

Information Disclosure Form (Appendix Registrar Order 48/2561)

Subject: Non-Life Insurance Company Information Disclosure B.E. 2561

Section 1: Certification of Disclosed Information

The Company has carefully reviewed the disclosed information and certified that all the information is correct, complete, factual, unambiguous and no important information has been missing.

  
.....

General Somchai Dhanarajata

Director



  
.....

Mr. Somporn Suebthawilkul

Managing Director

19 October 2018

2017 Annual Information

## *Section 2: Information Disclosure Details*

### **1. Company Background, Policies, Purposes and Business Strategies used for achieving the objectives, Business Operations, Important Products and Service Details, Company Contact Details, Process and Duration for Indemnity Claim, Consideration and Payment as per Insurance Contract**

#### **1.1. Company Background**

<https://www.dhipaya.co.th/insurance/StaticPage.aspx?ID=98&idMenu=117>

#### **1.2. Policies, Purposes and Business Strategies**

Dhipaya Insurance Public Company Limited employs customer-centric policies for products and services provided by the Company. The Company aims to increase its capacities in term of competitiveness and business operations, as well as to support technological changes and brace itself for the advent of the Start-Up players, which can play a significant role in transforming insurance industry in the future, by developing basic structures and implementing some disruptive technologies in its operations in order to earn itself a leadership in the digital insurance and to become the one-stop service provider in non-life insurance. The company has established business strategies for its 5 main aspects as follows:

1. Generate Sustainable Profit
  - Create new products and provide new services
  - Expand business partners
  - Develop new sales channels
  - Retain existing customers
2. Operating Capital Management
  - Use information technology in business operations
3. Work Process Development
  - Connect and improve work processes
  - Internal control
4. Human Resource Development
  - Human resource planning
  - Create organizational culture

5. Information Technology Development

- Tailor the information technology system to fit in current business operations

### 1.3. Business Operations

Dhipaya Insurance Public Company Limited engages in the following business activities:

1. **Non-Life Insurance**

The non-life insurance consists of four major departments: Fire Insurance, Marine Insurance, Motor Insurance, and Miscellaneous Insurance.

2. **Investment Business**

The Company is able to conduct investment activities as regulated by the Non-Life Insurance Act under the control of the Office of Insurance Commission (OIC) by investing its remaining fund from insurance business operations in different forms, such as, financial institution deposits, promissory notes, government bonds, and both short-term and long-term securities.

### 1.4. Important Products and Service Details

#### Insurance Products

- Fire Insurance provides protection against damages from fire, lightning, and cooking gas explosion. Other damages, which include floods, earthquakes, hail, and storm, are not generally covered by general policy, but additional protection can be purchased separately. Assets that can be protected are categorized as buildings, furniture, fixed decorations, product inventory, machinery, and so on. Fire insurance policy are divided into two groups: Residential Fire Insurance and General Fire Insurance.
- Marine Insurance provides projection for insured properties against the damage or loss of properties, which can be goods, hulls, or transporters' liability during international and/or domestic transits. The damages or losses may be caused by natural disasters or accidents, such as sinking, stranding, collision, explosion, or fires. Transportation channels include sea, water, inland, and air.

- Motor Insurance provides protection against damage or loss of insured vehicles due to natural disaster or accidents. There are two types of motor insurance: Compulsory Motor Insurance and Voluntary Motor insurance.
- Miscellaneous Insurance provides protection against injury to person (s) and/or damages to properties not covered by the three classes of insurance mentioned above. Miscellaneous insurance can be divided into three categories:

*Personal Insurance:* Personal Accident Insurance, Travel Accident Insurance, Health Insurance and Serious Illness Insurance

*Property Insurance:* Money Insurance, Burglary Insurance, Machinery Insurance, Aviation Insurance, Petrochemical and Energy Insurance, and all other risk insurances

*Third Party Insurance:* Professional Indemnity Insurance, Product Liability Insurance

#### **Insurance Services**

The Company provides customers with services from purchasing insurance to indemnity claims with leading indemnity policies in the market and excellent insurance services.

