



ไทยประกันภัย
Thai Insurance



รายงานประจำปี
**ANNUAL
REPORT**
๒๕๕๕
2012

" เราจะเป็นบริษัทประกันภัยที่ลูกค้าให้ความไว้วางใจมากที่สุด "

To be the most trusted insurance company

วิสัยทัศน์ (Vision)

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

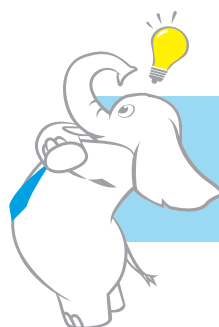
Achievement

TIC WAY



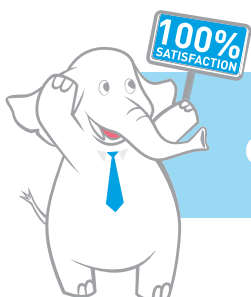
ACHIEVEMENT

มุ่งมั่นทำให้เกิดผลสำเร็จ



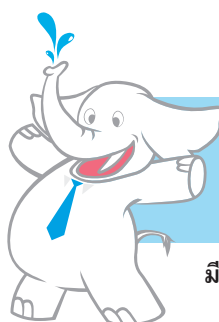
CREATIVE AND
CONTINUOUS
LEARNING

มีความคิดสร้างสรรค์ และใฝ่รู้



COMMITMENT

มุ่งมั่นทำตามสัญญา



HAPPINESS

มีความสุขและสนุกกับการทำงาน



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 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. The Company was awarded as the 2nd Outstanding Development Non-Life Insurer of the year 2010 by the Office of Insurance Commission.

Presently, the company's headquarter is located at Thai Insurance Building, 34/3 Soi Lung Suan, Ploenchit Road, Pathumwan, Bangkok and has 11 branches in Rayong, Chonburi, Khon Kaen, Nakorn Ratchsrima, Chiang Mai, Phitsanulok, Nakhon Phathom, Chiang Rai, Udon Thani Nakhon Sawan and Hua Hin



2519



2546



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|--|----|
| Financial Highlights | 6 |
| Message from the Chairman | 7 |
| Board of Directors | 8 |
| Executive Officers | 10 |
| Major Shareholders | 12 |
| Conversion of Preferred Shares into Ordinary Shares | 13 |
| Organization structure | 15 |
| Management and Corporate Governance | |
| Structure of the Board of Directors | 16 |
| Corporate Secretary | 17 |
| Board of Directors' Meeting | 17 |
| Leadership and vision | 19 |
| The Nomination of the Directors and Executive Officers | 19 |
| Management Remuneration | 20 |
| Remuneration for Audit | 21 |
| Corporate Governance Policy | 21 |
| Shareholders rights and shareholder's Meeting | 21 |
| Invester Relations | 22 |
| Rights of Various Interest Groups | 22 |
| Inside Information Management | 23 |
| Internal Control | 23 |
| Connected Transaction | 24 |
| Business Ethic | 26 |
| Business Operation | |
| Nature of Business | 26 |
| Income Structure | 27 |
| Significance developments in 2012 | 27 |
| Risk Factors | 28 |
| Operating Results and Financial Status in 2012 | 30 |
| Business Goals in Next 3-5 Years | 30 |
| Progress of The Business Plan | 31 |
| Corporate Social Responsibility | 32 |
| Company Information | 34 |
| Board of Director's Report | 36 |
| The Report of the Audit Committee | 37 |
| Report of Independent Auditor | 38 |
| Financial statement | 39 |
| Notes to Financial Statements | 46 |

| | | 2012 | 2011 | 2010 | |
|----|--|---------|--------|--------|-------|
| 1 | Current Ratio | (Times) | 1.11 | 1.13 | 1.40 |
| 2 | Turnover of Premium Receivables | (Days) | 43.99 | 40.95 | 41.15 |
| 3 | Retention Rate | (%) | 69.99 | 71.73 | 78.07 |
| 4 | Loss Ratio | (%) | 60.61 | 63.99 | 57.17 |
| 5 | Earnings on Underwriting to Net Premium Written | (%) | 9.60 | 10.78 | 19.04 |
| 6 | Underwriting Expenses and Operating Expenses Ratio | (%) | 59.06 | 56.69 | 52.19 |
| 7 | Return Investment | (%) | 6.39 | 5.97 | 5.44 |
| 8 | Shareholders' Equity to Net Premium Written Ratio | (Times) | 0.46 | 0.55 | 0.68 |
| 9 | Net Profit Margin | (%) | (2.57) | (2.80) | 4.21 |
| 10 | Return on Equity | (%) | (7.92) | (6.56) | 8.43 |
| 11 | Return on Total Assets | (%) | (1.29) | (1.57) | 3.27 |
| 12 | Total Assets Turnover | (Times) | 0.50 | 0.56 | 0.78 |
| 13 | Debt Equity Ratio | (Times) | 5.38 | 4.87 | 1.69 |
| 14 | Unearned Premium Reserve to Capital Fund | (Times) | 1.55 | 1.23 | 0.90 |
| 15 | Unearned Premium Reserve to Total Assets | (%) | 24.29 | 20.97 | 33.63 |
| 16 | Earnings Per share | (Baht) | (2.08) | (2.19) | 1.97 |
| 17 | Dividend Per share | | | | |
| | Ordinary share | (Baht) | 0.40 | 0.25 | 0.50 |
| | Preferred share | (Baht) | 0.40 | 1.00 | 1.25 |
| 18 | Book Value Per Share | (Baht) | 21.85 | 21.79 | 25.00 |

Message from the chairman

Thai economy experienced a growth of 6.4% with approximately 3.0% inflation in 2012. Main economic driver was domestic demand from private investment and consumption to rehabilitate assets damaged from severe flood during the end of 2011. Industrial sector also began to accelerate their production. In addition, the government launched policies to speed up expenditures to remedy affected people and restore basic infrastructure that affected from that severe flood and encouraged expenditure for instance increase minimum wage, first-car tax policy, etc. It is expected that 2013 Thai GDP would be growth about 4.9% following the world economic trend and also benefited from government expenditure aiming to boost economic resulting in gaining more consumer confidence. With all positive environments that benefit country economic growth, it is expected that overall performance of general insurance business in 2013 would be more promising from opportunity to obtain more revenue both from premium expansion and investment return.

In 2012, the Company succeeded in service improvement and new product lines to fulfill our customers' need. As a result, the Company had total premium of Baht 1,577.8 million, an increase of 22.3%. However, the continuous negative consequences from 2011 severe flood both claims from Retrocession treaty of overall general insurance business and escalated reinsurance cost especially natural catastrophe inevitably adversely affected Thai insurance business including us. The Company experienced underwriting loss of Baht 96.6 million. Nevertheless loss before tax was Baht 36.1 million after including investment income and other income of Baht 70.2 million and net loss was Baht 40.6 million after adding income tax calculated by Deferred Tax method of Baht 4.5 million.

Although the Company experienced loss in 2012 due to the adverse effect from severe flood, our Risk Based Capital (RBC) was still over a requirement of the Office of Insurance Commission.

In 2013, the Company set a challenging premium growth target of 40% with plan to expand branches to various provinces, concentration on work quality and efficiency, expand retail market via product-and-service developments to fulfill customers' need through various channels; telemarketing, agents and bancassurance by joining with TMB Bank aiming to expand sale channel and penetrate retail customer group continuously.

On behalf of the Board of Directors, I would like to express gratitude to the shareholders, customers, business alliances, agents and brokers who have entrusted and supported us continuously. I would like to thank managements and employees as well who have devoted all their knowledge and abilities which are crucial factors to the Company's success and pave the way for stabilized growth.



(Mr.Kavi Ansavananda)

Chairman





1. Mr. Kavi Ansvananda

Chairman

Other Positions

Chairman

Mongkhoichai Pattana Co., Ltd.

Suvarnachad Co., Ltd.

Pure Sammakorn Development Co., Ltd.

Chairman of the Executive Board

Summakorn Public Company Limited

Director

Sribathana Chairman Co., Ltd.

Sripavidh Co., Ltd.

Danacom and Development Co., Ltd.

Sridharani Co., Ltd.

Audit Committee Member

Ban Bung Vejjakij Co., Ltd.

Manager

His Majesty Private Property Office

Director

His Majesty Private Development Project

Education

B.A. (Accountancy) Chulalongkorn University

Training : Thai Institute of Directors

2. Dr. Distorn Vajarodaya

Director

Other Positions

Position in Bureau of the Royal Household

Grand Chamberlain

Director Office of Privy Purse

Acting Director His Majesty's Private Affairs Division

Chairman

Golden Place Management Co., Ltd.

Chairman of the Executive Board

Wangklaikangwon Industrial and Community Education College

Rajaprajanugroh Foundation under the Royal Patronage

Suvarnachad Co., Ltd.

Independent Director / Audit Committee Member

Asia Aviation Public Company Limited

Executive Director

Wang Klai Kang Won School, Hua Hin

Consultant / Honorary Consultant

Senate Committee on Monetary, Finance, Banking and Financial

Institutions

Raprajasamasai Foundation under the Royal Patronage

Hua Hin Royal Rainmaking Center

King Power Co., Ltd.

Education

D.B.A. in Management

Rattana Bundit University

Training : Thai Institute of Directors

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 Member

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 Directors

4. 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 Directors

Board Of Directors



5

5. 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 Company Limited

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 Directors

6. Ms. Konthala 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 Directors



6



7

7. Miss Panita Tuchinda

Managing Director /

Member of the Strategy and Policy Committee /

Member of the Investment Committee

Other Positions

Director

Danu Thai Holding Co., Ltd.

Education

Master of Public Administration,

New York University, U.S.A.

Training : Thai Institute of Directors

8. Mr. Tikumporn Pongsawasdi

Director and Assistant Managing

Director /

Member of the Strategy and Policy Committee /

Member of the Investment Committee /

Corporate Secretary

Education

Bachelor Degree in Business Administration,

Major in Accounting

Ramkamhaeng University

Training : Thai Institute of Directors



8



1. Miss Panita Tuchinda

Managing Director

Experiences

The Thai Insurance Public Company Limited
 Since 1991

Education

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

2. Mr. Sombat Anunta

Deputy Managing Director

Experiences

The Thai Insurance Public Company Limited
 Since 1997

Education

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

3. Mr. Tikumporn Pongsawasdi

Director and Assistant Managing Director

Experiences

The Thai Insurance Public Company Limited
 Since 2000

Education

Bachelor Degree in Business Administration,
 Major in Accounting
 Ramkhamhaeng University
 Training : Thai Institute of Directors

4. Mr. Wichan Pansrimangorn

Assistant Managing Director

Experiences

The Thai Insurance Public Company Limited
 Since 1997

Education

Master of Business Administration ,
 Thammasat University
 Barrister at Law
 Institute of Legal Education of Thai Bar Association

5. Mr. Ranisorn Phoungvarintara

Vice President

Corporate Sales Management Line 1,
 Commercial Business Line

Experiences

The Thai Insurance Public Company Limited
 Since 1997

Education

Bachelor of Laws,
 Ramkhamhaeng University

6. Mr. Suthat Kunchonmanee

Vice President

Information Technology Department

Experiences

The Thai Insurance Public Company Limited
 Since 2011
 Vice President^f Information Technology,
 Ocean Life Insurance Co, Ltd.
 Vice President^f Information Technology,
 ACE Life Assurance Co, Ltd.
 Assistant Vice President^f Information Technology,
 AXA Insurance Co, Ltd.

Education

Bachelor of Science,
 Ramkhamhaeng University
 Master of Business Administration,
 Ramkhamhaeng University

Executive Officers



7. Mr. Piyamaporn Kookittmaitri

Vice President

People Management & Development Department

Experiences

The Thai Insurance Public Company Limited

Since 2009

Manager Factory Human Resources

Nestle (Thai) Ltd.

Manager Human Resources Services

F&N Dairies (Thailand) Ltd.

Education

B.A. History (Tourism),

Naresuan University

8. Miss Siriwan Vorasupat

Vice President

Finance Accounting and Investment Department

Experiences

The Thai Insurance Public Company Limited

Since 2011

Manager, Accounting and Finance Department

IAG Insurance (Thailand) Limited

Manager, Accounting and Finance Department

Safety Insurance Public Company Limited

New Petchburi Road Branch

Education

Master of Science Business Administration

Strayer College, U.S.A.

11. Mr. Rathakorn Chantippimarn

Assistant Vice President

Assistant Vice President Underwriting Department

Experiences

The Thai Insurance Public Company Limited

Since 1993

Education

Bachelor of Laws

Ramkhamhaeng University

9. Mr. Phong Nivespathomwat

Assistant Vice President

Marketing Management,

Personal Line

Experiences

The Thai Insurance Public Company Limited

Since 2011

Bancassurance Marketing Manager,

Tokio Marine Life Co.,Ltd.

Assistant Manager Corporate Planning,

Mitsui Sumitomo Insurance Co.,Ltd.

Education

Master of Business Administration,

University of Wisconsin-White water, U.S.A

10. Mr. Anuthep Thunhasaithong

Assistant Vice President

Product Development and Portfolio Management

Experiences

The Thai Insurance Public Company Limited

Since 2012

Sr. Division Manager Affinity & Personal Line

Lockton Wattana Insurance Brokers (Thailand) Ltd.

Education

Master of Business Administration, Assumption University

As at 31 December 2012

| No. | Name | Unit | %* |
|-----|---|-----------|--------|
| 1 | HIS MAJESTY KING BHUMIBOL ADULYADEJ | 5,382,654 | 22.90% |
| 2 | MR. PAISIT TUCHINDA | 2,742,100 | 11.67% |
| 3 | MRS. PAIROH TUCHINDA | 1,417,404 | 6.03% |
| 4 | MISS. PANITA TUCHINDA | 678,036 | 2.89% |
| 5 | THANPUYING DHASANAWALAYA SORNONGKRAM | 648,494 | 2.76% |
| 6 | MR. VACHIRA TAYANARAPORN | 500,000 | 2.13% |
| 7 | OFFICE OF THE PRIVY PURSE / PHRA SRIRATANA | 456,168 | 1.94% |
| 8 | MR. VORAVIT ROJRAPITADA | 378,925 | 1.61% |
| 9 | HER ROYAL HIGHNESS PRINCESS MAHA CHAKRI SIRINDHORN | 327,783 | 1.39% |
| 10 | OFFICE OF THE PRIVY PURSE / HER ROYAL HIGHNESS PRINCESS BEJARATANA RAJASUDA SIRISOBHABANNAVADI | 309,504 | 1.32% |

Authorized Capital and Fully Paid

235,000,000 Baht (23,500,000 Share(s) / Par Value 10 Baht)

Divided to

Ordinary Share 234,788,290 Baht (23,478,829 Share(s) / Par Value 10 Baht)

Preferred Share 211,710 Baht (21,171 Share(s) / Par Value 10 Baht)

Dividend Payment Policy

The company will pay dividend to the shareholders of no less than 40% of net profit after corporate income tax determined in accordance with the guidelines of the Revenue code.

