

Mitsui Sumitomo Insurance Company Limited
Thailand Branch

Condensed interim financial statements
for the three-month and nine-month periods ended
30 September 2021
and
Independent auditor's review report



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Independent auditor's report on review of interim financial information

To the Management of Mitsui Sumitomo Insurance Company Limited Thailand Branch

I have reviewed the accompanying statement of financial position of Mitsui Sumitomo Insurance Company Limited Thailand Branch as at 30 September 2021; the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2021; the statements of changes in Head Office Account and cash flows for the nine-month period ended 30 September 2021, and the condensed notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with the Thai Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34, "Interim Financial Reporting".

(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
11 November 2021

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

		30 September	31 December
Assets	<i>Note</i>	2021	2020
		(Unaudited)	
		<i>(in thousand Baht)</i>	
Cash and cash equivalents	3	1,144,872	1,140,788
Premiums due and uncollected	4, 12	485,068	873,096
Accrued investment income		104,584	61,468
Reinsurance assets	7, 12	4,605,924	3,664,811
Reinsurance receivables	5, 12	159,816	384,995
Investments assets			
Investments in securities	6, 14, 15	18,511,965	17,222,144
Leasehold building improvement and equipment		23,375	21,943
Right-of-use assets		75,653	37,375
Intangible assets		3,818	3,897
Deferred tax assets		454,469	512,519
Income tax refundable		54,731	108,361
Other assets	12	497,232	225,066
		<hr/>	<hr/>
Total assets		26,121,507	24,256,463
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The accompanying notes form an integral part of the interim financial statements.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

		30 September	31 December
Liabilities and Head Office Account	<i>Note</i>	2021	2020
		(Unaudited)	
		(in thousand Baht)	
<i>Liabilities</i>			
Insurance contract liabilities	7, 12	8,734,885	8,206,727
Reinsurance payables	8, 12	386,115	471,758
Income tax payables		97,186	157,402
Employee benefit obligations		93,318	85,383
Lease liabilities		78,047	38,321
Other liabilities	12	563,851	511,379
Total liabilities		9,953,402	9,470,970
<i>Head Office Account</i>			
Funds from Head Office	12	13,593,146	13,593,146
Head Office current account	12	(93,118)	(93,183)
Retained earnings		2,511,736	1,028,443
Other components of Head Office Account		156,341	257,087
Total Head Office Account		16,168,105	14,785,493
Total liabilities and Head Office Account		26,121,507	24,256,463

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of comprehensive income (Unaudited)

	Three-month period ended	
	30 September	
	2021	2020
	<i>(in thousand Baht)</i>	
<i>Revenues</i>		
Gross premiums written	1,209,907	1,232,578
<i>Less</i> premiums ceded	<u>(405,722)</u>	<u>(491,071)</u>
Net premiums written	804,185	741,507
Unearned premium reserve decreased from previous period	301,605	332,025
<i>Less</i> reinsurers' share of unearned premium reserve decreased from previous period	<u>(25,547)</u>	<u>(7,553)</u>
Net premiums earned	1,080,243	1,065,979
Commission and brokerage income	25,273	34,086
Net investment income	69,612	72,656
Gain on investments	10,391	10,900
Gain (loss) on foreign exchange rate	88	(254)
Other income	<u>-</u>	<u>6</u>
Total revenues	<u>1,185,607</u>	<u>1,183,373</u>
<i>Expenses</i>		
Insurance claims expenses (recovery)	(234,682)	1,117,433
<i>Add (less)</i> insurance claims expenses recovered from reinsurance	<u>231,480</u>	<u>(261,550)</u>
Net insurance claims expenses	(3,202)	855,883
Commission and brokerage expenses	124,619	123,342
Other underwriting expenses	56,840	70,278
Operating expenses	73,298	62,172
Expected credit loss (reversal)	<u>(155)</u>	<u>208</u>
Total expenses	<u>251,400</u>	<u>1,111,883</u>
Profit before income tax	<u>934,207</u>	<u>71,490</u>
Income tax expense	<u>187,050</u>	<u>14,415</u>
Net profit	<u>747,157</u>	<u>57,075</u>

