

Mitsui Sumitomo Insurance Company Limited
Thailand Branch

Financial statements for the year ended
31 December 2021
and
Independent Auditor's Report



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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 2021, 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 2021 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
17 March 2022

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

Assets	Note	31 December	
		2021	2020
		(in Baht)	
Cash and cash equivalents	4	964,790,436	1,140,788,298
Premiums due and uncollected	5, 19	945,423,466	873,095,967
Accrued investment income		46,281,821	61,467,470
Reinsurance assets	9	2,408,110,903	3,664,810,637
Reinsurance receivables	6, 19	219,919,519	384,995,232
Investments assets			
Investments in securities	7, 21, 22	19,026,766,676	17,222,144,246
Leasehold building improvement and equipment		21,301,408	21,942,489
Right-of-use assets	11	66,946,886	37,374,658
Intangible assets		4,759,009	3,897,278
Deferred tax assets	17	469,228,134	512,519,049
Income tax refundable		54,731,277	108,360,907
Other assets	8, 19	188,377,134	225,066,386
Total assets		24,416,636,669	24,256,462,617

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

Liabilities and Head Office Account	Note	31 December	
		2021	2020
		(in Baht)	
Liabilities			
Insurance contract liabilities	9, 19	6,604,577,525	8,206,727,134
Reinsurance payable	10, 19	344,446,650	471,757,656
Income tax payables		188,454,638	157,401,685
Employee benefit obligations		87,378,004	85,382,639
Lease liabilities		69,530,753	38,321,491
Other liabilities	12, 19	593,692,860	511,378,643
Total liabilities		7,888,080,430	9,470,969,248
Head Office Account			
Funds from Head Office	13, 19	13,593,145,987	13,593,145,987
Head Office current account	19	(88,619,329)	(93,182,947)
Retained earnings	13	2,911,128,411	1,028,443,629
Other components of Head Office Account	7, 14	112,901,170	257,086,700
Total Head Office Account		16,528,556,239	14,785,493,369
Total liabilities and Head Office Account		24,416,636,669	24,256,462,617

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	2021	2020
		(in Baht)	
Revenues			
Gross premiums written	19	5,874,440,563	5,774,148,971
Less premiums ceded	19	(1,503,100,944)	(1,518,352,118)
Net premiums written		4,371,339,619	4,255,796,853
Unearned premium reserve decreased (increased) from previous year		(134,606,977)	12,659,599
Add (Less) reinsurers' share of unearned premium reserve increased (decreased) from previous year		55,860,865	(15,693,981)
Net premium earned		4,292,593,507	4,252,762,471
Commission and brokerage income	19	105,321,119	145,386,517
Net investment income		276,343,392	293,891,154
Gain on investments		29,445,354	35,866,101
Gain on foreign exchange rate		676,320	994,492
Other income		621,160	402,335
Total revenues		4,705,000,852	4,729,303,070
Expenses			
Insurance claims expenses	16, 19	1,926,338,684	4,107,087,964
Less insurance claims expenses recovered from reinsurers	19	(813,812,010)	(1,964,842,466)
Net insurance claims expenses		1,112,526,674	2,142,245,498
Commission and brokerage expenses	19	721,154,858	761,691,646
Other underwriting expenses	16	246,074,343	257,625,904
Operating expenses	15, 16, 19	269,500,406	265,318,102
Expected credit loss	18	454,574	441,399
Total expenses		2,349,710,855	3,427,322,549
Profit before income tax		2,355,289,997	1,301,980,521
Income tax expense	17	472,006,019	262,060,368
Net profit		1,883,283,978	1,039,920,153
Other comprehensive income (loss)			
Items that will be reclassified subsequently to profit or loss			
Gain (loss) on remeasurement of investment-fair value through other comprehensive income (loss)		(180,231,912)	91,499,990
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss	17	36,046,382	(23,846,644)
Total items that will be reclassified subsequently to profit or loss		(144,185,530)	67,653,346
Items that will not be reclassified to profit or loss			
Actuarial gain (loss) on defined employee benefit plans		(748,995)	1,665,583
Income tax relating to components of other comprehensive income (loss) that will not be reclassified subsequently to profit or loss	17	149,799	(333,117)
Total items that will not be reclassified to profit or loss		(599,196)	1,332,466
Other comprehensive income (loss) for the year, net of income tax		(144,784,726)	68,985,812
Total comprehensive income (loss) for the year		1,738,499,252	1,108,905,965

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

Statement of changes in Head Office Account

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	
				Gain (loss) on investments measured at fair value through other comprehensive income (loss)	Total Head Office Account
	Note	Funds from Head Office	Head Office current account	Retained earnings	
				(in Baht)	
Year ended 31 December 2021					
Balance at 1 January 2021		13,593,145,987	(93,182,947)	1,028,443,629	257,086,700
Comprehensive income (loss) for the year					
Net profit		-	-	1,883,283,978	-
Other comprehensive income (loss)		-	-	(599,196)	(144,185,530)
Total comprehensive income (loss) for the year		-	-	1,882,684,782	(144,185,530)
Head Office current account	19	-	4,563,618	-	-
Balance at 31 December 2021		13,593,145,987	(88,619,329)	2,911,128,411	112,901,170
					16,528,556,239