Conversion of preferred shares into ordinary shares

Pursuant to the Extra Ordinary Meeting of Shareholders No. 1/2009 of the Thai Insurance Public Company Limited held on January 9, 2009 has resolved to increase the registered capital by issuing new preferred shares. The company has allotted shares to raise capital to existing shareholders of 4,500,000 preferred shares, and their subsequent listing on April 1st, 2009. The preferential rights of the preferred shares should be expired on 31st May 2012 and upon expiration, the preferential rights of the preferred shares should all be ceased forthwith and entitled to the same rights as the ordinary shares and the preferred shares shall be mandatory converted into ordinary shares at the ratio of 1 preferred share to 1 ordinary share. In such case, conversion can be done by the shareholders applying for conversion and returning the share certificate to the Company according to criteria, conditions, and methods to be prescribed by the Company. The exercise dates are fixed on every 15th February, 15th June and 15th October of each year and the Company will open for the conversion until all preferred shares have been converted to ordinary shares by which the first conversion date is fixed on 15th June 2012

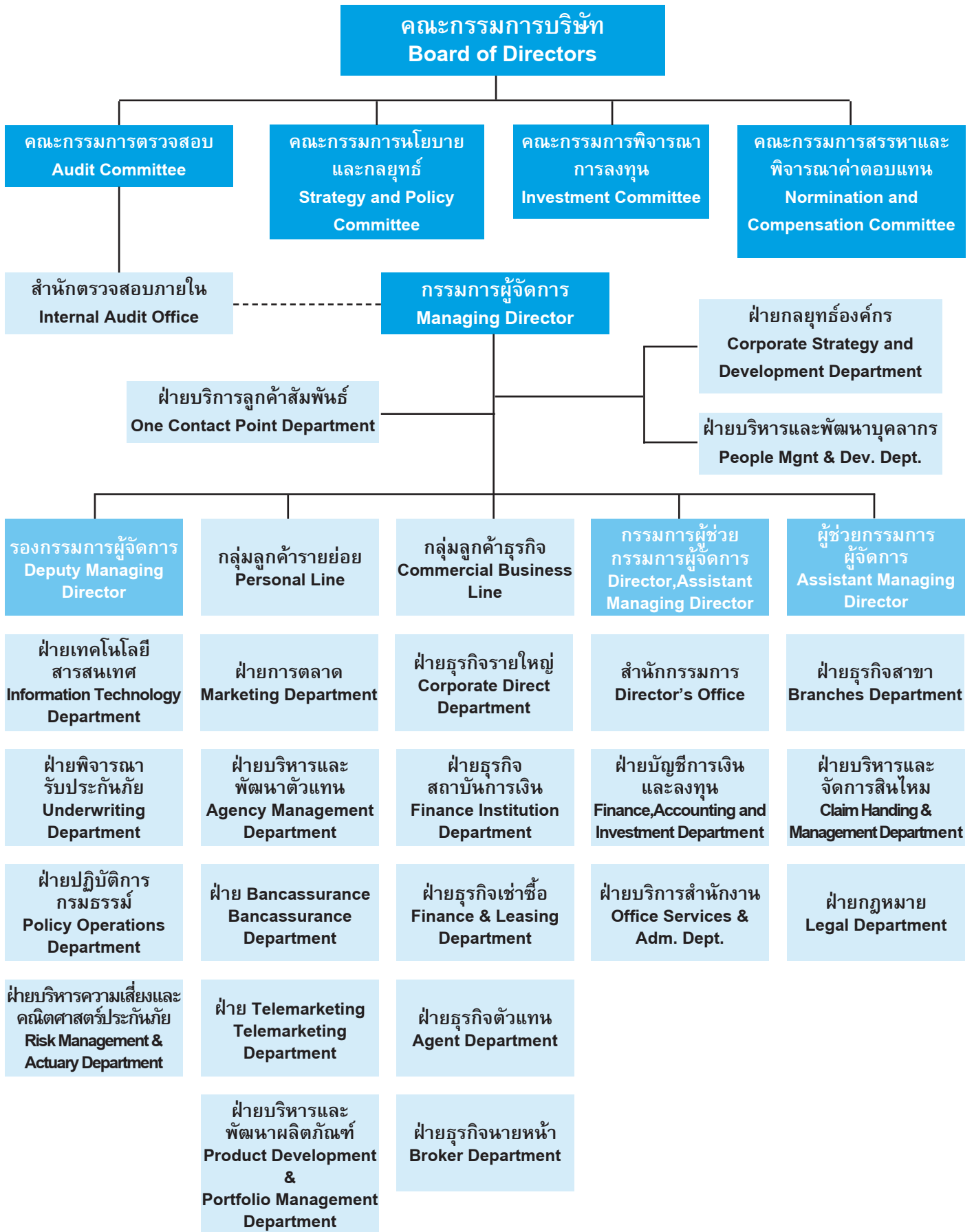
The Conversion of preferred shares into common shares as follows

| Share(s) | Preferred Share | Ordinary Share | Total |
|---|-----------------|----------------|------------|
| Initial number of preferred shares issued | 4,500,000 | 19,000,000 | 23,500,000 |
| Conversion exercise # 1 (June 15th, 2012) | (3,989,503) | 3,989,503 | |
| After Conversion exercise # 1 | 510,497 | 22,989,503 | 23,500,000 |
| Conversion exercise # 2 (October 15th, 2012) | (489,326) | 489,326 | |
| After Conversion exercise # 2 | 21,171 | 23,478,829 | 23,500,000 |
| Conversion exercise # 3 (February 15th, 2013) | (12,775) | 12,775 | |
| After Conversion exercise # 3 | 8,396 | 23,491,604 | 23,500,500 |

Next Conversion exercise # 4 (June Friday 15th, 2013)



Organization Structure



Structure of The Board of Directors

The Company's structure of management consists of the Board of Directors. Audit Committee. 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 8 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 according to the Company's Affidavit and the Company's Articles of Association.

2. Audit Committee - comprises of 3 directors 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 I 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 - comprises of 3 directors 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 1 has its duties to nominate qualified persons to be directors

4. Strategy and Policy Committee - comprises of 5 directors 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 - comprises of 3 directors 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.

| | | | |
|-----|--------------------------------|----------|---|
| 1 | Mr.Kavi Ansvananda* | Chairman | Non Executive Director Shareholder representative : His Majesty Private Property Office |
| 2** | Dr.Distorn Vajarodaya | 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 | Mrs.Koonthala Sasasmit | Director | Independent Director |
| 7 | Miss Panita Tuchinda* | Director | Executive Director |
| 8 | Mr.Tikumporn Pongsawasdi* | Director | Executive Director |

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

2* Mr.Phinyo Ekaraphanich as the Company's Director, Representative of Office of The Privy Purse, has resigned from the Company's Director effective January 1, 2013 onwards due to his retirement from Office of the Privy Purse. The Board of Directors has passed the resolution to appoint Dr.Distorn Vajarodaya, Director of Office of The Privy Purse, to be the Company's Director effective January 1, 2013 onwards

The company's Board of Directors comprise of

| | |
|--------------------------|-----------|
| Managerial director | 2 persons |
| Non-managerial directors | 3 persons |
| Independent directors | 3 persons |

The company board of directors consists of 3 independent directors, exceeding one third of the total number of directors. which is currently a total of 8. 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 Stock Exchange of Thailand.

(Article 1-3 : The qualifications of Independent Directors of the Company are set up in addition to the criteria of the Office of the Securities Exchange Commission and 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 the 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 duty.
- To arrange and preserve the documents as follows
 - Director registration
 - Written notice calling the Committee Meeting and 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 of 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 in each quarter. All directors have independly to propose the meetingagendas, 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 meeting for future inspection by related officers. In 2012, the members of the Board of Directors attended the usual 4 meetings. Meeting participants are as follows.

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

The Audit Committee meeting is held on at least one time per quarter the members attended 5 meetings. Meeting participants are as follows:

| Total number of meetings attende.....Times From...Times | | |
|--|---------------------------------|-----|
| 1 | Dr. Chatchawin Charoen-Rajapark | 5/5 |
| 2 | Mr. Bibit Bijaisoradat | 5/5 |
| 3 | Mrs. Koonthala Sasasmit | 5/5 |

The Nomination and Compensation Committee held one meeting. Meeting participants are as follows:

| Total number of meetings attende.....Times From...Times | | |
|--|--------------------------------|-----|
| 1 | Mr. Bibit Bijaisoradat | 1/1 |
| 2 | Mr. Paisit Tuchinda | 1/1 |
| 3 | Dr. Chatchawin Charoen-Rajapar | 1/1 |

Strategy and Policy Committee held 9 meetings. Meeting participants are as follows:

| Total number of meetings attende.....Times From...Times | | |
|--|---------------------------------|-----|
| 1 | Mr. Bibit Bijaisoradat | 9/9 |
| 2 | Mr. Paisit Tuchinda | 9/9 |
| 3 | Dr. Chatchawin Charoen-Rajapark | 9/9 |
| 4 | Miss Panita Tuchinda | 9/9 |
| 5 | Mr. Tikumporn Pongsawasdi | 9/9 |

Investment Committee held weekly meeting totaling 51 meetings. Meeting participants are as follows:

| Total number of meetings attende.....Times From...Times | | |
|--|---------------------------|-------|
| 1 | Mr. Paisit Tuchinda | 51/51 |
| 2 | Miss Panita Tuchinda | 49/51 |
| 3 | Mr. Tikumporn Pongsawasdi | 49/51 |

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 ๓ 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. ในกรณีที่เกิดการผูกคะแนนเสียงสำหรับตำแหน่งสุดท้าย จะมีการสุ่มเพื่อเลือกผู้สมัครคนสุดท้าย.

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 directors of the company.

Management Remuneration

The Board of Directors has clearly specified the remuneration structure for the Board of Directors and Managing Director 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 and members of the Investment Committee will receive remuneration for their additional duties and responsibilities have already been approved by the shareholders' meeting.

In 2012, the Board of Directors and the Management has received the remuneration from the Company, as follows:

Remuneration for 8 directors, amounted to 3,640,000 Baht. This amount of money shall include the meeting allowance, which was already paid, totally 2,160,000 Baht and directors' remuneration, of which payment will be approved by shareholders, amounted to 1,480,000 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.

Meeting Allowances for the year 2012 and shareholdings as at 31 December 2012 are as follow :-

| Director | Audit Director | Nomination & Compensation Committee | Strategy & Policy Committee | Investment Committee | Total | Variable Remuneration 2012 | Total Director's remuneration | Shareholdings of Director as at 31 Dec 2012 | Increase (Decrease) from 2012 | |
|-----------------------------------|----------------|-------------------------------------|-----------------------------|----------------------|------------|----------------------------|-------------------------------|---|-------------------------------|---|
| 1 Mr. Kavi Ansvananda | 180,000.00 | - | - | - | 180,000.00 | 341,538.45 | 521,538.45 | - | - | |
| 2 Mr. Phinyo Ekaraphanich | 120,000.00 | - | - | - | 120,000.00 | 227,692.31 | 347,692.31 | 20,266 | - | |
| 3 Mr. Paisit Tuchinda | 120,000.00 | - | 7,500.00 | 120,000.00 | 360,000.00 | 227,692.31 | 835,192.31 | 2,742,100 | - | |
| 4 Mr. Bibit Bijaisoradat | 120,000.00 | 120,000.00 | 7,500.00 | 120,000.00 | - | 367,500.00 | 227,692.31 | 595,192.31 | - | |
| 5 Dr. Chatchawin Charoen-Rajapark | 120,000.00 | 165,000.00 | 10,000.00 | 110,000.00 | - | 405,000.00 | 227,692.31 | 632,692.31 | - | |
| 6 Mrs. Koonthala Sasasmit | 120,000.00 | 120,000.00 | - | - | - | 240,000.00 | 227,692.31 | 467,692.31 | - | |
| 7 Miss Panita Tuchinda | 120,000.00 | - | - | - | - | 120,000.00 | - | 120,000.00 | 678,036 | |
| 8 Mr. Tikumporn Pongsawas | 120,000.00 | - | - | - | - | 120,000.00 | - | 120,000.00 | - | |
| | 1,020,000.00 | 405,000.00 | 25,000.00 | 350,000.00 | 360,000.00 | 2,160,000.00 | 1,480,000.00 | 3,640,000.00 | 3,440,402 | - |

Remuneration for 9 executives officer ("The Executives Officer" means the executives officer at under Managing Director levels comprising "Deputy Managing Director" "Assistant Managing Director" and "Vice President" of every department) totally cost Baht 25.87 million (This number includes executives who enter or resign during the year) as salary, bonus and provident fund subsidiary.

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

- Group Life and Medical Insurance Program for death benefit and medical expenses.
- Directors and Officers Insurance Program to 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. Somjai Khunapasut on behalf of Ernst & Young Office Limited, to be the company's auditor of 2012. The company totally paid to Ernts and Young Co.. Ltd. Baht 835,000 as Audit Fee. However, during 2012, 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 2012, The Audit Committee have agree to hire the auditor from ASV & Associates Co.,Ltd. for other services with exclude from regular services to verify normal financial statement audit to evaluate the assessment of internal control and investment policies to the Office of Insurance Commission for the year 2012 the Audit fee of Bath 90,000

Corporate Governance

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 since 2002 and revised in 2012 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 revised version 2012 in detail on www.thaiins.com)

Moreover, the Board instituted creates a form, namely group assessment, for proposing the assessment to each director. These assessments 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 2012, the company held one annual ordinary shareholders' meeting on April 27, 2012. 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 7 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 Company had disclosed information same as the documents sent to the shareholders 1 month prior the meeting date. 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 2013, the Company gives the importance in the right and equitable treatment of Shareholders. The company informed the minor shareholder via IT 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 October 29, 2012, and then inform the mentioned proposal back within January 31, 2013

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 519. 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 |
| Staff | 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 KPI: 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. |
| Trade Partners | The Company had concentrated on making mutual good relationship with its trade 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 is aware that the company is a part of society and continuously supported charity activities. In 2011. the Company put an emphasis on Corporate Social Responsibility (CSR) by including it in the corporate strategic plans. |

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 in which the regulation of using inside information is clearly specified in the Company's corporate governance policy. 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.

