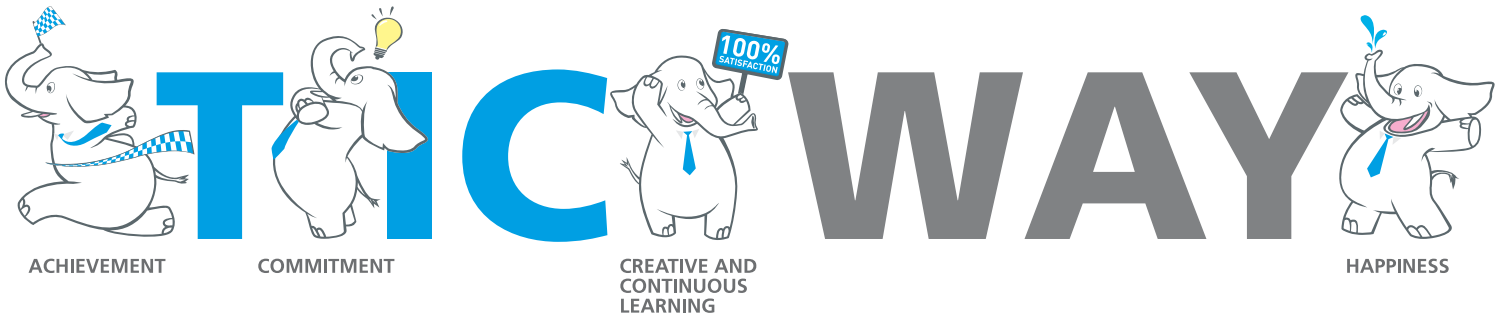




ไทยประกันภัย
Thai Insurance

Annual Report 2009





ไทยประกันภัย

Thai Insurance

Vision (วิสัยทัศน์)

เราจะเป็นบริษัทประกันภัยที่ลูกค้าให้ความไว้วางใจมากที่สุด
To Be The Most Trusted Insurance Company

Mission (ภารกิจ)

มุ่งมั่นพัฒนาสินค้าและบริการที่มีคุณภาพ ควบคู่กับการพัฒนาพนักงานให้มีความรู้และจริยธรรม รวมถึงกระบวนการปฏิบัติงานที่ดีเลิศ เพื่อตอบสนองความพึงพอใจของลูกค้า และสร้างความมั่นคงทางการเงินของบริษัท

To strive for product and service quality through skills and ethics development and through operational excellence, in order to achieve customer satisfaction and sustain financial strength.

Values (ค่านิยม)

- สร้างความพึงพอใจให้แก่ลูกค้า และเพื่อนร่วมงาน
Customer Satisfaction
- มุ่งผลสำเร็จ
Achievement

TIC Way

- มุ่งมั่นทำให้เกิดผลสำเร็จ
Achievement
- มุ่งมั่นทำตามคำสัญญา
Commitment
- มีความคิดสร้างสรรค์และใฝ่รู้
Creative and Continuous Learning
- มีความสุขและสนุกกับการทำงาน
Happiness





HISTORY

of The Thai Insurance Public Company Limited

The Thai Insurance Public Company Limited was established from the royal initiation of Somdej Prapanwasa Auiyikachao, His Majesty the King's grandmother, that the Thai-owned insurance company should be established in order to keep money in the country and help the Thai's during distress in claim situation. The company then started its operation on January 10, 1938 (72th anniversary in 2010) rendering all type of non-life insurances services. It became the first biggest Thai insurance company, and was awarded a garuda emblem and was designated as a company "Under Royal Patronage" from His Majesty the King.



In 1976, the company was registered with the Stock Exchange of Thailand under the trading symbol "TIC" being the first insurance company in Thailand to be registered with the Stock Exchange of Thailand and became a public company in August, 1993.



In 2003, the company won the Best Corporate Governance Report Award from SET Award 2003 by the Stock Exchange of Thailand.

Presently, the company's headquarter is located at Thai Insurance Building, 34/3 Soi Lung Suan, Ploenchit Road, Lumpini, Pathumwan, Bangkok and has 8 branches in Rayong, Chonburi, Khonkan, Nakorn Ratchsrima, Chiang Mai, Phitsanulok, Nakornpathom and Chiang Rai.



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Financial Highlights

| | 2552 | 2551 | 2550 |
|--|-------|--------|-------|
| | 2009 | 2008 | 2007 |
| 1. Current Ratio (Times) | 1.47 | 1.23 | 1.32 |
| 2. Turnover of Premium Receivables (Days) | 60.57 | 76.22 | 85.35 |
| 3. Retention Rate (%) | 79.11 | 81.98 | 80.53 |
| 4. Loss Ratio (%) | 63.91 | 60.14 | 57.38 |
| 5. Earnings on Underwriting to Net Premium Written (%) | 21.23 | 18.58 | 14.89 |
| 6. Underwriting Expenses and Operating Expenses Ratio (%) | 38.58 | 40.33 | 46.42 |
| 7. Return on Investment (%) | 4.58 | 1.93 | 6.84 |
| 8. Shareholders' Equity to Net Premium Written Ratio (Times) | 0.60 | 0.37 | 0.47 |
| 9. Net Profit Margin (%) | 1.64 | 0.13 | 2.76 |
| 10. Return on Equity (%) | 3.89 | 0.38 | 7.53 |
| 11. Return on Total Assets (%) | 1.38 | 0.12 | 2.66 |
| 12. Total Assets Turnover (Times) | 0.84 | 0.97 | 0.96 |
| 13. Debt Equity Ratio (Times) | 1.46 | 2.31 | 1.95 |
| 14. Unearned Premium Reserve to Capital Fund (Times) | 0.77 | 1.3 | 1.13 |
| 15. Unearned Premium Reserve to Total Assets (%) | 31.39 | 39.27 | 38.22 |
| 16. Earnings Per Share (Baht) | 0.78 | 0.09 | 1.82 |
| 17. Dividend Per Share (Baht) | | | |
| Ordinary Share | 0.25 | Unpaid | 1.00 |
| Preferred Share | 1.00 | | |
| 18. Book Value Per Share (Baht) | 21.76 | 20.73 | 24.77 |



During the end of the year 2009, Thailand's economic stability revealed the signs of great improvement when compared to the sharp contraction in the first half of the year. Economic growth rate in the last quarter accelerated to as high as 5.8% after continuous shrink since the end of the year 2008 leading the Thai economy to decline only 2.3% in the year 2009 which is better and faster than expected and became the good sign of economic recovery. Overall economy in the year 2010 is expected to grow approximately 3.5-4.5% which is in line with the world economy recovery and benefits from the government expenditures through economic stimulus measures that boost consumers' confidence and purchasing power. Due to various environmental factors that affect the economic improvement, the overall performance of non-life insurance industry in the year 2010 will be gradually improved as it creates more opportunities for revenue generation both premium expansion and return on investment. So the insurance business will likely grow from 3.4% in the year 2009 to 6.0-8.0% in the year 2010.

Regarding the Company performance in the year 2009, the Company had net profit at Baht 17.6 million although insurance premium declined by 17.7% from last year while the industry growth was 3.4%. This is because of the Company's concentration on work quality and efficiency in stead of insurance premium growth resulting in loss ratio reduction. Loss ratio in the second half of the year reduced to 61% from 67% in the first half of the year so that the underwriting profit in the second half of the year showed sign of improvement. Regarding investment perspective, the Company investment income recorded at Baht 17 million, increasing from previous year by 207% in consequence of effective portfolio management and favorable stock market environment. In addition, the Company was able to maintain all financial ratios at the level above the criteria setting by the Office of Insurance Commission and qualified the RBC test criteria to prepare the Risk-Based Capital (RBC) in which the Office of Insurance Commission will enforce on the year 2011. This is a result from supporting shareholder for capital increase during the beginning of the year 2009 leading the Company to have an adequate capital base.

For direction in the operations in the year 2010, the Company set the target to have the insurance premium growth of approximately 10% and still put emphasis on work quality and efficiency. To obtain sustainable underwriting growth, the product development and excellent service to target customers will be our focus in stead of price strategy. Retail Marketing, Bancassurance and agents continue to be our main channel in retail customer group penetration and distribution expansion.

On behalf of the Board of Directors, I would like to thank all of the shareholders, customers as well as business alliances who have always been trusting and rendering support to the company along with partners and employees who have devoted all their working knowledge and abilities to the company leading to successful performance and pave the way for stabilized growth.



(Mr.Kavi Ansvananda)
Chairman





1. Mr. Kavi Ansvananda

Chairman

Other Positions

Chairman

Mongkolchai Patana Co., Ltd.

Suvarnachad Co., Ltd.

Pure Sammakorn Development Co.,Ltd.

Chairman of the Executive Board

Summakorn Public Company limited

Director

Sribathana Co., Ltd.

Sripavidh Co., Ltd.

Danacom and Development Co., Ltd.

Sridharani Co., Ltd.

Ban Bung Vejjakij Co., Ltd.

Independent Director/ Audit Committee Member

Chairman of the Nomination and Remuneration Committee

The Siam Industrial Credit Public Company limited

Manager

His Majesty Private Property Office

Director

His Majesty Private Development Project

Education

B.A (Accountancy) Chulalongkorn University

Training : Thai Institute of Director

2. Mr. Phinyo Ekaraphanich

Director

Other Positions

Director

Office of The Privy Purse

Education

Bachelor of Business Administration, U.S.A.

Parsons College , IOWA , U.S.A

3. Dr.Chatchawin Charoen Rajapark

Independent Director /

Chairman of the Audit Committee /

Member of the Strategy and Policy Committee /

Member of the Nomination and Compensation Committee

Other Positions

Managing Director

President Hotel and Tower Co.,Ltd.

Independent Director/

Member of the Audit Committee/

Chairman of the Nomination and Remuneration Committee

Ocean Glass Public Company Limited

Executive Director

Eastern Star Real Estate Public Company Limited

Vice Chairman of the Board

Rajapark Development Company Limited

Education

Ph.D. in Management

Massachusetts Institute of Technology,

Cambridge, Massachusetts, U.S.A.

Training : Thai Institute of Director

4. Mr. Luecha Sukrasebya

Director

Other Positions

Executive Vice President

Head of Alternative Channels Group

TMB Bank Public Company Limited

Director

TMB Asset Management Co.,Ltd.

Education

Bachelor Degree in Business Administration,

Major in Personal Management,

Bangkok University.

Training : Thai Institute of Director



5. Mr. Paisit Tuchinda

**Director /
Chairman of the Investment Committee /
Member of the Nomination and Compensation Committee /
Member of the Strategy and Policy Committee**

Other Positions

Director
Sanong Tuchinda Co., Ltd.
Managing Director
Danu Thai Holding Co., Ltd.

Education

Master of Marketing (International Languages),
Thammasat University
Training : Thai Institute of Director

6. Mr. Bibit Bijaisoradat

**Independent Director /
Member of the Audit Committee /
Chairman of the Strategy and Policy Committee /
Chairman of the Nomination and Compensation Committee**

Other Positions

Director
Summakorn Public Co., Ltd.
Danu Thai Holding Co., Ltd.
Independent Director / Audit Committee Member
Rayoung Purifier Public Company Limited
Singer Thailand Public Company Limited
Managing Director
Mongkolchai Patana Co., Ltd.
Deputy Director
His Majesty Private Development Project
Assistant Manager
His Majesty Private Property Office

Education

Master of Business Administration,
National Institute of Development Administration (NIDA)
Training : Thai Institute of Director

7. Ms. Koonthala Sasasmit

**Independent Director /
Member of the Audit Committee**

Education

Bachelor of Accounting,
University of the Thai Chamber of Commerce
Master of Science (Finance),
University of Arizona, U.S.A.
Training : Thai Institute of Director

8. Miss Panita Tuchinda

**Managing Director /
Member of the Strategy and Policy Committee /
Member of the Investment Committee**

Education

Master of Public Administration
New York University, U.S.A
Training : Thai Institute of Director

9. Mr. Tikumporn Pongsawasdi

**Director and Assistant Managing Director /
Member of the Strategy and Policy Committee /
Member of the Investment Committee /
Corporate Secretary**

Experiences

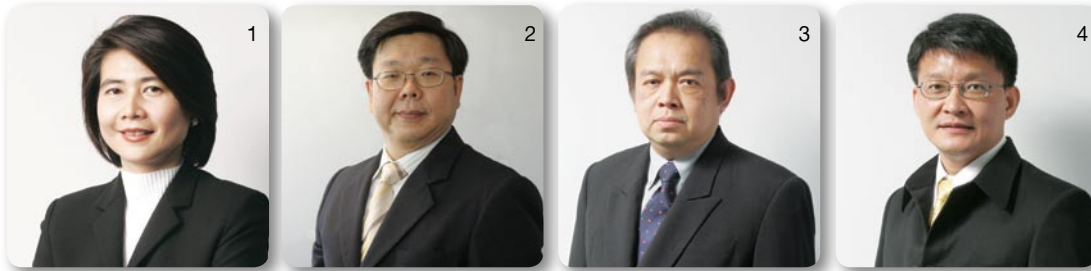
Vice President Accounting Office
Dhana Nakorn Finance & Securities
Public Company Limited

Education

Bachelor of Business Administration (Accounting)
Ramkamhaeng University
Training : Thai Institute of Director



Executive Officers



1. Miss Panita Tuchinda
Managing Director

Education

Master of Public Administration
New York University, U.S.A
Training : Thai Institute of Director

2. Mr. Sombat Anunta
Deputy Managing Director

Experiences

Vice President, Underwriter
The Thai Commercial Insurance
Public Company Limited

Education

Master of Business Administration
National Institute of Development
Administration (NIDA)

3. Mr. Tikumporn Pongsawasdi
Director and Assistant Managing Director

Experiences

Vice President Accounting Office
Dhana Nakorn Finance & Securities
Public Company Limited

Education

Bachelor of Business Administration (Accounting)
Ramkamhaeng University
Training : Thai Institute of Director

4. Mr. Wichan Pansrimangkorn
Vice President

- Branches Department
- Claims Handling & Management Department
- Legal Department

Experiences

Vice President for Administrative Department
The Thai Commercial Insurance
Public Company Limited

Education

Master of Business Administration
Thammasat University



5. Mr. Ranisorn Phoungvarintara

Vice President

- Financial Institution Department
- Agent Department
- Finance & Leasing Department
- Corporate Direct Department

Experiences

Assistant Vice President, Marketing Department
Insurance One Co., Ltd

Education

Bachelor of Laws,
Ramkamhaeng University

8. Mr. Soodjarit Yooktajarong

Vice President

- One Contact Point Department
- Business Development Department
- Corporate Communication Department
- Retail Direct Department

Experiences

Manager, Consumer Database Management
Nestle (Thai) Co., Ltd.