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	2021	2020
		(in Baht)	
Cash flows from operating activities			
Premium received		5,478,336,695	5,463,898,734
Cash received from (paid to) reinsurers	25	908,080,445	(763,582,218)
Interest received		291,306,936	296,422,009
Dividend received		222,106	16,500
Other income		621,160	667,897
Insurance claims expenses		(3,536,134,421)	(2,092,549,482)
Commission and brokerage expenses	25	(664,677,728)	(698,781,807)
Other underwriting expenses		(246,074,343)	(257,625,904)
Operating expenses		(93,918,576)	(293,547,718)
Income tax		(307,836,343)	(202,124,340)
Cash received - financial assets		13,413,574,034	13,361,936,299
Cash payment - financial assets		(15,369,437,597)	(14,496,281,030)
Net cash flows provided by (used in) operating activities		(125,937,632)	318,448,940
Cash flows from investing activities			
Cash flows provided by			
Proceeds from sale of leasehold building improvement and equipment		477,001	869,958
Cash flows provided by investing activities		477,001	869,958
Cash flows used in			
Purchase of leasehold building improvement and equipment		(9,373,163)	(11,628,716)
Purchase of intangible assets		(1,237,000)	(1,314,236)
Cash flows used in investing activities		(10,610,163)	(12,942,952)
Net cash flows provided by (used in) investing activities		(10,133,162)	(12,072,994)
Cash flows from financing activities			
Payment of lease liabilities	11	(45,167,005)	(30,219,016)
Head Office current account	19	4,563,618	4,551,470
Net cash flows provided by (used in) financing activities		(40,603,387)	(25,667,546)
Net increase (decrease) in cash and cash equivalents		(176,674,181)	280,708,400
Cash and cash equivalents at 1 January		1,140,788,298	859,085,406
Effect of exchange rate changes on balances held in foreign currencies at 31 December		676,319	994,492
Cash and cash equivalents at 31 December	4	964,790,436	1,140,788,298

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 2021

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	Leases
12	Other liabilities
13	Reduction of funds from Head Office with deficit
14	Reserves
15	Operating expenses
16	Employee benefit expenses
17	Income tax expense
18	Expected credit loss
19	Related parties
20	Insurance and financial risk management
21	Securities and assets pledged with the Registrar
22	Restricted and collateral assets
23	Contribution to Non-Life Insurance Fund
24	Contingent liabilities
25	Reclassification of accounts

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

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 17 March 2022.

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 (“TFRS”) 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. 2562 (No.2), dated 4 April 2019.

New and revised TFRS are effective for annual accounting periods beginning on or after 1 January 2021. The adoption of these new and revised TFRS did not have any material impact on the financial statements.

In addition, the Branch has not early adopted a number of new and revised TFRS which are not yet effective for the current period in preparing these financial statements. The Branch has assessed the potential initial impact on the financial statements of these new and revised TFRS that there will be no material impact on the financial statements in the period of initial application.

(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>
Investment measured at fair value through other comprehensive income	Fair value
Defined benefit liability	Present value of the defined benefit obligation as explained in Note 4 (k)

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

(c) Functional and presentation currency

The financial statements are 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 TFRS 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.

Judgements, assumptions and estimation uncertainties

Information about judgements, assumptions and estimation uncertainties at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial statements is included in the following notes:

Note 7	Investment in securities
Note 9	Insurance contract liabilities
Note 17	Income tax expense
Note 18	Expected credit loss
Note 20	Insurance and financial risk management
Note 24	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.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

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.

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.

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.

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*

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 at exchange rates at the reporting date. Foreign currency differences are generally recognised in profit or loss.

Non-monetary assets and liabilities measured at fair value in foreign currencies are translated at the exchange rates at the dates that fair value was determined.

(b) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments which has a maturity of three months or less from the date of acquisition.

(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.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

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

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.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

Claims and loss adjustment expenses

Insurance claims and losses adjustment expenses consist of insurance claims, 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.

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.

Liability adequacy test

Short-term insurance contracts

The liability of the Branch under short-term insurance contracts is tested for adequacy by comparing the best estimate of future contractual cash flows with the carrying amount of gross insurance contract provisions for unearned premiums and insurance claims on in force policies at the end of reporting period by using an actuarial method based on historical claims and expense. Where an expected shortfall is identified, additional provisions are made for unearned premiums or insurance claims and are recognised in profit or loss.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

(e) Financial instruments

(1) Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Branch becomes a party to the contractual provisions of the instrument.

A financial asset and financial liability are initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A financial asset and a financial liability measured at FVTPL are initially recognised at fair value.

(2) Classification and subsequent measurement

Financial assets

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 measured at amortised cost, less impairment losses. Acquisition cost and maturity amount of debt securities differences are amortised by effective interest method through the remaining life of the debt securities. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets other than those securities held to maturity, are classified as investments measured at fair value through other comprehensive income subsequent to their initial recognition, these investments are measured at fair value to other comprehensive income, with changes in fair value on investments recognised directly in Head office Account, except impairment losses and monetary in 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.

The fair value of debt securities is calculated by referencing to the price quoted by Thai Bond Market Association at reporting date. For debt securities which are not listed on the Thai Bond Market Association, the fair value is calculated by referencing to the price quoted by a reliable institutions at the reporting date.

For equity securities and other securities which are listed, the fair value is estimated using the last bid price from the Stock Exchange of Thailand (SET) at reporting date. For unit trusts which are non-listed, fair value is estimated using net asset value at reporting date.

Financial liabilities

Financial liabilities are measured at amortised cost which subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

(3) Derecognition

Financial assets

The Branch derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Branch enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Branch derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Branch also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(4) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Branch currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(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 capitalised borrowing and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Differences between the proceeds from disposal and the carrying amount of leasehold building improvement and equipment are recognised in profit or loss.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

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 on a straight-line basis over the estimated useful lives of each component of an asset and recognised in profit or loss. No depreciation is provided on freehold land or assets under construction.

The estimated useful lives are as follows:

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

(g) Lease

At inception of a contract, the Branch assesses that a contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Branch recognises a right-of-use asset and a lease liability at the lease commencement date except for leases of low-value assets and short-term leases which is recognised as an expense on a straight-line basis over the lease term

Right-of-use asset is measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurements of lease liability. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any prepaid lease payments, plus any initial direct costs incurred. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of all lease payments that shall be paid under the lease. The Branch uses the Branch's incremental borrowing rate to discount the lease payments to the present value. The Branch determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a lease modification, or a change in the assessment of options specified in the lease. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

(h) Intangible assets

Computer software that is acquired by the Branch and had a finite useful life are measured at cost less accumulated amortisation and impairment losses. Subsequent expenditure is capitalised only when it will generate the future economic benefits. Amortisation is calculated on a straight-line basis over the estimated useful lives of intangible assets and recognised in profit or loss.

