available-for-sale securities	Fair value

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

(c) *Functional and presentation currency*

The financial statements are prepared and presented in Thai Baht, which is the Branch's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

(d) *Use of estimates and judgements*

The preparation of financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of the Branch's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about significant areas of assumptions and estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are as follow:

- Note 9 Insurance contract liabilities
- Note 15 Income tax expense (benefit)
- Note 22 Contingent liabilities

Insurance contract liabilities

Insurance contract liabilities consist of loss reserve and outstanding claims and unearned premium reserves. The carrying amount as at the reporting date is provided in note 9.

Process involved in determining assumptions of loss reserve and outstanding claims

The Branch determines the loss reserve and outstanding claims in accordance with the Branch's claim experiences. The assumptions used in the estimation are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts to the extent that can be reasonably foreseen.

However, because the uncertainty of a provision for insurance claims, it is likely that the final outcome could prove to be different from the estimated liability.

Provision is estimated at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses.

The Branch uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims.

The Chain-ladder technique involves the analysis of historical claims development factors and the selection of estimated development factors based on the historical claim development pattern. The selected development factors are then applied to cumulative claims data for each accident year.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

The Bornhuetter-Ferguson method estimates the ultimate loss using a combination of actual reported losses and an estimate of loss developments for future losses which are based on the expected losses and the selected loss development factors of each accident year. The two estimates are combined using a formula that gives weight to the experience-based estimate as time passes.

Sensitivity analysis

The sensitivity analysis is performed on the net loss reserve and outstanding claims, based on changes in assumptions that may affect the level of liabilities. The assumption that has the greatest effect on the determination of loss reserve and outstanding claims is the expected loss ratio. The test was conducted based on a change level of -5% and +5% of the loss reserve and outstanding claims, net of reinsurance recoveries.

		2019		2018	
	Change in variable (%)	Increase (decrease) in liabilities	Increase (decrease) in profit and Head Office Account (in thousand Baht)	Increase (decrease) in liabilities	Increase (decrease) in profit and Head Office Account
Net expected loss ratio	-5	(260,153)	260,153	(247,416)	247,416
Net expected loss ratio	+5	260,153	(260,153)	247,416	(247,416)

Process involved in determining premium reserves

The Branch determines the premium reserves based on the greater amount of unearned premium reserve and unexpired risk reserves which as of reporting date the unearned premium reserves are still higher.

Measurement of fair value

A number of the Branch's accounting policies and disclosures require the measurement of fair values, both financial and non-financial assets and liabilities.

Further information about the methods and assumptions made in measuring fair values is disclosed in note 17.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at exchange rates at the reporting date. Foreign exchange differences arising from translation are recognised in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

(b) *Cash and cash equivalents*

Cash and cash equivalents in the statement of cash flows comprise cash balances, call deposits and highly liquid short-term investments.

(c) *Classification of insurance contracts*

Insurance contracts are contracts under which the Branch accepts significant insurance risk from another party by agreeing to compensate the policy holder or beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

(d) *Recognition and measurement of insurance contracts*

Premiums due and uncollected

Premiums due and uncollected are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

Loss reserves and outstanding claims

Loss reserves are taken up in the accounts upon receipt of claim advices from the insured, at the value appraised by an independent appraiser or the Branch's appraiser, depending on the particular case. In addition, the Branch set up a provision for losses incurred but not yet reported (IBNR), including Provision for Adverse Deviation, based upon estimates made by a qualified actuary.

Premium reserves

Premium reserves consists of unearned premium reserve and unexpired risks reserve.

Unearned premium reserves

Unearned premium reserves represent the portion of the net premium written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the following methods:

Fire, marine (hull), motor and miscellaneous	- Daily average basis from net premium written (the one-three hundred sixty fifth basis)
Marine (cargo)	- Net premium written for the last ninety days
Travel accident	- Net premium written for the last thirty days

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

Unexpired risks reserves

Unexpired risks reserves are the best estimate of the claims that are expected to be incurred during the remaining period of coverage of in-force policies, based on analysis of historical claims data by a qualified actuary.

Unexpired risk reserves are only recognised in the financial statements to the extent that they exceed unearned premium reserves.

Premiums written and premium earned

Premiums written is recognised as revenue on the inception date and are presented gross of premiums ceded and commission and brokerage expenses.

Reinsurance premium income is recognised upon receipt of written advice from the reinsurer.

Premium earned comprises premiums written during the year and change in unearned premium reserves and is recognised as revenue proportionally over the period of coverage.

Commission and brokerage expenses

Commission and brokerage expenses are charged to current operations as incurred.

Claims and loss adjustment expenses

Insurance claims and losses adjustment expenses consist of insurance claims, related expenses and loss adjustment expenses of direct insurance and reinsurance, and related expenses, and changes in current and brought forward loss reserve, loss adjustment expenses of current loss reserves and brought forward period, less residual value and other recoveries (if any) and claims refundable from reinsurers.

Insurance claims and loss adjustment expenses of direct insurance are recognised upon the receipt of the claims advice from the insured and incurred loss estimated by the Branch's claim department or advised by outsource surveyors. The maximum value of claims estimated is not, however, to exceed the sum-insured under the relevant policy.

Insurance claims and loss adjustment expenses of reinsurance are recognised as expenses when the reinsurer places the loss advice or the statement of accounts with the Branch.

Reinsurance

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Branch from its direct obligations to its policyholders.

Premiums ceded, reinsurer's share of change in unearned premium reserve, fee and commission income and claims and loss adjustment expenses recovered from reinsurers are recognised as expense or income in accordance with the pattern of reinsurance service received when incurred.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

An asset or liability is recognised in the statement of financial position representing reinsurance receivables, reinsurer's share of insurance contract liabilities and reinsurance payables. The net amount is presented in the statement of financial position only when the Branch has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Branch may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Branch will receive from the reinsurer.

Due to reinsurers and other payables are stated at cost.

(e) *Investments in securities*

Investments in debt and equity securities

Debt securities that the Branch has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in Head Office Account. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in Head Office Account is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of investment in securities classified as available-for-sale is determined using the quoted bid price at the reporting date.

Initial recognition

The Branch recognised and eliminated investments in these financial statements using the trade date method.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in Head Office Account is recognised in profit or loss.

