

# **Pacific Cross Health Insurance Public Company Limited**

Financial statements for the year ended  
31 December 2022  
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 2022, 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 2022 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 including Independence Standards* issued by the Federation of Accounting Professions (Code of Ethics for Professional Accountants that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Emphasis of Matter*

I draw attention to note 3 to the financial statements describing the effect of the Company's change in accounting policy related to deferred acquisition cost for insurance contracts since quarter 4 of 2022. My opinion is not modified in respect of this matter.

#### *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 2023

# Pacific Cross Health Insurance Public Company Limited

## Statement of financial position

Assets	Note	31 December 2022	31 December 2021 (Restated) (in Baht)	1 January 2021 (Restated)
Cash and cash equivalents	5, 30	464,705,811	186,171,560	161,843,351
Premiums due and uncollected, net	6, 30	131,667,269	55,179,912	50,780,613
Accrued investment income		1,886,853	1,620,550	1,321,669
Reinsurers' share of insurance contract liabilities	14	189,790,228	147,811,750	161,041,184
Reinsurance receivables	8	29,873,103	20,335,767	23,827,266
Financial assets	9, 26, 27	599,247,737	409,723,503	301,050,828
Equipment	10	2,307,469	2,477,506	1,479,374
Right-of-use-assets	11	3,857,870	7,722,140	12,101,111
Intangible assets	12	3,839,703	92,940	305,997
Deferred acquisition costs	3, 7	167,606,655	43,725,421	39,282,238
Deferred tax assets	23	33,801,820	21,702,494	14,514,032
Other assets	13	11,509,704	6,861,821	4,214,845
<b>Total assets</b>		<b>1,640,094,222</b>	<b>903,425,364</b>	<b>771,762,508</b>

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

# Pacific Cross Health Insurance Public Company Limited

## Statement of financial position

		31 December 2022	31 December 2021 (Restated) (in Baht)	1 January 2021 (Restated)
<b>Liabilities and equity</b>	<i>Note</i>			
<b>Liabilities</b>				
Insurance contract liabilities	14, 30	769,660,285	451,733,611	381,300,495
Reinsurance payable	15	141,056,520	110,430,485	122,020,014
Income tax payable		54,448,994	17,418,736	1,324,014
Provisions for employee benefits	16	3,796,216	1,981,993	1,863,353
Lease liabilities		4,019,645	8,077,898	12,374,931
Other liabilities	17, 25, 30	187,218,733	46,247,705	45,734,802
<b>Total liabilities</b>		<b>1,160,200,393</b>	<b>635,890,428</b>	<b>564,617,609</b>
<b>Equity</b>				
Share capital	18			
Authorised share capital (20,000,000 ordinary shares, par value at Baht 25 per share)		500,000,000	500,000,000	500,000,000
Issued and paid-up share capital (20,000,000 ordinary shares, par value at Baht 25 per share)		500,000,000	500,000,000	500,000,000
Deficit				
Deficit		(20,106,171)	(232,465,064)	(292,855,101)
<b>Total equity</b>		<b>479,893,829</b>	<b>267,534,936</b>	<b>207,144,899</b>
<b>Total liabilities and equity</b>		<b>1,640,094,222</b>	<b>903,425,364</b>	<b>771,762,508</b>

The accompanying notes form an integral part of these financial statements.

**Pacific Cross Health Insurance Public Company Limited**  
**Statement of comprehensive income**

		For the year ended 31 December	
	Note	2022	2021
			(Restated)
		(in Baht)	
<b>Revenues</b>			
Gross premium written		2,101,010,270	693,473,436
Less premium ceded		<u>(331,514,144)</u>	<u>(195,832,887)</u>
Net premiums written		1,769,496,126	497,640,549
Less increase in unearned premium reserve from previous year		(226,010,511)	(44,419,014)
Less (add) reinsurers' share of (increase) decrease in unearned premium reserve from previous year		<u>29,834,207</u>	<u>(17,969,611)</u>
Net premiums earned		1,573,319,822	435,251,924
Fee and commission income	3	158,449,638	79,834,711
Net investment income		3,714,783	2,784,868
Other income	25	<u>1,136,631</u>	<u>4,965,832</u>
<b>Total income</b>		<b><u>1,736,620,874</u></b>	<b><u>522,837,335</u></b>
<b>Expenses</b>			
Insurance claim expenses	21, 25	558,316,902	301,963,771
Less insurance claim expenses recovered from reinsurers		<u>(120,817,833)</u>	<u>(99,117,055)</u>
Net insurance claim expenses		437,499,069	202,846,716
Commission and brokerage expenses		257,337,328	81,870,283
Other underwriting expenses	21, 25, 28	560,270,116	50,557,660
Operating expenses	19, 21, 25	202,620,435	111,720,836
Expected credit loss	22	<u>168,296</u>	<u>133,159</u>
<b>Total expenses</b>		<b><u>1,457,895,244</u></b>	<b><u>447,128,654</u></b>
<b>Profit before income tax</b>		<b>278,725,630</b>	<b>75,708,681</b>
Income tax expense	23	<u>65,286,135</u>	<u>15,151,030</u>
<b>Profit for the period</b>		<b><u>213,439,495</u></b>	<b><u>60,557,651</u></b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Loss on remeasurements of defined benefit plans	16	(1,350,752)	(209,517)
Income tax relating to components of other comprehensive income that will not be reclassified subsequently to profit or loss	23	<u>270,150</u>	<u>41,903</u>
<b>Other comprehensive income for the year, net of income tax</b>		<b><u>(1,080,602)</u></b>	<b><u>(167,614)</u></b>
<b>Total comprehensive income for the year</b>		<b><u>212,358,893</u></b>	<b><u>60,390,037</u></b>
<b>Basic earnings per share</b>	24	<b>10.67</b>	<b>3.03</b>

