

Bangkok Life Assurance Public Company Limited

Disclosure Report For The Year 2019



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 29 May 2020

For the year 2019

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 Srivisaravaja, 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

The Company is focusing on its policy on comprehensive financial planning by continuing from the previous year to offer complete suite of products for accumulating wealth and establishing security for the present and the future.

Competition

The business is highly competitive with the growth direction changing from business expansion driven by high-return endowment products to unit-linked products which allow customers to choose to receive higher return at an acceptable level of risk. There was also a market expansion of products for life protection, retirement preparation, medical care, and critical illnesses, in line with the demographic trend of longer life expectancy and the higher medical expenses. Financial planning for each stage of life to create security and wealth has played an increasingly important role in fulfilling the lifestyle of people in this day and age. These have been the key supporting factors for constant growth in the life insurance business.

In addition, the development of new distribution channels, e.g., online channel, and use of social media in accordance with the lifestyle of the consumers nowadays who are knowledgeable and eager to research information by themselves using the technology

surrounding them, is the main strategy which helps expand the market and can very well enhance the strategy to maintain the existing customer base, in addition to the policy to support life insurance business issued by the government, the economy, and households' spending.

1.2.3 Life Insurance Business Trends 2020

Please see details in the 2019 annual report, page 102 -103, that is published on the Company's website as the follows:

<https://www.bangkoklife.com/Upload/InvestorFile/82ba00539f8f4c59896b50dd3834b568.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

The Company adjusted existing products as well as developed new products to better satisfy customer needs, and to support the fluctuation from return on investment by offering life protection products, pension products, health and critical illness products. In addition, the Company also encourages sales production of rider products which are beneficial for the customers and generates good future profits for the Company.

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. Nowadays the company has 1,404 securities consultants who were trained and licensed from the Securities and Exchange Commission, Thailand (SEC).
 - 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. Nowadays the company has 113 Certified Financial Planners (CFP®) and Associate Financial Planners, Thailand (AFPT™) who earned professional qualification from Thai Financial Planners Association.
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 the newly adjusted and developed 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.

Technology

The Company has developed supporting tools to assist with financial planning, investment, and life insurance in order to enhance the efficiency of financial planning provided by the Company's FAs and uplift the operations of agents. The aforementioned tools are as follows:

Smart FA provides information on fund trading, allowing FA to monitor the customers' investment histories.

Smart FA Service is a system for submission of fund trading orders for FA.

Smart Fund Application for customers to monitor their investment portfolios

Smart Go Application for agents to generate sales proposals online

BLA Happy Life application for customers to interact with the company such as checking the policies' information, or redeeming points for privileges.

New Sales Channels

The company has expanded distribution channels through the new trading partners in order to increase customer base and to keep the balance of premium received from each channel. The company also has improved sale process of the online channel to make it more convenient for customers.

Marketing Communication and Activities to Strengthen Customer Relations

In 2019, the company sets marketing objectives to sustainably elevate the quality of life of the public by focuses on developing products and services for financial planning and public health care.

Creating recognition and confidence in the Company's products which have been developed to cater for all the needs of the customers by emphasizing on health and critical illness products. This also includes plans which help establish habit of savings among the Thais, e.g., BLA Prestige Health which cover medical expenses worldwide, BLA Cancer Max, BLA Happy Saving 208, BLA Happy Saving 128, and BLA Pension 99.

Developing health service system called "BLA Every Care" which is the additional services for BLA's health policyholders by providing consultation services and health information 24 hours, services during illness especially illness abroad and services to facilitate recovery period.

Communicating BLA Prestige Health Campaign to create recognition of the importance of health planning that cover the consumers' needs.

Disseminating comprehensive financial planning knowledge with Bangkok Life Assurance via booths in financial expos, and via advertisements online and on other social media.

Increasing service quality and expanding communication channels of Bangkok Life Assurance via BLA Happy Life Application & Line to increase convenience and ease with which the customers could access policy services online by themselves via the applications.

Creating Confidence in the Company with Life Insurance Company with the Most Outstanding Management Award for 2018 (3rd prize) from The Office of Insurance Commission (OIC), Thailand's Top Corporate Brand Hall of Fame 2019 Award, "Company with the Best Health Insurance Coverage of the Year" award at the Emerging Asia Insurance Awards 2019, and Thailand Quality National Awards (TNQA).