In 2011, the Audit Committee and management of the Company has realized the benefit of internal audit and risk assessment for internal control. In this regard, the Company has hired KPMG Phoomchai Business Advisory Ltd. to provide internal audit service by co-source the Company's Internal Audit Office in order to ensure that the Company has an appropriate internal control system as well as completely comply with the company policy and relevant laws and regulations. This is also to get advice and recommendation for process improvement to be more efficiency.

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.

The Audit Committee evaluated the management with the evaluation form prepared by the auditor which covered five areas, organization and operating environment, risk management, operational management and control, information technology / communication system, and monitoring / evaluation system. The Board of Directors believes that the company has adequate and appropriate risk management system. However, the company must continuously develop and improve its internal control system to support the changing and growing business needs.

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 office of Insurance Commission 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 Office of Insurance Commission.

Connected Transactions

The Board of Directors has overseen and put emphasis on conflict of interest by writing in corporate good governance policy in connected transaction section. Given possible conflict of interest, the Company has been aware of deserved ultimate benefit therefore connected transactions have been considered carefully, fairly and transparently by requesting an approval from the Board of Directors and shareholders according to the Stock Exchange of Thailand rules.

| | Portion |
|--|---------|
| Thai Insurance PLC.'S shares held by Danu Thai Holding Co..Ltd. | 1.80% |
| Danu Thai Holding Co..Ltd.'s share held by the Thai Insurance PLC. | 16.22% |

Relationship among Executives

1. Mr. Paisit Tuchinda. Managing Director of Danu Thai Holding Co.. Ltd.. was Director of The Thai Insurance Public Company Limited and brother of Miss Panita Tuchinda. Managing Director of The Thai Insurance Public Company Limited.
2. Mr. Bibit Bijaisoradat Director of Danu Thai Holding Co.. Ltd.. was Director of The Thai Insurance Public Company Limited.
3. Miss Panita Tuchinda Director of Danu Thai Holding Co.. Ltd.. was Managing Director of The Thai Insurance Public Company Limited.

Related Party Business Transactions and Price Determination

1. 2012 business transactions : The Company has business transaction with the connected companies at the arm's length as follows:

| | Premium Written | Interest Income | Loss Incurred |
|----------------------------|-----------------|-----------------|---------------|
| Danu Thai Holding Co..Ltd. | 551,163 | - | - |

2. Office Lease Contract: As at December 31, 2012 the Company has leased the office located at 34/3 Soi Lang Suan, Ploenchit road, Lumpinee, Pathumwan, Bangkok, from Danu Thai Holding Co.,Ltd. as the Company head office with lease area of 2,209.62 square meters at the arm's length.

| Floor | Square Meter | Rental and Service | | Lease Contract |
|--------------|--------------|--------------------|------------|---|
| | | Sqm. per month | Total | |
| Fl. 1B, 2, 5 | 1,414.00 | 420 | 7,126,560 | 25 months / Mar.1, 2011 - Mar. 31, 2013 |
| Fl. 4 | 445.62 | 370 | 1,978,553 | 3 Years / Apr.1, 2010 - Mar. 31, 2013 |
| Fl. 7 | 350.00 | 300 | 1,386,000 | 19 months / Sep.1, 2011 - Mar. 31, 2013 |
| | 2,209.62 | | 10,491,113 | |

The Necessity and Reasoning of Connected Transactions

Both investment and business transactions with connected companies have been done at the arm's length.

The Comment of the Audit Committee

The Company's audit committee has verified the connected transaction mentioned above and has commented that the connected transactions between The Thai Insurance Public Company Limited and Danu Thai Holding Co.,Ltd. at the arm's length. The insurance premium The Thai Insurance Public Company Limited charged Danu Thai Holding Co.,Ltd. were standard rates determined by the Office of Insurance Commission (OIC). The term and price in lease contract between The Thai Insurance Public Company Limited and Danu Thai Holding Co.,Ltd. followed normal business practices and gained approval by the Board of Director and disclosed to the Stock Exchange of Thailand.

An Approval Process for Connected Transaction

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.

Transaction Tendency 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.

Nature of business

The company provides A 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, 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, public liability insurance and health insurance etc.

Income Structure

| Types of business | Gross Premium | | | | | |
|-------------------|---------------|---------|-----------|---------|-----------|---------|
| | 2012 | % | 2011 | % | 2010 | % |
| Fire | 141,150 | 8.95% | 123,738 | 9.59% | 104,636 | 9.52% |
| Marine | 22,840 | 1.45% | 21,674 | 1.68% | 20,238 | 1.84% |
| Miscellaneous | 573,025 | 36.32% | 454,673 | 35.25% | 367,523 | 33.44% |
| Automobile | 840,780 | 53.28% | 689,800 | 53.48% | 606,567 | 55.20% |
| Total | 1,577,795 | 100.00% | 1,289,885 | 100.00% | 1,098,964 | 100.00% |

Significance developments in 2012

1. In the year 2012, the Company put emphasis on underwriting quality and most efficient cost management rather than insurance premium growth. The Company still expands in retail customer base, focusing on personal line via Agent, Branch offices, financial institutions, telemarketing, and Bancassurance Channel. The company tried to maintain the existing customer base along with cross selling. Furthermore, the company improves and expands branch operation and covers nation-wide 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.

2. The Company has applied insurance statistic from IT system for selecting type 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. Information Technology The Company has continuously improving the Business Process to support the reduction of Operation Expenses strategies and also expanding the business in the future. Structure of Business Process Improvement team, Objectives and expectation, IT Strategy plan are clearly defined, and will be completed by early 2015.

4. Management and 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.

Risk Factors

In the 3rd to 4th quarter of 2011 with the Severe Flooding, it made a loss known to Thailand which resulting in damage to Insurance Business up to Baht 400 billion in which the industrial estate in the Central area has been highest affected and the negative consequences from flood was still continuously affected to the year 2012.

A general insurance business operates under the policy holder's risk cover. It is necessary to give an importance to risk management especially nowadays it is much changed from the previous days i.e. economy, social, environment, competitor, and foreign economy. These changes have directly impacted to the Company. Therefore, in order to reduce impact from such changes and uncertainty, the Company has put in place a risk management policy as a guideline to manage various risks i.e. strategic risk, liquidity risk, market risk, underwriting risk, operation risk, and credit risk, in order to ensure that risk factors and risk that may happen and impact to the operation of the company has been taken into account, managed, and adequate controlled, the Company will then be the most trusted insurance company. The details of the Company's risk management are as follows.

1. Strategic Risk

In the year 2012, 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.

To reduce the risk, the Company set its annual strategic and operation plans carefully which in line with the vision of the Company 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.

The Company has set up internal work processes i.e. work process to improve efficiency, lower cost, and clear performance appraisal system which in line with the Company's goal. Corporate Planning Department has the duty to summarize operation circumstance and present status of achievement of plan. This risk management has assisted to anticipate the occurred risk in time as well as enable to prevent or turn to be an opportunity.

In addition, the Company has reviewed the strategic plan and performance every half yearly to evaluate business results whether in line with plan or not as well as revise the strategy to achieve the Company's goal as set in the beginning of the year. This will reduce risk which may impact to the revenue, capital fund, image and stability of the company.

2. Underwriting Risk

The Company sets the premium rating appropriately to the level of risk. The statistic and assumption of frequency and severity of peril according to standard actuary methodology is using to define the pricing of each product which is the key factor to set appropriate pricing and competitively.

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 as well as reduce risk that may impact to the claim amount and expected future cash flow received.

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 affect 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, the Company has set an effective internal control system and allocated sufficient staff which qualified to each job to be able to work efficiently. Also improving working process to cope with the business change and support the Company's operation.

In addition, 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

The impact and risk from external factor, The Company has set up Business Continuity Plan to be able to have continuity operating in case of any interruption situation.

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, 2012 the Company had the Capital Adequacy Ratio of 367.05% according to the relaxation rule of flood impact from the Office of Insurance Commission (OIC) and at 198.68% according to the original rule. Both ratios were higher than OIC's requirement under Risk Based Capital (RBC) enforcement since 2011 which is not less than 125% during September 1, 2011 - December 31, 2012 and not less than 140% on January 1, 2013 onwards. It is the results of the ability to manage premium receivable and portfolio investments efficiently. The favorable stock market conditions and stock price appreciation benefited the investment. Moreover, the Company continuously maintains capital fund level.

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 premium payment default and disasters, etc.

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. There is the performance appraisal system by key performance indicators to ensure all aspect of operation results achieve determined objectives under acceptable risks.

Operating Results and Financial Status in 2012

In 2012, the Company succeeded in service improvement and new product lines to fulfill our customers' need. As a result, the Company had total premium of Baht 1,577.8 million, an increase of 22.3%. However, the continuous negative consequences from 2011 severe flood both claims from Retrocession treaty of overall general insurance business and escalated reinsurance cost especially natural catastrophe inevitably adversely affected Thai insurance business including us. The Company experienced underwriting loss of Baht 96.6 million. Nevertheless loss before tax was Baht 36.1 million after including investment income and other income of Baht 70.2 million and net loss was Baht 40.6 million after adding income tax calculated by Deferred Tax method of Baht 4.5 million.

Although the Company experienced loss in 2012 due to the adverse effect from severe flood, our Risk Based Capital (RBC) was still over a requirement of the Office of Insurance Commission.

Business goals in the next 3-5 years

1. Marketing The company has chiefly aims to expand customer base into Personal Lined and Commercial Line emphasizing retail and SME, distributed via channels with properly acquisition cost for increasing profitability including the company's key policy on selected quality business, reducing pressure from pricing competition and being able to self retention. It is expected that this strategy will contribute to corporate image by using marketing activities and new campaign and including create brand awareness among the target group customers and partners as well as develop new products and services to support market expansion into new customer groups and create brand loyalty to maintain existing customers.

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. In addition the target has been set up together with sales departments to let all departments toward to the same target.

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 Up Selling. The company has also improved Telemarketing system continuously and has also emphasized Bancassurance Channel and branch expansion for expanding services network to retail customers and partners continuously.

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 spare parts store, to develop the management reports, to build informationwarehouse for beneficial in the competitive strategy and to lead the new tool for increasing information performance to improve efficiency and handle the growth of business volume in the future. In addition, with various requirements and needs from customers and partners as a results of AEC in the next 2 years, the Company has planned to replace IT system to support the changes in the future.

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 high degree of customers' requirements and more convenience 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 Achievement (to aim for success) and Commitment (commitment to follow the contract) as well as leading to the TIC way which consist of another 2 i.e. 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 which 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 telemarketing, including Bancassurance Channel. The company has tried to maintain the existing customer base along with cross selling 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 type 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 compaigns 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 continuously improving the Business Process to support the reduction of Operation Expenses strategies and also expanding the business in the future. Structure of Business Process Improvement team. Objectives and expectation. IT Strategy plan are clearly defined, and will be completed by early 2015.

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.

Corporate Social Responsibility : CSR

The Company realizes that Company is part of the society which has continually supported the Public Activities since then. In 2012. the Company put emphasis on Corporate Social Responsibility (CSR) by including it in the corporate strategic plans.

Article of the CSR Thailand: 50 Good Practices in 2012 conducted by the Thaipat Institute

The Challenges

The Thai Insurance Public Company Limited (The Company) was established to serve the initiation of Somdetch Phra Sri Savarindira Baromma Raja Devi Phra PhanVassaAyika Chao (Her Majesty Queen SavangVadhana, the Queen Grandmother), the Queen Grandmother of His Majesty King Bhumibol Adulyadej, King Rama IX, that insurance company managed and owned by Thai should be established in order to relieve loss of Thai people, and to ensure that funds from insurance were managed in the country which would benefit the country and its people as a whole. The company's products include auto insurance and all types of non-life insurances. For any insurance policy, at least two copies of the policies have to be produced - one copy is for customer and another copy is kept by the company. The third copy will be required if that insurance policy was sold by the agent. As a result, tremendous volume of paper has been used for producing insurance policies. Once the insurance expired, those papers are to be destroyed. Therefore, it is important that the company has good system to manage consumption and destruction of the papers.

What We Do

To protect environment, the company has reviewed its operational processes to identify any processes that consume too much resources. Then the company redesigned the operational processes to ensure that resources are used efficiently. According to the review, insurance policy production process uses a lot of papers in producing the copy of insurance policy for customers. A working team was established to improve the process aiming on reducing paper consumption. Based on customer behavior survey, very few customers read the condition section which is an annex to the policy. The company then redesigns the policy production system. For example, reduce number of pages from 20 pages to 1 page. If the customers would like to read the annex to the policy, the information is available in the company's website in electronic version. Format of printing has





also been revised such as printing on both sides of paper and adjust line spacing. In addition, we recommended our business partners to keep insurance policies in electronic files instead of hard copy. For the long term plan, the company is striving toward “Document Management System,” which will reduce paper usage and storage.

The company also recognizes that its employees are the key factor in resources management. The company builds awareness to the employees through various projects. One of the projects is the “KepNgenTok” which conveys the message that saving should be started from inside the company first. The project encourages the employees to save consumption of electricity and fuel. With consistent communication on resource consumption, the outcome of the project reveals lower consumption in electricity and fuel. Regardless of the small saving amount, the employees’ behavior has changed.

Additionally, in designing CSR projects, each process is designed to have involvement from other processes. For example, the company made paper mach chairs from wasted paper. The chairs were then donated to Queen Sirikit National Institute of Child Health, Children ICU Room at Chulalongkorn Hospital and at Ramathibodi Hospital. On the day when the company brought chairs to the hospital; the company organized activities with the hospitalized children such as reading stories by the bedside. In The paper mach chairs not only voluntary made by the company’s employees, but also made by local people from an art school (Ban RakSinlapa) in Chumphron province. By hiring local people, the company has also supported local economy. In these projects, the company also promote “TIC Way” or “Thai Insurance Way” that comprises of achievement, commitment, creative and continuous learning, and happiness with work. In participating in these activities together, it allows employees to get to know each other and talk outside work. The indirect result is that working become more effective and communication between departments is improved.

