

1. Company Profile, Policy, Objective, and Business Strategy to achieve target, and disclosure about the business operation, Natures of Products and Services, Communication, and Condition to claim under the insurance contracts.

1.1 Company Profile

Thai Reinsurance Public Company Limited (“the Company” or “THRE”) was established on 18 July 1978, it’s creation was enabled by the cooperative effort of many insurance industry participants at both a government and private sector level. The registered name was “Thai Reinsurance Company Limited” with an initial capital of THB 30 million. The Ministry of Commerce granted a reinsurance operating license and the allocation of shares in the company was spread among insurance companies conducting business Thailand at that time. The Company’s principal objective was to provide reinsurance capacity and related services to support the Thai insurance sector and benefit the country’s economic progress. The Company was registered as a Public Company Limited on 30 December 1993, with registered capital of THB 90 million. As at 31st December 2017 the Company has registered and paid-up capital of THB 4,215 million.

1.2 Policy, Objective, and Business Strategy

Policy and Overview of Business Operation

Corporate Vision-Mission

Vision

“Our task is to offer solutions to insurance companies in ASEAN”

“We sell innovation and services through reinsurance capacity and expertise”

Mission

- To continuously develop insurance products and services throughout the region.
- To create a creative and valuable experience for customers, partners, employees, and shareholders.
- To maintain financial stability as well as deliver a competitive and sustainable return to shareholders, investors and partners.

Recognising the pace of change in both the business environment and in consumer expectations, the Company continually reviews its business strategies and ensures that it is able to provide needed capacity and meet the new competitive challenges that emerge.

The Company's sustainable growth will progress through four key strategies which are:

1. Developing current products to suit the changing market conditions and designing new products for the market in response to consumers and business partners' needs whilst simultaneously managing expenses at a level where the Company can realise the status of a valued business partner.
2. Implementing a two- fold growth strategy for the Company one in reinsurance and the other in insurance industry consultancy & services. The purpose being to add value to the core business, minimize fluctuations in business performance, diversify business risk, and identify opportunities for expansion into new markets, principally in Southeast Asia. All ultimately leading to the Company's long-term growth prospects.
3. Exercising prudent and consistent underwriting standards when providing reinsurance based on risk exposure thereby limiting the possibility of an undesirable impact on results. Managing business expansion under capital adequacy regulations thus maintaining financial stability and providing positive returns for shareholders.
4. Applying technology to increase efficiency and create innovations in the insurance value chain and provide business opportunities for customers and business partners through joint product development in new and existing distribution channels.

1.3 Business Operation

The Company's principal objective was to provide reinsurance capacity and related services to support the Thai insurance sector and benefit the country's economic progress.

1.4 Natures of Products and Services, and their Premiums

Business Structures and Types

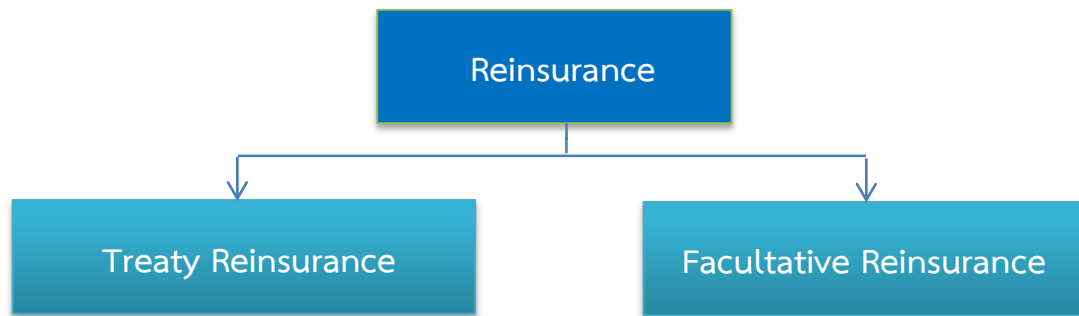
The Company's portfolio is Thai ceded reinsurance. A three-year comparison of the proportion of net reinsurance premium by business classes is shown below:

Unit: Million Baht

Items	FIRE	MARINE		MOTOR		MISCELLANEOUS						TOTAL
		HULL	CARGO	COMPULSARY	VOLUNTARY	PROPERTY	LIABILITY	ENGINEERING	PERSONAL ACCIDENT	HEALTH	OTHER	
Gross Premium Written	315	6	59	58	948	98	52	43	1,089	2,047	188	4,903
%	6.42	0.12	1.2	1.18	19.33	2	1.06	0.88	22.22	41.74	3.85	100

Sources of data : Annual Report

The Company provides two main types of reinsurance contracts: facultative reinsurance and treaty reinsurance.



1. Treaty Reinsurance (TTY)

Treaty reinsurance is a treaty arrangement under which the terms and conditions of reinsurance are pre-negotiated with either local or international insurance companies, stipulating the scope of exclusions and the maximum coverage for risks to be reinsured. Treaty contracts are executed according to the type of reinsurance, e.g., Fire, Marine, Miscellaneous, Motor, etc.

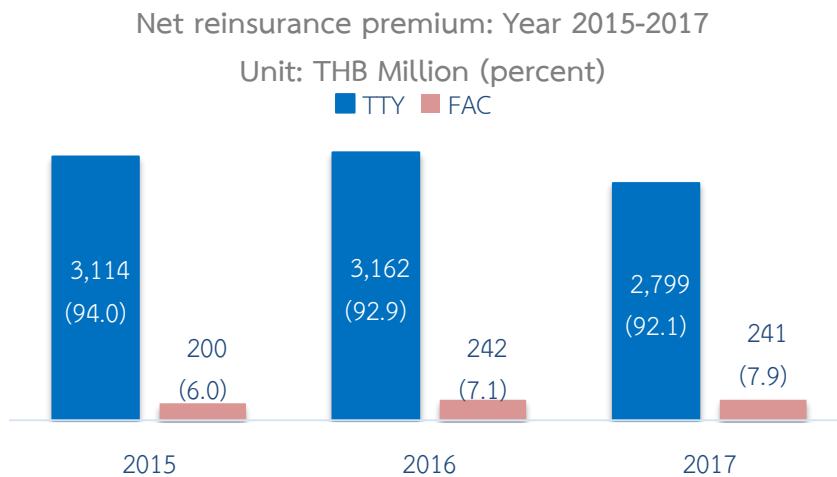
Under the treaty contract made in the form of “Market Agreement,” the members agree to a retrocessional arrangement that provides for a partial allocation back to all participants in a definite ratio as specified in the treaty arrangement. In other treaty reinsurance agreements, risk is entirely retained by the Company. The Company also has a policy to make only partial retrocessions for insurance policies that provide protection for more than one year.