Education

Master of Environment
Mahidol University

6. Mrs. Narumol Tonmanee

Vice President

- Operations Department
- Standard Service Quality Department

Experiences

Senior Vice President, Funding Department
Dhana Nakorn Finance & Securities
Public Company Limited.

Education

Master of Business Administration (Finance)
National Institute of Development Administration (NIDA)

9. Mrs. Piyamaporn Kookittimaitri

Vice President

- People Management & Development Department

Experiences

Human Resources Administrator
Kimberly-Clark Thailand Ltd.
Manager - Factory Human Resources
Nestle (Thai) Ltd.
Manager - Human Resources Services
F&N Dairies (Thailand) Ltd.

Education

B.A. History (Tourism)
Naresuan University

7. Mrs. Piyanch Preecha

Vice President

- Underwriting Department

Experiences

Assistant Vice President ,
Underwriting Department
Safety Insurance Public Company Limited.

Education

Master of Business Administration
Khonkaen University



Major Shareholders

As at December 30, 2009

| No. | Name | Unit | % * |
|-----|---|-----------|--------|
| 1 | HIS MAJESTY KING BHUMIBOL ADULYADEJ | 5,382,654 | 22.90% |
| 2 | MR. PAISIT TUCHINDA | 2,720,000 | 11.57% |
| 3 | TMB BANK PUBLIC COMPANY LIMITED | 1,899,964 | 8.08% |
| 4 | SANONG TUCHINDA COMPANY LIMITED | 1,255,000 | 5.34% |
| 5 | MISS PANITA TUCHINDA | 673,000 | 2.86% |
| 6 | THANPUYING DHASANAWALAYA SORNSONGKRAM | 648,494 | 2.76% |
| 7 | MR. VORAVIT ROJRAPITADA | 478,925 | 2.04% |
| 8 | MR. PHAISAN THANESANUKUL | 460,410 | 1.96% |
| 9 | OFFICE OF THE PRIVY PURSE / PHRA SRIRATANACHEDI | 456,168 | 1.94% |
| 10 | MR. CHANCHAI KRAIRITTICHAJ | 411,600 | 1.75% |

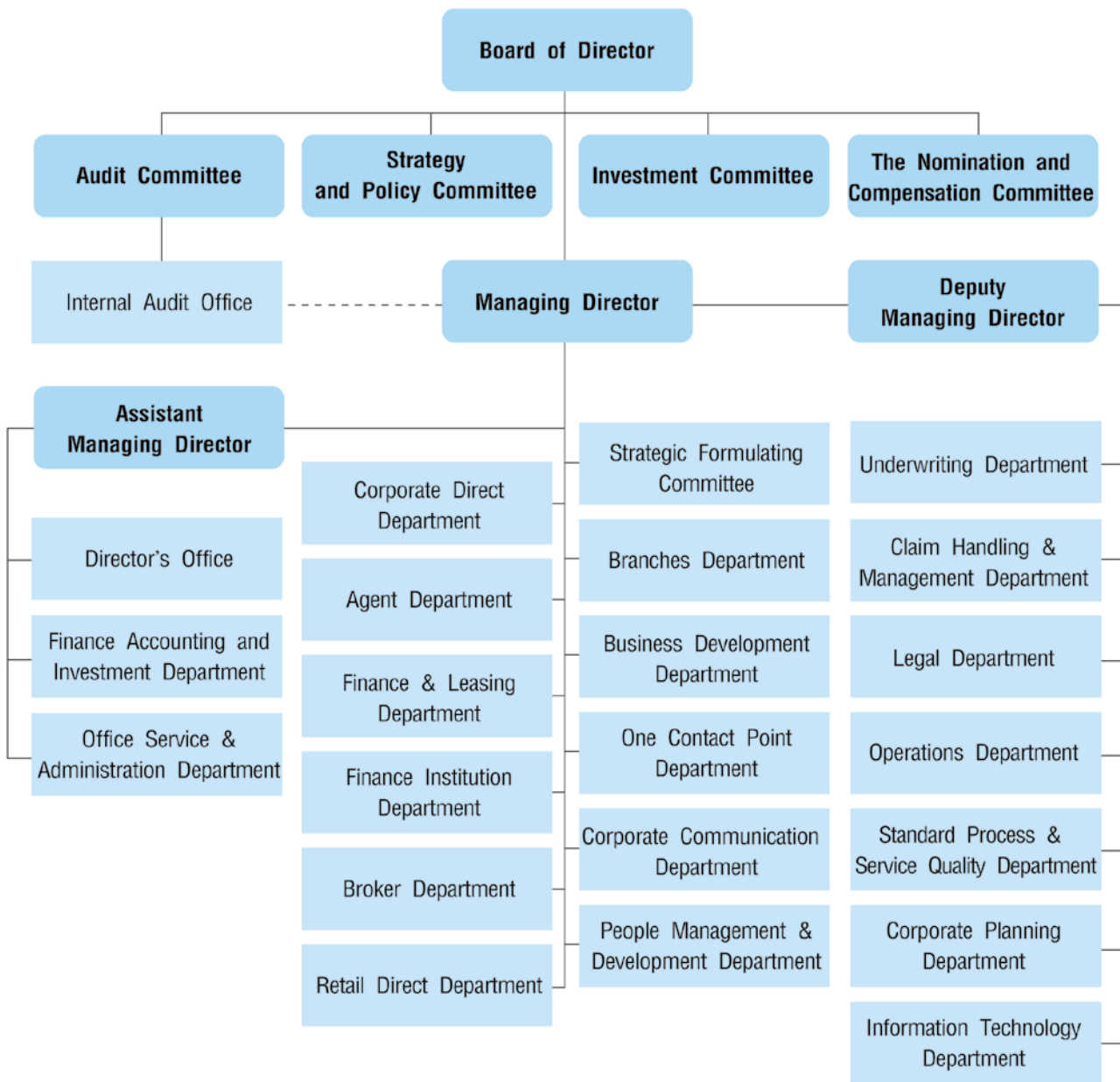
* % shareholding is calculated from both preferred and ordinary shares

Ordinary Shares : Registered Capital 190 Million Baht / Paid-up Capital 190 Million Baht

Preferred Shares : Registered Capital 100 Million Baht / Paid-up Capital 45 Million Baht

Dividend Payment Policy

The company will pay dividend to the shareholders of no less than 40% of net profit after deducting corporate tax.





Structure of The Board of Directors

The Company's structure of management consists of the Board of Directors, the Audit Committee, the Nomination and Compensation Committee, Strategy and Policy Committee, Investment Committee and Management. Duties and responsibilities of each committee are summarized as follows:

1. Board of Directors - comprises of 9 directors authorized to formulate the company's business / management policies and to monitor / supervise activities of the management to ensure efficiency and attainment of corporate objectives. Two board of directors' signatures accompanied by an official company seal allows the directors to engage in legally binding agreement on behalf of the company.

2. Audit Committee - is responsible for ensuring effective corporate internal controls system, accurate financial disclosures, compliance with accepted accounting standards, prevention of potential conflict of interests within the scope of business / related persons and specify compensation for auditor. (Can see Charter of the Audit Committee in detail on www.thaiins.com)

3. Nomination and Compensation Committee - has its duties to determine criteria relating to personnel management, to determine remuneration of the Board of Directors, the Management, employees and consultant, and to propose the method to evaluate the work performance of directors and the Board of Directors, and to follow up the result of evaluation. Moreover, has its duties to nominate qualified persons to be directors

4. Strategy and Policy Committee - has been responded to support the Board and Management. The Board has given the advices in policy, target and strategic determination, direction of business operation, monitoring and evaluation throughout given the advices to the management for good corporate governance policy.

5. Investment Committee - to comply with the declaration of investments of the Office of Insurance Commission (OIC), the Board of Director had the resolution to establish the Investment Committee on February 17, 2010 to be responsible for investment policy, considering the investment regulations and procedure and considering investment approval as well as monitoring the status of its investments according to investment policy and OIC's investment regulation.

Structure of The Board of Directors

| No. | Name | Position | Remark |
|-----|---------------------------------------|----------|--|
| 1 | Mr.Kavi Ansvananda* | Chairman | Non Executive Director Shareholder representative : His Majesty Private Property Office |
| 2 | Mr.Phinyo Ekaraphanich* | Director | Non Executive Director Shareholder representative : Office of The Privy Purse |
| 3 | Mr.Paisit Tuchinda* | Director | Non Executive Director Major Shareholder |
| 4 | Mr.Bibit Bijaisoradat | Director | Independent Director |
| 5 | Dr.Chatchawin Charoen-Rajapark | Director | Independent Director |
| 6 | Mr.Luecha Sukrasebya | Director | Non Executive Director Shareholder representative : TMB Bank (Plc.) |
| 7 | Mrs.Koonthala Sasasmit | Director | Independent Director |
| 8 | Miss Panita Tuchinda* | Director | Executive Director |
| 9 | Mr.Tikumporn Pongsawasdi* | Director | Executive Director |

* To be the authorized directors of company obligation in a affidavit's Ministry of Commerce



The Board of Directors comprise of :

| | |
|-------------------------|-----------|
| Executive directors | 2 persons |
| Non-Executive directors | 4 persons |
| Independent directors | 3 persons |

The company board of directors consists of 3 independent directors, equal to one third of the total number of directors, which is currently a total of 9. The components of the company board of directors have the suitability to enable the board of directors to perform its functions efficiently. The board chairman is not the same person as the managing director and does not have any relation with the management.

Qualifications of Independent Committee members

1. Not over 65 years old.
2. Be in the position of committee no more than 3 consecutive terms.
3. Have at least Bachelor's Degree.
4. Have the Independent Director's qualification in accordance with the determined of Office of the Securities Exchange Commission or the Stock Exchange of Thailand.

Corporate Secretary

The committee has had the resolution on February 13, 2008 to elect Mr.Tikumporn Pongsawasdi, Director and Assistant Managing Director, to be Secretary of Company. Scope of his work and responsibility has been as follows:

- To give advice, principle, rule, regulation and legal, which the committee has to know on the Listed Company's duty.
- To arrange and preserve the documents as follows
 - Director registration
 - Written notice calling the Committee Meeting, Minute of Committee Meeting and Annual report
 - Written notice calling for an Annual General Meeting and Minute of Annual General Shareholder's Meeting.
 - Preserving the interest as reported by Director or Management.
- To look after the Committee's activities according to assignment.



Board of Directors' Meeting

The Board of Directors' meeting is held on at least once a times per quarterly. All directors have independly to propose the meeting agendas, basis with meeting agendas specified in advance. The Board of Directors' secretary is responsible for distributing the meeting notices meeting agenda and attachments to members of the Board of Directors at least 7 days prior to the meeting date. The Board of Directors' secretary is also responsible for recording and filing the minutes of future inspection by related officers. In 2009, the members of Directors attended the usual 6 meetings. Meeting participants are as follows:

| Total number of meetings attended.....Times From.....Times | | | Total number of meetings attended.....Times From.....Times | | |
|--|------------------------|-----|--|--------------------------------|-----|
| 1 | Mr.Kavi Ansvananda | 6/6 | 6 | Dr.Chatchawin Charoen-Rajapark | 5/6 |
| 2 | Mr.Thamnu Thammongkol | 2/6 | 7 | Ms.Panita Tuchinda | 5/6 |
| 3 | Mr.Phinyo Ekaraphanich | 5/6 | 8 | Mrs.Koonthala Sasasmit | 4/4 |
| 4 | Mr.Paisit Tuchinda | 6/6 | 9 | Ms.Panita Tuchinda | 6/6 |
| 5 | Mr.Bibit Bijaisoradat | 6/6 | 10 | Mr.Tikumporn Pongsawasdi | 4/4 |

Notes : - Person No.2 was retired by rotation, effective from April 22, 2009.
- Person No.8, 10 appointed as Director on April 22, 2009.

