

Pacific Cross Health Insurance Public Company Limited

Financial statements for the year ended
31 December 2020
and
Independent auditor's report



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Independent Auditor's Report

To the Shareholders of Pacific Cross Health Insurance Public Company Limited

Opinion

I have audited the financial statements of Pacific Cross Health Insurance Public Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2020, the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The statement of financial position of Pacific Cross Health Insurance Public Company Limited as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, which is included as comparative information, was audited by another auditor who expressed an unqualified opinion thereon in his report dated 23 April 2020. ✓

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
20 April 2021

Pacific Cross Health Insurance Public Company Limited

Statement of financial position

Assets	Note	31 December	31 December
		2020	2019
		<i>(in Baht)</i>	
Cash and cash equivalents	5	161,843,351	84,461,933
Premiums due and uncollected, net	6	50,780,613	46,325,707
Accrued investment income		1,321,669	1,452,832
Reinsurers' share of insurance contract liabilities	13	161,041,184	134,547,278
Reinsurance receivables	7	23,827,266	21,006,372
Financial assets	3, 8, 25, 26	301,050,828	250,236,389
Equipment	9	1,479,374	1,691,048
Right-of-use-assets	3, 10	12,101,111	-
Intangible assets	11	305,997	644,047
Deferred tax assets	22	14,514,032	-
Other assets	12	4,214,845	7,578,957
Total assets		732,480,270	547,944,563

The accompanying notes form an integral part of the interim financial statements.

Pacific Cross Health Insurance Public Company Limited

Statement of financial position

		31 December 2020	31 December 2019
Liabilities and equity	<i>Note</i>		
		<i>(in Baht)</i>	
Liabilities			
Insurance contract liabilities	13	381,300,495	299,453,900
Reinsurance payable	14	122,020,014	92,984,031
Income tax payable		1,324,014	-
Provisions for employee benefits	15	1,863,353	1,313,195
Lease liabilities	3	12,374,931	-
Other liabilities	16, 24	45,734,802	34,672,206
Total liabilities		564,617,609	428,423,332
Equity			
Share capital	17		
Authorised share capital			
(20,000,000 ordinary shares, par value at Baht 25 per share)		500,000,000	500,000,000
Issued and paid share capital			
(20,000,000 ordinary shares, par value at Baht 25 per share)		500,000,000	500,000,000
Deficit			
Deficit		(332,137,339)	(380,478,769)
Total equity		167,862,661	119,521,231
Total liabilities and equity		732,480,270	547,944,563

The accompanying notes form an integral part of the interim financial statements.

Pacific Cross Health Insurance Public Company Limited
Statement of comprehensive income

		For the year ended 31 December	
	Note	2020	2019
		(in Baht)	
Revenues			
Gross premium written		593,913,075	451,802,232
Less premium ceded		(218,724,683)	(170,927,495)
Net premiums written		375,188,392	280,874,737
Less increase in unearned premium reserve from previous year		(89,089,693)	(45,044,364)
Add reinsurers' share of decrease in unearned premium reserve from previous year		31,243,286	13,482,771
Net premiums earned		317,341,985	249,313,144
Fee and commission income		83,100,270	66,791,420
Net investment income		3,959,556	3,631,453
Other income	24	4,606,584	4,388,310
Total income		409,008,395	324,124,327
Expenses			
Insurance claim expenses	20, 24	230,776,423	245,647,078
Less insurance claim expenses recovered from reinsurers		(87,464,354)	(95,669,948)
Net insurance claim expenses		143,312,069	149,977,130
Commission and brokerage expenses		79,021,524	61,337,196
Other underwriting expenses	20, 24, 27	53,337,764	51,209,186
Operating expenses	18, 20, 24	97,558,096	78,222,888
Expected credit loss	21	34,994	-
Total expenses		373,264,447	340,746,400
Profit before income tax		35,743,948	(16,622,073)
Income tax expense	22	(12,923,350)	-
Profit for the period		48,667,298	(16,622,073)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Loss on remeasurements of defined benefit plans	15	(331,716)	(404,162)
Income tax relating to components of other comprehensive income that will not be reclassified subsequently to profit or loss	22	66,343	-
Other comprehensive loss for the year, net of income tax		(265,373)	(404,162)
Total comprehensive income (loss) for the year		48,401,925	(17,026,235)
Basic earnings (loss) per share	23	2.43	(0.83)

The accompanying notes form an integral part of the interim financial statements.

Pacific Cross Health Insurance Public Company Limited

Statement of changes in equity

	<i>Note</i>	Issued and paid-up share capital	Deficit <i>(in Baht)</i>	Total equity
For the year ended 31 December 2019				
Balance at 1 January 2019		500,000,000	(363,452,534)	136,547,466
Comprehensive loss for the year				
Loss for the year		-	(16,622,073)	(16,622,073)
Other comprehensive income		-	(404,162)	(404,162)
Total comprehensive loss for the year		-	(17,026,235)	(17,026,235)
Balance at 31 December 2019		500,000,000	(380,478,769)	119,521,231
For the year ended 31 December 2020				
Balance at 31 December 2019 - as reported		500,000,000	(380,478,769)	119,521,231
Impact of changes in accounting policies	3	-	(60,495)	(60,495)
Balance at 1 January 2020 - restated		500,000,000	(380,539,264)	119,460,736
Comprehensive income for the year				
Profit for the year		-	48,667,298	48,667,298
Other comprehensive income		-	(265,373)	(265,373)
Total comprehensive income for the year		-	48,401,925	48,401,925
Balance at 31 December 2020		500,000,000	(332,137,339)	167,862,661

The accompanying notes form an integral part of the interim financial statements.