In 2017, the net reinsurance premium under TTY agreements was 92.1 percent of the total, decreasing from 92.9 percent in 2016.

2. Facultative Reinsurance (FAC)

Facultative reinsurance is a type of reinsurance contract underwritten for a single risk or an individual policy. The Company has an option to accept or decline to provide reinsurance for any such risk based on its underwriting criteria and limits.

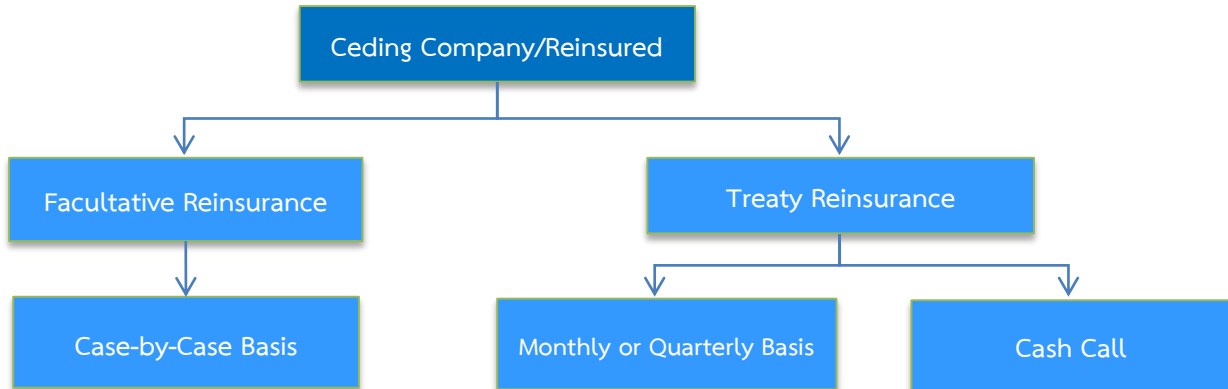
In 2017, the net reinsurance premium under facultative reinsurance contracts was 7.9 percent of the total, increasing from 7.1 percent in 2016.



1.5 Communication, and Condition to claim under the insurance contracts

1.5.1 Procedures, duration, documents to claim under the insurance contracts

Compensation



When loss is incurred, the cedant will so notify the Company, as its reinsurer, in order to set aside a loss reserve pro rata to the amount reinsured. The Company may or may not participate in a risk survey, but will be provided with a survey report in case of major loss.

Claim settlement:

- For treaty reinsurance, a cash call limit is provided in the agreement. For large claims where they exceed the cash call limit, the Company will pay the amount of claim promptly. Claims that are below the cash call limit will be settled on a regular accounting basis.
- For facultative reinsurance, claims are settled on a case-by-case basis as agreed upon between the insurance company and the insured.

1.5.2 Communication and related units in case of disputes or complaints

Please contact: Wimol Thaiprasert Claim Department Tel. 02-660-6111 ext. 2477

2. Corporate Governance Framework, Internal Control and Compliance

2.1 Corporate Governance Framework and Internal Control

Corporate Governance

The Board of Directors of Thai Reinsurance Public Company Limited and its subsidiaries is aware of its role and responsibility as leader of the organization and remains steadfast in conducting business under the corporate governance principles. The Company itself encourages the creation of innovation that can add value for shareholders, employees,

customers, business partners and all groups of stakeholders. This is for the stakeholders to rest assured that the Company has the ability to compete and adapt to changes, while taking account of code of ethics and long-term social and environmental impacts to ultimately create sustainable value for the organization.

The Board of Directors has established the corporate governance policy for the directors, executives and employees to adhere to in performing their duties, as follows:

1. The Board of Directors, executives and employees must perform duties with commitment, integrity and responsibility for the utmost benefit of the Company by upholding the corporate governance principles and the code of ethics and conduct in their work.
2. The Board of Directors, executives and employees must adhere to the anti-corruption policy. The Company has communicated this policy within the organization and to outsiders to ensure it is translated into practice.
3. The Board of Directors plays a crucial role in determining the Company's management structure, vision, strategies, policies and plans, putting in place a reliable financial reporting and auditing system, ensuring correct, adequate and timely disclosure of information according to the relevant rules and standards, and ensuring that there is an efficient procedure for evaluating the appropriateness of internal control and risk management.
4. The Board of Directors, executives and employees must ensure equitable treatment of all groups of stakeholders and provide a clear channel of communication between stakeholders and the Company.
5. The Board of Directors shall oversee and manage any potential conflict of interest, prevent a misuse of the Company's properties, information and opportunities, and monitor and ensure that the transactions with related persons of the Company are conducted in compliance with the supervising authority's regulations.
6. The Board of Directors must encourage shareholders' participation, ensure equitable treatment of shareholders and shareholders' rights to access information with appropriate channels of communication with the Company, and provide investor relations services to facilitate proper, equal and timely communication with shareholders and other stakeholders.