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

# Pacific Cross Health Insurance Public Company Limited

## Statement of changes in equity

	Note	Issued and paid-up share capital	Deficit  (in Baht)	Total equity
<b>For the year ended 31 December 2021</b>				
Balance at 31 December 2020 - as reported		500,000,000	(332,137,339)	167,862,661
Impact of changes in accounting policies	3	-	39,282,238	39,282,238
Balance at 1 January 2021 - as restated		500,000,000	(292,855,101)	207,144,899
<b>Comprehensive income for the year</b>				
Profit for the year		-	60,557,651	60,557,651
Other comprehensive income		-	(167,614)	(167,614)
Total comprehensive income for the year		-	60,390,037	60,390,037
Balance at 31 December 2021 - as restated		500,000,000	(232,465,064)	267,534,936
<b>For the year ended 31 December 2022</b>				
Balance at 1 January 2022 - as reported		500,000,000	(276,190,485)	223,809,515
Impact of changes in accounting policies	3	-	43,725,421	43,725,421
Balance at 1 January 2022 - as restated		500,000,000	(232,465,064)	267,534,936
<b>Comprehensive income for the year</b>				
Profit for the year		-	213,439,495	213,439,495
Other comprehensive income		-	(1,080,602)	(1,080,602)
Total comprehensive income for the year		-	212,358,893	212,358,893
Balance at 31 December 2022		500,000,000	(20,106,171)	479,893,829

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



# Pacific Cross Health Insurance Public Company Limited

## Statement of cash flows

		For the year ended 31 December	
	Note	2022	2021
		(in Baht)	
<b>Cash flows from operating activities</b>			
Premiums written		1,727,746,596	666,643,498
Cash paid to reinsurers		(39,561,396)	(24,482,457)
Interest received		3,500,775	2,447,813
Other income		1,136,630	4,965,832
Insurance claims expenses		(481,882,234)	(266,112,426)
Commission and brokerage expenses		(805,505,446)	(82,751,932)
Other underwriting expenses		(118,581,283)	(50,501,782)
Operating expenses		(78,492,815)	(103,664,369)
Income tax expense		(40,085,055)	(6,244,770)
Cash received - financial assets		332,336,465	204,147,438
Cash payment - financial assets		(521,699,537)	(312,953,272)
Cash received from insurance contracts obtained from portfolio transfers			
included cash adjustment on 16 March 2022	30	310,156,181	-
<b>Net cash provided by operating activities</b>		<b>289,068,881</b>	<b>31,493,573</b>
<b>Cash flows from investing activities</b>			
<b>Cash flows used in:</b>			
Acquisition of equipment	10	(664,010)	(1,657,265)
Acquisition of intangible assets	12	(3,980,817)	-
<b>Net cash used in investing activities</b>		<b>(4,644,827)</b>	<b>(1,657,265)</b>
<b>Cash flows from financing activities</b>			
<b>Cash flows used in:</b>			
Payment of lease liabilities		(5,889,803)	(5,508,099)
<b>Net cash used in financing activities</b>		<b>(5,889,803)</b>	<b>(5,508,099)</b>
<b>Net increase in cash and cash equivalents</b>		<b>278,534,251</b>	<b>24,328,209</b>
Cash and cash equivalents at 1 January		186,171,560	161,843,351
<b>Cash and cash equivalents at 31 December</b>	5	<b>464,705,811</b>	<b>186,171,560</b>

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

# **Pacific Cross Health Insurance Public Company Limited**

## **Notes to the financial statements**

**For the year ended 31 December 2022**

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# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

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 April 2023.

### 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, 21<sup>st</sup> 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 company’s ultimate parent company is Pacific Cross International Limited.

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

### 2 Basis of preparation of the 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 not early adopted a number of new and revised TFRS which are not yet effective for the current period in preparing these financial statements. Those new and revised TFRS that are relevant to the Company’s operations are disclosed in note 31.

#### (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**

## **Notes to the financial statements**

**For the year ended 31 December 2022**

### ***(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 2022 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 14            Insurance contract liabilities

#### ***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, the Bornhuetter-Ferguson method, and the Expected Loss Ratio method (ELR) 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.

The Expected loss ratio (ELR) is the ratio of ultimate losses to earned premiums. The ultimate losses can be calculated as the earned premium multiplied by the expected loss ratio.



# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### 3 Change in accounting policy

Since quarter 4 of year 2022, the company has changed the accounting policy related to deferred acquisition cost for insurance contracts where the costs of acquiring new insurance contracts, including commissions and the policy service fee e.t.c., are recognized as a deferred asset and are subsequently amortised on systematic basis. The management considered that such information is more relevant to the decision-making needs of the financial users and no less reliable, or more reliable and no less relevant to those need under TFRS 4 Insurance Contract. The company has restated the financial for this change.