Pacific Cross Health Insurance Public Company Limited

Statement of cash flows

		For the year ended 31 December	
	Note	2020	2019
		(in Baht)	
<i>Cash flows from operating activities</i>			
Premiums written		574,252,884	430,948,995
Cash paid to reinsurers		(12,872,866)	(9,112,828)
Interest received		4,426,740	3,960,660
Other income		4,606,584	4,388,310
Insurance claims expenses		(227,451,867)	(203,334,012)
Commission and brokerage expenses		(72,837,061)	(58,300,061)
Other underwriting expenses		(53,531,706)	(51,177,954)
Operating expenses		(82,845,431)	(75,679,670)
Cash received - financial assets		214,305,368	86,515,134
Cash payment - financial assets		<u>(265,215,295)</u>	<u>(108,173,390)</u>
Net cash provided by operating activities		<u>82,837,350</u>	<u>20,035,184</u>
<i>Cash flows from investing activities</i>			
Cash flows used in:			
Acquisition of equipment	9	(608,951)	(1,195,914)
Acquisition of intangible assets		<u></u>	<u>(480,000)</u>
Net cash used in investing activities		<u>(608,951)</u>	<u>(1,675,914)</u>
<i>Cash flows from financing activities</i>			
Cash flows used in:			
Payment of lease liabilities		<u>(4,846,981)</u>	<u>-</u>
Net cash used in financing activities		<u>(4,846,981)</u>	<u>-</u>
Net increase in cash and cash equivalents		77,381,418	18,359,270
Cash and cash equivalents at 1 January		<u>84,461,933</u>	<u>66,102,663</u>
Cash and cash equivalents at 31 December	5	<u>161,843,351</u>	<u>84,461,933</u>

The accompanying notes form an integral part of the interim financial statements.

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
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Pacific Cross Health Insurance Public Company Limited
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For the year ended 31 December 2020

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 20 March 2021.

1 General information

Pacific Cross Health Insurance Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 152 Chartered Square Building, 21st floor, North Sathorn Road, Silom, Bangrak, Bangkok.

The Company’s major shareholders during the period were Med-Sure Services Company Limited (69.15% shareholding) which is incorporated in Thailand.

The principal activities of the Company is operate in non-life insurance.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) and guidelines promulgated by the Federation of Accounting Professions. In addition, the financial statements are prepared in accordance with the Notification of the Office of Insurance Commission regarding “Rules, Procedures, Conditions and Timing for the Preparation and Submission of the Financial Statements and Reporting on the Operations of Non-Life Insurance Companies” B.E. 2562 (No. 2), dated 4 April 2019, which are effective for annual periods beginning on or after 1 January 2020.

The Company has initially applied TFRS - Financial instruments standards which comprise TFRS 9 *Financial Instruments* and relevant standards and interpretations and TFRS 16 *Leases* and disclosed impact form changes to significant accounting policies in note 3.

In addition, the Company has not early adopted a number of new and revised TFRS, which are not yet effective for the current period in preparing these financial statements. The Company has assessed the potential initial impact on the financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

<i>Items</i>	<i>Measurement bases</i>
Defined benefit liability	Present value of the defined benefit obligation, as explained in note 4 (k)

(c) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Company’s functional currency.

Pacific Cross Health Insurance Public Company Limited
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(d) Use of judgements and estimates

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of the Company's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgements, assumptions and estimation uncertainties

Information about judgements, assumptions and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial statements is included in the following notes:

Note 8	Financial assets
Note 13	Insurance contract liabilities
Note 15	Employee benefit obligations
Note 21	Expected credit loss
Note 25	Risk management and financial instruments

Process involved in determining assumptions of loss reserve and outstanding claims

The assumptions used in the estimation are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts to the extent that can be reasonably foreseen. However, given the uncertainty in establishing a provision for insurance claims, it is possible that the final outcome could prove to be significantly different from the original liability established.

Provision is estimated at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

The Company uses the chain-ladder method and the Bornhuetter-Ferguson method to estimate the ultimate cost of claims.

The Chain-ladder technique involves the analysis of historical claims development rates and the selection of estimated development rates based on the historical claims development pattern. The selected development factors are then applied to cumulative claims data for each accident year.

The Bornhuetter-Ferguson method estimates the ultimate loss using a combination of actual reported losses and an estimate of loss developments for future losses which are based on the expected losses and the selected loss development factors of each accident year. The two estimates are combined using a formula that gives weight to the experience-based estimate as time passes.

3 Changes in accounting policies

From 1 January 2020, the Company has initially applied TFRS - Financial instruments standards which comprise TFRS 9 *Financial Instruments* and relevant standards and interpretations and TFRS 16 *Leases*. Impact of changes in accounting policies on shareholders' equity were as follows:

For the year ended 31 December 2020

	Deficit (in Baht)
	<i>Note</i>
At 31 December 2019 - as reported	(380,478,769)
Decrease due to:	
Adoption of TFRS - Financial instruments standards	
Impairment losses on financial assets	(a) <u>(60,495)</u>
At 1 January 2020 - as restated	(380,539,264)

(a) *TFRS - Financial instruments standards and TAS 32*

TFRS 4 Insurance Contracts (revised 2019), has allowed insurance entities that meet the conditions as laid down by TFRS 4, to use the deferral approach to TFRS 9 and TFRS 7 for insurance entities and continue to apply Accounting Guideline: Financial Instruments and Disclosure for insurance entities until TFRS 17 Insurance Contract becomes effective.

However, the Company has not met the conditions as mentioned in TFRS 4 Insurance Contracts (revised 2019) and has to apply TFRS9: Financial instrument.