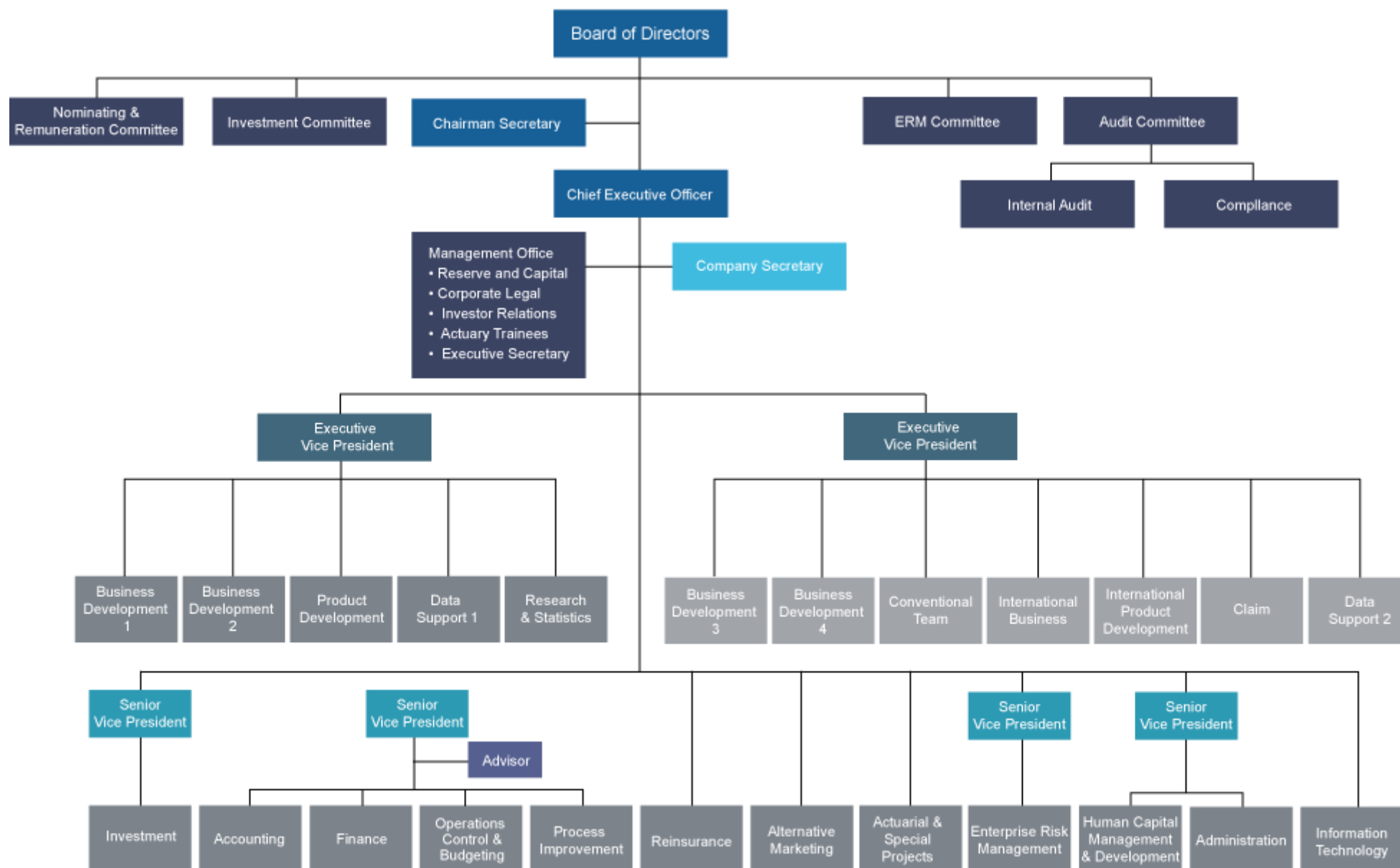
7. The Board of Directors must put in place a nomination process to ensure that the number and qualifications of nominated directors and top executives are sufficient to move the organization forward towards goals, as well as set an appropriate compensation structure and performance evaluation and provide skill and knowledge development for directors and top management on a regular basis.
8. The Board of Directors must promote the communication and building of an organizational culture that is suitable and consistent with the Company's main goals and objectives which could lead to sustainable value creation, and must oversee and ensure that the Company's yearly targets, strategies and action plans align with the achievement of its main goals and objectives.
9. The Board of Directors must review the adoption of operational practices under the corporate governance principles, and must monitor and follow up the compliance with the corporate governance policy, which is deemed as a key indicator for evaluating administrative performance of the Board of Directors and the executives and also for assessing all employees' performance.

Internal Control

The Company and its subsidiaries have in place appropriate and adequate components of an internal control system, and have established, maintained and reviewed financial control, operational control and monitoring control systems on a regular basis. The Company has separated duties and responsibilities between the operating staff and the control and evaluation staff to ensure proper checks and balances exist. Authority of the executives and operating officials at all levels are clearly defined in writing, covering any transactions that may involve a conflict of interest. Risks are identified and assessed and risk prevention and management measures are clearly devised. Regulatory compliance is monitored through a quarterly compliance report that is submitted to the Audit Committee. The Company also monitors and makes sure that all significant information is disclosed in an accurate, complete and timely manner in accordance with the regulations of the SET and the SEC.

2.2 Organization Chart

As of April 1, 2018



2.3 Structure of Management

Board of Directors

The Board of Directors of the Company consists of 11 members, ten members are non-executive directors, one members from the management, and five members are independent directors. Nine members hold the Thai Institute of Directors (IOD) qualifications for public company board service.

The Board of Directors are responsible for ensuring that the business is expertly managed and that shareholders' interests are protected at all times through the setting of clear visions and strategies to achieve business objectives and financial success.

As of August 31, 2018 members of the Board of Directors are listed as below:

Board of Directors	Position
1. Mr. Surachai Sirivallop	Chairman, Director of Investment Committee, Director of Nomination and Remuneration Committee
2. Mr. Chandran Ratnaswami	Vice Chairman, Chairman of the Nomination and Remuneration Committee, and Director of Investment Committee
3. Mr. Oran Vongsuraphichet	Director, Chief Executive Officer, Director of Investment Committee, and Chairman of Enterprise Risk Management Committee
4. Mr. Chai Sophonpanich*	Director
5. Mr. Kerati Panichewa	Independent Director
6. Mr. Jiraphant Asvatanakul	Director and Director of Nomination and Remuneration Committee
7. Ms. Potjanee Thanavaranit	Independent Director and Director of Audit Committee
8. Mr. Sara Lamsam	Independent Director
9. Mr. Chanin Roonsamrarn	Independent Director and Director of Audit Committee
10. Mr. Aswin Kongsiri	Independent Director and Chairman of Audit Committee
11. Mr. Gobinath Arvind Athappan	Director

*under the registration process with Department of Business Development

The directors authorized to sign on behalf of the Company are Mr. Surachai Sirivallop, Mr. Jiraphant Asvatanakul and Mr. Oran Vongsuraphichet. Any two shall co-sign with the Company's seal affixed.

