

CHUBB LIFE ASSURANCE PUBLIC COMPANY LIMITED

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2018



Independent Auditor's Report

To the Shareholders of Chubb Life Assurance Public Company Limited

My opinion

In my opinion, the financial statements of Chubb Life Assurance Public Company Limited ("the Company") present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists management in discharging their responsibilities for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the audit committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in black ink, appearing to read 'Sakuna Y', with a stylized flourish at the end.

Sakuna Yamsakul
Certified Public Accountant (Thailand) No. 4906
Bangkok
9 April 2019

Chubb Life Assurance Public Company Limited
Statement of Financial Position
As at 31 December 2018

		2018	(Reclassified) 2017
	Notes	Baht	Baht
Assets			
Cash and cash equivalents	8	490,799,978	544,071,294
Premium receivable	9	434,066,794	356,355,067
Accrued investment income		120,039,712	89,888,919
Amount due from reinsurance	10	18,932,537	25,510,357
Invested assets			
Investments in securities	11, 29, 30	10,946,189,944	9,842,472,224
Policy loans	12	269,696,374	227,811,539
Equipment - net	13	34,208,625	33,446,607
Intangible assets - net	14	124,721,619	127,716,115
Other assets	15, 27	113,009,361	34,598,424
Total assets		12,551,664,944	11,281,870,546

Matteo A. Modugno

[Signature]

Directors

CHUBB

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

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

Chubb Life Assurance Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2018

		2018	(Reclassified) 2017
	Notes	Baht	Baht
Liabilities and equity			
Liabilities			
Insurance liabilities	16	10,069,413,946	8,706,045,141
Amount due to reinsurance	17, 27	52,267,798	54,317,725
Income tax payable		4,384,821	31,967,283
Employee benefits obligation	5, 18, 27	136,690,240	111,233,178
Deferred tax liabilities	19	156,145,859	180,269,941
Other liabilities	27	24,794,147	22,348,224
Other creditors	27	20,004,390	12,403,898
Accrued commission expenses	27	182,540,689	145,727,318
Accrued expenses	27	254,652,406	242,045,385
Total liabilities		<u>10,900,894,296</u>	<u>9,506,358,093</u>
Equity			
Share capital	25		
Registered			
139,025,000 ordinary shares of Baht 10 per share		<u>1,390,250,000</u>	<u>1,390,250,000</u>
Issued and fully paid-up			
139,025,000 ordinary shares of Baht 10 per share		1,390,250,000	1,390,250,000
Deficits		(335,220,251)	(426,357,528)
Other components of equity			
Change in value of available-for-sale investments - net of tax	24	596,432,637	812,311,719
Remeasurements of post-employment benefit obligations - net of tax		<u>(691,738)</u>	<u>(691,738)</u>
Total equity		<u>1,650,770,648</u>	<u>1,775,512,453</u>
Total liabilities and equity		<u>12,551,664,944</u>	<u>11,281,870,546</u>

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

Chubb Life Assurance Public Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2018

	Notes	2018 Baht	2017 Baht
Revenues			
Gross written premiums		5,292,328,013	4,285,582,279
<u>Less</u> premiums ceded to reinsurers	27	<u>(92,043,929)</u>	<u>(111,462,590)</u>
Net written premiums		5,200,284,084	4,174,119,689
<u>Less</u> net change in unearned premium reserve		<u>(45,815,699)</u>	<u>(28,371,723)</u>
Net earned premiums		5,154,468,385	4,145,747,966
Fee and commission income		11,285,911	6,549,831
Net investment income		385,510,660	338,343,208
Other income		352,348	-
Total revenues		<u>5,551,617,304</u>	<u>4,490,641,005</u>
Expenses			
Change in long-term technical reserve		1,243,383,094	880,997,496
Gross benefits and claim paid		1,376,941,462	1,197,464,276
<u>Less</u> benefits and claim paid recovered from reinsurers		<u>(37,895,587)</u>	<u>(58,443,569)</u>
Commissions and brokerages	27	2,230,646,008	1,692,917,990
Other underwriting expenses		55,710,422	49,747,483
Operating expenses	21, 27	546,762,457	494,221,730
Other expenses		-	47,341
Total expenses		<u>5,415,547,856</u>	<u>4,256,952,747</u>
Profit before income tax expense		136,069,448	233,688,258
Income tax expense	23	<u>(44,932,171)</u>	<u>(26,974,474)</u>
Net profit for the year		<u>91,137,277</u>	<u>206,713,784</u>

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

Chubb Life Assurance Public Company Limited
Statement of Comprehensive Income (Cont'd)
For the year ended 31 December 2018

	Notes	2018 Baht	2017 Baht
Other comprehensive income (loss)			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Remeasurement of post-employment benefit obligations		-	3,810,924
Income tax relating to items that will not be reclassified subsequently to profit or loss	19	-	(762,185)
Total items that will not be reclassified subsequently to profit or loss		-	3,048,739
<u>Items that will be reclassified subsequently to profit or loss</u>			
Change in value of available-for-sale investments		(269,848,853)	342,399,618
Realised gain from sale of available-for-sale investment transferred to profit or loss		-	-
Income tax relating to items that will be reclassified subsequently to profit or loss	19	53,969,771	(68,479,924)
Total items that will be reclassified subsequently to profit or loss		(215,879,082)	273,919,694
Other comprehensive income (loss) for the year, net of tax		(215,879,082)	276,968,433
Total comprehensive income (loss) for the year		(124,741,805)	483,682,217
Earnings per share	26		
Basic earnings per share		0.66	1.49

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

Chubb Life Assurance Public Company Limited
Statement of Changes in Equity
For the year ended 31 December 2018

	Other components of equity											
	Issued and paid-up share capital		Deficits		Change in value of available-for-sale investments - net of tax		Remeasurement of post-employment benefit obligations - net of tax		Other reserve		Total other components of equity	
	Baht		Baht		Baht		Baht		Baht		Baht	
Beginning balance as at 1 January 2018	1,390,250,000	(426,357,528)	812,311,719	(691,738)	-	811,619,981	1,775,512,453					
Net profit for the year	-	91,137,277	-	-	-	-	91,137,277					
Equity-settled share-based payment	-	-	-	-	-	15,666,411	15,666,411					
Share-based payment reclassified to liabilities	-	-	-	-	-	(15,666,411)	(15,666,411)					
Change in value of available-for-sale investments	-	-	(215,879,082)	-	-	(215,879,082)	(215,879,082)					
Realised gain from sale of available-for-sale investment transferred to profit or loss	-	-	-	-	-	-	-					
Ending balance as at 31 December 2018	<u>1,390,250,000</u>	<u>(335,220,251)</u>	<u>596,432,637</u>	<u>(691,738)</u>	<u>-</u>	<u>595,740,899</u>	<u>1,650,770,648</u>					
Beginning balance as at 1 January 2017	1,390,250,000	(633,071,312)	538,392,025	(3,740,477)	-	534,651,548	1,291,830,236					
Net profit for the year	-	206,713,784	-	-	-	-	206,713,784					
Equity-settled share-based payment	-	-	-	-	-	8,404,394	8,404,394					
Share-based payment reclassified to liabilities	-	-	-	-	-	(8,404,394)	(8,404,394)					
Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-					
Change in value of available-for-sale investments	-	-	273,919,694	3,048,739	-	3,048,739	3,048,739					
Realised gain from sale of available-for-sale investment transferred to profit or loss	-	-	-	-	-	-	-					
Ending balance as at 31 December 2017	<u>1,390,250,000</u>	<u>(426,357,528)</u>	<u>812,311,719</u>	<u>(691,738)</u>	<u>-</u>	<u>811,619,981</u>	<u>1,775,512,453</u>					