The Company has adopted TFRS - Financial instruments standards which comprise TFRS 9 *Financial Instruments* and relevant standards and interpretations by adjusting the cumulative effects to deficit on 1 January 2020. Therefore, the Company did not adjust the information presented for 2019.

The impact from adoption of TFRS - Financial instruments standards are as follows:

(1) Classification and measurement of financial assets

TFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value to other comprehensive income (FVOCI) and fair value to profit or loss (FVTPL). The classification under TFRS 9 is based on the cash flow characteristics of the financial asset and the business model in which they are managed. TFRS 9 eliminates the previous classification of held-to-maturity debt securities, available-for-sale securities, trading securities and general investment as specified by TAS 105.

Under TFRS 9, interest income and interest expenses recognised from all financial assets measured at amortised cost shall be calculated using effective interest rate method. Previously, the Company recognised interest income and interest expenses at the rate specified in the contract.

The following table shows measurement categories under previous standards and TFRS 9, including reconciliation of the carrying amounts of the Company's financial assets as at 1 January 2020.

Classification under previous standards at 31 December 2019	Classification under TFRS 9 at 1 January 2020
Carrying amounts	Amortised cost - net
	(in Baht)
Investment in securities	
Held to maturity securities	
- Deposits at banks with original maturity over 3 months	
Total	

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2020

(2) Impairment - Financial assets and contract assets

TFRS 9 introduces forward-looking 'expected credit loss' (ECL) model. TFRS 9 requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model applies to financial assets measured at amortised cost, except for investments in equity instruments.

The Company has determined that the application of TFRS 9's impairment requirements at 1 January 2020 results in an additional allowance for impairment loss as follows:

(in Baht)

Allowance for impairment loss at 31 December 2019

Allowance for impairment loss of investment in securities

Held to maturity securities

- Deposits at banks with original maturity over 3 months

-

Additional impairment loss recognised at 1 January 2020 on:

Financial assets

- Financial assets measured at amortised cost

60,495

Allowance for impairment loss at 1 January 2020

60,495

The Company has adopted to recognise the increase of impairment loss as an adjustment to deficit as at 1 January 2020.

(b) TFRS 16 Leases

From 1 January 2020, the Company has initially adopted TFRS 16 on contracts previously identified as leases according to TAS 17 *Leases* and TFRIC 4 *Determining whether an arrangement contains a lease* using the modified retrospective approach.

Previously, the Company, as a lessee, recognised payments made under operating leases and relevant lease incentives in profit or loss on a straight-line basis over the term of the lease. Under TFRS 16, the Company assesses whether a contract is, or contains, a lease. If a contract contains lease and non-lease components, the Company allocates the consideration in the contract based on stand-alone selling price (transaction price). As at 1 January 2020, the Company recognised right-of-use assets and lease liabilities, as a result, the nature of expenses related to those leases was changed because the Company recognised depreciation of right-of-use assets and interest expense on lease liabilities.

Impact from the adoption of TFRS 16

(in Baht)

At 1 January 2020

Right-of-use assets

3,144,957

Increase in lease liabilities

3,144,957

Measurement of lease liability

(in Baht)

Operating lease commitment as disclosed at 31 December 2019

5,495,046

Discounted using the incremental borrowing rate at 1 January 2020

(267,711)

Recognition exemption for short-term leases

(2,082,378)

Lease liabilities recognised at 1 January 2020

3,144,957

Weighted-average incremental borrowing rate (% per annum)

6.00

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2020

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3.

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency (Thai Baht) at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Thai Baht at the exchange rates at that date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognised in profit or loss.

(b) Classification of insurance contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from another party by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the policyholder.

Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

(c) Recognition and measurement of insurance contracts

Premiums due and uncollected

Premiums due and uncollected are stated at net realisable value.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments, and a review of the current status of the premium receivables. Bad debts are written off when incurred.

Loss reserves and outstanding claims

Loss reserves are taken up in the accounts upon receipt of claim advices from the insured, at the value appraised by the Company's claim department or independent appraiser, depending on the particular case. In addition, the Company set up a provision for risk margin and losses incurred but not yet reported (IBNR) based upon estimates included risk margin made by a qualified actuary.

Premium reserve

Premium reserve consisted of unearned reserve and unexpired risks reserve

Unearned premium reserve

Unearned premium reserve represents the portion of the net premium written which is estimated to be earned in the following year by the daily average basis from net premium written (1/365 basis).

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
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Unexpired risks reserve

Unexpired risks reserve is the best estimate of the claims that are expected to be incurred during the remaining period of coverage of in-force policies, based on analysis of historical claims data by a qualified actuary.

Unexpired risk reserves are only recognised in the financial statements to the extent that they exceed unearned premium reserves.

Premium written and premium earned

Premium written is recognised on the date that the insurance policy comes into effect and are presented gross of premium ceded and commissions and brokerage expenses.

Premium earned comprises of premium written during the year and change in unearned premium reserves from previous year and is recognised as revenue proportionally over the period of coverage.

Reinsurance premium

Reinsurance premium income is recognised when the Company receives the reinsurance application or statement of accounts from the ceding company. Reinsurance profit commissions are recognised when the Company receives the statement of accounts from the reinsurers.

Fee and commission income

Fee and commission income are recognised as income on an accrual basis.

Premiums ceded

Premiums ceded is recognised as a deduction from premium income when the insurance risk is transferred to another reinsurer.

Claims and losses adjustment expenses

Claims and losses adjustment expenses consist of claims and losses adjustment expenses of direct insurance and reinsurance of both reported claims and not reported claims, and are stated at the amounts of the claims, related expenses, and claims adjustments of the current and prior period incurred during the year, less residual value and other recoveries, if any, and claim recovery from reinsurers.