The Scope of Duties, Authorities and Responsibilities of the Board of Directors

1. Supervision of the Company's compliance with all laws and regulations, corporate objectives and shareholder interests
2. Responsibility to review, vote, and approve corporate policies including the following:

- Approval of business operations including the corporate vision and strategy, risk management, long term plans, management structure, business strategies, operational plans and objectives, and annual budget
 - Approval of the hiring or termination of the Company's management, approval of salaries and employee benefits and annual performance evaluation of the Executive Management.
 - Approval of the rate of annual salary increase for employees and their welfare.
 - Assigning of responsibility and authority to management and their subordinates
 - Following up, evaluating performance of management according to the plans and budget allocation.
3. Put in place a robust financial reporting and auditing system and an efficient internal control and risk management process.
 4. Ensure that the Company follows sound corporate governance practices, business ethics and corporate social responsibilities.
 5. Consider and approve all connected transactions, acquisition and disposal of assets, and any other acts as required by law or supervising authority to avoid all conflicts of interest.
 6. Consider the establishment of sub-committees when necessary.

The Board of Directors delegate management authority to the Chief Executive Officer and Chief Executive Officer may delegate its authority to the subordinates. Responsibility for all management activities is granted except for authority to approve any transactions where there may be a conflict of interest involving the Company or its subsidiaries.

The Scope of Duties, Authorities and Responsibilities of the Chairman

1. The Board Chairman or person designated by the Board Chairman has a duty to call for a meeting of the Board of Directors by submitting an invitation letter at least 14 days before the meeting date allowing directors adequate time to fully consider board matters to be raised at the meeting.
2. The Board Chairman determines the meeting agenda jointly with the Executive Chairman and Chief Executive Officer.
3. The Board Chairman chairs meetings ensuring that it is efficiently run with sufficient time for the presentation of information and participation of all directors from the raising of questions and opinions to the controlling of discussions and the summation of the meeting's resolutions.
4. The Board Chairman plays a key role in encouraging all directors to comply with corporate governance principles.
5. The Board Chairman communicates all essential information to directors.

6. The Board Chairman encourages directors' participation in shareholders' meetings and acts as chairman of the meeting to control and ensure that the meeting is efficient and to respond to all questions raised by shareholders.
7. The Board Chairman requires the Board of Directors to perform their duties in compliance with the laws and the corporate governance principles of the Company.

Management

As at January 1, 2018, the management of the Company according to definition of the Securities & Exchange Commission were:

Name	Position
1. Mr. Oran Vongsuraphichet	Director & Chief Executive Officer
2. Mrs. Nantinee Chinwanno	Executive Vice President
3. Ms. Pojaman Fuangaromya	Executive Vice President
4. Mr. Wichai Chaochaicharoenkul	Senior Vice President
5. Mr. Chamroen Phusit	Senior Vice President
6. Dr. Piyawadee Khovidhunkit	Senior Vice President
7. Mr. Chatchai Payakarintarangkura	Senior Vice President

The scope of duties, authorities and responsibilities of the CEO

1. To follow all legal and regulatory principles and undertake management of the company in accordance with the expectations of the board of directors.
2. To recruit and develop employees of the Company and follow all disciplinary procedures as may be necessary. These authorities do not extend to employees directly employed by the Board.
3. Establish working regulations, job descriptions and manage the Company in accordance with the Company's regulations.
4. Manage business consistent with the Company's regulations and set authority levels for all employees.
5. Act as legal representative of the Company in all business transactions except where the CEO may have a conflict of interest with the Company or its subsidiaries. For business transactions that involve conflicts of interest, the consent of the Board of Directors will be required. The CEO may also appoint a representative to handle any specific transaction. The Company will not be involved in any act which is undertaken by the CEO in violation of the Company's regulations or consent of the Board of Directors unless the Board of Directors later ratifies such act.
6. When CEOs are unavailable, the Executive Vice President may temporarily take over responsibilities to continue routine activities reporting later to the CEO. The Chairman will be advised when the CEO is unavailable or when the position of CEO is vacant,

the Board of Directors has responsibility to select a new CEO. In the meantime, the Board of Directors may select a temporary replacement from the executives to undertake CEO's responsibilities.

2.4 Structure of Subcommittee

2.4.1 Audit Committee

Audit Committee was established on February 24, 1999 composing of three independent directors acting for a three-year term. Current committee members are:

Name	Position
1. Mr. Aswin Kongsiri	Chairman of Audit Committee
2. Mr. Chanin Roonsamrarn	Director of Audit Committee
3. Ms. Potjaneer Thanavarani	Director of Audit Committee

All Committee members have a strong accounting and financial background. Their main role is to ensure that Company's business operations, financial reporting disciplines and internal control systems function in the manner intended and that all matters raised by the internal auditors are fully investigated and solutions applied. The committee also recommends the appointment of the external auditor and also deals with issues involving conflicts of interest.

The Scope of Duties and Authority

1. To review and ensure the Company's financial reporting is accurate, adequate, and in accordance with generally accepted accounting principles.
2. To review and ensure the Company's internal control and internal audit system are appropriate and effective.
3. To consider the charter of the internal audit unit and ensure the unit is independent. Also, to approve the appointment, performance evaluation, promotion, transfer and termination of the head of the internal audit unit or any other unit in charge of an internal audit.
4. To review and ensure the Company's practices comply with the laws and regulations specified by the Securities and Exchange Commission (SEC), the Stock Exchange of Thailand (SET), and others related to the Company's business. In the case where the Audit Committee found a violation of the non-life insurance law and the Board of Directors does not take any remedy within the time deemed appropriate. The Audit Committee shall report to the Office of Insurance Commission (OIC) without delay.