The Company has implemented technology vital for facilitating customers as follows:

- **TIP Insure M Application** provides support regarding the Company’s products and services
- **TIP Flash Claim Application** allows customers to lodge claims on mobile straightaway in the cases of accident
- **TIP Call Centre 1736** is a 24-hour hotline for making indemnity notification and handling customers’ inquiries
- **“Dhipaya Insurance Facebook Fanpage”** is an online platform developed for managing customer relationship and communicating the Company’s insurance products and services with the public

Quantitative Information Details as Follows:

Unit: Million Bahts

Description	Fire	Marine and Transportation		Motor		Miscellaneous						Total (2017)
		Hull	Cargo	Compulsory	Voluntary	All risks	Public liability	Engineering	Personal accident	Health	Others	
Direct Premium Written	1,778.87	120.10	164.25	340.66	2,436.64	4,502.92	138.24	530.49	7,499.78	301.46	1,694.45	19,507.86
Proportion of Premium (%)	9.12	0.62	0.84	1.75	12.49	23.08	0.71	2.72	38.43	1.55	8.69	100.00

Remarks: Information from The Company's Annual Report

## 1.5. Process and Duration for Indemnity Claim, Consideration and Payment as per Insurance Contract.

### 1.5.1. Process, Duration, Documents, and Process of Indemnity Claim as per Insurance Contracts.

#### 1. Motor Indemnity

- Indemnity Claim Process  
<https://www.dhipaya.co.th/insurance/insurance.asp?ID=32&idMenu=55>
- Supporting Documents for Indemnity Consideration
  1. Repairs with Garages Listed in the Contract  
<https://www.dhipaya.co.th/insurance/insurance.asp?ID=580&idMenu=496>
  2. Repairs with Garages Outside the Contract  
<https://www.dhipaya.co.th/insurance/insurance.asp?ID=581&idMenu=497>
  3. Damages to Assets  
<https://www.dhipaya.co.th/insurance/insurance.asp?ID=582&idMenu=498>
  4. Injuries and Disabilities  
<https://www.dhipaya.co.th/insurance/insurance.asp?ID=583&idMenu=499>
  5. Loss of Life

<https://www.dhipaya.co.th/insurance/insurance.asp?ID=584&idMenu=500>

6. Additional Protection for TIP LADY

<https://www.dhipaya.co.th/insurance/insurance.asp?ID=611&idMenu=544>

**2. Health, Accident and Travel Indemnity**

■ Indemnity Claim Process

<https://www.dhipaya.co.th/insurance/insurance.asp?ID=550&idMenu=459>

■ Supporting Documents for Indemnity Consideration

<https://www.dhipaya.co.th/insurance/insurance.asp?ID=568&idMenu=482>

**3. General Indemnity**

■ Indemnity Claim Process

<https://www.dhipaya.co.th/insurance/insurance.asp?ID=574&idMenu=488>

■ Supporting Documents for Indemnity Consideration

<https://www.dhipaya.co.th/USERFILES/FILE/GENERALCLAIM.PDF?idMenu=489>

**1.5.2. Contacting the Company and Related Agencies: Disputes and Complaints**

<https://www.dhipaya.co.th/insurance/insurance.asp?ID=633&idMenu=568>

**2. Scope of Good Corporate Governance, The Company's Internal Control Process, and Process Details**

**2.1 Scope of Good Corporate Governance and the Company's Internal Control Process**

<https://www.dhipaya.co.th/USERFILES/FILE/ENนโยบายเกี่ยวกับการกำกับดูแลกิจการที่ดี V5.PDF?idMenu=415>