The Audit Committee held a total of 4 quarterly meeting which the member are as follows.

| Total number of meetings attended.....Times From.....Times | | |
|--|--------------------------------|-----|
| 1 | Mr.Thamnu Thammongkol | 1/4 |
| 2 | Mr.Bibit Bijaisoradat | 4/4 |
| 3 | Dr.Chatchawin Charoen-Rajapark | 4/4 |
| 4 | Mrs.Koonthala Sasasmit | 3/4 |

Notes : - Person No.1 was retired by rotation, effective from April 22, 2009.
- Person No.3 appointed as the Chairman of Audit Committee on May 2009.
- Person No.4 appointed as member of Audit Committee since April 22, 2009.

The Nomination Compensation Committee held one time on February 4, 2009 for meeting which all members attended the meeting.

| Total number of meetings attended.....Times From.....Times | | |
|--|-----------------------|-----|
| 1 | Mr.Thamnu Thammongkol | 1/1 |
| 2 | Mr.Bibit Bijaisoradat | 1/1 |
| 3 | Mr.Paisit Tuchinda | 1/1 |

Notes : - Person No.1 was retired by rotation, effective from April 22, 2009.
- Person No.2 appointed as the Chairman of the Nomination and Compensation on February 2010.
- Appointed Dr.Chatchawin Charoen-Rajapark as the member of the Nomination and Compensation on January 2010.

The Strategy and Policy Committee held a total of 12 meetings which the member are as follows.

| Total number of meetings attended.....Times From.....Times | | |
|--|--------------------------------|-------|
| 1 | Mr.Bibit Bijaisoradat | 12/12 |
| 2 | Mr.Paisit Tuchinda | 12/12 |
| 3 | Dr.Chatchawin Charoen-Rajapark | 12/12 |
| 4 | Ms.Panita Tuchinda | 12/12 |
| 5 | Mr.Tikumporn Pongsawasdi | 8/12 |

Notes : - Person No.5 appointed as member of Strategy and Policy Committee on May 2009.

Leadership and Vision

The Board of Directors has a role in approving the company's vision, mission, objectives, business plans and budgets, as well as monitoring the management to ensure that business plans are undertaken within the specified budgets in an effective and efficiency manner under the framework of a good internal control system.

Vision

To Be The Most Trusted Insurance Company

Mission

To strive for product and service quality through skills and ethics development and through operational excellence, in order to achieve customer satisfaction and sustain financial strength.

Values

- Customer Satisfaction
- Achievement

TIC Way

- Achievement
- Commitment
- Creative and Continuous Learning
- Happiness

The Nomination of the Directors and Executive Officers

Board of Directors: Minimum of 5 directors with no maximum limit. At least half of the total members of the Board of Directors must reside in Thailand. Every shareholder has equal voting rights of 1 vote per share. Shareholders can cast total votes held for an individual, or a group of people. However, the votes cannot be unevenly distributed when casting votes for a group of people. Candidates with the most votes will be selected as per the ranking order up to the specified total number of directors. In an event of a tie for the last candidate seat, a draw will held to select the last candidate.



In event of a vacancy other than normal term expiration, the Board of Directors will select a qualified person as per the legal specifications to fill the position for the next board of directors' if more than 2 months remain in the vacant position. Such appointment must be approved by voting process involving a minimum of 75% of the total remaining board of directors' votes. The director appointed to fill a vacant position will only serve the remaining term of that vacant position. Any board of director can be removed prior to expiration of his/ her board member term at the shareholders' meeting if supported by at least three-fourths of the total eligible shareholders present at the meeting. Moreover, that 75% majority shareholders must together hold at least 50% of the eligible shareholders' votes present at such meeting.

The Nomination and Compensation Committee has its duties to nominate qualified persons to be directors replacing the directors retiring from their positions as determined or retiring from their positions in other cases, to be proposed to the Board of Directors, and/or shareholders' meeting to have resolution to appoint as directors. The nomination will be made from qualified persons having ability, leadership, vision and persons having code of ethics

Audit Committee: Minimum of 3 persons. A chairman one of them is Audit Committee members who meet the specified job prerequisites are selected and appointed by the Board of Directors and along with the term of the directors of the company.

Management Remuneration

The Board of Directors has clearly specified the remuneration structure for the company's top management in the corporate governance policy. In 2004, the Board of Directors had appointed the Nomination and Compensation Committee, in order to determine the remuneration of directors, top management, employees and consultants by considering industrial practice and the company's operation results. The directors who are also members of the Audit Committee, members of Nomination and Compensation Committee and members of the Strategy and Policy Committee will receive remuneration for their additional duties and responsibilities have already been approved by the shareholders' meeting.

In 2009, the Board of Directors and the Management has received the remuneration from the Company, as follows:

Remuneration for 10 directors, amounted to 3,305,000 Baht. This amount of money shall include the retainer remuneration, which was already paid, totally 1,785,000 Baht and variable remuneration, of which payment will be approved by shareholders, amounted to 1,520,000 Baht. Since the Company has considered the equality among shareholders, the payments of directors' remuneration will be made after the Shareholders' Meeting has considered the dividend payments.



Director's remuneration and shareholdings as at 31 December 2009

| | Retainer Remuneration | | | | | Variable Remuneration 2009 | Total Director's remuneration | Shareholdings of Director | |
|----------------------------------|-----------------------|-----------------|-------------------------------------|-----------------------------|-----------|----------------------------|-------------------------------|---------------------------|-------------------------------|
| | Director | Audit Committee | Nomination & Compensation Committee | Strategy & Policy Committee | Total | | | Amount | Increase (Decrease) from 2008 |
| 1 Mr.Kavi Ansvananda | 180,000 | - | - | - | 180,000 | 350,769.23 | 530,769.23 | - | - |
| 2 Mr.Thamnu Thammongkol | 40,000 | 60,000 | 10,000 | - | 110,000 | 77,948.73 | 187,948.73 | - | - |
| 3 Mr.Phinyo Ekaraphanich | 120,000 | - | - | - | 120,000 | 233,846.15 | 353,846.15 | 20,266 | 6,988 |
| 4 Mr.Paisit Tuchinda | 120,000 | - | 7,500 | 120,000 | 247,500 | 233,846.15 | 481,346.15 | 2,720,000 | 875,344 |
| 5 Mr.Bibit Bijaisoradat | 120,000 | 120,000 | 7,500 | 120,000 | 367,500 | 233,846.15 | 601,346.15 | - | - |
| 6 Dr.Chatcharin Charoen-Rajapark | 120,000 | 160,000 | - | 120,000 | 400,000 | 233,846.15 | 633,846.15 | - | - |
| 7 Mr.Luecha Sukrasebya | - | - | - | - | - | - | - | - | - |
| 8 Ms.Koonthala Sasasmit | 80,000 | 80,000 | - | - | 160,000 | 155,897.44 | 315,897.44 | - | - |
| 9 Miss Panita Tuchinda | 120,000 | - | - | - | 120,000 | - | 120,000.00 | 673,000 | 225,967 |
| 10 Mr.Tikumporn Pongsawasdi | 80,000 | - | - | - | 80,000 | - | 80,000.00 | - | - |
| | 980,000 | 420,000 | 25,000 | 360,000 | 1,785,000 | 1,520,000.00 | 3,305,000.00 | | |

Notes : - No.2 was retired by rotation, effective from April 22, 2009.

- No.4 is in the position of Chairman of the Investment Committee. (Established February, 2010)
- No.5 is in the position of Chairman of the Strategy and Policy Committee (from March, 2008) and Chairman of the Nomination and Compensation Committee (from February, 2010)
- No.6 is in the position of Chairman of the Audit Committee (from May, 2009)
- No.7 is the director who represented the shareholder from TMB Bank and do not receive recuniary remunerations according to the bank's policy.
- No 9-10 is executive director who do not receive Board Committees' retainer and variable remuneration
- **Directors in the positions during the year are entitled to receive the variable remuneration according to the propotion
- Changes in shares outstanding increased from the share subscription rights on February 2009.

Remuneration for 9 executive officers ("The Executive Officers" mean the executive officers at under Managing Director levels comprising "Deputy Managing Director" and "Vice President" of every department) totally cost Baht 24.0 million as salary, bonus and Provident Fund subsidiary.

Other non-recuniary compensations, the Company provided the following insurance to the Committee.

- Group Health and Accident Insurance program for medical expenses and accidental death benefit.
- Directors and Officers Insurance program to protect directors and officers of the Company who are personally liable for their act.



Remuneration for Audit

Referring to the shareholders meeting's resolution; the company assigned Mrs.Nonglak Pumnoi on behalf of Ernst & Young Office Limited. to be the company's auditor of 2009. The company totally paid to Earnths and Young Co., Ltd. Baht 820,000 as Audit Fee. However, during the year, there was no recruitment for other services and Non-Audit Fee payment to the auditor, the audit company, other persons or incorporations relating to the auditor and the audit company.

During 2008, The Audit Committee have agree to hire the auditor from ASV & Associates Co.,Ltd. for other services with excluded from regular services to verify normal financial statements audit to evaluate the assessment of Internal Control and Investment Policies to the Department of Insurance for the year 2009 the audit fee of Baht 80,000.

Corporate Governance Policy

The Board of Directors recognizes the importance of good corporate governance and has specified a corporate governance policy in writing to serve as business operations guidelines with emphasis and coverage on the followings:

- Rights and equality of shareholders and interest groups
- The structure, roles and responsibilities of the Board of Directors
- Transparent disclosure of information
- Internal control system
- Good business ethics and conducts

(Can see Corporate Governance Policy in detail on www.thaiins.com)

Moreover, the board instituted creates a form, namely group assessment, for proposing the assessment to each director. These assessment reflect an attempt to help the Directors review and consider his or her performance together with issues and obstacles identified last year. Furthermore use the results of assessments to analyze and recommendations made for performance improvements.

Shareholders Rights and Shareholders' Meeting

In 2009, the Company held two shareholder meetings, the Extra-Ordinary General Shareholders' Meeting on January 9, 2009 and the Annual General Shareholders' Meeting on April 22, 2009. The Board of directors, including the Audit Committee Chairman have attended this meeting. The company's president chaired the shareholders' meeting agendas and proxies to all the shareholders 15 days in advance. Each meeting agenda had been approved by the Board of Directors.

For this shareholders' meeting, the agenda relating to the appointment of the directors to replace the ones who retired by rotation, the company had provided comprehensive work experience profile of each director for shareholders for consideration. The Chairman had provided the shareholders the opportunity to freely express their opinions. Upon the end of the shareholders' meeting, the shareholders, completed of meeting was prepared accordingly.

For Annual General Shareholders' Meeting (AGM) in year 2010, the Company gives the importance in the right and equitable treatment of Shareholders. The company informed the minor shareholder via

information of SET for observing the right and gives the chance to propose agenda of AGM and propose agenda to nominate qualified person to be elected as Directors in advance of AGM on November 23, 2009 and then inform the mentioned proposal back within January 15, 2010.

Investor Relations

The company recognizes the importance of good investor relations in line with its good corporate governance policy which requires accurate and complete information disclosures (covering financial status, new developments and products) to the shareholders and potential investors via the Stock Exchange of Thailand online computer system and through the company website at www.thaiins.com. As for investor relation, the company has assigned the Director's Office to communicate with the shareholders and prospective investors at telephone number 0-2613-0100 extension 541.

Rights of Various Interest Groups

The company had focused on rights of each stakeholder: shareholders, employees, executives, customers, trade partners and society. The company has realized the responsibilities for them by arranging practical ethics for its staff to respond to benefits of all stakeholders with fairness and integrity as follows:

- Shareholders** The company had concentrated on maintaining shareholder's benefits to meet with their ultimate satisfaction with good returns and continuous growth, and disclosing correct, complete, transparent and credible information to investors and shareholders equally.
- Staffs** The company had provided equal opportunity for every staff and had been aware on morality and fairness in personnel management and development on their knowledge, skill and good values at work. The company also used Balanced Scorecard to assess staff's competency and used KPIs: Key Performance Indicators to measure success of staff comparing with the company's target.
- Customers** The company had focused on building satisfaction and confidence of customers by offering its standard policy for their proper protection at an appropriate expense as well as providing them with good services. Besides, the company had provided convenience, attention and direct responsibility for customers by monitoring and sending out questionnaires to customers to improve its services according to the their needs.
- Business Partners** The company had concentrated on making mutual good relationship with its business partners, agents, and reinsurance companies to maintain their rights with utmost good faith. The company also concerned on trade partners' confidential.
- Competitors** The company had focused on trade competition in good business manners under justified laws, quality and effectiveness of services for the utmost benefits of customers. The company shall not ruin good reputation of its competitors for its



own benefits. At the same time, the company considered other insurance companies as its trade partners and co-professionals who shared the same ratification. The company shared common activities and protected benefits of the same profession to maintain good images of insurance business as a whole.