The estimated useful lives are as follows:

Computer software	5 years
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(i) Impairment of financial assets

Equity instruments and unit trust which is classified as FVOCI

Impairment loss is recognised when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists.

When a decline in the fair value of an FVOCI 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.

Debt instruments except for unit trust which is classified as FVOCI securities

The Branch recognises allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, and debt investments measured at FVOCI.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses based on forward-looking and historical experience. Credit losses are measured as the present value of all cash shortfalls discounted by the effective interest rate of the financial asset.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of a financial instrument.

The Branch recognises ECLs equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition or credit-impaired financial assets, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Branch is exposed to credit risk.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Increased in loss allowance is recognised as an impairment loss in profit or loss. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the Branch recognises an impairment loss in profit or loss with the corresponding entry in other comprehensive income.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

ECLs for investments in debt securities

Probabilities of default (PD) and loss given default (LGD) for investment in debt securities are based on historical data supplied by rating agency for each credit rating.

The Branch considers debt securities to have low credit risk when its credit rating is equivalent to the globally understood definition of 'investment grade' as BBB- grade at least.

The Branch assumes that the credit risk on debt securities has increased significantly if it is significant deterioration in debt securities' credit rating.

The Branch considers debt securities to be in default when:

- the debtor is unlikely to pay its credit obligations to the Branch in full; or
- the debt securities are more than 1 days past due.

(j) *Impairment of non-financial assets*

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 in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Calculation of recoverable amount

The recoverable amount 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.

Reversal of impairment

Impairment losses of asset recognised in prior periods 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.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

(k) Employee benefits

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

Defined contribution plans

Obligations for contributions to the Branch's provident funds are expensed as the related service is provided.

Defined benefit plans

The Branch's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. The defined benefit obligations is discounted to the present value, which 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.

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.

(l) 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.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

(m) 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.

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 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 or indirectly.
- Level 3: inputs for the assets or liabilities that are not based on 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 recognises transfers between levels of the fair value hierarchy as of the end of reporting period during which the transfer has occurred.

Further information about the methods made in measuring fair values is disclosed in note 20.

(n) 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.

(o) Expenses - operating expenses

Operating expenses are recognised in the statement of comprehensive income as expenses on an accrual basis.

(p) 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.

(q) Finance costs

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition construction. Interest expenses or borrowing costs are recognised in profit or loss using the effective interest method.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

(r) Income tax

Income tax expense for the year comprises current and deferred tax, which is 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 recognised in respect of 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.

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 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, using tax rates enacted or substantively enacted at the reporting date.

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. 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.

(s) 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.

4 Cash and cash equivalents

	2021	2020
	<i>(in thousand Baht)</i>	
Cheque on hand	4,958	20,512
Deposits at banks - call deposits	507,970	265,293
Deposits at banks - time deposits	-	450,000
Highly liquid short - term investments	451,862	404,983
Total	964,790	1,140,788

At 31 December 2021 and 2020, the currency denomination cash and cash equivalents was entirely in Thai Baht.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

5 Premiums due and uncollected

As at 31 December 2021 and 2020, the aging analyses for premium receivables were as follows:

	2021	2020
	<i>(in thousand Baht)</i>	
Within credit terms	768,712	712,551
Overdue:		
Not over than 30 days	152,447	144,502
31 - 60 days	13,788	11,995
61 - 90 days	3,366	3,036
91 days - 1 year	7,177	807
Over 1 year	(67)	205
Total	945,423	873,096

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

	2021	2020
	<i>(in thousand Baht)</i>	
Due from reinsurers	219,920	384,995
Total	219,920	384,995

As at 31 December 2021 and 2020, the aging analyses for due from reinsurers were as follows:

	2021	2020
	<i>(in thousand Baht)</i>	
Within due	-	-
Overdue:		
Less than 1 year	218,097	232,150
1 - 2 years	1,819	152,845
Over 2 years	4	-
Total due from reinsurers	219,920	384,995

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

7 Investments in securities

7.1 Investments in securities by measurement are as follows:

	2021		2020	
	Cost / Amortised cost	Fair value (in thousand Baht)	Cost / Amortised cost	Fair value
Investment measured at fair value through other comprehensive income (loss)				
Government and state enterprise debt securities	11,510,731	11,510,853	9,864,803	10,070,833
Private debt securities	4,071,187	4,119,829	3,718,947	3,809,410
Unit trust	717,112	793,989	785,000	783,310
Equity securities	7,492	17,831	7,492	29,327
Total	16,306,522	16,442,502	14,376,242	14,692,880
Add Unrealised gains	139,412	-	320,070	-
Less Allowance for impairment loss	(3,432)	-	(3,432)	-
Total investment measured at fair value through other comprehensive income (loss)	16,442,502	16,442,502	14,692,880	14,692,880
Allowance for expected credit loss	1,721	-	1,266	-
Investment measured at amortised cost				
Deposits at banks with original maturities over 3 months	2,584,265	2,584,265	2,529,264	2,529,264
Total investment measured at amortised cost	2,584,265	2,584,265	2,529,264	2,529,264
Total investment in securities	19,026,767	19,026,767	17,222,144	17,222,144

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

	2021		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)	15,630,682	1,721	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	793,989	-	783,310	-
Equity securities	17,831	3,432	29,327	3,432
Total	16,442,502	5,153	14,692,880	4,698

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

7.3 Investment measured at amortised cost

	2021		
	Book value	Allowance for expected credit loss (in thousand Baht)	Net book value
Debt securities - no significant increase in credit risk (stage 1)	2,584,265	-	2,584,265
Total	2,584,265	-	2,584,265

	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
Total	2,529,264	-	2,529,264

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

7.4 Remaining period of debt securities

As at 31 December 2021 and 2020, investments in debt securities which were classified as investment measured at fair value through other comprehensive income and investment measured at amortised cost were classified by the remaining maturity as follows:

	2021 Maturities				2020 Maturities			
	1 year	Over 1 - 5 years	Over 5 years	Total	1 year	Over 1 - 5 years	Over 5 years	Total
	<i>(in thousand Baht)</i>							
<i>Debt securities measured at fair value through other comprehensive income (loss)</i>								
<i>Government and state enterprise debt securities</i>								
- Thai government bonds	2,606,276	4,860,994	3,505,223	10,972,493	2,836,375	5,839,096	641,163	9,316,634
- State enterprise bonds	499,789	8,000	30,449	538,238	55,635	492,534	-	548,169
Total	3,106,065	4,868,994	3,535,672	11,510,731	2,892,010	6,331,630	641,163	9,864,803
<i>Add (less) unrealised gains (losses)</i>	20,022	22,726	(42,626)	122	24,904	170,942	10,184	206,030
Total	3,126,087	4,891,720	3,493,046	11,510,853	2,916,914	6,502,572	651,347	10,070,833
<i>Private debt securities</i>								
- Debentures	114,886	2,978,684	977,617	4,071,187	68,674	2,177,579	1,472,694	3,718,947
<i>Add unrealised gains</i>	898	41,178	6,566	48,642	564	49,633	40,266	90,463
Total	115,784	3,019,862	984,183	4,119,829	69,238	2,227,212	1,512,960	3,809,410
Total debt securities measured at fair value through other comprehensive income (loss)	3,241,871	7,911,582	4,477,229	15,630,682	2,986,152	8,729,784	2,164,307	13,880,243

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

	2021 Maturities				2020 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>Debt securities at amortised cost</i>								
Deposits at banks with original maturities over 3 months	2,584,265	-	-	2,584,265	2,529,264	-	-	2,529,264
Total debt securities at amortised cost	2,584,265	-	-	2,584,265	2,529,264	-	-	2,529,264
Total investment in debt securities	5,826,136	7,911,582	4,477,229	18,214,947	5,515,416	8,729,784	2,164,307	16,409,507

7.5 Disclosure on fair value of debt securities for each class as follow;

Classification of financial assets	Fair value as at 31 December 2021	Changes in fair value during the year	Fair value as at 31 December 2020	Changes in fair value during the year
Financial assets - the contractual cash flows from financial assets at the defined date are solely payment of principal and interest, excluding financial assets meet to definition of held for trading in accordance with Thai Financial Reporting Standards: TFRS 9 or the Branch is managed and whose performance is evaluated on a fair value basis.	18,214,947	(247,729)	16,409,507	89,710
Contractual cash flows from financial assets at the defined date are not solely payment of principal and interest.	793,989	78,567	783,310	3,059

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

8 Other assets

	2021	2020
	<i>(in thousand Baht)</i>	
Deposits	131,990	188,011
Prepaid expenses	15,137	6,685
Others	41,250	30,370
Total	<u>188,377</u>	<u>225,066</u>

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

9 Insurance contract liabilities

	2021			2020		
	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net <i>(in thousand Baht)</i>	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	2,390,323	(1,288,027)	1,102,296	4,194,499	(2,683,505)	1,510,994
- Incurred but not reported	854,462	(409,975)	444,487	787,042	(327,058)	459,984
Total loss reserves and outstanding claims	3,244,785	(1,698,002)	1,546,783	4,981,541	(3,010,563)	1,970,978
Unearned premium reserves	3,359,793	(710,109)	2,649,684	3,225,186	(654,248)	2,570,938
Total	6,604,578	(2,408,111)	4,196,467	8,206,727	(3,664,811)	4,541,916

9.1 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 year	1,767,815	(730,895)	1,036,920	3,954,572	(1,916,694)	2,037,878
Insurance claim expenses paid during the year	(3,571,991)	2,126,373	(1,445,618)	(2,066,525)	353,793	(1,712,732)
Change in estimation and assumption	67,420	(82,917)	(15,497)	86,365	(48,148)	38,217
At 31 December	3,244,785	(1,698,002)	1,546,783	4,981,541	(3,010,563)	1,970,978

9.2 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 year	5,874,441	(1,503,101)	4,371,340	5,774,149	(1,518,352)	4,255,797
Earned premium in the year	(5,739,834)	1,447,240	(4,292,594)	(5,786,808)	1,534,046	(4,252,762)
At 31 December	3,359,793	(710,109)	2,649,684	3,225,186	(654,248)	2,570,938

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

9.3 Loss development table

9.3.1 Gross loss development triangle

At 31 December 2021

Accident year/ Accounting year	Prior and within 2016	2017	2018	2019	2020	2021	Total
				<i>(in thousand Baht)</i>			
Estimated loss reserves and outstanding claims							
At year ended		2,102,908	2,890,958	3,452,631	4,424,188	2,669,377	
Development year 1		1,786,539	2,276,705	3,080,708	3,992,181	-	
Development year 2		1,788,622	2,244,184	2,795,809	-	-	
Development year 3		1,759,255	2,086,609	-	-	-	
Development year 4		1,756,319	-	-	-	-	
Absolute estimated loss reserves and outstanding claims	689,598	1,756,319	2,086,609	2,795,809	3,992,181	2,669,377	13,989,893
Accumulative claims paid	(147,912)	(1,753,446)	(2,036,322)	(2,414,159)	(3,086,398)	(1,470,235)	(10,908,472)
Total	541,686	2,873	50,287	381,650	905,783	1,199,142	3,081,421
Reconciliation							
Unallocated loss adjustment expenses							88,729
Claims payable							65,993
Other adjustments							8,642
Total loss reserves and outstanding claims							3,244,785

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

At 31 December 2020

Accident year/ Accounting year	Prior and within 2015	2016	2017	2018	2019	2020	Total
				<i>(in thousand Baht)</i>			
Estimated loss reserves and outstanding claims							
At year ended		2,333,990	2,102,908	2,890,958	3,452,631	4,424,188	
Development year 1		1,909,202	1,786,539	2,276,705	3,080,708	-	
Development year 2		1,920,940	1,788,622	2,244,184	-	-	
Development year 3		1,958,875	1,759,255	-	-	-	
Development year 4		1,955,561	-	-	-	-	
Absolute estimated loss reserves and outstanding claims	964,144	1,955,561	1,759,255	2,244,184	3,080,708	4,424,188	14,428,040
Accumulative claims paid	(429,415)	(1,955,107)	(1,755,926)	(1,969,241)	(2,299,273)	(1,172,287)	(9,581,249)
Total	534,729	454	3,329	274,943	781,435	3,251,901	4,846,791
Reconciliation							
Unallocated loss adjustment expenses							73,308
Claims payable							59,378
Other adjustments							2,064
Total loss reserves and outstanding claims							4,981,541