**2.2 Organizational Structure**

<https://www.dhipaya.co.th/insurance/StaticPage.aspx?ID=99&idMenu=118>

**2.3 Management Structure**

2.3.1 Board of Directors

■ Name and Position

<https://www.dhipaya.co.th/insurance/StaticPage.aspx?ID=387&idMenu=267>

■ Scope of Responsibility

[https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN\\_คณะกรรมการบริษัท.PDF](https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN_คณะกรรมการบริษัท.PDF)

2.3.2 List of Executives

■ Name and Position

<https://www.dhipaya.co.th/insurance/StaticPage.aspx?ID=438&idMenu=318>

■ Scope of Responsibility

<https://www.dhipaya.co.th/insurance/StaticPage.aspx?ID=645&idMenu=582>

## **2.4 Sub-Committees**

The Company's six Sub-Committees are as follows:

### **2.4.1 Executive Committee**

[https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN\\_คณะกรรมการบริหาร.PDF](https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN_คณะกรรมการบริหาร.PDF)

### **2.4.2 Audit Committee**

[https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN\\_คณะกรรมการตรวจสอบ.PDF](https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN_คณะกรรมการตรวจสอบ.PDF)

### **2.4.3 Investment Committee**

[https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN\\_คณะกรรมการบริหารการลงทุน.PDF](https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN_คณะกรรมการบริหารการลงทุน.PDF)

### **2.4.4 Corporate Governance Committee**

[https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN\\_คณะกรรมการบรรษัทภิบาล.PDF](https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN_คณะกรรมการบรรษัทภิบาล.PDF)

### **2.4.5 Risk Management Committee**

[https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN\\_คณะกรรมการบริหารความเสี่ยง.PDF](https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN_คณะกรรมการบริหารความเสี่ยง.PDF)

### **2.4.6 Nomination, Remuneration and Human Resource Management Committee**

[https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN\\_คณะกรรมการสรรหากำหนดค่าตอบแทน.PDF](https://www.dhipaya.co.th/userfiles/file/คณะกรรมการ/EN_คณะกรรมการสรรหากำหนดค่าตอบแทน.PDF)

## **2.5 Nomination and Appointment of Directors, Independent Directors and Executives**

[https://www.dhipaya.co.th/userfiles/AnnualReport60/Dhipaya\\_2017\\_th/Dhipya\\_2017\\_th.html#p=70](https://www.dhipaya.co.th/userfiles/AnnualReport60/Dhipaya_2017_th/Dhipya_2017_th.html#p=70)

## **2.6 Remuneration Policy**

The Company has specified in one of its regulations, item 37, that Directors shall be entitled to remuneration from the Company in term of financial rewards, meeting allowance, pension, bonuses or other forms of remuneration according to the Company's regulation or the decisions of shareholders in annual meeting, which may be either fixed amount or a case-by-case basis. Additionally, Directors shall receive allowance and benefits according to the Company's regulation. However, this shall not prevent the company's employee who have been promoted to Director from receive remuneration and benefits as the Company's employees.

## **3. Enterprise Risk Management (ERM) and Asset Liability Management (ALM)**

### **3.1 Enterprise Risk Management (ERM)**

[https://www.dhipaya.co.th/USERFILES/FILE/ปผว/นโยบายความเสี่ยง\\_EN.PDF?idMenu=585](https://www.dhipaya.co.th/USERFILES/FILE/ปผว/นโยบายความเสี่ยง_EN.PDF?idMenu=585)

### **3.2 Asset Liability Management (ALM)**

The Company monitors the difference between the duration of assets and liability as per insurance contract to be within acceptable level to limit possible risks from interest changes.