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

Chubb Life Assurance Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2018

	2018	2017
	Baht	Baht
Cash flows provided by (used in) operating activities		
Written premium received from direct insurance	5,163,550,485	4,282,635,899
Cash paid to reinsurance	(38,334,538)	(41,833,268)
Net investment income	378,267,665	347,807,846
Other income (expense)	341,809	(47,341)
Gross benefits and claim paid from direct insurance	(1,304,965,319)	(1,145,542,042)
Commissions and brokerages from direct insurance	(2,178,713,154)	(1,678,975,703)
Other underwriting expenses	(54,433,870)	(49,043,480)
Operating expenses	(555,863,955)	(408,935,930)
Income tax expense	(42,668,944)	(24,474,062)
Cash received for investment in securities	21,580,653	5,941,777
Cash paid for investment in securities	(1,417,240,472)	(1,097,018,409)
Cash received for policy loans	112,658,766	85,189,027
Cash paid for policy loans	(101,278,820)	(130,806,084)
Net cash provided by (used in) operating activities	(17,099,694)	144,898,230
Cash flows provided by (used in) investing activities		
Cash received in relation to equipment	25,850	45,436
Cash paid in relation to equipment	(10,863,112)	(9,323,890)
Cash paid in relation to computer software	(25,334,360)	(25,146,801)
Net cash used in investing activities	(36,171,622)	(34,425,255)
Net increase (decrease) in cash and cash equivalents	(53,271,316)	110,472,975
Cash and cash equivalents at beginning of the year	544,071,294	433,598,319
Cash and cash equivalents at the end of the year	490,799,978	544,071,294

Non-cash transaction

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

Payable from purchasing equipment	1,045,390	1,201,375
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The accompanying notes are an integral part of this financial statement.

1 General information

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

The address of its registered office is as follow:

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

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

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

The financial statements were authorised by the Board of Directors on 9 April 2019.

2 Accounting policies

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

2.1 Basis of preparation

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

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

The preparation of financial statements in conformity with Thai Generally Accepted Accounting Principles requires the use of certain critical accounting estimates. It also requires management's judgement in applying the Company's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

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

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards

2.2.1 Revised accounting standards which are effective for annual periods beginning on or after 1 January 2018, with significant changes, and are relevant to the Company.

TAS 7 (revised 2017)	Statement of cash Flows
TAS 12 (revised 2017)	Income taxes

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profits.

The Company has applied the above revised standards.

2.2.2 New and revised financial reporting standards and interpretation which have been announced but not yet effective.

2.2.2.1 The Federation of Accounting Professions has issued new standard, TFRS15 Revenue from contracts with customers. This standard will become effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted this standard.

TFRS 15 provides the requirements for the recognition of revenue. This standard will supersede the following standards:

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services

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

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards (Cont'd)

2.2.2 New and revised financial reporting standards and interpretation which have been announced but not yet effective. (Cont'd)

2.2.2.1 The Federation of Accounting Professions has issued new standard, TFRS15 Revenue from contracts with customers. This standard will become effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted this standard. (Cont'd)

Revenue recognition is applied in accordance with that core principle by applying 5 steps as follows:

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations in the contract
- 5) Recognise revenue when (or as) the entity satisfies a performance obligation

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements
- Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) - minimum amounts must be recognised if they are not at significant risk of reversal
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements
- As with any new standard, there are also increased disclosures.

The Company will have a choice to apply this standard retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the expedients or retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application with additional disclosures.

The management assessed and considered that the above new standard will not have a material impact on the Company.

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards (Cont'd)

2.2.2 New and revised financial reporting standards and interpretation which have been announced but not yet effective. (Cont'd)

2.2.2.2 Revised financial reporting standards will become effective for annual periods beginning on or after 1 January 2019 and are relevant to the Company. The Company has not yet adopt these standards.

TFRS 2 (revised 2018)	Share-based Payment
TFRS 4 (revised 2018)	Insurance Contracts
TFRIC 22	Foreign Currency Transactions and Advance Consideration

TFRS 2, the amendments clarify;

- The measurement basis for cash-settled share-based payments, vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, vesting conditions, other than market conditions, shall be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction.
- Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature, and
- The accounting for modifications that change an award from cash-settled to equity-settled.

TFRS 4 has been amended to provide insurance companies an optional exemption from compliance with TFRS 9 and TFRS 7. The exemption is temporarily effective and not mandatory. Entities who choose to use the exemption must follow the 'financial instruments and disclosure for insurance companies' accounting guidelines issued by the Federation of Accounting Professions until TFRS 17 becomes effective.

The TFRIC 22 interpretation provides guidance for determining the exchange rate to be used on the initial recognition of a related asset, expense or income where an entity pays or receives an advance consideration in a foreign currency. The interpretation requires an entity to use the exchange rate at the date on which an entity recognises the non-monetary assets, such as prepayments and advances, or non-monetary liability, such as deferred income arising from the advance consideration. If there are multiple advance payments or receipts of payments, the exchange rate is to be used on the date when each non-monetary asset or liability is recognised

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards (Cont'd)

2.2.2 New and revised financial reporting standards and interpretation which have been announced but not yet effective. (Cont'd)

2.2.2.3 New financial reporting standards will become effect for annual periods beginning on or after 1 January 2020 and are relevant to the Company. The Company has not yet adopt these standards.

2.2.2.3.1 The group of financial reporting standards related to financial instruments comprise accounting standards and financial reporting standards as shown below. The early application is permitted only for the period beginning on or after 1 January 2019.

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

The above new standards and interpretations will supersede the following standards:

TAS 101	Bad and Doubtful Debts
TAS 103	Disclosures in the Financial Statements of Bank and Similar Financial Institutions
TAS 104	Accounting for Troubled Debt Restructuring
TAS 105	Accounting for Investment in Debts and Equity securities
TAS 106	Accounting for Investment Companies
TAS 107	Financial Instruments: Disclosure and Presentation

TAS 32 Financial Instruments: Presentation, provides the requirements for the presentation financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

TFRS 7 Financial Instruments: Disclosures, provides the requirements for the disclosure that are intended to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, and to understand the nature and extent of risks arising from those financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards (Cont'd)

2.2.2 New and revised financial reporting standards and interpretation which have been announced but not yet effective. (Cont'd)

2.2.2.3 New financial reporting standards will become effect for annual periods beginning on or after 1 January 2020 and are relevant to the Company. The Company has not yet adopt these standards. (Cont'd)

2.2.2.3.1 The group of financial reporting standards related to financial instruments comprise accounting standards and financial reporting standards as shown below. The early application is permitted only for the period beginning on or after 1 January 2019. (Cont'd)

