

# **Bangkok Life Assurance Public Company Limited**

## **Disclosure Report For The Year 2022**

**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.

Bangkok Life Assurance  
  
86f5cf6ab2

(Mr. Chone Sophonpanich)  
Chief Executive Officer and President

Bangkok Life Assurance  
  
6a24354b5c

(Ms. Chollada Sophonpanich)  
Authorized Director

Disclosed on 25 May 2023

For the year 2022

## ***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**

Bangkok Life Assurance Public Company Limited was established by Major General Kuang Aphaiwongse (former Prime Minister), Phraya Sriwisarnwacha, Mr. Chin Sophonpanich and many other honorable wealthy individuals. Originally, the Company was named 'KrungSiam Life Assurance Company Limited' and started operating on June 1, 1951. In the early stages, Company business operations mainly focused on managing aid welfare. In 1977, Mr. Chin Sophonpanich, the Company Chief Adviser at the time, suggested that it was the right time for the Company to earnestly conduct life insurance business. He assigned Mr. Vai Vathanakul, an experienced, qualified, and world recognized executive along with Mr. K. V. Claridge F.I.A., Swiss Re Insurance Company's actuarial science specialist, to restructure and reorganise the Company. On January 1, 1979, the Company's name was changed from KrungSiam Life Assurance Company Limited to 'Bangkok Life Assurance Company Limited' and has been listed on the Stock Exchange of Thailand since September 25, 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**

Please see details in 56-1 One Report 2022, page 62 - 68, that is published on the Company's website as follows:

[https://www.bangkoklife.com/source/content/files/ENG\\_BLA%20One%20Report%202022%20\(Online\).pdf](https://www.bangkoklife.com/source/content/files/ENG_BLA%20One%20Report%202022%20(Online).pdf)

##### **1.2.3 Life Insurance Business Trends 2023**

Please see details in 56-1 One Report 2022, page 69 - 70, that is published on the Company's website as the follows:

[https://www.bangkoklife.com/source/content/files/ENG\\_BLA%20One%20Report%202022%20\(Online\).pdf](https://www.bangkoklife.com/source/content/files/ENG_BLA%20One%20Report%202022%20(Online).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.

2022 was still a challenging year due to changes in external factors from both global economic conditions and monetary policies of the Bank of Thailand, such as interest rate adjustment policy. As a result, the company adjusted its strategy to be in line with the current situation for stable and sustainable growth in the future, for example:

- Developed new health protection products so that customers can access the products thoroughly. Currently, there are health protection products, such as Prestige health, Happy health, Value health covering customers of all income levels and needs.
- Developed and launched life insurance products with participation in dividends (Participating Product) and Life Insurance Product with investment features (Unit Linked)
- Focused on increasing the use of tools for agents and financial advisors in the preparation of electronic applications (Smart App) that facilitate sale since the offering, creating an application, and verification via digital system until insurance premium payment. At present, the usage of Smart App has increased up to 95% of the total number of applications.
- Added features of BLA Happy Life Mobile Application, which is a mobile application that customers can use to use various services of the company. The features included checking the hospital information, finding the suitable insurance, paying premium, and receiving various privileges for customers. Also, promoted the use of digital services so that customers can receive services quickly and conveniently, such as electronic premium payment notification service (e-Notice), electronic endorsement document service (e-Endorse), electronic mail delivery service (e-Letter) and a service for requesting a refund with the company through electronic channels (e-Withdraw). Currently, customers can conduct transactions on the application since the step of notice of premium payment, change of policy information, claim information, checking policy information, endorsement record information, policy status letter, withdrawal of funds retained by the company, view investment information, contract hospital information, health service, special privileges, until the step of borrowing money. All the transactions can be done without having to travel to a branch or head office.
- Received ISO 27001:2019 privacy information management. A standard for privacy information management system. This confirms the strength of the personal information security system that can reduce risk and protect customer privacy. The standard increased confidence and trust in the management of personal information of individual customers through electronic systems, both in sales and after-sales service. Bangkok Life Assurance was the first life insurance company to receive this standard certification.