If the Branch disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

(f) Leasehold building improvement and equipment

Recognition and measurement

Owned assets

Leasehold building improvement and equipment are measured at cost less accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of leasehold building improvement and equipment have different useful lives, they are accounted for as separate items (major components) of leasehold building improvement and equipment.

Any gains and losses on disposal of an item of leasehold building improvement and equipment are determined by comparing the proceeds from disposal with the carrying amount of leasehold improvement and equipment, and are recognised in profit or loss.

Subsequent costs

The cost of replacing a part of an item of leasehold building improvement and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of leasehold building improvement and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of leasehold building improvement and equipment. The estimated useful lives are as follows:

Leasehold building improvement	5 years
Furniture and office equipment	5 years
Vehicles	5 years

No depreciation is provided on assets under constructions.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

(g) *Intangible assets*

Computer software

Computer software that is acquired by the Branch and has finite useful life is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. And all other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is based on the cost of an asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

Computer software	5 years
-------------------	---------

No amortisation is provided on intangible assets under installation.

Amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(h) *Impairment*

The carrying amounts of the Branch's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in Head Office Account and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in Head Office Account is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortised costs is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

The Branch operates a number of employee benefit plans as follows:

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Branch's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Branch determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Branch recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(j) Provisions

A provision is recognised if, as a result of a past event, the Branch has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(k) Revenue

Revenue is recognised when a customer obtains control of service in an amount that reflects the consideration to which the Branch expects to be entitled, excluding those amounts collected on behalf of third parties, value added tax and is after deduction of any trade discounts and volume rebates.

Rendering of services

Revenue for rendering of services is recognized over time as the services are provided. The related costs are recognized in profit or loss when they are incurred.

(l) Investment income

Investment income comprises dividend and interest income from investments and bank deposits. Dividend income is recognised in profit or loss on the date the Branch's right to receive payments is established. Interest income is recognised in profit or loss as it accrues.

(m) Expenses

Operating lease

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of lease.

(n) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in Head Office Account or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; to the extent that it is payable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Branch expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Branch takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Branch believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Branch to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Branch. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) *Related parties*

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Branch; a person or entity that are under common control or under the same significant influence as the Branch; or the Branch has direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

4 Cash and cash equivalents

	2019	2018
	<i>(in thousand Baht)</i>	
Cheque on hand	1,677	8,531
Deposits at banks - call deposits	209,314	271,079
Deposits at banks - time deposits	180,000	1,845,000
Highly liquid short - term investments	468,094	-
Total	859,085	2,124,610

At 31 December 2019 and 2018, the currency denomination cash and cash equivalents was entirely in Thai Baht.

5 Premiums due and uncollected

As at 31 December 2019 and 2018, the aging analyses for premiums receivables were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Within credit terms	676,886	599,419
Over due:		
Not over than 30 days	144,495	122,698
31 - 60 days	21,164	25,115
61 - 90 days	4,512	5,044
91 days - 1 year	15,111	132,854
Over 1 year	1,104	(373)
Total	863,272	884,757

The normal credit term for brokers granted by the Branch is not over 60 days.

For premiums due and uncollected from brokers, the Branch has established collection guidelines in accordance with the regulatory requirement for premium collection. For overdue premium receivables, the Branch is pursuing legal proceedings against such brokers.

6 Reinsurance receivables

	2019	2018
	<i>(in thousand Baht)</i>	
Due from reinsurers	363,552	59,836
Total	363,552	59,836

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

As at 31 December 2019 and 2018, the aging analyses for due from reinsurers were as follows:

	2019 (in thousand Baht)	2018
Within due	-	-
Over due:		
Less than 1 year	337,777	58,650
1 - 2 years	25,775	1,186
Total due from reinsurers	363,552	59,836

7 Investments in securities

7.1 Investments in securities types

	2019		2018	
	Cost / Amortised cost	Fair value (in thousand Baht)	Cost / Amortised cost	Fair value
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	11,397,268	11,553,349	11,483,171	11,492,664
Private debt securities	2,509,174	2,559,876	1,779,611	1,780,182
Unit trust	235,000	230,251	-	-
Equity securities	7,042	3,610	7,042	4,776
Total	14,148,484	14,347,086	13,269,824	13,277,622
<i>Add unrealised gains from fair value changes of available-for-sale securities</i>	202,034	-	10,064	-
<i>Less allowance for impairment</i>	(3,432)	-	(2,266)	-
Total available-for-sale securities	14,347,086	14,347,086	13,277,622	13,277,622
<i>Held-to-maturity securities</i>				
Deposits at financial institutions with original maturities over 3 months	1,584,265	1,584,265	569,265	569,265
Total held-to-maturity securities	1,584,265	1,584,265	569,265	569,265
<i>General investments</i>				
Equity securities	2,615		2,615	
Total general investments	2,615		2,615	
Total investments in securities	15,933,966		13,849,502	

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

As at 31 December 2019 and 2018, details of available-for-sale investments were as follows:

	2019			
	Cost/ Amortised cost	Unrealised gains (in thousand Baht)	Unrealised losses	Fair value
<i>Available-for-sale securities</i>				
<i>Government and state enterprise securities</i>				
Thai government bonds	10,048,447	144,093	-	10,192,540
State enterprise bonds	1,348,821	11,988	-	1,360,809
Total	11,397,268	156,081	-	11,553,349
<i>Private enterprise securities</i>				
Debentures	2,509,174	50,763	(61)	2,559,876
Unit trust	235,000	-	(4,749)	230,251
Equity securities	7,042	-	-	7,042
Total	2,751,216	50,763	(4,810)	2,797,169
Less allowance for impairment	(3,432)	-	-	(3,432)
Total	2,747,784	50,763	(4,810)	2,793,737
Total available for-sale-securities	14,145,052	206,844	(4,810)	14,347,086
		2018		
	Cost/ Amortised cost	Unrealised gains (in thousand Baht)	Unrealised losses	Fair value
<i>Available-for-sale securities</i>				
<i>Government and state enterprise securities</i>				
Thai government bonds	9,937,191	28,353	(14,069)	9,951,475
State enterprise bonds	1,545,980	324	(5,115)	1,541,189
Total	11,483,171	28,677	(19,184)	11,492,664
<i>Private enterprise securities</i>				
Debentures	1,779,611	9,288	(8,717)	1,780,182
Equity securities	7,042	-	-	7,042
Total	1,786,653	9,288	(8,717)	1,787,224
Less allowance for impairment	(2,266)	-	-	(2,266)
Total	1,784,387	9,288	(8,717)	1,784,958
Total available for-sale-securities	13,267,558	37,965	(27,901)	13,277,622