Achievements

As a result of all the above mentioned, the employees’ behavior in consuming resources has changed. It becomes more effective not only at the company level but to the employees’ families as well. Additionally, it is worth to mention that work becomes more efficient as well. The company believes that these projects and activities are not only for the company, but they do it for the family and for the world by adhering to TIC Way.

| | |
|---|--|
| Name | : THE THAI INSURANCE PUBLIC COMPANY LIMITED |
| Symbol | : TIC |
| Head office | : 34/3 Soi Langsuan, Ploenchit Road, Lumpini, Patumwan, Bangkok 10330 Tel. 0-2613-0100 Fax 0-2652-2870 Call Center 0-2613-0123 www.thaiins.com |
| Public Company Registration | : Registration Number 156 |
| Type of Business | : Non-lite Insurance |
| Registered Share Capital as at December 31, 2012 | : Ordinary Shares 23,478,829 at Baht 10 each, totaling 234,788,290 Baht : Preferred Share 21,171 at Baht 10 each, totaling 211,710 Baht <u>totaling 235,000,000 Baht</u> |
| Issued and Paid-up Share as at December 31, 2012 | : Ordinary Shares 23,478,829 at Baht 10 each, totaling 234,788,290 Baht : Preferred Share 21,171 at Baht 10 each, totaling 211,710 Baht <u>totaling 235,000,000 Baht</u> |

Entity holding over 10% of shares : Danu Thai Holding Co., Ltd.
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

Internal Audit Service (Co-Source) : **KPMG Phoomchai Business Advisory Ltd.**
Empire Tower. 48th Floor 195 South Sathorn Road, Bangkok 10120
Tel. 0-2677-2000 Fax. 0-2677-2222

Law Consultant : **Juristic act, contract and litigation**
LAWBIZ Law Office
20/3 Arun Amarin Road, Bangkoknoi, Bangkok 10700
Tel. 0-2433-9078-9 Fax. 0 2433-9079
: **Business Laws & The shareholders' meeting**
Dn36 Limited
200/3 Narathiwatrasathanakarin Road, Chongnonsee, Yannawa,
Bangkok 10120
Tel. 0-2294-6914 Fax. 02-294-6913



Board of Director's Report
The Report of the Audit Committee
Report of Independent Auditor



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, 2012.



(Mr. Kavi Ansvananda)

Chairman



(Miss Panita Tuchinda)

Managing Director

February 20, 2013

The Report of the Audit Committee

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
3. Ms. Koonthala Sasasmit Member of the Audit Committee

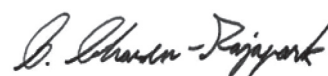
The Secretary of the Audit Committee is Mr. Tikumporn Pongsawasdi

During the year 2012, 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 Auditor 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 follow up the improvement 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. Review the Charter of the Audit Committee to cover the business and its mission in supervising and monitoring the Company's activities.

The Company has hired KPMG Phoomchai Business Advisory Ltd. to provide internal audit service by co-source with the Company's Internal Audit Office in order to ensure that the Company has an appropriate internal control system as well as completely comply with the company policy and relevant laws and regulations. This is also to get advice and recommendation for process improvement to be more efficiency.

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



(Dr. Chatchawin Charoen-Rajapark)

Chairman of the Audit Committee

I have audited the accompanying financial statements of The Thai Insurance Public Company Limited, which comprise statement of financial position as at 31 December 2012, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

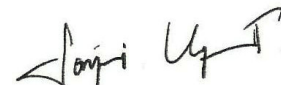
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Thai Insurance Public Company Limited as at 31 December 2012 and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of matter

I draw attention to Note 1.2 to the financial statements regarding the effects of the severe flooding. The Company currently set aside loss reserves based on best estimates, with reference to supporting documentation and surveyors' reports. However, the Company is in the process of negotiating the claims with its counterparties and performing further examination of the facts. There are uncertainties in these processes which could affect the amount of loss reserves and loss reserves refundable from reinsurers. Actual results could significantly differ from the estimates. My opinion is not qualified in respect of this matter.

Other matter

The financial statements of The Thai Insurance Public Company Limited for the year ended 31 December 2011 were audited by another auditor of our office who expressed an unqualified opinion with an emphasis of matter regarding to the severe flood situation on those statements, under her report dated 22 February 2012.



Statement of financial position

As at 31 December 2012

(Unit: Baht)

| | Note | 2012 | 2011 |
|--|------|----------------------|----------------------|
| Assets | | | |
| Cash and cash equivalent | 6 | 89,043,431 | 111,569,981 |
| Accrued investment income, net | | 7,405,008 | 7,805,556 |
| Premium receivables, net | 7 | 212,870,776 | 167,429,927 |
| Reinsurance assets | 8 | 1,827,888,249 | 1,537,879,186 |
| Investment assets | | | |
| Investments in securities | | | |
| Trading investments | 9.1 | 6,650,000 | 3,905,000 |
| Available-for-sale investments | 9.2 | 556,643,527 | 474,965,966 |
| Held-to-maturity investments | 9.3 | 365,529,843 | 497,806,257 |
| Other investments | 9.4 | 7,999,840 | 8,099,840 |
| Loans | 10 | 4,952,089 | 5,851,226 |
| Property, buildings and equipment, net | 11 | 19,062,783 | 19,392,671 |
| Intangible assets, net | 12 | 28,452,096 | 26,702,563 |
| Deferred tax assets | 13 | 96,681,767 | 91,452,051 |
| Other assets | | | |
| Other receivable, net | | 8,168,069 | 7,631,643 |
| Claim receivables from litigants | | 30,419,020 | 27,834,601 |
| Others | | 16,358,738 | 17,451,210 |
| Total assets | | 3,278,125,236 | 3,005,777,678 |

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

Statement of financial position (continued)

As at 31 December 2012

| | | (Unit: Baht) | |
|--------------------------------------|------|----------------------|----------------------|
| | Note | 2012 | 2011 |
| Liabilities and equity | | | |
| Liabilities | | | |
| Income tax payable | | 3,580,449 | - |
| Due to reinsurers | 14 | 312,415,391 | 148,432,652 |
| Insurance contract liabilities | | | |
| Loss reserves and outstanding claims | 15 | 1,489,193,019 | 1,602,914,618 |
| Premium reserve | 16 | 796,378,063 | 630,264,977 |
| Employee benefit obligations | 17 | 33,582,455 | 26,059,247 |
| Deferred tax liabilities | 13 | 6,272,013 | - |
| Other liabilities | | | |
| Premium received in advance | | 21,128,601 | 19,931,771 |
| Accrued commission | | 26,411,738 | 20,674,860 |
| Other accounts payable | | 29,329,052 | 15,392,054 |
| Others | | 46,334,577 | 30,148,721 |
| Total liabilities | | 2,764,625,358 | 2,493,818,900 |

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

Statement of financial position (continued)

As at 31 December 2012

(Unit: Baht)

| | Note | 2012 | 2011 |
|--|------|----------------------|----------------------|
| Equity | | | |
| Share capital | | | |
| Registered | | | |
| 21,171 non-cumulative preference shares of Baht 10 each (2011: 10,000,000 shares of Baht 10 each) | 18 | 211,710 | 100,000,000 |
| 23,478,829 ordinary shares of Baht 10 each (2011: 19,000,000 shares of Baht 10 each) | | <u>234,788,290</u> | <u>190,000,000</u> |
| | | <u>235,000,000</u> | <u>290,000,000</u> |
| Issued and paid up | | | |
| 21,171 non-cumulative preference shares of Baht 10 each (2011: 4,500,000 shares of Baht 10 each) | 18 | 211,710 | 45,000,000 |
| 23,478,829 ordinary shares of Baht 10 each (2011: 19,000,000 shares of Baht 10 each) | | <u>234,788,290</u> | <u>190,000,000</u> |
| | | <u>235,000,000</u> | <u>235,000,000</u> |
| Premium on share capital | | 103,600,111 | 103,600,111 |
| Other components of equity | | | |
| - Surplus (deficit) on changes in value of investments | 9.6 | 25,088,051 | (26,287,518) |
| Retained earnings | | | |
| Appropriated | | | |
| Statutory reserve | 19 | 23,500,000 | 23,500,000 |
| Other reserve | | 20,000,000 | 20,000,000 |
| Unappropriated | | <u>106,311,716</u> | <u>156,146,185</u> |
| Total equity | | <u>513,499,878</u> | <u>511,958,778</u> |
| Total liabilities and equity | | <u>3,278,125,236</u> | <u>3,005,777,678</u> |

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

Statement of comprehensive income

For the year ended 31 December 2012

(Unit: Baht)

| | Note | 2012 | 2011 |
|---|--------|----------------------|----------------------|
| Profit or loss: | | | |
| Income | | | |
| Net earned premium | 20 | 974,182,257 | 875,360,832 |
| Fee and commissions income | 20 | 111,668,561 | 109,130,906 |
| Total income | | 1,085,850,818 | 984,491,738 |
| Expenses | | | |
| Underwriting | | | |
| Claims and losses adjustments expenses | 20 | 590,419,797 | 560,126,215 |
| Commissions and brokerages expenses | 20 | 233,641,834 | 195,075,901 |
| Other underwriting expenses | 20 | 139,072,347 | 120,255,841 |
| Contribution to Road Accident Victims Protection Company Limited | 20 | 16,730,337 | 9,260,897 |
| Operating expenses | 20, 21 | 202,633,629 | 180,896,301 |
| Total underwriting expenses | | 1,182,497,944 | 1,065,615,155 |
| Loss from underwriting | | (96,647,126) | (81,123,417) |
| Net investment income | | 37,218,059 | 38,283,331 |
| Gains on investments | 9.6 | 29,938,817 | 28,144,382 |
| Losses on fair value adjustment | | (1,274,980) | (613,033) |
| Other income | | 4,334,314 | 2,889,914 |
| Loss from operations | | (26,430,916) | (12,418,823) |
| Contribution to the Office of Insurance Commission | | 4,466,750 | 3,616,730 |
| Contribution to General Insurance Fund | 28 | 3,911,970 | 2,838,209 |
| Contribution to Victims Compensation Fund | | 1,310,961 | 755,992 |
| Loss before income tax expenses | | (36,120,597) | (19,629,754) |
| Income tax expenses | 13 | (4,463,872) | (16,423,425) |
| Loss for the year | | (40,584,469) | (36,053,179) |

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

Statement of financial position (continued)

For the year ended 31 December 2012

(Unit: Baht)

Other comprehensive income:

Gains (losses) on changes in value of
 available-for-sale investments
 Income tax relating to components of other
 comprehensive income
 Other comprehensive income for the year - net of tax

Total comprehensive income for the year (loss)

Earnings (loss) per share

Basic earnings (loss) per share

| Note | 2012 | 2011 |
|------|-------------------|---------------------|
| | 65,499,696 | (16,781,795) |
| 13 | (14,124,127) | 2,644,764 |
| | <u>51,375,569</u> | <u>(14,137,031)</u> |
| | <u>10,791,100</u> | <u>(50,190,210)</u> |
| 24 | (2.08) | (2.19) |

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

Statement of changes in equity

For the year ended 31 December 2012

(Unit: Baht)

| | Issued and paid-up share capital | Premium on share capital | Other components of equity - Surplus (deficit) on changes in value of investments | Retained earnings | | | Total |
|--|----------------------------------|--------------------------|---|-------------------|-------------------|--------------------|--------------------|
| | | | | Appropriated | | | |
| | | | | Statutory reserve | Other reserve | Unappropriated | |
| Balance as at 1 January 2011 | 235,000,000 | 103,600,111 | (12,150,487) | 23,500,000 | 20,000,000 | 207,324,364 | 577,273,988 |
| Dividend paid (Note 29) | - | - | - | - | - | (15,125,000) | (15,125,000) |
| Total comprehensive income for the year (loss) | - | - | (14,137,031) | - | - | (36,053,179) | (50,190,210) |
| Balance as at 31 December 2011 | <u>235,000,000</u> | <u>103,600,111</u> | <u>(26,287,518)</u> | <u>23,500,000</u> | <u>20,000,000</u> | <u>156,146,185</u> | <u>511,958,778</u> |
| Balance as at 1 January 2012 | 235,000,000 | 103,600,111 | (26,287,518) | 23,500,000 | 20,000,000 | 156,146,185 | 511,958,778 |
| Dividend paid (Note 29) | - | - | - | - | - | (9,250,000) | (9,250,000) |
| Total comprehensive income for the year (loss) | - | - | 51,375,569 | - | - | (40,584,469) | 10,791,100 |
| Balance as at 31 December 2012 | <u>235,000,000</u> | <u>103,600,111</u> | <u>25,088,051</u> | <u>23,500,000</u> | <u>20,000,000</u> | <u>106,311,716</u> | <u>513,499,878</u> |

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

Cash flows statement

For the year ended 31 December 2012

(Unit: Baht)

| | 2012 | 2011 |
|---|----------------------|---------------------|
| Cash flows from operating activities | | |
| Direct premium written | 1,520,537,237 | 1,212,859,231 |
| Cash received (paid) for reinsurance | 249,392,101 | (52,117,588) |
| Losses incurred on direct insurance | (1,446,018,063) | (660,764,398) |
| Losses adjustments expenses on direct insurance | (8,517,191) | (4,302,584) |
| Commissions and brokerages on direct insurance | (223,011,987) | (175,150,275) |
| Other underwriting expenses | (139,072,347) | (120,255,841) |
| Net investment income | 37,629,944 | 31,951,612 |
| Other income | 4,334,317 | 2,889,914 |
| Operating expenses | (199,249,029) | (149,801,662) |
| Net cash from (used in) operating activities | (203,975,018) | 85,308,409 |
| Cash flows from investing activities | | |
| Cash flows from | | |
| Investments in securities | 414,066,344 | 444,803,096 |
| Loans | 1,649,137 | 1,665,584 |
| Property, buildings and equipment | - | 129,849 |
| Deposits at financial institutions | 285,416,389 | 342,524,310 |
| Net cash from investing activities | 701,131,870 | 789,122,839 |
| Cash flows used in | | |
| Investments in securities | (305,862,081) | (464,219,979) |
| Loans | (750,000) | (3,770,000) |
| Deposits at financial institutions | (195,511,078) | (398,024,311) |
| Property, buildings and equipment | (3,427,420) | (4,644,524) |
| Intangible assets | (4,882,823) | (5,534,929) |
| Net cash used in investing activities | (510,433,402) | (876,193,743) |
| Net cash from (used in) investing activities | 190,698,468 | (87,070,904) |
| Cash flows used in financing activities | | |
| Dividend paid | (9,250,000) | (15,125,000) |
| Net cash used in financing activities | (9,250,000) | (15,125,000) |
| Net decrease in cash and cash equivalents | (22,526,550) | (16,887,495) |
| Cash and cash equivalents at beginning of year | 111,569,981 | 128,457,476 |
| Cash and cash equivalents at end of year | 89,043,431 | 111,569,981 |

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

1. General information

1.1 Corporate 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 non-life insurance business. The Company has a total of 11 branches located in Bangkok and other provinces. The Company’s registered office is at 34/3 Soi Lungsuan, Ploenchit Road, Lumpini, Patumwan, Bangkok.