### 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.

The Company reinvests those premiums received in accordance with the investment policy framework. The investment ratio is allocated in line with the liability under the insurance contract and the Company's risk policy and with a return on investment in accordance with the policy conditions guaranteed by the Company.

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

#### Types of Life Insurance

The Company currently offers life insurance plans to meet the needs of customers that can be categorized into 3 types of products as follows:

#### 1) Ordinary Life Insurance

Ordinary Life Insurance offers a life protection or saving for an individual policyholder. The company promises to pay the benefits according to the contract details as long as the contract remains in force. The product types are further classified and summarized as follows:

**(1) Whole Life Insurance** promises a lump-sum payout to the beneficiary/policyholder in the event of death or attaining certain age (normally 90 or 99 years old) of the insured. This product type offers a protection against unexpected death of the insured.

**(2) Pension** promises a series of payments payable monthly or yearly once the policyholder attains his/her retirement age (normally 55 or 60 years old) specified in the contract until the age of 85. This product type offers a protection against longevity risk: the risk of having no income after the retirement age.

**(3) Term Life Insurance** promises a lump-sum payout in the event of the insured's death which occurs within a specific period to a beneficiary. This product type has a very low premium rate compared to the benefit promised and is suitable for those who look for a death protection for a limited time.

**(4) Endowment Insurance** promises a lump-sum payout or a series of payments when the insured dies within a specific term or survives at the end of the contract term. This product type has a variety of premium terms e.g., BLA Happy Saving 14/7 (14 years protection term/ 7 years premium term). Generally, this product type is used for saving purposes.

**(5) Unit-linked** offers both life coverage and returns from the investments in mutual funds. The returns are, thus, non-guaranteed by the company. This product type is suitable for policyholder who would like flexibility in the benefit amount, premium payments and mutual fund investments. However, investing in mutual funds and unit trust involves risks. The policyholder should be adequately aware of the nature of the investment and prepared for the event that loss is made.

**(6) Rider Contract** is attached to the main contract to provide additional coverages such as in the events of accidents, total permanent disability, health benefit, daily hospitalization compensation or critical illness.

## 2) **Group Life Insurance**

Group Insurance Contract covers a group of people. Generally, the contract is arranged for the employees of a particular employer as a form of corporate welfare benefits. The underwriting policy will take into account the risk factor (such as age, gender, occupation, job characteristics and sum assured) of the whole group. Group insurance premium rates in general would be lower than those of Ordinary Insurance. The contract is renewable annually; therefore, the premium rate, benefits covered and the conditions may vary subject to changes in market conditions and risk factors.

## 3) **Mortgage Insurance**

Mortgage Insurance is a term life insurance that will pay, in general cases, a decreasing lump sum in the event of death and/or total permanent disability of the policyholder within a specified period. The decreasing sum assured is consistent with the nature of decreasing mortgage balance of the policyholder. The benefits from the policy may be used to close the debt balance in case of the policyholder's unexpected death.

### Premium proportion by product type in 2022

Product Type	First Year Premium		Renewal Year Premium		Total Premium	
	Amount (Million Baht)	Proportion (%)	Amount (Million Baht)	Proportion (%)	Amount (Million Baht)	Proportion (%)
Ordinary – Single Premiums	163.95	2.37	-	-	163.95	0.46
Ordinary	4,756.60	68.69	27,747.41	95.99	32,504.01	90.71
<i>Whole life</i>	365.79	5.28	5,966.09	20.64	6,331.88	17.67
<i>Pension</i>	67.70	0.98	539.12	1.87	606.82	1.69
<i>Term</i>	4.02	0.06	58.16	0.20	62.18	0.17
<i>Endowment</i>	3,803.25	54.92	18,864.94	65.26	22,668.19	63.26
<i>Unit-linked*</i>	5.44	0.08	0.24	0.00	5.68	0.02
<i>Riders</i>	510.40	7.37	2,318.66	8.02	2,829.26	7.90
Group Mortgage insurance	629.43	9.09	1,158.40	4.01	1,787.83	4.99
	1,375.17	19.86	0.32	0.00	1,375.49	3.84
<b>Total</b>	<b>6,262.44</b>	<b>100.00</b>	<b>29,454.76</b>	<b>100.00</b>	<b>35,717.20</b>	<b>100.00</b>

