

Mitsui Sumitomo Insurance Company Limited
Thailand Branch

Financial statements for the year ended
31 December 2022
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 2022, 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 2022 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 including Independence Standards* issued by the Federation of Accounting Professions (Code of Ethics for Professional Accountants) that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants. 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
14 March 2023

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

Assets	Note	31 December	
		2022	2021
		(in Baht)	
Cash and cash equivalents	4	1,142,020,462	964,790,436
Premiums due and uncollected	5, 16	960,598,230	945,423,466
Accrued investment income		48,147,483	46,281,821
Reinsurance assets	9	2,649,236,158	2,408,110,903
Reinsurance receivables	6, 16	171,190,098	219,919,519
Investment assets			
Investments in securities	7, 18, 19	19,860,333,676	19,026,766,676
Leasehold building improvement and equipment		15,125,829	21,301,408
Right-of-use assets		46,559,414	66,946,886
Intangible assets		18,980,670	4,759,009
Deferred tax assets	15	541,672,767	469,228,134
Income tax refundable		-	54,731,277
Other assets	8, 16	204,181,362	188,377,134
Total assets		25,658,046,149	24,416,636,669

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	
		2022	2021
		(in Baht)	
Liabilities			
Insurance contract liabilities	9, 16	6,925,189,488	6,604,577,525
Reinsurance payables	10, 16	247,934,207	344,446,650
Income tax payables		158,203,198	188,454,638
Employee benefit obligations		89,023,817	87,378,004
Lease liabilities		49,035,256	69,530,753
Other liabilities	11, 16	433,602,328	593,692,860
Total liabilities		7,902,988,294	7,888,080,430
Head Office Account			
Funds from Head Office	16	13,593,145,987	13,593,145,987
Head Office current account	16	(130,777,144)	(88,619,329)
Retained earnings		4,384,860,122	2,911,128,411
Other components of Head Office Account	7, 12	(92,171,110)	112,901,170
Total Head Office Account		17,755,057,855	16,528,556,239
Total liabilities and Head Office Account		25,658,046,149	24,416,636,669

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	2022	2021
		(in Baht)	
Revenues			
Gross premiums written	16	6,167,562,880	5,874,440,563
Less premiums ceded	16	<u>(1,764,334,050)</u>	<u>(1,503,100,944)</u>
Net premiums written		4,403,228,830	4,371,339,619
Unearned premium reserve increased from previous year		(91,674,851)	(134,606,977)
Add reinsurers' share of unearned premium reserve increased from previous year		<u>67,050,097</u>	<u>55,860,865</u>
Net premium earned		4,378,604,076	4,292,593,507
Commission and brokerage income	16	108,481,309	105,321,119
Net investment income		290,168,124	276,343,392
Gain on investments		83,943,125	29,445,354
Gain on foreign exchange rate		2,209,946	676,320
Other income		<u>991,598</u>	<u>621,160</u>
Total revenues		<u>4,864,398,178</u>	<u>4,705,000,852</u>
Expenses			
Insurance claims expenses	14, 16	3,194,541,378	1,926,338,684
Less insurance claims expenses recovered from reinsurers	16	<u>(1,412,444,306)</u>	<u>(813,812,010)</u>
Net insurance claims expenses		1,782,097,072	1,112,526,674
Commission and brokerage expenses	16	724,700,563	721,154,858
Other underwriting expenses	14	257,779,520	246,074,343
Operating expenses	13, 14, 16	257,337,081	269,500,406
Expected credit loss (reversal)		<u>(1,189,167)</u>	<u>454,574</u>
Total expenses		<u>3,020,725,069</u>	<u>2,349,710,855</u>
Profit before income tax		<u>1,843,673,109</u>	<u>2,355,289,997</u>
Income tax expense	15	<u>369,050,448</u>	<u>472,006,019</u>
Net profit		<u>1,474,622,661</u>	<u>1,883,283,978</u>
Other comprehensive income (loss)			
Items that will be reclassified subsequently to profit or loss			
Loss on remeasurement of investment - fair value through other comprehensive income (loss)		(256,340,350)	(180,231,912)
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss	15	<u>51,268,070</u>	<u>36,046,382</u>
Total items that will be reclassified subsequently to profit or loss		<u>(205,072,280)</u>	<u>(144,185,530)</u>
Items that will not be reclassified to profit or loss			
Actuarial loss on defined employee benefit plans		(1,113,688)	(748,995)
Income tax relating to components of other comprehensive income (loss) that will not be reclassified subsequently to profit or loss	15	<u>222,738</u>	<u>149,799</u>
Total items that will not be reclassified to profit or loss		<u>(890,950)</u>	<u>(599,196)</u>
Other comprehensive income (loss) for the year, net of income tax		<u>(205,963,230)</u>	<u>(144,784,726)</u>
Total comprehensive income (loss) for the year		<u>1,268,659,431</u>	<u>1,738,499,252</u>