Claims and losses adjustment expenses of direct insurance are recognised upon the receipt of the claims advice from the insured, based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimated is not however, to exceed the sum-insured under the relevant policy and claims and losses adjustment expenses of reinsurance are recognised when the reinsurer places the loss advice with the Company.

Claim recovery from reinsurers

Claims recovery from reinsurers is recognised when claims and loss adjustment expenses are recorded. They are estimated as proportion and condition relevant to reinsurance contracts. The Company presents the claims recoverable amount as a deduction from gross claims.

Commissions and brokerages

Commissions and brokerages are recognised as expenses on accrual basis.

Pacific Cross Health Insurance Public Company Limited
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Reinsurance assets

Reinsurance assets are stated at insurance reserve refundable from reinsurers which are estimated based on the related premium reserve in accordance with law regarding insurance reserve calculations and unearned reinsurance premium reserve.

Amount due to and due from reinsurers

Amount due from reinsurers are stated at amount due from reinsurers which consists of premium uncollected from reinsurers, commission and brokerages receivables, outstanding claim recovered from reinsurers. The Company records allowance for doubtful for estimated loss from uncollected receivables based on the Company's collection experience and the analysis of aging of amount due from reinsurers.

Amount due to reinsurers are stated at amount withheld on reinsurance and amount due to reinsurers which consist of premium ceded payables and other reinsurance payables to reinsurers except claim payables. The net amount is represented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cheque on hand and all types of deposits with banks with maturity within 3 months, excluding deposit at banks used as collateral.

(e) Financial instruments

Accounting policies applicable from 1 January 2020

(1) Recognition and initial measurement

Financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

(2) Classification and subsequent measurement

Financial assets

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Accounting policies applicable before 1 January 2020

Investments in securities were classified as Held-to-maturity securities, which consist of deposits at banks having terms to maturity over 3 months from the date of acquisition. They were stated at cost.

(f) Lease

Accounting policies applicable from 1 January 2020

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in TFRS 16.

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2020

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date, except low-value lease assets or short-term lease recognised as expenses on a straight-line basis over the term of the lease.

Right-of-use asset is measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurements of lease liability. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method.

As a lessor

Operating lease

Rental and service income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Contingent rentals are recognised as income in the accounting period in which they are earned.

Accounting policies applicable before 1 January 2020

As a lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

As a lessor

Rental and service income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(g) Equipment

Recognition and measurement

Owned assets

Equipment are measured at cost less accumulated depreciation and impairment losses (if any).

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Pacific Cross Health Insurance Public Company Limited

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Any gains or losses on disposal of an item of equipment is determined by comparing the proceeds from disposal with the carrying amount of equipment and is recognised net in profit or loss.

Subsequent costs

The cost of replacing a part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of equipment. The estimated useful lives are as follows:

Furniture and fixtures	5 years
Office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(h) Intangible assets

Computer software

Computer software are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and impairment losses (if any).

Subsequent expenditure

Subsequent expenditure is recognised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of an asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer software	3 years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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(i) Impairment

Accounting policies applicable from 1 January 2020

Measurement of expected credit losses (ECLs)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of a financial instrument.

The Company recognises ECLs equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition or credit-impaired financial assets, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Increased in loss allowance is recognised as an impairment loss in profit or loss. ECL allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(j) Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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Reversal of impairment

Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Company determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(l) Provision

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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For the year ended 31 December 2020

(m) Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are based on unobservable input.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(n) Income

Interest income

Interest income is recognised as income on accrual basis.

Other income

Other income is recognised as income on accrual basis.

(o) Expenses

Other expenses

Other expenses are recognised as expenses on accrual basis.

Finance costs

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred.

(p) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except for those items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings per share

The Company presents basic earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(r) Related parties

A related party is a person or entity that has direct or indirect control, or has significant influence over the financial and managerial decision-making of the Company; a person or entity that are under common control or under the same significant influence as the Company or the Company has direct or indirect control or has significant influence over the financial and managerial decision-making of a person or entity.

5 Cash and cash equivalents

	2020	2019
	(in Baht)	
Cash	29,523	24,253
Deposits at banks - call deposits	161,813,828	84,437,680
Cash and cash equivalents	161,843,351	84,461,933

Pacific Cross Health Insurance Public Company Limited
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For the year ended 31 December 2020

6 Premiums due and uncollected, net

As at 31 December 2020 and 2019, premiums due and uncollected and their aging are as follows:

	2020	2019
	(in Baht)	
Not yet overdue	15,575,581	17,581,298
Overdue		
Less than 30 days	12,851,451	11,511,037
30 - 60 days	11,017,357	8,056,670
60 - 90 days	5,475,597	5,023,902
90 days - 1 year	5,860,627	4,588,395
Over 1 year	427,364	-
Total premium due and uncollected	51,207,977	46,761,302
Less allowance for doubtful accounts	(427,364)	(435,595)
Premiums due and uncollected, net	50,780,613	46,325,707

During the year ended 31 December 2020, the Office of Insurance Commission, through several announcements for relief program under COVID 19 situation, has extended the grace period by 60 days for policies for which original grace period expires during 27 February 2020 to 31 December 2020.