1.2 Severe flood situation

In the fourth quarter of 2011, there was severe flooding in Thailand with many economic areas and industrial zones inundated. The floods materially affected to the Company, and the financial impact of the floods as reflected in the financial statements until 31 December 2012 are as follows:

(Unit: Million Baht)

| | Gross claims | Claims reserve refundable from reinsurers | Net claims after refundable | Claim from Quota share retrocession treaty as per market agreement | Net claims |
|--|--------------|---|-----------------------------|--|------------|
| Loss reserves | 995.66 | 927.27 | 68.39 | 98.99 | 167.38 |
| Claim paid | 1,607.49 | 1,428.25 | 179.24 | 25.84 | 205.08 |
| Total | 2,603.15 | 2,355.52 | 247.63 | 124.83 | 372.46 |
| Claim refundable under Excess of Loss reinsurance contracts | | | (230.79) | (4.48) | (235.27) |
| Net claims expense - recognised in statement of comprehensive income | | | 16.84 | 120.35 | 137.19 |
| Net claims expense - recognised as expenses in 2011 | | | (16.32) | (85.66) | (101.98) |
| Net claims expense - recognised as expenses in 2012 | | | 0.52 | 34.69 | 35.21 |

The Company currently set aside loss reserves based on best estimates, with reference to supporting documentation and surveyors’ reports. However, the Company is in the process of negotiating the claims with its counterparties and performing further examination of the facts. There are uncertainties in these processes which could affect the amount of loss reserves and loss reserves refundable from reinsurers. Actual results could significantly differ from the estimates.

2. Basis for preparation of the financial statements

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547, with early adoption of Thai Accounting Standard No. 12 “Income Taxes”, 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 Declaration of the Insurance Commission dated 27 May 2010.

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. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal year beginning on or after 1 January 2013.

Accounting standards:

| | |
|--------------------------------|--|
| TAS 20 (revised 2009) | Accounting for Government Grants and Disclosure of Government Assistance |
| TAS 21 (revised 2009) | The Effects of Changes in Foreign Exchange Rates |
| Financial Reporting Standards: | |
| TFRS 8 | Operating Segments |

Accounting Standard Interpretations:

| | |
|--------|---|
| SIC 10 | Government Assistance - No Specific Relation to Operating Activities |
| SIC 21 | Income Taxes - Recovery of Revalued Non-Depreciable Assets |
| SIC 25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders |

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

| | <u>Effective date</u> |
|---|-----------------------|
| Accounting Treatment Guidance for Transfers of Financial Assets | 1 January 2013 |
| Accounting Standard Interpretation: | |
| SIC 29 Service Concession Arrangements: Disclosures | 1 January 2014 |
| Financial Reporting Standard Interpretations: | |
| TFRIC 4 Determining whether an Arrangement contains a Lease | 1 January 2014 |
| TFRIC 12 Service Concession Arrangements | 1 January 2014 |
| TFRIC 13 Customer Loyalty Programmes | 1 January 2014 |

The management of the Company has assessed the effect of these standards and believes that Accounting Treatment Guidance, Accounting Standard Interpretation and Financial Reporting Standard Interpretations are not relevant to the business of the Company.

4. Significant accounting policies

4.1 Revenue recognition

(a) Premium

Premium income consists of direct premium and reinsurance premium less premium of canceled policies and premiums refunded to policy holders and adjust with unearned premium reserve.

Direct premium income is recognised on the date the insurance policy comes into effect. For long-term insurance policies with coverage periods of longer than 1 year, related revenues are recorded as unearned items, and recognised as income over the coverage period.

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

- (b) Commission and brokerage fee income
 Commission and brokerage fee from ceded premium are recognised as income when services have been rendered to the reinsurers.

Commission and brokerage fees from ceded premium with coverage periods longer than 1 year are recorded as unearned items and recognised as income over the coverage period.

- (c) Interest income and dividend on investments
 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.

- (d) Interest income on loans
 Interest on loan is recognised as income on an accrual basis, based on the amount of principal outstanding.

- (e) Gain (loss) on investments
 Gain (loss) on investments is recognised as income or expenses on the transaction date.

4.2 Expenses recognition

- (a) Ceded premium
 Ceded premium is recognised as expenses when the insurance risk is transferred to another insurer.

For long-term reinsurance policies with coverage periods longer than 1 year, ceded premium is recorded as prepaid expenses and recognised as expenses over the coverage period.

- (b) Commission and brokerage fees expenses
 Commissions and brokerage fees are expended when incurred.

Commission and brokerage fees paid for policies with coverage periods of longer than 1 year are recorded as prepaid items and recognised as expenses over the coverage period.

- (c) Claims and losses adjustment expenses
 Claims and losses adjustment expenses consist of claims and losses adjustment expenses of direct insurance and reinsurance, and include the amounts of the claims, related expenses, and loss adjustments of the current and prior period incurred during the year, less residual value, other recoveries (if any), and claims refundable from reinsurers.

Claims and losses adjustment expenses of direct insurance are recognised 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 estimated is not exceed the sum-insured under the relevant policy.

Claims and losses adjustment expenses of reinsurance are recognised as expenses when the reinsurer places the loss advice or the statement of accounts with the Company.

4.3 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.

4.4 Premium receivables and allowance for doubtful accounts

Premium receivable from both direct and reinsurance are stated at the net realisable value. The Company set up an allowance for doubtful accounts based on the estimated loss that may incur in collection of the premium due, on the basis of collection experiences, analysis of debtor aging and a review of current status of the premium receivables as at the end of reporting period.

4.5 Reinsurance assets and due to reinsurers

- (a) Reinsurance assets are stated at the outstanding balance of amount due from reinsurers, amounts deposit on reinsurance, and insurance reserve refundable from reinsurers.

Amounts due from reinsurers consist of accrued commission and brokerage income, claims and various other items receivable from reinsurers, excluding reinsurance premium receivable less allowance for doubtful accounts. The Company records allowance for doubtful accounts for the estimated losses that may be incurred due to inability to make collection, taking into account collection experience and the status of receivables from reinsurers as at the end of the reporting period.

Insurance reserve refundable from reinsurers is estimated based on the related reinsurance contract of premium reserve, loss reserve and outstanding claims in accordance with the law regarding insurance reserve calculation.

- (b) Amounts due to reinsurers are stated at the outstanding balance payable from reinsurance and amounts withheld on reinsurance.

Amounts due to reinsurers consist of reinsurance premiums and other items payable to reinsurers, excluding outstanding claims.

The Company presents net of reinsurance to the same entity (reinsurance assets or amounts due to reinsurers) when the following criteria for offsetting are met.

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

4.6 Investments in securities

Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term.

Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recorded in profit or loss when the securities are sold.

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/accreted by the effective rate method with the amortised/accreted 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.

Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined based on 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.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

4.7 Loans and allowance for doubtful accounts

Loans are stated at net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of loans based on the basis of collection experiences, evaluation of the current status of the debtors, taking into consideration the recovery risk.

4.8 Property, buildings and equipment and 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:

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

Depreciation is included in determining income.

No depreciation is provided on land and work in progress.

An item of property, buildings and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.9 Intangible assets and amortisation

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

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 profit or loss.

The useful lives of intangible assets with finite useful lives which are computer software are 5 years and 10 years.

4.10 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 and direction of the Company's operations.

4.11 Loss reserve and outstanding claims

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

In addition, the Company set up additional provision for losses incurred but not yet reported (IBNR) using an actuarial method based on a best estimate of claims which are expected to be paid in respect of losses occurring before or as at the reporting date. The IBNR is calculated for both reported and not reported losses, and net of recorded claims.

4.12 Premium reserve

Premium reserve consists of unearned premium reserve and unexpired risk reserve.

(a) Unearned premium reserve

Unearned premium reserve is calculated based on direct premium before deducting premium ceded as follows:

| | |
|--|---|
| Transportation (cargo), travelling accident with coverage periods of not over six-months | - 100% of premium as from the date policy is effective, throughout the period of insurance coverage (2011: unearned premium reserve for marine and transportation is calculated from the net premium written for the last ninety days, and for travelling accident is calculated from net premium written for the last thirty days) |
| Others | - Monthly average basis (the one-twenty fourth basis) |

(b) Unexpired risk reserve

Unexpired risk reserve is the reserve for the future claims that may be incurred in respect of in-force policies. Unexpired risk reserve is set aside using an actuarial method, at the best estimate of the claims that are expected to be incurred during the remaining period of coverage, based on historical claims data.

As at the end of reporting period, the Company compares the amounts of unexpired risk reserve with unearned premium reserve, and if unexpired risk reserve is higher than unearned premium reserve, the difference is recognised and the unexpired risk reserve is presented in the financial statements.

4.13 Long-term leases

Leases of 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 profit or loss over the lease period. The asset acquired under finance leases is depreciated over the useful life of the asset.

Leases of buildings and equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.14 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of the property, buildings 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.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

4.15 Employee benefits

(a) Short-term employee benefits

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

(b) Post-employment benefits

Defined contribution plans

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Defined benefit plans

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by independent expert based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

4.16 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.

4.17 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

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

At the end of each reporting period, 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 judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement 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 judgement 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.

Property, buildings and equipment and depreciation

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

In addition, the management is required to review property, buildings and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

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 utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Loss reserve and outstanding claims

At the end of each reporting period, the Company has to estimate loss reserve and outstanding claims taking into account two factors. These are the claims incurred and reported, and the claims incurred but not reported (IBNR). The ultimate cost of outstanding claims is established using a range of standard actuarial claims projection techniques. The 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 etc. The Company calculate IBNR by outsourcing to independence actuary for analysis IBNR by insurance categories. Nevertheless, the estimation requires the managements' judgements reflecting the best estimates available at that time. Such estimates are forecasts of future outcomes, and actual results could differ.

Unexpired risk reserve

Unexpired risk reserve is calculated using an actuarial method, based on a best estimate of the claims expected to be paid over the remaining term of the insurance. Estimating the reserve requires the management to exercise judgment, with reference to historical data and the best estimates available at the time.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgement to assess the results of the litigation and believes that losses incurred will not exceed the recorded amounts as at the end of reporting period.

6. Cash and cash equivalent

| | (Unit: Baht) | |
|---|-------------------|--------------------|
| | 2012 | 2011 |
| Cash | 215,000 | 195,000 |
| Deposits at banks with no fixed maturity date | 88,828,431 | 111,374,981 |
| Deposits at banks with fixed maturity date | 213,011,075 | 304,011,075 |
| Total cash and deposits at financial institutions | 302,054,506 | 415,581,056 |
| Less: Deposits at banks and financial institutions which amounts maturing in over 3 months | (164,000,000) | (253,000,000) |
| Deposits at banks which subject to restrictions | (49,011,075) | (51,011,075) |
| Cash and cash equivalent | <u>89,043,431</u> | <u>111,569,981</u> |

As at 31 December 2012, bank deposits in saving account and fixed deposit carried interests between 1.50 and 4.75 percent per annum (2011: between 1.80 and 4.81 percent per annum).

7. Premium receivables

The balances as at 31 December 2012 and 2011 of premium receivables are classified by aging from the maturity date, under the stipulated law of the premium collection, as follows:

| | 2012 | | | |
|---------------------------------------|-------------------|-----------------------------|---------------------|--------------------|
| | Due from insured | Due from agents and brokers | Due from reinsurers | Total |
| Not yet due | 29,153,851 | 111,919,601 | - | 141,073,452 |
| Under 30 days | 8,304,913 | 22,277,660 | - | 30,582,573 |
| Over 30 days to 60 days | 3,784,503 | 17,796,516 | - | 21,581,019 |
| Over 60 days to 90 days | 2,107,945 | 6,390,574 | - | 8,498,519 |
| Over 90 days to 1 year | 4,592,955 | 7,628,708 | 16,898 | 12,238,561 |
| Over 1 year | 825 | 650,239 | 696 | 651,760 |
| Total premium receivables | 47,944,992 | 166,663,298 | 17,594 | 214,625,884 |
| Less: Allowance for doubtful accounts | - | (1,755,108) | - | (1,755,108) |
| Total premium receivables, net | <u>47,944,992</u> | <u>164,908,190</u> | <u>17,594</u> | <u>212,870,776</u> |

| | 2011 | | | |
|---------------------------------------|-------------------|-----------------------------|---------------------|--------------------|
| | Due from insured | Due from agents and brokers | Due from reinsurers | Total |
| Not yet due | 31,328,610 | 98,174,343 | - | 129,502,953 |
| Under 30 days | 5,505,483 | 11,547,752 | 121,498 | 17,174,733 |
| Over 30 days to 60 days | 5,273,624 | 3,624,364 | - | 8,897,988 |
| Over 60 days to 90 days | 2,843,429 | 1,431,686 | - | 4,275,115 |
| Over 90 days to 1 year | 3,249,149 | 5,547,365 | 31,055 | 8,827,569 |
| Over 1 year | 19 | 315,170 | 13,492 | 328,681 |
| Total premium receivables | 48,200,314 | 120,640,680 | 166,045 | 169,007,039 |
| Less: Allowance for doubtful accounts | - | (1,577,112) | - | (1,577,112) |
| Total premium receivables, net | <u>48,200,314</u> | <u>119,063,568</u> | <u>166,045</u> | <u>167,429,927</u> |

For premium receivables due from agents and brokers, the Company has stipulated the collection guideline in accordance with the law of the premium collection. For overdue premium receivables, the Company has the legal process with such agents and brokers.