The impact on the financial statement are as follows

	As reported in the prior year	The impacts of the change in accounting policy (in thousand Baht)	Restated
<b><i>Statement of financial position as at 31 December 2020 and 1 January 2021</i></b>			
Deferred acquisition cost	-	39,282,238	39,282,238
Deficit	(332,137,339)	39,282,238	(292,855,101)
<b><i>Statement of financial position as at 31 December 2021</i></b>			
Deferred acquisition cost	-	43,725,421	43,725,421
Deficit	(276,190,485)	43,725,421	(232,465,064)
<b><i>Statement of comprehensive income for the year ended 31 December 2021</i></b>			
Commission and brokerage expense	86,313,467	(4,443,184)	81,870,283

### 4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for disclosed 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.

# **Pacific Cross Health Insurance Public Company Limited**

## **Notes to the financial statements**

**For the year ended 31 December 2022**

### **(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).

#### *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.

**Pacific Cross Health Insurance Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2022**

*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.

*Deferred acquisition costs*

The costs of acquiring new insurance contracts, including commissions and the policy service fee e.t.c., are recognized as a deferred asset and are amortised on a systematic basis

*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.

*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.

**Pacific Cross Health Insurance Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2022**

*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**

**(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.

*Subsequent measurement*

These assets are subsequently measured at amortised cost using effective interest method. The amortised cost is reduced by expected credit losses, interest income, expected credit loss, gain or loss on depreciation are recognised in profit or loss.

**(3) Derecognition**

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.



# **Pacific Cross Health Insurance Public Company Limited**

## **Notes to the financial statements**

**For the year ended 31 December 2022**

### **(f) Lease**

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.

#### *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.

### **(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.

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.

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### *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	3 - 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 and 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
-------------------	---------

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

**Pacific Cross Health Insurance Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2022**

**(i) *Impairment of financial assets***

*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.

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### *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, and 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.

#### *Other long-term employee benefits*

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.



# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### (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.

### (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.

# **Pacific Cross Health Insurance Public Company Limited**

## **Notes to the financial statements**

**For the year ended 31 December 2022**

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.

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.

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### 5 Cash and cash equivalents

	2022	2021
	(in Baht)	
Cash	10,088	12,466
Deposits at banks - call deposits	444,195,723	186,159,094
Highly liquid short-term investment	20,500,000	-
<b>Cash and cash equivalents</b>	<b>464,705,811</b>	<b>186,171,560</b>

### 6 Premiums due and uncollected, net

As at 31 December 2022 and 2021, premiums due and uncollected and their aging are as follows:

	2022	2021
	(in Baht)	
Not yet overdue	36,942,422	21,192,807
Overdue		
Less than 30 days	15,784,931	13,214,569
30 - 60 days	52,178,543	12,188,044
60 - 90 days	10,427,961	5,870,453
90 days - 1 year	16,333,412	2,714,039
Over 1 year	5,135,133	790,187
Total premium due and uncollected	136,802,402	55,970,099
Less allowance for doubtful accounts	(5,135,133)	(790,187)
<b>Premiums due and uncollected, net</b>	<b>131,667,269</b>	<b>55,179,912</b>

### 7 Deferred acquisition costs

The movements of deferred acquisition costs are as follows:

	2022	2021
	(in Baht)	(Restated)
At 1 January	43,725,421	39,282,238
Deferral of acquisition costs	353,713,601	82,365,314
Amortization of acquisition costs	(229,832,367)	(77,922,131)
<b>At 31 December</b>	<b>167,606,655</b>	<b>43,725,421</b>

### 8 Reinsurance receivables

	2022	2021
	(in Baht)	
Due from reinsurers	29,873,103	20,335,767
<b>Reinsurance receivables</b>	<b>29,873,103</b>	<b>20,335,767</b>

As at 31 December 2022 and 2021, aging analyses for due from reinsurers were as follows:

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

	2022	2021
	(in Baht)	
Within credit terms	29,609,131	20,335,767
Overdue		
Over 1 year	263,972	-
<b>Total due from reinsurer</b>	<b>29,873,103</b>	<b>20,335,767</b>

## 9 Financial assets

### 9.1 Financial assets by measurement are as follows:

	2022		2021	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
			(in Baht)	
<b><i>Financial assets measured at amortised cost</i></b>				
Deposits at banks with original maturity over 3 months	589,644,681	589,644,681	409,952,151	409,952,151
Private debt securities	10,000,000	10,100,996	-	-
<b>Total</b>	<b>599,644,681</b>	<b>599,745,677</b>	<b>409,952,151</b>	<b>409,952,151</b>
Less allowance for ECL	(396,944)	-	(228,648)	-
<b>Total</b>	<b>599,247,737</b>	<b>599,745,677</b>	<b>409,723,503</b>	<b>409,952,151</b>

### 9.2 Financial assets measured at amortised cost

	2022		2021	
	Carrying value	Allowance for ECL (in Baht)	Net carrying value	
<b><i>Debt securities - no significant increase in credit risk (stage 1)</i></b>				
Deposits at banks with original maturity over 3 months	589,644,681	(387,494)	589,257,187	
Private debt securities	10,000,000	(9,450)	9,990,550	
<b>Total</b>	<b>599,644,681</b>	<b>(396,944)</b>	<b>599,247,737</b>	
	2021		2021	
	Carrying value	Allowance for ECL (in Baht)	Net carrying value	
<b><i>Debt securities - no significant increase in credit risk (stage 1)</i></b>				
Deposits at banks with original maturity over 3 months	409,952,151	(228,648)	409,723,503	
<b>Total</b>	<b>409,952,151</b>	<b>(228,648)</b>	<b>409,723,503</b>	