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

	<i>Note</i>	Funds from Head Office	Head Office current account	Retained earnings <i>(in Baht)</i>	Other components of Head Office Account Gain (loss) on investments measured at fair value through other comprehensive income (loss)	Total Head Office Account
Year ended 31 December 2021						
Balance at 1 January 2021		13,593,145,987	(93,182,947)	1,028,443,629	257,086,700	14,785,493,369
Comprehensive income (loss) for the year						
Net profit		-	-	1,883,283,978	-	1,883,283,978
Other comprehensive income (loss)		-	-	(599,196)	(144,185,530)	(144,784,726)
Total comprehensive income (loss) for the year		-	-	1,882,684,782	(144,185,530)	1,738,499,252
Head Office current account	16	-	4,563,618	-	-	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 changes in Head Office Account

	Other components of Head Office Account				Total Head Office Account	
	Gain (loss) on investments measured at fair value through other comprehensive income (loss)					
	Funds from Head Office	Head Office current account	Retained earnings			
				(in Baht)		
Year ended 31 December 2022						
Balance at 1 January 2022	13,593,145,987	(88,619,329)	2,911,128,411		112,901,170	16,528,556,239
Comprehensive income (loss) for the year						
Net profit	-	-	1,474,622,661		-	1,474,622,661
Other comprehensive income (loss)	-	-	(890,950)		(205,072,280)	(205,072,280)
Total comprehensive income (loss) for the year	-	-	1,473,731,711		(205,072,280)	1,268,659,431
Head Office current account	-	(42,157,815)	-		-	(42,157,815)
Balance at 31 December 2022	13,593,145,987	(130,777,144)	4,384,860,122		(92,171,110)	17,755,057,855

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	2022	2021
		(in Baht)	
Cash flows from operating activities			
Premium received		5,860,427,654	5,478,336,695
Cash received from (paid to) reinsurers		(270,444,862)	908,080,445
Interest received		288,302,461	291,306,936
Dividend received		-	222,106
Other income		991,598	621,160
Insurance claims expenses		(2,925,728,359)	(3,536,134,421)
Commission and brokerage expenses		(666,541,306)	(664,677,728)
Other underwriting expenses		(257,779,519)	(246,074,343)
Operating expenses		(383,758,799)	(93,918,576)
Income tax		(365,524,436)	(307,836,343)
Cash received - financial assets		15,359,617,199	13,413,574,034
Cash payment - financial assets		(16,364,392,256)	(15,369,437,597)
Net cash flows provided by (used in) operating activities		275,169,375	(125,937,632)
Cash flows from investing activities			
Cash flows provided by			
Proceeds from sale of leasehold building improvement and equipment		8,460	477,001
Cash flows provided by investing activities		8,460	477,001
Cash flows used in			
Purchase of leasehold building improvement and equipment		(264,688)	(9,373,163)
Purchase of intangible assets		(18,952,501)	(1,237,000)
Cash flows used in investing activities		(19,217,189)	(10,610,163)
Net cash flows used in investing activities		(19,208,729)	(10,133,162)
Cash flows from financing activities			
Payment of lease liabilities		(38,782,751)	(45,167,005)
Head Office current account	16	(42,157,815)	4,563,618
Net cash flows used in financing activities		(80,940,566)	(40,603,387)
Net increase (decrease) in cash and cash equivalents		175,020,080	(176,674,181)
Cash and cash equivalents at 1 January		964,790,436	1,140,788,298
Effect of exchange rate changes on balances held in foreign currencies at 31 December		2,209,946	676,319
Cash and cash equivalents at 31 December	4	1,142,020,462	964,790,436

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 2022

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Mitsui Sumitomo Insurance Company Limited Thailand Branch
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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 14 March 2023.

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 2022. 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. Those new and revised TFRS that are relevant to the Company’s operations are disclosed in Note 22.

(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>
Investments measured at fair value through other comprehensive income	Fair value
Defined benefit liability	Present value of the defined benefit obligation as explained in Note 3 (k)

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(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 2022 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 9 Insurance contract 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
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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
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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
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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
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(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.

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(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.

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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.

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(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 trusts which are 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 trusts which are 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.

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ECLs for investments in debt securities

Probabilities of default (PD) and loss given default (LGD) for investments 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.