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 2019

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	539.81	8.71	-	-	539.81	1.51
Ordinary	3,936.40	63.51	28,150.31	95.44	32,086.71	89.90
<i>Whole life and Pension</i>	831.55	13.420	6,452.08	21.88	7,283.63	20.41
<i>Pension</i>	95.24	1.54	604.60	2.05	699.84	1.96
<i>Term</i>	7.69	0.12	74.29	0.25	81.98	0.23
<i>Endowment</i>	2,617.83	42.23	19,093.62	64.73	21,711.45	60.83
<i>Riders</i>	384.09	6.20	1,925.72	6.53	2,309.81	6.47
Group	506.63	8.17	1,343.68	4.56	1,850.31	5.18
Credit	1,215.41	19.61	0.19	0.00	1,215.60	3.41
Total	6,198.25	100.00	29,494.18	100.00	35,692.43	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/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., Bangkok, Huaykwang, Bangkok 10310 Call Center 0-2777-8888, Fax 0-2777-8899, 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/en/About/Child/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/en/About/Child/34>

2.3 Management Structure of Company

2.3.1 Board of Director

The Company's Board of Directors consisted of 15 directors, including 2 executive officers and 13 non-administrative officers, 6 of whom are independent directors and 12 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/en/About/Child/35>

Roles and Responsibilities of the Board of Directors

Please see Corporate Governance Handbook that is published on the Company's website, Section 5 Responsibilities of the Board of Directors 5.1 Board of Directors, page 15-18, as follows:

<https://www.bangkoklife.com/source/content/files/%E0%B8%84%E0%B8%B9%E0%B9%88%E0%B8%A1%E0%B8%B7%E0%B8%AD%E0%B8%9A%E0%B8%A3%E0%B8%A3%E0%B8%A9%E0%B8%B1%E0%B8%97%E0%B8%A0%E0%B8%B4%E0%B8%9A%E0%B8%B2%E0%B8%A5%20website%20update%202019%20Mar%202019.pdf>

2.3.2 The Management

Please see "Names of Management" which are published on the Company's website as follows:

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

Please see Annual Report 2019 that is published on the Company's website, Duties Performed by the Performance Assessment, page 73 and Evaluation Committee and Corporate Governance Handbook Section 5 Responsibilities of the Board of Directors 5.3 Management, page 24 - 25, as follows:

Annual Report 2019

https://www.bangkoklife.com/Upload/InvestorFile/69735515d9f04a2c8ad94da6875aeb_a8.pdf

Corporate Governance Handbook

<https://www.bangkoklife.com/source/content/files/%E0%B8%84%E0%B8%B9%E0%B9%88%E0%B8%A1%E0%B8%B7%E0%B8%AD%E0%B8%9A%E0%B8%A3%E0%B8%A3%E0%B8%A9%E0%B8%B1%E0%B8%97%E0%B8%A0%E0%B8%B4%E0%B8%9A%E0%B8%B2%E0%B8%A5%20website%20update%2019%20Mar%2019.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/en/About/Child/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/en/About/Child/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/en/About/Child/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/en/About/Child/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/en/About/Child/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/en/About/Child/38>

2.4.7 Performance Assessment and Evaluation Committee

Please see "Names of Performance Assessment and Evaluation Committee and Authority and Responsibilities" in 2019 the annual report, page 72, which are published on the Company's website as follows:

<https://www.bangkoklife.com/Upload/InvestorFile/69735515d9f04a2c8ad94da6875>

[aeba8.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 2019 annual report, page 68, which is published on the Company's website as follows:

<https://www.bangkoklife.com/Upload/InvestorFile/82ba00539f8f4c59896b50dd383>

[4b568.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 2019 annual report, page 108, and Corporate Governance Handbook, page 25 which is published on the Company's website as follows:

Annual Report 2019

<https://www.bangkoklife.com/Upload/InvestorFile/69735515d9f04a2c8ad94da6875aeba8.pdf>

Corporate Governance Handbook

<https://www.bangkoklife.com/source/content/files/%E0%B8%84%E0%B8%B9%E0%B9%88%E0%B8%A1%E0%B8%B7%E0%B8%AD%E0%B8%9A%E0%B8%A3%E0%B8%A3%E0%B8%A9%E0%B8%B1%E0%B8%97%E0%B8%A0%E0%B8%B4%E0%B8%9A%E0%B8%B2%E0%B8%A5%20website%20update%2019%20Mar%2019.pdf>

2.6 Remuneration Policy

Please see "Remuneration of Directors and Executives" in the 2019 annual report, page 75, which is published on the Company's website as follows:

<https://www.bangkoklife.com/Upload/InvestorFile/69735515d9f04a2c8ad94da6875aeba8.pdf>

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

3.1 Enterprise Risk Management: ERM

The Company has established risk management throughout the organization by using the risk management principles according to the international standard ERM (Enterprise Risk Management) as a guideline. To ensure that the Company operates the business under the appropriate level of Capital Adequacy and Capital management efficiency, the Company has complied with the principles of risk assessment and financial stability of ORSA (Own Risk and Solvency Assessment), in line with minimum risk management to create value added and maximize benefits for all sectors of the organization.