5. To consider, select, nominate, and terminate an independent person to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with the auditor at least once a year.
6. To consider connected transactions or transactions where there may be a conflict of interest and ensure that they conform to the laws and regulations of The Stock Exchange of Thailand (SET) and are reasonable and in the best interests of the Company.
7. To review and ensure the Company's risk management system is appropriate, effective and discreet according to the internationally accepted framework.
8. To review and ensure the Company has appropriately and adequately implemented the anti-fraud /corruption measures and the whistleblowing /protection system.
9. To give an opinion on the Company's overall internal control assessment report submitted to the Board of Directors.
10. To review and ensure the Audit Committee Charter covers the duties and responsibilities of the Audit Committee under the principles of good corporate governance and the laws and regulations relating to the Company's business at least once a year.
11. To prepare an Audit Committee's report, signed by the Audit Committee Chairman, which must contain at least information as required by The Stock Exchange of Thailand (SET) for publication in the Company's annual report.
12. To perform any other duties assigned by the Board of Directors with the consent of the Audit Committee.
13. In cases where an internal audit or other work of the Audit Committee requires specialized expertise, the Audit Committee shall consider hiring the consultants or external professional experts with the Company's expenses, for giving opinion or recommendation.

2.4.2 Enterprise Risk Management Committee

Enterprise Risk Management Committee was established on February 25, 2010 with the CEO as the Committee Chairman, and senior executives from various departments as members. The committee has 2-year term and current committee members are:

Name	Position
1.Mr.Oran Vongsuraphichet	Chairman of Enterprise Risk Management Committee
2.Mrs.Nantinee Chinwanno	Director of Enterprise Risk Management Committee
3.Ms.Pojaman Fuangaromya	Director of Enterprise Risk Management Committee
4.Mr.Chamroen Phusit	Director of Enterprise Risk Management Committee
5.Mr.Chatchai Payakarintarangkura	Director of Enterprise Risk Management Committee
6.Mr.Wichai Chaochaicharoenkul	Director of Enterprise Risk Management Committee
7.Dr.Piawadee Khovidhunkit	Director and Secretary of Enterprise Risk Management Committee
8.Mrs.Thitaporn Tarakit	Advisor

The Scope of Duties and Authority

1. Oversee the Company's risk management policy which covers strategic risk, operational risk, insurance risk, market risk, credit risk, liquidity risk, and other risks as deemed appropriated, and submit to the Board of Directors for approval.
2. Assess the overall effectiveness of current risk measures and the Company's Enterprise Risk Management framework and policy.
3. Meet at least quarterly to monitor the Company's risk status and the effectiveness of risk measures and provide ongoing guidance and support for the refinement of the overall risk management framework.
4. Report to the Board of Directors at least quarterly on the Company's risk status and the effectiveness of risk measures used to control the exposures, as well as significant incidents and proposed risk mitigation measures to ensure that the Company's risk profile stays within its risk appetite.
5. Review the effectiveness of the Company's Enterprise Risk Management Policy and Framework at least annually and update it as needed to respond to any event that might have a significant or material *effect* on the *Company's financial position*.
6. Ensure that the Company's Enterprise Risk Management complies with relevant regulatory requirements
7. Perform other duties and responsibilities delegated by the Board of Directors.

2.4.3 Investment Committee

Investment Committee was established on February 28, 1994 being three members. The Investment Committee is responsible for recommending an investment policy and for providing advice on all investment matters to management. The current members are:

Name	Position
1. Mr. Chandran Ratanaswami	Director of Investment Committee
2. Mr. Surachai Sirivallop	Director of Investment Committee
3. Mr. Oran Vongsuraphichet	Director of Investment Committee

The Scope of Duties and Authority

1. To formulate an investment policy framework, covering investment and other business activities of life insurance companies as stipulated in notification of the Insurance Commission, and submit it to the Board of Directors for approval.
2. To consider and ensure that the Company's investment plans are in alignment with the investment policy and risk management policy framework.
3. To monitor and ensure that investments, other related business activities and investment fund management conform to the investment policy, risk management policy, all rules and procedures for investment and all relevant legal provisions.
4. To monitor corporate governance issues ensuring transparency and the prevention of conflict of interest associated with investment transactions and other related business activities of the Company.
5. To monitor work systems, personnel and data used for the Company's investments and ensure that they are appropriate for investment management functions.
6. To report results of investment activities and other related business activities to the Board of Directors on a regular basis.
7. To perform any other duties as assigned by the Board of Directors with the consent of the Audit Committee.

The committee may also appoint other sub-committees to manage critical issues from time to time.

2.4.4 Nomination and Remuneration Committee

Nomination and Remuneration Committee was established on February 20, 2009 being three members acting for a three-year term. The current members are:

Name	Position
1. Mr. Chandran Ratanaswami	Chairman of the Nomination and Remuneration Committee
2. Mr. Jiraphant Asvatanakul	Director of the Nomination and Remuneration Committee
3. Mr. Surachai Sirivallop	Director of the Nomination and Remuneration Committee

The Scope of Duties and Authority

Nomination Responsibilities

1. To determine and recommend structure, size and composition and qualifications of the Board of Directors and sub-committee.
2. To determine policy, criteria, qualifications and nominating procedures for the appointment of directors and sub-committee members to replace those who completing their terms.
3. To recommend and nominate directors and sub-committee members from qualified candidates and propose to the Board of Directors for consideration and/or Shareholders' Meeting for approval, as the case may be.
4. To select, screen and propose a qualified person for the position of Chief Executive Officer (CEO) whenever this is vacant including to propose the criteria and succession plan for key management for Board of Director's consideration.

Key management mentioned above are Chief Executive Officer and the first two key executives from Chief Executive Officer.

