

## **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/Thai Re” or “THRE”) was established on 18 July 1978, its 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 31 December 2018 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**

- Develop and increase revenue from Personal Line Product and Services Income from South East Asia, through the collaboration with partner as reinsurer and insurer.

#### **Thai Reinsurance Public Company Limited**

48/22-24 Soi Rajchadapisek 20, Rajchadapisek Road, Samsennok, Huaykwang, Bangkok 10310

Tel : 0-2660-6111, 0-2290-3111 Fax : 0-2660-6100, 0-2290-3100 E-mail : mailbox@thaire.co.th

Registration Number : 0107536001729

- Increase value to all stakeholders including customer, business partner and employee.
- Deliver decent and sustain return to shareholders with strong financial position.

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's 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

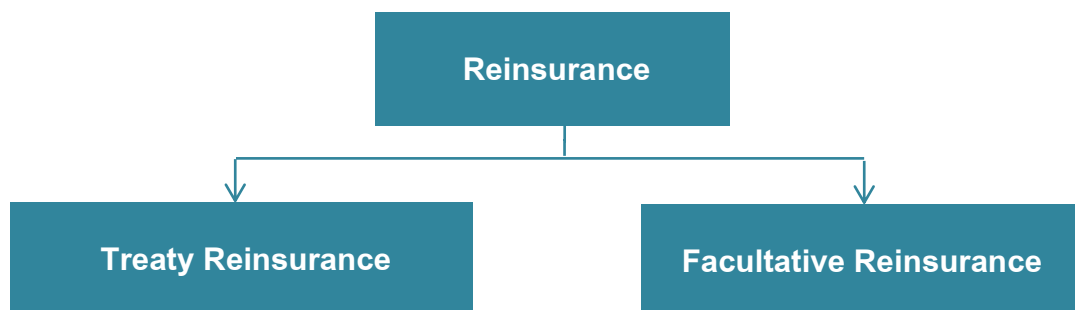
The Company offers variety of general reinsurance service to all local and international insurers. A three-year comparison of the proportion of net reinsurance premium by business classes is shown below: -

Unit: Million Baht

Items	FIRE	MARINE		MOTOR		MISCELLANEOUS						TOTAL
		HULL	CARGO	COMPULSARY	VOLUNTARY	PROPERTY	LIABILITY	ENGINEERING	PERSONAL ACCIDENT	HEALTH	OTHER	
Gross Premium Written	168	6	65	57	833	163	58	43	1,190	1,409	463	4,455
%	3.78	0.13	1.47	1.28	18.70	3.65	1.30	0.96	26.72	31.62	10.40	100.00

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 2019, the net reinsurance premium under TTY agreements was 80.9 percent of the total, decreasing from 86.9 percent in 2018.

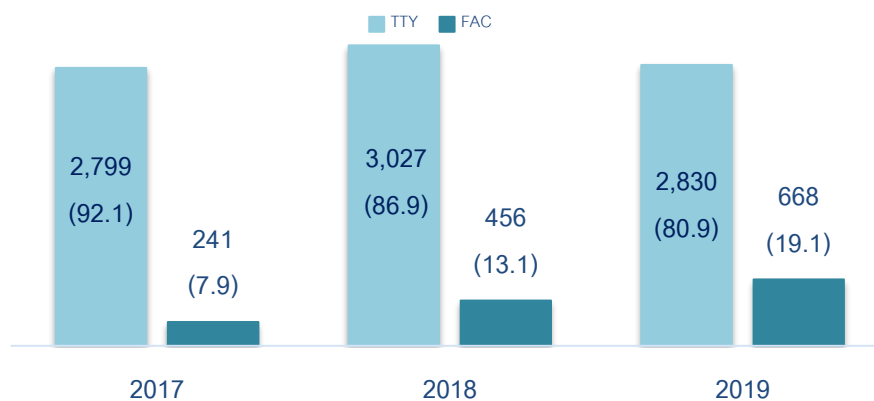
## 2. Facultative Reinsurance (FAC)

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 2019, the net reinsurance premium under facultative reinsurance contracts was 19.1 percent of the total, increasing from 13.1 percent in 2018.

### Net reinsurance premium: Year 2017- 2019

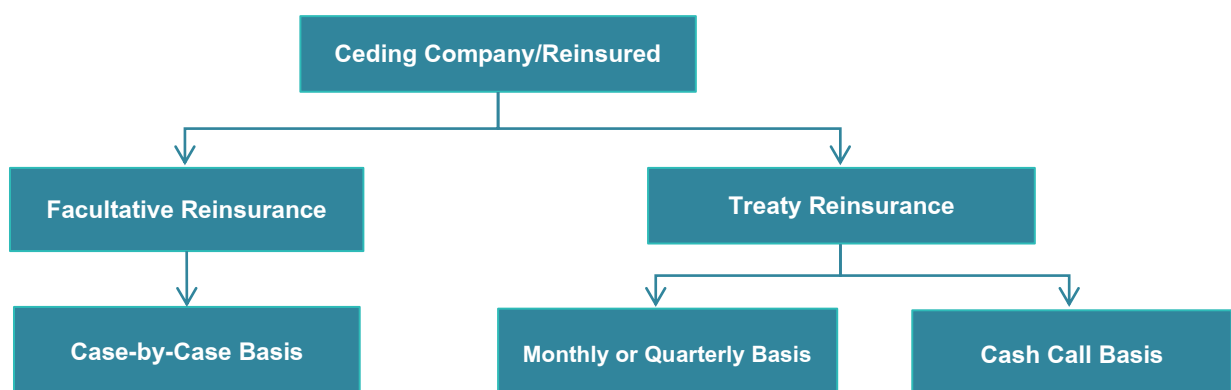
Unit: THB Milloin (percent)



## 1.5 Claim process, claim settlement and contact Information.

### 1.5.1 Claim process and claim settlement

#### Claim process according to reinsurance contracts.



The cedant will notify the Company, as its reinsurer, of the claim made against the cedant in respect of the business reinsured. Subsequently, the Company will set up claim reserve proportionately according to the reinsurance agreement. The cedant will furnish the Company with relevant documents enabling the Company to justify and examine claim properly.

Claim settlement:

- For treaty reinsurance, claims will be settled on a monthly or quarterly basis as mutually agreed. With regard to the large loss where the amount exceeds cash call limit stated in the treaty, the Company will make a payment promptly once it has received all necessary documents.
- For facultative reinsurance, claims are settled on a case-by-case basis as agreed upon between the cedant and each insured directly.

1.5.2 Claim department contact information.

Please contact: Claim Department Tel. 02-660-6111 or Email : [claim@thaire.co.th](mailto:claim@thaire.co.th) ,  
[claim1@thaire.co.th](mailto:claim1@thaire.co.th)

## **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.

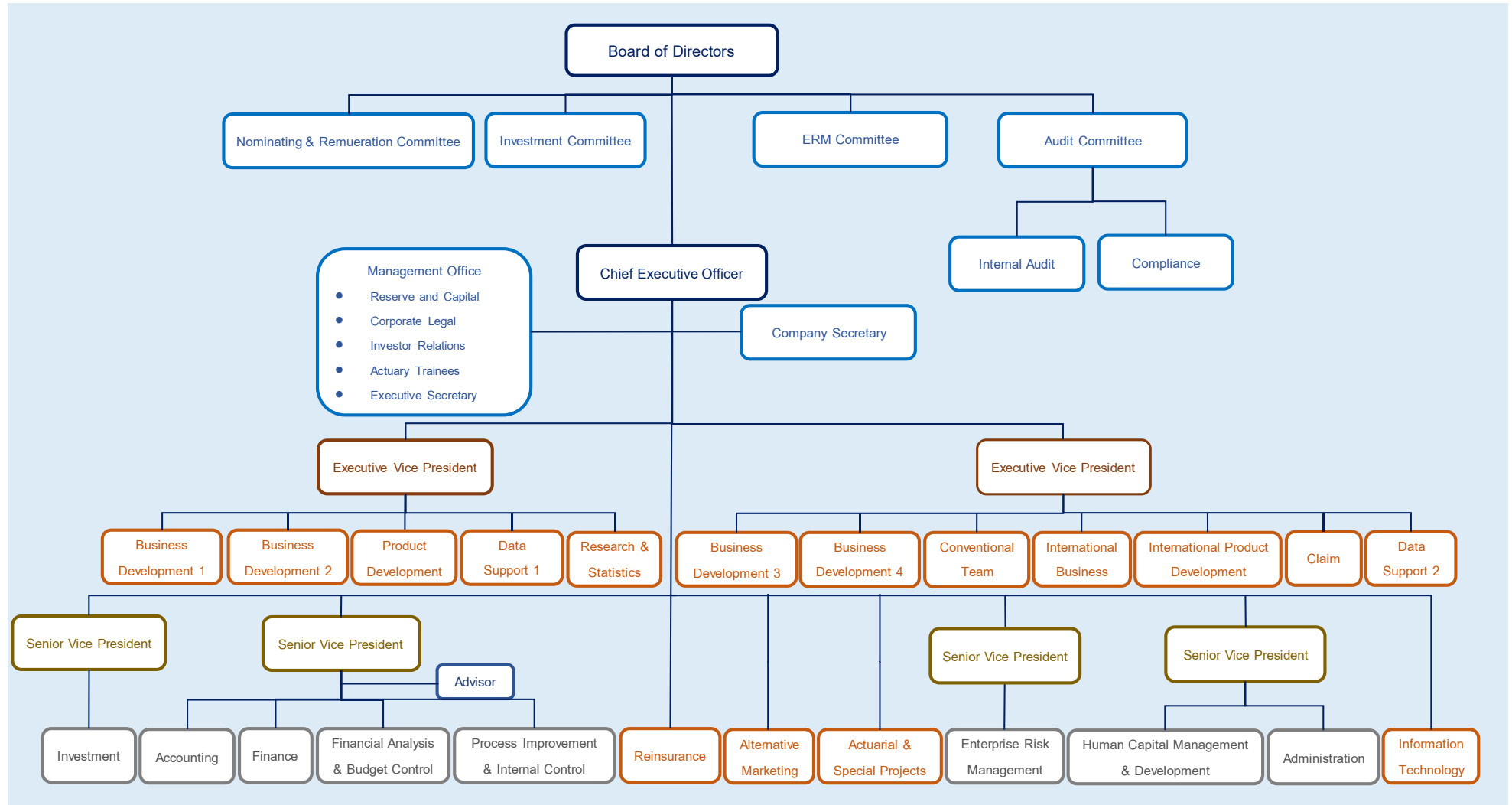
9. The Board of Directors must review the adoption of operational practices under the corporate governance principles, and must monitor and follow up the compliance with the corporate governance policy, which is deemed as a key indicator for evaluating administrative performance of the Board of Directors 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 December 31, 2019





## 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 member 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 is 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 December 31, 2019, members of the Board of Directors are listed as below:

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

<sup>1</sup> Left the position of independent director on 10 January 2020

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**

- Supervising and managing the Company so that it is in accordance with the law, Company's objectives, the Articles of Association and the resolutions of shareholders' meetings by aiming at the appropriate benefit of the Company.

2. Reviewing and approving Company's policy and business plan as follows:
  - Approval of important issues in Company's business, i.e. structure, management, vision, mission, objectives, plan, strategy, policy, risk management, long-term business plan, financial goal and annual budget.
  - Approval of hiring or termination of the Company's top management, approval of salary and employee benefits and annual performance evaluation of top management.
  - Approval of annual salary increase rate for employees and regulations on the welfare of employees.
  - Assigning the responsibility and authority to management and their subordinates.
  - Following up and evaluating the Company's performance compared to the plan and budget.
3. Put in place a robust financial reporting and auditing system and efficient internal control and risk management process.
4. Ensuring that the Company follows good corporate governance practices, business ethics and corporate social responsibilities.
5. Consideration and approval all connected transactions, related party transactions, acquisition and disposal of assets, and any other acts as required by law or supervising authority to avoid all conflicts of interest.
6. Consideration the appointment of sub-committees where issues require such consideration.

Moreover the Board of Directors have delegated management authority to the Chief Executive Officer and Chief Executive Officer may delegate to its subordinates as appropriate. Responsibilities for all management activities is granted except for authority to approve any transaction 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 Board of Directors by submitting an invitation letter at least 14 days before the meeting date allowing the directors adequate time to fully consider the matters.
2. Determining the meeting agenda with the Chief Executive Officer.
3. Encouraging the director to attend the meeting and ensuring that the meetings run effectively with sufficient time for the presentation of information and questions and opinions from the directors. Controlling the discussions and summation of the meeting's resolutions.
4. Promoting corporate governance principles among directors.
5. Communicating all essential information to directors.

6. Encouraging the directors' participation in shareholders' meetings and acts as Chairman of the meeting. Control and ensure that the meeting is efficient and respond to all questions raised by shareholders.
7. Supervising and follow up the directors to perform their duty in the scope of authorities and responsibilities to meet the Company's objectives and plans and compliance with the laws and the corporate governance principles of the Company.
8. Promoting good relationship between executive directors and non-executive directors including the directors and management.

### **Management**

At December 31, 2019, the management of the Company according to definition of the Securities & Exchange Commission and the Office of Insurance Commission were:

	<b>Name</b>	<b>Position</b>
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 (Head of Accounting and Finance)

### **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 CEO is 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 comprising 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. Potjanee Thanavarant	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:

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 Chaochaichaoenkul	Director of Enterprise Risk Management Committee
7. Dr.Piyawadee Khovidhunkit	Director and Secretary of Enterprise Risk Management Committee
8. Mrs.Thitaporn Tarakit	Advisor

### The Scope of Duties

1. Seek any information it requires from employees who are directed to cooperate with the Committee's requests, or from external parties.
2. Take additional actions on any matters within its scope of responsibility, as necessary, to perform its duties and responsibilities.

### Scope of Duties and Responsibilities:

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.

In addition, the Board of Directors may appoint other subcommittees to help dealing with other special or important tasks occasionally.

### 2.4.3 Investment Committee

Investment Committee was established on February 28, 1994 comprising of four 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 Ratnaswami	Chairman of Investment Committee
2. Mr. Chai Sophonpanich	Director of Investment Committee
3. Mr. Surachai Sirivallop	Director of Investment Committee
4. Mr. Oran Vongsuraphichet	Director of Investment Committee

#### The Scope of Duties and Authority

1. To consider the investment policy framework and other business investment for approval from the Board of Directors.
2. To approve the Company's investment plan to be in line with the investment policy framework and risk management policy.
3. To supervise the investment of the Company to comply with the investment policy framework, other business investment, risk management policy, investment methodology and the relevant legal requirements.
4. To regulate the Company's investment transaction to be transparent and prevent the conflict of interest.
5. To supervise and ensure the system, staff and the information used for the investment be sufficient.
6. To report regularly the investment performance to Board of Directors.
7. To perform any other duties as assigned by the Board of Directors.

#### 2.4.4 Nomination and Remuneration Committee

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

Name	Position
1. Mr. Chandran Ratnaswami	Chairman of the Nomination and Remuneration Committee
2. Mr. Chai Sophonpanich	Director of the Nomination and Remuneration Committee
3. Mr. Jiraphant Asvatanakul	Director of the Nomination and Remuneration Committee
4. 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) and the Office of Insurance Commission (OIC), 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, the Notification of the Stock Exchange of Thailand and the Notification of the OIC 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.

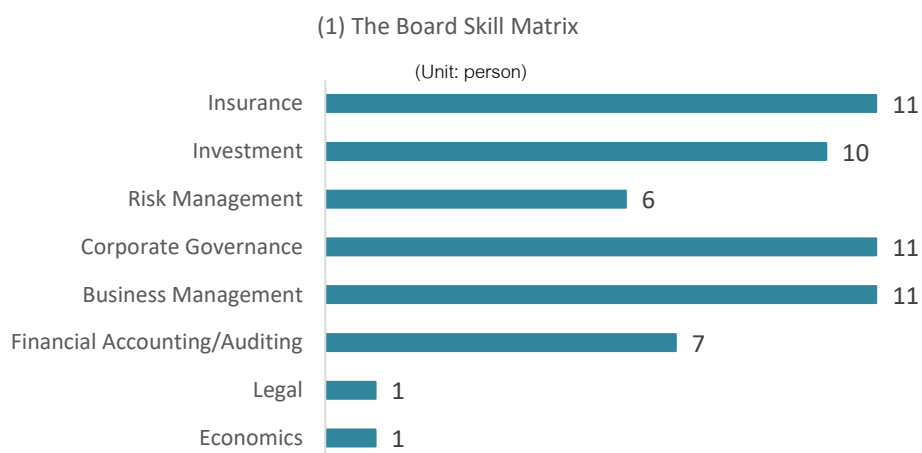
5. An independent director must not be or have been an auditor of the Company, parent company, subsidiaries, associated companies or juristic persons who may have a conflict of interest, and must not be a major shareholder, non-independent director, executive or managing partner of an audit firm which 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 undertake any business in the same nature and in competition with the business of the Company or its subsidiary, nor be a significant partner in a partnership or director with management authority, employee, staff member or advisor who receives salary or holds shares exceeding 1% of the total number of shares with voting rights of another company which undertakes business in the same nature and in competition with the business of the Company or its subsidiary.
9. 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 is 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.



To be appointed as a director or senior executive, nominees will have to have demonstrated that their expertise, professionalism and business acumen will bring added value to the Company. They must also completely meet the qualifications specified in Section 68 of the Public Limited Companies Act B.E. 2535 (and as amended) and the Notification of the SEC and must not possess any prohibited characteristics under the SEC Act (and as amended) and other applicable laws and regulations.

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 working 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 Board of Directors or 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 highest votes cast by shareholders shall be elected as directors in descending order until all of the required director positions are filled. In the event of a tied vote on the last in the order of director positions to be filled, the Chairman of the meeting shall have the deciding vote.

At present there are 2 directors appointed by major shareholders who are Mr. Chandran Ratnaswami and Mr. Gobinath Arvind Athappan.

#### 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 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**

### Remuneration Policies for the Directors and Executives

The Nomination and Remuneration Committee is responsible for submitting the remuneration plan to the Board and senior management of the Company. It is important to note that the remuneration plan for the Board of Directors is an agenda item at the Annual Shareholders Meeting. 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 its 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, and reputation 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. 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 2019		Y 2018	
	Book Value	Fair Value	Book Value	Fair Value
Total Investment Assets	4,036	4,057	5,471	5,489
Total Liquid Assets	3,653	3,655	5,325	5,630
Total Liabilities	4,173	3,793	6,159	5,620
Insurance Contract Liabilities	2,862	2,561	3,611	3,278

**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 2019
Total Reinsurance Assets	769
Amounts Due from Reinsurers (Net Allowance for Doubtful Accounts)	715
Amounts Deposited on Reinsurance	813

**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 2019		Y 2018	
	Book Value	Fair Value	Book Value	Fair Value
Unearned Premium Reserves	1,275	774	1,813	1,190
Loss Reserves	1,578	1,787	1,792	2,087
Other Insurance Liabilities	9	-	6	-

**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 2019		Y 2018	
	Book Value	Fair Value	Book Value	Fair Value
Deposits at Financial Institutions and Negotiable Certificate of Deposit (NCD)	958	958	569	569
Debt Securities (Bonds, Debentures, Promissory Notes, Bills of Exchange, Convertible Debentures)	844	850	1,404	1,408
Equity Securities (Exclude Investment in Subsidiaries & Associates)	1,069	1,084	1,719	1,734
Unit trusts	1,144	1,144	1,753	1,753
Loans, Financial Leases	21	21	25	25
<b>Total Investment Assets</b>	<b>4,036</b>	<b>4,057</b>	<b>5,471</b>	<b>5,489</b>

**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 2019	Y 2018
Gross Premium Written	4,455	4,849
Net Earned Premium	3,609	3,359
Investment Income & Other Income	750	55
Net Profit	95	(1,037)

**Source of data** : The Audited Separated Financial Statements

From the overall performance in 2019, the Company recorded total gross written premium of THB 4,455 million. Declining from a year earlier due to some long term projects gradually expired from year 2018 until entirely end in year 2022. And recording investment income & other income totally THB 750 million, impressively improved from last year a loss of THB 297 million due to a one-off negative mark-to-market impact from trading investment and impairment of available-for-sale investment totally THB 531 million hit in the last year. The Company didn't have significant mark-to-market impact this year.

Net profit was THB 95 million while getting loss in the prior year as there were no transaction this year 1) a reduction of profit commission of long term projects, a higher loss reserve for claims incurred but not report (IBNR) and a doubtful debt from an insurer whose insurance was revoked from the Office of Insurance Commission (“OIC”) 2) net loss from investment

#### Financial Ratio (%)

Ratio	Y 2019	Y 2018
Loss Ratio	54.8	54.8
Acquisition Ratio	51.5	58.2
Combined Ratio	106.2	113.1
Liquidity Ratio (times)	162.0	1.0
Return on equity	2.7	(24.5)

**Source of data :** The Audited Separated Financial Statements

In year 2019, the loss ratio at 54.8 percent, similar to 2017, and the acquisition ratio at 51.5 percent, decline from last year. Therefore the Company's combined ratio was 106.2.

In year 2019, the Company's liquidity at 162 percent; Return on Equity was 2.7 percent increasing from minus 24.5 percent last year.

## 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.
7. The Company must activate Capital Contingency Plan when CAR is lower than 160% as follows:

7.1 Discussing in executive meeting for determining measures to reduce capital requirement such as reducing the level of investment in risk assets, accelerating claim process to reduce claim reserve, and buying outward reinsurance. After executed all measures, if CAR remains at less than 160%, the executive would consider alternative plans to increase capital by issuing new common stock, or issuing preferred stock.

7.2 Bring the matter to the Board of Directors' meeting to clarify causes and effects of the crisis and present measures to the Board of Directors to get approval.

7.3 Implement the approved plan and report progress to the Board of Directors frequently.

7.4 Make a summary report after all effects were settled and keep its as case study to prevent risks for the future.

## Capital

Unit: Million Baht

Items	As at 31 December	
	Y 2019	Y 2018
Total Assets	7,324	9,203
Total Liabilities	3,793	5,620
- Insurance Contract Liabilities	3,278	3,618
- Other Liabilities	515	2,002
Total Owners' Equity	3,531	3,583
Capital Adequacy Ratio (%)	335.45	301.73
Total Capital Available (TCA)	2,725	2,894
Total Capital Required (TCR)	812	959

**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  
[https://investor.thaire.co.th/download\\_popup.html?type=zip&key=565c31810a834d3dc18ca65f395f8bd7714cb077&dclid=128125](https://investor.thaire.co.th/download_popup.html?type=zip&key=565c31810a834d3dc18ca65f395f8bd7714cb077&dclid=128125):