

Pacific Cross Health Insurance Public Company Limited

Financial statements for the year ended
31 December 2023
and
Independent auditor's report



KPMG Phoomchai Audit Ltd.
50th Floor, Empire Tower
1 South Sathorn Road, Yannawa
Sathorn, Bangkok 10120, Thailand
Tel +66 2677 2000
Fax +66 2677 2222
Website home.kpmg/th

บริษัท เคพีเอ็มจี ภูมิไชย สอบบัญชี จำกัด
ชั้น 50 เอ็มไพร์ทาวเวอร์
1 ถนนสาทรใต้ แขวงยานนาวา
เขตสาทร กรุงเทพฯ 10120
โทร +66 2677 2000
แฟกซ์ +66 2677 2222
เว็บไซต์ home.kpmg/th

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 2023, 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 2023 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.

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
22 April 2024

Pacific Cross Health Insurance Public Company Limited

Statement of financial position

Assets	Note	31 December	
		2023	2022
		<i>(in Baht)</i>	
Cash and cash equivalents	4	399,392,178	464,705,811
Premiums due and uncollected, net	5	109,142,432	131,667,269
Accrued investment income		4,208,218	1,886,853
Reinsurers' share of insurance contract liabilities	13	205,688,092	189,790,228
Reinsurance receivables	7	30,469,833	29,873,103
Financial assets	8, 26, 27	779,597,064	599,247,737
Equipment	9	3,346,755	2,307,469
Right-of-use-assets	10	13,395,815	3,857,870
Intangible assets	11	12,413,598	3,839,703
Deferred acquisition costs	6	136,088,602	167,606,655
Deferred tax assets	23	28,791,939	33,801,820
Other assets	12	62,767,876	11,509,704
Total assets		<u>1,785,302,402</u>	<u>1,640,094,222</u>

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

Pacific Cross Health Insurance Public Company Limited

Statement of financial position

Liabilities and equity	Note	31 December	
		2023	2022
		<i>(in Baht)</i>	
Liabilities			
Insurance contract liabilities	13	714,972,931	769,660,285
Reinsurance payable	14	152,896,445	141,056,520
Income tax payable		51,461,602	54,448,994
Provisions for employee benefits	15	4,809,476	3,796,216
Lease liabilities		13,744,847	4,019,645
Other liabilities	16, 25	164,981,451	187,218,733
Total liabilities		1,102,866,752	1,160,200,393
Equity			
Share capital	18		
Authorised share capital			
(20,000,000 ordinary shares, par value at Baht 25 per share)		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
Retained earnings (deficit)			
Appropriated			
Legal reserve	17	9,131,413	-
Unappropriated		173,304,237	(20,106,171)
Total equity		682,435,650	479,893,829
Total liabilities and equity		1,785,302,402	1,640,094,222

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

Pacific Cross Health Insurance Public Company Limited
Statement of comprehensive income

		For the year ended 31 December	
	Note	2023	2022
		(in Baht)	
Revenues			
Gross premium written		2,372,669,238	2,101,010,270
Less premium ceded		<u>(258,375,966)</u>	<u>(331,514,144)</u>
Net premiums written		2,114,293,272	1,769,496,126
Add (less) decrease (increase) in unearned premium reserve from previous year		30,993,395	(226,010,511)
Less (add) reinsurers' share of (increase) decrease in unearned premium reserve from previous year		<u>(3,659,395)</u>	<u>29,834,207</u>
Net premiums earned		2,141,627,272	1,573,319,822
Fee and commission income		103,129,280	158,449,638
Net investment income		9,885,846	3,714,783
Loss on investment		(502,838)	-
Loss on fair value changes	8	(178,732)	-
Other income	25	<u>2,322,108</u>	<u>1,136,631</u>
Total income		<u>2,256,282,936</u>	<u>1,736,620,874</u>
Expenses			
Insurance claim expenses	21, 25	719,004,222	558,316,902
Less insurance claim expenses recovered from reinsurers		<u>(156,376,886)</u>	<u>(120,817,833)</u>
Net insurance claim expenses		562,627,336	437,499,069
Commission and brokerage expenses		394,476,142	257,337,328
Other underwriting expenses	21, 25, 28	743,295,840	560,270,116
Operating expenses	19, 21, 25	301,691,230	202,620,435
Expected credit loss	22	<u>117,537</u>	<u>168,296</u>
Total expenses		<u>2,002,208,085</u>	<u>1,457,895,244</u>
Profit before income tax		254,074,851	278,725,630
Income tax expense	23	<u>51,340,423</u>	<u>65,286,135</u>
Profit for the period		<u>202,734,428</u>	<u>213,439,495</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on remeasurements of defined benefit plans	15	(240,759)	(1,350,752)
Income tax relating to components of other comprehensive income that will not be reclassified subsequently to profit or loss	23	<u>48,152</u>	<u>270,150</u>
Other comprehensive income for the year, net of income tax		<u>(192,607)</u>	<u>(1,080,602)</u>
Total comprehensive income for the year		<u>202,541,821</u>	<u>212,358,893</u>
Basic earnings per share	24	10.14	10.67

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

Pacific Cross Health Insurance Public Company Limited
Statement of changes in equity