Risk Management policy

The Company has established systematic Enterprise Risk Management consistent with international standards for the comprehensive management of major activities and all risk types through a set of processes. These include identification of risk factors and causes, assessment, analysis, prioritization, management, monitoring, and evaluation of risk management in order to make the corporate operations achieve the business objectives and goals, and to be in line with the defined risk appetite.

Governance structure for risk management

The Company has established a risk management structure and internal control according to the international standard of good governance practice to ensure that the Company has effective risk management and an independent assessment. The Company has also established a risk governance structure along with the scope of responsibilities, duties and participation in developing risk management for all departments by dividing the responsibility of risk management according to the Three Lines of Defense principle as follows:

1. 1st Line of Defense: those who are directly responsible for managing and controlling risks, called Risk Owner / Business Line by following the guidelines of risk management that are supported and in accordance with the plans of each department. This group consists of the Board of Directors, Executive Board of Directors, Investment Committee, President, executive management from all departments, employees in the organization and various working groups appointed by the Company.

2. 2nd Line of Defense: those who are responsible for overseeing and controlling the effectiveness of risk management (risk oversight / risk function), setting policy frameworks and risk management processes, and coordinating with risk owners in order that they are aware of risk management. This group includes Risk Management Committee, Risk Management Department and the Compliance Office.

3. 3rd Line of Defense: those who are responsible for ensuring and reviewing the effectiveness of risk management (risk assurance/ internal audit). They are responsible for monitoring the assessment operation and summarizing the risk management process. This group consists of the Audit Committee and the Internal Audit Department.

Risk factors and risk management

This is the management and internal control of activities or processes to reduce a lost opportunity or errors / failures and to reduce the impacts that may occur in the future to an acceptable level. The impacts must be assessed, controlled and can be systematically audited., comply with the laws and international standards. The risk factors have been evaluated both internal and external and considered in conjunction with the Company's strategic planning in analyzing and assessing risks through consideration of executives in each department. In this connection, the focus is on major risks that may affect the risk appetite and the operating performance according to the company's goals as follows:

- Capital Adequacy Ratio (CAR) ratio
- Profitability
- Growth rate and market share
- Operations and services with information systems

Market risks and interest rate risks decreased and remained in low level

1. Risks from fluctuation in market conditions such as interest rate fluctuations, investment properties price and exchange rate fluctuation, financial instrument price fluctuation, which are risks that affect the Company's investment income and capital. The Company controls and manages the risk value at a level not greater than the total capital required allocated for the risks according to the business plan. With the risk of market fluctuations at an acceptable level and when combined with other types of risk, the Company still has strong capital situation higher than required by law.

2. Low interest rate risk; interest rate is one of the major assumptions used for determining life insurance premiums, valuation of liabilities and reserves of insurance contracts. However, if the interest rate is remain low for a prolonged period, the Company's ability in paying policy benefits of the insurance contract, maintaining profitability level, capital requirement and managing the consistency of assets and liabilities of insurance contracts will be affected.

Measures and plans for risk management that the Company managed include revising the sales proportion of product mix by selling more protection products than saving products, revising the investment strategies to matching assets and liabilities while maintaining an acceptable level of return on investment. The efficiency of risk management and monitoring is also improved with Early Warning Systems, sensitivity analysis and stress test of key risk factors.

Competitive risks

They are risks that occur in distribution channels, management efficiency and / or operational processes due to the inconsistency or the inability to adapt to the business environment fluctuations. These fluctuations include changing consumer behaviours, such as, less Bancassurance offering opportunities is due to less customers using services at bank offices, the economic downturn and higher household debt reduces the consumers' purchasing power, new technology and sales promotion tools and services have been implemented to support the operations systems, etc. The Company's business plan that determined and take into account the risk measures and management have been executed for adjustable business operation strategies. The Company also have developed the IT system and operational processes, management of distribution channels and product strategies to be progressive and up to date to enhance the company's competitiveness.