Creditors The company had strictly followed the conditions of the contract or searched for new approach to solve problems for the sake of their common benefits.

Society The company had realized itself as a part of the society and continuously supported public activities. In the year 2007, the company has planned to make some policies and set up an agency to be responsible for the Corporate Social Responsibility (CSR) directly.

Inside Information Management

In accordance to the Securities Exchange Commission (SEC) regulations for listed companies, the Board of Directors and every management executives must keep company-related information (e.g. operations results, vital business data) confidential prior to authorized official release of such information to the public.

Management executives must report changes in equity interest to the SEC and SET, then submit a copy of that report to the company as well as notify the Board of Directors at the monthly meeting.

Internal Control

The company recognizes the importance of effective internal control for both management and operational levels and has clearly specified in writing the roles, responsibilities and scope of authority. Office of the internal audit set up independently reports its findings directly to the Audit Committee and the Managing Directors. The office is responsible for conducting internal audit of the business operations, financial and compliance with applicable commercial laws and regulations. Objectives, roles and responsibilities and guidelines have been clearly stated in the charter of the Internal Audit Office. Moreover, the Internal Audit Office also provided the audit manual covering the regulations of the Office of Insurance Commission.

As a property/casualty insurer, the proper risk management is very important. The company manages its risks through appropriate loss retention and selection of reputable foreign reinsurance companies.

Moreover, The Audit Committee request the service from other external auditor who is not in the same firm with the auditor who audits the Company's financial statements to evaluate the report of Assessment of Internal Control and Investment Policies to the Office of Insurance Commission for to ensure that the assessment of internal control is independently performed and to issue the report of Assessment of Internal Control and Investment Policies to the Office of Insurance Commission.



Connected Transactions

Relationship among Executives

1. Mr. Paisit Tuchinda, Managing Director of Danu Thai Holding Co., Ltd. and director of Thai Insurance Public Company Limited. and brother of Miss Panita Tuchinda, Managing Director of Thai Insurance Public Company Limited.
2. Mr. Bibit Bijaisoradat director of Danu Thai Holding Co., Ltd. and Thai Insurance Public Company Limited.
3. Mr. Luecha Sukrasebya was the management of TMB Bank PLC. as the Thai Insurance Public Company.

Related Party Business Transactions and Pricing Policy

Related Party Transaction is shown at note 6 of the financial statement.

The headquarters/Office Lease dated December 31, 2009 the company has leased and Office building located at 34/3 Soi Langsuan, Ploenchit Road, Lumpini, Patumwan, Bangkok from the Danu Thai Holding Co., Ltd. As its Headquarter building, within the total leased space of 2,209.62 square meters. Such Lease is in Accordance with normal course of business.

| Floor | Square Meter | Rental and Service | | Lease Contract |
|-------------|-----------------|--------------------|------------------|--|
| | | Sq.m. per month | Total | |
| Fl. 1, 2, 5 | 1,414.00 | 400 | 6,787,200 | 3 Years/ March 1, 2008 - February 28, 2011 |
| Fl. 4 | 445.62 | 350 | 1,871,604 | 3 Years/ April 1, 2007 - March 31, 2010** |
| Fl. 7 | 350.00 | 300 | 1,260,000 | 3 Years/ September 1, 2008 - August 31, 2011 |
| | <u>2,209.62</u> | | <u>9,918,804</u> | |

**On February 27 th, 2010, the Board had the resolution to renew lease Floor 4th another 3 years.

Significance of Connected Transactions

Relevant investment or business transactions are in accordance to normal business practices.

An Approval Process for Connected Transactions

Interrelated transactions with person(s) that may result in conflicts undergo company's normal practices & regulations such as, company's deposit and investment fund. The Company analyzed the various investment options, time frame, rate of return in relation to risk level to comply with the company's investment plans, and Ministry of Commerce's regulations governing investment activities of insurance companies. Furthermore, the Company must properly match premiums to risk exposure in accordance to the Office of Insurance Commission (OIC).

As for the lease of office building, the Company has analyzed the details of leased terms, rental and services rate which is similar to other tenants at the normally business. The Audit Committee has proved the appropriateness of the Lease and presented to the Board of Directors requesting approval and disclosing to the Stock Exchange of Thailand.



Transactions Tendency of Transacting the Connected Transactions in a Future

Future related transactions between people, who may have conflicts, shall be in accordance with normal course of business and the market prices shall be applied to business transactions.

Director has approved the principle relating to trading agreements having general trading conditions transacted between the Company and directors, management or related person so that operation department will be able to carry out such transactions, provided that such transactions have general trading terms and conditions similar to which other general parties would have made under the same circumstance, with bargaining power that is without the influence as being director, management or related person.

Business Ethics

With the approval of the Board of Directors, the company has established in writing a business ethics and conducts which all employees should acknowledge and follow in their dealings with the company and its customers, trade partners, and society in general. Employees are encouraged to always be honest, fair, responsible and respectable to the rights of others. (Can see Business Ethics in detail on www.thaiins.com)

Corporate Social Responsibility : CSR

The Board had assigned the policies to precede the CSR for the period of 3 years since year 2008 to year 2010, emphasizing on “Natural Resources” and “Reducing Global Warming”.

For year 2009, the Company emphasized on the inside activities, the decreasing unnecessary working procedure development and the employee development to have consciousness to decrease the unnecessary resources. Such activities have led the employees to participate in the social activities (Inside Out) such as giving the knowledge for decreasing the global warming and also giving the employee to have the consciousness for decreasing the wasteful resources as reducing paper using, saving on electricity and saving on choosing fuel.

Types of business

The company provides 4 types of property casualty insurance:

- 1. Fire Insurance** – coverage for residential homes, buildings, factories, furniture, inventories etc. against potential risks from fire, lightning, explosion, including additional coverage for wind storm, flood, earthquake and electricity related risks, etc.
- 2. Marine Insurance** – coverage against loss or damage to import / export goods during transportation by sea, damage from nature related risks and additional coverage against theft, war, riot and strike. Insurance for local inland transportation is also available.
- 3. Motor Insurance** – coverage against loss or damage to vehicle and accessories, theft and loss of life, property of driver, passengers in the insured vehicle, including life, property of third party. Special coverage (voluntary / compulsory insurance) include bail insurance for driver facing criminal charge.



4. Miscellaneous Insurance – coverage against various risks apart from the aforementioned three types of insurance, such as personal accidents insurance, travel insurance, all-risks insurance, theft insurance, machinery installation insurance, fidelity insurance, money insurance, contract work insurance, computer insurance, business interruption insurance, neon sign insurance, golf and golf equipment insurance and public liability insurance etc.

Income Structure

(Unit: Thousand Baht)

| Types of business | Gross Premium | | | | | |
|-------------------|---------------|---------|-----------|---------|-----------|---------|
| | 2009 | % | 2008 | % | 2007 | % |
| Fire | 230,413 | 21.47% | 242,595 | 18.61% | 239,331 | 19.10% |
| Marine | 21,077 | 1.96% | 21,077 | 1.87% | 24,013 | 1.92% |
| Miscellaneous | 238,912 | 22.26% | 238,317 | 18.28% | 213,081 | 17.00% |
| Automobile | 582,982 | 54.31% | 798,448 | 61.25% | 776,815 | 61.98% |
| Total | 1,073,384 | 100.00% | 1,303,690 | 100.00% | 1,253,240 | 100.00% |

Significance developments in 2009

In the year 2009, the Company put emphasis on underwriting quality and most efficient cost management more than insurance premium growth. The Company has continuously developed its organization in various aspects via service improvements in term of convenience and rapidness, the usages of information technology for sales and services and channel distribution expansions to cope with existing customers and potential customer group. In addition, the Company focused on branch expansion by improvements of work systems, coordination, branches' human development and information technology development to connect the information between the headquarters and branches and expanding business through Bancassurance, telemarketing and agents.

Besides, the Company continuously improves information technology systems for the benefits of better work efficiency, verifiability and efficient information access. As a result, the Company services can meet our customers' needs and keep our promises either convenience or correctness with speed for preparation of future business expansion.

For the management perspective, the Balance Scorecard was put in place as management tool and performance evaluations. The Company realizes an importance of human developments so many projects were initiated including trainings, skill and knowledge enhancements both underwriting and management and core value development. These developments aimed for enhancement of skills and positive work attitudes. Moreover, the Company determined its core values that focused on customer satisfaction (creation of customers and colleagues satisfaction), result-oriented management and creation of TIC way; achievement, commitment, creativity and continuous learning and happiness. This is to cultivate the same values and work guidelines among staffs and encourage them to conduct their duties with honesty and ethic.



Risk Factors

The Company has concentrated on good governance principle, trusting service, financial strength and taking full responsibility for our insured and shareholders by considering risk relevant to each operating sides as follow;

1. Strategic Risk

In the year 2009, all external environments changed rapidly. For instance, economics, politics, industry competitions (marketing, human, consumers' behavior) and the global climate changes which had a drastic impact on the Company's achievements. As a result, the Company set its annual strategic and operation plans carefully and put various risk factors both past and foreseeable events into our consideration. Movements were regularly throughout the year in the areas of economic conditions, politics, market and competitiveness conditions to change operation plan accordingly. Given all these efforts, the company would be able to conduct business more effectively and with higher chance to achieve the determined targets.

2. Underwriting Risk

The Company operates under our insured's various risk cover. Hence to protect its insured, it has put in place the policies of underwriting risk protections including reinsurance. Regular reviews are carried out on the underwriting policy and underwriting operation. The underwriting department is responsible to evaluate, survey, and analyze risk with caution in order to fit with the Company's acceptable risk and prepare the regular underwriting reports to the Top Management for the objective of verification and giving valuable suggestions to gain highest operation efficiency. Then the Company can be able to keep its promises to insured with prompt and fair treatments.

The Company diversified all of its underwritings risk especially the high insured policies via internal and foreign reinsurance companies, in which the Company selected mostly the reinsurance company with credit rating "AAA" or "A+". This is to ensure the insured will not effect by the catastrophes either in term of amount of money or frequency and also the Company risk protections.

3. Operation Risk

The operation risk arises from internal-operation process, human, work system and the external circumstances. All of them can have an impact on the Company's various operations and may bring casualties to the Company. Therefore, every unit prepared its risk registration list expressing risks of particular department, causes of risk, risk indicators, risk control measurements and implemented for their own risk protections. In addition, the Board of Directors set risk management policy covering risk management processes. All units have to report their operating results to the Management in regular basis to ensure the effectiveness and efficiency of risk management in accordance to rules and regulations of both the Company and all regulators.

4. Investment Risk

The Company operates its investing policy according to the restriction set by the Office of Insurance Commission (OIC) and under related laws and the Company treats them as an importance mechanism in the Company's portfolio management.

The investment income can be in forms of interests, dividends and profit/loss from securities trading. Any changes in internal and external economics, politics and monetary policies will have a direct



impact on its investment income. Hence, the Company established a unit with a direct responsibility for managing portfolio, monitoring all situations, evaluating risks and adjusting investment strategy to cope with such changes.

The Board of Directors reviews the investment policy continuously to ensure the prudent and highest efficiency portfolio management with an acceptable risk.

5. Solvency Risk

As at December 31, 2009, the Company had the solvency ratio of 352.56% well above the minimum requirement of the Office of Insurance Commission at 150%. The Company also qualified the RBC test criteria to prepare the Risk-Based Capital (RBC) in which the Office of Insurance Commission will enforce on the year 2011 as the company had ability to manage both accrued premiums and portfolio investments efficiently. The favorable stock market conditions and stock price appreciation benefited our investment. Moreover, the Company continuously maintains its capital reserve status. On January 9, 2009, the shareholder meeting had the resolution on capital increase via an issuance of preferred shares for our existing shareholders. This decision supports the Company in having an adequate registered capital base to meet international standards. Given such capital mobilization, the Company increased its paid-up shares from Baht 190 million to Baht 235 million.

6. Other Risks

Apart from underwriting and investment risks, the other risks can also effect the Company financial position and operation, for instance the risk of payment default or disasters.

In the year 2009, the company developed Enterprise Risk Management (ERM) whereby every unit evaluated and controlled risk by itself. This is to improve work process accordingly and continuously. The Company also created a mutual understanding regarding risk and internal controls. This is by having operational evaluation by performance indicators to ensure all operation results achieve determined objectives under acceptable risks.

Operating Results and Financial Status in 2009

In the year 2009, the Company had net profit at Baht 17.6 million even though insurance premium declined by 17.7% from last year while the industry growth was at 3.4%. This is because of the Company's concentration was on work quality and efficiency in stead of insurance premium growth resulting in loss ratio reduction. Loss ratio in the second half of the year reduced to 61% from 67% in the first half of the year so that the underwriting profit in the second half of the year showed sign of improvement. Regarding investment perspective, the Company investment income recorded at Baht 17 million increasing from the previous year by 207% in consequence of effective portfolio management and favorable stock market environment. The Company operating expense was almost at the same level to last year.