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(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.

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(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 17.

(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.

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(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

	2022	2021
	<i>(in thousand Baht)</i>	
Cheque on hand	3,296	4,958
Deposits at banks - call deposits	558,752	507,970
Deposits at banks - time deposits	500,000	-
Highly liquid short - term investments	79,972	451,862
Total	1,142,020	964,790

At 31 December 2022 and 2021, the currency denomination cash and cash equivalents was entirely in Thai Baht.

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5 Premiums due and uncollected

As at 31 December 2022 and 2021, the aging analyses for premium receivables were as follows:

	2022	2021
	<i>(in thousand Baht)</i>	
Within credit terms	797,489	768,712
Overdue:		
Not over than 30 days	132,183	152,447
31 - 60 days	21,243	13,788
61 - 90 days	2,854	3,366
91 days - 1 year	6,830	7,177
Over 1 year	(1)	(67)
Total	960,598	945,423

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

	2022	2021
	<i>(in thousand Baht)</i>	
Due from reinsurers	171,190	219,920
Total	171,190	219,920

As at 31 December 2022 and 2021, the aging analyses for due from reinsurers were as follows:

	2022	2021
	<i>(in thousand Baht)</i>	
Within due	-	-
Overdue:		
Less than 1 year	167,905	218,097
1 - 2 years	3,253	1,819
Over 2 years	32	4
Total due from reinsurers	171,190	219,920

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7 Investments in securities

7.1 Investments in securities by measurement are as follows:

	2022		2021	
	Cost / Amortised cost	Fair value (in thousand Baht)	Cost / Amortised cost	Fair value
Investments measured at fair value through other comprehensive income (loss)				
Government and state enterprise debt securities	13,341,749	13,202,247	11,510,731	11,510,853
Private debt securities	3,745,471	3,711,906	4,071,187	4,119,829
Unit trusts	340,528	373,966	717,112	793,989
Equity securities	7,492	27,950	7,492	17,831
Total	17,435,240	17,316,069	16,306,522	16,442,502
Add (less) Unrealised gain (loss)	(115,739)	-	139,412	-
Less Allowance for impairment loss	(3,432)	-	(3,432)	-
Total investments measured at fair value through other comprehensive income (loss)	17,316,069	17,316,069	16,442,502	16,442,502
Allowance for expected credit loss	531	-	1,721	-
Investments measured at amortised cost				
Deposits at banks with original maturities over 3 months	2,544,265	2,544,265	2,584,265	2,584,265
Total investments measured at amortised cost	2,544,265	2,544,265	2,584,265	2,584,265
Total investments in securities	19,860,334	19,860,334	19,026,767	19,026,767

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

	2022		2021	
	Fair value	Allowance for expected credit loss / Allowance for impairment loss (in thousand Baht)	Fair value	Allowance for expected credit loss / Allowance for impairment loss
Debt securities - no significant increase in credit risk (stage 1)	16,914,153	531	15,630,682	1,721
Debt securities - significant increase in credit risk (stage 2)	-	-	-	-
Debt securities - default / credit-impaired (stage 3)	-	-	-	-
Debt securities - unit trusts	373,966	-	793,989	-
Equity securities	27,950	3,432	17,831	3,432
Total	17,316,069	3,963	16,442,502	5,153

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7.3 Investments measured at amortised cost

	Book value	2022 Allowance for expected credit loss <i>(in thousand Baht)</i>	Net book value
Debt securities - no significant increase in credit risk (stage 1)	2,544,265	-	2,544,265
Total	2,544,265	-	2,544,265

	Book value	2021 Allowance for expected credit loss <i>(in thousand Baht)</i>	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

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7.4 Remaining period of debt securities

As at 31 December 2022 and 2021, investments in debt securities which were classified as investments measured at fair value through other comprehensive income and investments measured at amortised cost were classified by the remaining maturity as follows:

	2022			2021		
	Maturities		Within 1 year	Maturities		Total (in thousand Baht)
	1 - 5 years	Over 5 years		1 - 5 years	Over 5 years	
<i>Debt securities measured at fair value through other comprehensive income (loss)</i>						
<i>Government and state enterprise debt securities</i>						
- Thai government bonds	2,509,184	3,948,768		4,860,994	3,505,223	10,972,493
- State enterprise bonds	-	30,401		8,000	30,449	538,238
Total	2,509,184	3,979,169		4,868,994	3,535,672	11,510,731
<i>Add (less) Unrealised gain (loss)</i>	6,091	(74,611)		22,726	(42,626)	122
Total	2,515,275	3,904,558		4,891,720	3,493,046	11,510,853
<i>Private debt securities</i>						
- Debentures	107,121	664,734		2,978,684	977,617	4,071,187
<i>Add (less) Unrealised gain (loss)</i>	490	(18,752)		41,178	6,566	48,642
Total	107,611	645,982		3,019,862	984,183	4,119,829
Total debt securities measured at fair value through other comprehensive income (loss)	2,622,886	4,550,540		7,911,582	4,477,229	15,630,682