7 Reinsurance receivables

	2020	2019
	(in Baht)	
Due from reinsurers	23,827,266	21,006,372
Reinsurance receivables	23,827,266	21,006,372

As at 30 December 2020 and 2019, aging analyses for due from reinsurers were as follows:

	2020	2019
	(in Baht)	
Within credit terms	23,827,266	17,603,064
Overdue:		
Not over 1 year	-	3,403,308
Total due from reinsurer	23,827,266	21,006,372

8 Financial assets

8.1 Financial assets by measurement are as follows:

	2020		2019	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
			(in Baht)	
Financial assets measured at amortised cost				
Deposits at banks with original maturity over 3 months	301,146,317	301,146,317	250,236,389	250,236,389
Total	301,146,317	301,146,317	250,236,389	250,236,389
Less allowance for ECL	(95,489)	-	-	-
Total	301,050,828	301,146,317	250,236,389	250,236,389

Pacific Cross Health Insurance Public Company Limited
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8.2 Financial assets measured at amortised cost

	Carrying value	2020 Allowance for ECL (in Baht)	Net carrying value
Debt securities - no significant increase in credit risk (stage 1)	301,146,317	(95,489)	301,050,828
Total	301,146,317	(95,489)	301,050,828

9 Equipment

	Furniture and fixtures	Office equipment (in Baht)	Total
<i>Cost</i>			
At 1 January 2019	6,723,207	1,095,153	11,986,179
Additions	376,751	821,584	1,198,335
Disposals and write-offs	-	(262,182)	(262,182)
At 31 December 2019 and 1 January 2020	7,099,958	5,822,374	12,922,332
Additions	-	713,989	713,989
Disposals and write-offs	-	(105,038)	(105,038)
At 31 December 2020	7,099,958	6,431,325	13,531,283
<i>Accumulated Depreciation</i>			
At 1 January 2019	5,718,088	4,209,321	9,927,389
Depreciation charge for the year	785,975	777,683	1,563,658
Disposals and write-offs	-	(259,763)	(259,763)
At 31 December 2019 and 1 January 2020	6,504,063	4,727,221	11,231,284
Depreciation charge for the year	307,453	614,867	922,320
Disposals and write-offs	-	(101,695)	(101,695)
At 31 December 2020	6,811,516	5,240,393	12,051,909
<i>Net book value</i>			
At 1 January 2019	1,005,119	1,053,671	2,058,790
At 31 December 2019 and 1 January 2020	595,895	1,095,153	1,691,048
At 31 December 2020	288,442	1,190,932	1,479,374

Pacific Cross Health Insurance Public Company Limited
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10 Leases

As a lessee

At 31 December 2020

	<i>(in Baht)</i>
<i>Right-of-use assets</i>	
Buildings and buildings improvement	9,485,375
Vehicles	2,615,736
Total	<u>12,101,111</u>

In 2020, additions to the right-of-use assets of the Company were Baht 13.39 million.

<i>For the year ended 31 December</i>	2020 <i>(in Baht)</i>
---------------------------------------	--------------------------

<i>Amounts recognised in profit or loss</i>	
Depreciation of right-of-use assets:	
- Buildings and buildings improvement	3,507,227
- Vehicles	930,566
Interest on lease liabilities	683,009
Lease expense	899,588

In 2020, total cash outflow for leases of the Company were Baht 4.85 million.

11 Intangible assets

	Computer software <i>(in Baht)</i>
<i>Cost</i>	
At 1 January 2019	2,628,313
Additions	480,000
At 31 December 2019 and 1 January 2020	<u>3,108,313</u>
Additions	-
At 31 December 2020	<u>3,108,313</u>
<i>Accumulated amortisation</i>	
At 1 January 2019	2,205,337
Amortisation for the year	258,929
At 31 December 2019 and 1 January 2020	<u>2,464,266</u>
Amortisation for the year	338,050
At 31 December 2020	<u>2,802,316</u>
<i>Net book value</i>	
At 31 December 2019	<u>422,976</u>
At 31 December 2019 and 1 January 2020	<u>644,047</u>
At 31 December 2020	<u>305,997</u>

As at 31 December 2020, certain intangible assets at cost of Baht 2.05 million were fully amortized but still in use (2019: Baht 2.05 million).

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2020

12 Other assets

	2020	2019
	<i>(in Baht)</i>	
Deposits	1,590,130	1,593,510
Prepaid expense	545,752	508,524
Others	2,078,963	5,476,923
Total	<u>4,214,845</u>	<u>7,578,957</u>

Notes to the financial statements

13 Insurance contract liabilities

13.1 Loss reserves and outstanding claims

13.2 Unearned premium reserves

As at 31 December 2020, no additional reserve for unexpired risk reserves has been established as the unexpired risk reserves estimated by the Company amounting to Baht 178.82 million (31 December 2019: Baht 167.06 million) are lower than the unearned premium reserves.

Pacific Cross Health Insurance Public Company Limited
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For the year ended 31 December 2020

13.3 Loss development triangle

As at 31 December 2020

Accident year / Accounting year	2016	2017	2018	2019	2020	Total
	<i>(in Baht)</i>					
Estimated loss reserve and outstanding claim						
At year ended of accident year						
Development year 1	202,097,346	135,247,450	163,511,359	248,745,906	228,997,126	
Development year 2	194,724,087	132,741,870	159,141,249	238,107,164		
Development year 3	194,577,769	132,616,252	159,584,772			
Development year 4	194,638,239	132,616,252				
	194,639,381					
Absolute estimated loss reserve and outstanding claim	194,639,381	132,616,252	159,584,772	238,107,164	228,997,126	953,944,695
Accumulated claim paid	194,639,381	132,616,252	159,583,972	238,084,924	167,488,424	892,412,953
Total	-	-	800	22,240	61,508,702	61,531,742
Adjustment case reserve - accounting						504,989
Reinsurance						2,004,270
Total loss reserve						64,041,001
Unallocated loss adjustment expense						649,789
						64,690,790

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For the year ended 31 December 2020