8. Reinsurance assets

| | (Unit: Baht) | |
|--|----------------------|----------------------|
| | 2012 | 2011 |
| Amounts deposit on reinsurance | 3,549,378 | 8,186,502 |
| Amounts due from reinsurers | 413,069,733 | 43,751,760 |
| Insurance reserve refundable from reinsurers | 1,354,047,898 | 1,454,104,681 |
| Other amounts due from reinsurers | 57,221,240 | 31,836,243 |
| Reinsurance assets | <u>1,827,888,249</u> | <u>1,537,879,186</u> |

The balances as at 31 December 2012 and 2011 of the amounts due from reinsurers are classified by aging as follows:

| | (Unit: Baht) | |
|-----------------------------------|--------------------|-------------------|
| | 2012 | 2011 |
| Not yet due | 271,969,990 | 43,698,034 |
| Not over 12 months | 140,321,565 | 40,625 |
| Over 2 years | 778,178 | 13,101 |
| Total amounts due from reinsurers | <u>413,069,733</u> | <u>43,751,760</u> |

Insurance reserve refundable from reinsurers as at 31 December 2012 includes insurance reserve refundable from reinsurers from flooding loss amounting to Baht 995.42 million (2011: Baht 1,202.92 million) as described in Note 1.2 to the financial statements.

9. Investments in securities

9.1 Trading investments

| | (Unit: Baht) | | | | |
|---------------------------------------|------------------|------------------|--------------------|------------------|---|
| | 2012 | | | | |
| | Cost | Unrealised gains | Unrealised losses | Fair Value | Percentage of investments to total assets |
| Private enterprises securities | | | | | |
| Equity securities | 8,379,565 | - | (1,729,565) | 6,650,000 | 0.20 |
| Total trading investments | <u>8,379,565</u> | <u>-</u> | <u>(1,729,565)</u> | <u>6,650,000</u> | <u>0.20</u> |

| | (Unit: Baht) | | | | |
|---------------------------------------|------------------|------------------|-------------------|------------------|---|
| | 2011 | | | | |
| | Cost | Unrealised gains | Unrealised losses | Fair Value | Percentage of investments to total assets |
| Private enterprises securities | | | | | |
| Equity securities | 4,360,411 | - | (455,411) | 3,905,000 | 0.13 |
| Total trading investments | <u>4,360,411</u> | <u>-</u> | <u>(455,411)</u> | <u>3,905,000</u> | <u>0.13</u> |

9.2 Available-for-sale investments

(Unit: Baht)

| | 2012 | | | | Percentage of investments to total assets |
|---|--------------------|-------------------|---------------------|--------------------|---|
| | Cost | Unrealised gains | Unrealised losses | Fair Value | |
| Government and state enterprise securities | | | | | |
| Thai government bonds | 16,157,157 | 254,669 | - | 16,411,826 | 0.50 |
| Debenture - convertible debentures | 54,215,301 | 2,376,062 | - | 56,591,363 | 1.73 |
| Total | <u>70,372,458</u> | <u>2,630,731</u> | <u>-</u> | <u>73,003,189</u> | <u>2.23</u> |
| Private enterprises securities | | | | | |
| Debenture - convertible debentures | 115,113,224 | 2,033,001 | (32,946) | 117,113,279 | 3.57 |
| Equity securities | 283,226,118 | 59,963,553 | (38,123,282) | 305,066,389 | 9.31 |
| Unit trusts | 56,571,663 | 6,947,512 | (2,058,505) | 61,460,670 | 1.87 |
| Total | <u>454,911,005</u> | <u>68,944,066</u> | <u>(40,214,733)</u> | <u>483,640,338</u> | <u>14.75</u> |
| Total available-for-sale investments | <u>525,283,463</u> | <u>71,574,797</u> | <u>(40,214,733)</u> | <u>556,643,527</u> | <u>16.98</u> |

(Unit: Baht)

| | 2011 | | | | Percentage of investments to total assets |
|---|--------------------|-------------------|---------------------|--------------------|---|
| | Cost | Unrealised gains | Unrealised losses | Fair Value | |
| Government and state enterprise securities | | | | | |
| Thai government bonds | 16,358,267 | 244,738 | - | 16,603,005 | 0.55 |
| Debenture - convertible debenture | 54,628,328 | 2,403,050 | - | 57,031,378 | 1.90 |
| Total | <u>70,986,595</u> | <u>2,647,788</u> | <u>-</u> | <u>73,634,383</u> | <u>2.45</u> |
| Private enterprises securities | | | | | |
| Debenture - convertible debentures | 125,135,093 | 2,413,018 | (184,911) | 127,363,200 | 4.24 |
| Equity securities | 260,593,603 | 9,048,569 | (47,894,376) | 221,747,796 | 7.38 |
| Unit trusts | 52,390,307 | 3,393,649 | (3,587,529) | 52,196,427 | 1.74 |
| Warrants | - | 24,160 | - | 24,160 | - |
| Total | <u>438,119,003</u> | <u>14,879,396</u> | <u>(51,666,816)</u> | <u>401,331,583</u> | <u>13.36</u> |
| Total available-for-sale investments | <u>509,105,598</u> | <u>17,527,184</u> | <u>(51,666,816)</u> | <u>474,965,966</u> | <u>15.81</u> |

9.3 Held-to-maturity investments

(Unit: Baht)

| | 2012 | | 2011 | |
|---|----------------------------|--|----------------------------|--|
| | Cost/ Amortised cost | Percentage of investments to total assets | Cost/ Amortised cost | Percentage of investments to total assets |
| Government and state enterprise securities | | | | |
| Thai government bonds | 152,518,768 | 4.65 | 146,795,182 | 4.89 |
| Saving lottery | 1,000,000 | 0.03 | 1,000,000 | 0.03 |
| Total | <u>153,518,768</u> | <u>4.68</u> | <u>147,795,182</u> | <u>4.92</u> |
| Private enterprises securities | | | | |
| Notes - bill of exchange | - | - | 47,000,000 | 1.56 |
| Total | <u>-</u> | <u>-</u> | <u>47,000,000</u> | <u>1.56</u> |
| Deposits at banks which amount maturing in over 3 months | | | | |
| Deposits at commercial banks | 127,011,075 | 3.88 | 233,011,075 | 7.75 |
| Deposits at other financial institutions | 85,000,000 | 2.59 | 70,000,000 | 2.33 |
| Total | <u>212,011,075</u> | <u>6.47</u> | <u>303,011,075</u> | <u>10.08</u> |
| Total held-to-maturity investments | <u>365,529,843</u> | <u>11.15</u> | <u>497,806,257</u> | <u>16.56</u> |

9.4 Other investments

(Unit: Baht)

| | 2012 | | 2011 | |
|--|------------------|--|------------------|--|
| | Cost | Percentage of investments to total assets | Cost | Percentage of investments to total assets |
| Investment in non-listed companies in Thailand | 8,834,211 | 0.27 | 8,934,211 | 0.30 |
| Total | 8,834,211 | 0.27 | 8,934,211 | 0.30 |
| Less: Allowance for impairment | (834,371) | (0.03) | (834,371) | (0.03) |
| Total other investments | <u>7,999,840</u> | <u>0.24</u> | <u>8,099,840</u> | <u>0.27</u> |

9.5 Maturity of debt securities

(Unit: Baht)

| | 2012 | | | Total |
|---|---------------------|--------------------|-------------------|--------------------|
| | Period to maturity | | | |
| | Less than 1 year | 1-5 years | Over 5 years | |
| Available-for-sale investments | | | | |
| Government and state enterprise securities | | | | |
| Thai government bonds | - | - | 16,157,157 | 16,157,157 |
| Debenture - convertible debentures | 15,000,000 | 29,215,301 | 10,000,000 | 54,215,301 |
| Total | 15,000,000 | 29,215,301 | 26,157,157 | 70,372,458 |
| Add : Unrealised gains | 66,360 | 485,495 | 2,078,876 | 2,630,731 |
| Total | 15,066,360 | 29,700,796 | 28,236,033 | 73,003,189 |
| Private enterprises securities | | | | |
| Debenture - convertible debentures | 20,000,000 | 95,113,224 | - | 115,113,224 |
| Total | 20,000,000 | 95,113,224 | - | 115,113,224 |
| Add : Unrealised gains | 309,405 | 1,690,650 | - | 2,000,055 |
| Total | 20,309,405 | 96,803,874 | - | 117,113,279 |
| Total available-for-sale investments | 35,375,765 | 126,504,670 | 28,236,033 | 190,116,468 |
| Held-to-maturity investments | | | | |
| Government and state enterprise securities | | | | |
| Thai government bonds | 7,009,156 | 48,510,199 | 96,999,413 | 152,518,768 |
| Saving lottery | - | 1,000,000 | - | 1,000,000 |
| Total | 7,009,156 | 49,510,199 | 96,999,413 | 153,518,768 |
| Deposits at banks which amount maturing in over 3 months | | | | |
| Deposits at commercial banks | 112,011,075 | 15,000,000 | - | 127,011,075 |
| Deposits at other financial institutions | 30,000,000 | 55,000,000 | - | 85,000,000 |
| Total | 142,011,075 | 70,000,000 | - | 212,011,075 |
| Total held-to-maturity investments | 149,020,231 | 119,510,199 | 96,999,413 | 365,529,843 |

(Unit: Baht)

| | 2012 | | | |
|---|---------------------|--------------------|--------------------|--------------------|
| | Period to maturity | | | Total |
| | Less than 1 year | 1-5 years | Over 5 years | |
| Available-for-sale investments | | | | |
| Government and state enterprise securities | | | | |
| Thai government bonds | - | - | 16,358,267 | 16,358,267 |
| Debenture - convertible debentures | - | 44,628,328 | 10,000,000 | 54,628,328 |
| Total | - | 44,628,328 | 26,358,267 | 70,986,595 |
| Add : Unrealised gains | - | 516,204 | 2,131,584 | 2,647,788 |
| Total | - | 45,144,532 | 28,489,851 | 73,634,383 |
| Private enterprises securities | | | | |
| Debenture - convertible debentures | 20,000,000 | 85,000,000 | 20,135,093 | 125,135,093 |
| Total | 20,000,000 | 85,000,000 | 20,135,093 | 125,135,093 |
| Add : Unrealised gains | 140,504 | 1,467,766 | 619,837 | 2,228,107 |
| Total | 20,140,504 | 86,467,766 | 20,754,930 | 127,363,200 |
| Total available-for-sale investments | 20,140,504 | 131,612,298 | 49,244,781 | 200,997,583 |
| Held-to-maturity investments | | | | |
| Government and state enterprise securities | | | | |
| Thai government bonds | - | 10,072,892 | 136,722,290 | 146,795,182 |
| Saving lottery | - | 1,000,000 | - | 1,000,000 |
| Total | - | 11,072,892 | 136,722,290 | 147,795,182 |
| Private enterprises securities | | | | |
| Notes - bill of exchange | 47,000,000 | - | - | 47,000,000 |
| Total | 47,000,000 | - | - | 47,000,000 |
| Deposits at banks which amount maturing in over 3 months | | | | |
| Deposits at commercial banks | 196,011,075 | 37,000,000 | - | 233,011,075 |
| Deposits at other financial institutions | 15,000,000 | 55,000,000 | - | 70,000,000 |
| Total | 211,011,075 | 92,000,000 | - | 303,011,075 |
| Total held-to-maturity investments | 258,011,075 | 103,072,892 | 136,722,290 | 497,806,257 |

9.6 Other components of equity – surplus (deficit) on changes in value of investments

(Unit: Baht)

| | For the years ended 31 December | |
|---|---------------------------------|--------------|
| | 2012 | 2011 |
| Balance - beginning of the year | (26,287,518) | (12,150,487) |
| Change during the year | | |
| Unrealised gain during the year | 95,438,513 | 11,362,587 |
| Realised gain that included in profit or loss | (29,938,817) | (28,144,382) |
| Other comprehensive income | 65,499,696 | (16,781,795) |
| Income tax relating to components of other comprehensive income | (14,124,127) | 2,644,764 |
| Net comprehensive income for the year | 51,375,569 | (14,137,031) |
| Balance - end of the year | 25,088,051 | (26,287,518) |

9.7 As at 31 December 2012 and 2011, the Company has placed securities as collateral as follows:

(Unit: Thousand Baht)

| | 2012 | 2011 |
|---|---------|---------|
| Securities placed with Insurance Registrar | 14,000 | 14,000 |
| Bonds, deposit at banks and bill of exchange placed as reserve with the Insurance Registrar | 139,000 | 93,000 |
| Bonds placed as required in the normal course of business of the Company | 2,100 | 3,500 |
| Deposit at banks and bill of exchange placed for guarantee of loans | 10,000 | 10,000 |
| Total | 165,100 | 120,500 |

10. Loans

As at 31 December 2012 and 2011, the balances of loans to employees through staff welfare project are aged, based on due date, as follows:

(Unit: Baht)

| Outstanding period | 2012 | | 2011 | |
|--------------------|-----------|---------------|-----------|---------------|
| | Principal | Interest rate | Principal | Interest rate |
| Not yet due | 4,952,089 | 2.25% - 3.25% | 5,851,226 | 2.25% - 3.25% |
| Total | 4,952,089 | | 5,851,226 | |

11. Property, building and equipment

(Unit: Baht)

| | Land | Buildings | Furniture, fixture and office equipment | Motor vehicles | Work in progress | Total |
|----------------------------------|-------------------|------------------|---|------------------|------------------|-------------------|
| Cost | | | | | | |
| 1 January 2011 | 10,163,636 | 4,789,000 | 62,720,560 | 2,517,300 | - | 80,190,496 |
| Additions | - | - | 1,413,968 | 3,129,000 | 101,557 | 4,644,525 |
| Disposals | - | - | (489,700) | (725,000) | - | (1,214,700) |
| 31 December 2011 | 10,163,636 | 4,789,000 | 63,644,828 | 4,921,300 | 101,557 | 83,620,321 |
| Additions | - | - | 2,434,872 | - | 992,548 | 3,427,420 |
| Transfers in(out) | - | - | 396,603 | - | (396,603) | - |
| 31 December 2012 | 10,163,636 | 4,789,000 | 66,476,303 | 4,921,300 | 697,502 | 87,047,741 |
| Accumulated depreciation | | | | | | |
| 1 January 2011 | - | 3,495,970 | 55,541,328 | 1,474,519 | - | 60,511,817 |
| Depreciation on disposals | - | - | (457,181) | (627,670) | - | (1,084,851) |
| Depreciation for the year | - | 239,450 | 3,893,629 | 667,605 | - | 4,800,684 |
| 31 December 2011 | - | 3,735,420 | 58,977,776 | 1,514,454 | - | 64,227,650 |
| Depreciation for the year | - | 240,106 | 2,538,329 | 978,873 | - | 3,757,308 |
| 31 December 2012 | - | 3,975,526 | 61,516,105 | 2,493,327 | - | 67,984,958 |
| Net book value | | | | | | |
| 31 December 2011 | <u>10,163,636</u> | <u>1,053,580</u> | <u>4,667,052</u> | <u>3,406,846</u> | <u>101,557</u> | <u>19,392,671</u> |
| 31 December 2012 | <u>10,163,636</u> | <u>813,474</u> | <u>4,960,198</u> | <u>2,427,973</u> | <u>697,502</u> | <u>19,062,783</u> |
| Depreciation for the year | | | | | | |
| 2011 | | | | | | <u>4,800,684</u> |
| 2012 | | | | | | <u>3,757,308</u> |

As at 31 December 2012, certain equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 68.96 million (2011: Baht 60.60 million) and the Company had vehicles under finance lease agreements with net book values amounting to Baht 0.14 million (2011: Baht 0.49 million).