*Quantitative Information Details as Follows:*

Unit: Million Bahts

Description	2017		2016	
	Book value	Appraised value	Book value	Appraised value
Total Investment Assets	18,352.32	18,530.83	17,112.90	17,615.40
Total Liquid Assets	17,451.25	17,459.52	16,014.17	16,019.67
Total Liabilities	41,893.43	42,671.97	48,592.82	49,883.09
Insurance Contract Liabilities	20,221.30	21,045.54	23,804.21	25,135.73

Remark:

- Book Value refers to the values of assets and liabilities based on financial reporting standard.
- Appraised Value refers to the values of assets and liabilities based on the announcement of the Insurance Commission regarding the valuation of assets and liabilities of non-life insurance companies to ensure the financial stability of insurance companies and their ability to pay indemnity to the insured as per the insurance contracts.

**4. Forecasted risk from underwriting which may significantly affect the Company's financial status, reinsurance management, the connection between capital and risk from underwriting and the concentration of underwriting**

The Company has forecasted possible impact based on current risk exposure by using actuarial methods and previous statistics to calculate the best estimated indemnity, which is expected to occur within the insured period from the date of calculation.

The Company's underwriting risk means the occurrence of unexpected underwriting results, which are the consequence of fluctuations in liabilities from insurance contract consisting of indemnity reserve and unearned premium reserve. The Company has conducted sensitivity analysis of capital from the aforementioned fluctuations and undergone a stress test to evaluate the capital adequacy in case that the catastrophe occurs.



The Company has various types of underwriting within each insurance category; Fire Insurance, Marine Insurance, Motor Insurance, and Miscellaneous Insurance, by establishing criteria for risk retention to be in line with the characteristics of each insurance category. The acceptable risk level, determined by the consideration of capital and returns, must not exceed 10 percent of the Company's capital, or must be in compliance with rules and regulations specified by the Office of Insurance Commission. The Company also specifies risk retention ratio according to insurance categories by clearly evaluating possible risk based on information of an individual potential risk, acceptable risks, and risk to be allocated with maximum coverage per risk or incident ratio as well as stating risk consideration factors according to the Company's established guidelines.

The Company has created underwriting guidelines to determine the ratios for reinsurance and risk retention. The guidelines categorize risks according to risk level into 4 categories: Level 1 (lowest), Level 2, Level 3, and Level 4 (highest). The Company analyzes and adjusts risk retention ratio by considering the operating results from all underwriting categories. That is, it increases the risk retention ratio in the risk categories with good operating results. On the other hand, the Company reduces the risk retention ratio in those with poor operating result and starts utilizing measures to manage such risk.

Additionally, the Company has implemented information technology in conducting reports, as well as monitoring and reviewing the underwriting concentration information on a regular basis to ensure that the Company's risk retention has received adequate coverage from reinsurers to be in line with continuously increasing underwriting risk.

The Company has allocated reinsurance suitable to risk characteristics and categories, as well as specified selection criteria and reinsurance processes in the Company's quality management system by categorizing reinsurance contracts as follows:

1. **Facultative Reinsurance** is used for unique or large risks which are mostly exceptions of proportional treaty with high risks or sum insured higher than the capacity limit of proportional treaty.
2. **Proportional Treaty** is used for large quantity of risks which share the same characteristics. The Company and reinsurer will clearly specify contract conditions in advance. If the Company underwrites insurance according to the contract, the Company can include these underwriting into the contract immediately.
3. **Non-Proportional Treaty** provides coverage for damages exceeding the Company's deductible for risk or an incident as specified in the contract.

4. **Catastrophic Reinsurance** provides coverage for damages from catastrophic disaster such as flood or earthquake.

The Company requires that the domestic reinsurers have Capital Adequacy Ratio (CAR) of 150 percent as a minimum, and international reinsurers have a Financial Strength Ratio not less than A-, according to S&P, or equivalent. Additionally, the Company also monitors the reinsurer concentration limits and decrees that the concentration limit of each reinsurers not exceed 50 percent of the Company's underwriting portfolio.

Furthermore, the Company also assigns the Risk Management and Actuary Departments to conduct a stress test for evaluating the reliability and adequacy of reinsurance plans to make sure that the Company's reinsurance strategies are efficient and expedient.