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

7.2 Remaining period of debt securities

As at 31 December 2019 and 2018, investments in debt securities which were classified as available-for-sale and held-to-maturity securities were classified by the remaining maturity as follows:

	2019 Maturities				2018 Maturities			
	1 year	Over 1 - 5 years	Over 5 years	Total (in thousand Baht)	1 year	Over 1 - 5 years	Over 5 years	Total
<i>Available-for-sale debt securities</i>								
<i>Government and state enterprise debt securities</i>								
- Thai government bonds	2,545,450	6,861,698	641,299	10,048,447	2,146,071	7,660,649	130,471	9,937,191
- State enterprise bonds	798,251	550,570	-	1,348,821	200,008	1,345,972	-	1,545,980
Total	3,343,701	7,412,268	641,299	11,397,268	2,346,079	9,006,621	130,471	11,483,171
Add unrealised gains from fair value changes	9,028	123,917	23,136	156,081	3,284	5,057	1,152	9,493
Total	3,352,729	7,536,185	664,435	11,553,349	2,349,363	9,011,678	131,623	11,492,664
<i>Private debt securities</i>								
- Debentures	-	1,846,335	662,839	2,509,174	-	1,612,065	167,546	1,779,611
Add (less) unrealised gains (losses) from fair value changes	-	37,037	13,665	50,702	-	(275)	846	571
Total	-	1,883,372	676,504	2,559,876	-	1,611,790	168,392	1,780,182
Total available-for-sale debt securities	3,352,729	9,419,557	1,340,939	14,113,225	2,349,363	10,623,468	300,015	13,272,846
<i>Held-to-maturity debt securities</i>								
Deposits at financial institutions with original maturities over 3 months	1,584,265	-	-	1,584,265	569,265	-	-	569,265
Total held-to-maturity debt securities	1,584,265	-	-	1,584,265	569,265	-	-	569,265
Total investment in debt securities	4,936,994	9,419,557	1,340,939	15,697,490	2,918,628	10,623,468	300,015	13,842,111

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

7.3 Net changes in fair value of available-for-sale securities

	2019	2018
	<i>(in thousand Baht)</i>	
Net changes in fair value of available-for-sale securities	202,125	10,064
Less deferred tax liability	<u>(40,425)</u>	<u>(2,013)</u>
Net	<u>161,700</u>	<u>8,051</u>

8 Other assets

	2019	2018
	<i>(in thousand Baht)</i>	
Deposits	98,706	34,144
Prepaid expenses	1,308	1,621
Others	<u>32,116</u>	<u>42,921</u>
Total	<u>132,130</u>	<u>78,686</u>

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

9 Insurance contract liabilities

	2019			2018		
	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net (in thousand Baht)	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	2,306,452	(1,120,604)	1,185,848	1,858,659	(734,020)	1,124,639
- Incurred but not reported	700,677	(278,910)	421,767	590,874	(190,358)	400,516
Total loss reserves and outstanding claims	3,007,129	(1,399,514)	1,607,615	2,449,533	(924,378)	1,525,155
Unearned premium reserves	3,237,845	(669,942)	2,567,903	3,015,825	(685,164)	2,330,661
Total	6,244,974	(2,069,456)	4,175,518	5,465,358	(1,609,542)	3,855,816
9.1 Loss reserves and outstanding claims						
At 1 January	2,449,533	(924,378)	1,525,155	1,892,793	(421,004)	1,471,789
Insurance claim expenses incurred during the year	2,667,434	(787,046)	1,880,388	2,389,725	(674,667)	1,715,058
Insurance claim expenses paid during the year	(2,219,641)	400,462	(1,819,179)	(1,936,032)	258,009	(1,678,023)
Change in estimation and assumption	109,803	(88,552)	21,251	103,047	(86,716)	16,331
At 31 December	3,007,129	(1,399,514)	1,607,615	2,449,533	(924,378)	1,525,155
9.2 Unearned premium reserves						
At 1 January	3,015,825	(685,164)	2,330,661	2,703,462	(613,401)	2,090,061
Premiums written during the year	6,030,839	(1,446,015)	4,584,824	5,836,419	(1,370,477)	4,465,942
Earned premium in the year	(5,808,819)	1,461,237	(4,347,582)	(5,524,056)	1,298,714	(4,225,342)
At 31 December	3,237,845	(669,942)	2,567,903	3,015,825	(685,164)	2,330,661

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

9.3 Loss development table

9.3.1 Gross loss development triangle

At 31 December 2019

Accident year/ Accounting year	Prior and within 2014	2015	2016	2017 (in thousand Baht)	2018	2019	Total
Estimated loss reserves and outstanding claims							
At year ended		2,240,186	2,333,990	2,102,908	2,890,958	3,452,361	
Development year 1		2,209,099	1,909,202	1,786,539	2,276,705	-	
Development year 2		2,181,366	1,920,940	1,788,622	-	-	
Development year 3		1,978,324	1,958,875	-	-	-	
Development year 4		2,063,067	-	-	-	-	
Absolute estimated loss reserves and outstanding claims	853,739	2,063,067	1,958,875	1,788,622	2,276,705	3,452,631	12,393,639
Accumulative claims paid	(316,398)	(2,061,122)	(1,954,203)	(1,733,647)	(1,896,995)	(1,514,102)	(9,476,467)
Total	537,341	1,945	4,672	54,975	379,710	1,938,529	2,917,172
Reconciliation							
Unallocated loss adjustment expenses							55,003
Claims payable							37,864
Other adjustments							(2,910)
Total loss reserves and outstanding claims							3,007,129