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[illegible]

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

Classification of financial assets	Fair value as at 31 December 2022	Changes in fair value during the year <i>(in thousand Baht)</i>	Fair value as at 31 December 2021	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.	19,458,418	(221,831)	18,214,947	(247,729)
Contractual cash flows from financial assets at the defined date are not solely payment of principal and interest.	373,966	(43,439)	793,989	78,567

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8 Other assets

	2022	2021
	<i>(in thousand Baht)</i>	
Investment receivable	100,000	-
Deposits	75,850	131,990
Prepaid expenses	2,697	15,137
Others	25,634	41,250
Total	<u>204,181</u>	<u>188,377</u>

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Notes to the financial statements

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9 Insurance contract liabilities

[illegible]

9.1 Loss reserves and outstanding claims

At 1 January	3,244,785	(1,698,002)	1,546,783	4,981,541	(3,010,563)	1,970,978
Insurance claim expenses incurred during the year	2,944,163	(1,328,065)	1,616,098	1,767,815	(730,895)	1,036,920
Insurance claim expenses paid during the year	(2,831,885)	1,238,369	(1,593,516)	(3,571,991)	2,126,373	(1,445,618)
Change in estimation and assumption	116,658	(84,379)	32,279	67,420	(82,917)	(15,497)
At 31 December	3,473,721	(1,872,077)	1,601,644	3,244,785	(1,698,002)	1,546,783

9.2 Unearned premium reserves

At 1 January	3,359,793	(710,109)	2,649,684	3,225,186	(654,248)	2,570,938
Premiums written during the year	6,167,563	(1,764,334)	4,403,229	5,874,441	(1,503,101)	4,371,340
Earned premium in the year	(6,075,888)	1,697,284	(4,378,604)	(5,739,834)	1,447,240	(4,292,594)
At 31 December	3,451,468	(777,159)	2,674,309	3,359,793	(710,109)	2,649,684

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9.3 Loss development table

9.3.1 Gross loss development triangle

At 31 December 2022

Accident year/Accounting year	Prior and within 2017	2018	2019	2020	2021	2022	Total
				<i>(in thousand Baht)</i>			
Estimated loss reserves and outstanding claims							
At year ended		2,890,958	3,452,631	4,424,188	2,669,377	3,227,524	
Development year 1		2,276,705	3,080,708	3,992,181	2,719,342	-	
Development year 2		2,244,184	2,795,809	3,768,207	-	-	
Development year 3		2,086,609	2,859,716	-	-	-	
Development year 4		2,068,846	-	-	-	-	
Absolute estimated loss reserves and outstanding claims	595,667	2,068,846	2,859,716	3,768,207	2,719,342	3,227,524	15,239,302
Accumulative claims paid	(82,147)	(2,061,604)	(2,805,120)	(3,503,805)	(2,262,958)	(1,198,874)	(11,914,508)
Total	513,520	7,242	54,596	264,402	456,384	2,028,650	3,324,794
Reconciliation							
Unallocated loss adjustment expenses							91,936
Claims payable							27,957
Other adjustments							29,034
Total loss reserves and outstanding claims							3,473,721

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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		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

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9.3.2 Net loss development triangle

At 31 December 2022

Accident year/Accounting year	Prior and within 2017	2018	2019	2020 <i>(in thousand Baht)</i>	2021	2022	Total
Estimated loss reserves and outstanding claims							
At year ended		2,022,454	2,194,580	2,332,164	1,572,388	1,882,129	
Development year 1		1,756,467	1,906,542	1,796,328	1,460,675	-	
Development year 2		1,739,466	1,863,420	1,707,267	-	-	
Development year 3		1,726,960	1,867,108	-	-	-	
Development year 4		1,728,390	-	-	-	-	
Absolute estimated loss reserves and outstanding claims	522,422	1,728,390	1,867,108	1,707,267	1,460,675	1,882,129	9,167,991
Accumulative claims paid	(19,022)	(1,727,234)	(1,846,292)	(1,662,729)	(1,371,290)	(1,088,728)	(7,715,295)
Total	503,400	1,156	20,816	44,538	89,385	793,401	1,452,696
Reconciliation							
Unallocated loss adjustment expenses							91,936
Claims payable							27,957
Other adjustments							29,055
Total loss reserves and outstanding claims							1,601,644