In conclusion, the Company net profit in the year 2009 stood at Baht 17.6 million or the ratio of net profit to earned premium equivalent to 1.82% and the return to equity was at 3.89%.

From the operational result, the Company was able to maintain all financial ratios at the level above the criteria setting by the Office of Insurance Commission and qualified the RBC test criteria to prepare the Risk-Based Capital (RBC) in which the Office of Insurance Commission will enforce on the year 2011. This is a result from supporting shareholder for capital increase during the beginning of the year 2009 leading the Company to have an adequate capital base.



Business goals in the next 3-5 years

1. Marketing The Company has chiefly aims to expand customer base into Personal Line and Commercial Line emphasizing retails and SME, distributed via channels with properly acquisition cost for increasing profitability, reducing pressure from pricing competition and being able to self retention. It is expected that this strategy will contribute to corporate image and create brand awareness among the target group customers to support market expansion into new customer groups and create brand loyalty to maintain existing customers by product development and marketing activities for the target groups.

2. Underwriting The Company has planned to improve underwriting policy, processes and increase knowledge in insurance constantly to advance efficiency in implementing underwriting. The company considers internal and external insurance data to reduce risks likely to take place, and reinsures with other insurers for proper risk distribution.

3. Distribution Channels The Company has maintained the existing customer base and expanded other insurance channels to propose the new products to serve the customers' needs by Cross Selling and by Niche Market .The company has also improved Telemarketing system which has been successfully welcomed.

4. Information Technologies The Company has realized the importance of IT system to build its potential for competitiveness to efficiently improve information systems. The Company used the E-Claims system to contact subsidiaries garage and parts store, to develop the management reports, to build information warehouse for beneficial in the competitive strategy and to lead the new tool for increasing information performance.

5. Development of Policy and Services The Company aims to incessantly improve the existing insurance policy, develop new pattern of policy and increase additional services in order to satisfy the customers' requirements retrieved from surveying to develop the policy and including the policy as assigned by the government. Moreover, the company has also doing evaluation of each kind of policy to be used as development guidelines later on.

6. Human Resources The Company has arranged continuously training courses for the employees to develop their knowledge, skill and competency in insurance knowledge base and after sale services to give proper advice and services to the customers. In addition, the Company defined Core Values by focusing on Customer Satisfaction (to satisfy customers and colleagues) and Achievement (to aim for success) as well as leading to the TIC way which consist of Achievement (commitment to deliver results), Commitment (commitment to follow the contract), Creative & Continuous Learning (creative and want to know) and Happiness. (good pleasure). So that, all employees will be embedded values and ways of working in the same direction as well as to impart moral and ethical for working. The company has made ethics and best practices to guide staff.

Progress of the business plan

1. Marketing The Company still expands retail customer base, focusing on personal and SME lines via financial institutions and government agencies and telemarketing. The company has tried to maintain the existing customer base along with cross selling and expand to Niche Market having acceptable risks, by offering new products responding the need of this group of customers. Furthermore, the company improves and expands branch operation and covers additional areas, by developing working process, coordination, branch staff and IT system to link data between Head Office and Branch Office development along with extending from bank (Bancassurance) and agents. And definitely the company has always conducted survey on customers' satisfaction continuing from the past years and additionally the company surveys the customers' satisfaction relating to convenience to provide service so there is more development further.

2. Underwriting The Company has applied more insurance statistic from IT system for selecting types of risks and considering for underwriting. The Underwriting Division has been restructured to improve efficiency and manage risks in terms of underwriting. Moreover, the company also considers new form of reinsurance for appropriate risk distribution.

3. Increase of Distribution Channels The Company jointly with bank (Bancassurance) had arranged campaigns and sold policy via telemarketing channel. The company has conducted research for new distribution channels for the customers' convenience and quick expansion of customer base.

4. Information Technologies The Company has been improving IT system on order to support the Business Process Improvement (BPI), starting in year 2005. Most IT system improvement has been used in the 2009 which its process has more efficiency and being able for monitoring. Moreover, its work process based on IT system which could be stored all data in the system as well as efficiently in assessment. Besides, the company had also developed Business Intelligence Program (BI), as data base center and accounting system to collect enough information base for analysis and planning to help improve and increase work efficiency for convenient, precise, faster services and its insurance expansion in the near future

5. Development of Policy and Services The company has always been doing survey and assessment of services to develop products and services in accordance with customers satisfaction upon on economic and social condition. The company has also improved the existing policy and followed up and assessed policies' success to be used as development guides in the future.

6. Human Resources The Company has successively developed the staff's ability via external training division chief officers and data output for self-assessment and improvement. The company has used Balanced Scorecard and KPIs. Beside their behaviors related to the core values. Generally speaking, this can help the staff to be alert and develop their knowledge, skills, values, morality and ethics according to the company's policy.



Company Information



| | |
|------------------------------------|---|
| Name | : THE THAI INSURANCE PUBLIC COMPANY LIMITED |
| Symbol | : TIC |
| Head Office | : 34/3 Soi Langsuan, Ploenchit Road, Lumpini, Patumwan, Bangkok 10330 |
| Telephone Number | : 0-2613-0100 |
| Fax Number | : 0-2652-2870-2 |
| Homepage | : www.thaiins.com |
| Public Company Registration | : Registration Number 156 |
| Type of Business | : Non-life Insurance |
| Registered Share Capital | : 19.0 million ordinary shares at Baht 10 each, totaling Baht 190 million 10.0 million preferred shares at Baht 10 each, totaling Baht 100 million <u>totaling Baht 290 million</u> |
| Issued and Paid-up Share | : 19.0 million ordinary shares at Baht 10 each, totaling Baht 190 million 4.5 million preferred shares at Baht 10 each, totaling Baht 45 million <u>totaling Baht 235 million</u> |

Entity holding over 10% of shares : Danu Thai Holding Co., Ltd. Address : 933 Mahachai Road, Panakorn, Bangkok 10200 Tel. 0-2223-4171-5 Fax. 0-2225-3400
Type of Business : Real Estate No. of shares held : 60,000
% of shares held to shares issued : 16.22

Registrar : Thailand Securities Depository Co., Ltd.
62 The Stock Exchange of Thailand Building,
Floor 4, 7, Rachadapisek Road, Klongtoey, Bangkok 10110
Tel. 0-2359-1200-1 Fax. 0-2359-1259

Auditor

Financial Statements Auditor : Ernst & Young Office Limited
33 rd Floor, Lake Rajada Office Complex
193/136-137 Rajadapisek Road Bangkok 10110
Tel. 0-2264-0777 Fax. 0-2264-0789

Internal Control Assessment Auditor : ASV & Associates Co.,Ltd.
Assessment Auditor 47 Soi 53 Rama3 Road, Bangpongpan, Yannawa, Bangkok 10120
Tel. 0-2294-8504 Fax. 0-2294-2345

Law Consultant : LAWBIZ Law Office
20/3 Arun Amarin Road, Bangkoknoi, Bangkok 10700
Tel. 0-2433-9078-9 Fax. 0-2433-9079



ไทยประกันภัย
Thai Insurance



The Board of Directors is responsible for the company's financial statements and financial informations presented in annual report. The financial statements are prepared in accordance to generally accepted accounting standards and in compliance with the Accounting Act of 2000. The comprehensive financial statements are prepared in a consistent, appropriate and accurate manner with adequate disclosures of significant information and notes to financial statements.

The Board of Directors has established effective internal control system to ensure proper record of all required accounting information to ensure that the company's assets are fully disclosed and to prevent fraud, or materially adverse business conduct.

An Audit Committee comprising of non-managerial directors has been appointed by the Board of Directors to ensure quality financial reporting and implementation of effective internal control system. The opinions of the Audit Committee on these issues are included in the annual report.

The Board of Directors is satisfied with the company's internal control system and is confident that the company financial statements accurately reflected the company's financial standing as of December 31, 2009.

(Mr. Kavi Ansvananda)

Chairman

(Miss Panita Tuchinda)

Managing Director

February 17th, 2010



Dear Shareholders,

The Audit Committee of Thai Insurance Public Co., Ltd., has been appointed by the Board of Directors of the Company. The Audit Committee currently consists of three independent directors who have qualifications as required by the Stock Exchange of Thailand, namely:

1. Dr. Chatchawin Charoen-Rajapark Chairman of the Audit Committee,
2. Mr. Bibit Bijaisoradat Member of the Audit Committee, and
3. Ms. Koonthala Sasasmit Member of the Audit Committee.

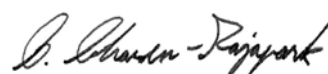
The Secretary of the Audit Committee is Mr. Theeraporn Chohirun.

During the year 2009, the Audit Committee held four quarterly meetings, which were attended by the Company's auditor. After the meetings, meeting resolutions were presented to the Board of Directors. The Audit Committee's activities were as follows:

1. Considering and approving the audit work plan, and acknowledging the reports from the Audit Bureau as well as suggesting and following up the improvements thereof.
2. Reporting its activities and providing valuable suggestions to the Board of Directors.
3. Reviewing the correctness and completeness of the Company's financial statements to assure that they were in accordance with the accounting standard and disclosure requirements, and, together with the auditor, complying with the requirements of the authority.
4. In connection with the assessment of internal control and investment practices, procuring an external auditor, who was not from the same firm as that of the certified auditor who certified the Company's financial statements, to independently verify and ensure that the internal control system was adequate and to issue the report thereof to the Office of Insurance Commission.
5. Selecting the independent certified auditor who had experience in the accounting principles of insurance business and proposing such certified auditor with its remuneration to the Board of Directors to further seek the shareholders' approval.
6. Reviewing and considering the disclosure of the related-party transactions or any transaction that might involve conflicts of interest in accordance with the relevant laws and regulations.
7. Reviewing the Company's compliance with the laws relating to securities and exchange, regulations of the Stock Exchange of Thailand, and the Non-Life Insurance Act.
8. Amending the Charter of the Audit Committee to cover the business and its mission in supervising and monitoring the Company's activities..

Throughout the year 2009, the Audit Committee performed its duties with care and independence and experienced no limitation in accessing information, resources and opinions. The Audit Committee encouraged the Company to operate its business under the principle of good cooperate governance for the utmost benefit to the Company, and to create value to the organization, shareholders and stakeholders.

The Auditing Committee is of the opinion that Thai Insurance Public Co., Ltd., has good corporate governance, proper transparency and appropriate disclosure practices.



(Dr. Chatchawin Charoen-Rajapark)
Chairman of the Audit Committee



Report of Independent Auditor



To the Shareholders of The Thai Insurance Public Company Limited

I have audited the balance sheets of The Thai Insurance Public Company Limited as at 31 December 2009 and 2008, the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Thai Insurance Public Company Limited as at 31 December 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in accordance with generally accepted accounting principles.

Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited
Bangkok: 17 February 2010



| | Note | 2009 | 2008 |
|---|-------|----------------------|----------------------|
| (Unit: Baht) | | | |
| Assets | | | |
| Investments in securities | | | |
| Bonds | | 35,965,028 | 23,322,795 |
| Notes | | 7,729,035 | 99,934,000 |
| Stocks | | 160,859,545 | 84,690,532 |
| Debentures | | 200,093,843 | 102,159,149 |
| Unit trusts | | 63,825,393 | 26,528,904 |
| Other securities | | - | 492,500 |
| Total investments in securities | 6, 7 | 468,472,844 | 337,127,880 |
| Other loans | 8 | 4,017,597 | 4,233,387 |
| Accounts receivable from novation of debentures - net | 9 | 3,656,118 | 11,177,679 |
| Cash and deposits at financial institutions | 6, 10 | 468,854,215 | 518,752,509 |
| Premises and equipment - net | 11 | 23,484,375 | 27,983,830 |
| Amount deposit on reinsurance treaties | | 6,471,902 | 6,376,225 |
| Due from reinsurers | | 11,717,412 | 8,770,683 |
| Premium due and uncollected - net | 6, 12 | 125,751,802 | 230,511,273 |
| Accrued income on investments | 6 | 2,920,190 | 5,260,541 |
| Deferred tax assets | 13 | 71,800,718 | 93,259,854 |
| Other assets | | | |
| Intangible assets - net | 14 | 23,903,578 | 20,723,401 |
| Prepaid income tax | | 15,179,288 | 11,567,508 |
| Other receivable - net | | 7,643,145 | 8,437,323 |
| Others | | 21,781,921 | 20,896,071 |
| Total other assets | | 68,507,932 | 61,624,303 |
| Total assets | | 1,255,655,105 | 1,305,078,164 |

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



Balance Sheets (continued)

As at 31 December 2009 and 2008



| | | (Unit: Baht) | |
|---|------|--------------------|--------------------|
| | Note | 2009 | 2008 |
| Liabilities and shareholders' equity | | | |
| Liabilities | | | |
| Unearned premium reserve | | 394,144,993 | 512,441,247 |
| Loss reserve and outstanding claims | | 164,871,183 | 172,247,024 |
| Amount withheld on reinsurance treaties | | 82,309,261 | 81,275,093 |
| Due to reinsurers | | 20,696,407 | 24,856,521 |
| Accrued commission | | 18,422,333 | 34,676,324 |
| Premium received in advance | | 22,496,212 | 26,023,111 |
| Other liabilities | | | |
| Other accounts payable | | 13,947,978 | 25,002,565 |
| Others | 15 | 27,391,079 | 34,636,767 |
| Total other liabilities | | 41,339,057 | 59,639,332 |
| Total liabilities | | 744,279,446 | 911,158,652 |