Remuneration Responsibilities

1. To determine a policy and structure for remuneration and other benefits for directors, board advisor and sub-committee members of the Company based on transparent criteria and reasonable with the duties, responsibilities, related risks and also focus on increasing shareholder value.
2. To determine the remuneration policy of senior executives which will be in line with the Company's and their performance.
3. To determine the annual remuneration of the Board of Directors and sub-committee members before proposing to Shareholder's Meeting for approval.
4. To determine the annual remuneration of senior management before proposing to the Board of Directors for approval.

Other Responsibilities

To perform any other duties as assigned by the Board of Directors with the consent of the Nomination and Remuneration Committee.

2.5 Nomination and Appointment of Director, Independent Directors and Management

Nomination and Appointment of Independent Directors

The Company sets out the criteria for the selection process of independent directors. A candidate must meet the qualifications for director nomination of the Company as well as the qualifications of ‘Independent Director’ as defined by the Securities and Exchange Commission (SEC), which are:

Qualifications of Independent Director

“Independent Director” is a person who meets all qualifications and has the minimum independency as required under the Notification of the SEC and the Notification of the Stock Exchange of Thailand as follows:

1. An independent director must not hold more than 1 percent of the total number of shares with voting rights of the Company, parent company, subsidiaries, associated companies or any other juristic persons who may have a conflict of interest, inclusive of number of shares held by his/her related persons.
2. An independent director must not be a director who takes part in management, an employee, a staff member or an advisor who receives a regular salary, or a controlling person of the Company, parent company, subsidiaries, associated companies or subsidiaries of the same rank or juristic persons who may have a conflict of interest, unless the foregoing relationship already ended for at least two years before the date of appointment as the Company’s independent director.
3. An independent director must not have relationship, whether by blood or by legal registration, in the form of fatherhood, motherhood, spouse, sibling and child as well as child’s spouse of the executives, major shareholders, controlling persons or persons to be nominated as executives or controlling persons of the Company or its subsidiaries.
4. An independent director must not have existing or previous business relationship with the Company, parent company, subsidiaries, associated companies or juristic persons who may have a conflict of interest in a manner that may obstruct the exercise of his/her independent judgment, and must not be the existing or former major shareholder, non-independent director, or executive of those who have business relationship with the Company, parent company, subsidiaries, associated companies

or juristic persons who may have a conflict of interest, unless the foregoing relationship already ended for at least two years before the date of appointment as the Company's independent director.

The term "business relationship" in the first paragraph includes any normal business transaction, rent or rent out of immovable property, transaction relating to assets or services, or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, in the amount of 3 percent or more of the net tangible assets of the applicant or THB 20 million or more, whichever is lower.

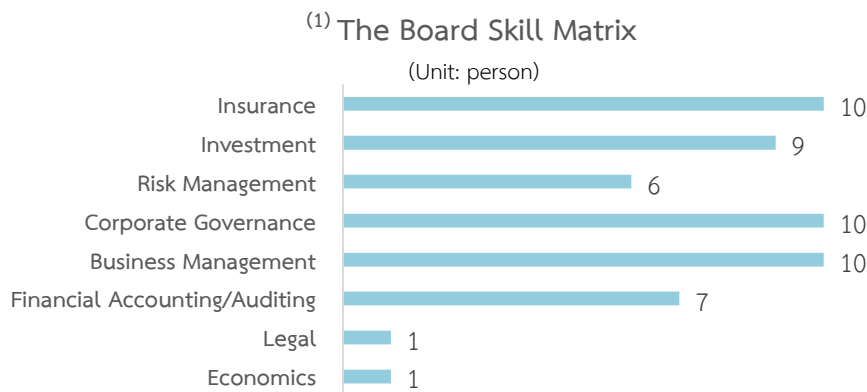
5. An independent director must not be or have been an auditor of the Company, parent company, subsidiaries, associated companies or juristic persons who may have a conflict of interest, and must not be a major shareholder, non-independent director, executive or managing partner of an audit firm which employs auditors of the Company, parent company, subsidiaries, associated companies or juristic persons who may have a conflict of interest, unless the foregoing relationship already ended for at least two years before the date of appointment as the Company's independent director.
6. An independent director must not be or have been a professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding THB 2 million from the Company, parent company, subsidiaries, associated companies or juristic persons who may have a conflict of interest, and, in case the professional advisor is a juristic person, must not be or have been a major shareholder, non-independent director, executive or managing partner of the professional advisor, unless the foregoing relationship already ended for at least two years before the date of appointment as the Company's independent director.
7. An independent director must not be appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder.
8. An independent director must not have any other characteristics which make him/her incapable of expressing independent opinions with regard to the Company's business affairs.

The Board of Directors has considered, with due care, that all independent directors fully meet the qualifications set forth by the Company and their resuming in such position for several consecutive terms does not have any impact on the discharge of their duty and provision of independent opinions.

Nomination of Directors and Senior Executives

Criteria for Director Nomination

For the process of director nomination and selection the Nomination and Remuneration Committee ensure that the qualifications required for each director's position meet the Company's operational and strategic needs. To ensure diversity among the directors, experience, professional skills, specialized knowledge and expertise of nominees are also considered. The Board Skill Matrix, as shown in Figure (1), is used as a basis for reviewing board composition and director nominations to ensure that selected board members views and opinions are in alignment with the Company's strategy and future progress.



The existing Board of Directors is composed of 11 members, the number of which is compatible with the Company's business operation. All of them have had work experience or used to assume top-ranking positions in the business and government sectors. Most of the directors finished their studies in the field of business administration and economics and some of them graduated in accounting and law. Apparently, the current board structure consists of members from various professions with diversity of ability, experience and expertise covering all required fields.