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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

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10 Reinsurance payables

	2022	2021
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	99,812	132,726
Due to reinsurers	148,122	211,721
Total	247,934	344,447

11 Other liabilities

	Note	2022	2021
		<i>(in thousand Baht)</i>	
Commission payables	16	182,428	181,532
Suspense output Value Added Tax		39,931	38,226
Suspense received	16	83,400	229,851
Accrued expenses	16	84,343	100,351
Others	16	43,500	43,733
Total		433,602	593,693

12 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 investments measured at FVOCI until the investments are derecognised or impaired, net of deferred tax.

13 Operating expenses

	2022	2021
	<i>(in thousand Baht)</i>	
Employee expenses	62,465	64,290
Premises and equipment expenses	53,445	55,611
Taxes and duties	1,379	1,345
Others	140,048	148,254
Total	257,337	269,500

14 Employee benefit expenses

	Note	2022	2021
		<i>(in thousand Baht)</i>	
Wages, salaries and bonuses	16	246,586	260,953
Contribution to defined contribution plan	16	12,643	13,444
Contribution to defined benefit plan		12,833	8,173
Others	16	38,322	38,490
Total		310,384	321,060

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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.

15 Income tax expense

Income tax recognised in profit or loss

	2022 (in thousand Baht)	2021 (in thousand Baht)
<i>Current tax expense</i>		
Current year	390,004	392,567
Over provided in prior year	-	(48)
<i>Deferred tax expense</i>		
Movements in temporary difference	(20,954)	79,487
Total	369,050	472,006

Income tax recognised in other comprehensive income (loss)

<i>Deferred tax expense</i>		
Loss on remeasurement of investments - fair value through other comprehensive income (loss)	51,268	36,046
Actuarial loss on defined employee benefit plans	223	150
Total	51,491	36,196

Reconciliation of effective tax rate

		2022 (in thousand Baht)		2021 (in thousand Baht)
	Rate (%)		Rate (%)	
Profit before income tax		1,843,673		2,355,290
Income tax using the Thai corporation tax rate	20.0	368,735	20.0	471,058
Over provided in prior year	-	-	-	(48)
Expenses not deductible for tax purposes	-	315	-	763
Change in unrecognised temporary differences	-	-	-	233
Total	20.0	369,050	20.0	472,006

Deferred tax assets and liabilities

	2022 (in thousand Baht)	2021 (in thousand Baht)
Deferred tax assets	541,779	494,641
Deferred tax liabilities	(106)	(25,413)
Net	541,673	469,228

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Movements in deferred tax balance are as follows:

	At 1 January 2022	(Charged) / credited to		At 31 December 2022
		Profit or loss	Other comprehensive income	
		<i>(in thousand Baht)</i>		
<i>Deferred tax assets</i>				
Allowance for impairment loss on investments	687	-	-	687
Expected credit loss	91	(329)	-	(238)
Unearned premium reserve	180,230	2,374	-	182,604
Incurred but not reported loss reserves (IBNR)	88,897	6,456	-	95,353
Loss reserves	207,260	12,124	-	219,384
Employee benefit obligations	17,476	329	-	17,805
Loss on remeasurement of investments - fair value	-	-	23,148	23,148
Actuarial loss on defined employee benefit plans	2,813	-	223	3,036
Total	497,454	20,954	23,371	541,779
<i>Deferred tax liabilities</i>				
Gain on remeasurement of investments - fair value	27,882	-	(27,882)	-
Expected credit loss	344	-	(238)	106
Total	28,226	-	(28,120)	106
Net	469,228	20,954	51,491	541,673

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	At 1 January 2021	(Charged) / credited to		At 31 December 2021
		Profit or loss	Other comprehensive income	
		(in thousand Baht)		
Deferred tax assets				
Allowance for impairment loss on investments	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
Deferred tax liabilities				
Gain (loss) on remeasurement of investments - fair value	64,019	-	(36,137)	27,882
Expected credit loss	253	-	91	344
Actuarial loss 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

16 Related parties

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

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

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

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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>	2022	2021
	<i>(in thousand Baht)</i>	
<i>Revenues</i>		
<i>Other related parties</i>		
Gross premiums written	183,323	186,299
Commission and brokerage income	16,015	19,480
Insurance claims expenses recovered from reinsurers	243,096	212,678
<i>Expenses</i>		
<i>Other related parties</i>		
Premiums ceded	306,309	270,149
Insurance claims expenses	59,313	100,170
Commission and brokerage expenses	378,051	394,679
Other operating expenses	115,710	124,059
<i>Key management compensation</i>		
Short-term and long-term benefits	13,874	14,708