*Quantitative Information Details as Follows:*

Unit: Million Bahts

Description	Amount (2017)
Insurance Reserve to be Collected from Reinsurers	15,668.69
Dues from Reinsurance	2,303.79
Reinsurance Deposit Amount	0.00

## **5. Value, Procedure, and Assumption Related to Insurance Contract Liability Evaluation**

For more information, please refer to the notes about financial statements in 2017 Annual Report as followings:

- **Item 2. Accounting Policies:**

- Item 2.4 Premium Reserve

- Item 2.5 Loss Reserve and Outstanding Claims

[https://www.dhipaya.co.th/userfiles/AnnualReport60/FS\\_Dhipaya\\_2017\\_th/mobile/index.html#p](https://www.dhipaya.co.th/userfiles/AnnualReport60/FS_Dhipaya_2017_th/mobile/index.html#p)

[=49](#)

■ Item 3. Critical Accounting Estimates and Judgements:

Item 3.5 Evaluation of Insurance Contract Liabilities

Item 3.6 Unexpired Risk Reserve

[https://www.dhipaya.co.th/userfiles/AnnualReport60/FS\\_Dhipaya\\_2017\\_th/mobile/index.html#p=75](https://www.dhipaya.co.th/userfiles/AnnualReport60/FS_Dhipaya_2017_th/mobile/index.html#p=75)

*Quantitative Information Details as Follows:*

Unit: Million Bahts

Description	2017		2016	
	Book Value	Appraisal	Book Value	Appraisal
Insurance Contract Liabilities				
- Premium Liabilities	11,204.75	10,035.52	11,517.00	10,184.94
- Claim Liabilities	9,016.55	11,010.02	12,287.21	14,950.79

Remarks:

- Book Value refers to the value of insurance contract liability based on accounting standards which aims to enable investors and financial analysts to understand the economic value of insurance contract liabilities which is acceptable according to Thai accounting principles. The value must be approved by certified auditors.
- Appraised Value refers to the value of insurance contract liability based on the notification of the Insurance Commission regarding the evaluation of assets and liabilities of non-life insurance companies to ensure their financial stability and their abilities to pay indemnity to the insured as stipulated in the insurance contracts. All of these factors must be examined by certified actuaries according to acceptable actuarial principles. The assumptions used must correspond with real experiences. In case that the Company has insufficient information, industrial experiences may be applied in the context of an insurance company's underwriting portfolio. Additionally, the insurance reserve value must cover Provision of Adverse Deviation (PAD) according to OIC Requirement.

Comment: In certain financial reporting periods, the value of liability according to insurance contract may have significant differences between book value and appraised value due to different purposes and evaluation approaches aforementioned. It is recommended that the user fully understand the purposes and evaluation approaches of both kinds of insurance contracts before making decisions.

## **6. Company Investment**

### **Investment**

- **Investment Policy**

The Company's investment policies are established in accordance with risk management policies, which include product design, underwriting, reinsurance contract, asset and liability management, capital position, acceptable risk levels, expected returns, readiness of work systems and human resource to support investment.

- **Purposes**

To monitor the Company's investment and other business operations and ensure that both activities are suitable for the company's conditions; considering the company's stability, financial position, operations, including good corporate governance and risk management, asset management must comply with business operation characteristics, non-life insurance products, and the Company's obligation to its policy holders in all forms: cash flow, cash amount, duration and currency.

- **Processes**

The Company monitors and controls investment management to be in line with its objectives by providing annual investment plans and establishing investment limitations for each asset class.

### **Investment in Other Businesses**

- **Policy**

The Company prioritizes its financial stability and insurance business operation; which is its core business, good corporate governance, and risk management. According to the announcement of OIC regarding Investment in Other Businesses by General Insurance Company B.E. 2556, the Company can conduct other types of businesses. However, investment in other businesses must be beneficial to its insurance business operations or allow the Company to utilize its resources or specialization in creating maximized benefit and value without involving any significant risks.