**Pacific Cross Health Insurance Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2022**

**10 Equipment**

	Furniture and fixtures	Office equipment (in Baht)	Total
<b>Cost</b>			
At 1 January 2021	7,099,958	6,431,325	13,531,283
Additions	202,010	1,588,837	1,790,847
Disposals and write-offs	-	(133,582)	(133,582)
<b>At 31 December 2021 and 1 January 2022</b>	<b>7,301,968</b>	<b>7,886,580</b>	<b>15,188,548</b>
Additions	253,750	691,056	944,806
Disposals and write-offs	-	(280,796)	(280,796)
<b>At 31 December 2022</b>	<b>7,555,718</b>	<b>8,296,840</b>	<b>15,852,558</b>
<b>Accumulated Depreciation</b>			
At 1 January 2021	6,811,516	5,240,393	12,051,909
Depreciation charge for the year	80,016	712,543	792,559
Disposals and write-offs	-	(133,426)	(133,426)
<b>At 31 December 2021 and 1 January 2022</b>	<b>6,891,532</b>	<b>5,819,510</b>	<b>12,711,042</b>
Depreciation charge for the year	132,828	977,090	1,109,918
Disposals and write-offs	-	(275,871)	(275,871)
<b>At 31 December 2022</b>	<b>7,024,360</b>	<b>6,520,729</b>	<b>13,545,089</b>
<b>Net book value</b>			
At 1 January 2021	288,442	1,190,932	1,479,374
At 31 December 2021 and 1 January 2022	410,436	2,067,070	2,477,506
At 31 December 2022	531,358	1,776,111	2,307,469

The gross amount of the Company's fully depreciated equipment that was still in use as at 31 December 2022 amounted to Baht 11.65 million (2021: Baht 11.44 million).

**11 Leases**

*As a lessee*

<b>At 31 December</b>	2022	2021
	(in Baht)	
<b>Right-of-use assets</b>		
Buildings and buildings improvement	1,722,009	6,187,890
Vehicles	2,135,861	1,534,250
<b>Total</b>	<b>3,857,870</b>	<b>7,722,140</b>

**Pacific Cross Health Insurance Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2022**

In 2022, the right-of-use assets of the Company were decreased Baht 1.83 million (2021: additions Baht 9.76 million).

<i>For the year ended 31 December</i>	2022	2021
	<i>(in Baht)</i>	
<b><i>Amounts recognised in profit or loss</i></b>		
Depreciation of right-of-use assets:		
- Buildings and buildings improvement	4,465,881	4,508,551
- Vehicles	1,229,939	1,081,486
Interest on lease liabilities	362,655	610,173
Lease expense	505,634	408,000

In 2022, total cash outflow for leases of the Company were Baht 6.08 million (2021: Baht 5.51 million).

## **12 Intangible assets**

	Computer software <i>(in Baht)</i>
<b><i>Cost</i></b>	
At 1 January 2021	3,108,313
Additions	-
<b>At 31 December 2021 and 1 January 2022</b>	<b>3,108,313</b>
Additions	3,980,818
<b>At 31 December 2022</b>	<b>7,089,131</b>
<b><i>Accumulated amortisation</i></b>	
At 1 January 2021	2,802,316
Amortisation for the year	213,057
<b>At 31 December 2021 and 1 January 2022</b>	<b>3,015,373</b>
Amortisation for the year	234,055
<b>At 31 December 2022</b>	<b>3,249,428</b>
<b><i>Net book value</i></b>	
<b>At 31 December 2021</b>	<b>305,997</b>
<b>At 31 December 2021 and 1 January 2022</b>	<b>92,940</b>
<b>At 31 December 2022</b>	<b>3,839,703</b>

As at 31 December 2022, certain intangible assets at cost of Baht 3.05 million were fully amortized but still in use (2021: Baht 2.57 million).

## **13 Other assets**

	2022	2021
	<i>(in Baht)</i>	
Deposits	1,450,056	1,537,492
Prepaid expense	782,215	863,000
Others	9,277,433	4,461,329
<b>Total</b>	<b>11,509,704</b>	<b>6,861,821</b>

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### 14 Insurance contract liabilities

	2022			2021		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
	<i>(in Baht)</i>					
<b>Short-term technical reserves</b>						
Loss reserves and outstanding claims						
- Case reserves	67,456,114	(49,075,714)	18,380,400	60,611,328	(42,493,187)	18,118,141
- Incurred but not reported*	89,437,216	(10,371,974)	79,065,242	30,093,564	(4,810,230)	25,283,334
Total loss reserves and outstanding claims	156,893,330	(59,447,688)	97,445,642	90,704,892	(47,303,417)	43,401,475
Unearned premium reserves	612,766,955	(130,342,540)	482,424,415	361,028,719	(100,508,333)	260,520,386
<b>Total</b>	<b>769,660,285</b>	<b>(189,790,228)</b>	<b>579,870,057</b>	<b>451,733,611</b>	<b>(147,811,750)</b>	<b>303,921,861</b>

\* This Incurred but not reported (IBNR) as at 31 December 2022 excludes the IBNR for insurance contracts obtained from portfolio transfers from another non-related insurance company on 8 March 2022 because the company records claims expenses, as insurance claims, upon the receipt of the claims advice from the insured person.