12. Intangible assets - computer software

| | (Unit: Baht) |
|---------------------------|-------------------|
| | Computer software |
| Cost | |
| 1 January 2011 | 48,835,074 |
| Additions | 5,636,485 |
| 31 December 2011 | 54,471,559 |
| Additions | 4,781,266 |
| 31 December 2012 | 59,252,825 |
| Amortisation | |
| 1 January 2011 | 25,047,236 |
| Amortisation for the year | 2,721,760 |
| 31 December 2011 | 27,768,996 |
| Amortisation for the year | 3,031,733 |
| 31 December 2012 | 30,800,729 |
| Net book value | |
| 31 December 2011 | 26,702,563 |
| 31 December 2012 | 28,452,096 |

13. Deferred tax assets and deferred tax liability/corporate income tax

Corporate income tax for the year ended 31 December 2012 has been calculated at the rate of 23% (2011: 30%) of loss 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, and adjusting with deferred tax.

Corporate income tax for the years ended 31 December 2012 and 2011 comprise the following:

| | (Unit: Baht) | |
|--|------------------------------------|--------------|
| | For the years ended 31 December | |
| | 2012 | 2011 |
| Current income tax: | | |
| Income tax for the year in accordance with Revenue Code | 17,545,704 | 27,783,564 |
| Deferred tax: | | |
| Relating origination and reversal of temporary differences | (27,584,097) | (36,803,598) |
| Effects of changes in the applicable tax rates | 14,502,265 | 25,443,459 |
| Income tax expenses reported in the statements of comprehensive income | 4,463,872 | 16,423,425 |

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2012 and 2011 are as follows:

(Unit: Baht)

| | For the years ended 31 December | |
|--|------------------------------------|--------------------|
| | 2012 | 2011 |
| Deferred tax relating to gain (loss) on re-measuring available-for-sale investments | 15,064,930 | (5,034,539) |
| Effects of changes in the applicable tax rates | <u>(940,803)</u> | <u>2,389,775</u> |
| | <u>14,124,127</u> | <u>(2,644,764)</u> |

Reconciliation between tax expenses and the product of accounting loss multiplied by the applicable tax rates for the years ended 31 December 2012 and 2011 are as follows:

(Unit: Baht)

| | For the years ended 31 December | |
|--|------------------------------------|---------------------|
| | 2012 | 2011 |
| Accounting loss before corporate income tax | <u>(36,120,597)</u> | <u>(19,629,754)</u> |
| Applicable tax rate 23% (2011: 30%) | (8,307,737) | (5,888,926) |
| Effects of changes in the applicable tax rates | 14,502,265 | 25,443,459 |
| Tax effect of exempted income and non-deductible expenses | <u>(1,730,656)</u> | <u>(3,131,108)</u> |
| Income tax expenses reported in the statements of comprehensive income | <u>4,463,872</u> | <u>16,423,425</u> |

As of 31 December 2012 and 2011, the components of deferred tax assets and deferred tax liability are as follows:

(Unit: Baht)

| | 2012 | 2011 |
|---|--------------------|-------------------|
| Deferred tax assets | | |
| Losses on changes in values of investments | | |
| -available-for-sale securities | - | 7,852,115 |
| Allowance for doubtful accounts | 2,021,684 | 2,152,308 |
| Unearned premium reserves | 31,015,855 | 22,208,545 |
| Provision for losses incurred but not reported (IBNR) | 7,033,078 | 8,842,641 |
| Loss reserves | 52,193,258 | 46,141,835 |
| Post-employment benefit obligation | 4,251,018 | 4,062,702 |
| Allowance for impairment of investments securities | 166,874 | 191,905 |
| Total | <u>96,681,767</u> | <u>91,452,051</u> |
| Deferred tax liabilities | | |
| Surplus on changes in values of investments | | |
| - available-for-sale securities | <u>(6,272,013)</u> | - |
| Total | <u>(6,272,013)</u> | - |
| Deferred tax assets - net | <u>90,409,754</u> | <u>91,452,051</u> |

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Company reflected the changes in tax rates in its deferred tax calculation, as presented above.

14. Due to reinsurers

| | (Unit: Baht) | |
|---------------------------------|--------------------|--------------------|
| | 2012 | 2011 |
| Outward premium payable | 11,941,287 | 14,655,837 |
| Amounts withheld on reinsurance | 118,035,372 | 106,365,552 |
| Others reinsurance payable | <u>182,438,732</u> | <u>27,411,263</u> |
| Total due to reinsurers | <u>312,415,391</u> | <u>148,432,652</u> |

15. Loss reserves and outstanding claims

| | (Unit: Baht) | |
|---|------------------------------------|----------------------|
| | For the years ended 31 December | |
| | 2012 | 2011 |
| Balance - beginning of the year | 1,602,914,618 | 282,238,588 |
| Claims and losses adjustments expenses for the year | 868,011,521 | 1,859,961,612 |
| Changes in claims and losses adjustment expenses paid of prior year | 1,286,878,875 | 113,111,931 |
| Claims and losses adjustments expenses paid during the year | <u>(2,268,611,995)</u> | <u>(652,397,513)</u> |
| Balance - end of the year | <u>1,489,193,019</u> | <u>1,602,914,618</u> |

As at 31 December 2012 and 2011, the Company has loss reserve and outstanding claims under the reinsurance contracts of Baht 729.38 million and Baht 112.15 million, respectively.

Loss reserves and outstanding claims payable as at 31 December 2012 and 2011 included loss reserves and outstanding claims from severe flooding claim amounting to Baht 1,094.65 million and Baht 1,271.60 million, respectively as discussed in Note 1.2 to the financial statements.

16. Premium reserve

Premium reserve is the liability under insurance contracts, and is the higher of unearned premium reserve and unexpired risk reserve.

16.1 Unearned premium reserve

| | (Unit: Baht) | |
|--|------------------------------------|------------------------|
| | For the years ended 31 December | |
| | 2012 | 2011 |
| Balance - beginning of the year | 630,264,977 | 530,839,475 |
| Premium written for the year | 1,577,795,140 | 1,289,885,005 |
| Premium earned during the current year | <u>(1,411,682,054)</u> | <u>(1,190,459,503)</u> |
| Balance - end of the year | <u>796,378,063</u> | <u>630,264,977</u> |

16.2 Unexpired risk reserve

(Unit: Baht)

| | For the years ended 31 December | |
|---------------------------------|------------------------------------|----------------------|
| | 2012 | 2011 |
| Balance - beginning of the year | 385,847,949 | 313,170,197 |
| Estimated claims for the year | 454,746,313 | 387,674,391 |
| Risk expired during the year | <u>(347,346,486)</u> | <u>(314,996,639)</u> |
| Balance - end of the year | <u>493,247,776</u> | <u>385,847,949</u> |

17. Employee benefit obligations

(Unit: Baht)

| | 2012 | 2011 |
|------------------------------------|-------------------|-------------------|
| Short-term employee benefit | 12,327,363 | 8,395,323 |
| Long-term employee benefit | <u>21,255,092</u> | <u>17,663,924</u> |
| Total employee benefit obligations | <u>33,582,455</u> | <u>26,059,247</u> |

Movement of reserves for retirement benefit expenses which recognised for the years ended 31 December 2012 and 2011 consist of:

(Unit: Baht)

| | For the years ended 31 December | |
|---|------------------------------------|-------------------|
| | 2012 | 2011 |
| Defined benefit obligation at the beginning of year | 17,663,924 | 14,580,581 |
| Current service cost | 2,874,641 | 2,492,956 |
| Interest cost | 716,527 | 590,387 |
| Defined benefit obligation at the end of year | <u>21,255,092</u> | <u>17,663,924</u> |

Long-term employee benefit expenses included in the operating expenses in profit or loss was as follows:

(Unit: Baht)

| | For the years ended 31 December | |
|---|------------------------------------|------------------|
| | 2012 | 2011 |
| Current service cost | 2,874,641 | 2,492,956 |
| Interest cost | 716,527 | 590,387 |
| Total expenses recognised in profit or loss | <u>3,591,168</u> | <u>3,083,343</u> |

Principal actuarial assumptions at the valuation date were as follows:

| | 2012 | 2011 |
|-------------------------------|---------------|---------------|
| | (% per annum) | (% per annum) |
| Discount rate | 4.05 | 4.05 |
| Future salary increasing rate | 5.00 | 5.00 |
| Employee turnover rate | 0.00 - 23.00 | 0.00 - 23.00 |

18. Share Capital

On 27 April 2012, the annual general meeting of the shareholders passed a resolution to reduce the registered capital of the Company by canceling the 5,500,000 unissued preference shares, accounting for share capital of Baht 55,000,000. The Company registered the share capital reduction with the Ministry of Commerce on 8 June 2012, and as a result registered capital stands at Baht 235,000,000, which is equal to the issued and called-up capital.

During the year 2012, the preference shareholders exercised their conversion rights, converting 4,478,829 shares at a rate of 1 preference share to 1 ordinary share. The Company registered the conversion of preference shares to ordinary shares with the Ministry of Commerce on 10 July 2012 and 29 October 2012. As a result, as at 31 December 2012, there are 21,171 preference shares remaining.

19. Statutory reserve

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

20. Underwriting information reported by insurance categories

Underwriting information classified by insurance categories for the years ended 31 December 2012 and 2011 is as follows:

(Unit: Baht)

| | 2012 | | | | | Total |
|--|-------------------|---------------------------|--------------------|--------------------|-------------------|----------------------|
| | Fire | Marine and transportation | Motor | Personal accident | Miscellaneous | |
| Underwriting income | | | | | | |
| Premium written | 141,150,233 | 22,840,642 | 840,779,663 | 334,249,251 | 238,775,351 | 1,577,795,140 |
| Less: Premium ceded | (92,003,625) | (5,219,313) | (16,996,276) | (147,940,401) | (211,273,935) | (473,433,550) |
| Net premium written | 49,146,608 | 17,621,329 | 823,783,387 | 186,308,850 | 27,501,416 | 1,104,361,590 |
| Less: Unearned premium reserve | (7,113,802) | (1,448,475) | (92,817,999) | (19,548,257) | (9,250,800) | (130,179,333) |
| Earned premium | 42,032,806 | 16,172,854 | 730,965,388 | 166,760,593 | 18,250,616 | 974,182,257 |
| Fee and commission income | 15,028,993 | 1,469,785 | 927,618 | 49,591,347 | 44,650,818 | 111,668,561 |
| Total underwriting income | 57,061,799 | 17,642,639 | 731,893,006 | 216,351,940 | 62,901,434 | 1,085,850,818 |
| Underwriting expenses | | | | | | |
| Claims and losses | | | | | | |
| adjustments expenses | 23,136,755 | 5,513,582 | 404,596,569 | 97,331,915 | 59,840,976 | 590,419,797 |
| Commissions and brokerages expenses | 27,682,012 | 2,436,440 | 134,130,364 | 38,060,620 | 31,332,398 | 233,641,834 |
| Other underwriting expenses | 9,324,651 | 1,114,470 | 53,288,973 | 70,312,594 | 5,031,659 | 139,072,347 |
| Contribution to Road Accident Victims Protection Co., Ltd. | - | - | 16,730,337 | - | - | 16,730,337 |
| Total underwriting expenses before operating expenses | 60,143,418 | 9,064,492 | 608,746,243 | 205,705,129 | 96,205,033 | 979,864,315 |
| Operating expenses | | | | | | 202,633,629 |
| Total underwriting expenses | | | | | | 1,182,497,944 |

(Unit: Baht)

| | 2011 | | | | | Total |
|--|-------------------|---------------------------|--------------------|--------------------|--------------------|----------------------|
| | Fire | Marine and transportation | Motor | Personal accident | Miscellaneous | |
| Underwriting income | | | | | | |
| Premium written | 123,738,229 | 21,673,822 | 689,799,501 | 244,211,396 | 210,462,057 | 1,289,885,005 |
| Less: Premium ceded | (67,609,575) | (5,824,888) | (5,140,330) | (102,028,814) | (184,067,187) | (364,670,794) |
| Net premium written | 56,128,654 | 15,848,934 | 684,659,171 | 142,182,582 | 26,394,870 | 925,214,211 |
| Add (less): Unearned premium reserve | (2,710,334) | 663,903 | (38,424,149) | (23,365,108) | 13,982,309 | (49,853,379) |
| Earned premium | 53,418,320 | 16,512,837 | 646,235,022 | 118,817,474 | 40,377,179 | 875,360,832 |
| Fee and commission income | 15,700,631 | 2,342,068 | 566,993 | 35,602,767 | 54,918,447 | 109,130,906 |
| Total underwriting income | 69,118,951 | 18,854,905 | 646,802,015 | 154,420,241 | 95,295,626 | 984,491,738 |
| Underwriting expenses | | | | | | |
| Claims and losses adjustments expenses | 19,778,955 | 4,354,725 | 362,024,202 | 68,839,127 | 105,129,206 | 560,126,215 |
| Commissions and brokerages expenses | 29,634,195 | 2,983,115 | 110,531,420 | 21,371,726 | 30,555,445 | 195,075,901 |
| Other underwriting expenses | 13,364,226 | 897,548 | 41,997,200 | 59,407,881 | 4,588,986 | 120,255,841 |
| Contribution to Road Accident Victims Protection Co., Ltd. | - | - | 9,260,897 | - | - | 9,260,897 |
| Total underwriting expenses before operating expenses | 62,777,376 | 8,235,388 | 523,813,719 | 149,618,734 | 140,273,637 | 884,718,854 |
| Operating expenses | | | | | | 180,896,301 |
| Total underwriting expenses | | | | | | 1,065,615,155 |

21. Operating expenses

(Unit: Baht)

| | For the years ended 31 December | |
|---|---------------------------------|--------------------|
| | 2012 | 2011 |
| Personal expenses which are not expenses for underwriting and claims | 96,129,809 | 82,781,813 |
| Premises and equipment expenses which is not expense for underwriting | 56,285,685 | 54,456,204 |
| Taxes and duties | 2,375,080 | 1,975,863 |
| Bad debts and doubtful accounts | 750,561 | 1,229,209 |
| Other operating expenses | 47,092,494 | 40,453,212 |
| Total operating expenses | 202,633,629 | 180,896,301 |

22. Employee expenses

(Unit: Baht)

| | For the years ended 31 December | |
|--------------------------------|------------------------------------|--------------------|
| | 2012 | 2011 |
| Salary and wages | 114,533,787 | 98,250,933 |
| Social security fund | 1,540,992 | 2,104,663 |
| Contribution to provident fund | 3,952,891 | 3,610,110 |
| Other benefits | 5,955,662 | 4,701,093 |
| Total employee expenses | <u>125,983,332</u> | <u>108,666,799</u> |

23. 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 2012, the Company contributed approximately Baht 3.95 million (2011: Baht 3.60 million) to the fund.