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of comprehensive income (Unaudited)

	Three-month period ended	
	30 September	
	2021	2020
	<i>(in thousand Baht)</i>	
Other comprehensive income (loss)		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Loss on remeasurement of investments - fair value through other comprehensive income (loss)	(85,120)	(127,004)
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss	<u>17,024</u>	<u>25,226</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(68,096)</u>	<u>(101,778)</u>
 Total comprehensive income (loss) for the period	 <u><u>679,061</u></u>	 <u><u>(44,703)</u></u>

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of comprehensive income (Unaudited)

		Nine-month period ended	
		30 September	
	<i>Note</i>	2021	2020
		<i>(in thousand Baht)</i>	
Revenues			
Gross premiums written	12	4,403,793	4,356,020
Less premiums ceded	12	(1,210,894)	(1,274,349)
Net premiums written		3,192,899	3,081,671
Unearned premium reserve decreased (increased) from previous period		(165,536)	2,643
Add reinsurers' share of unearned premium reserve increased from previous period		152,242	120,416
Net premiums earned		3,179,605	3,204,730
Commission and brokerage income	12	77,695	110,174
Net investment income		207,089	222,610
Gain on investments		29,034	30,372
Gain on foreign exchange rate		295	771
Other income		586	362
Total revenues		3,494,304	3,569,019
Expenses			
Insurance claims expenses	12	2,038,360	3,374,897
Less insurance claims expenses recovered from reinsurance	12	(1,318,513)	(1,712,749)
Net insurance claims expenses		719,847	1,662,148
Commission and brokerage expenses	12	522,951	549,100
Other underwriting expenses		184,334	207,425
Operating expenses	12	211,606	192,517
Expected credit loss	11	385	258
Total expenses		1,639,123	2,611,448
Profit before income tax		1,855,181	957,571
Income tax expense	10	371,888	191,951
Net profit		1,483,293	765,620

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Statement of comprehensive income (Unaudited)

		Nine-month period ended	
		30 September	
	<i>Note</i>	2021	2020
		<i>(in thousand Baht)</i>	
Other comprehensive income (loss)			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Loss on remeasurement of investments - fair value through other comprehensive income (loss)		(125,932)	(121,658)
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss	10	25,186	18,785
Other comprehensive income (loss) for the period, net of income tax		(100,746)	(102,873)
Total comprehensive income for the period		1,382,547	662,747

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

Statement of changes in Head Office Account (Unaudited)

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of changes in Head Office Account (Unaudited)

	Funds from Head Office	Head Office current account	Retained earnings <i>(in thousand Baht)</i>	Other components of Head Office Account Gain (loss) on investments measured at fair value through other comprehensive income (loss)	Total Head Office Account
Nine-month period ended 30 September 2021					
Balance at 1 January 2021	13,593,146	(93,183)	1,028,443	257,087	14,785,493
Comprehensive income (loss) for the period					
Net profit	-	-	1,483,293	-	1,483,293
Other comprehensive income (loss)	-	-	-	(100,746)	(100,746)
Total comprehensive income (loss) for the period	-	-	1,483,293	(100,746)	1,382,547
Head Office current account	-	65	-	-	65
Balance at 30 September 2021	13,593,146	(93,118)	2,511,736	156,341	16,168,105

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of cash flows (Unaudited)