Legal and compliance risks

Changes in laws and regulations as well as changes in governance may affect the competitiveness, financial costs and the company's performance and / or non-compliance with the rules or negligence, which in turn, may cause the company to be probed, fined, or prosecuted. To prevent the above risks, the Company has applied the 3 lines of defence principles as a guideline in practice, in overseeing and monitoring various departments to perform duties in accordance with the regulators, the policies and rules of the company. The related departments and personnel are acknowledged and comply with the legal changes. The new laws that will affect the operational process include the Personal Data Protection Act B.E. 2562, the Cyber Security Act B.E. 2562, Financial Reporting Standards, IFRS, and the Risk Based Capital according to Phase 2 (RBC 2) etc.

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 changes in interest rate within a similar level (Duration Matching). Duration gap is determined as a key risk indicator (KRI) and therefore, is regularly monitored along with the management of asset and liability cash flow matching, while still maintaining 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 reinsures 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. Additionally, the performance of reinsurance arrangement has

been regularly monitored and reinsurance strategies are also reviewed annually in response to changes in the market and the company's risk profile.

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	2019		2018	
	Account value	Account value	Appraisal value	Appraisal value
Long-term technical reserves	277,488.52	306,920.43	283,714.51	273,897.63
Short-term technical reserves	1,136.39	951.17	888.37	990.88
Unpaid policy benefits	191.17	191.17	188.06	168.39
Due to insured	7,276.02	7,276.02	7,553.10	7,666.70

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
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	Use Bid price for unit trust listed on Exchange market Use Net asset value (NAV) for unit trust not listed on Exchange market
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			
	2019		2018	
	Account value	Appraisal value	Account value	Appraisal value
Deposits at financial institutions	2,085.30	2,085.30	5,930.85	5,930.85
Fixed income (Bond, Debenture, Promissory note, Bill of exchange, and Convertible bond)	261,276.44	301,590.55	250,793.85	266,939.25
Equity (exclude investment in associated companies and subsidiaries)	22,116.79	22,329.13.	20,710.14	20,868.35
Unit Trust	28,018.64	28,018.64	24,968.25.	24,968.25
Policy loan	8,477.92	10,020.93	7,798.12	8,588.67
Loans and Leasing	1,748.14	1,747.94	3,763.43	3,768.63
Warrant to purchase ordinary share / debenture / unit trust	4.35	4.35	2.51	2.51
Derivatives	998.12	1,744.16	274.89	676.38
Other investment assets	-	-	-	-
Total investment assets	324,725.69	367,541.00	314,242.04	331,742.89

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 2018 which is published on the Company's website as follows:

<https://www.bangkoklife.com/Upload/InvestorFile/5f6db9fa1b0346499264062c040acd26.pdf>

Company financial information summary as follows:

Items	Unit: Million Baht	
	2020	2019
Gross written premium	35,692.43	40,892.09
Net earn premium	34,307.87	39,554.31
Net investment income	12,631.63	12,202.36
Life policy reserves increased (decreased) from prior year	3,580.42	17,313.05
Benefit payments under life policies and claims	34,764.49	24,671.25
Profit (Loss) for the years	4,383.93	4,926.02

Unit : %

Ratio	2020	2019
FY Underwriting expenses / Net premium*	37.8	37.7
RY Underwriting expenses / Net premium *	4.8	3.5
Return on equity ratio*	10.6	12.7
Return on assets ratio		
- Return on total assets ratio	1.3	1.6
- Return on total assets excluded assets related to Unit Linked and Universal life policies ratio	1.3	1.6
Return on Investment Ratio*		
- Return on total investment ratio	4.0	4.0
- Return on total investment excluded investment from Unit Linked and Universal life policies ratio	4.0	4.0
Investment assets / Life policy reserve (Appraisal Value)*	119.4	116.4

*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	
	2019	2018
Total Assets	375,769.79	340,172.30
Total Liabilities	318,492.54	295,144.59
- Life insurance contracts Liabilities	315,338.80	292,344.04
- Others	3,153.74	2,800.55
Shareholder equity	57,277.25	45,027.72
Capital Adequacy ratio (%)	313.53	259.97
Total Available Capital	57,037.88	44,892.38
Regulatory Capital	18,192.42	17,268.17

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/en/Investor/FinanceInfo/17>