#### 14.1 Loss reserves and outstanding claims

At 1 January	90,704,892	(47,303,417)	43,401,475	64,690,790	(42,563,241)	22,127,549
Insurance claim expense incurred during the year	498,973,250	(115,256,089)	383,717,161	293,305,222	(95,492,365)	197,812,857
Change in estimation and assumption	59,343,652	(5,561,744)	53,781,908	6,846,204	(1,812,345)	5,033,859
Insurance claim expense paid during the year	(492,128,464)	108,673,562	(383,454,902)	(274,137,324)	92,564,534	(181,572,790)
<b>At 31 December</b>	<b>156,893,330</b>	<b>(59,447,688)</b>	<b>97,445,642</b>	<b>90,704,892</b>	<b>(47,303,417)</b>	<b>43,401,475</b>

#### 14.2 Unearned premium reserves

At 1 January	361,028,719	(100,508,333)	260,520,386	316,609,705	(118,477,943)	198,131,762
Premium written during the year	2,126,737,995	(331,514,144)	1,795,223,851	693,473,436	(195,832,888)	497,640,548
Earned premium in the year	(1,874,999,759)	301,679,937	(1,573,319,822)	(649,054,422)	213,802,498	(435,251,924)
<b>At 31 December</b>	<b>612,766,955</b>	<b>(130,342,540)</b>	<b>482,424,415</b>	<b>361,028,719</b>	<b>(100,508,333)</b>	<b>260,520,386</b>

Unexpired risk reserves 192,185,678 (50,722,198) 141,463,480 197,617,884 (67,098,078) 130,519,806

As at 31 December 2022, no additional reserve for unexpired risk reserves has been establish as the unexpired risk reserves estimated by the Company amounting to Baht 192.19 million (31 December 2021: Baht 197.62 million) are lower than the unearned premium reserves.



**Pacific Cross Health Insurance Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2022**

**14.3 Loss development triangle**

As at 31 December 2022

Accident year / Accounting year	2018	2019	2020	2021	2022	Total
	<i>(in Baht)</i>					
Estimated loss reserves and outstanding claims						
At year ended of accident year	163,511,359	248,745,906	228,997,126	290,149,892	458,824,813	
Development year 1	159,141,249	238,107,164	213,578,259	262,900,402		
Development year 2	159,584,772	238,434,413	213,560,961			
Development year 3	159,613,485	239,017,569				
Development year 4	159,614,790					
Absolute estimated loss reserves and outstanding claims	159,614,790	239,017,569	213,560,961	262,900,402	458,824,813	1,333,918,535
Accumulated claim paid	159,614,790	238,990,189	213,560,961	261,123,129	312,464,870	1,185,753,939
<b>Total</b>	<b>-</b>	<b>27,380</b>	<b>-</b>	<b>1,777,273</b>	<b>146,359,943</b>	<b>148,164,596</b>
Adjustment case reserve - accounting						4,468,344
Reinsurance						2,320,779
Total loss reserve						154,953,719
Unallocated loss adjustment expense						1,939,611
						<b>156,893,330</b>

**Pacific Cross Health Insurance Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2022**

As at 31 December 2021

Accident year / Accounting year	2017	2018	2019	2020	2021	Total
	<i>(in Baht)</i>					
Estimated loss reserves and outstanding claims						
At year ended of accident year	135,247,450	163,511,359	248,745,906	228,997,126	290,149,892	
Development year 1	132,741,870	159,141,249	238,107,164	213,578,259		
Development year 2	132,616,252	159,584,772	238,434,413			
Development year 3	132,616,252	159,613,485				
Development year 4	132,631,296					
Absolute estimated loss reserves and outstanding claims	132,631,296	159,613,485	238,434,413	213,578,259	290,149,892	1,034,407,345
Accumulated claim paid	132,631,296	159,613,485	238,434,413	213,509,543	207,234,362	951,423,100
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,715</b>	<b>82,915,530</b>	<b>82,984,245</b>
Adjustment case reserve - accounting						1,617,305
Reinsurance						5,328,229
Total loss reserve						89,929,778
Unallocated loss adjustment expense						775,113
						<b>90,704,892</b>

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### 15 Reinsurance payable

	2022	2021
	(in Baht)	
Amounts withheld on reinsurance	73,492,400	58,948,432
Due to reinsurers	67,564,120	51,482,053
<b>Total</b>	<b>141,056,520</b>	<b>110,430,485</b>

### 16 Employee benefit obligations

	2022	2021
	(in Baht)	
Post-employment benefits	3,287,240	1,635,152
Other long-term employee benefits	508,976	346,841
<b>Total</b>	<b>3,796,216</b>	<b>1,981,993</b>

#### *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*

	2022	2021
	(in Baht)	
At 1 January	1,981,993	1,863,353
<b>Included in profit or loss</b>		
Current service cost	542,042	521,837
Interest on obligation	46,430	27,285
<b>Included in other comprehensive income</b>		
Actuarial loss		
- Demographic assumptions	1,232,789	-
- Financial assumptions	(250,981)	(81,954)
- Experience adjustment	368,943	291,472
	3,921,216	2,621,993
Benefits paid	(125,000)	(640,000)
<b>At 31 December</b>	<b>3,796,216</b>	<b>1,981,993</b>

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

	2022	2021
Retirement age	60 years	60 years
Mortality rate	Thai Mortality table 2017	Thai Mortality table 2017
Employee turnover (%)	10.0 - 25.0 per annum	15.0 - 30.0 per annum
Discount rate (%)	3.01 per annum	2.34 per annum
Future salary growth (%)	4.26 per annum	4.41 per annum

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### *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**

	2022		2021	
	Increase	Decrease	Increase	Decrease
	<i>(in Baht)</i>			
Future salary growth (1% movement)	295,119	(265,852)	151,435	(136,215)
Employee turnover (1 % of assumption movement)	(351,394)	396,213	(193,329)	219,019
Discount rate (1% movement)	(302,612)	341,868	(160,355)	181,339

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.