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

9.3.2 Net loss development triangle

At 31 December 2021

Accident year/ Accounting year	Prior and within 2016	2017	2018	2019 <i>(in thousand Baht)</i>	2020	2021	Total
Estimated loss reserves and outstanding claims							
At year ended		1,919,677	2,022,454	2,194,580	2,332,164	1,572,388	
Development year 1		1,618,772	1,756,467	1,906,542	1,796,328	-	
Development year 2		1,593,701	1,739,466	1,863,420	-	-	
Development year 3		1,588,683	1,726,960	-	-	-	
Development year 4		1,585,785	-	-	-	-	
Absolute estimated loss reserves and outstanding claims	544,836	1,585,785	1,726,960	1,863,420	1,796,328	1,572,388	9,089,717
Accumulative claims paid	(13,855)	(1,582,970)	(1,725,573)	(1,843,169)	(1,552,816)	(987,962)	(7,706,345)
Total	530,981	2,815	1,387	20,251	243,512	584,426	1,383,372
Reconciliation							
Unallocated loss adjustment expenses							88,729
Claims payable							65,993
Other adjustments							8,689
Total loss reserves and outstanding claims							1,546,783

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

At 31 December 2020

Accident year/ Accounting year	Prior and within 2015	2016	2017	2018 <i>(in thousand Baht)</i>	2019	2020	Total
Estimated loss reserves and outstanding claims							
At year ended		1,809,587	1,919,677	2,022,454	2,194,580	2,332,164	
Development year 1		1,557,589	1,618,772	1,756,467	1,906,542	-	
Development year 2		1,521,715	1,593,701	1,739,466	-	-	
Development year 3		1,528,832	1,588,683	-	-	-	
Development year 4		1,528,261	-	-	-	-	
Absolute estimated loss reserves and outstanding claims	555,192	1,528,261	1,588,683	1,739,466	1,906,542	2,332,164	9,650,308
Accumulative claims paid	(31,196)	(1,527,902)	(1,585,451)	(1,713,444)	(1,828,164)	(1,128,074)	(7,814,231)
Total	523,996	359	3,232	26,022	78,378	1,204,090	1,836,077
Reconciliation							
Unallocated loss adjustment expenses							73,308
Claims payable							59,378
Other adjustments							2,215
Total loss reserves and outstanding claims							1,970,978

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

10 Reinsurance payables

	2021	2020
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	132,726	274,870
Due to reinsurers	211,721	196,888
Total	344,447	471,758

11 Leases

As a lessee

Right-of-use assets
At 31 December

	2021	2020
	<i>(in thousand Baht)</i>	
Buildings	48,217	2,794
Equipment	77	179
Vehicles	12,269	18,539
Others	6,384	15,863
Total	66,947	37,375

In 2021, additions to the right-of-use assets of the Branch were Baht 55.0 million (2020: Baht 20.6 million).

For the year ended 31 December

	2021	2020
	<i>(in thousand Baht)</i>	
<i>Amounts recognised in profit or loss</i>		
Depreciation of right-of-use assets:		
- Buildings	24,009	33,527
- Equipment	102	102
- Vehicles	9,078	9,741
- Others	8,615	11,017
Interest on lease liabilities	4,995	3,635

In 2021, total cash outflow for leases of the Branch were Baht 45.1 million (2020: Baht 30.2 million).

12 Other liabilities

	Note	2021	2020
		<i>(in thousand Baht)</i>	
Commission payables	19	181,532	180,147
Suspense output Value Added Tax		38,226	37,283
Suspense received	19	229,851	178,110
Accrued expenses	19	100,351	86,817
Others	19	43,733	29,022
Total		593,693	511,379

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

13 Reduction of funds from Head Office with Deficits

On 21 December 2020, Executive Committee Meeting no.8/2020 approved a decrease of Baht 88,308 million in the funds from Head Office to offset with Deficits which made the resulting decrease of the funds from Head Office to Baht 13,593 million. On 23 December 2020, the Office of Insurance Commission acknowledged for the reduction of funds from Head Office to offset with Deficits.

The decrease of the funds from Head Office does not impact the Branch's Capital Adequacy Ratio ("CAR") since the Branch had maintained a minimum of 120% of CAR following the requirement of the Office of Insurance commission.

14 Reserves

Other components of Head Office Account

Investments measured at fair value through other comprehensive income

The fair value changes in investments measured at FVOCI within Head Office Account comprise the cumulative net changes in the fair value of investment measured at FVOCI until the investments are derecognised or impaired, net of deferred tax.

15 Operating expenses

	2021	2020
	<i>(in thousand Baht)</i>	
Employee expenses	64,290	66,259
Premises and equipment expenses	55,611	56,864
Taxes and duties	1,345	2,092
Others	148,254	140,103
Total	269,500	265,318

16 Employee benefit expenses

	Note	2021	2020
		<i>(in thousand Baht)</i>	
Wages, salaries and bonuses	19	260,953	251,241
Contribution to defined contribution plan	19	13,444	13,012
Contribution to defined benefit plan		8,173	15,408
Others	19	38,490	42,645
Total		321,060	322,306

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.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

17 Income tax expense

Income tax recognised in profit or loss

	2021 (in thousand Baht)	2020
Current tax expense		
Current year	392,567	359,265
Over provided in prior year	(48)	-
Deferred tax expense		
Movements in temporary difference	79,487	(97,205)
Total	472,006	262,060

Income tax recognised in other comprehensive income (loss)

Deferred tax expense		
(Gain) loss on remeasurement of investments - fair value through other comprehensive income (loss)	36,046	(23,847)
Actuarial (gains) losses on defined employee benefit plans	150	(333)
Total	36,196	(24,180)

