

2 Letter to Shareholders



Dear Shareholders,

Through the year 2020, the COVID-19 pandemic has massive impacted towards people's way of life in Thailand and other countries around the world as well as global economy alike.

THRE Group faced various challenges in reinsurance business, volatile investments and tumble service revenues. We therefore had to modify our three-year strategic plan (2020-2022) prudently. For example, international related projects were rescheduled and a focus was instead placed on personal protection and health insurance projects, along with the increasing use of new technologies and delivery of new services, thus enabling the Company to achieve a favorable performance as targeted. THRE could also maintain a high international credit rating at "A –" or "Strong" with a stable outlook, as assigned by Fitch Rating which demonstrated THRE Group's solid financial position whereas building confidence among our business partners and facilitating our business expansion in domestic and foreign market.

From 2020 operating results, the Company posted a net profit of THB 222.0 million, a year-on-year surge of 77.9 percent, with ROE 6.1 percent or 2.6 pts., increasing from the prior year. More details are as follows:

Reinsurance Performance

Gross written premium amounted to THB 4,328.7 million, dropping by 2.8 percent from the previous year due to a gradual decrease in premium from long-term reinsurance projects in line with expiry of contracts. Meanwhile, net written premium increased 12.8 percent year-on-year to THB 3,944.2 million and underwriting profit flew by 123.9 percent to THB 53.7 million, a turnaround from the preceding year's loss of THB 225.0 million. Combined ratio edged down from 106.2 percent to 98.6 percent.

In the past year, THRE rolled out new products in association with our insurance partners so as to stay in synch with the situation, particularly for health insurance whose demand increased dramatically in the wake of the COVID-19 pandemic.

Non-conventional business grew by a healthy 18.9 percent, whereas expenses related to the long-term reinsurance projects dropped in line with gradual expiry of contracts, leading to distinct improvement in our previous year's performance.



Service Performance

Albeit our ongoing expansion of customer base and services, our service income, hit by the COVID-19 outbreak, rose by just 0.9 percent in 2020. Income from service businesses constituted 8.7 percent of THRE Group's total revenues.

In the past year, THRE subsidiaries integrated technologies harmoniously into their service models in a bid to develop and improve service quality and grow revenues in the future, as follows:

1) Thaire Services Co., Ltd., a provider of Third Party Administrative (TPA) services, applied the robotic process automation (RPA) technology to develop its internal processes and services by automating these routine processes, which helps to enhance operational efficiency, reduce time and errors, and save cost as well.

2) EMCS Thai Co., Ltd., a provider of computer service for motor insurance claims and related statistics, developed the artificial intelligence (AI) technology to improve efficiency in claims management for customers by, for instance, providing real time data when an event occurs, assessing claims, verifying claims, etc. This helps to reduce time, process and cost of claims management and will become another significant income source of the Company in the near future.

3) Thaire Innovation Co., Ltd., a provider of platform services for insurance business, developed the blockchain & cloud technology for servicing on "Smart Contract" platform under the name of "Insurer Network" to facilitate customers' execution of reinsurance contracts. This allows for greater efficiency, rapidity, transparency and examination, thus bringing high security.

In the past year, service businesses posted a profit of THB 63.4 million, which declined by 20.7 percent year-on-year due to the COVID-19 impact.

Investment Income

In 2020, THRE Group recorded net investment income of THB 131.6 million with ROI of 3.7 percent (including tax benefits), plummeting by 56.1 percent year-on-year. This stemmed from the fact that, subsequent to the adoption of TFRS9 in 2020, gain on disposal of investment funds of THB 59.5 million was not incorporated into the statement of income, but was directly added to retained earnings instead.

Moving Forward

Our strategic plan designated for the three-year period of 2020-2022 will be implemented in a more aggressive and challenging manner, when compared with the previous plan (2017-2019), under our vision, "To be the most valuable Personal Line Insurance Partner in Thailand and South East Asia." This denotes that the Company will accentuate the expansion of both reinsurance and service businesses, along with the adoption of new technologies, with a view to enabling THRE Group to achieve the operational targets, i.e. to regain a high rate of revenue growth of 10 percent with ROE above 10 percent over the next three years. Here are the highlights of our strategic plan:

1. Emphasize the expansion of personal line business, particularly accidental and health insurance for both conventional and non-conventional products. Non-conventional business will be expanded in the form of segmentation through development of new products and channels in collaboration with our customers or business partners, at home and overseas, so as to deliver solutions that more truly suit the target audience in conjunction with the use of technology.

As for commercial line business, we will properly align our pricing with the market condition, which currently is trending towards a hard market.

2. Apply technology, such as AI, blockchain, robotics, etc., to enhance operational efficiency and develop products or services for insurance business on a fully-integrated basis in a bid to grow reinsurance premium and service income.

3. Concentrate on fully-fledged expansion of reinsurance and service businesses into Southeast Asia (SEA) market. In 2020, THRE Group brought in premium income from foreign reinsurance of THB 36.5 million and, in 2021, expects to begin to earn reinsurance premium income from the Philippines. For service business, we already entered into a memorandum of understanding (MOU) to set up an entity in Cambodia, and are now making preparations for such business operation. For the time being, we also are in the process of conducting a study and concluding a business plan with our strategic partner for business expansion to Vietnam, with final conclusion expected in 2021. Our further target set to be attained by 2022 is to gain a foothold in both reinsurance and service businesses in Indonesia and Malaysia.

4. Broaden business cooperation with Fairfax Financial Holding Group and National Reinsurer in each ASEAN member country to develop and build upon businesses in these countries to a greater extent.

As mentioned above, the four strategic plans shall be adapted to suit the changing circumstances under these main structures.

Amid huge fluctuations, the management has made all preparations to cushion against these uncertainties and is confident that we will be able to achieve the plans we have set out.

Yours sincerely,



(Oran Vongsuraphichet)

Chief Executive Officer