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

At 31 December 2018

Accident year/ Accounting year	Prior and within 2013	2014	2015	2016 (in thousand Baht)	2017	2018	Total
Estimated loss reserves and outstanding claims							
At year ended		3,915,434	2,240,186	2,333,990	2,102,908	2,890,958	
Development year 1		3,510,873	2,209,099	1,909,202	1,786,539	-	
Development year 2		3,419,453	2,181,366	1,920,940	-	-	
Development year 3		3,040,791	1,978,324	-	-	-	
Development year 4		3,386,962	-	-	-	-	
Absolute estimated loss reserves and outstanding claims	1,152,082	3,386,962	1,978,324	1,920,940	1,786,539	2,890,958	13,115,805
Accumulative claims paid	(603,122)	(3,376,554)	(1,922,479)	(1,900,608)	(1,673,050)	(1,266,504)	(10,742,317)
Total	548,960	10,408	55,845	20,332	113,489	1,624,454	2,373,488
Reconciliation							
Unallocated loss adjustment expenses							28,338
Claims payable							43,847
Other adjustments							3,860
Total loss reserves and outstanding claims							2,449,533

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

9.3.2 Net loss development triangle

At 31 December 2019

Accident year/ Accounting year	Prior and within 2014	2015	2016	2017 <i>(in thousand Baht)</i>	2018	2019	Total
Estimated loss reserves and outstanding claims							
At year ended		1,817,821	1,809,587	1,919,677	2,022,454	2,194,580	
Development year 1		1,532,759	1,557,589	1,618,772	1,756,467	-	
Development year 2		1,517,974	1,521,715	1,593,701	-	-	
Development year 3		1,233,474	1,528,832	-	-	-	
Development year 4		1,511,030	-	-	-	-	
Absolute estimated loss reserves and outstanding claims	784,245	1,511,030	1,528,832	1,593,701	1,756,467	2,194,580	9,368,855
Accumulative claims paid	(258,387)	(1,509,498)	(1,528,356)	(1,587,114)	(1,698,381)	(1,269,882)	(7,851,618)
Total	525,858	1,532	476	6,587	58,086	924,698	1,517,237
Reconciliation							
Unallocated loss adjustment expenses							55,003
Claims payable							37,864
Other adjustments							(2,489)
Total loss reserves and outstanding claims							1,607,615

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

At 31 December 2018

Accident year/ Accounting year	Prior and within 2013	2014	2015	2016 <i>(in thousand Baht)</i>	2017	2018	Total
Estimated loss reserves and outstanding claims							
At year ended		3,593,695	1,817,821	1,809,587	1,919,677	2,022,454	
Development year 1		3,138,534	1,532,759	1,557,589	1,618,772	-	
Development year 2		3,044,352	1,517,974	1,521,715	-	-	
Development year 3		2,710,725	1,233,474	-	-	-	
Development year 4		3,012,195	-	-	-	-	
Absolute estimated loss reserves and outstanding claims	909,681	3,012,195	1,233,474	1,521,715	1,618,772	2,022,454	10,318,291
Accumulative claims paid	<u>(376,097)</u>	<u>(3,008,588)</u>	<u>(1,222,402)</u>	<u>(1,517,648)</u>	<u>(1,561,901)</u>	<u>(1,186,290)</u>	<u>(8,872,926)</u>
Total	<u>533,584</u>	<u>3,607</u>	<u>11,072</u>	<u>4,067</u>	<u>56,871</u>	<u>836,164</u>	<u>1,445,365</u>
Reconciliation							
Unallocated loss adjustment expenses							28,338
Claims payable							43,847
Other adjustments							7,605
Total loss reserves and outstanding claims							<u>1,525,155</u>

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

10 Reinsurance payables

	2019	2018
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	208,479	108,076
Due to reinsurers	188,705	286,021
Total	397,184	394,097

11 Other liabilities

	Note	2019	2018
		<i>(in thousand Baht)</i>	
Commission payables	16	175,079	141,418
Suspense output Value Added Tax		39,148	32,971
Suspense received	16	143,251	40,649
Accrued expenses	16	81,788	61,296
Others	16	49,421	53,833
Total		488,687	330,167

12 Reserves

Other components of Head Office Account

Fair value changes in available-for-sale investments

The fair value changes in available-for-sale investments within Head Office Account comprise the cumulative net changes in the fair value of available-for-sale securities until the investments are derecognised or impaired.

13 Operating expenses

	2019	2018
	<i>(in thousand Baht)</i>	
Employee expenses	73,519	71,340
Premises and equipment expenses	47,748	45,175
Taxes and duties	2,886	5,874
Others	135,183	108,270
Total	259,336	230,659

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

14 Employee benefit expenses

	Note	2019 (in thousand Baht)	2018
Wages, salaries and bonuses	16	242,256	222,924
Contribution to defined contribution plan	16	10,872	9,407
Contribution to defined benefit plan		20,376	4,624
Others	16	43,884	40,243
Total		317,388	277,198

The Branch has established a provident fund for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 5% to 10% of their basic salaries and by the Branch from 5% to 10% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.

On 5 April 2019, the Labor Protection Act was amended to include a requirement that an employee, who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate. The Branch has therefore amended its retirement plan in accordance with the changes in the Labor Protection Act in 2019. As a result of this change, the provision for retirement benefits as at 31 December 2019 as well as past service cost recognised during the year then ended in the financial statements increased by an amount of Baht 12 million.