IFRS 9 Financial Instruments, establishes principles for the classification, measurement and derecognition of financial assets and financial liabilities, impairment requirement and hedge accounting as follow:

- Classification and measurement:
 - The classification and measurement of debt instrument financial assets has three classification categories, which are amortised cost, fair value through profit or loss and fair value through other comprehensive income. Classification of debt assets will be driven by the entity's business model for managing the financial assets and contractual cash flows characteristics of the financial assets.
 - Equity instrument financial assets shall be measured at fair value through profit or loss. An entity can make an irrevocable election to recognise the fair value change in other comprehensive income without subsequent recycling to profit or loss.
 - Financial liabilities are classified and measured at amortised cost. An entity can choose to measure a liability at fair value through profit or loss when the conditions are met.
 - Derivatives are classified and measured at fair value through profit or loss.
- The impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The entity always accounts for expected credit losses which involves a three stage approach. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. Except for trade receivables and contractual assets which apply in IFRS 15 and are no significant financial components and lease receivables, they are permitted to measure by simplified approach for credit impaired consideration.

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards (Cont'd)

2.2.2 New and revised financial reporting standards and interpretation which have been announced but not yet effective. (Cont'd)

2.2.2.3 New financial reporting standards will become effect for annual periods beginning on or after 1 January 2020 and are relevant to the Company. The Company has not yet adopt these standards. (Cont'd)

2.2.2.3.1 The group of financial reporting standards related to financial instruments comprise accounting standards and financial reporting standards as shown below. The early application is permitted only for the period beginning on or after 1 January 2019. (Cont'd)

- The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income). This approach aims to convey the context of hedging instruments for which hedge accounting is applied in order to allow insight into their purpose and effect.

TFRIC 16 Hedges of a Net Investment in a Foreign Operation, clarifies the accounting treatment in respect of net investment hedging, provides guidance on identifying the foreign currency risks that qualify as a hedged risk. Clarifying that hedging instruments that are hedges of a net investment in a foreign operation may be held anywhere in the Company not only by the parent. This includes the guidance on how an entity should determine the amount to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

TFRIC 19 Extinguishing financial liabilities with equity instruments, provides the requirements for accounting treatment when the entity issues equity instruments to a creditor to extinguish all or part of a financial liability. The equity instruments issued shall be measured at fair value. The entity shall remove a financial liability (or part of a financial liability) from its statement of financial position when it is extinguished in accordance with TFRS 9. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished and the fair value of equity instruments issued shall be recognised in profit or loss.

The Company's management is currently assessing the impact of initial adoption of these standards.

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards (Cont'd)

2.2.2 New and revised financial reporting standards and interpretation which have been announced but not yet effective. (Cont'd)

2.2.2.3 New financial reporting standards will become effect for annual periods beginning on or after 1 January 2020 and are relevant to the Company. The Company has not yet adopt these standards. (Cont'd)

2.2.2.3.2 TFRS 16 Leases, the earlier application is permitted for entities that apply TFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard.

The new standard will supersede the following standards:

TAS 17	Leases
TFRIC 4	Determining whether an arrangement contains a lease
TSIC 15	Operating leases - Incentives
TSIC 27	Evaluating the substance of transactions in the legal form of a lease

TFRS16 Leases, a lessee shall recognise a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Key changes to current practice are:

- The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.
- The total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation.
- Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.
- The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Entities will have a choice to apply this standard retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the expedients or retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application with additional disclosures.

2 Accounting policies (Cont'd)

2.3 Recognition of revenues and expenses

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

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

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

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

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

Other income and expenses are recognised on an accrual basis.

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with maturity at acquisition date of three months or less.

2.5 Premium receivable

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

2.6 Reinsurance transactions

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

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

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

2 Accounting policies (Cont'd)

2.7 Investments in securities

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

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

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

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

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

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

2.8 Equipment

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

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

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

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

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

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

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

2 Accounting policies (Cont'd)

2.9 Computer software

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

2.10 Impairment of non-financial assets

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

2.11 Policy loan

Policy loan is stated at the principal amount.

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

2.12 Leases - where the Company is the lessee

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

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

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

2 Accounting policies (Cont'd)

2.13 Employee benefits

2.13.1 Provident fund

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

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

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

2.13.2 Retirement benefit

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

Under Labour Laws applicable in Thailand and the Company's employment policy, all employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60. The severance pay will be at the rate according to number of years of service as stipulated in the Labor Law which is currently at a maximum rate of 300 days of final salary.

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

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

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

2.13.3 Share-based payment

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

2 Accounting policies (Cont'd)

2.14 Insurance liabilities

2.14.1 Product classification

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

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

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

2.14.2 Liability adequacy test

The purpose of LAT is to verify the adequacy of life insurance liabilities provisions. The test consists of comparing the insurance contract provisions with the gross premium valuation of the insurance liabilities, calculated from the future expected contractual and other cash flows on a best estimate basis as at the valuation date. The LAT test is performed on the company level. If the test shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

2.14.3 Long term and short term insurance contracts

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

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

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

2.14.4 Life policy reserves

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

2 Accounting policies (Cont'd)

2.14 Insurance liabilities (Cont'd)

2.14.5 Loss reserve and outstanding claims

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

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

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

2.14.6 Unearned premium reserves

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

2.14.7 Unpaid policy benefit

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

2.15 Provisions

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

2.16 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 Accounting policies (Cont'd)

2.17 Financial instruments

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

Financial assets carried on the statement of financial position include cash and cash equivalents, accrued investment income, premium receivable, amount due from reinsurance, investments in securities, policy loans, and certain balances included in other assets. Financial liabilities carried on the statement of financial position include amount due to reinsurance, unpaid policy benefit, outstanding claims, and certain balances included in other liabilities.

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

2.18 Current and deferred income taxes

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

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

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

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

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

3 Risk management

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

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

The following section summarises the Company's risk management.

3.1 Insurance risk management

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

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

Concentration

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

The following table presents the concentration of insurance liabilities separated by product for the years ended 31 December 2018 and 2017.

	2018			
	Ordinary individual life and riders Baht	Personal accident Baht	Group Baht	Total Baht
Long-term technical reserves	8,182,103,770	-	1,107,157,408	9,289,261,178
Claim liability	30,801,634	3,577,116	238,189,823	272,568,573
Total	8,212,905,404	3,577,116	1,345,347,231	9,561,829,751
	2017			
	Ordinary individual life and riders Baht	Personal accident Baht	Group Baht	Total Baht
Long-term technical reserves	7,066,289,717	-	979,588,367	8,045,878,084
Claim liability	35,009,176	5,124,987	185,560,916	225,695,079
Total	7,101,298,893	5,124,987	1,165,149,283	8,271,573,163

3 Risk management (Cont'd)

3.1 Insurance risk management (Cont'd)

Lapse

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

Expenses

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

Mortality and Morbidity

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

3.2 Financial risk management

Currency risk

As of 31 December 2018 and 2017, the Company has no significant foreign currency financial instruments.