24. Earnings (losses) per share

Basic earnings (losses) per share is calculated by dividing the profit (losses) for the year (excluding other comprehensive income) after deducting dividend of preference shares by the weighted average number of ordinary shares held by third parties in issue during the year.

Diluted earnings (losses) per share is calculated by dividing profit (losses) for the year (excluding other comprehensive income) plus effect of dilutive potential ordinary shares 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. However, the preference of the convertible preference shares was terminated on 31 May 2012, and following that date the rights and benefits of the preference shares are the same as those of the ordinary shares. Therefore, basic losses per share for the year 2012 is calculated by dividing the losses for the year (excluding other comprehensive income) after deducting dividend of the preference shares that was paid during the year by the weighted average aggregate number of ordinary shares and preference shares held by third parties in issue during the year, and therefore the diluted earnings per share does not need to be presented.

Basic earnings (losses) per share and diluted earnings (losses) per share were calculated as follows:

| | Losses for the year (Baht) | | Weighted average number of ordinary shares (Shares) | | Losses per share (Baht) | |
|--|-------------------------------|---------------------|---|-------------------|----------------------------|--------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Basic earnings (losses) per share | | | | | | |
| Losses for the year | (40,584,469) | (36,053,179) | | | | |
| Dividend of preference shares | <u>(4,500,000)</u> | <u>(5,625,000)</u> | | | | |
| Losses for the year after deducting dividend of preference shares | <u>(45,084,469)</u> | (41,678,179) | <u>21,631,148</u> | 19,000,000 | (2.08) | (2.19) |
| Effect of dilutive potential ordinary share | | | | | | |
| Convertible preference shares | | <u>5,625,000</u> | | <u>4,500,000</u> | | |
| Diluted earnings (loss) per share | | | | | | |
| Losses for the year of ordinary shareholders assuming the conversion of dilutive preference shares to ordinary shares | | <u>(36,053,179)</u> | | <u>23,500,000</u> | | |

The Company does not disclose diluted loss per share for the year 2011 because the diluted loss per share was less than basic loss per share (antidilutive).

25. 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 business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Baht)

| | For the years ended 31 December | | Transfer pricing policy |
|--|------------------------------------|------------|--|
| | 2012 | 2011 | |
| Transactions with related companies | | | |
| Thai Military Bank Plc. ⁽¹⁾ | | | |
| Premium written | - | 5,694,744 | Normal commercial terms for underwriting |
| Interest income | - | 328,953 | 0.75% - 2.70% per annum |
| Loss incurred | - | 1,313,413 | Actual paid |
| Danu Thai Holding Co., Ltd. | | | |
| Premium written | 551,163 | 330,843 | Normal commercial terms for underwriting |
| Rental and service expenses | 10,491,113 | 10,350,552 | Charged at a average rate of Baht 396 per square meter per month (2011: Baht 390 per square meter per month) |

(1) Since 18 April 2011, Thai Military Bank Plc. was no longer a related company

The balance of the accounts as at 31 December 2012 and 2011 between the Company and those related companies are as follows:

| | | (Unit: Baht) | |
|--|--------------------------------|--------------|-----------|
| | | 2012 | 2011 |
| Balances with related parties | | | |
| Danu Thai Holding Company Limited (Common directors and through mutual shareholdings) | | | |
| | Investments in ordinary shares | 6,000,000 | 6,000,000 |

Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Company had employee benefit expenses payable to their directors and management as below.

| | | (Unit: Baht) | |
|--|------------------------------|-------------------|-------------------|
| | | 2012 | 2011 |
| | Short-term employee benefits | 28,429,460 | 26,701,377 |
| | Long-term employee benefits | 1,045,414 | 860,800 |
| | Total | 29,474,874 | 27,562,177 |

26. Assets pledged with registrar

As at 31 December 2012 and 2011, the following assets have been pledged with the Registrar in accordance with the Non-Life Insurance Act.

| | | (Unit: Baht) | | | |
|--|-----------------------|--------------|------------|------------|------------|
| | | 2012 | | 2011 | |
| | | Cost | Fair value | Cost | Fair value |
| | Government securities | 14,000,000 | 15,317,705 | 14,000,000 | 15,496,138 |

27. Assets reserve with registrar

As at 31 December 2012 and 2011, the following assets have been pledged as policy reserve with the Registrar in accordance with the Non-Life Insurance Act.

| | | (Unit: Baht) | | | |
|--|-----------------------|--------------------|--------------------|-------------------|-------------------|
| | | 2012 | | 2011 | |
| | | Cost | Fair value | Cost | Fair value |
| | Deposits at banks | 39,000,000 | 39,000,000 | 41,000,000 | 41,000,000 |
| | Bill of exchange | - | - | 32,000,000 | 32,000,000 |
| | Government securities | 100,000,000 | 102,854,909 | 20,000,000 | 21,153,384 |
| | Total | 139,000,000 | 141,854,909 | 93,000,000 | 94,153,384 |

28. Contribution to Non-life Guarantee Fund

| | | (Unit: Baht) | |
|--|---|-------------------|------------------|
| | | 2012 | 2011 |
| | Non-life guarantee fund at the beginning of the year | 6,589,675 | 3,751,466 |
| | Contribution during the year | 3,911,970 | 2,838,209 |
| | Non-life guarantee fund at the end of the year | 10,501,645 | 6,589,675 |

29. Dividend

| Dividend | Approved by | Total dividend (Million Baht) | Dividend per share |
|--|--|----------------------------------|--|
| Final dividend from 2011 retained earnings | Annual General Meeting of the shareholders No. 1/2555 on 27 April 2012 | 9.25 | Ordinary share at Baht 0.25 per share Preference share at Baht 1.00 per share |
| Final dividend from 2010 net income | Annual General Meeting of the shareholders No. 1/2554 on 27 April 2011 | 15.13 | Ordinary share at Baht 0.50 per share Preference share at Baht 1.25 per |

30. Financial information by segment

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

31 Commitments and contingent liabilities

31.1 Capital commitments

As of 31 December 2012, the Company had capital commitments of approximately Baht 1.44 million relating to acquisition of computer systems.

31.2 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. As at 31 December 2012, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

| | | <i>(Unit: Million Baht)</i> |
|------------------------|--|-----------------------------|
| Payable within: | | |
| Less than 1 year | | 16.43 |
| 1 to 5 years | | 20.98 |

31.3 Litigation

As at 31 December 2012, the Company has been sued for damaged as an insurer with the maximum total sum insured per the relevant policies, after recoveries from reinsurances, being Baht 19.80 million. These cases are not yet finalised but the Company has set aside provision for potential losses in the financial statements amounting to Baht 16.46 million, which the Company's management believes that such provision is adequate.

32. Financial instruments

32.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, premium receivables, amounts due from reinsurers, investments in securities, loans and amounts due to reinsurers. The financial risks associated with these financial instruments and how they are managed is described below.

32.2 Credit risk

Credit risk is the risk that the Company may suffer a financial loss as a result of a counterparty's inability to comply with the terms of a financial instrument. The Company is exposed to credit risk primarily with respect to outstanding premium receivables, loans, and amounts due from reinsurers. The Company's maximum exposure to credit risk is limited to the book value less allowance for doubtful debt as presented in the statement of financial position.

32.3 Market price risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Company's financial position. The Company had no financial instruments denominated in foreign currencies, market risk is therefore confined only to interest rate risk and equity position risk.

Interest rate risk

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

Significant financial assets and financial liabilities as at 31 December 2012 and 2011 classified by type of interest rate are summarised in the table below, with those financial assets and financial liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

| | 2012 | | | | | | |
|---|---------------------------------------|-------------|--------------|------------------------|----------------------|-------------|---------------|
| | Fixed interest rates | | | Floating interest rate | Non-interest bearing | Total | Interest rate |
| | The repricing period or maturity date | | | | | | |
| | Within 1 year | 1 - 5 years | Over 5 years | | | | |
| (Baht) | | | | | | | (% p.a.) |
| Financial assets | | | | | | | |
| Cash and cash equivalents | - | - | - | 88,828,431 | 215,000 | 89,043,431 | 1.50 - 4.75 |
| Premium receivables | - | - | - | - | 212,870,776 | 212,870,776 | - |
| Amounts due from reinsurers | - | - | - | - | 413,069,733 | 413,069,733 | - |
| Investments in securities - net | | | | | | | |
| Government and state enterprise securities | 22,075,516 | 79,210,995 | 125,235,446 | - | - | 226,521,957 | 1.50 - 5.13 |
| Private enterprise securities | 20,309,405 | 96,803,874 | - | - | 381,176,899 | 498,290,178 | 3.40 - 7.40 |
| Deposits at banks which amounts maturing in over 3 months | 142,011,075 | 70,000,000 | - | - | - | 212,011,075 | 2.00 - 4.75 |
| Loans | - | - | - | 4,952,089 | - | 4,952,089 | 2.25 - 3.25 |
| Financial liabilities | | | | | | | |
| Amounts due to reinsurers | - | - | - | - | 312,415,391 | 312,415,391 | - |

| | 2012 | | | | | | |
|---|---------------------------------------|-------------|--------------|------------------------|----------------------|-------------|---------------|
| | Fixed interest rates | | | Floating interest rate | Non-interest bearing | Total | Interest rate |
| | The repricing period or maturity date | | | | | | |
| | Within 1 year | 1 - 5 years | Over 5 years | | | | |
| (Baht) | | | | | | (% p.a.) | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | - | - | - | 111,374,981 | 195,000 | 111,569,981 | 1.80 - 4.81 |
| Premium receivables | - | - | - | - | 167,429,927 | 167,429,927 | - |
| Amounts due from reinsurers | - | - | - | - | 43,751,760 | 43,751,760 | - |
| Investments in securities - net | | | | | | | |
| Government and state enterprise securities | - | 56,217,424 | 165,212,141 | - | - | 221,429,565 | 1.50 - 5.13 |
| Private enterprise securities | 67,140,504 | 86,467,766 | 20,754,930 | - | 285,973,223 | 460,336,423 | 2.90 - 7.40 |
| Deposits at banks which amounts maturing in over 3 months | 211,011,075 | 92,000,000 | - | - | - | 303,011,075 | 1.80 - 4.75 |
| Loans | - | - | - | 5,851,226 | - | 5,851,226 | 2.25 - 3.25 |
| Financial liabilities | | | | | | | |
| Amounts due to reinsurers | - | - | - | - | 148,432,652 | 148,432,652 | - |

Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities will result in fluctuations in revenues and in the values of financial assets.

As at 31 December 2012 and 2011, the Company has risk from its investment in securities of which the price will change with reference to market conditions.

32.4 Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the occurrence of a financial loss.

The majority of the Company's financial assets are cash and cash equivalents and investments in securities for which there are liquid markets, while most premium receivables and amounts due from reinsurers are not yet due or overdue not more than 1 year, and most outstanding amounts due to reinsurers are due within 1 year.

32.5 Fair value of financial instruments

A 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 method used for fair value measurement depends upon the characteristics of the financial instrument. Fair value is determined with reference to the latest quoted market price or determined using an appropriate valuation technique. The Company establishes the fair value of its financial instruments by adopting the following methods:

- a) Financial assets maturing in the short-term, which consist of cash and cash equivalents, are presented at fair value, estimated based on the book value presented in the statement of financial position
- b) Investments in securities are presented at fair market value or at a value determined using a generally accepted valuation methodology, if no market value is available.
- c) Loans carrying interest at floating rates and without significant credit risk are presented at the values at which they are carried in the statement of financial position.
- d) Premium receivables and amounts due from reinsurers are presented at fair value, estimated based on book value less allowance for doubtful accounts as stated in the statement of financial position, since most receivables are in current status or no more than 1 year overdue.
- e) Amounts due to reinsurers have specific due date within 1 year and are thus presented at fair value, estimated based on their book value.

33. Capital management

The primary objectives of the Company's capital management are to ensure that it has an appropriate financial structure in order to continue its business as a going concern, to provide a return to its shareholders and other related parties, and to maintain risk-based capital in accordance with Declaration of the OIC.

Nevertheless, the OIC have announced a measure to relax the risk-based capital requirements for losses arising from the floods, for a period of 15 months from 31 December 2011 to 31 March 2013.

34. Events after the reporting period

On 20 February 2013, a meeting of the Company's Board of Directors passed a resolution to propose the payment of a dividend from retained earnings, with a dividend of Baht 0.40 per share to the ordinary shareholders and preference shareholders which were not exercised to ordinary shares, totaled 23,500,000 shares, or a total of Baht 9.4 million.

35. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2013.



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