As at 31 December 2019

Accident year / Accounting year	2015	2016	2017	2018	2019	Total
	<i>(in Baht)</i>					
Estimated loss reserve and outstanding claim						
At year ended of accident year						
Development year 1	114,474,740	202,097,346	135,247,450	163,511,359	248,745,906	
Development year 2	114,639,456	194,724,087	132,741,870	159,141,249		
Development year 3	114,630,803	194,577,769	132,616,252			
Development year 4	114,630,803	194,638,239				
Absolute estimated loss reserve and outstanding claim	114,630,803	194,638,239	132,616,252	159,141,249	248,745,906	849,772,448
Accumulated claim paid	114,630,803	194,638,239	132,616,252	159,021,364	181,948,226	782,854,884
Total	-	-	-	119,884	66,797,680	66,917,564
Adjustment case reserve - accounting						364,191
Reinsurance						4,043,594
Total loss reserve						71,325,349
Unallocated loss adjustment expense						608,539
						71,933,888

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2020

14 Reinsurance payable

	2020	2019
	(in Baht)	
Amounts withheld on reinsurance	65,676,001	50,996,876
Due to reinsurers	56,344,013	41,987,155
Total	122,020,014	92,984,031

15 Employee benefit obligations

	2020	2019
	(in Baht)	
Post-employment benefits	1,709,987	1,157,470
Other long-term employee benefits	153,366	155,725
Total	1,863,353	1,313,195

Defined benefit plan

The Company operates a defined benefit plan based on the requirement of Thai Labour Protection Act (No.7) B.E.2562 (2019) to provide retirement benefits to employees based on pensionable remuneration and length of service. The defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

Present value of the defined benefit obligations

	2020	2019
	(in Baht)	
At 1 January	1,313,195	753,729
Included in profit or loss		
Current service cost	270,600	210,623
Past service cost	-	37,898
Interest on obligation	22,842	21,783
Included in other comprehensive income		
Actuarial loss		
- Demographic assumptions	-	89,231
- Financial assumptions	32,636	129,921
- Experience adjustment	299,080	185,010
	1,938,353	1,428,195
Benefits paid	(75,000)	(115,000)
At 31 December	1,863,353	1,313,195

The principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2020	2019
Retirement age	60 years	60 years
Mortality rate	Thai Mortality table 2017	Thai Mortality Table 2017
Employee turnover (%)	15.0 - 30.0 per annum	15.0 - 30.0 per annum
Discount rate (%)	1.46 per annum	1.72 per annum
Future salary growth (%)	4.03 per annum	2.0 - 5.0 per annum

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Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation and the other long-term employee benefits by the amounts shown below.

Defined benefit obligation as at 31 December	2020		2019	
	Increase	Decrease (in Baht)	Increase	Decrease
Future salary growth (1% movement)	132,039	(118,330)	103,461	(87,502)
Employee turnover (1 % of assumption movement)	(155,136)	176,838	(116,345)	138,888
Discount rate (1% movement)	(129,854)	147,768	(96,742)	116,025

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

16 Other liabilities

	2020	2019
	(in Baht)	
Other accrued expenses	23,445,982	18,010,695
Commission and brokerage payable	11,812,976	9,533,959
Premium received in advance	7,913,278	4,249,240
Others	2,562,566	2,878,312
Total	45,734,802	34,672,206

17 Share capital

	Par value per share (in Baht)	2020		2019	
		Number	Amount (shares/Baht)	Number	Amount
Authorised at 31 December		<u>20,000,000</u>	<u>500,000,000</u>	<u>20,000,000</u>	<u>500,000,000</u>
<i>Issued and paid-up</i>					
At 1 January					
- ordinary shares	25	<u>20,000,000</u>	<u>500,000,000</u>	<u>20,000,000</u>	<u>500,000,000</u>
At 31 December					
- ordinary shares	25	<u>20,000,000</u>	<u>500,000,000</u>	<u>20,000,000</u>	<u>500,000,000</u>

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

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18 Operating expenses

	Note	2020	2019
		(in Baht)	
Employee expenses	20	55,875,247	41,499,271
Depreciation and amortisation expenses		5,698,164	1,822,585
Profession fees		3,609,000	3,060,000
Rental of equipment, building and service expenses		1,329,680	4,884,858
Tax and duties		139,243	171,097
Doubtful debt expenses		16,016	182,335
Other operating expenses		30,890,747	26,602,742
Total		97,558,096	78,222,888

19 Employee benefit expenses

	2020	2019
	(in Baht)	
Salaries and wages	56,760,727	42,278,799
Post-employment benefits	218,442	209,632
Provident fund contribution	1,333,975	1,021,933
Others	1,328,423	1,056,152
Total	59,641,567	44,566,516

20 Expenses by nature

	Note	2020	2019
		(in Baht)	
<i>Employee expenses</i>			
Included in benefits payments and insurance claims expenses		2,260,632	2,081,280
Included in other underwriting expenses		1,287,247	776,333
Included in operating expenses	18	55,875,247	41,449,271
Total		59,423,126	44,356,884
<i>Rental of equipment, building and service expenses</i>			
Included in operating expenses		1,329,680	4,884,858
Total		1,329,680	4,884,858

21 Expected credit loss

	2020	2019
	(in Baht)	
Financial assets		
Financial assets measured at amortised cost	34,994	-
Total	34,994	-

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22 Income tax expense

Income tax recognised in profit or loss

	2020	2019
	(in Baht)	
Current tax		
Current period	1,524,339	-
Deferred tax		
Movements in temporary differences	(14,447,689)	-
Total	<u>(12,923,350)</u>	<u>-</u>