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

	2022	2021
	<i>(in thousand Baht)</i>	
<i>Premiums due and uncollected</i>		
<i>Other related parties</i>		
MBTS Broking Services Company Limited	15,077	19,276
Bangkok Chayorathn Company Limited	11,737	12,229
Total	26,814	31,505
<i>Reinsurance assets</i>		
<i>Reinsurers' share of liabilities</i>		
<i>Other related parties</i>		
MS First Capital Insurance Limited	289,796	159,577
Mitsui Sumitomo Insurance (China) Company Limited	275	109,234
Others	10,942	15,489
Total	301,013	284,300

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	2022	2021
	<i>(in thousand Baht)</i>	
<i>Reinsurance receivables</i>		
<i>Due from reinsurers</i>		
Other related parties		
Aioi Bangkok Insurance Public Company Limited	28,957	29,121
Asia Insurance (Cambodia) Plc.	2,321	2,479
MSIG Insurance (Lao) Co., Ltd.	1,953	2,982
MS First Capital Insurance Limited	9,310	12,748
MS Amlin AG	1,163	-
MS Amlin Asia Pacific Pte. Ltd.	892	751
Others	106	1,146
Total	44,702	49,227
<i>Other assets</i>		
Other related parties		
Calm Sea Service Company Limited	9,119	9,865
MSIG Service and Adjusting (Thailand) Co., Ltd.	621	674
MSIG Insurance (Thailand) Public Company Limited	39	44
Others	157	62
Total	9,936	10,645
<i>Insurance contract liabilities</i>		
<i>Loss reserves and outstanding claims</i>		
Other related parties		
MSIG Insurance (Lao) Co., Ltd.	15	268
Asia Insurance (Cambodia) Plc.	-	493
Total	15	761
<i>Accrued loss adjustment expenses</i>		
Other related parties		
MSIG Service and Adjusting (Thailand) Co., Ltd.	385	1,043
Others	217	443
Total	602	1,486
<i>Reinsurance payables</i>		
<i>Due to reinsurers</i>		
Other related parties		
Aioi Bangkok Insurance Public Company Limited	8,302	6,553
MSIG Insurance (Singapore) Pte. Ltd.	5,786	9,098
Aioi Nissay Dowa Insurance Co., Ltd.	1,190	1,253
MS First Capital Insurance Limited	3,203	28,485
Mitsui Sumitomo Insurance (China) Company Limited	10,515	17,263
MSIG Insurance Europe AG	-	7,755
Total	28,996	70,407
<i>Amount withheld on reinsurance</i>		
Other related parties		
MS Amlin AG	1,872	-
MS Amlin Asia Pacific Pte. Ltd.	1,436	1,888
MS First Capital Insurance Limited	(3)	70
Total	3,305	1,958

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	2022	2021
	<i>(in thousand Baht)</i>	
Other liabilities		
Commission payables		
Other related parties		
Calm Sea Service Company Limited	92,201	93,440
MBTS Broking Services Company Limited	2,574	3,281
Bangkok Chayorathn Company Limited	2,462	2,395
Total	97,237	99,116
Others		
Other related parties		
MSI Holding (Thailand) Company Limited	17,406	-
MSIG Service and Adjusting (Thailand) Co., Ltd.	12,256	12,815
MS First Capital Insurance Limited	-	10,014
MSIG Asia Pte. Ltd.	893	6,845
MSIG Insurance (Thailand) Public Company Limited	490	539
Interrisk Asia (Thailand) Co., Ltd.	4,665	9,472
Others	495	21
Total	36,205	39,706
Funds from Head Office	13,593,146	13,593,146
Head Office current account	(130,777)	(88,619)

17 Insurance and financial risk management

17.1 Financial risk management policies

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

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

17.2 Insurance risk

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

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

17.2.1 Underwriting strategy

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

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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.