		Nine-month period ended 30 September	
	Note	2021	2020
		(in thousand Baht)	
Cash flows from operating activities			
Premium received		4,530,474	4,631,076
Cash paid to reinsurers	17	(373,864)	(686,831)
Interest received		163,751	190,953
Dividend received		222	17
Other income		1,491	611
Insurance claims expenses		(1,551,702)	(1,556,106)
Commission and brokerage expenses	17	(548,123)	(588,339)
Other underwriting expenses		(184,334)	(207,425)
Operating expenses		(308,403)	(294,371)
Income tax paid		(295,237)	(190,277)
Cash received - financial assets		9,285,790	9,668,372
Cash payment - financial assets		(10,672,895)	(10,297,808)
Net cash flows provided by (used in) operating activities		47,170	669,872
Cash flows from investing activities			
Cash flows provided by			
Proceeds from sale of leasehold building improvement and equipment		468	884
Cash provided by investing activities		468	884
Cash flows used in			
Purchase of leasehold building improvement and equipment		(9,333)	(3,849)
Cash used in investing activities		(9,333)	(3,849)
Net cash flows provided by (used in) investing activities		(8,865)	(2,965)
Cash flows from financing activities			
Payment of lease liabilities		(34,581)	(22,130)
Head Office current account	12	65	20,473
Net cash flows provided by (used in) financing activities		(34,516)	(1,657)
Net increase (decrease) in cash and cash equivalents		3,789	665,250
Cash and cash equivalents at beginning of period		1,140,788	859,085
Effect of exchange rate changes on balances held in foreign currencies		295	771
Cash and cash equivalents at ending of period	3	1,144,872	1,525,106

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2020 (Unaudited)

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Cash and cash equivalents
4	Premiums due and uncollected
5	Reinsurance receivables
6	Investments in securities
7	Insurance contract liabilities
8	Reinsurance payables
9	Lease
10	Income tax expense
11	Expected credit loss
12	Related parties
13	Financial instruments
14	Securities and assets pledged with the Registrar
15	Restricted and collateral assets
16	Contingent liabilities
17	Reclassification of accounts

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2020 (Unaudited)

These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai 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 11 November 2021.

1 General information

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

2 Basis of preparation of the interim financial statements

The condensed interim financial statements are presented in the same format as the annual financial statements and prepared its notes to the interim financial statements on a condensed basis (“interim financial statement”) in accordance with Thai Accounting Standard (TAS) No. 34 *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions. In addition, the interim financial statements are prepared in accordance with the Notification of the Office of Insurance Commission regarding “Rules, Procedures, Conditions and Timing Period for Preparation and Submission of the Financial Statements and Reporting the Operation of Non-Life insurance Companies” B.E. 2562 (No.2) , dated 4 April 2019. The interim financial statements focus on new activities, events, and circumstances to avoid repetition of information previously reported in annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Branch for the year ended 31 December 2020.

In preparing these interim financial statements, judgements and estimates are made by management in applying the Branch’s accounting policies. Actual results may differ from these estimates. The accounting policies, methods of computation and the key sources of estimation uncertainty were the same as those that were described in the financial statements for the year ended 31 December 2020.

3 Cash and cash equivalents

	30 September 2021	31 December 2020
	<i>(in thousand Baht)</i>	
Cheque on hand	5,047	20,512
Deposits at banks - call deposits	429,920	265,293
Deposits at banks - time deposits	100,000	450,000
Highly liquid short - term investments	609,905	404,983
Total	<u>1,144,872</u>	<u>1,140,788</u>

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2020 (Unaudited)

4 Premiums due and uncollected

As at 30 September 2021 and 31 December 2020, the aging analyses for premiums due and uncollected were as follows:

	30 September 2021	31 December 2020
	<i>(in thousand Baht)</i>	
Within credit terms	370,734	712,551
Overdue:		
Not over 30 days	72,656	144,502
31 - 60 days	27,073	11,995
61 - 90 days	13,985	3,036
91 days - 1 year	(208)	807
Over 1 year	828	205
Total	<u>485,068</u>	<u>873,096</u>

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 agents and brokers.