- **Purposes**

The Company's purposes are to assign responsibilities to related departments by creating mutual understanding among them and to establish approaches and processes of investment in other businesses according to the related regulations and specifications.

▪ **Processes**

The Company has established and assigned responsibilities to executives and related departments to create mutual understanding by specifying departments with responsibility in work coordination and persons with decision making power.

### **Investment Assets Evaluation Method**

#### **1. Public Equity**

The Company has appraised the value of equity traded in the stock market by using the final trading price.

As equity must be recorded as 'used for trading' or as 'available for sale according to current accounting standards', the values reported in financial statement and those stipulated in capital adequacy report are equal.

#### **2. Private Equity**

The Company recorded the price reported in the financial statement as the price it paid on the date of purchase. However, the capital adequacy report appraised the price by employing methods specified by Office of Insurance Commission, which includes discounted cash flow valuation by using the latest information and discounted ratio according to the company's financial structure and business risks based on similar companies registered in the stock market.

#### **3. Infrastructure and Property Funds**

The Company has appraised infrastructure and property funds by using the last bid price. As infrastructure and property funds must be recorded as trading or as 'available for sale according to current accounting standards', the values reported in financial statement and those stipulated in capital adequacy report are equal.

#### **4. Held-to-Maturity Debt Instruments**

The Company has recorded the price reported in the financial statement according to the amortized cost, but the capital adequacy report uses the appraised price based on net asset value calculation which reflects the fair market price. The Thai Bond Market Association (ThaiBMA) calculates fair price of debt instruments

with low liquidity, resulting in differences between the amount shown in financial statements and that shown in capital adequacy report.

#### 5. Held-for-Trading Debt Instruments

The Company has recorded the price reported in financial statement and capital adequacy report according to appraised price based on net asset value calculation reflecting fair market price. The Thai Bond Market Association has calculated and appraised fair price appraisal of debt instruments, so the values stipulated in both aforementioned sources turn out to be the same.

#### 6. Available-for-Sale Debt Instruments

The Company has recorded the price reported in financial statement and capital adequacy report according to appraised price based on net asset value calculation reflecting fair market price. The Thai Bond Market Association has calculated and appraised fair price appraisal of debt instruments, so the values indicated in both aforementioned sources are equal.

*Quantitative Information Details as Follows:*

Unit: Million Bahts

Type of Investment Asset	Value as of 31 December			
	2017		2016	
	Book Value	Market Value	Book Value	Market Value
Bank Deposits and Certificate Deposits	6,250.16	6,250.16	4,434.54	4,434.54
Debt Instruments (Bonds, Debentures, Promissory Notes, Bill of Exchange, Convertible Debenture, and Lottery)	6,828.21	6,838.28	7,834.84	7,844.63
Equity Instruments (excluding investments in subsidiaries and associated companies)	2,742.70	2,911.13	3,304.73	3,797.44
Unit Trust	2,531.25	2,531.26	1,538.79	1,538.79
Loans, Car and Asset Lease	-	-	-	-

Warrants, Bonds, and Unit Trust	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Other Investments	-	-	-	-
<b>Total Investment Asset</b>	<b>18,352.32</b>	<b>18,530.83</b>	<b>17,112.90</b>	<b>17,615.40</b>

Remark:

- Book Value refers to the values of assets and liabilities based on financial reporting standards.
- Appraised Value refers to the values of assets and liabilities based on the notification of the Insurance Commission regarding the evaluation of assets and liabilities of non-life insurance companies to ensure their financial stability and their ability to pay indemnity to the insured according to the insurance contracts.