Recognised in other comprehensive income

	2020			2019	
	Before tax	Tax (expense) benefit	Tax (expense)	Tax (expense) benefit	Net of tax
			(in Baht)		
Defined benefit plan actuarial losses	(331,716)	66,343	(265,373)	(404,162)	-
Total	<u>(331,716)</u>	<u>66,343</u>	<u>(265,373)</u>	<u>(404,162)</u>	<u>(404,162)</u>

Reconciliation of effective tax rate

	2020	2019
	Rate (%)	Rate (%)
	(in Baht)	(in Baht)
Profit (loss) before income tax	35,743,948	(16,622,073)
Income tax using the Thai corporation tax rate	20	20
Previous year's tax losses utilised in the current year	(31)	-
Income not subject to tax	(45)	-
Expenses not deductible for tax purposes	20	-
Total	<u>(36)</u>	<u>-</u>

Deferred tax assets

	2020	2019
	(in Baht)	
Deferred tax assets	<u>14,514,032</u>	<u>-</u>

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Notes to the financial statements

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Movements in total deferred tax assets during the year ended 31 December 2020 is as follow:

	At 1 January 2020	(Charged) / credited to:		At 31 December 2020
		Profit or loss	Other comprehensive income	
		(in Baht)		
Deferred tax assets				
Allowance for doubtful accounts	-	85,473	-	85,473
Allowance of impairment	-	19,098	-	19,098
Premium reserve	-	9,611,281	-	9,611,281
Loss reserve	-	4,425,510	-	4,425,510
Employee benefits obligation	-	306,327	66,343	372,670
Total	-	14,447,689	66,343	14,514,032

23 Basic earnings (loss) per share

The calculations of basic earnings (loss) per share for the year ended 31 December 2020 and 2019 were based on the profit (loss) for the years attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the year were as follows:

	2020	2019
Profit (loss) for the period attributable to ordinary shareholders (in Baht)	48,667,298	(16,622,073)
Number of ordinary shares outstanding (in shares)	20,000,000	20,000,000
Basic earnings (loss) per share (in Baht)	2.43	(0.83)

24 Related parties

Relationships with other related parties and key management which the Company has significant transactions with were as follows:

Relationship with key management and related parties were as follows:

Name of entities	Country of incorporation	Nature of relationships
Med-Sure Services Limited	Thailand	Major shareholder (69.15% shareholding)
Legal Concept Company Limited	Thailand	Related company
Key management personnel	Thai/Foreigner	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

The pricing policies for significant types of transactions with are explained further below:

Significant transactions type	Pricing policies
Rental and service income (other income)	At contractually agreed prices
Underwriting and loss adjustment expense (other underwriting expenses and insurance claim expenses)	At contractually agreed prices
Legal consulting fee (operating expenses)	At contractually agreed prices

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The Company has service agreements with a related company for a term of 2 years.

Transactions with related parties and key management for the year ended 31 December 2020 and 2019 were as follows:

	2020	2019
	<i>(in Baht)</i>	
<i>Med-Sure services Limited</i>		
Rental and service income	3,840,000	3,520,000
Underwriting and loss adjustment expense	36,031,009	32,525,512
<i>Legal Concept Company Limited</i>		
Legal consulting fee	40,870	46,660
<i>Key management personnel compensation</i>		
Short-term employee benefits	17,753,061	16,626,736
Directors remuneration	410,000	225,000
Post-employment benefits	174,047	332,445
Total	18,337,108	17,174,181

Balance with related parties as at 31 December 2020 and 2019 were as follows:

	2020	2019
	<i>(in Baht)</i>	
<i>Med-Sure Services Limited</i>		
Underwriting and loss adjustment payable	4,055,467	4,913,054

25 Risk management and financial instruments

Insurance risk management policy

Insurance risk may cause from mortality risk, mobility rate, persistency rate or actual expenses ratio which may differ from estimated expenses ratio which may cause negative impact to the Company operating results. The Company sets up product development team to create idea and develop product to meet target group's desirable and support the Company operating strategy under the Company risk management policy.

Moreover, the Company sets up clear underwriting policy standard for each product plan, age and gender. In underwriting process, the Company considers other factors or premium payment ability of the policyholder. The Company need to evaluate the adequacy of insurance contract liabilities and capital adequacy ratio (CAR) to meet and greater than the minimum level required by regulation to ensure that the Company is able to support the risks that may arise in the future.

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Sensitivity analysis

The sensitivity analysis is performed on the net loss reserve and outstanding claims, based on changes in assumptions that may affect the level of liabilities. Effect of risk that changes in assumptions as at 31 December 2020 and 2019 is as follows:

Impact on general insurance liabilities to upward changes in key assumptions on gross and net insurance liabilities at 75% confidence level.

				2020	
	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	Profit before Income tax (in Baht)	Equity
Ultimate loss ratio in latest accident year	+5% multiplicative	13,016	7,924	(7,924)	(6,340)
Unallocated loss adjustment expense ratio	+20% multiplicative	146	146	(146)	(116)
				2019	
	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	Profit before Income tax (in Baht)	Equity
Ultimate loss ratio in latest accident year	+5% multiplicative	19,625	13,855	(13,855)	(11,084)
Unallocated loss adjustment expense ratio	+20% multiplicative	136	606	(606)	(485)

Impact on general insurance liabilities to downward changes in key assumptions on gross and net insurance liabilities at 75% confidence level.