5 Reinsurance receivables

	30 September 2021	31 December 2020
	<i>(in thousand Baht)</i>	
Due from reinsurers	159,816	384,995
Total	<u>159,816</u>	<u>384,995</u>

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2020 (Unaudited)

6 Investments in securities

6.1 Investment in securities by measurement are as follows:

	30 September 2021		31 December 2020	
	Cost / Amortised cost	Fair value (in thousand Baht)	Cost / Amortised cost	Fair value
<i>Investment measured at fair value through other comprehensive income (loss)</i>				
Government and state enterprise debt securities	10,948,364	11,000,359	9,864,803	10,070,833
Private debt securities	3,909,375	3,979,446	3,718,947	3,809,410
Unit trust	717,112	774,232	785,000	783,310
Equity securities	7,492	18,664	7,492	29,327
Total	15,582,343	15,772,701	14,376,242	14,692,880
Add Unrealised gains	193,790	-	320,070	-
Less Allowance for impairment loss	(3,432)	-	(3,432)	-
Total investment measured at fair value through other comprehensive income (loss)	15,772,701	15,772,701	14,692,880	14,692,880
Allowance for expected credit loss	1,651	-	1,266	-
<i>Investment measured at amortised cost</i>				
Deposits at banks with original maturities over 3 months	2,739,264	2,739,264	2,529,264	2,529,264
Total investment measured at amortised cost	2,739,264	2,739,264	2,529,264	2,529,264
Total investment in securities	18,511,965	18,511,965	17,222,144	17,222,144

6.2 Investment measured at fair value through other comprehensive income (loss)

	30 September 2021		31 December 2020	
	Fair value	Allowance for expected credit loss / Allowance for impairment loss	Fair value	Allowance for expected credit loss / Allowance for impairment loss
		(in thousand Baht)		
Debt securities - no significant increase in credit risk (stage 1)	14,979,805	1,651	13,880,243	1,266
Debt securities - significant increase in credit risk (stage 2)	-	-	-	-
Debt securities - default / credit-impaired (stage 3)	-	-	-	-
Debt securities - unit trust	774,232	-	783,310	-
Equity securities	18,664	3,432	29,327	3,432
Total	15,772,701	5,083	14,692,880	4,698

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2020 (Unaudited)

6.3 Investment measured at amortised cost

	30 September 2021		
	Book value	Allowance for expected credit loss (in thousand Baht)	Net book value
Debt securities - no significant increase in credit risk (stage 1)	2,739,264	-	2,739,264
Debt securities - significant increase in credit risk (stage 2)	-	-	-
Debt securities - Default / credit-impaired (stage 3)	-	-	-
Total	2,739,264	-	2,739,264

	31 December 2020		
	Book value	Allowance for expected credit loss (in thousand Baht)	Net book value
Debt securities - no significant increase in credit risk (stage 1)	2,529,264	-	2,529,264
Debt securities - significant increase in credit risk (stage 2)	-	-	-
Debt securities - Default / credit-impaired (stage 3)	-	-	-
Total	2,529,264	-	2,529,264

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2020 (Unaudited)

7 Insurance contract liabilities

	30 September 2021			31 December 2020		
	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net
	<i>(in thousand Baht)</i>					
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	4,660,302	(3,575,557)	1,084,745	4,194,499	(2,683,505)	1,510,994
- Incurred but not reported	683,861	(223,877)	459,984	787,042	(327,058)	459,984
Total loss reserves and outstanding claims	5,344,163	(3,799,434)	1,544,729	4,981,541	(3,010,563)	1,970,978
Unearned premium reserves	3,390,722	(806,490)	2,584,232	3,225,186	(654,248)	2,570,938
Total	8,734,885	(4,605,924)	4,128,961	8,206,727	(3,664,811)	4,541,916

7.1 Loss reserves and outstanding claims

At 1 January	4,981,541	(3,010,563)	1,970,978	3,007,129	(1,399,514)	1,607,615
Insurance claim expenses incurred during the period / year	2,032,430	(1,421,693)	610,737	3,954,572	(1,916,694)	2,037,878
Insurance claim expenses paid during the period / year	(1,566,627)	529,641	(1,036,986)	(2,066,525)	353,793	(1,712,732)
Change in estimation and assumption	(103,181)	103,181	-	86,365	(48,148)	38,217
At 30 September 2021 / 31 December 2020	5,344,163	(3,799,434)	1,544,729	4,981,541	(3,010,563)	1,970,978