## **17 Other liabilities**

	2022	2021 (Restated)
	<i>(in Baht)</i>	
Other accrued expenses	89,157,996	28,146,176
Commission and brokerage payable	24,955,658	11,445,191
Premium received in advance	9,680,122	4,433,770
Claim payable obtained from portfolio transfers	56,393,817	-
Others	7,031,140	2,222,568
<b>Total</b>	<b>187,218,733</b>	<b>46,247,705</b>

## **18 Share capital**

	Par value per share <i>(in Baht)</i>	2022		2021	
		Number	Amount	Number	Amount
			<i>(shares/Baht)</i>		
<b>Authorised at 31 December</b>		<b>20,000,000</b>	<b>500,000,000</b>	<b>20,000,000</b>	<b>500,000,000</b>
<b><i>Issued and paid-up</i></b>					
At 1 January					
- ordinary shares	25	20,000,000	500,000,000	20,000,000	500,000,000
<b>At 31 December</b>					
- ordinary shares	25	20,000,000	500,000,000	20,000,000	500,000,000

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### 19 Operating expenses

	Note	2022	2021
		(in Baht)	
Employee expenses	21	72,543,719	63,164,502
VAT expenses		62,584,326	9,854,593
Professional fees		29,354,817	4,353,000
Depreciation and amortisation expenses		7,039,793	6,595,653
Doubtful debt expenses		4,321,419	362,823
Rental of equipment, building and service expenses		277,869	276,000
Other operating expenses		26,498,492	27,114,265
<b>Total</b>		<b>202,620,435</b>	<b>111,720,836</b>

### 20 Employee benefit expenses

	2022	2021
	(in Baht)	
Salaries and wages	69,479,841	64,045,813
Post-employment benefits	588,471	555,123
Provident fund contribution	1,656,982	1,628,827
Others	1,406,896	1,674,966
<b>Total</b>	<b>73,132,190</b>	<b>67,904,729</b>

### 21 Expenses by nature

	Note	2022	2021
		(in Baht)	
<b>Employee expenses</b>			
Included in benefits payments and insurance claims expenses		2,777,403	2,241,984
Included in other underwriting expenses		2,216,722	1,943,120
Included in operating expenses	19	72,543,719	63,164,502
<b>Total</b>		<b>77,537,844</b>	<b>67,349,606</b>
<b>Rental of equipment, building and service expenses</b>			
Included in operating expenses		277,869	276,000
<b>Total</b>		<b>277,869</b>	<b>276,000</b>

### 22 Expected credit loss

	2022	2021
	(in Baht)	
Financial assets		
Financial assets measured at amortised cost	168,296	133,159
<b>Total</b>	<b>168,296</b>	<b>133,159</b>

**Pacific Cross Health Insurance Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2022**

**23 Income tax expense (revenue)**

*Income tax recognised in profit or loss*

	2022	2021 (Restated)
	<i>(in Baht)</i>	
<b>Current tax</b>		
Current period	77,115,310	22,297,589
<b>Deferred tax</b>		
Movements in temporary differences	(11,829,175)	(7,146,559)
<b>Total</b>	<b>65,286,135</b>	<b>15,151,030</b>

*Recognised in other comprehensive income*

	Before tax	2022 Tax (expense) benefit	Net of tax	Before tax	2021 Tax (expense) benefit	Net of tax
	<i>(in Baht)</i>					
Defined benefit plan actuarial losses	(1,350,752)	270,150	(1,080,602)	(209,517)	41,903	(167,614)
<b>Total</b>	<b>(1,350,752)</b>	<b>270,150</b>	<b>(1,080,602)</b>	<b>(209,517)</b>	<b>41,903</b>	<b>(167,614)</b>

*Reconciliation of effective tax rate*

	2022	2021 (Restated)
	Rate (%)	Rate (%)
	<i>(in Baht)</i>	
Profit before income tax	278,725,630	75,708,681
Income tax using the Thai corporation tax rate	20	15,141,736
Income not subject to tax	(10,915,774)	(4,554,210)
Expenses not deductible for tax purposes	20,456,783	5,452,140
Taxable expenses of previous year	-	(888,636)
<b>Total</b>	<b>23</b>	<b>15,151,030</b>

*Deferred tax assets*

	2022	2021
	<i>(in Baht)</i>	
<b>Deferred tax assets</b>	<b>33,801,820</b>	<b>21,702,494</b>

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

Movements in total deferred tax assets during the year ended 31 December 2022 and 2021 is as follow:

	At 1 January 2022	(Charged) / credited to:		At 31 December 2022
		Profit or loss	Other comprehensive income	
		<i>(in Baht)</i>		
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	158,038	868,989	-	1,027,027
Allowance of impairment	45,730	33,659	-	79,389
Premium reserves	12,292,833	-	-	12,292,833
Loss reserves	8,680,295	10,808,833	-	19,489,128
Employee benefits obligation	525,599	117,694	270,150	913,443
<b>Total</b>	<b>21,702,495</b>	<b>11,829,175</b>	<b>270,150</b>	<b>33,801,820</b>