15 Income tax expense (benefit)

Income tax recognised in profit or loss

	2019 (in thousand Baht)	2018
<i>Current tax expense</i>		
Current year	-	-
<i>Deferred tax expense</i>		
Recognised temporary difference	(160,994)	324,144
Total	(160,994)	324,144

Income tax recognised in other comprehensive income

	2019 (in thousand Baht)	2018
<i>Deferred tax expense</i>		
Net changes in fair value of available-for-sale securities	(38,412)	31,509
Actuarial losses on defined employee benefit plans	2,996	-
Total	(35,416)	31,509

Reconciliation of effective tax rate

	2019	2018
	Rate (%)	Rate (%)
	(in thousand Baht)	(in thousand Baht)
Profit before income tax	1,540,296	1,672,323
Income tax using the Thai corporation tax rate	20.0	20.0
Expenses not deductible for tax purposes	0.0	0.0
Change in unrecognised temporary differences	(30.5)	(0.7)
Total	(10.5)	19.3

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

Deferred tax assets and liabilities
At 31 December

	2019	2018
	<i>(in thousand Baht)</i>	
Deferred tax assets	476,923	315,928
Deferred tax liabilities	(37,429)	(2,013)
Net	439,494	313,915

Deferred tax balance are as follow:

	At 31 December 2019
	<i>(in thousand Baht)</i>
<i>Deferred tax assets</i>	
Allowance for impairment loss an investment	687
Unearned premium reserve	146,795
Incurred but not reported loss reserves (IBNR)	84,353
Loss reserves	229,597
Employee benefit obligations	15,491
Total	476,923
<i>Deferred tax liabilities</i>	
Net changes in fair value of available-for-sale securities	40,425
Actuarial losses on defined employee benefit plans	(2,996)
Total	37,429
Net	439,494

As at 31 December 2018, the Branch's management has recognised deferred tax assets amounting to Baht 314 million. The recognised deferred tax assets represent the portion expected to be recoverable from taxable income available, based upon management projections of operating performance for the year 2019. Temporary differences of Baht 0.5 billion and tax losses of Baht 2.2 billion which expired in 2019 have not been recognised as deferred tax assets in the financial statements.

16 Related parties

Other related parties that Branch had significant transactions with during the year were as follow:

Name of entities/Personnel	Country of incorporation/ Nationality	Nature of relationships
Key management personnel	Thais/Foreigners	Persons having authority and responsibility for planning, directing and controlling the activities of the Branch, directly or indirectly
MS&AD Insurance Group Holding, Inc.	Japan	Ultimate parent company
Mitsui Sumitomo Insurance Company Limited	Japan	The Head Office in Japan
Aioi Nissay Dowa Insurance Co., Ltd.	Japan	The subsidiary company of the ultimate parent company
MSIG Service and Adjusting (Thailand) Co., Ltd.	Thailand	The subsidiary company of the Head Office
Calm Sea Service Company Limited	Thailand	The subsidiary company of the Head Office

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

Name of entities/Personnel	Country of incorporation/ Nationality	Nature of relationships
MSIG Insurance (Thailand) Public Company Limited	Thailand	The subsidiary company of the Head Office
Interisk Asia (Thailand) Co., Ltd.	Thailand	The subsidiary company of the ultimate parent company
MBTS Broking Services Company Limited	Thailand	The associated company of the Head Office
Aioi Bangkok Insurance Public Company Limited	Thailand	The associated company of the ultimate parent company
Bangkok Chayorathn Company Limited	Thailand	The associated company of the ultimate parent company
Asia Insurance (Cambodia) Plc.	Cambodia	The associated company of the Head Office
BPI/MS Insurance Corporation	Philippines	The associated company of the Head Office
MSIG Insurance (Hong Kong) Limited	The People's Republic of China	The subsidiary company of the Head Office
MSIG Mingtai Insurance Co., Ltd.	The People's Republic of China	The subsidiary company of the Head Office
MSIG Insurance (Singapore) Pte. Ltd.	Singapore	The subsidiary company of the Head Office
MSIG Holdings (Asia) Pte. Ltd.	Singapore	The subsidiary company of the Head Office
Interisk Asia Pte. Ltd.	Singapore	The subsidiary company of the ultimate parent company
MS Amlin Asia Pacific Pte. Ltd.	Singapore	The subsidiary company of the Head Office
MS First Capital Insurance Limited	Singapore	The subsidiary company of the Head Office
MSIG Insurance (Malaysia) Bhd.	Malaysia	The subsidiary company of the Head Office
MSIG Insurance (Vietnam) Company Limited	Vietnam	The subsidiary company of the Head Office
Mitsui Sumitomo Insurance Company (Europe), Limited	United Kingdom	The subsidiary company of the Head Office
MSIG Insurance (Lao) Co., Ltd.	Lao People's Democratic Republic	The subsidiary company of the Head Office
P.T. Asuransi MSIG Indonesia	Indonesia	The subsidiary company of the Head Office
MSIG Insurance Europe AG	Germany	The subsidiary company of the Head Office
Mitsui Sumitomo Insurance (China) Company Limited	The People's Republic of China	The subsidiary company of the Head Office

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Gross premiums written	At contractually agreed prices
Commission and brokerage income	At contractually agreed prices
Insurance claim expenses recovered from reinsurers	As it incurred
Premiums ceded	At contractually agreed prices
Insurance claims expenses	As it incurred and at contractually agreed prices
Commission and brokerage expenses	Within range of rates announced by the Office of Insurance Commission or as stated in the agreement
Other operating expenses - refunded expenses	At contractually agreed prices

Significant transactions for the years ended 31 December with key management and related parties were summarised as follows:

<i>Years ended 31 December</i>	2019	2018
	<i>(in thousand Baht)</i>	
Revenues		
Other related parties		
Gross premiums written	176,606	39,161
Commission and brokerage income	16,851	9,807
Insurance claims expenses recovered from reinsurers	28,698	13,708
Expenses		
Other related parties		
Premiums ceded	191,579	119,021
Insurance claims expenses	216,973	202,180
Commission and brokerage expenses	431,602	422,772
Other operating expenses - refunded expenses	110,999	86,776
Key management compensation		
Short-term and long-term benefits	17,539	19,567

Significant balances as at 31 December with related parties were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Premiums due and uncollected		
Other related parties		
MBTS Broking Services Company Limited	14,629	10,160
Bangkok Chayorathn Company Limited	8,928	9,309
Total	23,557	19,469
Reinsurance receivables		
Due from reinsurers		
Other related parties		
Aioi Bangkok Insurance Public Company Limited	46,640	1,859
Asia Insurance (Cambodia) Plc.	3,143	1,239
MSIG Insurance (Lao) Co., Ltd.	11,071	9,254
MS First Capital Insurance Limited	11,328	182
Others	3,154	1,094
Total	75,336	13,628