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



| | | (Unit: Baht) | |
|--|------|---------------|---------------|
| | Note | 2009 | 2008 |
| Shareholders' equity | | | |
| Share capital | | | |
| Registered | | | |
| | 16 | | |
| 10,000,000 non-cumulative preference shares of Baht 10 each | | 100,000,000 | - |
| 19,000,000 ordinary shares of Baht 10 each (2008: 20,000,000 ordinary shares of Baht 10 each) | | 190,000,000 | 200,000,000 |
| | | 290,000,000 | 200,000,000 |
| Issued and fully paid up | | | |
| | 16 | | |
| 4,500,000 non-cumulative preference shares of Baht 10 each | | 45,000,000 | - |
| 19,000,000 ordinary shares of Baht 10 each | | 190,000,000 | 190,000,000 |
| | | 235,000,000 | 190,000,000 |
| Share premium | | 103,600,111 | 103,600,111 |
| Unrealised loss | | | |
| Revaluation deficit on changes in value of investments | | (51,192,073) | (106,029,179) |
| Retained earnings | | | |
| Appropriated - statutory reserve | 17 | 21,000,000 | 20,000,000 |
| - other reserve | | 20,000,000 | 20,000,000 |
| Unappropriated | | 182,967,621 | 166,348,580 |
| | | 511,375,659 | 393,919,512 |
| Total shareholders' equity | | 511,375,659 | 393,919,512 |
| Total liabilities and shareholders' equity | | 1,255,655,105 | 1,305,078,164 |
| Off-balance sheet item - commitments | | | |
| Commitments | 24.2 | 40,666,339 | 51,716,715 |

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



Income Statements

For the years ended 31 December 2009 and 2008



| | 2009 | | | | | (Unit: Baht) | |
|--|---------------|-------------|-------------|---------------|---------------|---------------|--|
| | | | | | | 2008 | |
| | Fire | Marine | Motor | Miscellaneous | Total | Total | |
| Underwriting income | | | | | | | |
| Premium written | 230,412,799 | 21,077,300 | 582,982,000 | 238,912,185 | 1,073,384,284 | 1,303,690,461 | |
| Less: Premium ceded | (142,499,206) | (5,833,086) | (4,775,792) | (71,136,407) | (224,244,491) | (234,962,394) | |
| Net premium written | 87,913,593 | 15,244,214 | 578,206,208 | 167,775,778 | 849,139,793 | 1,068,728,067 | |
| Unearned premium reserve (increase) decrease from previous year | 6,756,226 | (877,077) | 114,546,456 | (2,129,351) | 118,296,254 | 18,275,916 | |
| Earned premium written | 94,669,819 | 14,367,137 | 692,752,664 | 165,646,427 | 967,436,047 | 1,087,003,983 | |
| Underwriting expenses | | | | | | | |
| Losses incurred during the year | 20,050,406 | 5,251,633 | 497,699,409 | 95,300,788 | 618,302,236 | 653,716,898 | |
| Loss adjustment expenses | - | - | 2,519,074 | 2,210,224 | 4,729,298 | 2,701,594 | |
| Commissions and brokerages | 1,465,335 | (157,859) | 90,433,084 | 9,452,026 | 101,192,586 | 128,939,780 | |
| Other underwriting expenses | 4,629,264 | 66,517 | 40,005,437 | 18,275,763 | 62,976,981 | 103,090,851 | |
| Total underwriting expenses | 26,145,005 | 5,160,291 | 630,657,004 | 125,238,801 | 787,201,101 | 888,449,123 | |
| Income on underwriting | 68,524,814 | 9,206,846 | 62,095,660 | 40,407,626 | 180,234,946 | 198,554,860 | |
| Net investment income | | | | | 26,171,862 | 32,803,132 | |
| Gain (loss) on investments in securities | | | | | 17,100,382 | (15,979,882) | |
| Other income | | | | | 1,598,061 | 4,042,120 | |
| | | | | | 225,105,251 | 219,420,230 | |
| Operating expenses | | | | | | | |
| Personnel expenses | | | | | 108,889,960 | 105,468,682 | |
| Premises and equipment expenses | | | | | 52,556,997 | 51,392,317 | |
| Taxes and duties | | | | | 1,243,704 | 1,141,730 | |
| Bad debts and doubtful debts (Reversal) | | | | | 1,615,645 | (555,685) | |
| Directors' remuneration (Note 21) | | | | | 3,305,000 | 3,814,999 | |
| Advertising and sales promotion expenses | | | | | 3,894,401 | 11,195,145 | |
| Other operating expenses | | | | | 32,800,403 | 31,164,497 | |
| Total operating expenses | | | | | 204,306,110 | 203,621,685 | |
| Income before corporate income tax | | | | | 20,799,141 | 15,798,545 | |
| Corporate income tax (Note 13) | | | | | (3,180,100) | (14,154,128) | |
| Net income for the year | | | | | 17,619,041 | 1,644,417 | |
| Earnings per share (Note 18) | | | | | | | |
| Basic earnings per share | | | | | | | |
| Net income | | | | | 0.93 | 0.09 | |
| Diluted earnings per share | | | | | | | |
| Net income | | | | | 0.78 | 0.09 | |

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



(Unit: Baht)

| | Issued and paid-up share capital | Share premium | Revaluation surplus (deficit) on changes in value of investments | Retained earnings | | | Total |
|---|--|------------------|--|----------------------|---------------|----------------|--------------|
| | | | | Appropriated | | Unappropriated | |
| | | | | Statutory reserve | Other reserve | | |
| Balance as | | | | | | | |
| at 31 December 2007 | 190,000,000 | 103,600,111 | (46,628,030) | 20,000,000 | 20,000,000 | 183,704,163 | 470,676,244 |
| Income and expenses | | | | | | | |
| recognised directly in equity: | | | | | | | |
| Investment in available-for-sale securities | | | | | | | |
| Loss recognised in shareholders' equity | | | (74,760,767) | | | | (74,760,767) |
| Transferred to profit and loss | | | | | | | |
| due to disposals | - | - | 15,359,618 | - | - | - | 15,359,618 |
| Net expenses recognised | | | | | | | |
| directly in equity | - | - | (59,401,149) | - | - | - | (59,401,149) |
| Net income for the year | - | - | - | - | - | 1,644,417 | 1,644,417 |
| Total income and expenses | | | | | | | |
| for the year | - | - | (59,401,149) | - | - | 1,644,417 | (57,756,732) |
| Dividend paid (Note 22) | - | - | - | - | - | (19,000,000) | (19,000,000) |
| Balance as | | | | | | | |
| at 31 December 2008 | 190,000,000 | 103,600,111 | (106,029,179) | 20,000,000 | 20,000,000 | 166,348,580 | 393,919,512 |
| Balance as | | | | | | | |
| at 31 December 2008 | 190,000,000 | 103,600,111 | (106,029,179) | 20,000,000 | 20,000,000 | 166,348,580 | 393,919,512 |
| Income and expenses | | | | | | | |
| recognised directly in equity: | | | | | | | |
| Investment in available-for-sale securities | | | | | | | |
| Gain recognised | | | | | | | |
| in shareholders' equity | - | - | 37,883,941 | - | - | - | 37,883,941 |
| Transferred to profit and loss | | | | | | | |
| due to disposals | - | - | 16,953,165 | - | - | - | 16,953,165 |
| Net income recognised | | | | | | | |
| directly in equity | - | - | 54,837,106 | - | - | - | 54,837,106 |
| Net income for the year | - | - | - | - | - | 17,619,041 | 17,619,041 |
| Total income for the year | - | - | 54,837,106 | - | - | 17,619,041 | 72,456,147 |
| Unappropriated retained earnings | | | | | | | |
| transferred to statutory reserve | - | - | - | 1,000,000 | - | (1,000,000) | - |
| Preference share capital | | | | | | | |
| issued (Note 16) | 45,000,000 | - | - | - | - | - | 45,000,000 |
| Balance as | | | | | | | |
| at 31 December 2009 | 235,000,000 | 103,600,111 | (51,192,073) | 21,000,000 | 20,000,000 | 182,967,621 | 511,375,659 |

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



Cash Flow Statements

For the years ended 31 December 2009 and 2008



| | (Unit: Baht) | |
|---|----------------------|----------------------|
| | 2009 | 2008 |
| Cash flows from (used in) operating activities | | |
| Direct premium written | 1,145,668,887 | 1,366,023,241 |
| Cash paid from reinsurance | (67,322,525) | (72,403,574) |
| Losses incurred on direct insurance | (698,533,272) | (675,712,291) |
| Loss adjustment expenses on direct insurance | (4,729,298) | (2,701,594) |
| Commissions and brokerages on direct insurance | (182,442,305) | (218,779,961) |
| Other underwriting expenses | (62,976,981) | (103,090,851) |
| Net investment income | 23,977,715 | 37,334,043 |
| Other income | 1,591,527 | 1,250,457 |
| Operating expenses | (207,134,249) | (198,906,681) |
| Income tax | 418,634 | (20,238,807) |
| Net cash flows (used in) from operating activities | (51,481,867) | 112,773,982 |
| Cash flows from (used in) investing activities | | |
| Cash flows from | | |
| Investments in securities | 221,954,921 | 401,990,690 |
| Loans | 1,684,790 | 877,221 |
| Accounts receivable from novation of debentures | 7,486,766 | 7,486,766 |
| Deposits at financial institutions | 662,374,430 | 396,537,611 |
| Equipment | 19,675 | 2,854,341 |
| Net cash flows from investing activities | 893,520,582 | 809,746,629 |
| Cash flows used in | | |
| Investments in securities | (355,270,182) | (417,463,861) |
| Loans | (1,469,000) | (360,000) |
| Deposits at financial institutions | (631,707,324) | (406,303,538) |
| Equipment | (1,348,920) | (6,245,914) |
| Computer software | (5,629,956) | (1,982,479) |
| Net cash flows used in investing activities | (995,425,382) | (832,355,792) |
| Net cash flows (used in) investing activities | (101,904,800) | (22,609,163) |

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



| | (Unit: Baht) | |
|--|---------------|--------------|
| | 2009 | 2008 |
| Cash flows from (used in) financing activities | | |
| Dividend paid | - | (19,000,000) |
| Proceeds from increase in preference share | 45,000,000 | - |
| Net cash flows from (used in) financing activities | 45,000,000 | (19,000,000) |
| Net increase (decrease) in cash and cash equivalents | (108,386,667) | 71,164,819 |
| Cash and cash equivalents at beginning of year | 222,142,469 | 150,977,650 |
| Cash and cash equivalents at end of year (Note 10) | 113,755,802 | 222,142,469 |
| Supplemental cash flows information: - | | |
| Non-cash transactions | | |
| Surplus (deficit) on changes in values of investments - net of income tax | 54,837,106 | (59,401,149) |

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



Notes to Financial Statements

For the years ended 31 December 2009 and 2008



1. General information

The Thai Insurance Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the provision of non-life insurance. The Company has a total of 8 branches located in Bangkok and other provinces. Its registered address is 34/3 Soi Langsuan, Ploenchit Road, Lumpini, Patumwan, Bangkok.

2. Basis of preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, except for the Thai Accounting Standard No. 12 “Accounting for Income Taxes” which the Company has early adopted before the date of enforcement, and in accordance with Thai accounting practices related to insurance, and the accounting and reporting guidelines prescribed by the Office of Insurance Commission (“OIC”).

The presentation of the financial statements has been made in compliance with the order of the Registrar dated 6 March 2002, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notifications No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for the Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007) Impairment of Assets

TFRS 5 (revised 2007) Non-current Assets Held for Sale and Discontinued Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control



These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007) and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007) and Accounting Treatment Guidance for Leasehold Right do not have any significant impact on the financial statements for the current period.

3.2 Accounting standards which are not effective for the current year

| | | <u>Effective date</u> |
|-----------------------|--|-----------------------|
| TAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | 1 January 2012 |
| TAS 24 (revised 2007) | Related Party Disclosures | 1 January 2011 |
| TAS 40 | Investment Property | 1 January 2011 |

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 and TAS 40 are not relevant to the business of the Company, while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which it is initially applied.

4. Significant accounting policies

4.1 Revenue recognition

(a) Premium

For insurance policies of which the coverage periods are less than one year, premium income is recognised on the date the insurance policy comes into effect, after deducting premium ceded and cancelled. For long-term insurance policies of which the coverage periods are longer than one year, related revenues and expenses are recorded as unearned and prepaid items. The Company recognises unearned and prepaid items as income and expenses over the coverage period.

(b) Reinsurance premium

Reinsurance premium income is recognised when the reinsurer places the reinsurance application or statement of accounts with the Company.

(c) Interest income and dividends

Interest income is recognised on an accrual basis based on the effective interest rate. Dividends are recognised when the right to receive the dividends is established.