Nomination and Appointment Process for Directors

Candidates for director position are to pass the nomination process of the Nomination and Remuneration Committee and require an approval of the shareholders' meeting. There is no limit to number of director seats that the individual or group of shareholders can nominate according to their shareholding percentage. The Committee offers an equal opportunity to all individual to propose suitable candidates through the Company's website prior to the Annual General Meeting of Shareholders, or usually during three months before the end of fiscal year. The candidates must be competent and have a specialized professional background from various fields. Also, they must have leadership skills, vision, virtue, ethics and good track records and must be able to express opinion

freely. The shareholders may cast their votes for each individual and group of shareholders candidate in accordance with the rules and regulations of the Company as follows:

- 1) Each shareholder is entitled to one vote per share.
- 2) Each shareholder may exercise all of his/her votes as stated in rule number 1) to elect either one or several candidates. However, his/her votes must be evenly split among all candidates. The Company does not apply cumulative voting due to its shareholders structure under which there is not any absolute major shareholder who has a controlling influence over the Company and over the decision on director election.
- 3) Those who receive the most votes cast by shareholders shall be elected as directors in descending order until all of the director positions required are filled.

Criteria for Executive Recruitment

The Board of Directors, upon the recommendation of the Nomination and Remuneration Committee, considers an appointment of top management at an executive vice president level and higher to be responsible for business operations, based on both the candidate's qualifications for an executive position and the Company's succession plan.

Nomination and Appointment Process for Executives

The Nomination and Remuneration Committee is responsible for nominating a qualified candidate for the executive chairman and the chief executive officer (CEO) position. CEO and the Nomination and Remuneration Committee are jointly responsible for nominating senior executives in the first and second layers below the CEO, i.e., the president and executive vice president levels. Qualified candidates are considered based on their knowledge, competence, skill and experience that will be useful for the Company's business operation, as well as their profound understanding of the Company's business and administrative ability to achieve the Company's goals and objectives. After completion of the selection and nomination process, names of the qualified persons will be proposed to the Board of Directors for approval.

The Nomination and Remuneration Committee is also responsible for the Company's management succession plan.

2.6 Remuneration policy

The remuneration plan for the Directors and senior management of the company is in line with industry peers. Incentive pay is offered to those persons in the Company whose standards of performance are considered vital for the Company. Directors who are members of subcommittees are also rewarded. Each executive's annual performance evaluation is a consideration in his or her remuneration plan.

3. Enterprise Risk Management : ERM and Asset Liability Management : ALM

3.1 Enterprise Risk Management : ERM

Changes in internal and external business environments can affect the Company's ability to achieve their goals and objectives. The Company, therefore, has implemented effective enterprise risk management that enables the Company to achieve its financial and operating results as planned whereas its capital strength, financial stability, and reputation are sustainably maintained.

The Company's risk appetite is set annually and cascaded down so that the Company's strategies, operations, and decision making are in line with its risk appetite. Key risks that would affect the Company's capital, financial stability, reputation, and credit rating are holistically identified, assessed, and managed to enable the Company to achieve its financial and non-financial goals. Key Risk Indicators and its benchmark are set and monitored whereas risk management execution and effectiveness of risk management measures are periodically assessed and reported to key related parties.

The Company has adopted the three lines of defense model to enhance the robustness of its risk management program and to assure the adequacy and effectiveness of its risk management practice. Learning from past loss events are considered when the Company revises its risk management measures whilst key risk indicators and benchmarks are revised in response to changes in the business environment and reported to the Enterprise Risk Management Committee and the Board of Directors every quarter.

The Risk and capital management policy is embedded in and applied to all the Company's core activities from product design and development, pricing, underwriting, claims management, reinsurance, to investment. In addition, risk and capital management is incorporated into the Company's budget planning, capital allocation, and performance management where risk capital charge is considered along with operating costs, expenses, claims, underwriting results, and investment returns. The overall objective is to ensure an appropriate risk-reward balance throughout the Company's undertakings.

3.2 Asset Liability Management : ALM

The Company has set up the investment policy and guidelines to provide directions for investment and portfolio management. Changes in economic, political, and regulatory environments are taken into consideration as part of the Company's ongoing monitoring process and incorporated into the Company's investment strategy and portfolio management. The Company periodically performs financial analysis and credit quality assessment of issuers of securities. The Company also revises its investment portfolios

when the ability to fully meet the obligations and creditworthiness of the Company's counterparties are in doubt.

The Company has adopted a prudent investment policy and avoids speculative investments that would jeopardize its capital. The Company invests in high quality securities that are expected to generate reasonable and consistent returns. It is, therefore, less likely that the Company's investment portfolio would result in a total loss.

The Company's liquid assets is measured and monitored every month. The Company manages its liquidity position through prudent investment decisions, cash flow matching of assets and liabilities, and diversification of assets and liabilities to ensure that adequate cash is available when needed.

Unit: Million Baht

Items	Y 2017		Y 2016	
	Book Value	Fair Value	Book Value	Fair Value
Total Investment Assets	7,233	7,260	8,951	8,986
Total Liquid Assets	7,152	7,164	8,907	8,929
Total Liabilities	7,463	6,762	8,977	8,355
Insurance Contract Liabilities	3,618	3,208	4,183	3,833

Source of data : Risk Based Capital report complied with Non-Life Insurance Act, B.E.2535

4. Foreseeable Insurance Risks which can impact the financial position of the Company, reinsurance management, and linkage of effect to capital as a result of underwriting risks and concentration risks.

The Company manages insurance risks closely and continuously via many measurements especially in the important areas of underwriting consideration, catastrophe risk management, and reinsurer selection.

1. Underwriting Consideration: The Company's underwriting criteria focus on 4 aspects i.e. type of risk, quality of risk including claim history, appropriate terms & conditions compared to pricing, and risk concentration.
2. Catastrophe Risk Management: The Company uses catastrophe models to project the Probable Maximum Loss (PML) and structure the reinsurance program accordingly. In addition, we control the level of catastrophe severity by setting the Maximum Event Retention (MER) and monitor them closely.
3. Reinsurer Selection: This is also an important issue. The Company has defined criteria when selecting a reinsurer such as financial stability, liquidity, and concentration limit for any one reinsurer based on their credit ratings. Also, there is a "Reinsurer Downgrade Clause"

in every reinsurance contracts which give us the right to change reinsurer in case of their credit downgrade.