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

	2019	2018
	(in thousand Baht)	
Other assets		
Other related parties		
Calm Sea Service Company Limited	9,425	8,337
MSIG Service and Adjustment (Thailand) Co., Ltd.	729	973
Others	97	25
Total	10,251	9,335
Insurance contract liabilities		
Loss reserves and outstanding claims		
Other related parties		
MSIG Insurance (Lao) Co., Ltd.	9,993	2,768
Asia Insurance (Cambodia) Plc.	517	-
Total	10,510	2,768
Accrued loss adjustment expenses		
Other related parties		
MSIG Service and Adjustment (Thailand) Co., Ltd.	2,964	14,346
Others	312	55
Total	3,276	14,401
Reinsurance payables		
Due to reinsurers		
Other related parties		
Aioi Bangkok Insurance Public Company Limited	6,939	4,929
MSIG Insurance (Singapore) Pte. Ltd.	2,253	191
Aioi Nissay Dowa Insurance Co., Ltd.	-	1,335
MS First Capital Insurance Limited	10,082	12,211
MS Amlin Asia Pacific Pte. Ltd.	28	656
Mitsui Sumitomo Insurance (China) Company Limited	1,544	21
MSIG Insurance Europe AG	1,575	-
Total	22,421	19,343
Amount withheld on reinsurance		
Other related parties		
MS Amlin Asia Pacific Pte. Ltd.	2,304	961
Other liabilities		
Commission payables		
Other related parties		
Calm Sea Service Company Limited	86,356	64,344
MBTS Broking Services Company Limited	2,697	1,764
Bangkok Chayorath Company Limited	1,830	2,008
Total	90,883	68,116

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

	2019	2018
	<i>(in thousand Baht)</i>	
Others		
Other related parties		
MSIG Service and Adjusting (Thailand) Co., Ltd.	22,275	17,330
MSIG Insurance (Lao) Co., Ltd.	309	2,708
MSIG Holdings (Asia) Pte. Ltd.	6,327	19
MSIG Insurance (Thailand) Public Company Limited	625	-
Others	7	154
Total	29,543	20,211
Funds from Head Office	101,901,346	102,979,890
Head Office current account	(97,734)	(104,326)

17 Insurance and financial risk management

17.1 Financial risk management policies

The Branch is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Branch does not hold or issue derivative financial instruments.

Risk management is integral to the whole business of the Branch. The Branch has a system of controls in place to create an acceptable balance between the cost of risk occurring and the cost of managing the risks. The management continually monitors the Branch's risk management process to ensure that an appropriate balance between risk and control is achieved.

17.2 Insurance risk

Insurance risk is risk of exposure to financial loss which is caused by inappropriate pricing or selection of insurance policies and that claims liabilities previously established prove to be deficient. The Branch accepts insurance risk through its written insurance contracts.

Two key elements of the Branch's insurance risk management framework are its underwriting strategy and reinsurance strategy, as discussed below.

17.2.1 Underwriting strategy

The Branch's underwriting strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolios outcome.

The underwriting strategy is set out in an annual Branch business plan that establishes the classes of business to be written and the industry sectors in which the Branch is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection. Most general insurance contracts are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

Insurance Risk Management

To ensure effective management, the Branch has developed a policy regarding the underwriting authority in accordance with the “Operating Guidelines for Underwriting Authority” established by Head Office. The policy includes the establishment and management of insurance retention and reinsurance policy in accordance with the “MSIG Retention & Reinsurance General Guidelines” established by Head Office.

Management of general insurance risks by type of contracts

Property contracts

Property risks generally represent the significant exposures and loss potential for both net account and reinsurers’.

The risks relating to property contracts are managed primarily through product design, risk selection, acceptance authority, pricing and reinsurance process. The Branch uses strict underwriting criteria to ensure that the risks of losses are acceptable to the Branch. Furthermore, the Branch accepts major property insurance risks for periods of mainly one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Motor contracts

The risks relating to motor contracts are managed primarily through the pricing process. The Branch monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeals.

17.2.2 Reinsurance strategy

The Branch reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

Ceded reinsurance contains credit risk. The Branch develops “Security Standard for Qualified Reinsurers” for both treaty and facultative reinsurance and complies with such standard.

In addition, underwriters are allowed to buy facultative reinsurance for appropriate arrangement of our net retention and reinsurance scheme to secure solid financial soundness and enhance profitability.

17.3 Concentration of insurance risks

The concentration of gross insurance risks and net of reinsurance in relation to the types of insurance risks accepted by the Branch is summarised below, with the carrying amount of insurance contract liabilities:

	2019		2018	
	Gross of reinsurance	Net	Gross of reinsurance	Net
	<i>(in thousand Baht)</i>			
Loss reserves and outstanding claims				
Type of insurance				
Fire	1,533	1,139	721	701
Marine	235,990	223,957	100,001	81,589
Motor	358,379	343,073	348,306	347,219
Miscellaneous	2,411,227	1,039,446	2,000,505	1,095,646
Total	3,007,129	1,607,615	2,449,533	1,525,155

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

	2019		2018	
	Gross of reinsurance	Net	Gross of reinsurance	Net
	<i>(in thousand Baht)</i>			
Unearned premium reserves				
<i>Type of insurance</i>				
Fire	14,763	10,473	15,362	11,802
Marine	97,030	94,678	124,747	109,623
Motor	926,172	926,172	820,220	820,220
Miscellaneous	2,199,880	1,536,580	2,055,496	1,389,016
Total	3,237,845	2,567,903	3,015,825	2,330,661

17.4 Capital management

The primary objectives of the Branch's capital management are to ensure that it has an appropriate financial structure, to preserve 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. The Branch's capital management is also to ensure strong capital fund base so as to maintain the confidence of Head Office, policy holders, reinsurers and other stakeholders and to sustain future development of the business. The management monitors the return on capital, which the Branch defines as result from operating activities divided by total head office account.

In accordance with the requirement of the Office of Insurance Commission, all insurers are required to maintain a minimum of 120% (2018: 140%) capital adequacy ratio (CAR). It is the Branch's policy to hold capital levels in excess of the required CAR.

17.5 Interest rate risk

Interest rate risk is the risk that future movement in market interest rates which will affect the interest income from investments. The investments include both short-term and long-term investments that have fixed and floating interest rates. The Branch manages the risk by considering the risk of investments together with the return on such investments.