4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Premiums due and uncollected/Allowance for doubtful accounts

Premiums due and uncollected are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

4.4 Investments in securities

- (a) Investments in securities held for trading are stated at fair value. Gains or losses arising from changes in the carrying amounts of securities are included in the determining income. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term.
- (b) Investments in available-for-sale securities are stated at fair value. Changes in the carrying amounts of securities are recorded as separate items in shareholders' equity until the securities are sold, when the changes are then included in the determining income.
- (c) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised by using the effective rate method with the amortised amount presented as an adjustment to the interest income. The debt securities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity.
- (d) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on impairment (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of debt instruments is determined based on the required rate of return or the yield rates quoted by the Thai Bond Market Association. The fair value of unit trusts is determined from their net asset value.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments in securities, such investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amounts of the investments and their fair values on that date are included in determining income or recorded as surplus (deficit) from changes in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

4.5 Loans and allowance for doubtful accounts

Loans are stated at the net realisable value. The Company provides allowance for doubtful accounts on the basis of collection experience, a review of current status of the loan receivables, and the likelihood of settlement of debt, on a specific account basis.



4.6 Premises and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of buildings and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

| | |
|--|----------|
| Building | 20 years |
| Furniture, fixtures and office equipment | 5 years |
| Motor vehicles | 5 years |

Depreciation is included in determining income.

No depreciation has been provided on land.

4.7 Intangible assets/Amortisation

On the date of acquisition, acquired intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

The useful life of computer software with finite useful life are 5 years and 10 years.

4.8 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning direction of the Company's operations.

4.9 Unearned premium reserve

Unearned premium reserve is set aside in compliance with the basis as specified in the notification of Ministry of Commerce governing the appropriation of unearned premium reserves as follows:

| | |
|-------------------------------|---|
| Fire, motor and miscellaneous | - Monthly average basis (the one-twenty fourth basis) |
| Marine (cargo) | - Net premium written for the last ninety days |
| Travelling accident | - Net premium written for the last thirty days |

4.10 Loss reserve and outstanding claims

Outstanding claims are recorded at the amount to be actually paid. Loss reserve is provided upon the receipt of the claims advice from the insured based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims



Notes to Financial Statements

For the years ended 31 December 2009 and 2008



estimated is not however, to exceed the sum-insured under the relevant policy. In addition, the Company sets up a provision for losses incurred but not yet reported (IBNR) at 2.5% of net premiums written for the previous 12 months in compliance with the Notification of the Ministry of Commerce governing the appropriation of unearned premium reserve and loss reserve by the non-life insurance company. However, since 1 January 2009, the Company is to allocate IBNR according to the actuarial method, but it is not to be less than 2.5% of the total net written premium written on all types of risk in the twelve months prior to the allocation date.

4.11 Commissions and brokerages

Commissions and brokerages are expended when they occur.

4.12 Long-term leases

Leases of equipment and vehicles which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The assets acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period

4.13 Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the premises and equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

Impairment losses are generally recognised in the income statement.

4.14 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.



4.15 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.16 Income tax

(a) Current tax

Income tax is provided in the accounts based on the taxable profits determined in accordance with tax legislation.

(b) Deferred tax

Deferred income tax is calculated based on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, by using the enacted tax rate at the balance sheet date.

The Company recognises deferred tax liabilities for taxable temporary differences and recognises deferred tax assets for deductible temporary differences and tax losses carried forward. The Company recognises deferred tax assets to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each balance sheet date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. The significant accounting judgments and estimates are as follow:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.



Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of equity investments

The Company treats available-for-sale equity investments and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

Premises and equipment/Depreciation

In determining depreciation of buildings and equipment, the management is required to make estimates of the useful lives and salvage values of the Company’s buildings and equipment and to review estimate useful lives and salvage values when there are any changes.

Intangible assets

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimate the future profits.

Loss reserve and outstanding claims

At each reporting date, the Company has to estimate loss reserve and outstanding claims taking into account two factors. These are the expected ultimate cost of claims reported at the balance sheet date, and the expected ultimate cost of claims incurred but not yet reported (IBNR) at the balance sheet date. The ultimate cost of outstanding claims is established using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornheutter-Ferguson methods.

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.



The Office of Insurance Commission permits members of the Company's management who have been authorised by the OIC to calculate and endorse loss reserve for IBNR.

Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the balance sheet date.

6. Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of businesses and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

| | 2009 | 2008 | (Unit: Baht) Transfer Pricing Policy |
|--|------------|-----------|--|
| Transactions with related parties | | | |
| Thai Military Bank Plc. | | | |
| Premium written | 11,804,002 | 9,181,337 | Normal commercial terms for underwriting |
| Interest income | 1,823,716 | 1,497,130 | 0.75 - 3.80% per annum (2008 : 1.75 - 4.50% per annum) |
| Loss incurred | 1,485,133 | 4,188,223 | Actual paid |
| Danu Thai Holding Company Limited | | | |
| Premium written | 324,829 | 368,723 | Normal commercial terms for underwriting |
| Dividend income | 150,000 | 270,000 | As declared |
| Loss incurred | - | 1,330 | Actual paid |
| Rental and service expenses | 9,918,804 | 8,852,564 | Charged at an average rate of Baht 374 per square meter per month (2008 : Charged at a rate of Baht 334 per square meter per month) |
| Other expense | 633,826 | 528,524 | Actual paid |



Notes to Financial Statements

For the years ended 31 December 2009 and 2008

As at 31 December 2009 and 2008, the balances of the accounts between the Company and those related companies are as follows:

| | Relationship | 2009 | (Unit: Bath) 2008 |
|--------------------------------------|-----------------|-------------|----------------------|
| Balances with related parties | | | |
| Thai Military Bank Plc. | Shareholder | | |
| Deposits at financial institutions | | 176,906,152 | 174,872,258 |
| Premium due and uncollected | | 4,439,493 | 2,513,084 |
| Accrued income on investments | | 304,521 | 317,494 |
| Danu Thai Holding Company Limited | Common director | | |
| Investments in ordinary shares | | 6,000,000 | 6,000,000 |
| Premium due and uncollected | | - | 6,332 |

Directors and management's remuneration

In 2009 the Company paid salaries, bonus, meeting allowances and gratuities to their directors and management totaling Baht 26.8 million (2008: Baht 27.1 million).



7. Investments in securities

(Unit: Baht)

| | 2009 | | 2008 | |
|---|--------------|-------------|---------------|-------------|
| | Cost | Fair value | Cost | Fair value |
| Trading securities | | | | |
| Debt securities | | | | |
| Debentures | 10,016,407 | 10,016,567 | - | - |
| Gains on changes in values of securities | 160 | - | - | - |
| | 10,016,567 | 10,016,567 | | |
| Equity securities | | | | |
| Ordinary shares | 7,191,944 | 7,339,000 | - | - |
| Gains on changes in values of securities | 147,056 | - | - | - |
| | 7,339,000 | 7,339,000 | | |
| Available-for-sale securities | | | | |
| Debt securities | | | | |
| Debentures | 187,131,077 | 190,077,276 | 101,000,000 | 102,159,149 |
| Gains on changes in values of securities | 2,946,199 | - | 1,159,149 | - |
| | 190,077,276 | 190,077,276 | 102,159,149 | 102,159,149 |
| Equity securities | | | | |
| Ordinary shares | 218,618,632 | 145,419,545 | 213,876,293 | 78,077,212 |
| Unit trusts | 62,600,174 | 63,825,393 | 33,052,137 | 26,528,904 |
| Warrants | - | - | 701,573 | 492,500 |
| Losses on changes in values of securities | (71,202,297) | - | (142,531,387) | - |
| Allowance for impairment on investments | (771,571) | - | - | - |
| | 209,244,938 | 209,244,938 | 105,098,616 | 105,098,616 |
| Held-to-maturity debt securities | | | | |
| Bonds | 35,965,028 | | 23,322,795 | |
| Notes | 8,110,215 | | 103,000,000 | |
| Allowance for impairment on investments | (381,180) | | (3,066,000) | |
| | 43,694,063 | | 123,256,795 | |
| Other securities | | | | |
| Ordinary shares | 8,001,000 | | 6,513,320 | |
| Preference shares | 100,000 | | 100,000 | |
| | 8,101,000 | | 6,613,320 | |
| Total investments in securities | 468,472,844 | | 337,127,880 | |



Notes to Financial Statements

For the years ended 31 December 2009 and 2008



Investments in debt securities as at 31 December 2009 will be due as follows:

(Unit: Baht)

| | Due within | | | Allowance for impairment on investment | Total |
|------------------------------------|-------------------|--------------------|-------------------|--|--------------------|
| | 1 year | 1 - 5 years | Over 5 years | | |
| Trading debt securities | | | | | |
| Debentures | - | 10,016,567 | - | - | 10,016,567 |
| Available-for-sale debt securities | | | | | |
| Debentures | 25,186,445 | 154,101,645 | 10,789,186 | - | 190,077,276 |
| Held-to-maturity debt securities | | | | | |
| Bonds | 18,084,786 | 7,142,468 | 10,737,774 | - | 35,965,028 |
| Notes | 8,110,215 | - | - | (381,180) | 7,729,035 |
| Total | 51,381,446 | 171,260,680 | 21,526,960 | (381,180) | 243,787,906 |

Bonds of Baht 14 million (2008: Baht 14 million) of bonds have been pledged as a security with the Registrar of the Office of Insurance Commission in accordance with the non-life Insurance Act and Baht 2.6 million (2008: Baht 3.5 million) of bonds have been pledged as required in the normal course of business of the Company.

8. Loans

The balances of loans to employees through staff welfare project are aged, based on due date, as follows:

(Unit: Baht)

| Outstanding period | Credit line | | Interest rate | | Outstanding balance | |
|--------------------|------------------|------------------|---------------|-------------|---------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Current | 5,679,000 | 5,235,743 | 1.00%-5.75% | 1.75%-3.75% | 4,017,597 | 4,233,387 |
| Total | 5,679,000 | 5,235,743 | | | 4,017,597 | 4,233,387 |



9. Accounts receivable from novation of debentures

The Company has investments in debentures of a listed company. The Company has transferred these investments and related interest receivable to “Accounts receivable from novation of debentures” in the balance sheet, because in 2002 the company which issued the debentures implemented its rehabilitation plan and transferred the debt to a special purpose vehicle together with certain assets for sale and to make payment of such debt within 30 June 2007. If all of the assets are sold off by 30 June 2007, but not all debt can be settled, the special purpose vehicle is to pay the outstanding portion of the novated debt in five equal installments, on 30 June and 30 December of each year, from 30 June 2008 to 30 June 2010, and interest will be charged on the remaining debt at MLR-3% per annum, commencing on 1 July 2007. Interest will be paid on the same dates as principal is repaid, from 30 June 2008 onwards.

The recoverable value of this receivable depends on the present value of the amounts to be repaid in the future. The fair value is calculated using a discounted cash flow analysis, applying the average interest rates for debentures of the companies in the same industry group and with similar tenors to such debt. As at 31 December 2009, the Company has set up provision of approximately Baht 0.09 million (2008: Baht 0.05 million) for the loss which may be incurred in the collection of this receivable.

10. Cash and deposits at financial institutions/Cash and cash equivalents

| | (Unit: Baht) | |
|---|--------------------|--------------------|
| | 2009 | 2008 |
| Cash on hand | 195,000 | 195,000 |
| Deposits at banks with no fixed maturity date | 79,148,137 | 68,291,717 |
| Deposits at banks with fixed maturity date | 389,511,078 | 450,265,792 |
| Total cash and deposits at financial institutions | 468,854,215 | 518,752,509 |
| Investments in notes | 7,729,035 | 99,934,000 |
| Total | 476,583,250 | 618,686,509 |
| Less: Deposits and notes with maturity of more than 3 months and cash subject to restriction | (362,827,448) | (396,544,040) |
| Cash and cash equivalents | 113,755,802 | 222,142,469 |

Included in these balances are fixed deposits of approximately Baht 10 million (2008: Baht 10 million) which have been pledged with banks to secure credit facilities.



Notes to Financial Statements

For the years ended 31 December 2009 and 2008



11. Premises and equipment

(Unit: Baht)

| | Land | Building | Furniture, fixtures and office equipment | Motor vehicles | Total |
|---------------------------------|------------|-----------|---|-------------------|-------------|
| Cost | | | | | |
| 31 December 2008 | 10,163,636 | 4,789,000 | 65,744,405 | 2,517,300 | 83,214,341 |
| Additions | - | - | 1,348,920 | - | 1,348,920 |
| Disposals | - | - | (5,461,002) | - | (5,461,002) |
| 31 December 2009 | 10,163,636 | 4,789,000 | 61,632,323 | 2,517,300 | 79,102,259 |
| Accumulated depreciation | | | | | |
| 31 December 2008 | - | 3,017,070 | 51,753,430 | 460,011 | 55,230,511 |
| Depreciation for the year | - | 239,450 | 5,076,677 | 519,107 | 5,835,234 |
| Depreciation on disposals | - | - | (5,447,861) | - | (5,447,861) |
| 31 December 2009 | - | 3,256,520 | 51,382,246 | 979,118 | 55,617,884 |
| Net book value | | | | | |
| 31 December 2008 | 10,163,636 | 1,771,930 | 13,990,975 | 2,057,289 | 27,983,830 |
| 31 December 2009 | 10,163,636 | 1,532,480 | 10,250,077 | 1,538,182 | 23,484,375 |

Depreciation included in income statements for year

| | |
|------|-----------|
| 2008 | 6,290,352 |
| 2009 | 5,835,234 |

As at 31 December 2009, the Company had vehicles under finance lease agreements with net book values amounting to Baht 1.19 million. (2008: Baht 1.6 million)

As at 31 December 2009, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 53.5 million (2008 : Baht 50.7 million).