	At 1 January 2021	(Charged) / credited to:		At 31 December 2021
		Profit or loss	Other comprehensive income	
		<i>(in Baht)</i>		
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	85,473	72,565	-	158,038
Allowance of impairment	19,098	26,632	-	45,730
Premium reserves	9,611,281	2,681,552	-	12,292,833
Loss reserves	4,425,510	4,254,785	-	8,680,295
Employee benefits obligation	372,670	111,025	41,903	525,598
<b>Total</b>	<b>14,514,032</b>	<b>7,146,559</b>	<b>41,903</b>	<b>21,702,494</b>

## 24 Basic earnings per share

The calculations of basic earnings per share for the year ended 31 December 2022 and 2021 were based on the profit for the years attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the year were as follows:

	2022	2021 (Restated)
Profit for the period attributable to ordinary shareholders <i>(in Baht)</i>	213,439,495	60,557,651
Number of ordinary shares outstanding <i>(in shares)</i>	20,000,000	20,000,000
<b>Basic earnings per share <i>(in Baht)</i></b>	<b>10.67</b>	<b>3.03</b>



# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### 25 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
Pacific Cross International Limited	Hong Kong	Ultimate parent 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 incomes (other incomes)	At contractually agreed prices
Underwriting and loss adjustment expenses (other underwriting expenses and insurance claim expenses)	At contractually agreed prices
Legal consulting fees (operating expenses)	At contractually agreed prices
Consulting fees (operating expenses)	At mutually agreed prices

Transactions with related parties and key management for the year ended 31 December 2022 and 2021 were as follows:

	2022	2021
	(in Baht)	
<b><i>Med-Sure Services Limited</i></b>		
Rental and service incomes	640,000	3,840,000
Underwriting	61,749,818	28,696,823
Loss adjustment expense	46,361,017	12,542,186
<b><i>Legal Concept Company Limited</i></b>		
Legal consulting fees	267,250	48,500
<b><i>Pacific Cross International Limited</i></b>		
Consulting fees	23,015,484	-
<b><i>Key management personnel compensation</i></b>		
Short-term employee benefits	16,110,874	16,856,893
Directors remuneration	400,000	495,000
Post-employment benefits	509,364	227,123
<b>Total</b>	<b>17,020,238</b>	<b>17,579,016</b>

**Pacific Cross Health Insurance Public Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2022**

Balance with related parties as at 31 December 2022 and 2021 were as follows:

	2022	2021
	<i>(in Baht)</i>	
<b><i>Med-Sure Services Limited</i></b>		
Underwriting and loss adjustment payable	10,648,799	4,229,277
<b><i>Pacific Cross International Limited</i></b>		
Other accrued expenses	16,898,369	-

## 26 Risk management and financial instruments

### *Insurance risk management policy*

Insurance risk may cause from mortality risk, morbidity 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.

### *Sensitivity analysis*

The sensitivity analysis is performed on the net loss reserves and outstanding claims, based on changes in assumptions that may affect the level of liabilities. Effects of risk that changes in assumptions as at 31 December 2022 and 2021 were as follows:

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

			2022		
	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	Profit before Income tax	Equity
			<i>(in Baht)</i>		
Ultimate loss ratio in latest accident year	+5% multiplicative	26,610,023	19,129,116	(19,129,116)	(15,303,293)
Unallocated loss adjustment expense ratio	+20% multiplicative	434,473	434,473	(434,473)	(347,578)
	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	Profit before Income tax	Equity
			<i>(in Baht)</i>		
Ultimate loss ratio in latest accident year	+5% multiplicative	16,459,623	10,798,624	(10,798,624)	(8,638,899)
Unallocated loss adjustment expense ratio	+20% multiplicative	173,625	173,625	(173,625)	(138,900)

**Pacific Cross Health Insurance Public Company Limited**  
**Notes to the financial statements**  
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Impact on general insurance liabilities to downward changes in key assumptions on gross and net insurance liabilities at 75% confidence level.

	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	2022 Profit before Income tax (in Baht)	Equity
Ultimate loss ratio in latest accident year	-5% multiplicative	(26,610,023)	(19,129,116)	19,129,116	15,303,293
Unallocated loss adjustment expense ratio	-20% multiplicative	(434,473)	(434,473)	434,473	347,578
	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	2021 Profit before Income tax (in Baht)	Equity
Ultimate loss ratio in latest accident year	-5% multiplicative	(16,459,623)	(10,798,624)	10,798,624	8,638,899
Unallocated loss adjustment expense ratio	-20% multiplicative	(173,625)	(173,625)	173,625	138,900

***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 2022 and 2021, the Company maintains capital level in compliance with such requirement.

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### 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 2022 and 2021 significant financial assets classified by type of interest rate are as follows:

	2022			Total
	Fixed interest rate	Floating interest rate	Non-interest bearing	
			(in Baht)	
<b>Financial assets</b>				
Cash and cash equivalents	20,500,000	445,035,456	(829,645)	464,705,811
Financial assets	599,644,681	-	-	599,644,681
<b>Total</b>	<b>620,144,681</b>	<b>445,035,456</b>	<b>(829,645)</b>	<b>1,064,350,492</b>

  

	2021			Total
	Fixed interest rate	Floating interest rate	Non-interest bearing	
			(in Baht)	
<b>Financial assets</b>				
Cash and cash equivalents	-	185,337,606	833,954	186,171,560
Financial assets	409,952,151	-	-	409,952,151
<b>Total</b>	<b>409,952,151</b>	<b>185,337,606</b>	<b>833,954</b>	<b>596,123,711</b>

As at 31 December 2022 and 2021, 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:

	Interest rate (% per annum)	Maturity period			Total
		Within 1 year	After 1 year but within 5 years	Over 5 years	
			(in Baht)		
<b>At 31 December 2022</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0.60	20,500,000	-	-	20,500,000
Financial assets	0.05 - 2.00	521,083,920	78,560,761	-	599,644,681
<b>Total</b>		<b>541,583,920</b>	<b>78,560,761</b>	<b>-</b>	<b>620,144,681</b>

  

	Interest rate (% per annum)	Maturity period			Total
		Within 1 year	After 1 year but within 5 years	Over 5 years	
			(in Baht)		
<b>At 31 December 2021</b>					
<b>Financial assets</b>					
Financial assets	0.05 - 2.00	288,343,492	121,608,659	-	409,952,151
<b>Total</b>		<b>288,343,492</b>	<b>121,608,659</b>	<b>-</b>	<b>409,952,151</b>

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### *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.