Motor contracts

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

17.2.2 Reinsurance strategy

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

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

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

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17.3 Concentration of insurance risks

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

	2022		2021	
	Gross of reinsurance	Net	Gross of reinsurance	Net
	<i>(in thousand Baht)</i>			
Loss reserves and outstanding claims				
<i>Type of insurance</i>				
Fire	496	496	416	416
Marine	150,542	126,913	191,346	171,263
Motor	375,436	375,434	321,466	321,466
Miscellaneous	2,947,247	1,098,801	2,731,557	1,053,638
Total	3,473,721	1,601,644	3,244,785	1,546,783
Unearned premium reserves				
<i>Type of insurance</i>				
Fire	12,683	12,680	12,656	12,645
Marine	131,657	127,071	119,074	115,086
Motor	881,344	881,344	898,258	898,258
Miscellaneous	2,425,784	1,653,214	2,329,805	1,623,695
Total	3,451,468	2,674,309	3,359,793	2,649,684

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.

	2022			2021	
	Change in variable (%)	Increase (decrease) in liabilities	Increase (decrease) in profit and Head Office Account <i>(in thousand Baht)</i>	Increase (decrease) in liabilities	Increase (decrease) in profit and Head Office Account
Net expected loss ratio	-5	(274,172)	274,172	(269,196)	269,196
Net expected loss ratio	+5	274,172	(274,172)	269,196	(269,196)

17.4 Capital management

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

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

17.5 Interest rate risk

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

As at 31 December 2022 and 2021 significant financial assets classified by type of interest rate are as follows:

	2022				2021			
	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	558,752	579,972	3,296	1,142,020	507,970	451,862	4,958	964,790
Investments in securities								
Government and state enterprise								
debt securities	-	13,202,247	-	13,202,247	-	11,510,853	-	11,510,853
Private debt securities	-	3,711,906	-	3,711,906	-	4,119,829	-	4,119,829
Unit trusts	-	-	373,966	373,966	-	-	793,989	793,989
Equity securities	-	-	27,950	27,950	-	-	17,831	17,831
Deposits at banks with original maturities over 3 months	-	2,544,265	-	2,544,265	-	2,584,265	-	2,584,265
Total financial assets	558,752	20,038,390	405,212	21,002,354	507,970	18,666,809	816,778	19,991,557

As at 31 December 2022 and 2021, 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	1 - 5 years	Over 5 years	Total	
2022	<i>(in thousand Baht)</i>				
Financial assets					
Cash and cash equivalents	579,972	-	-	579,972	0.3
Investments in securities					
Government and state enterprise debt securities	2,515,275	6,782,414	3,904,558	13,202,247	1.4
Private debt securities	107,611	2,958,313	645,982	3,711,906	2.2
Deposits at banks with original maturities over 3 months	2,544,265	-	-	2,544,265	0.8
Total financial assets	5,747,123	9,740,727	4,550,540	20,038,390	

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2021	Maturity period				Average interest rate (% per annum)
	Within 1 year	1 - 5 years (in thousand Baht)	Over 5 years	Total	
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	

Sensitivity analysis

A reasonable possible change of interest rates as at 31 December 2022 and 2021 would have affected the measurement of investments 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.

	2022			
	Net profit (loss)		Other components of Head Office Account	
	+ 50 basis point	- 50 basis point	+ 50 basis point	- 50 basis point
	(in thousand Baht)			
Yield curve	-	-	(224,803)	230,411

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

17.6 Equity and unit trust price risk

Sensitivity analysis

A reasonably possible change of the stock market as at 31 December 2022 and 2021 would have affected the valuation of investments 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.

	2022			
	Net profit (loss)		Other components of Head Office Account	
	2% increase	2% decrease	2% increase	2% decrease
	(in thousand Baht)			
Stock Exchange of Thailand	-	-	6,109	(6,109)

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

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17.7 Credit risk

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

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

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

Credit quality analysis

The following table sets out information about the credit quality as at 31 December 2022 and 2021 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 trusts classified as FVOCI debt securities)

	Stage 1	31 December 2022		Total
		Stage 2	Stage 3	
		(in thousand Baht)		
<i>Investments measured at fair value through other comprehensive income</i>				
Government debt securities				
Non-rated	13,109,751	-	-	13,109,751
State enterprise debt securities				
Rated AAA	92,496	-	-	92,496
Private debt securities				
Rated AAA	499,451	-	-	499,451
Rated AA- to AA+	2,813,500	-	-	2,813,500
Rated A- to A+	398,955	-	-	398,955
Rated BBB and below	-	-	-	-
Carrying amount	16,914,153	-	-	16,914,153
Allowance for excepted credit loss	531	-	-	531
<i>Investments measured at amortised cost</i>				
Deposits at banks with original maturities over 3 months				
Rated A-1	1,480,000	-	-	1,480,000
Rated A-2	1,064,265	-	-	1,064,265
Carrying amount	2,544,265	-	-	2,544,265
<i>Less</i> Allowance for excepted credit loss	-	-	-	-
Net carrying amount	2,544,265	-	-	2,544,265

