
Letter to Shareholders

Dear Shareholders,

In 2022, non-life insurance remained stricken with the COVID-19 pandemic, notably in the first half of the year which saw a massive number of infections and record payouts. As revealed by the Thai General Insurance Association, total payouts for COVID-19 cases in 2021-2022 reached THB 160 billion, with remaining claims yet to be settled in the amount of more than THB 70 billion. However, the situation has gradually improved on account of expiry of the “Lump-sum Payout” COVID-19 policies in mid-2022 and successful vaccination of a majority of Thai population, along with decreased severity of the disease. This led to a revival of the economy and economic activities, including business operation, consumer spending, traveling and tourism all of which have gradually returned to normalcy since mid-2022. Having been similarly hit hard by the pandemic; though, the Company could perform better in the latter half of the year thanks to a gradual decrease in the COVID-19 impacts.

In the aftermath of the pandemic, the Company recognizes opportunities in many businesses that will be getting back on track such as traveling, tourism, and health insurance. We have made preparations in all aspects to cater to the growing demand for insurance, both commercial line and personal line. Particularly amid the current hard market trend worldwide, the Company will unlock the opportunity to expand into commercial line in the domestic reinsurance market. At the same time, a focus will be placed on personal line expansion for foreign reinsurance. As international travel is getting back to normal, we believe foreign reinsurance will also grow healthily.

However, the Company shall exercise caution in our business operation due to risks from natural disasters and rising medical costs. We have ensured that risks are managed with a highest degree of prudence. For instance, products are developed with reasonable premium rates, tools are fully used for risk assessment, etc.

In terms of our capital position, the Company’s capital adequacy ratio (CAR) as of Q3/2022 stood at 334%, far exceeding the OIC’s minimum requirement of 120%. The Company could also maintain a high international credit rating at “A-” or “Strong” with a stable outlook, as assigned by Fitch Rating, which bears testimony to THRE Group’s solid financial position.

From our 2022 operating results, the Company recorded a net loss of THB 194 million due to the COVID-19 fallouts. Nonetheless, our working results could improve by 46% from the prior year as the COVID-19 impacts gradually faded until expiry of the problematic policies in Q2/2022, with a gradual pickup in our performance as evident from a net profit of THB 32 million earned in Q4/2022. The details of our performance, by business line, are as follows:

Reinsurance Performance

Gross written premium amounted to THB 4,200 million and net written premium was THB 3,856 million, which dropped by 4% year-on-year. This was because of premium from COVID-19 insurance recorded in the previous year. If excluding the COVID-19 insurance premium, the net written premium would increase by 6% year-on-year, driven by ongoing growth in both personal line and commercial line.

Underwriting loss stood at THB 330 million, improving by 45% from the preceding year as the COVID-19 impacts ended upon expiry of the Lump-sum Payout policies in Q2/2022. Without the COVID-19 impacts, the Company would generate an underwriting profit of THB 201 million, with a combined ratio of 94.6% which was close to the previous year's 92.7%. Such stronger underwriting results were ascribed to growth in personal line and commercial line and their favorable performance.

Service Income

In 2022, the Company proceeded with subsidiary preparation for applying for listing of a subsidiary, BlueVenture Group Public Company Limited (formerly EMCS Thai Co., Ltd.) ("BVG"), on the stock market. The official listing of BVG on the MAI was successfully completed on the 17th February 2023.

The subsidiary restructuring and listing on the stock exchange is aimed to clearly separate the Company's reinsurance business and the subsidiary group's insurance technology innovation business in order to develop and uplift our service quality towards sustainable revenue growth and expand investment in the subsidiary group, which will gain direct access to funding from investors and become less financially reliant on the Company.

BVG is a leader and expert in platform and application services for motor insurance, using big data and artificial intelligence (AI) to upgrade standards and develop service quality in the best interests of insurance business and trade partners.

Moreover, BVG offers the platform and application services to support insurance business operation through three subsidiaries, as follows:

(1) BlueVenture TPA Co., Ltd. ("BVTPA"), formerly Thaire Services Co., Ltd., a provider of platform and application services for medical benefit and claim management, including relevant consulting services (TPA Services), insurance advisory and training services, and other operational support services;

(2) BlueVenture Actuarial Co., Ltd. ("BVA"), formerly Thaire Actuarial Consulting Co., Ltd., a provider of actuarial consulting services; and

(3) BlueVenture Tech Co., Ltd. ("BVTECH"), formerly Thaire Innovation Co., Ltd., a provider of information technology innovation services such as digital platform, platform development, and consulting and maintenance services.

Net service income went up by 9% as a result of improvement in the COVID-19 situation since Q2/2022 and new revenue stream from the new services using AI technology for motor claims, starting since Q4/2022 with continuous growth. Meanwhile, expenses were incurred from preparations for listing of a subsidiary on the MAI since mid-2021. All in all, a net profit could be achieved in the amount of THB 53 million, about the same as in the previous year.

Investment Income

Net investment income was recorded at THB 44 million, down by 57% due to a drop in interest and dividend income in proportion to the decrease in investment fund caused by the COVID-19 claim payment. In addition, there was a loss arising from investment fair value adjustment in the amount of THB 30 million in the wake of stock market volatility in Thailand and overseas, triggered by inflationary pressure and the US Federal Reserve's interest rate

hike, which prompted the Company to gradually reduce the overseas investment. The effects from such volatility are expected to decrease significantly in the future.

Moving Forward

Under our 2023 strategic plan, spanning the next two years, the Company will continue to pursue 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 and revamp the strategic plan to keep up with changes in competition and market conditions. Here are the highlights of THRE Group’s strategic plan:

1. Emphasize growth in commercial line business, particularly in the domestic market. We will properly align our pricing with the market condition, which currently is trending towards a hard market. On the side of overseas market, a focus will be placed on personal line business, especially in accident 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 so as to deliver solutions that more truly suit the target audience in conjunction with the use of technology.

2. Apply new technology such as big data, 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 2022, THRE Group brought in premium income of THB 68 million from foreign reinsurance in Cambodia, Laos, Vietnam and the Philippines, further targeting to earn such income from Indonesia in 2023. 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 and the Philippines, with final conclusion expected in 2023.

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

However, the above plans shall be flexibly adapted according to any changing circumstances under current market volatility.

Yours sincerely,



(Mr. Oran Vongsuraphichet)

Chief Executive Officer