\*Unit-linked products' FYP includes only the components related to insurance.

Note: Information from 56-1 One Report 2022

## **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 1415 Krungthep - Nonthaburi Road, Wongsawang, Bangsue, Bangkok 10800 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 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/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, Practice 1.3 Board of Directors must supervise all directors and executives to ensure they perform their duty responsibly, carefully, and with loyalty, and govern the operation to comply with laws, rules, and Stockholder Meeting resolution, page 8, as follows:

[คู่มือบรรษัทภิบาล update CG Code.pdf \(bangkoklife.com\)](#)

#### **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 56-1 One Report 2022 that is published on the Company's website, page 195 and Evaluation Committee and Corporate Governance Handbook Practice 1.4 Board of directors understand their scope of duties and responsibilities and clearly set scope of assigning duties and responsibilities to Managing Director and the Management, and also monitor the Managing Director and the Management to ensure they follow the duties and responsibilities assigned, page 9 - 11, as follows:

[56-1 One Report 2022](#)

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[Corporate Governance Handbook](#)

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## 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. Please see 56-1 One Report 2022, page 195 - 199, that is published on the Company's website as follows:

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## 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 56-1 One Report 2022, page 206, which is published on the Company's website as follows:

[https://www.bangkoklife.com/source/content/files/ENG\\_BLA%20One%20Report%202022%20\(Online\).pdf](https://www.bangkoklife.com/source/content/files/ENG_BLA%20One%20Report%202022%20(Online).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 "Recruitment of senior management" in the 56-1 One Report 2022, page 207, and Corporate Governance Handbook, page 23 which is published on the Company's website as follows:

[56-1 One Report 2022](#)

[https://www.bangkoklife.com/source/content/files/ENG\\_BLA%20One%20Report%202022%20\(Online\).pdf](https://www.bangkoklife.com/source/content/files/ENG_BLA%20One%20Report%202022%20(Online).pdf)

[Corporate Governance Handbook](#)

[คู่มือบรรษัทภิบาล update CG Code.pdf \(bangkoklife.com\)](#)

### **2.6 Remuneration Policy**

Please see "Remuneration of Directors and Executives" in the 56-1 One Report 2022, page 212 - 213, which is published on the Company's website as follows:

[https://www.bangkoklife.com/source/content/files/ENG\\_BLA%20One%20Report%202022%20\(Online\).pdf](https://www.bangkoklife.com/source/content/files/ENG_BLA%20One%20Report%202022%20(Online).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 in compliance with laws and international standards. The risk factors have been evaluated both

internally and externally 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:

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

### **Competitive risks**

In today's business environment, competition comes from adoption of new technologies to make customer service accessible anytime and anywhere. Not only must strategies meet the needs of customers or to facilitate them, but creating a good experience in using the service is also another factor that companies focus on, both in terms of sale and after-sales service and policy service. The company is aware of changes in these factors and has given importance to continually develop a business plan that determines its direction to improve and review the adoption of digital and information technology as a factor in driving the organization. This comprises prescribing risk management plans and measures for multiple scenarios to enable prompt modification of numerous strategies used in both development of the operation system and various service processes, which include sales channel management and developing new insurance schemes to increase the company's competitiveness.