Reconciliation of effective tax rate

	2021		2020	
	<i>Rate</i> <i>(%)</i>	<i>(in</i> <i>thousand</i> <i>Baht)</i>	<i>Rate</i> <i>(%)</i>	<i>(in</i> <i>thousand</i> <i>Baht)</i>
Profit before income tax		2,355,290		1,301,981
Income tax using the Thai corporation tax rate	20.0	471,058	20.0	260,396
Over provided in prior year	-	(48)	-	-
Expenses not deductible for tax purposes	-	763	0.1	1,664
Change in unrecognised temporary differences	-	233	-	-
Total	20.0	472,006	20.1	262,060

Deferred tax assets and liabilities

	2021 (in thousand Baht)	2020
Deferred tax assets	494,641	574,128
Deferred tax liabilities	(25,413)	(61,609)
Net	469,228	512,519

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

Movements in deferred tax balance are as follows:

	At 1 January 2021	(Charged) / credited to		At 31 December 2021
		Profit or loss	Other comprehensive income	
		<i>(in thousand Baht)</i>		
<i>Deferred tax assets</i>				
Allowance for impairment loss on investment	687	-	-	687
Expected credit loss	88	3	-	91
Unearned premium reserve	173,724	6,506	-	180,230
Incurred but not reported loss reserves (IBNR)	91,997	(3,100)	-	88,897
Loss reserves	290,323	(83,063)	-	207,260
Employee benefit obligations	17,077	399	-	17,476
Leases	232	(232)	-	-
Total	574,128	(79,487)	-	494,641
<i>Deferred tax liabilities</i>				
Gain (loss) on remeasurement of investments - fair value	64,019	-	(36,137)	27,882
Expected credit loss	253	-	91	344
Actuarial losses on defined employee benefit plans	(2,663)	-	(150)	(2,813)
Total	61,609	-	(36,196)	25,413
Net	512,519	(79,487)	36,196	469,228

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

	At 1 January 2020	(Charged) / credited to		At 31 December 2020
		Profit or loss	Other comprehensive income	
		(in thousand Baht)		
Deferred tax assets				
Allowance for impairment loss on investment	687	-	-	687
Expected credit loss	-	88	-	88
Unearned premium reserve	146,795	26,929	-	173,724
Incurred but not reported loss reserves (IBNR)	84,353	7,644	-	91,997
Loss reserves	229,597	60,726	-	290,323
Employee benefit obligations	15,491	1,586	-	17,077
Leases	-	232	-	232
Total	476,923	97,205	-	574,128
Deferred tax liabilities				
Gain on remeasurement of investments - fair value	40,425	-	23,594	64,019
Expected credit loss	-	-	253	253
Actuarial losses on defined employee benefit plans	(2,996)	-	333	(2,663)
Total	37,429	-	24,180	61,609
Net	439,494	97,205	(24,180)	512,519

18 Expected credit loss

	2021	2020
	(in thousand Baht)	
Investment in securities		
- Debt securities measured at fair value through other comprehensive income (loss)	455	441
Total	455	441

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

19 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
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 Chayorath 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 Asia Pte. Ltd. (Formerly named "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 Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

Name of entities/Personnel	Country of incorporation/ Nationality	Nature of relationships
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
MS Amlin AG	Switzerland	The subsidiary company of the Head Office
Mitsui Sumitomo Marine Management (U.S.A.), Inc.	United States	The subsidiary company of the Head Office

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	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>	2021	2020
	<i>(in thousand Baht)</i>	
<i>Revenues</i>		
Other related parties		
Gross premiums written	186,299	91,013
Commission and brokerage income	19,480	21,455
Insurance claims expenses recovered from reinsurers	212,678	41,363
<i>Expenses</i>		
Other related parties		
Premiums ceded	270,149	235,321
Insurance claims expenses	100,170	81,910
Commission and brokerage expenses	394,679	410,159
Other operating expenses	124,059	119,419
<i>Key management compensation</i>		
Short-term and long-term benefits	14,708	15,502

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

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

	2021	2020
	<i>(in thousand Baht)</i>	
<i>Premiums due and uncollected</i>		
Other related parties		
MBTS Broking Services Company Limited	19,276	13,094
Bangkok Chayorathn Company Limited	12,229	7,611
Total	31,505	20,705
<i>Reinsurance assets</i>		
Reinsurance's share of liabilities		
Other related parties		
MS First Capital Insurance Limited	159,577	232,836
Mitsui Sumitomo Insurance (China) Company Limited	109,234	8,488
Others	15,489	10,381
Total	284,300	251,705
<i>Reinsurance receivables</i>		
Due from reinsurers		
Other related parties		
Aioi Bangkok Insurance Public Company Limited	29,121	26,724
Asia Insurance (Cambodia) Plc.	2,479	818
MSIG Insurance (Lao) Co., Ltd.	2,982	18,958
MS First Capital Insurance Limited	12,748	1,127
MS Amlin Asia Pacific Pte. Ltd.	751	3,772
Others	1,146	1,250
Total	49,227	52,649
<i>Other assets</i>		
Other related parties		
Calm Sea Service Company Limited	9,865	9,833
MSIG Service and Adjustment (Thailand) Co., Ltd.	674	704
MSIG Insurance (Thailand) Public Company Limited	44	1
Others	62	72
Total	10,645	10,610
<i>Insurance contract liabilities</i>		
Loss reserves and outstanding claims		
Other related parties		
MSIG Insurance (Lao) Co., Ltd.	268	26,895
Asia Insurance (Cambodia) Plc.	493	-
Total	761	26,895
<i>Accrued loss adjustment expenses</i>		
Other related parties		
MSIG Service and Adjustment (Thailand) Co., Ltd.	1,043	3,237
Others	443	533
Total	1,486	3,770