As at 31 December 2019 and 2018 significant financial assets classified by type of interest rate are as follows:

	2019				2018			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in thousand Baht)</i>							
Financial assets								
Cash and cash equivalents	209,314	648,094	1,677	859,085	271,079	1,845,000	8,531	2,124,610
Investments in securities								
Government and state enterprise								
debt securities	-	11,553,349	-	11,553,349	-	11,492,664	-	11,492,664
Private debt securities	-	2,559,876	-	2,559,876	-	1,780,182	-	1,780,182
Unit trust	-	-	230,251	230,251	-	-	-	-
Equity securities	-	-	6,225	6,225	-	-	7,391	7,391
Deposits at financial institutions with original maturities over 3 months	-	1,584,265	-	1,584,265	-	569,265	-	569,265
Total financial assets	209,314	16,345,584	238,153	16,793,051	271,079	15,687,111	15,922	15,974,112

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

As at 31 December 2019 and 2018, the financial assets carrying interest rates at fixed rate are classified below, according to the period from the reporting date to the contractual repricing dates or to the maturity date (whichever dates are earlier):

	Maturity period				Average interest rate (% per annum)
	Within 1 year	Over 1 - 5 years (in thousand Baht)	Over 5 years	Total	
<i>At 31 December 2019</i>					
Financial assets					
Cash and cash equivalents	648,094	-	-	648,094	1.0
Investments in securities					
Government and state enterprise debt securities	3,352,729	7,536,185	664,435	11,553,349	1.9
Private debt securities	-	1,883,372	676,504	2,559,876	2.5
Deposits at financial institutions with original maturities over 3 months	1,584,265	-	-	1,584,265	1.4
Total financial assets	5,585,088	9,419,557	1,340,939	16,345,584	

	Maturity period				Average interest rate (% per annum)
	Within 1 year	Over 1 - 5 years (in thousand Baht)	Over 5 years	Total	
<i>At 31 December 2018</i>					
<i>Financial assets</i>					
Cash and cash equivalents	1,845,000	-	-	1,845,000	1.0
Investments in securities					
Government and state enterprise debt securities	2,349,363	9,011,678	131,623	11,492,664	2.0
Private debt securities	-	1,611,790	168,392	1,780,182	2.7
Deposits at financial institutions with original maturities over 3 months	569,265	-	-	569,265	1.4
Total financial assets	4,763,628	10,623,468	300,015	15,687,111	

17.6 Foreign currency risk

At 31 December 2019 and 2018, the Branch was exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

	Note	2019 United states Dollar (in thousand Baht)	2018 United states Dollar
Liabilities denominated in foreign currency as at 31 December			
Premium ceded payables	10	2,515	5,407
Net exposure balances presented in the statements of financial position		2,515	5,407

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

17.7 Credit risk

Credit risk is the potential financial loss resulting from the failure of a counterparty to settle its financial and contractual obligations to the Branch as and when they fall due.

Management has a credit control policy in place and the exposure is monitored on an ongoing basis. Reinsurer's credit risks are managed based on "Security Standard for Qualified Reinsurers". At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position at the reporting date. However, due to the large number of parties comprising the Branch's customer base, Management does not anticipate material losses from its debt collection.

Concentrations of the credit risk with respect to premium due and uncollected are less significant since the borrowers and the insured are dispersed across different industries and geographic regions in Thailand.

17.8 Liquidity risk

The Branch monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Branch's operations and to mitigate the effects of fluctuations in cash flows.

The analysis of the expected maturity profile of loss reserve and outstanding claim for insurance contracts, net of reinsurance as at 31 December 2019 and 2018 are as follows:

	2019			2018		
	1 year	Over 1 - 5 years	Total	1 year	Over 1 - 5 years	Total
	<i>(in thousand Baht)</i>					
Insurance contract liabilities						
Loss reserves and outstanding claims, net	1,004,198	603,416	1,607,615	1,423,873	101,282	1,525,155

17.9 Carrying amount and fair values

The Branch shows the carrying amounts and fair values of financial assets and financial liabilities measured at fair value, including their levels in fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Fair value hierarchy

Recurring fair value measurements for financial assets and liabilities are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable movement date (unobservable inputs).

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2019

The Branch recognises transfers between levels of the fair value hierarchy as of the end of reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the year ended 31 December 2019 and 2018.

The following methods and assumptions were used by the Branch in estimating fair value of financial assets and liabilities as disclosed herein.

The carrying amounts of the following financial assets and financial liabilities are considered to be approximate to their fair values: cash and cash equivalents, accrued investment income, premiums due and uncollected, reinsurance receivables and assets, other receivables, insurance contract liabilities, due to reinsurers, outstanding claim and other payable.

The Branch determines Level 1 fair values of investments in marketable equity uses last bid price from SET at the reporting date.

The Branch determines Level 2 fair values of investments in debt securities are determined by reference to the price provided by Thai Bond Market Association at the reporting date, and for unit trusts using net assets value (NAV) provided by asset management companies at the reporting date.

The fair values of deposits at financial institutions with remaining terms to maturity of less than or equal to 1 year are based on the book value. The fair value of the deposits with remaining terms to maturity of greater than 1 year is determined using the discounted cash flow method based on the current interest rates and remaining terms to maturity.

17.9.1 Financial assets carried at fair value

The Branch has an established control framework with respect to the measurement of fair values. This is to ensure that prudent revaluation principles and proper internal control procedures are in place.

