

8. Capital Adequacy

The Company's capital management policy is to maintain a strong capital base to meet policyholders' obligations and the requirements of the Office of Insurance Commission, to create shareholder value and deliver sustainable returns to shareholders. The Company performed its own risk and solvency assessment (ORSA) incorporating with its business plan, company key risk, and capital management, taking into account strategic risks and external factors which could negatively affect capital adequacy. Capital management is one of the key responsibilities of Asset and Liability Committee (ALCO). Our activities to effectively monitor and test our capital sufficiency on a regular basis include but not limited to

- Testing capital adequacy in 3 years Business Plan;
- Regularly testing and forward projection of capital adequacy based on going concern basis and economic downturn; and
- The sensitivity test on any significant changes to assess the impact of key risk variables for better informed decisions.

In accordance with and the requirements of the Office of Insurance Commission, all insurers are required to maintain a minimum at least 140% of capital adequacy ratio. It is the Company's policy to hold capital levels in excess of minimum requirement. As at 31 December 2018, the capital adequacy ratio is at 438%, much higher than the minimum required capital of 140%.

Unit: Million Baht

Description	As at 31 December	
	Year 2018	Year 2017
Total assets	121,591	110,877
Total liabilities	92,197	80,770
- Insurance contract liabilities	89,469	77,087
- Other liabilities	2,729	3,682
Shareholders' equity	29,394	30,108
Capital Adequacy Ratio (Percentage)	438%	494%
Total Capital Available	18,050	18,344
Total Capital Required	4,122	3,714

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 one hundred and forty percent.

- The capital fund is calculated by using the appraisal value according to the Notification of the Insurance Commission regarding "Asset and Liability Valuation of Life Insurance Company".

- The above items are calculated by using the appraisal value according to the Notification of the Insurance Commission regarding "Asset and Liability Valuation of Life Insurance Company".

For more information about the Capital Adequacy, please visit our website

<https://www.prudential.co.th/corp/prudential-th/en/our-company/our-financial-performance/index.html>