## **7. Insurance Company Operating Results**

**(including analysis result and other related ratios)**

For more information regarding the management discussion and analysis, please refer to 2017 Annual Report as follow:

[https://www.dhipaya.co.th/userfiles/AnnualReport60/Dhipaya\\_2017\\_th/mobile/index.html#p=116](https://www.dhipaya.co.th/userfiles/AnnualReport60/Dhipaya_2017_th/mobile/index.html#p=116)

*Quantitative Information Details as Follows:*

Unit : Million Bahts

Description	2017	2016
Gross Premium Written	20,008.37	20,428.77
Net Premium Earned	5,315.17	5,590.71
Revenues on Investments and Other Income	830.02	892.19
Net Profit (Loss)	1,656.07	1,567.62

Significant financial ratio (%)

Description	2017	2016
Loss Ratio	48.01	44.71
Expense Ratio	27.79	35.11
Combined Ratio	75.80	79.82
Liquidity Ratio	197.31	131.36
Return on Equity	23.42	25.23

**8. Capital Adequacy**

*Quantitative information details as follows:*

Unit : Million Bahts

Description	As of 31 December	
	2017	2016
Total as Assets	49,445.06	55,180.63
Total Liabilities	41,893.43	48,592.82
- Insurance Contract Liabilities	20,221.30	23,804.21
- Other Liabilities	21,672.13	24,788.61
Total Equity	7,551.63	6,587.81
Capital Adequacy Ratio (%)	342.93	279.09
Total Capital Available	7,579.18	6,725.24
Total Capital Required	2,210.14	2,409.73



#### Remarks:

- The notification of Insurance Commission regarding specification of the types and classes of capital, rules, procedures and conditions for the calculation of capital of non-life insurance companies requires that the Registrar may prescribe necessary measures for monitoring companies with capital adequacy ratio lower than 140 percent.
- Capital refers to appraised capital based on the notification of the Insurance Commission regarding the evaluation of assets and liabilities of non-life insurance companies.
- Values in the table above are calculated by using appraised value based on the notification of the Insurance Commission regarding the evaluation of assets and liabilities of non-life insurance companies.

#### 8.1 Policies

The Company manages capital to be in line with the Risk Based Capital (RBC) requirements, which is specified by regulator, the Insurance Commission (OIC). This requirement was enacted on 1<sup>st</sup> September, 2011, stating that the companies must maintain adequate capital to cover insurance risk, marketing risk, credit risk, and concentration risk.

The Company discloses the capital adequacy information in order to provide clear and sufficient information to the insured, external parties, or stakeholders so that these aforementioned parties can analyze and assess the risks of the non-life insurance companies.

#### 8.2 Objectives

The Company's objectives in maintaining the capital adequacy level is to support business expansion strategies and to sustainably generate suitable long-term returns for stakeholders both in the present and in the future within acceptable risks and in compliance with the requirements of the regulator with a minimum Capital adequacy ratio (CAR) higher than the standards specified by OIC. Practically, the Company's policy is to maintain its capital level to be higher than the OIC requirements as well as to ensure that the quality of such capital is adequate to support business operations in normal conditions and/or during crises.

#### 8.3 Capital Management Process

Capital management involves evaluating capital adequacy level in line with all the Company's significant risk appetite to suitably manage capital risks by considering capital structure(s) and risks according to the

OIC Requirement regarding Risk Based Capital (RBC) framework. However, if the Company finds that current calculation method does not reflect aggregate risks and actual risk status, the Company may additionally conduct Economic Capital Calculations.

The Company undertakes a Stress Test annually by using risk factors, which include; for instance, economic variables or catastrophic disasters, to assess the effect and resilience of the Company's capital. The Company also seeks new approaches to keep the capital adequacy level readily sufficient to withstand potential crises and adjust it to be suitable for each level of risk appetite, which will help increase the effectiveness of capital management in compliance with the requirements and direction of OIC.

The Company has evaluated, monitored, and regularly provided capital adequacy report to the Risk Management Committee to ensure capital management is effective and timely.