3 Risk management (Cont'd)

3.2 Financial risk management (Cont'd)

Interest rate risk

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

The outstanding balances of significant financial assets, including the interest rate as of 31 December 2018 and 2017 are summarised as follows:

	2018							
	Fixed interest rate				Floating interest rate Baht	No interest rate Baht	Total Baht	Rate %
	At call Baht	< 1 year Baht	1 - 5 years Baht	> 5 years Baht				
Financial assets								
Cash and cash equivalents	-	-	-	-	357,735,211	133,064,767	490,799,978	0.05-0.38
Accrued investment income	-	-	-	-	-	120,039,712	120,039,712	-
Investments	-	177,497,731	855,825,771	9,912,866,442	-	-	10,946,189,944	2.79-7.99
Policy loans	223,299,001	46,397,373	-	-	-	-	269,696,374	4.00-8.00
	<u>223,299,001</u>	<u>223,895,104</u>	<u>855,825,771</u>	<u>9,912,866,442</u>	<u>357,735,211</u>	<u>253,104,479</u>	<u>11,826,726,008</u>	
	2017							
	Fixed interest rate				Floating interest rate Baht	No interest rate Baht	Total Baht	Rate %
	At call Baht	< 1 year Baht	1 - 5 years Baht	> 5 years Baht				
Financial assets								
Cash and cash equivalents	-	-	-	-	427,720,260	116,351,034	544,071,294	0.05-0.38
Accrued investment income	-	-	-	-	-	89,888,919	89,888,919	-
Investments	-	15,130,033	527,501,380	9,299,840,811	-	-	9,842,472,224	2.79-7.99
Policy loans	195,274,976	32,536,563	-	-	-	-	227,811,539	4.00-8.00
	<u>195,274,976</u>	<u>47,666,596</u>	<u>527,501,380</u>	<u>9,299,840,811</u>	<u>427,720,260</u>	<u>206,239,953</u>	<u>10,704,243,976</u>	

Credit risk

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

Liquidity risk

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

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

4 Fair value

4.1 Fair value estimation

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

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

The following table presents the Company's financial assets that are measured at fair value as at 31 December 2018 and 2017.

	2018			Total Baht
	Level 1 Baht	Level 2 Baht	Level 3 Baht	
Assets				
Available-for-sale securities				
- Government and state enterprise securities	-	8,742,685,500	-	8,742,685,500
- Private enterprise securities	-	2,203,504,444	-	2,203,504,444
Total assets	-	10,946,189,944	-	10,946,189,944
	2017			Total Baht
	Level 1 Baht	Level 2 Baht	Level 3 Baht	
Assets				
Available-for-sale securities				
- Government and state enterprise securities	-	8,162,500,625	-	8,162,500,625
- Private enterprise securities	-	1,679,971,599	-	1,679,971,599
Total assets	-	9,842,472,224	-	9,842,472,224

There were no transfers between levels during the year.

4.2 Valuation techniques used to derive Level 2 fair values

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

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

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

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

5 Change in presentation

For disclosure purpose, the comparative figures are reclassified and presented to conform the current year financial statements. Significant reclassification transactions are as follows:

	31 December 2017		
	Before reclassification Baht	Reclassification Baht	After reclassification Baht
Employee benefits obligation	31,475,580	79,757,598	111,233,178
Other accrued employee benefits	79,757,598	(79,757,598)	-

6 Critical accounting estimates, assumptions and judgments

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

6.1 Product classification

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

In the event the Company has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. The accounting policy on product classification is described in Note 2.14

6.2 Insurance liabilities

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

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

6.3 Loss reserve and outstanding claims

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

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

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

6.4 Liability adequacy testing

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

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

6.5 Employee benefits

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

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

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

6.6 Deferred tax

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

7 Capital risk management

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

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

Chubb Life Assurance Public Company Limited
Notes to the Financial Statements
For the year ended 31 December 2018

8 Cash and cash equivalents

	2018 Baht	2017 Baht
Cash	119,200	123,800
Deposits held at call with bank	490,680,778	543,947,494
Total cash and cash equivalents	490,799,978	544,071,294

9 Premium receivable

As at 31 December 2018 and 2017, the balances of premium receivable are aged as follows:

	From direct insurance	
	2018 Baht	2017 Baht
Current	434,066,794	356,355,067
Overdue	-	-
Premium receivable	434,066,794	356,355,067

10 Amount due from reinsurance

	2018 Baht	2017 Baht
Due from reinsurers	18,932,537	25,510,357
Total amount due from reinsurance	18,932,537	25,510,357

The amount due from reinsurance are aged as follows:

	2018 Baht	2017 Baht
Current	18,932,537	25,510,357
Overdue		
Not over 12 months	-	-
1 - 2 years	-	-
Over 2 years	-	-
Total amount due from reinsurance	18,932,537	25,510,357

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11 Investments in securities

11.1 Available-for-sale

	2018		2017	
	Cost Baht	Unrealised gains on changes in fair value of investment Baht	Fair value Baht	Unrealised gains on changes in fair value of investment Baht
Government and state enterprise securities	8,002,613,465	666,623,661	8,669,237,126	7,179,631,414
Government bonds	60,118,807	13,329,567	73,448,374	60,420,992
Private enterprise securities	2,137,916,875	65,587,569	2,203,504,444	1,587,030,168
Debentures				92,941,431
Total available-for-sale	10,200,649,147	745,540,797	10,946,189,944	8,827,082,574
				1,015,389,650
				9,842,472,224

The Company disclosed information regarding the restricted amount of investments in Notes 29 and 30.

During the year 2018, the Company recognised interest income amounted to Baht 383,415,211 (2017: Baht 338,083,319).

During the year 2018, the Company has no sales of available-for-sale investments (2017: Nil).

11 Investments in securities (Cont'd)

11.2 Maturity of debt securities

Investments in debt securities as at 31 December 2018 and 2017 will be due as follows:

	2018			Total Baht
	Period to maturity			
	Within 1 year Baht	1 - 5 years Baht	Over 5 years Baht	
Available-for-sale				
Government and state enterprise securities				
Government bonds	60,551,775	432,162,487	7,509,899,203	8,002,613,465
Debentures	30,118,807	30,000,000	-	60,118,807
<u>Add</u> Unrealised gains on changes in fair value of investments	1,382,195	33,664,750	644,906,283	679,953,228
Total government and state enterprise securities	92,052,777	495,827,237	8,154,805,486	8,742,685,500
Private enterprise securities				
Debentures	84,383,940	341,767,192	1,711,765,743	2,137,916,875
<u>Add</u> Unrealised gains on changes in fair value of investments	1,061,014	18,231,342	46,295,213	65,587,569
Total private enterprise securities	85,444,954	359,998,534	1,758,060,956	2,203,504,444
Total available-for-sale	177,497,731	855,825,771	9,912,866,442	10,946,189,944
	2017			
	Period to maturity			
	Within 1 year Baht	1 - 5 years Baht	Over 5 years Baht	Total Baht
Available-for-sale				
Government and state enterprise securities				
Government bonds	5,005,691	209,401,580	6,965,224,143	7,179,631,414
Debentures	-	30,420,992	30,000,000	60,420,992
<u>Add</u> Unrealised gains on changes in fair value of investments	33,596	15,034,165	907,380,458	922,448,219
Total government and state enterprise securities	5,039,287	254,856,737	7,902,604,601	8,162,500,625
Private enterprise securities				
Debentures	10,024,338	253,631,459	1,323,374,371	1,587,030,168
<u>Add</u> Unrealised gains on changes in fair value of investments	66,408	19,013,184	73,861,839	92,941,431
Total private enterprise securities	10,090,746	272,644,643	1,397,236,210	1,679,971,599
Total available-for-sale	15,130,033	527,501,380	9,299,840,811	9,842,472,224

12 Policy loans

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

	2018			2017		
	Principal Baht	Accrued interest income Baht	Total Baht	Principal Baht	Accrued interest income Baht	Total Baht
Current	269,696,374	33,784,772	303,481,146	227,811,539	25,948,681	253,760,220
Overdue	-	-	-	-	-	-
Total	269,696,374	33,784,772	303,481,146	227,811,539	25,948,681	253,760,220
<u>Less</u> Allowance for doubtful accounts	-	-	-	-	-	-
Policy loans - net	269,696,374	33,784,772	303,481,146	227,811,539	25,948,681	253,760,220

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

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

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13 Equipment - net

	2018						2017						
	Cost			Accumulated depreciation			Cost			Accumulated depreciation			
	Beginning balance Baht	Additions Baht	Disposals Baht	Write-off Baht	Transfer Baht	Ending balance Baht	Beginning balance Baht	Additions Baht	Disposals Baht	Write-off Baht	Ending balance Baht	Net balance Baht	
Leasehold improvements	39,732,352	-	-	-	828,526	40,560,878	23,539,349	2,854,480	-	-	26,393,829	14,167,049	
Leasehold improvements in progress	230,728	1,358,886	-	-	(1,502,630)	86,984	-	-	-	-	-	86,984	
Office equipment	18,897,678	271,131	(133,610)	(23,005)	66,704	19,078,898	16,278,462	1,352,849	(118,299)	(23,004)	17,490,008	1,588,890	
Furniture & fixtures	4,735,566	98,377	-	-	607,400	5,441,343	3,685,255	260,787	-	-	3,946,042	1,495,301	
Computers	35,420,268	2,511,332	-	-	6,467,401	44,399,001	22,066,919	5,461,681	-	-	27,528,600	16,870,401	
Hardware in progress	-	6,467,401	-	-	(6,467,401)	-	-	-	-	-	-	-	
Total	99,016,592	10,707,127	(133,610)	(23,005)	-	109,567,104	65,569,985	9,929,797	(118,299)	(23,004)	75,358,479	34,208,625	
	2017												
	Cost			Accumulated depreciation			Cost			Accumulated depreciation			
	Beginning balance Baht	Additions Baht	Disposals Baht	Write-off Baht	Transfer Baht	Ending balance Baht	Beginning balance Baht	Additions Baht	Disposals Baht	Write-off Baht	Ending balance Baht	Net balance Baht	
Leasehold improvements	37,506,409	267,184	-	-	1,958,759	39,732,352	20,803,663	2,735,686	-	-	23,539,349	16,193,003	
Leasehold improvements in progress	329,029	1,860,458	-	-	(1,958,759)	230,728	-	-	-	-	-	230,728	
Office equipment	19,332,719	484,031	-	(919,072)	-	18,897,678	15,874,789	1,322,741	-	(919,068)	16,278,462	2,619,216	
Furniture & fixtures	4,000,907	787,484	(52,825)	-	-	4,735,566	3,595,153	100,898	(10,796)	-	3,685,255	1,050,311	
Computers	29,795,573	5,654,548	-	(29,853)	-	35,420,268	17,418,754	4,674,615	-	(26,450)	22,066,919	13,553,349	
Total	90,964,637	9,053,705	(52,825)	(948,925)	-	99,016,592	57,692,359	8,833,940	(10,796)	(945,518)	65,569,985	33,446,607	

14 Intangible assets - net

Intangible assets as at 31 December 2018 and 2017 comprises:

	2018 Baht	2017 Baht
Computer software beginning balance - net	127,692,040	90,512,427
Additions	19,612,095	13,809,084
Transfer in	4,031,392	44,232,982
Amortisation charges	(28,328,856)	(20,862,453)
Computer software ending balance - net	<u>123,006,671</u>	<u>127,692,040</u>
Computer software in progress beginning balance - net	24,075	32,919,340
Additions	5,722,265	11,337,717
Transfer out	(4,031,392)	(44,232,982)
Computer software in progress ending balance - net	<u>1,714,948</u>	<u>24,075</u>
Total intangible assets - net	<u>124,721,619</u>	<u>127,716,115</u>

15 Other assets

Other assets as at 31 December 2018 and 2017 comprises:

	2018 Baht	2017 Baht
Security and deposits	13,259,996	8,855,656
Prepaid tax	1,537	1,537
Prepaid expense	95,328,938	20,302,533
Others	4,418,890	5,438,698
Total other assets	<u>113,009,361</u>	<u>34,598,424</u>

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16 Insurance liabilities

	2018			2017		
	Insurance contract liabilities Baht	Liabilities recovered from reinsurance Baht	Net Baht	Insurance contract liabilities Baht	Liabilities recovered from reinsurance Baht	Net Baht
Long-term technical reserves	9,289,261,178	-	9,289,261,178	8,045,878,084	-	8,045,878,084
Claim liability						
- Reported claim	167,897,779	(12,101,720)	155,796,059	139,728,351	(2,042,409)	137,685,942
- Claims incurred but not reported	104,670,794	-	104,670,794	85,966,728	-	85,966,728
Premium liability						
- Unearned premium reserve	288,917,037	-	288,917,037	243,101,338	-	243,101,338
Unpaid policy benefits	202,911,499	(27,108,891)	175,802,608	180,393,632	(50,634,117)	129,759,515
Due to insured	15,755,659	-	15,755,659	10,977,008	-	10,977,008
Total	10,069,413,946	(39,210,611)	10,030,203,335	8,706,045,141	(52,676,526)	8,653,368,615

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

16 Insurance liabilities (Cont'd)

16.1 Long-term technical reserves

The movement of long-term technical reserves during the years ended 31 December 2018 and 2017 are as follows:

	<u>2018</u> <u>Baht</u>	<u>2017</u> <u>Baht</u>
Beginning balance for the year	8,045,878,084	7,164,880,588
Policy reserve movement for new policies and inforce policies during the year	1,526,625,175	1,135,182,908
Net movement in benefits payable to life policyholders for death, maturity, surrenders, other policyholders benefits and claims	<u>(283,242,081)</u>	<u>(254,185,412)</u>
Closing balance at the end of year	<u>9,289,261,178</u>	<u>8,045,878,084</u>

The assumptions used in actuarial estimation are as follows:

	<u>2018</u> <u>%</u>	<u>2017</u> <u>%</u>
Morbidity, mortality, and survival rate	15 - 130 TMO	15 - 130 TMO
Discount rate	2 - 6	2 - 6
Benefit paid to insured	1 - 800 SA	1 - 800 SA

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

	<u>2018</u> <u>Baht</u>	<u>2017</u> <u>Baht</u>
Repayment within 1 year	916,880,603	838,367,468
Repayment after 1 year but within 5 years	4,158,567,395	3,900,419,099
Repayment over 5 years	<u>69,220,613,423</u>	<u>62,658,433,728</u>
Total	<u>74,296,061,421</u>	<u>67,397,220,295</u>

16 Insurance liabilities (Cont'd)

16.2 Short-term technical reserves

16.2.1 Claim liability

The movement of claim liability during the years ended 31 December 2018 and 2017 are as follows:

	<u>2018 Baht</u>	<u>2017 Baht</u>
Beginning balance for the year	225,695,079	194,985,054
Insurance claims and loss adjustment expenses incurred during the year	745,808,713	620,447,600
Change in claim reserve and assumptions	18,704,066	1,562,913
Insurance claims and loss adjustment expenses paid during the year	<u>(717,639,285)</u>	<u>(591,300,488)</u>
Closing balance at the end of year	<u>272,568,573</u>	<u>225,695,079</u>

The assumptions used in actuarial estimation are as follows:

	<u>2018 %</u>	<u>2017 %</u>
Weighted average loss ratio	28.0	29.6

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

	<u>2018 Baht</u>	<u>2017 Baht</u>
Repayment within 1 year	267,794,923	221,375,053
Repayment after 1 year but within 5 years	-	-
Repayment over 5 years	-	-
Total	<u>267,794,923</u>	<u>221,375,053</u>

16.2.2 Unearned premium reserve

The movement of unearned premium reserve during the year ended 31 December 2018 and 2017 are as follows:

	<u>2018 Baht</u>	<u>2017 Baht</u>
Beginning balance for the year	243,101,338	214,729,615
Premium written for the year	2,395,933,124	1,920,300,163
Premium earned in the year	<u>(2,350,117,425)</u>	<u>(1,891,928,440)</u>
Closing balance at the end of year	<u>288,917,037</u>	<u>243,101,338</u>

Chubb Life Assurance Public Company Limited
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16 Insurance liabilities (Cont'd)

16.3 Claim Development Table

16.3.1 Claim development table before reinsurance

	Incident Year					2018 Baht	Total Baht
	2013 Baht	2014 Baht	2015 Baht	2016 Baht	2017 Baht		
Reported Year							
Estimated claim:							
- At the end of the year	302,927,071	397,757,611	427,261,231	484,019,021	522,054,571	652,883,380	2,786,902,885
- After 1 year	362,097,529	452,530,602	479,511,887	538,889,681	593,734,086	-	2,426,763,785
- After 2 year	365,838,736	453,647,822	483,103,403	542,397,676	-	-	1,844,987,637
- After 3 year	365,982,632	454,251,632	483,344,706	-	-	-	1,303,578,970
- After 4 year	366,894,074	454,489,953	-	-	-	-	821,384,027
- After 5 year	367,063,874	-	-	-	-	-	367,063,874
Absolute estimated claim	381,135,929	475,174,539	501,991,278	557,093,876	636,615,989	741,874,788	3,293,886,399
Cumulative claim paid	370,152,247	455,203,936	486,147,197	548,568,283	577,376,735	588,643,078	3,026,091,476
Total claim liability	10,983,682	19,970,603	15,844,081	8,525,593	59,239,254	153,231,710	267,794,923
Expired cheque							4,773,650
Total claim liability							272,568,573

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16 Insurance liabilities (Cont'd)

16.3 Claim Development Table (Cont'd)

16.3.2 Claim development table - net

	2018						Total Baht
	Incident Year						
	2013 Baht	2014 Baht	2015 Baht	2016 Baht	2017 Baht	2018 Baht	
Reported Year							
Estimated claim:							
- At the end of the year	301,074,460	395,325,046	424,648,230	481,058,907	518,861,843	648,890,543	2,769,859,029
- After 1 year	359,883,050	449,763,061	476,579,337	535,593,995	590,102,988	-	2,411,922,431
- After 2 year	363,601,377	450,873,449	480,148,889	539,080,535	-	-	1,833,704,250
- After 3 year	363,744,393	451,473,566	480,388,716	-	-	-	1,295,606,675
- After 4 year	364,650,260	451,710,430	-	-	-	-	816,360,690
- After 5 year	364,819,022	-	-	-	-	-	364,819,022
Absolute estimated claim	378,805,016	472,268,515	498,921,251	553,686,859	632,722,638	737,337,707	3,273,741,986
Cumulative claim paid	367,888,506	452,420,046	483,174,068	545,213,406	573,845,674	585,043,115	3,007,584,815
Total claim liability	10,916,510	19,848,469	15,747,183	8,473,453	58,876,964	152,294,591	266,157,171
Recovered claim liability receivable from reinsurer							(10,463,968)
Expired cheque							4,773,650
Total claim liability							260,466,853

16 Insurance liabilities (Cont'd)

16.4 Unpaid policy benefits

The details of unpaid policy benefits as at 31 December 2018 and 2017 are as follows:

	2018 Baht	2017 Baht
Death benefits	35,216,856	34,389,194
Coupon	140,683,445	122,171,718
Expired cheque	27,011,198	23,832,720
Total	202,911,499	180,393,632

17 Amount due to reinsurance

	2018 Baht	2017 Baht
Outward premium payable	52,267,798	54,317,725
Total amount due to reinsurance	52,267,798	54,317,725

18 Employee benefits obligation

	2018 Baht	2017 Baht
Short-term employee benefits	32,097,223	25,851,591
Long-term employee benefits	69,572,418	53,906,007
Post-employment benefits	35,020,599	31,475,580
Total employee benefits obligation	136,690,240	111,233,178

Post-employment benefits obligation from defined benefit plan

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

	2018 Baht	2017 Baht
Present value of post-employment benefits obligation	35,020,599	31,475,580
Total obligation	35,020,599	31,475,580

The amounts recognised in profit or loss are as follows:

	2018 Baht	2017 Baht
Current service costs	3,026,784	3,785,777
Interest costs	518,235	595,913
	3,545,019	4,381,690

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18 Employee benefits obligation (Cont'd)

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

	2018	2017
	Baht	Baht
Beginning balance at 1 January	31,475,580	33,144,630
Current service costs	3,026,784	3,785,777
Interest costs	518,235	595,913
Remeasurements:		
Gain from change in financial assumptions	-	(2,427,542)
Experience gain	-	(1,383,382)
<u>Less</u> benefits paid during the year	-	(2,239,816)
Closing balance at 31 December	<u>35,020,599</u>	<u>31,475,580</u>

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

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

Sensitivity analysis on key assumptions changes are as follows:

	Change in assumption		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	2018	2017	2018	2017	2018	2017
Discount rate	1.00%	1.00%	Decrease by 5.00%	Decrease by 5.00%	Increase by 6.00%	Increase by 6.00%
Salary growth rate	1.00%	1.00%	Increase by 7.00%	Increase by 6.00%	Decrease by 6.00%	Decrease by 5.00%
Turnover rate	20.00%	20.00%	Decrease by 8.00%	Decrease by 7.00%	Increase by 10.00%	Increase by 9.00%

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

	2018	2017
	Years	Years
Weighted average duration of the defined benefit obligation	11.5	11.5

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18 Employee benefits obligation (Cont'd)

Maturity analysis of undiscounted defined benefits:

	2018	2017
	Baht	Baht
Maturity analysis of benefits expected to be paid		
Benefits expected to be paid within 1 year	5,773,835	14,706,505
Benefits expected to be paid after 1 year but within 5 years	19,336,881	4,861,937
Benefits expected to be paid after 5 years	63,919,543	67,625,676

19 Deferred income taxes

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

	2018	2017
	Baht	Baht
Deferred tax assets:		
Deferred tax asset to be settled within 12 months	3,265,734	19,838,886
Deferred tax asset to be settled after 12 months	7,474,344	2,969,103
	<u>10,740,078</u>	<u>22,807,989</u>
Deferred tax liabilities:		
Deferred tax liability to be settled within 12 months	(7,155,308)	(20,001)
Deferred tax liability to be settled after 12 months	(159,730,629)	(203,057,929)
	<u>(166,885,937)</u>	<u>(203,077,930)</u>
Deferred tax assets (liabilities) - net	<u>(156,145,859)</u>	<u>(180,269,941)</u>

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

	Employee benefits obligation Baht	Accrued commission expenses Baht	IBNR Baht	Total Baht
Deferred tax assets				
At 1 January 2018	7,480,376	1,993,472	13,334,141	22,807,989
Increase (decrease) to profit or loss	2,847,391	(1,581,161)	(13,334,141)	(12,067,911)
At 31 December 2018	<u>10,327,767</u>	<u>412,311</u>	<u>-</u>	<u>10,740,078</u>
At 1 January 2017	-	-	-	-
Increase to profit or loss	8,242,561	1,993,472	13,334,141	23,570,174
Decrease directly to equity	(762,185)	-	-	(762,185)
At 31 December 2017	<u>7,480,376</u>	<u>1,993,472</u>	<u>13,334,141</u>	<u>22,807,989</u>

19 Deferred income taxes (Cont'd)

	Unrealised gains on changes in fair value of investments Baht	Prepaid Expense Baht	Total Baht
Deferred tax liabilities			
At 1 January 2018	203,077,930	-	203,077,930
Increase to profit or loss	-	17,777,778	17,777,778
Decrease to other comprehensive income (loss)	(53,969,771)	-	(53,969,771)
At 31 December 2018	149,108,159	17,777,778	166,885,937
At 1 January 2017	134,598,006	-	134,598,006
Increase to other comprehensive income (loss)	68,479,924	-	68,479,924
At 31 December 2017	203,077,930	-	203,077,930

As at 31 December 2018 and 2017 the Company had unutilised deductible temporary tax difference that the Company did not recognise as deferred tax assets in the financial statements as follows:

	2018	
	Expiry date	
	Within 12 months Baht	Over 12 months Baht
Employee benefits obligation	-	44,283,014
Accrued commission expenses	12,605,995	-
Leasehold demolishing cost	-	5,696,360
IBNR	117,250,159	-
	129,856,154	49,979,374
	2017	
	Expiry date	
	Within 12 months Baht	Over 12 months Baht
Employee benefits obligation	-	39,308,535
Leasehold demolishing cost	-	5,219,492
IBNR	34,220,542	-
	34,220,542	44,528,027

20 Share - based payment

Chubb Limited (Parent Company), which is listed on the New York Stock Exchange, has a stock option plan, a restricted stock plan and an employee share participation plan. As at 31 December 2018, total liabilities for share-based payment are amounted to THB 69,572,418 (2017: THB 53,906,007).

Stock Option Plan

Under Chubb Limited's long-term incentive plan, restrictive share options were granted to eligible employees of the Company. The exercisable price of these options is the fair market value at grant date. These options vest at various dates over a 3 year period from the grant date and any unvested options are cancelled on termination of employment. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb Limited to the Company on an annual basis. Any option not exercised or cancelled pursuant to the terms of plan will be forfeited by the tenth anniversary from the date of grant. The total value of the options granted during the year 2018 was USD 450,516 (2017: USD 504,050).

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

	2018		2017	
	Average exercise price per share (USD)	Options (Shares)	Average exercise price per share (USD)	Options (Shares)
At 1 January	120.45	11,331	111.05	8,868
Granted	143.07	3,149	139.01	3,626
Exercised	139.70	(3,130)	139.76	(845)
Forfeited	-	(3,209)	-	(264)
Expired	-	-	-	(54)
At 31 December	127.25	8,141	120.45	11,331

As at 31 December 2018, out of the 8,141 outstanding options (2017: 11,331 options), 4,021 options (2017: 4,387 options) were exercisable.

For exercised options during the year ended 31 December 2018, the weighted-average fair value of stock was USD 139.70 per share (2017: USD 139.76 per share).

20 Share - based payment (Cont'd)

Share options outstanding as at 31 December 2018 and 2017 have the following expiry date and exercise prices:

Expiry year	Exercise price per share (USD)	Options (Shares)	
		2018	2017
2019	38.51	-	-
2020	50.37	-	-
2021	62.64	-	-
2022	73.35	52	52
2023	85.39	79	201
2024	96.76	472	1,488
2025	114.78	1,477	2,650
2026	118.39	1,932	3,350
2027	139.01	2,281	3,590
2028	143.07	1,848	-
Outstanding balance		8,141	11,331

The weighted average fair value of options granted during the year are determined using the Black-Scholes option-pricing valuation model was USD 29.71 per option (2017: USD 22.96). The significant inputs into the model were exercise price of USD 143.07 (2017: USD 139.01) at the grant date, the exercise price shown above, volatility of 23.16% (2017: 19.72%), dividend yield of 2.04% (2017: 2.04%), an expected option life of 10 years and an annual risk-free interest rate of 2.73% (2017: 1.99%).

Restricted Stock Plan

Under Chubb Limited's long-term incentive plan, there were 2,363 restricted stock, with weighted average fair value at USD 143.07 per share, awarded to eligible employees during the year ended 31 December 2018 (2017: 2,720 restricted stock, with weighted average fair value at USD 139.01 per share). These shares vest at various dates over a 4 year period from the grant dates and any unvested shares are cancelled on termination of the employment of the eligible employees. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb Limited to the Company on an annual basis. The annual expense is based on an amortised calculation that is reflective of the current year's expense portion of all restricted stock grants issued in the current and prior years, and is consistent with the treatment required by TFRS 2: Share-based payment. There is liability to the Company for the unamortised portion of the restrictive stock grants issued. The amortised calculation incorporates the fair market value of Chubb Limited's common stock in determining the expense amount. Expected future dividend payments in relation to the restrictive stock grants issued are made directly by Chubb Limited to the eligible employees. The total expense for the year 2018 was Baht 8,528,616 (2017: Baht 10,235,974).

Employee Share Participation Plan

The Company collects money from local eligible employees and acquires ordinary shares in Chubb Limited on behalf of the employees on a bi-annual basis. Annual purchases by eligible employees are limited at USD 25,000. The price paid by the eligible employees is set at a discount of 15% to the fair value of the ordinary shares at the date of acquisition; this discount is incurred at the group level by Chubb Limited and not charged to the Company. During the year 2018, employees paid for purchase of ordinary shares of Chubb Limited was Baht 2,290,112 (2017: 1,828,300).