				2020	
	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	Profit before Income tax (in Baht)	Equity
Ultimate loss ratio in latest accident year	-5% multiplicative	(13,016)	(7,924)	7,924	6,340
Unallocated loss adjustment expense ratio	-20% multiplicative	(146)	(146)	146	116
				2019	
	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	Profit before Income tax (in Baht)	Equity
Ultimate loss ratio in latest accident year	-5% multiplicative	(19,625)	(13,855)	13,855	11,084
Unallocated loss adjustment expense ratio	-20% multiplicative	(136)	(606)	606	485

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Concentration of insurance risks

Concentration risk is a risk arising from the concentration of reinsuring to one company or concentrating on only one type of insurance in the large and inappropriate amount. The Company managed reinsurance to reduce the concentration risks, the process of selection of the reinsurance company is prioritized where the credit rating will be considered in order to get only quality reinsurance companies. Moreover, the importance of monitoring and assessing the financial stability and diversification of reinsurers are also taken into account.

Financial risk management policies

The Company is exposed to normal financial risks from changes in market interest rates and non-performance of contractual obligations by counterparties. The Company does not hold or issue derivatives for speculative or trading purpose.

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risk occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

Capital management

The Company's objectives in managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for the stakeholders.

Monitoring the capital level of the Company to comply with the requirements under the Notifications of the Office of Insurance Commission is conducted.

As at 31 December 2020 and 2019, the Company maintains capital level in compliance with such requirement.

Interest rate risk

Interest rate risk is the risk that the future movement in market interest rates will affect the interest income from deposit at banks of the Company have fixed interest rates. The Company has managed investment risk by considering the risk of investments together with the return on such investments.

As at 31 December 2020 and 2019 significant financial assets classified by type of interest rate are as follows:

	Fixed interest rate	2020 Non-interest Bearing (in Baht)	Total
Financial assets			
Cash and cash equivalents	160,848,982	994,369	161,843,351
Financial assets	301,146,317	-	301,146,317
Total	461,995,299	994,369	462,989,668

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	Fixed interest rate	2019 Non-interest Bearing (in Baht)	Total
Financial assets			
Cash and cash equivalents	83,206,558	1,255,375	84,461,933
Financial assets	250,236,389	-	250,236,389
Total	333,442,947	1,255,375	334,698,322

As of 31 December 2020 and 2019, financial assets carrying interest at fixed rates are classified on the basis of the length of time from the reporting date to the next re-pricing date, or to the maturity date whichever is sooner. The details are as follows:

		Maturity period			
	Interest rate	Within	After 1 year	Over 5 years	Total
	(% per annum)	1 year	but within		
			5 years		
			(in Baht)		
At 31 December 2020					
Financial assets					
Cash and cash equivalents	0.125 - 0.50	160,848,982	-	-	160,848,982
Financial assets	0.30 - 2.00	192,646,317	108,500,000	-	301,146,317
Total		353,495,299	108,500,000	-	461,995,299

		Maturity period			
		Within	After 1 year		
	Interest rate	1 year	but within	Over 5 years	Total
	(% per annum)		5 years		
			(in Baht)		
At 31 December 2019					
Financial assets					
Cash and cash equivalents	0.125 - 0.50	83,206,558	-	-	83,206,558
Financial assets	0.40 - 2.38	199,494,119	50,742,270	-	250,236,389
Total		282,700,677	50,742,270	-	333,442,947

Credit risk

Concentrations of the credit risk with respect to premium receivable are insignificant because the Company's customers diverse across different industries and geographic regions in Thailand. The maximum exposure to credit risk is limited to the carrying value of such premium receivable after deduction of allowance for doubtful debts as stated in the statements of financial position.

Liquidity risk

Liquidity risk is a risk arising from lack of ability to pay debt or perform other obligations when such debts or obligations are due.

The Company manages, controls and monitors the liquidity ratio closely to provide sufficient supporting the debt arising from the insurance contract and demanding the money in each time interval. The Company's financial assets mainly comprise cash and deposit at financial institutions which is highly liquid.

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Carrying amount and fair values

Considerable judgment is necessarily required in estimation of fair value of financial assets or financial liabilities. Accordingly, the estimated fair value presented herein is not necessarily indicative of the amount that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The following methods and assumptions were used by the Company in estimating fair values of financial instruments.

Financial instruments not measured at fair value

The carrying amounts of the following financial assets are considered to be approximate to their fair values due to short terms to maturity: cash and cash equivalents, accrued investment income, premiums due and uncollected, reinsurance receivables, other receivables, due to reinsurers, and other payables.

26 Securities and assets pledged with the Registrar

26.1 As at 31 December 2020 and 2019, deposits at bank had been pledged with the Registrar in accordance with the Non-Life Insurance Act (No. 2) B.E. 2551 as follows:

	2020 Book value (in Baht)	2019 Book value
Term deposits	<u>3,500,000</u>	<u>3,500,000</u>

26.2 As at 31 December 2020 and 2019, deposits at bank had been pledged with the Registrar as the reserve fund in accordance with the Notification of the Office of Insurance Commission regarding "Rates, Rules and Procedures for Unearned Premium Reserve of Non - Life Insurance Companies B.E. 2557" as follows:

	2020 Book value (in Baht)	2019 Book value
Term deposits	<u>60,261,662</u>	<u>86,060,760</u>

27 Contribution to Non-Life Insurance Fund

As at 31 December 2020 and 2019, the accumulated Contribution to Non-Life Insurance Fund were as follows:

	2020 (in Baht)	2019
At 1 January	4,041,278	2,949,939
Increase during the year	<u>1,437,609</u>	<u>1,091,339</u>
At 31 December	<u>5,478,887</u>	<u>4,041,278</u>

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28 Commitments with non-related parties

*Future minimum lease payment under non-cancellable
operating leases*

	2020	2019
	(in Baht)	
Within 1 year	342,000	2,925,074
1 - 5 years	363,500	2,569,972
Total	705,500	5,495,046