Reinsurance Assets

Unit: Million Baht

Items	Y 2017
Total Reinsurance Assets	1,611
Amounts Due from Reinsurers (Net Allowance for Doubtful Accounts)	365
Amounts Deposited on Reinsurance	990

Source of data : The Audited Separated Financial Statement

5. Valuation, Method, and Assumption to Assess Insurance Liabilities

Insurance liabilities are calculated based on the Chain-Ladder Method (Underwriting Year Basis) and the Expected Loss Ratio Method. The calculation performs on both gross and net of reinsurance which are in line with the OIC regulations.

Assumption to calculate the ultimate loss ratio and the expense ratio is based on our past experience and also the current execution of underwriting. Ultimate Loss Ratio is reviewed against the assumption in every quarter while expense ratio is reviewed at least once a year.

Reinsurance Liabilities

Unit: Million Baht

Items	Y 2017		Y 2016	
	Book Value	Fair Value	Book Value	Fair Value
Unearned Premium Reserves	1,937	1,230	2,032	1,248
Loss Reserves	1,674	1,978	2,144	2,585
Other Insurance Liabilities	7	-	7	-

Source of data : The Audited Separated Financial Statements

6. Investment

The Company's investment philosophy does not aim to maximize investment returns but to achieve *long-term return* objectives, maintain its liquidity position, assure reasonably matching of assets and liabilities, and manage investment risk within its risk appetite.

The Company has adopted a prudent investment policy and incorporated risk and capital management concept into the Company's investment and portfolio management to ensure an appropriate risk-reward balance in all investment undertakings. Investment returns is, therefore, considered along with operating costs and investment risk capital charge. The Company's investment policy and guidelines have been established in accordance with the OIC regulations and reviewed periodically to ensure that it is in line with the rapidly changing financial markets and investment environments.

Investment Assets

Unit: Million Baht

Items	As at 31 December			
	Y 2017		Y 2016	
	Book Value	Fair Value	Book Value	Fair Value
Deposits at Financial Institutions and Negotiable Certificate of Deposit (NCD)	1,090	1,090	1,968	1,968
Debt Securities (Bonds, Debentures, Promissory Notes, Bills of Exchange, Convertible Debentures)	1,622	1,634	1,859	1,881
Equity Securities (Exclude Investment in Subsidiaries & Associates)	2,400	2,414	2,304	2,318
Unit trusts	2,086	2,086	2,782	2,782
Loans, Financial Leases	36	36	38	38
Warrant, Debt Warrant, Unit Trusts Warrant	-	-	-	-
Derivatives	-	-	-	-
Other Investments	-	-	-	-
Total Investment Assets	7,233	7,260	8,951	8,986

Source of data : Risk Based Capital report complied with Non-Life Insurance Act, B.E.2535

7. Underwriting Results with Analysis and Ratio

Performance

Unit: Million Baht

Items	Y 2017	Y 2016
Gross Premium Written	4,903	5,183
Net Earned Premium	3,171	3,349
Investment Income & Other Income	1,815	1,638
Net Profit	631	875

Source of data : The Audited Separated Financial Statements

From the overall performance in 2017, the Company recorded total gross written premium of THB 4,903 million and net written premium of THB 3,041 million. Declining from a year earlier due to the Company had reviewed its policies on reinsurance underwriting, product modification and contract renewal to be compatible with underwriting risks. Besides, insurers were increasingly seeking to retain risk themselves.

And recording investment income & other income totally THB 1,815 million, increased from the investment income as a result of the reclassification of investment in Thaire Life Assurance PLC. from “Available-for-sale investment” to “Trading investment” to gear up for the new regulations that will take effect in the future.

Net Profit was THB 631 million due to the Company recognized impairment loss from unutilized tax loss carried forward amount of THB 340 million.

Financial Ratio (%)

Ratio	Y 2017	Y 2016
Loss Ratio	46.8	43.6
Acquisition Ratio	59.1	48.8
Combined Ratio	105.9	92.4
Liquidity Ratio (times)	1.2	1.2
Return on equity	12.5	19.0

Source of data : The Audited Separated Financial Statements

In year 2017, the loss ratio at 46.8 percent, rising from 2016 due to an increasing proportion in the Company’s motor insurance that the industry’s statistical loss ratio records for 2014 – 2016 stayed at a high level, or not less than 63.4 percent. The Company acquisition ratio was 59.1 percent, arising from last year due to the Company paid the refund of retrocession’s profit

commission by the performance of reinsurance contracts. Therefore the Company's combined ratio was 105.9.

In year 2017, the Company's liquidity stayed equally to 2016 at 1.2 times; Return on Equity was 12.5 percent decreasing from last year since the Company performance.

8. Capital Adequacy

The Company targets to maintain capital adequacy level to be in line with regulatory requirement even at the worst time of crisis situation. Capital management plan for the Company is as follows:

1. Company's business plan and capital management plan must be aligned.
2. Conduct stress test at least once a year to determine any contingency plan (if needed).
3. Before commitment to mega project, buying reinsurance coverage, change of investment policy, or any major business decisions, there will be a calculation of capital adequacy to support the management decision.
4. Capital Adequacy Report will be submitted to OIC on monthly, quarterly, and annually according to the OIC announcement.
5. Report of capital adequacy variation is informed to management team and ERM Committee on a quarterly basis. Impose appropriate actions if necessary.
6. PML (Probable Maximum Loss) report for flood and earthquake exposure is monitored and presented to ERM committee every quarter, and propose corrective measures if needed.

Capital

Unit: Million Baht

Items	As at 31 December	
	Y 2017	Y 2016
Total Assets	11,053	12,647
Total Liabilities	6,762	8,355
- Insurance Contract Liabilities	3,208	3,833
- Other Liabilities	3,554	4,522
Total Owners' Equity	4,291	4,292
Capital Adequacy Ratio (%)	331.61	338.62
Total Capital Available (TCA)	3,604	3,892
Total Capital Required (TCR)	1,087	1,149

Source of data : Risk Based Capital report complied with Non-Life Insurance Act, B.E.2535

9. The Audited Financial Statements and Notes to Financial Statements

Such information can be downloaded from the Company's website at

http://investor.thaire.co.th/download_popup.html?type=zip&key=565c31810a834d3dc18ca65f395f8bd7714cb077&dlid=98040: