

Bangkok Life Assurance Public Company Limited

Disclosure Report For The Year 2017



Page 1

Part 1 Certification of the Accuracy of Information Disclosure

The Company has reviewed the disclosed information with care and certifies that the disclosed information is complete and accurate, not being a false or misleading statement, or lacking material significant information. The Company, hereby, certifies the accuracy of all the information disclosed in this report.

(M.L. Jiraseth Sukhasvasti)
Chief Executive Officer and President

(Ms. Chollada Sophonpanich)
Authorized Director

Disclosed on 1 November 2018

For the year 2017

Part 2 Disclosure Details

1. Company History, Policy, Objective and Business Strategy Including Key Business Operation, Key Product and Key Services. Claim Processes and Customer Service Contact

1.1 Company History

On June 1st, 1951, Major Kuang Aphaiwong, Phraya Srivisarnvaja, and Mr. Chin Sophonpanich established the Company named "Krungsiam Assurance Company Limited." The Company first focused on managing aid welfare. In 1977, Mr. Chin Sophonpanich had the foresight to see that the time was right for the Company to earnestly conduct life insurance business, and so commissioned the international consulting firm, IFCCA, working with Mr. Vai Vathanakul and Mr. K.V. Claridge, F.I.A., an actuarial science specialist from Swiss Reinsurance Company Ltd., to implement a new organizational structure and new systems. On January 1st 1979, Krungsiam Assurance Company Limited was renamed Bangkok Life Assurance Co., Ltd. Then, Bangkok Life Assurance Limited was registered as a public company (PCL) on September 25th, 2009

1.2 Policy, Objective and Business Strategy

1.2.1 Vision and Mission

Vision

"To make people realize the benefits of the life insurance and choose insurance coverage which is suitable for their financial position and value of life."

Mission

"The Company is determined to be a leader in establishing financial security for all groups of people and protecting their value of life by offering financial advice and impressive service through its sincere agents, partners and employees who are experts in the field."

1.2.2 Marketing and Competition

Policy on Marketing, Products and Services

Marketing policy remains focused on comprehensive financial planning which offers products which offer both current and future wealth and security and which would be able to cater for the country's aging society which is growing and in line with the current situation of the interest rate which has been constantly low. Even if the ticket size per policy is smaller than it was in the past during which business was expanded by sales of short-term endowment products, the impact on the ticket size of short-term policies was only minimal. This allows the Company to enhance benefits for customers and generate good future profit.

Competition

The business is highly competitive with the growth of total earned premium contributed to by maintenance of renewal year premium which is the existing market base of each company. Expansion for new business increased slightly from maintaining premium size of short-term and single-premium endowment products to order to maintain the business size. In this connection, there has been addition of protection, health and critical disease, and unit link products which are more profitable than other types of products. Additionally, there has also been a focus on development of

new sales channels, namely, online channel, enhancement of agent quality to become financial advisors, and adoption of technology into the business to support sales and services. The development of advertising via various media platforms, especially social media which allows companies to reach consumers more quickly and conveniently, has been a strategy which supports market expansion and creates confidence among customers which would in turn be beneficial for the business in a long run.

1.2.3 Life Insurance Business Trends 2018

Please see details in the 2017 annual report, page 104 -105, that is published on the Company's website as the follows:

<https://www.bangkoklife.com/Corporate/Upload/InvestorFile/7d3baf013c1e48af97ffdd778ee0dd62.pdf>

1.2.4 Company's Strategy

The Company's strategy is to improve and massively develop the infrastructure and technology of our business, including operational management, service facilities, product development as well as a revamp of our distribution channels, business agility and efficiency. Adaptation must focus on and anticipate the expectations of our customers in the online world, while continue to promote our brand and enhance our corporate image. These will create a new foundation and advanced platforms for future growth. On top of these, our enterprise risk management and the principles of good corporate governance are still the key strengths of the Company.

Products

In addition to the products for wealth accumulation which the Company received support from its 3BB allies, this year the Company has developed products for health and critical illnesses, and total permanent disability, a continued theme from the previous year, in order to further improve the product portfolio which creates enhanced security. Moreover, the Company also developed products for long-term saving which also offers increasing term life insurance for first-jobbers and those interested. The product offers guaranteed acceptance without the need for health check or additional health questions.

Improvement of Agents' Quality

The Company supports the increase in quantity and quality of financial advisors, agents and trade partners so as to be able to provide sufficient services in the following aspects:

1. Developing and increasing the number of financial advisors
 - 1.1 Develop consultants for securities investment using curricula for securities investment consultant in order to register agents as securities consultants.
 - 1.2 Develop Certified Financial Planners (CFP®) and Associate Financial Planner, Thailand (AFPT™) in order to be able to comprehensively plan and give financial advice for the purpose of assisting customers in achieving their respective financial goals.
2. Develop life insurance agents focusing on creating sustainable career and adhering to the standards accepted nationally and internationally.

3. Develop teams of trade partners to ensure thorough understanding of the products so that they can introduce products accurately and fully, and keep up with OIC regulations as well as other related laws so that customers can make informed decisions prior to purchasing the products.

Cooperation with Trade Partners and Business Allies

With cooperation from business allies, the Company has introduced a policy on expanding teams of Professional Financial Adviser: PFA to the different regions in order to strengthen the Company's position as a leader in financial planning. The Company has launched a pilot project in its main strategic province which is Chonburi in order to reinforce the team's strength and further expand PFA team to other regions. In addition, the Company has also developed 3B Link, a financial planning, investment, and insurance tool to help increase efficiency its FA financial planning.

For cooperation with the partner bank, the Company has developed products for long-term saving which offers increasing term for first-jobbers and interested public who are the Bank's groups of customers. The product's main selling point is the fact that it does not require any health check or additional health question. The product has since been very well received by the customers.

The Company has also commenced partnership with a new ally with a wealth of experience, in developing products and securing leads which have allowed the Company to increase the size database of target customers' names at a lower cost.

New Sales Channels

The Company has been developing its digital platform ceaselessly with the objective of enabling the consumers to be able to easily purchase insurance 24/7, with simple steps that take very little time to be completed, and internal safety standard. The Company is the first life insurance company that has been approved by OIC to offer its products fully online. It has also been certified for ISO/IEC 27001:2013 for IT security with which BLA Smart Saving 168 was launched in mid November 2016 and with which BLA Smart Gain (10/1) was launched with great success.

Marketing Communication and Activities to Strengthen Customer Relations

To support its policy on supporting comprehensive financial planning, the Company has been communicating its various developments to customers as follows:

1. Creating recognition of the Company's products which cater for financial planning, with the focus on products which mitigate health-related risks, i.e., critical illnesses, and total permanent disability (TPD). Such products include BLA Uoon Jai Rok Rai and BLA TPD Protect, and products which can help instill saving habit among Thais include Krung Thep 200 and BLA Smart Saving 168.

2. Communicating 3 B Link Project which offers investment planning together with protection. It is a financial innovation which helps fulfill the need for financial planning by 3B allies to support the Company's strategy to become a leader in personal financial planning.

3. Disseminating comprehensive financial planning knowledge with Bangkok Life Assurance via ThaiRath TV and providing free-of-charge comprehensive financial planning for the public in financial expos under the theme of "Not Having to Wait until Yearend to Have Money Saved with Continuous Financial Planning"

4. Creating Confidence in the Company with three consecutive years of being awarded Thailand Top Company Awards for insurance business and TNQA. Also, opening regional financial

planning centers to provide comprehensive financial planning service to customers across the country.

The Company also continues to place importance on BLA Happy Life Club to support activities to disseminate financial planning knowledge and activities to give happiness as well as privileges to purchase products and services to customers. It has increased benefits for VIP customers, both for annual health checkup, emergency medical assistance, and 24/7 booking service for usage of lounges in airports around the world in order to create confidence and trust among customers for their continued patronage.

1.3 Nature of Business Operation

Bangkok Life Assurance PCL has been running life insurance business and providing comprehensive financial planning services to customers. Life insurance is a means by which to mitigate loss among a certain group of people from unexpected incidents (death, loss of organs, disability, and loss of income). The benefits under policy conditions will be paid by the Company to victims or beneficiaries in order to mitigate his/her financial burden.

The Company has been improving its products to best cater for customer needs, which vary by their life stages and to provide them with the utmost benefits. Basically, life insurance provides two different types of main benefit to policyholders, which are life protection as a guarantee benefit upon death and saving benefit to enrich the policyholder's lives. Life insurance benefit will be paid to beneficiaries on policyholder's death and survival benefit will be paid to policyholder during the coverage period of the insurance contract.

1.4 Product Characteristics, Core Services, and Premium Portion Categorized by Type of Products

Types of Life Insurance

The Company currently offers to customers more than 60 different products classified by the following types of insurance:

1) Ordinary Life Insurance

Under this type of insurance, the Company provides coverage for individual customer, which is life insurance benefit that will be paid to beneficiaries on policyholder's death, and/or survival benefit that will be paid to policyholders during the coverage period, according to the policy condition. The product types are summarized as follows:

(1) Whole Life Insurance is a life insurance contract designed to either pay an insurance amount to beneficiaries on policyholder's death or pay an insurance amount to policyholder if he/she survives until maturity date. Normally, whole life products provide lifetime coverage until the age of 90 or 99 yrs.

(2) Pension is a life insurance contract designed to provide periodic payment of benefit, suitable for customers who have a long life span in order to cover their economic loss arising from loss of income, when they become older or retire. Pension product plays an important role to pay him/her a monthly or an annual benefit starting from retirement or at the attained age of 55 or 60 yrs., based on the policy conditions and payout terms that customers choose.

(3) **Term Life Insurance** is a life insurance contract designed to pay the beneficiary an insurance amount if the policyholder dies during the coverage period of the policy. The key selling point of this product is low premium.

(4) **Endowment Insurance** is a life insurance contract designed to pay an insurance amount to the beneficiary if the policyholder dies during the coverage period of the policy or pay an insurance amount to the policyholder if he/she survives until the maturity of the contract. Endowment products focus on the benefit of savings. It offers various choices of premium payment terms and added survival benefits during the policy period.

(5) **Rider** is a supplementary contract for the policyholder who has a basic life insurance policy. There are two main supplementary contracts 1) Accident Rider 2) Health Rider. Accident Rider provides coverage for death and loss of organs due to an accident. Health Rider provides compensations for hospital expenses caused by illnesses or accidents.

2) **Group Life Insurance**

Group life insurance is a life insurance contract in which a single contract covers a group of people. Typically, group insurance is provided as welfare by private or governmental sectors to their employees or members. Risk exposure of a particular group will be assessed on average, which allows the unit rate to be applied to all members, regardless of age, sex or job. Group life is normally a yearly term insurance with low underwriting cost, which makes its premium rates lower than those of ordinary life insurance.

3) **Mortgage Insurance**

Mortgage insurance is an insurance contract designed to cover loss of life and/or disability within a specific coverage term and with a sum assured which decreases over a period of time.

Premium proportion by product type 2017

Product Type	First Year Premiums		Renewal Year Premiums		Total Premiums	
	Amount (Million Baht)	Proportion (%)	Amount (Million Baht)	Proportion (%)	Amount (Million Baht)	Proportion (%)
Ordinary – Single Premiums	1,226.60	10.27	-	-	1,226.60	2.79
Ordinary	8,548.78	71.56	31,083.68	96.86	39,632.46	89.99
<i>Whole life and Pension</i>	<i>1,870.58</i>	<i>15.66</i>	<i>3,885.33</i>	<i>12.11</i>	<i>5,755.91</i>	<i>13.07</i>
<i>Term</i>	<i>37.19</i>	<i>0.31</i>	<i>68.57</i>	<i>0.21</i>	<i>105.76</i>	<i>0.24</i>
<i>Endowment</i>	<i>6,390.04</i>	<i>53.49</i>	<i>25,252.78</i>	<i>78.69</i>	<i>31,642.82</i>	<i>71.85</i>
<i>Riders</i>	<i>250.97</i>	<i>2.10</i>	<i>1,877.00</i>	<i>5.85</i>	<i>2,127.97</i>	<i>4.83</i>
Group	507.11	4.24	1,008.12	3.14	1,515.23	3.44
Credit	1,664.04	13.93	0.88	0.00	1,664.92	3.78
Total	11,946.53	100.00	32,092.68	100.00	44,039.21	100.00

Note: Information from Disclosure Report 56-1

1.5 Claim Processes and Customer Service Contact

1.5.1 Claim Processes Including Steps, Period of Time and Documents Needed

Please find details on the Company's website as follow:

<https://www.bangkoklife.com/Corporate/en/PersonalCustomers/Amercement>

1.5.2 Customer service contact

Contact customer service at Bangkok Life Assurance Public Company Limited 23/115-121 Soi Sun Wichai, Rama 9 Rd., Bangkapi, Huaykwang, Bangkok 10310 Tel. 0-2777-8000, Fax 0-2777-8899, Call Center 0-2777-8888, or Email: Csc@bangkoklife.com

2. Good Corporate Governance Framework and Internal Control Process, Include Details on the Implementation of the Framework and Process

2.1 Good Corporate Governance Framework and Internal Control Process

Please see "Handbook Code of Conduct for All Personnel" which is published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/en/About/Sub/44>

2.2 Organization Chart of Company

Please see "Organizational Chart" which is published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/en/About/Sub/34>

2.3 Management Structure of Company

2.3.1 Board of Director

At the end of the year 2017, the Company's Board of Directors consisted of 14 directors, including 2 executive officers and 12 non-administrative officers, 5 of whom are independent directors and 11 of whom reside in the Kingdom of Thailand, more than 75%, as required by law. Please see "Name of Board of Director" which is published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/en/About/Sub/35>

Roles and Responsibilities of the Board of Directors

Please see Annual Report 2017 that is published on the Company's website, Section 5 Responsibilities of the Board of Directors 5.1 Board of Directors, page 119 - 121, as follows:

<https://www.bangkoklife.com/Corporate/Upload/InvestorFile/7d3baf013c1e48af97ffdd778ee0dd62.pdf>

2.3.2 The Management

The management team consists of top executives, namely the President, Senior Executive Vice President and Management in divisional level. As of September 30, 2018, the Company had 8 executives as follows:

Order	Name of the Management		Position
1	M.L. Jiraseth	Sukhasvasti	President
2	Mr.Ruangsak	Panyabodegun	Senior Executive Vice President
3	Mr.Sanor	Thampipattanakul	Senior Executive Vice President
4	Ms.Chollada	Sophonpanich	Executive Vice President, Corporate Startegy&Planing Division
5	Ms. Yotsavadee	Hongchumpae	Executive Vice President, Bancassurance Division
6	Ms.Suchinda	Leartkiatmongkol*	Senior Vice President, Information Technology Division
7	Ms.Jaruwan	Limkhunthammo	Senior Vice President, Accounting and Finance Division
8	Mrs.Oranuch	Samranrit	Senior Vice President, Life Operation Division

Remark: * Ms.Suchinda Leartkiatmongkol has resigned from the Company with the effective of November 1, 2018 and Mr.Sanor Thampipattanakul is to act as Acting Management of Information Technology Division.

Please see Annual Report 2017 that is published on the Company's website, Duties Performed by the Performance Assessment, page 65 - 66, and Evaluation Committee and Section 5 Responsibilities of the Board of Directors 5.3 Management, page 127 - 128, as follows:

<https://www.bangkoklife.com/Corporate/Upload/InvestorFile/7d3baf013c1e48af97ffdd778ee0dd62.pdf>

2.4 Sub-Committees

For effective governance and so as to ensure that it is thoroughly informed on important matters, the Board of Directors appoints Directors with the relevant expertise to 7 subcommittees, which are Executive Board of Directors, Investment Committee, Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, Good Corporate Governance Committee, and Performance Assessment and Evaluation Committee. Each committee has authority, duties, and responsibilities approved by the Board of Directors as detailed below:

2.4.1 Audit Committee

Please see "Names of Audit Committee and Authority and Responsibilities" which are published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/en/About/Sub/40>

2.4.2 Executive Board of Directors

Please see "Names of Executive Board of Directors and Authority and Responsibilities" which are published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/en/About/Sub/37>

2.4.3 Risk Management Committee

Please see "Names of Risk Management Committee and Authority and Responsibilities" which are published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/en/About/Sub/41>

2.4.4 Nomination and Remuneration Committee

Please see "Names of Nomination and Remuneration Committee and Authority and Responsibilities" which are published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/en/About/Sub/42>

2.4.5 Investment Committee

Please see "Names of Investment Committee and Authority and Responsibilities" which are published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/en/About/Sub/39>

2.4.6 Good Corporate Governance Committee

Please see "Names of Good Corporate Governance Committee and Authority and Responsibilities" which are published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/en/About/Sub/38>

2.4.7 Performance Assessment and Evaluation Committee

Please see "Names of Performance Assessment and Evaluation Committee and Authority and Responsibilities" in 2017 the annual report, page 64 - 65, which are published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/Upload/InvestorFile/7d3baf013c1e48af97ffdd778ee0dd62.pdf>

2.5 Nomination and Appointment of Directors, Independent Directors and Executives

2.5.1 Selection of Directors and Tenure

Please see "Selection of Directors and Tenure" in the 2017 annual report, page 124, which is published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/Upload/InvestorFile/7d3baf013c1e48af97ffdd778ee0dd62.pdf>

2.5.2 Nomination of Independent Directors

For the appointment of independent directors, the Nomination and Remuneration Committee will propose candidates who are independent directors according to the Company's definition, in compliance with good corporate governance principles of the Stock Exchange of Thailand and the requirements of the Capital Market Supervisory Board. The committee consists of at least one third of the total number of directors, but no less than 3 persons. The nominated candidates are proposed to the Board of Directors and are proposed to the shareholders' meeting for appointment.

Qualifications of Independent Directors

- (1) Must hold no more than 1% of total voting shares of the Company, its subsidiaries, affiliates, major shareholders, or persons with controlling power. This includes shares held by their related persons.
- (2) Neither being nor used to be an executive director, employee, staff member, advisor who receives a salary, or is a controlling person of the Company, its parent company, subsidiaries, affiliates, same-level subsidiary companies, major shareholders or controlling persons, unless the foregoing status has ended for at least 2 years.
- (3) Not being a person related by blood or legal registration as a father, mother, spouse, sibling, and child, including spouse of child of other executives, major shareholders, controlling persons, or persons to be nominated as executives or controlling persons of the Company or its subsidiary companies.
- (4) Neither having nor used to have a business relationship with the Company, its parent company, subsidiaries, affiliates, major shareholders or controlling persons, in the manner which may interfere with his/her independent decision, and neither being nor used to be a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiaries, affiliates, major shareholders or controlling persons, unless the foregoing relationship has ended for at least 2 years.
- (5) Neither being nor used to be an auditor of the Company, its parent company, subsidiaries, affiliates, major shareholders or controlling persons, and not being a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary companies, affiliates, major shareholders or controlling persons, unless the foregoing relationship has ended for at least 2 years.
- (6) Neither being nor used to be a provider of any professional services including those as a legal advisor or a financial advisor who receives service fees exceeding 2 million baht per year from the Company, its parent company, subsidiaries, affiliates, major shareholders or controlling persons, and not being a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended for at least 2 years.
- (7) Not being a director appointed as representative of directors of the Company, major shareholders or shareholders who are related to major shareholders.
- (8) Not conducting any business in the same nature and in competition with the business of the Company or subsidiary companies or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives a salary or holds shares exceeding 1 percent of the total number of shares with voting

rights of other companies which conduct business in the same nature and in competition with the business of the Company or its subsidiary companies.

- (9) Not having any other characteristics which prevent them from expressing independent opinions with regard to the Company's business operations.
- (10) Not found guilty by court ruling in connection with violation of the securities and exchange law, the financial institution law, the life insurance law, the non-life insurance law, the anti-money laundering law, or any other financial business laws regardless of whether such laws are local or foreign, and not found guilty in connection with unfair acts concerning securities trading that fall under embezzlement, fraud, or corruption.

2.5.3 Selection of Executive Officers

Please see "Selection of Executive Officers" in the 2017 annual report, page 66 and 128, which is published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/Upload/InvestorFile/7d3baf013c1e48af97ffdd778ee0dd62.pdf>

2.6 Remuneration Policy

Please see "Remuneration of Directors and Executives" in the 2017 annual report, page 68 and 125, which is published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/Upload/InvestorFile/7d3baf013c1e48af97ffdd778ee0dd62.pdf>

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

3.1 Enterprise Risk Management: ERM

Risk management is essential under the situations wherein changes which are unexpected and uncontrollable occur all the time, both from inside and outside. The Company determined the Enterprise Risk Management by applying the International standard of ERM as a guideline. Additionally, in order to build confidence, the Company has been appropriately operating its business under the risk management guideline. The Company implemented the Own Risk and Solvency Assessment (ORSA) guidance in combination with majors risk management in order to achieve maximum benefits, sufficient to support the Company's business plan operation. In considering risk factors that may present positive and negative impact to the business from both inside and outside country, and in order to create value added, the Company has been monitoring situations closely, such as

- The world economy situations and trend and politics. ASEAN and Thai economy
- Life insurance industry and its affiliate competitive trends
- New rules and regulations from related regulatory bodies

Under the Risk Management Policy

"The Company has established a systematic Enterprise Risk Management consistent with the international standards for comprehensive management of major activities and all risk types through a set of processes, including risk identification of factors and causes, assessment, analysis, prioritization,

management, monitoring and evaluation of risk management. This is in order to ensure that the corporate operations significantly achieve business objectives and goals in line with the defined risk appetite."

3.2 Asset and Liability Management Risk: ALM Risk

In order to reduce risk impacts, the Company has been managing the sensitivity of asset and liability value to the interest rate changing within a similar level (Duration matching). Duration Gap was determined as a Key Risk Indicator (KRI) and therefore, was regularly monitored along with the management of asset and liability cash flow matching, while still maintained the appropriate level of investment return.

4. Significant and Predictable Insurance Risks that May Have an Impact on the Company's Finance, Reinsurance Risk Management, the Coherence of Capital Fund, Risks and Concentration of Risk

Risks may occur from underwriting risk processes. Major causes are insureds' risk factors and/or risk factors from external environments which are related to life insurance underwriting processes that may impact the Company's financial status, and cause losses to exceed the Company's estimated loss prediction which is product development assumptions and capital assessment. The Company has criteria and assessment guidelines of underwriting and life insureds' risks prioritization by considering both medical and non-medical risk factors. This is in order to be in line with the Company's risk appetite. The Company also takes into consideration, fairness to the insureds, agents, partnerships, profitability, and competing capacity by setting out clear operation guidelines in writing.

Underwriting is conducted in accordance with announcements, orders, sales rules, operation manuals, which are in line with or not prohibited by regulations and laws; under determined risk management plan, and subject to continuous assessment. The Company also reinsurance by considering levels of sum insured as well as its retention limit, and sets the authority of high-level executives in approving underwriting by level, position, knowledge and experience of underwriters.

Insurance risk is a key risk factor in the Company operation and directly affects the Company's financial status because in taking risk from customers, the Company assumes contractual obligations when the risk takes place. The Company then has planned for risk mitigation by transferring risks to reinsurers with financial strength through reinsurance agreements on both automatic and facultative basis, and by considering its own retention limit, risk premium rates and treaty conditions in accordance with the Company's experience in each type of products in order to manage costs. Outward reinsurance also helps increase the underwriting capacity and supports business growth of the Company by using reinsurer's experience for products and distribution channel development. In this connection, the Company has also been managing the liquidity risk of reinsurers and concentration risk in order to ensure that the risk transfer is properly managed and that the company can perform contractual obligations when obligations become due.

Overall, the Company has been exposed to insurance risk, which is lower than other risks as the Company's underwriting guideline and processes are consistent with the risk exposure, and the Company has mitigated insurance risk through strong reinsurers. Moreover, the movement of insurance risk has slightly changed so there is no significant impact on the Company's capital fund.

5. Values, Methodologies, and Assumptions for Evaluating Insurance Liabilities

Reserves for Long-term Insurance Contracts

Under account value basis, reserves for long-term insurance contracts are calculated with reference to net premium valuation method (NPV), which is an actuarial approach for estimating reserves, using the current assumptions (mortality rate, morbidity rate, and discount rate) or assumptions on the issued date, which reflect the best estimate at that time. Additional risk charge and standard deviation are also included.

Under appraisal value basis, reserves for long-term insurance contracts are calculated by using gross premium valuation method (this reserve is also used for calculating risk based capital). Gross premium valuation (GPV) is an actuarial approach for estimating reserves, using the current assumptions, which are the best estimate at that time and provision of adverse deviations (PAD) of that assumption, according to the OIC's regulations.

Reserves for Short-term Insurance Contracts

Reserves for short-term insurance contracts consist of loss reserves and outstanding claims—including premium reserves.

Loss Reserves and Outstanding Claims

Under account value basis, loss reserves and outstanding claims are the estimation of unpaid claims on reported dates, including incurred but not reported claims. This reflects the best estimation of reserves on reported dates based on historical data and company experience.

Under appraisal value basis, loss reserves and outstanding claims are calculated using the same method as that of accounting basis but with provision of adverse deviations (PAD) according to the OIC's regulations.

Premium reserves

Under account value basis, premium reserves are the higher value between unearned premium reserves (UPR) and unexpired risk reserve (URR). UPR is the amount of premium applicable to the portion of the remaining period, while URR is the best estimate of claims in the remaining period. Premium reserves are calculated before commission and brokerage.

Under appraisal value basis, premium reserves are calculated using the same method as that of accounting basis but with provision of adverse deviations (PAD) according to the OIC's regulation.

The Company's insurance liabilities are shown in table below.

Unit: Million Baht

Item	2017		2016	
	Account value	Appraisal value	Account value	Appraisal value
Long-term technical reserves	256,595.05	273,897.63	233,412.29	244,701.86
Short-term technical reserves	1,143.34	990.88	993.74	833.36
Unpaid policy benefits	168.39	168.39	137.01	137.01
Due to insured	7,666.70	7,666.70	8,181.40	8,181.40

6. Company's Investment

Investment Policy

The Company has obligations and responsibilities for its long-term commitments to the policyholders. Therefore, the investment policy is emphasized on risk management aiming to prevent the Company's investment assets from depreciation, along with earning investment return at an acceptable level.

Objective

The Company has long-term commitments to the policyholders. In order to achieve the objective, we emphasize on Asset-Liability management by matching maturity of investment assets to liabilities arising from future obligations. Consequently, liquidity risk and interest rate risk are minimized.

Investment Process

The Company's investment process consists of 4 parts:

1. Investment Diversification In order to minimize investment risk, the Company diversifies its investment into various asset classes appropriately, focusing its investment in long-term debt securities to match financial obligations and ensuring that each of these asset classes and allocations complies with the rule regulated by OIC.

2. Risk Management As the Company strongly emphasizes the protection of investment asset principal, the Company focuses on investing in government bond and state-owned enterprise bond, both guaranteed and non-guaranteed by the Ministry of Finance. The rest of the portfolio, which is relatively small, is invested in more risky assets, such as equity, unit trust, and corporate debenture, in order to enhance investment return at an acceptable risk level.

3. Selection Process Rigorous and careful selection process will be carried out prior to investment in each financial asset. For government bond analysis, both domestic and global economic factors are taken into account to determine interest rate movement and level of bond yield. For more risky assets, such as equity and corporate debenture, both top-down and bottom-up analyses are conducted to ensure that the underlying securities are fundamentally suitable.

4. Evaluation Process Investment performance is tracked periodically for the purpose of adjusting portfolio allocation according to changing in market environment, and assuring that the investment is on plan.

Asset Valuation Methods Used for Preparation of Financial Statements

The Company uses different methods of asset valuation as follows:

Asset Class	Valuation methods
1. Bonds, debentures, promissory notes and bills of exchange issued by the government, central bank, state-owned enterprise, state organization or local governments in Thailand, both guaranteed and not guaranteed, <u>issued in Thai Baht</u>	Clean Price provided by ThaiBMA

Asset Class	Valuation methods
2. Bonds, debentures, promissory notes and bills of exchange issued by the government, central bank, state-owned enterprise, state organization or local governments in Thailand, both guaranteed and not guaranteed, <u>issued in foreign currency</u>	Clean Price provided by ThaiBMA and Bloomberg
3. Bonds, debentures, promissory notes and bills of exchange issued by financial institutions, securities company or insurance company	Asset price provided by bank and clean price provided by ThaiBMA (Bank valuation method based on discounted cash flow using IRS curve, which reflects Bank's cost of fund, or government yield curve)
4. Bonds, debentures, promissory notes and bills of exchange issued by corporate	Clean price provided by ThaiBMA and Bloomberg
5. Equity listed on the Stock Exchange of Thailand, MAI, and other listed companies which are listed on OIC provided index.	Bid price
6. Investment in associated companies and subsidiaries/other equity investments	Price to book value ratio
7. Unit trust	Net asset value (NAV)
8. Warrants to purchase ordinary shares/debentures/unit trusts / other	Bid price
9. Mortgage loan	Amortized cost using effective interest rate (EIR) less allowance for impairment
10. Policy loan	Discounted cash flow
11. Person guaranteed loan	Amortized cost using effective interest rate (EIR) less allowance for impairment
12. Cash/Deposit at financial institute/Negotiable Certificate of Deposit (NCD)	Book value

Investment Assets

Unit: Million Baht

Asset classes	As of 31 December			
	2017		2016	
	Account value	Appraisal value	Account value	Appraisal value
Deposits at financial institutions	5,418.43	5,418.43	14,283.69	14,283.69
Fixed income (Bond, Debenture, Promissory note, Bill of exchange, and Convertible bond)	239,526.80	260,246.37	218,362.39	233,598.17
Equity (exclude investment in associated companies and subsidiaries)	21,108.57	21,263.60	12,410.63	12,565.65
Unit Trust	23,416.61	23,416.61	19,278.50	19,278.50
Policy loan	7,104.80	7,865.32	6,291.19	6,933.47
Loans and Leasing	-	-	-	-
Warrant to purchase ordinary share / debenture / unit trust	19.57	19.57	1.91	1.91
Derivatives	349.45	738.49	21.85	60.36
Other investment assets	-	-	-	-
Total investment assets	296,944.23	318,968.39	270,650.16	286,721.75

Note

- Account value refers to assets and liabilities assessed under the Financial Reporting Standards.
- Appraisal value refers to assets and liabilities assessed under the Announcement of the Office Insurance Commission (OIC) on assets and liabilities appraisal for the purpose of overseeing the financial security of insurance companies and to ensure that the company is able to deliver its commitment to the policyholders.

7. Company performance, financial review and ratios

Please see management discussion and analysis yearly 4 ending 31 December 2017 which is published on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/Upload/InvestorFile/a6ef16b417464fb69f07fb98a16de8be.pdf>

Company financial information summary as follows:

Items	Unit: Million Baht	
	2017	2016
Gross written premium	44,039.21	43,332.92
Net earn premium	42,914.82	42,281.52
Net investment income	11,602.93	10,632.00
Life policy reserves increased (decreased) from prior year	23,182.75	26,104.09
Benefit payments under life policies and claims	22,824.35	17,772.34
Profit (Loss) for the years	3,645.21	5,122.37

Unit : %

Ratio	2017	2016
FY Underwriting expenses / Net premium*	26.4	23.5
RY Underwriting expenses / Net premium *	3.8	3.2
Return on equity ratio*	10.1	17.0
Return on assets ratio - Return on total assets ratio - Return on total assets excluded assets related to Unit Linked and Universal life policies ratio	1.2 1.2	1.9 1.9
Return on Investment Ratio* - Return on total investment ratio - Return on total investment excluded investment from Unit Linked and Universal life policies ratio	4.1 4.1	4.1 4.1
Investment assets / Life policy reserve (Appraisal Value)*	117.0	117.5

*Ratio based on early warning system rule

Note - Appraisal value refers to assets and liabilities assessed under the Announcement of the Office Insurance Commission (OIC) on assets and liabilities appraisal for the purpose of overseeing the financial security of insurance companies and to ensure that the company is able to deliver its commitment to the policyholders.

- Unit linked insurance policy is life insurance policy including life protection and investment in mutual funds the policy value of which depends on fund's NAV. Investment assets belong to policyholder not the company.
- Universal life insurance policy is life insurance policy with separate investment saving element. Investment return depends on the company's investment performance with guaranteed minimum rate of return.

8. Capital Adequacy

Capital Management Policy and Objective

To ensure that the capital is within the Company's risk appetite, the Company has the assessment policy and stress test under Own Risk and Solvency Assessment guideline and the capital management plan in line with risk assessment and Early Warning System for major activities and significant risk factors.

Capital management processes

For regular monitoring and reviewing risks which will impact the operational targets, the Company determines measurements under assumptions that the capital has not been lower than capital adequacy ratio required by the Office of Insurance Commission, by testing risk factors such as interest rate, funds market and economy scenarios with value at risk (VaR).

For implementation according to situations, the Company will assess, monitor and test the sensitivity and stress of risk factors in response to risks as the capital management plan, source of funds and measurements appropriately and promptly. And, the Company has determined the roles and responsibilities of related unit functions and prepared unit functions' risk management plan in line with the Company's risk appetite level. It has also established the management and Risk Committee, reported to the Board of Directors, and communicated to employees for acknowledgement.

Unit : Million Baht

Items	As of 31 December	
	2017	2016
Total Assets	329,239.08	295,581.11
Total Liabilities	286,451.93	259,495.05
- Life insurance contracts Liabilities	282,723.60	253,853.63
- Others	3,728.33	5,641.41
Shareholder equity	42,787.15	36,086.06
Capital Adequacy ratio (%)	252.33	251.87
Total Available Capital	42,610.12	35,698.01
Regulatory Capital	16,886.58	14,173.43

9. Financial Statements and Notes to Financial Statements Audited by Certified Public Accountant

Please see financial statements on the Company's website as follows:

<https://www.bangkoklife.com/Corporate/en/Investor/FinanceInformation/17>