12. Premium due and uncollected

The balances of premium due and uncollected as at 31 December 2009 and 2008, aged on the basis of due dates, are summarised below.

| | (Unit: Baht) | |
|--|--------------------|--------------------|
| | 2009 | 2008 |
| Age of receivables | | |
| Up to 3 months | 117,880,109 | 193,400,651 |
| 3 - 6 months | 7,157,932 | 22,814,439 |
| 6 - 12 months | 1,025,343 | 8,512,598 |
| Over 12 months | 313,449 | 8,653,789 |
| Total | 126,376,833 | 223,381,477 |
| Less: Allowance for doubtful accounts | (625,031) | (2,870,204) |
| Premium due and uncollected - net | 125,751,802 | 230,511,273 |

13. Corporate income tax/deferred tax assets

Corporate income tax for year has been calculated on taxable profit have been calculated at the rate of 25% of income before income tax, after adding back certain provisions and expenses which are disallowable for tax computation purposes and deducting dividend income which is exempted from tax. The tax rate for the year 2008 applied is in compliance with the provisions of Royal Decree 475 (B.E. 2551) dated 29 July 2008, issued under the Revenue Code, regarding the reduction of income tax rates.

| | (Unit: Baht) | |
|--|------------------|-------------------|
| | 2009 | 2008 |
| Income tax for the year calculated from taxable profit | - | - |
| Deferred tax expense related to temporary differences | 3,180,100 | 2,570,770 |
| Deferred tax expense effect from the change in tax rate from 30% to 25% | - | 11,583,358 |
| Income tax for the year calculated on accounting profit | 3,180,100 | 14,154,128 |



Notes to Financial Statements

For the years ended 31 December 2009 and 2008



Components of deferred tax assets are as follows:

| | (Unit: Baht) | |
|--|-------------------|-------------------|
| | 2009 | 2008 |
| Unrealised loss on revaluation of investments | | |
| - trading securities | (36,804) | - |
| Deficit on revaluation of investments | | |
| - available-for-sale securities | 17,064,025 | 35,343,060 |
| Impairment loss on accounts receivable from novation of debentures | 310,004 | 779,618 |
| Allowance for doubtful accounts | 2,049,296 | 1,645,636 |
| Unearned premium reserves | 13,622,269 | 21,237,505 |
| Provision for losses incurred but not yet reported (IBNR) | 10,569,976 | 6,687,426 |
| Loss reserve | 24,658,708 | 25,935,527 |
| Accumulated Losses carry forward 5 years | 3,563,244 | 1,631,082 |
| Deferred tax assets | 71,800,718 | 93,259,854 |

14. Intangible assets - computer software

Detail of intangible assets which are computer software are as follows:

| | (Unit: Baht) | |
|--|-------------------|-------------------|
| | 2009 | 2008 |
| Cost as at 1 January | 40,888,180 | 38,905,702 |
| Additions | 5,629,956 | 1,982,479 |
| Accumulated amortisation | (22,614,558) | (20,164,780) |
| Net book value as at 31 December | 23,903,578 | 20,723,401 |
| Amortisation expenses included in the income statements for the year | 2,449,778 | 3,760,991 |

15. Liabilities under finance lease agreements

| | (Unit: Baht) | |
|---|--------------|-----------|
| | 2009 | 2008 |
| Liabilities under finance lease agreements | 1,471,250 | 1,738,000 |
| Less : Deferred interest expenses | (207,356) | (170,933) |
| Total | 1,263,894 | 1,567,067 |
| Less : Portion due within one year | (359,255) | (396,000) |
| Liabilities under finance lease agreements - net of current portion | 904,639 | 1,171,067 |



The Company has entered into the finance lease agreements with leasing company for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally 5 years.

As at 31 December 2009, Future minimum lease payments required under the finance lease agreements were as follows:

| | (Unit: Baht) | | |
|--|------------------|-------------|-----------|
| | Less than 1 year | 1 - 5 years | Total |
| Future minimum lease payments | 423,720 | 1,047,530 | 1,471,250 |
| Deferred interest expenses | (64,465) | (142,891) | (207,356) |
| Present value of future minimum lease payments | 359,255 | 904,639 | 1,263,894 |

16. Share capital

On 9 January 2009, the Extra-Ordinary General Shareholders' Meeting passed resolutions for transactions as follows:

- The resolution to approve the decrease of the Company's registered capital by canceling 1,000,000 Company's unpaid issued shares, amounting to Baht 10,000,000. The remaining registered capital of the Company is decreased to Baht 190,000,000. The Company registered the decrease in share capital with the Ministry of Commerce on 9 March 2009.
- The resolution to approve the increase of the Company's registered capital, amounting to Baht 100,000,000 from Baht 190,000,000 to Baht 290,000,000 by issuing new 10,000,000 preference shares, having the par value of Baht 10. The determination of the preferential rights as follows:
 - In the case where distribution of dividends is made, the preference shares shall be entitled to jointly receive the dividends with the ordinary shares of the same rate, except for the first dividends distribution made each year during the calendar year 2010 until the expiry of the preferential rights, the preference shares shall be additionally entitled to receive dividends in an amount of Baht 0.75 per share. The preference shares shall be on a non-cumulative dividend basis;
 - The preference shares shall be entitled to the voting right of one share per one vote;
 - In case of a decrease of registered capital, excluding canceling of unpaid issued shares or if the Company is dissolved and there is surplus asset remaining after payment to all creditors and other deductions to be made by laws, the preference shares shall be entitled to receive a return of paid share capital prior to the ordinary shares; and
 - the preferential rights shall be expired on the 31 May 2012. Upon completion of such period, the preferential rights of the preference shares shall be ceased forthwith and entitled to the same rights as the ordinary shares. The preferred shares shall be mandatorily converted into ordinary shares at the ratio of 1 preference share to 1 ordinary share.
- The resolution to approve an allocation of 10,000,000 increased preference shares capital to the existing shareholders at the ratio of 1.9 existing ordinary share to 1 new preference share and



Notes to Financial Statements

For the years ended 31 December 2009 and 2008



round up by deleting decimal of the share at the offering price of Baht 10.00. The Board of Directors and/or person designed by the Board of Directors shall allocate unsubscribed preference shares remaining from share subscription of the existing shareholders, to the existing shareholders who express their intention to subscribe shares more than their right issue. In February 2009, the Company received payment for 4,500,000 additional preference shares, with a par value of Baht 10 per share, and registered the increase in share capital with the Ministry of Commerce on 17 March 2009.

17. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

18. Earnings per share

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

Diluted earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

The following table sets forth the computation of basic and diluted earnings per share:

| | For the years ended 31 December | | | | | |
|---|---------------------------------|-----------------|--|-------------------|--------------------|--------|
| | Net income | | Weighted average number of ordinary shares | | Earnings per share | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | (Thousand Baht) | (Thousand Baht) | (Thousand shares) | (Thousand shares) | (Baht) | (Baht) |
| Basic earnings per share | | | | | | |
| Net income | 17,619 | 1,644 | 19,000 | 19,000 | 0.93 | 0.09 |
| Effect of dilutive potential ordinary shares | | | | | | |
| Convertible preference shares | - | - | 3,575 | - | | |
| Diluted earning per share | | | | | | |
| Net income for the year of ordinary shareholders assuming the conversion of dilutive preference shares to ordinary shares | 17,619 | 1,644 | 22,575 | 19,000 | 0.78 | 0.09 |



19. Financial information by segment

The Company's operations involve a single business segment, non-life insurance business, and are carried on in the single geographic area in Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned business segment and geographic area.

20. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employee contributed to the fund monthly at the rate of 3% of their basic salaries, and the Company contributed at rates of 3% or 5%, based on the length of employment. The fund, which is managed by Tisco Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2009, the Company contributed approximately Baht 3.6 million (2008: Baht 3.4 million) to the fund.

21. Directors' remuneration

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

22. Dividends

| (Unit: Baht) | | | |
|--------------------------|--|-----------------|------------------------|
| Dividends | Approved by | Total dividends | Dividends per share |
| Final dividends for 2007 | Annual General Meeting of shareholders No. 1/2008 on 22 April 2008 | 19,000,000 | 1.00 |

23. Reserve for retained earning for unearned premium reserves

As at 31 December 2009 the retained earnings of the Company excluding additional reserve amounted to Baht 1.74 million. According to the Notification of the Ministry of Commerce governing the appropriation of unearned premium reserves and loss reserves of non-life insurance companies dated 30 September 2005, when non-life insurance companies set aside unearned premium reserves for reinsurance with foreign reinsurers, whether or not the reinsurance contract indicates that amounts are to be withheld, if the amount to be withheld is lower than the appropriation of unearned premium reserves specified by the OIC, non-life insurance companies are to additionally allocate an amount equal to the deficit to unearned premium reserve. Since the Company has transferred their risks from insurance to the reinsurers and no longer has commitments in respect of debt settlement, such additional appropriation of unearned premium reserves is, therefore, not to be recorded as liabilities.



24. Commitments and contingent liabilities

24.1 Capital commitments

As of 31 December 2009, the Company had capital commitments of approximately Baht 1.9 million, relating to acquisition of computer systems.

24.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of building, and equipment and service agreements. The terms of the agreements are generally between 3 and 5 years. Operating lease agreements can not be cancelled.

As at 31 December 2009, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

| | <u>Million Baht</u> |
|------------------|---------------------|
| Payable within: | |
| Less than 1 year | 22.50 |
| 1 to 5 years | 18.17 |

24.3 Litigation

As at 31 December 2009, the Company was named as a defendant in a legal action, and sued for damages of approximately Baht 24.6 million (2008: Baht 36.4 million) in connection with certain assets which the Company insured. However, as the Company's management believes that they will successfully defend the charges, no provision for losses arising from the lawsuit has been made in the accounts.

25. Financial instruments

25.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 32 "Financial Instruments: Presentation", principally comprise cash and cash equivalents, premium due and uncollected, loans, and investments in securities. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to premium due and uncollected, loans and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of premium due and uncollected, loans and other receivables as stated in the balance sheet.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its investments in securities and deposits at financial institutions which are subject to interest. However, since most of the



Company's financial assets bear fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets as at 31 December 2009 classified by type of interest rate are summarised in the table below, with those financial assets that carry fixed interest rates further classified based on the maturity date or the repricing date if this occurs before the maturity date.

| | Fixed interest rates | | | | | Total | Effective interest rate (% p.a.) |
|------------------------------------|----------------------|--------------------|-------------------|------------------------|----------------------|--------------------|-------------------------------------|
| | Within 1 year | 1-5 years | Over 5 years | Floating interest rate | Non-interest bearing | | |
| | (Million Baht) | | | | | | |
| Financial assets | | | | | | | |
| Investments in securities - net | | | | | | | |
| Bonds | 18,084,785 | 7,142,468 | 10,737,775 | - | - | 35,965,028 | 4.25%-6.42% |
| Notes | 7,729,035 | - | - | - | - | 7,729,035 | 3.00% |
| Debentures | 25,186,445 | 164,118,212 | 10,789,186 | - | - | 200,093,843 | 2.40%-5.50% |
| Deposits at financial institutions | 373,511,078 | 16,000,000 | - | 57,193,156 | 21,954,981 | 468,659,215 | 0.25%-3.00% |
| | <u>424,511,343</u> | <u>187,260,680</u> | <u>21,526,961</u> | <u>57,193,156</u> | <u>21,954,981</u> | <u>712,447,121</u> | |

25.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short term in nature or bear floating interest rates, their fair values is not expected to be materially different from the amounts presented in the balance sheets.

Fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

26. Subsequent events

The Company's Board of Directors, held on 17 February 2010, passed a resolution approving the payment of dividend to the ordinary shareholders of 19,000,000 shares at the rate of Baht 0.25 per share and to the preferred shareholders of 4,500,000 shares at the rate of Baht 1.00 per share. The total amount of dividend paid is of Baht 9,250,000, from the 2009 operating results. The dividend payment will be proposed to approve by the Annual General Meeting of the Company's shareholders, and payment will be on 12 May 2010.



Notes to Financial Statements

For the years ended 31 December 2009 and 2008



27. Capital management

The primary objectives of the Company's capital management is to ensure that the Company's ability to continue as a going concern and to maintain capital reserve in accordance with Notifications of the OIC.

28. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 17 February 2010.

THE THAI INSURANCE PUBLIC CO., LTD

| | | |
|-------------------|---------------------|-------------------|
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