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21 Operating expenses

	2018 Baht	2017 Baht
Employee expenses not relating to underwriting and claim management expenses	273,077,677	241,156,994
Property and equipment expenses not relating to underwriting expenses	93,198,519	92,326,979
Tax expenses	807,042	851,962
Selling and administrative expense	151,808,478	138,757,590
Other operating expenses	27,870,741	21,128,205
Total operating expenses	546,762,457	494,221,730

22 Employee benefit expenses

	2018 Baht	2017 Baht
Salary	186,038,014	165,194,310
Social security fund	1,502,374	1,507,650
Contribution to defined benefit plan	8,080,064	6,382,376
Bonus	66,452,844	53,690,462
Other employee benefit expenses	44,095,343	44,019,073
Total employee benefit expenses	306,168,639	270,793,871

23 Income tax expenses

	2018 Baht	2017 Baht
Current tax:		
Current income tax on taxable profits for the year	15,086,482	50,544,648
Total current tax	15,086,482	50,544,648
Deferred tax:		
(Increase) Decrease in deferred tax assets (Note 19)	12,067,911	(23,570,174)
Increase in deferred tax liabilities (Note 19)	17,777,778	-
Total deferred tax	29,845,689	(23,570,174)
Total income tax expenses	44,932,171	26,794,474

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

	2018 %	2017 %
Income tax rate used	20	20
Temporary difference		
Commission and brokerages	1	-
Insurance claims	2	2
Other operating expenses	(12)	-
Permanent difference	-	-
Tax loss carried forward	-	-
Effective tax rate	11	22

Income tax rate used for 2018 is 20% (2017: 20%).

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24 Tax effects from other comprehensive income (loss)

	2018			2017		
	Before tax Baht	Tax benefit (expense) Baht	Net of tax Baht	Before tax Baht	Tax benefit (expense) Baht	Net of tax Baht
Remeasurement of post-employment benefit obligations	-	-	-	3,810,924	(762,185)	3,048,739
Change in value of available-for-sale investments	(269,848,853)	53,969,771	(215,879,082)	342,399,618	(68,479,924)	273,919,694
Total	(269,848,853)	53,969,771	(215,879,082)	346,210,542	(69,242,109)	276,968,433

25 Share capital

	Ordinary shares	
	Number of shares	Baht
At 31 December 2016	139,025,000	1,390,250,000
Issue of shares	-	-
At 31 December 2017	139,025,000	1,390,250,000
Issue of shares	-	-
At 31 December 2018	139,025,000	1,390,250,000

26 Earnings per share

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

	2018	2017
Net profit for the year (Baht)	91,137,277	206,713,784
Weighted average number of ordinary shares in issue during the year (shares)	139,025,000	139,025,000
Basic earnings per share (Baht)	0.66	1.49

There are no potential dilutive ordinary shares issued for the years ended 31 December 2018 and 2017.

27 Related party transactions

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

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

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

a) Statements of comprehensive income

	2018	2017
	Baht	Baht
Affiliates of Chubb Limited		
Premiums ceded to reinsurers		
Chubb Tempest Reinsurance Ltd.	2,703,817	3,704,165
Commissions and brokerages		
Chubb Samaggi Insurance PLC	2,301,785	1,958,727
Operating expenses		
Chubb Samaggi Insurance PLC	7,054,788	7,516,174
Chubb Asia Pacific PTE. Ltd.	6,940,281	5,290,302
Chubb America Insurance Company	2,206,637	453,751
Chubb Group Holdings, Inc.	180,000	125,928

b) Statements of financial position

	2018	2017
	Baht	Baht
Assets		
Parent Company		
Other assets		
Chubb Limited	-	988,753
Affiliates of Chubb Limited		
Other assets		
Chubb INA International Holding Limited	2,214,853	1,666,551
Chubb Life Insurance Company	216,932	-
ACE Life Legal and Compliance	1,946	1,946
Chubb Asia Pacific PTE. Ltd.	60,990	-
	2,494,721	2,657,250

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27 Related party transactions (Cont'd)

The related party transactions are mainly transacted with the group companies of Chubb Limited as follows: (Cont'd)

b) Statements of financial position (Cont'd)

	2018 Baht	2017 Baht
Liabilities		
Parent Company		
Employee benefits obligation		
Chubb Limited	69,572,418	53,906,007
Affiliates of Chubb Limited		
Amount due to reinsurance		
Chubb Tempest Reinsurance Ltd.	844,617	9,789,839
Other liabilities		
Chubb INA International Holding Limited	32,839	51,445
Chubb America Insurance Company	5,030,388	2,823,751
Other creditors		
Chubb Asia Pacific PTE. Ltd.	2,030,392	735,014
Chubb INA International Holding Limited	73,038	73,038
Chubb Samaggi Insurance PLC	2,889,398	102,501
Accrued commission expenses		
Chubb Samaggi Insurance PLC	664,907	1,035,446
Accrued expenses		
Chubb Samaggi Insurance PLC	857,005	4,194,248
Chubb Group Holdings, Inc.	334,054	325,413
	<u>82,329,056</u>	<u>73,036,702</u>

28 Key management's compensation

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Company. Their compensations for the years ended 31 December 2018 and 2017 are as follows:

	2018 Baht	2017 Baht
Short-term employee benefits	70,395,631	70,192,065
Long-term employee benefits	403,755	513,519
Total	<u>70,799,386</u>	<u>70,705,584</u>

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29 Assets deposited with Insurance Registrar

As at 31 December 2018 and 2017, the Company deposited certain assets with the Registrar of the Office of Insurance Commission in accordance with the Life Insurance Act (No. 2) Section 20 B.E. 2551 as follows:

	Carrying value	
	2018 Baht	2017 Baht
Government bonds	31,101,062	32,005,941

30 Assets pledged as reserve with registrar

As at 31 December 2018 and 2017, the following assets have been pledged as life assurance policy reserve with the Registrar of the Office of Insurance Commission in accordance with the Life Insurance Act (No. 2) Section 24 B.E. 2551 as follows:

	Carrying value	
	2018 Baht	2017 Baht
Government bonds	2,186,332,925	1,946,239,533

31 Contribution to Life Insurance Fund

In compliance with the Life Insurance Act B.E. 2535, as at 31 December 2018, the Company had cumulative contribution to Life Insurance Fund amounted to Baht 33,462,219 (31 December 2017: Baht 28,169,891).

32 Commitments

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

	2018		
	Operating lease Baht	Service fee and others Baht	Total Baht
Due within 1 year	23,189,880	4,044,047	27,233,927
Due more than 1 year but no later than 5 years	46,988,452	3,599,495	50,587,947
	<u>70,178,332</u>	<u>7,643,542</u>	<u>77,821,874</u>
	2017		
	Operating lease Baht	Service fee and others Baht	Total Baht
Due within 1 year	26,467,180	4,473,232	30,940,412
Due more than 1 year but no later than 5 years	2,262,500	1,035,361	3,297,861
	<u>28,729,680</u>	<u>5,508,593</u>	<u>34,238,273</u>