7.2 Unearned premium reserves

At 1 January	3,225,186	(654,248)	2,570,938	3,237,845	(669,942)	2,567,903
Premiums written during the period / year	4,403,793	(1,210,894)	3,192,899	5,774,149	(1,518,352)	4,255,797
Earned premium in the period / year	(4,238,257)	1,058,652	(3,179,605)	(5,786,808)	1,534,046	(4,252,762)
At 30 September 2021 / 31 December 2020	3,390,722	(806,490)	2,584,232	3,225,186	(654,248)	2,570,938

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2021 (Unaudited)

8 Reinsurance payables

	30 September 2021	31 December 2020
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	231,867	274,870
Due to reinsurers	154,248	196,888
Total	386,115	471,758

9 Leases

	2021	2020
	<i>(in thousand Baht)</i>	
<i>Recognised in profit or loss</i>		
Interest on lease liabilities	3,849	2,980
Total	3,849	2,980

Total cash outflow for leases presented in the statement of cash flows for the nine-month period ended 30 September 2021 were Baht 34.6 million (2020: Baht 22.1 million).

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2021 (Unaudited)

10 Income tax expense

Income tax recognised in profit or loss

For the nine-month period ended 30 September

	2021	2020
	<i>(in thousand Baht)</i>	
Current tax expense		
Current period	288,700	262,309
Over provided in prior year	(48)	-
Deferred tax expense		
Movements in temporary differences	83,236	(70,358)
Total	371,888	191,951

Income tax recognised in other comprehensive income (loss)

Deferred tax expense

Loss on remeasurement of investments - fair value through
other comprehensive income (loss)

	25,186	18,785
Total	25,186	18,785

Reconciliation of effective tax rate

For the nine-month period ended 30 September

	2021	2020
	<i>(in thousand Baht)</i>	
	Rate (%)	Rate (%)
Profit before income tax	1,855,181	957,571
Income tax using the Thai corporation tax rate	20.0 371,036	20.0 191,514
Over provided in prior year	- (48)	-
Expenses not deductible for tax purposes	- 668	- 437
Change in unrecognised temporary differences	- 232	-
Total	20.0 371,888	20.0 191,951

11 Expected credit loss

For the nine-month period ended 30 September

	2021	2020
	<i>(in thousand Baht)</i>	
Investment in securities		
- Debt securities measured at fair value through other comprehensive income (loss)	385	258
Total	385	258

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2021 (Unaudited)

12 Related parties

There is no material change in relationships with key management and related parties during the period.

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

Transactions	Pricing policies
Gross premium written	At contractually agreed prices
Commission and brokerage income	At contractually agreed prices
Insurance claims 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	At contractually agreed prices

Significant transactions for the nine-month period ended 30 September 2021 and 2020 with key management and related parties were summarised as follows:

<i>For the nine-month period ended 30 September</i>	2021	2020
	<i>(in thousand Baht)</i>	
<i>Revenues</i>		
Other related parties		
Gross premiums written	151,305	54,396
Commission and brokerage income	12,423	15,047
Insurance claims expenses recovered from reinsurers	56,746	100,672
<i>Expenses</i>		
Other related parties		
Premiums ceded	189,504	184,453
Insurance claims expenses	90,152	52,444
Commission and brokerage expenses	294,354	315,186
Other operating expenses	93,588	82,687
<i>Key management compensation</i>		
Short-term and long-term benefits	11,121	11,321

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2021 (Unaudited)

Significant balances as at 30 September 2021 and 31 December 2020 with related parties were as follows:

	30 September 2021 (in thousand Baht)	31 December 2020
<i>Premiums due and uncollected</i>		
Other related parties	<u>31,398</u>	<u>20,705</u>
<i>Reinsurance assets</i>		
Reinsurance's share of liabilities		
Other related parties	<u>431,196</u>	<u>251,705</u>
<i>Reinsurance receivables</i>		
Due from reinsurers		
Other related parties	<u>45,877</u>	<u>52,649</u>
<i>Other assets</i>		
Other related parties	<u>7,438</u>	<u>10,610</u>
<i>Insurance contract liabilities</i>		
Loss reserves and outstanding claims		
Other related parties	<u>633</u>	<u>26,895</u>
Accrued loss adjustment expenses		
Other related parties	<u>569</u>	<u>3,770</u>
<i>Reinsurance payables</i>		
Due to reinsurers		
Other related parties	<u>37,999</u>	<u>38,348</u>
Amount withheld on reinsurance		
Other related parties	<u>4,332</u>	<u>5,582</u>
<i>Other liabilities</i>		
Commission payables		
Other related parties	<u>62,850</u>	<u>93,102</u>
Others		
Other related parties	<u>31,212</u>	<u>24,447</u>
Funds from Head Office	<u>13,593,146</u>	<u>13,593,146</u>
Head Office current account	<u>(93,118)</u>	<u>(93,183)</u>

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2021 (Unaudited)

13 Financial instruments

Carrying amounts and fair value

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

<i>At 30 September 2021</i>	<i>Note</i>	Level 1	Fair value		Total
			Level 2	Level 3	
			<i>(in thousand Baht)</i>		
Financial assets					
Investment in securities	6				
Government and state enterprise debt securities		-	11,000,359	-	11,000,359
Private debt securities		-	3,979,446	-	3,979,446
Unit trusts		-	774,232	-	774,232
Equity securities		7,163	-	11,501	18,664
Total		7,163	15,754,037	11,501	15,772,701
 <i>At 31 December 2020</i>					
Financial assets					
Investment in securities	6				
Government and state enterprise debt securities		-	10,070,833	-	10,070,833
Private debt securities		-	3,809,410	-	3,809,410
Unit trusts		-	783,310	-	783,310
Equity securities		7,052	-	22,275	29,327
Total		7,052	14,663,553	22,275	14,692,880

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2021 (Unaudited)

Measurement of fair values

When measuring the fair value of an asset or a liability, the Branch uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques 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 assets or liabilities, 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).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

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

The Branch determines Level 3 for fair values for non-listed equity securities using the discounted cash flow method which is the last value published by General Insurance Association or net asset values of those non-listed companies.

The Branch recognises transfers between levels of the fair value hierarchy as of the end of reporting period during which the transfer has occurred.

14 Securities and assets pledged with the Registrar

- 14.1 The Branch's investments in deposits at banks were pledged with the Registrar in accordance with the Non-Life Insurance Act No. 2 B.E. 2551 as follows:

	30 September 2021		31 December 2020	
	Book value	Face value	Book value	Face value
		(in thousand Baht)		
Time deposits at banks	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>

- 14.2 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:

	30 September 2021		31 December 2020	
	Book value	Face value	Book value	Face value
		(in thousand Baht)		
Government bonds	<u>1,442,937</u>	<u>1,420,000</u>	<u>1,463,936</u>	<u>1,420,000</u>

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2021 (Unaudited)

15 Restricted and collateral assets

	30 September 2021	31 December 2020
	<i>(in thousand Baht)</i>	
<i>Deposits at banks - time deposits</i>		
To secure bank guarantee facilities issued by banks	<u>264</u>	<u>264</u>

16 Contingent liabilities

As at 30 September 2021, lawsuits have been brought against the Branch, in relation to insurance claims in the normal course of business totalling approximately Baht 1,354.8 million (*31 December 2020: Baht 1,356.3 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.

17 Reclassification of accounts

Certain accounts in the statement of cash flows for the nine-month period ended 30 September 2020, which are included in the interim financial statements for comparative purposes, have been reclassified to conform to the presentation in the current period of the financial statements. Significant reclassifications were as follows:

	Before reclassification	2020 Reclassification	After reclassification
		<i>(in thousand baht)</i>	
<i>Statement of cash flows</i>			
<i>Cash flows from operating activities</i>			
Cash received from (paid to) reinsurers	(759,038)	72,207	(686,831)
Commission and brokerage expenses	(516,132)	<u>(72,207)</u>	<u>(588,339)</u>
		<u>-</u>	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Branch's business.