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

1. Interest rate risk is the risk that interest income from investments and the value of financial instruments will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions, investments in securities and loans. In risk management, the Company has taken the investment risk and the appropriate investment return into consideration.

2. Volatility of money market and capital market is the risk from volatility of, for example, price of investment assets and exchange rate, which may affect the Company's investment income and capital. The Company manages the amount of risk to be within the acceptable threshold of risk-based capital as allocated per the business plan. When combined with other risks, the Company has a strong capital position and higher than the level mandated by law.

3. Foreign currency risk is the risk from the Company's significant exposure to foreign currency in respect of its investments in bonds and unit trusts which are denominated in foreign currencies. The Company utilizes cross currency swap and forward exchange contracts to manage the risk.

4. Investment risk for investors is the risk from uncertainty of the return that investors will receive from holding securities or stocks of the company, which includes:

- 4.1 The Company's stock price may rise or fall in a volatile fashion, which depends on several factors. Some of them may be uncontrollable such as economic condition, changes in regulation or requirement, crises such as COVID-19 pandemic and financial crisis, etc. These factors could depress the stock price below what investors paid for or higher than their sold portions, or both. Therefore, the investors may be at risk from uncertainty of return on investment not meeting expectation. As such, in order to reduce the impact on investors, the Company has

provided them the operating results, the essence and unique characteristics of life insurance business through various channels continuously.

- 4.2 Risk of dividend payment that does not meet the investors' expectation. The company's affordability is subject to several factors such as operating results, rules and policies of regulators. If these factors affect the company's affordability of annual dividends or interim dividends, or both, the Company may be at risk of maintaining its capital if it pays dividends at normal rate. In this connection, the Company may not be approved to pay dividends or dividends will be paid at a lower rate specified by the Company as not less than 25 percent of net profit.

The Company has managed the investment risk of securities holders with effective business operations and formulation of financial and other risk management policy, including closely monitoring economic situation, rules and policies of regulators and other related sectors so that the Company can prepare for adaptation and/or change quickly and in a timely manner. This is to ensure that the Company has a strong and stable financial position and can give investors the opportunity to receive good and consistent returns or dividends.

5. The prolonged low interest rates affect the profitability and the insurance product development. Interest rates is one of the main assumptions in setting the premium rates, evaluating insurance reserves and capital adequacy ratio, prolonged low interest rates will affect the ability to pay contractual obligations, the maintenance of profitability, risk-based capital and the management of asset and liability correlation.

The Company manages this risk by establishing RBC working team to closely monitor, evaluate and report risk factors and Key Risk Indicators (KRI), including the review and revision of investment plans according to the situation such as asset allocation management, duration gap management while maintaining an acceptable level of investment return. The Company also regularly reviews the product pricing to reflect the current costs, and monitors the risks by using early warning system, sensitivity test and stress test.

### **Legal and compliance risks**

Over the past year, the Company has been following up on changes in law, rules and regulations from government agencies. The Company has prepared and adjusted internal processes to be ready to comply with the legal changes such as the Personal Data Protection Act, 2019. The Company has prepared the operating systems, personnel and work procedures to comply with the enforcement of laws, including the Cyber Security Act, 2019, which set the relevant committees to establish a policy framework, management plan, monitoring control and reporting. For financial laws and relevant regulations, such as the International Financial Reporting Standards (IFRS), the Company has studied on its effect as well as conducting studies on the impact of law and putting in place systems and simulation models to comply with law enforcement in the future.