### **Total Capital Available (TCA)**

The Company's Total Capital Available (TCA) includes Tier 1 capital, Tier 2 capital, and deduction against TCA such as deferred income tax. The Company has a high-quality Tier 1 capital which consists of:

- 1) Paid-Up Share Capital
- 2) Premium (Discount) on Share Capital
- 3) Retained Earnings
- 4) Increase (Decrease) in value when comparing appraised value and costs of investment asset, but not including immovable assets and operating assets.
- 5) Other Reserves in Shareholders' Equity

For TCA management, the Company will consider:

#### **A. Operating Profit**

The Company has appropriate underwriting and investment management policies which are in line with the organization strategic plans as well as develops work process and information technology to effectively manage operating cost to generate sustainable operating profit. In this regard, the Company closely monitors operating results by providing monthly reporting to various committees including Board of Directors, Executive Committee, Investment Committee, Risk Management Committee, and so on, which allows close monitoring and control of operations to be in line with plans and timely response to the changes.

## B. Dividends Payment

The Company considers dividend payment, dividend ratio, and dividend payment, to support business expansion and maintain capital strength by considering suitable investment returns of shareholders and stakeholders.

### **Total Capital Required (TCR) for Various Risks**

Minimum TCR consists of capital required for:

- 1) Insurance Risk
- 2) Market Risk
- 3) Credit Risk
- 4) Concentration Risk

For TCR management, the Company will consider:

#### A. Underwriting

The Company has underwriting policies that specify risk categories and its underwriting capacity, retention limit, and reinsurance management strategies which outline domestic and international reinsurer selection criteria as well as the reinsurance proportion of each insurance company to suitably diversify risk. Therefore, underwriting and reinsurance policies are directly related to capital required for insurance risk, credit risk, and concentration risk.

In addition to underwriting and reinsurance policies, the Company has complete and adequate reserved capital for insurance provision as well as plans designed for arranging timely claim payment and accelerating collection from reinsurers to keep the insurance provision in appropriate level, which will directly affect capital required for areas of insurance and credit risk capital.

Furthermore, the Reinsurance Department regularly reviews credit rating of insurance companies, manages reinsurance proportion of each insurance company to comply with specified policies, and reports to the Risk Management Committee on the regular basis.

## B. Investment

The Company also manages its investment and administrates its conductions of other businesses according to investment policies and guidelines, which outline the direction and plans for investment every year, specifies investment capacities in all types and levels, and considers investment grades. Therefore, investment plans directly relate to and affect the capital required for these following risk areas: market risk, credit risk, and concentration risk.

Therefore, the Investment Department will calculate the capital to be prepared for relevant investment risks in both equity instruments and debt instruments to monitor the changes in investment value which impacts CAR ratio as well as regularly report to the Investment Committee. Additionally, the Investment Department monitors and administrates investments by reporting the investment returns ratio compared to benchmarks in each investment category, as well as Value at Risk (VaR) ratio compared to Portfolio's market value and Duration ratio according to investments proportion, in order to manage the Company's liquidity.

### 8.4 Capital Adequacy Assessment

The Company monitors the capital to ensure that it is adequate for all risk appetite levels. At the end of 2017, the Company has a Total Capital Available (TCA) of 7,579.18 Million Baht and a Total Capital Required (TCR) of 2,210.14 Million Baht. Hence, the Company's Capital Adequacy Ratio (CAR) is 342.93 percent, which is higher than the standard 140 percent set by the OIC. Tier 1 capital, which is owner's equity, is the best-quality capital, which is adequate to cover various areas of risks. The result of stress test; therefore, indicates that Capital Adequacy Ratio is higher than the OIC requirements for both medium and severe crises.

## **9. Financial Statements and Accompanying Notes to Financial Statements for the Previous Fiscal Year (audited and expressed an opinion by the financial auditor)**

Please refer to the 2017 financial statement as follows:

[https://www.dhipaya.co.th/userfiles/file/2560\\_Q4\\_ENG.pdf](https://www.dhipaya.co.th/userfiles/file/2560_Q4_ENG.pdf)