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

	2021	2020
	<i>(in thousand Baht)</i>	
<i>Reinsurance payables</i>		
Due to reinsurers		
Other related parties		
Aioi Bangkok Insurance Public Company Limited	6,553	6,407
MSIG Insurance (Singapore) Pte. Ltd.	9,098	11,472
Aioi Nissay Dowa Insurance Co., Ltd.	1,253	2,730
MS First Capital Insurance Limited	28,485	15,499
MS Amlin Asia Pacific Pte. Ltd.	-	40
Mitsui Sumitomo Insurance (China) Company Limited	17,263	2,260
MSIG Insurance Europe AG	7,755	(60)
Total	70,407	38,348
<i>Amount withheld on reinsurance</i>		
Other related parties		
MS Amlin Asia Pacific Pte. Ltd.	1,888	3,293
MS First Capital Insurance Limited	70	2,289
Total	1,958	5,582
<i>Other liabilities</i>		
Commission payables		
Other related parties		
Calm Sea Service Company Limited	93,440	88,736
MBTS Broking Services Company Limited	3,281	2,343
Bangkok Chayoratr Company Limited	2,395	2,023
Total	99,116	93,102
<i>Others</i>		
Other related parties		
MSIG Service and Adjusting (Thailand) Co., Ltd.	12,815	4,121
MS First Capital Insurance Limited	10,014	-
MSIG Asia Pte. Ltd.	6,845	10,606
MSIG Insurance (Thailand) Public Company Limited	539	535
Interisk Asia Pte. Ltd.	9,472	8,849
Others	21	336
Total	39,706	24,447
Funds from Head Office	13,593,146	13,593,146
Head Office current account	(88,619)	(93,183)

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

20 Insurance and financial risk management

20.1 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.

20.2 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.

20.2.1 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.

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.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

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.

20.2.2 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.

20.3 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:

	2021		2020	
	Gross of reinsurance	Net	Gross of reinsurance	Net
	(in thousand Baht)			
Loss reserves and outstanding claims				
<i>Type of insurance</i>				
Fire	416	416	6,154	6,154
Marine	191,346	171,263	139,725	128,353
Motor	321,466	321,466	331,846	331,845
Miscellaneous	2,731,557	1,053,638	4,503,816	1,504,626
Total	<u>3,244,785</u>	<u>1,546,783</u>	<u>4,981,541</u>	<u>1,970,978</u>
Unearned premium reserves				
<i>Type of insurance</i>				
Fire	12,656	12,645	12,371	8,821
Marine	119,074	115,086	90,953	88,284
Motor	898,258	898,258	920,828	920,828
Miscellaneous	2,329,805	1,623,695	2,201,034	1,553,005
Total	<u>3,359,793</u>	<u>2,649,684</u>	<u>3,225,186</u>	<u>2,570,938</u>

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

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.

		2021		2020	
	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	(269,196)	269,196	(264,230)	264,230
Net expected loss ratio	+5	269,196	(269,196)	264,230	(264,230)

20.4 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% of capital adequacy ratio (CAR). It is the Branch's policy to hold capital levels in excess of the required CAR.

20.5 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 has managed investment risk by considering the risk of investments together with the return on such investments.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

As at 31 December 2021 and 2020 significant financial assets classified by type of interest rate are as follows:

	2021				2020			
	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	507,970	451,862	4,958	964,790	265,293	854,983	20,512	1,140,788
Investments in securities								
Government and state enterprise debt securities	-	11,510,853	-	11,510,853	-	10,070,833	-	10,070,833
Private debt securities	-	4,119,829	-	4,119,829	-	3,809,410	-	3,809,410
Unit trust	-	-	793,989	793,989	-	-	783,310	783,310
Equity securities	-	-	17,831	17,831	-	-	29,327	29,327
Deposits at banks with original maturities over 3 months	-	2,584,265	-	2,584,265	-	2,529,264	-	2,529,264
Total financial assets	507,970	18,666,809	816,778	19,991,557	265,293	17,264,490	833,149	18,362,932

As at 31 December 2021 and 2020, 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 <i>(in thousand Baht)</i>	Over 5 years	Total	
2021					
Financial assets					
Cash and cash equivalents	451,862	-	-	451,862	0.1
Investments in securities					
Government and state enterprise debt securities	3,126,087	4,891,720	3,493,046	11,510,853	1.6
Private debt securities	115,784	3,019,862	984,183	4,119,829	2.4
Deposits at banks with original maturities over 3 months	2,584,265	-	-	2,584,265	0.8
Total financial assets	6,277,998	7,911,582	4,477,229	18,666,809	
	Maturity period				Average interest rate (% per annum)
	Within 1 year	Over 1 - 5 years <i>(in thousand Baht)</i>	Over 5 years	Total	
2020					
Financial assets					
Cash and cash equivalents	854,983	-	-	854,983	0.3
Investments in securities					
Government and state enterprise debt securities	2,916,914	6,502,572	651,347	10,070,833	1.7
Private debt securities	69,238	2,227,212	1,512,960	3,809,410	2.6
Deposits at banks with original maturities over 3 months	2,529,264	-	-	2,529,264	1.1
Total financial assets	6,370,399	8,729,784	2,164,307	17,264,490	

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

Sensitivity analysis

A reasonable possible change of interest rates as at 31 December 2021 and 2020 would have affected the measurement of investment in debt securities measured at FVOCI and affected Head Office Account and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	2021			
	Net profit (loss)		Other components of Head Office Account	
	+ 50 basis point	- 50 basis point	+ 50 basis point	- 50 basis point
	<i>(in thousand Baht)</i>			
Yield curve	-	-	(205,402)	210,075

	2020			
	Net profit (loss)		Other components of Head Office Account	
	+ 50 basis point	- 50 basis point	+ 50 basis point	- 50 basis point
	<i>(in thousand Baht)</i>			
Yield curve	-	-	(151,032)	143,541

20.6 Equity and unit trust price risk

Sensitivity analysis

A reasonably possible change of the stock market as at 31 December 2021 and 2020 would have affected the valuation of investment in listed equity investments included unit trust funds invested in stock exchange and affected Head Office Account and profit or loss by the amount shown below.