The following table analyses significant financial assets carried at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Fair value			
	Level 1	Level 2	Level 3	Total
		(in thousand Baht)		
31 December 2019				
Financial assets				
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	11,553,349	-	11,553,349
Private debt securities	-	2,559,876	-	2,559,876
Unit trust	-	230,251	-	230,251
Equity securities	3,610	-	-	3,610
Total	3,610	14,343,476	-	14,347,086

	Fair value			
	Level 1	Level 2	Level 3	Total
		(in thousand Baht)		
31 December 2018				
Financial assets				
Available-for-sale securities				
Government and state enterprise debt securities	-	11,492,664	-	11,492,664
Private debt securities	-	1,780,182	-	1,780,182
Equity securities	4,776	-	-	4,776
Total	4,776	13,272,846	-	13,277,622

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

17.9.2 Financial assets not carried at fair value

The following table analyses financial assets not carried at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Carrying amount	Fair value			Total
		Level 1	Level 2 (in thousand Baht)	Level 3	
31 December 2019					
<i>Financial assets</i>					
Investment assets					
Held-to-maturity securities	1,584,265	-	1,584,265	-	1,584,265

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
		(in thousand Baht)			
31 December 2018					
<i>Financial assets</i>					
Investment assets					
Held-to-maturity securities	569,265	-	569,265	-	569,265

18 Securities and assets pledged with the Registrar

18.1 As at 31 December 2019 and 2018, the Branch's investments in deposit at banks were pledged with the Registrar in accordance with the Non-Life Insurance Act No. 2 B.E. 2551 as follows:

	2019		2018	
	Book value	Face value (in thousand Baht)	Book value	Face value
Time deposits at banks	14,000	14,000	14,000	14,000

18.2 As at 31 December 2019 and 2018, the Branch's investments in debt securities were reserved with the Registrar in accordance with the Notification of the Office of Insurance Commission regarding "Rates, Rules and Procedures for unearned premium reserve of Non - Life Insurance Company B.E.2557" as follows:

	2019		2018	
	Book value	Face value (in thousand Baht)	Book value	Face value
Government bonds	1,454,398	1,420,000	1,419,422	1,420,000

19 Restricted and collateral assets

	2019 (in thousand Baht)	2018
Deposits at banks - time deposits		
To secure bank guarantee facilities issued by banks	264	264

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

20 Contribution to Non Life Insurance Fund

As at 31 December 2019 and 2018, the accumulated Contribution to Non Life Insurance Fund was as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
At 1 January	109,488	95,426
Increase during the year	14,214	14,062
As at 31 December	123,702	109,488

21 Commitments with non-related parties

	2019	2018
	<i>(in thousand Baht)</i>	
<i>Non-cancellable operating lease commitments</i>		
Within one year	32,678	27,316
After one year but within five years	16,755	37,028
Total	49,433	64,344

As at 31 December 2019, the Branch has outstanding rental commitments under long-term building lease, lease agreements and service agreements with other company. The amount of Baht 8.3 million was paid as deposit for these agreements (2018: Baht 5.2 million).

22 Contingent liabilities

As at 31 December 2019, lawsuits have been brought against the Branch, in relation to insurance claims in the normal course of business totalling approximately Baht 1,345.8 million (2018: Baht 1,361.8 million). The Branch's management believes that the recorded amount of provision in the financial statements for potential losses in respect of those claims is adequate.

23 Thai Financial Reporting Standards (TFRS) not yet adopted

New TFRSs and Accounting guideline which are expected to have a material impact on the Branch's financial statements when initially adopted, and which will become effective in annual reporting periods beginning on or after 1 January 2020:

TFRS	Topic
Accounting Guideline	Financial Instruments and Disclosure for insurance entities
TFRS 16	Leases

(a) Accounting Guideline : Financial Instruments and disclosure for insurance entities

TFRS 4 Insurance Contracts (revised 2019) has allowed insurance entities that meet the conditions as laid down by TFRS 4, to use the deferral approach to TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures for insurance entities and continue to apply Accounting Guideline : Financial Instruments and Disclosure for insurance entities until TFRS 17 Insurance contract becomes effective.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

Accounting Guideline: Financial Instruments and Disclosure for insurance entities is prepared using the principle of TFRS 9 Financial Instruments, TFRS 7 Financial Instruments: Disclosures and TAS 32 Financial Instruments: Presentation. The significant differences between Accounting Guideline : Financial Instruments and Disclosure for insurance entities and TFRS 9 are 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 Branch'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 and unit trust items are to be recognised in profit or loss.
- The embedded derivatives in financial assets that are hybrid contracts are to be separated from host contract if they meet all criteria for separation.
- The disclosure have some differences from TFRS 7.

Unit trust which is reclassified as financial liabilities under TAS 32 Financial Instruments: Presentation, the gain or loss on foreign exchange rate are to recognised in profit or loss.

In addition the above differences, the adoption Accounting Guideline : Financial Instruments and disclosure for insurance entities will impact to the Company regarding the impairments and hedge accounting as follow:

Impairment – Financial assets

Accounting Guideline introduces forward-looking 'expected credit loss' (ECL) model whereas currently the Branch estimates allowance for doubtful account by analyzing payment histories and future expectation of customer payment. Accounting Guideline for Financial Instruments: Disclosure for insurance company requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Transition

The Branch has met the condition as mentioned in TFRS 4 Insurance Contracts (revised 2019) and selected to apply Accounting Guideline for Financial Instruments and Disclosure for insurance entities. by adjusting the impact to retained earnings or other component of Head Office Account on 1 January 2020. Therefore, the Branch will not apply the requirements of this Accounting Guideline to comparative information.

Based on preliminary impact assessment of initially applying Accounting Guideline for financial Instruments and Disclosure for insurance company on the financial statements, the Branch estimated that impact, which was not material to the financial statement. The impact mainly results from the fair value of general investment which were classified and measured as fair value by adjusting the impact to retained earnings on 1 January 2020.

(b) TFRS 16 Leases

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset and a lease liability. There are recognition exemptions for short-term lease and lease of low-value items. Lessor accounting remains similar to the current standards, i.e. lessors continue to classify lease as finance or operating leases. When this TFRS is effective, some accounting standards and interpretations which are currently effective will be cancelled.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Notes to the financial statements

For the year ended 31 December 2019

Currently, the Branch recognises payments made under operating leases in profit or loss on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Under TFRS 16, the Branch will recognise right-of-use assets and lease liabilities for its operating lease as disclosed in Note 21. As a result, the nature of expenses related to those lease will be changed because the Branch will recognise depreciation of right-of use assets and interest expense on lease liabilities.

Transition

The Branch plans to apply TFRS 16 initially on 1 January 2020, using the modified retrospective approach. Therefore, the cumulative effect of adopting TFRS 16 will be recognised as an adjustment to the retained earnings as 1 January 2020, with no restatement of comparative information.

The preliminary impact assessment of initially applying TFRS 16 on the financial statements is as follows:

Statement of financial position

At 1 January

	2020 (in thousand Baht)
Increase in right-of-use assets	68,541
Increase in lease liabilities	68,541