### *Credit quality analysis*

The following table sets out information about the credit quality as at 31 December 2022 and 2021 of debt securities measured at fair value through other comprehensive income and debt securities measured at amortised cost, based on Thai Rating and Information Service Co., Ltd. (TRIS) and Fitch Ratings (Thailand) Limited.

31 December 2022 (in Baht)				
	Stage 1	Stage 2	Stage 3	Total
<b>Investments measured at amortised cost</b>				
<b>Private debt securities</b>				
Rated A and above	10,000,000	-	-	10,000,000
<b>Carrying amount</b>	<b>10,000,000</b>	<b>-</b>	<b>-</b>	<b>10,000,000</b>
Less Allowance for excepted credit loss	(9,449)	-	-	(9,449)
<b>Net carrying amount</b>	<b>9,990,551</b>	<b>-</b>	<b>-</b>	<b>9,990,551</b>
31 December 2021 (in Baht)				
	Stage 1	Stage 2	Stage 3	Total
<b>Investments measured at amortised cost</b>				
<b>Private debt securities</b>				
Rated A and above	-	-	-	-
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less Allowance for excepted credit loss	-	-	-	-
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### *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.

### *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.

# Pacific Cross Health Insurance Public Company Limited

## Notes to the financial statements

For the year ended 31 December 2022

### *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.

## 27 Securities and assets pledged with the Registrar

27.1 As at 31 December 2022 and 2021, deposits at bank had been pledged with the Registrar in accordance with the Non-Life Insurance Act (No. 2) B.E. 2551 as follows:

	2022 Book value (in Baht)	2022 Book value
Term deposits	<u>3,500,000</u>	<u>3,500,000</u>

27.2 As at 31 December 2022 and 2021, 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:

	2022 Book value (in Baht)	2021 Book value
Term deposits	<u>172,331,604</u>	<u>77,405,715</u>

## 28 Contribution to Non-Life Insurance Fund

As at 31 December 2022 and 2021, the accumulated Contribution to Non-Life Insurance Fund were as follows:

	2022 (in Baht)	2021
At 1 January	7,165,193	5,478,887
Increase during the year	<u>4,622,591</u>	<u>1,686,306</u>
At 31 December	<u>11,787,784</u>	<u>7,165,193</u>

## 29 Commitments with non-related parties

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

	2022 (in Baht)	2021
Within 1 year	342,000	309,000
1 - 5 years	<u>26,000</u>	<u>120,500</u>
Total	<u>368,000</u>	<u>429,500</u>

**Pacific Cross Health Insurance Public Company Limited**  
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**For the year ended 31 December 2022**

**30 Insurance contracts obtained from portfolio transfers**

The Office of Insurance Commission approved the Company to accept the transfer of health and accident insurance policies from another non-related insurance company, which has planned to cease its insurance operations in 2022. On 14 February 2022, the Company's Board of Directors approved to participate in this arrangement. Later on 8 March 2022, the Company received cash amounting to Baht 289 million against Baht 260 million of insurance liability as part of this portfolio transfer arrangement.

The assets and liabilities balances obtained on transfer date were as follows:

	8 March 2022 (in Baht)
<b>Assets</b>	
Cash and cash equivalents	288,821,938
Premiums due and uncollected, net	20,574,326
Other assets	101,806,862
<b>Liabilities</b>	
Insurance contract liabilities	(260,107,386)
Other liabilities	(151,095,740)
<b>Net</b>	<u><u>-</u></u>

**31 Thai Financial Reporting Standards (TFRS) not yet adopted**

A number of new TFRS which are relevant to the Company's operations are expected to have significant impact on the Company's financial statements on the date of initial application are as follows:

<b>TFRS</b>	<b>Topic</b>
TFRS 17	Insurance contracts

TFRS 17 will replace TFRS 4 - Insurance Contracts for the annual periods beginning on or after 1 January 2025.

TFRS 17 introduces the new measurement model which consists of fulfillment cash flows and a contractual service margin. The fulfillment cash flows represent the risk adjusted present value of the insurer's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting, and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit from in-force contracts that the Company will recognise as it provides services over the coverage period. The contractual service margin is earned based on a pattern of coverage units, reflecting the quantity of benefits provided. The simplified approach may be chosen to adopt when certain criteria are met.

The Company may elect to recognise the cumulative negative impact on insurance contract liabilities from the adoption of TFRS 17 to retained earnings by applying the straight-line method within the period not exceeding 3 years from transition date.

TFRS 17 also introduces substantial changes in both presentation of the statement of financial position and statement of comprehensive income, as well as more granular disclosure requirements.

Management is presently considering the potential impact of adopting and initially applying those TFRSs on the financial statements.