	2021			
	Net profit (loss)		Other components of Head Office Account	
	2% increase	2% decrease	2% increase	2% decrease
	<i>(in thousand Baht)</i>			
Stock Exchange of Thailand	-	-	12,810	(12,810)

	2020			
	Net profit (loss)		Other components of Head Office Account	
	2% increase	2% decrease	2% increase	2% decrease
	<i>(in thousand Baht)</i>			
Stock Exchange of Thailand	-	-	12,629	(12,629)

20.7 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 is less significant since the insured is dispersed across different industries and geographic regions in Thailand.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

Credit quality analysis

The following table sets out information about the credit quality as at 31 December 2021 and 2020 of debt securities measured at fair value through other comprehensive income and debt securities measured at amortised cost, based on Thai ratings agencies which are “TRIS and Fitch” and International ratings agencies which are “Standard and Poor’s and Moody’s” (Excluding unit trust classified as FVOCI debt securities)

		31 December 2021 (in thousand Baht)		
	Stage 1	Stage 2	Stage 3	Total
<i>Investments measured at fair value through other comprehensive income</i>				
Government debt securities				
Non-rated	10,968,833	-	-	10,968,833
State enterprise debt securities				
Rated AAA	542,020	-	-	542,020
Private debt securities				
Rated AAA	540,971	-	-	540,971
Rated AA- to AA+	3,114,693	-	-	3,114,693
Rated A- to A+	464,165	-	-	464,165
Rated BBB and below	-	-	-	-
Carrying amount	15,630,682	-	-	15,630,682
Allowance for excepted credit loss	1,721	-	-	1,721
<i>Investments measured at amortised cost</i>				
Deposits at banks with original maturities over 3 months				
Rated A-1	1,440,000	-	-	1,440,000
Rated A-2	1,144,265	-	-	1,144,265
Carrying amount	2,584,265	-	-	2,584,265
Less Allowance for excepted credit loss	-	-	-	-
Net carrying amount	2,584,265	-	-	2,584,265

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

	31 December 2020 (in thousand Baht)			
	Stage 1	Stage 2	Stage 3	Total
<i>Investments measured at fair value through other comprehensive income</i>				
Government and state enterprise debt securities				
Non-rated	10,070,833	-	-	10,070,833
Private debt securities				
Rated AAA	240,980	-	-	240,980
Rated AA- to AA+	2,960,856	-	-	2,960,856
Rated A- to A+	607,574	-	-	607,574
Rated BBB and below	-	-	-	-
Carrying amount	13,880,243	-	-	13,880,243
Allowance for excepted credit loss	1,266	-	-	1,266
<i>Investments measured at amortised cost</i>				
Deposits at banks with original maturities over 3 months				
Rated A-1	1,225,000	-	-	1,225,000
Rated A-2	1,304,264	-	-	1,304,264
Carrying amount	2,529,264	-	-	2,529,264
Less Allowance for excepted credit loss	-	-	-	-
Net carrying amount	2,529,264	-	-	2,529,264

20.8 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 claims for insurance contracts, net of reinsurance as at 31 December 2021 and 2020 are as follows:

	2021			2020		
	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	1,491,858	54,925	1,546,783	1,355,244	615,734	1,970,978

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

20.9 Carrying amount and fair values

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 31 December 2021</i>	<i>Note</i>	Carrying amount	Level 1	Fair value		Total
				Level 2	Level 3	
				<i>(in thousand Baht)</i>		
<i>Financial assets</i>						
Investment in securities	7					
Government and state						
enterprise debt securities		11,510,853	-	11,510,853	-	11,510,853
Private debt securities		4,119,829	-	4,119,829	-	4,119,829
Unit trusts		793,989	-	793,989	-	793,989
Equity securities		17,831	6,330	-	11,501	17,831
Total		16,442,502	6,330	16,424,671	11,501	16,442,502
<i>At 31 December 2020</i>						
<i>Financial assets</i>						
Investment in securities	7					
Government and state						
enterprise debt securities		10,070,833	-	10,070,833	-	10,070,833
Private debt securities		3,809,410	-	3,809,410	-	3,809,410
Unit trusts		783,310	-	783,310	-	783,310
Equity securities		29,327	7,052	-	22,275	29,327
Total		14,692,880	7,052	14,663,553	22,275	14,692,880

Financial instruments measured at fair value

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) provided 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.

Financial instruments not measured at fair value

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 assets and receivables, other assets, insurance contract liabilities, reinsurance payable, claim payable and other liabilities.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

The fair value of deposits at financial institutions which have remaining terms to maturity of less than 90 days and for those with remaining terms to maturity greater than 90 days, the fair value are based on carrying value.

21 Securities and assets pledged with the Registrar

21.1 As at 31 December 2021 and 2020, 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:

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

21.2 As at 31 December 2021 and 2020, 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:

	2021		2020	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government bonds	<u>1,437,558</u>	<u>1,420,000</u>	<u>1,463,936</u>	<u>1,420,000</u>

22 Restricted and collateral assets

	2021	2020
	<i>(in thousand Baht)</i>	
<i>Deposits at banks - time deposits</i>		
To secure bank guarantee facilities issued by banks	<u>196</u>	<u>264</u>

23 Contribution to Non-Life Insurance Fund

As at 31 December 2021 and 2020, the accumulated Contribution to Non-Life Insurance Fund was as follows:

	2021	2020
	<i>(in thousand Baht)</i>	
At 1 January	137,386	123,702
Increase during the year	<u>13,877</u>	<u>13,684</u>
As at 31 December	<u>151,263</u>	<u>137,386</u>

24 Contingent liabilities

As at 31 December 2021, lawsuits have been brought against the Branch, in relation to insurance claims in the normal course of business totalling approximately Baht 1,374.0 million (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.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the financial statements
For the year ended 31 December 2021

25 Reclassification of accounts

Certain accounts in the statement of cash flows for the year ended 31 December 2020, which are included in the 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 (in thousand baht)	After reclassification
<i>Statement of cash flows</i>			
<i>Cash flows from operating activities</i>			
Cash received from (paid to) reinsurers	(851,127)	87,545	(763,582)
Commission and brokerage expenses	(611,237)	<u>(87,545)</u>	<u>(698,782)</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.