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	Stage 1	31 December 2021 Stage 2 Stage 3 (in thousand Baht)		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

17.8 Liquidity risk

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

The analysis of the expected maturity profile of loss reserve and outstanding claims for insurance contracts, net of reinsurance as at 31 December 2022 and 2021 are as follows:

	2022			2021		
	Within 1 year	1 - 5 years	Total	Within 1 year	1 - 5 years	Total
	<i>(in thousand Baht)</i>					
Insurance contract liabilities						
Loss reserves and outstanding claims, net	1,531,107	70,537	1,601,644	1,491,858	54,925	1,546,783

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17.9 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 2022</i>	<i>Note</i>	Carrying amount	Level 1	Fair value		Total
				Level 2	Level 3	
				<i>(in thousand Baht)</i>		
Financial assets						
Investments in securities	7					
Government and state						
enterprise debt securities		13,202,247	-	13,202,247	-	13,202,247
Private debt securities		3,711,906	-	3,711,906	-	3,711,906
Unit trusts		373,966	-	373,966	-	373,966
Equity securities		27,950	5,497	-	22,453	27,950
Total		17,316,069	5,497	17,288,119	22,453	17,316,069

At 31 December 2021

Financial assets						
Investments 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

Financial instruments measured at fair value

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

The Branch determines Level 2 fair values of investments in debt securities by referencing 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.

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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.

18 Securities and assets pledged with the Registrar

- 18.1 As at 31 December 2022 and 2021, 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:

	2022		2021	
	Book value	Face value (in thousand Baht)	Book value	Face value
Time deposits at banks	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>

- 18.2 As at 31 December 2022 and 2021, 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:

	2022		2021	
	Book value	Face value (in thousand Baht)	Book value	Face value
Government bonds	<u>1,926,869</u>	<u>1,843,000</u>	<u>1,437,558</u>	<u>1,420,000</u>

19 Restricted and collateral assets

	2022 (in thousand Baht)	2021
<i>Deposits at banks - time deposits</i>		
To secure bank guarantee facilities issued by banks	<u>196</u>	<u>196</u>

20 Contribution to Non-Life Insurance Fund

As at 31 December 2022 and 2021, the accumulated Contribution to Non-Life Insurance Fund was as follows:

	2022 (in thousand Baht)	2021
At 1 January	151,263	137,386
Increase during the year	14,689	13,877
As at 31 December	<u>165,952</u>	<u>151,263</u>

21 Contingent liabilities

As at 31 December 2022, lawsuits have been brought against the Branch, in relation to insurance claims in the normal course of business totalling approximately Baht 1,489.2 million (2021: Baht 1,374.0 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.

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22 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new TFRS which are relevant to the Company's operations are expected to have significant impact on the Company's financial statements on the date of initial application are as follows:

TFRS	Topic
TFRS 7*	Financial Instruments: Disclosures
TFRS 9*	Financial Instruments
TFRS 17	Insurance contracts

* TFRS - Financial instruments standards

(a) TFRS - Financial instruments standards

TFRS 9 and TFRS 7 became effective for the annual periods beginning on or after 1 January 2020. However, TFRS 4 Insurance Contracts has allowed insurance entities that meet the conditions as laid down by TFRS 4, to use the deferral approach in application of TFRS 9 and TFRS 7 for insurance entities and continue to apply Accounting Guidance: Financial Instruments and Disclosures for Insurance Business until TFRS 17 Insurance contract becomes effective in 2025.

These TFRSs establish requirements related to definition, classification, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

(b) TFRS 17 - Insurance contracts

TFRS 17 will replace TFRS 4 - Insurance Contracts for the annual periods beginning on or after 1 January 2025.

TFRS 17 introduces the new measurement model which consists of fulfilment cash flows and a contractual service margin. The fulfilment cash flows represent the risk adjusted present value of the insurer's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting, and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit from in-force contracts that the Company will recognise as it provides services over the coverage period. The contractual service margin is earned based on a pattern of coverage units, reflecting the quantity of benefits provided. The simplified approach may be chosen to adopt when certain criteria are met.

The Company may elect to recognise the cumulative negative impact on insurance contract liabilities from the adoption of TFRS 17 to retained earnings by applying the straight-line method within the period not exceeding 3 years from transition date.

TFRS 17 also introduces substantial changes in both presentation of the statement of financial position and statement of comprehensive income, as well as more granular disclosure requirements.

Management is presently considering the potential impact of adopting and initially applying those TFRSs on the financial statements.