### **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 risk appetite level of ALM risk level.

#### **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's business operation and directly affects its 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 and stabilizing financial losses from unexpected high-value claims by transferring risks to reinsurers, who have financial strength with long-standing experience and are well accepted in both domestic and international markets 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 Company's underwriting capacity and supports its expansion into new markets which are risky and extraordinarily complex by relying on reinsurer's experience in providing academic services and specialized technical consultation according to market needs and trends. In this connection, the Company has also been managing the credit risk of reinsurance partners 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	2022		2021	
	Account value	Appraisal value	Account value	Appraisal value
Long-term technical reserves	288,895.49	280,440.01	287,771.59	304,461.95
Short-term technical reserves	2,096.67	1,865.95	1,965.97	1,722.93
Unpaid policy benefits	434.50	434.50	347.82	347.82
Due to insured	3,330.18	3,330.18	5,394.60	5,394.60

## 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 and Dividend discount model
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			
	2022		2021	
	Account value	Appraisal value	Account value	Appraisal value
Deposits at financial institutions	2,777.30	2,777.30	2,270.61	2,270.61
Fixed income (Bond, Debenture, Promissory note, Bill of exchange, and Convertible bond)	276,112.48	277,907.18	276,344.34	292,509.14
Equity (exclude investment in associated companies and subsidiaries)	21,539.73	21,539.73	21,780.41	21,780.41
Unit Trust	20,946.47	20,946.47	26,141.80	26,141.80
Policy loan	9,649.77	10,980.63	9,652.70	11,277.87
Loans and Leasing	2,076.41	2,065.14	2,476.39	2,468.24
Warrant to purchase ordinary share / debenture / unit trust	35.06	35.06	22.19	22.19
Derivatives	457.40	457.40	190.38	190.38
<b>Total investment assets</b>	<b>333,594.62</b>	<b>336,708.91</b>	<b>338,878.82</b>	<b>356,660.64</b>

- 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 2022 which is published on the Company's website as follows:

<https://www.bangkoklife.com/Upload/InvestorFile/f8584c903bc247ff8e499967c915b503.pdf>

Company financial information summary as follows:

Unit: Million Baht

Items	2022	2021
Gross written premium	35,831.28	35,717.19
Net earn premium	34,579.19	33,992.44
Net investment income	12,170.34	12,083.78
Life policy reserves increased (decreased) from prior year	1,123.91	5,364.28
Benefit payments under life policies and claims	38,168.02	33,652.69
Profit (Loss) for the years	3,209.87	3,192.57

Unit: %

Ratio	2022	2021
FY Underwriting expenses / Net premium*	30.0	37.0
RY Underwriting expenses / Net premium *	4.5	3.9
Return on equity ratio*	6.9	6.8
Return on assets ratio		
- Return on total assets ratio	0.9	0.9
- Return on total assets excluded assets related to Unit Linked and Universal life policies ratio	0.9	0.9
Return on Investment Ratio*		
- Return on total investment ratio	3.6	3.6
- Return on total investment excluded investment from Unit Linked and Universal life policies ratio	3.6	3.6
Investment assets / Life policy reserve (Appraisal Value)*	119.0	116.0

\*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 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. Additionally, 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	
	2022	2021
Total Assets	345,186.90	365,228.36
Total Liabilities	289,657.78	316,192.18
- Life insurance contracts Liabilities	286,070.63	311,927.30
- Others	3,587.15	4,264.88
Shareholder equity	55,529.12	49,036.18
Common Equity Tier 1 (CET1) to Total Capital Required (%)	376.80	301.22
Total Capital Tier 1 to Total Capital Required (%)	376.80	301.22
Capital Adequacy ratio (%)	376.95	301.35
Total Available Capital	54,927.46	48,456.56
Regulatory Capital	14,571.59	16,079.79

**Remark** - According to the Notification of the Office of Commission regarding "Type of Capital Fund including Rules, Procedures and Conditions for Calculating the Life Insurance Capital Fund", the Registrar may impose necessary measures to supervise a company with a capital adequacy ratio lower than Supervisory CAR according to the Notification.

- The data above are calculated by using appraisal value according to the Notification of the Insurance Commission regarding "Asset and Liability Valuation of Life Insurance Company" and the Notification of the Office of Commission regarding "Type of Capital Fund including Rules, Procedures and Conditions for Calculating the Life Insurance Capital Fund".

**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>