		Retained earnings		
	Issued and	Legal		Total
Note	paid-up	Reserve	Unappropriated	equity
	share capital		(in Baht)	
For the year ended 31 December 2022				
Balance at 1 January 2022 - restated	500,000,000	-	(232,465,064)	267,534,936
Comprehensive income for the year				
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
For the year ended 31 December 2023				
Balance at 1 January 2023	500,000,000	-	(20,106,171)	479,893,829
Comprehensive income for the year				
Profit for the year	-	-	202,734,428	202,734,428
Other comprehensive income	-	-	(192,607)	(192,607)
Total comprehensive income for the year	-	-	202,541,821	202,541,821
Transfer to legal reserve	17	-	9,131,413	(9,131,413)
Balance at 31 December 2023	500,000,000	9,131,413	173,304,237	682,435,650

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	2023	2022
		(in Baht)	
Cash flows from operating activities			
Premiums written		2,364,465,101	1,727,746,596
Cash paid to reinsurers		(5,573,915)	(39,561,396)
Interest received		8,739,288	3,500,775
Other income		1,740,859	1,136,631
Insurance claims expenses		(719,453,513)	(481,882,234)
Commission and brokerage expenses		(383,391,220)	(805,399,664)
Other underwriting expenses		(711,757,301)	(118,581,283)
Operating expenses		(371,136,877)	(78,475,323)
Income tax expense		(49,269,779)	(40,314,112)
Cash received - financial assets		891,214,804	332,336,465
Cash payment - financial assets		(1,073,115,970)	(521,593,755)
Cash received from insurance contracts obtained from portfolio transfers included cash adjustment on 16 March 2022		-	310,156,181
Net cash (used in) provided by operating activities		(47,538,523)	289,068,881
Cash flows from investing activities			
Cash flows used in:			
Acquisition of equipment	9	(2,311,510)	(664,010)
Acquisition of intangible assets	11	(8,940,750)	(3,980,817)
Net cash used in investing activities		(11,252,260)	(4,644,827)
Cash flows from financing activities			
Cash flows used in:			
Payment of lease liabilities		(6,522,850)	(5,889,803)
Net cash used in financing activities		(6,522,850)	(5,889,803)
Net (decrease) increase in cash and cash equivalents		(65,313,633)	278,534,251
Cash and cash equivalents at 1 January		464,705,811	186,171,560
Cash and cash equivalents at 31 December	4	399,392,178	464,705,811

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 2023

Note	Contents
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Cash and cash equivalents
5	Premiums due and uncollected, net
6	Deferred acquisition costs
7	Reinsurance receivables
8	Financial assets
9	Equipment
10	Leases
11	Intangible assets
12	Other assets
13	Insurance contract liabilities
14	Reinsurance payable
15	Employee benefit obligations
16	Other liabilities
17	Legal reserve
18	Share capital
19	Operating expenses
20	Employee benefit expenses
21	Expenses by nature
22	Expected credit loss
23	Income tax expense
24	Basic earnings per share
25	Related parties
26	Risk management and financial instruments
27	Securities and assets pledged with the Registrar
28	Contribution to Non-Life Insurance Fund
29	Commitments with non-related parties
30	Thai Financial Reporting Standards (TFRS) not yet adopted

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2023

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 22 April 2024.

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 Company’s ultimate parent company is Pacific Cross International Limited.

The principal activities of the Company is to 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. 2566, dated 8 February 2023, which was applicable for the financial reporting period starting from 1 January 2023.

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 30.

(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 3 (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 2023

(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 2023 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 13 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 2023

3 Significant accounting policies

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

(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.

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2023

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.

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.

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2023

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.

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.

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2023

(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 2023

(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 2023

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 2023

(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 2023

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 2023

(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 by using effective interest method.

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.

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2023

(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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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 2023

4 Cash and cash equivalents

	2023	2022
	(in Baht)	
Cash	1,198,105	10,088
Deposits at banks - call deposits	398,194,073	444,195,723
Highly liquid short-term investment	-	20,500,000
Cash and cash equivalents	399,392,178	464,705,811

5 Premiums due and uncollected, net

As at 31 December 2023 and 2022, premiums due and uncollected and their aging are as follows:

	2023	2022
	(in Baht)	
Not yet overdue	29,866,376	36,942,422
Overdue		
Less than 30 days	13,008,289	15,784,931
30 - 60 days	47,609,186	52,178,543
60 - 90 days	10,213,024	10,427,961
90 days - 1 year	8,445,557	16,333,412
Over 1 year	9,889,038	5,135,133
Total premium due and uncollected	119,031,470	136,802,402
Less allowance for doubtful accounts	(9,889,038)	(5,135,133)
Premiums due and uncollected, net	109,142,432	131,667,269

6 Deferred acquisition costs

The movements of deferred acquisition costs are as follows:

	2023	2022
	(in Baht)	
At 1 January	167,606,655	43,725,421
Deferral of acquisition costs	814,167,502	353,713,601
Amortization of acquisition costs	(845,685,555)	(229,832,367)
At 31 December	136,088,602	167,606,655

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2023

7 Reinsurance receivables

	2023	2022
	(in Baht)	
Due from reinsurers	30,469,833	29,873,103
Reinsurance receivables	30,469,833	29,873,103

As at 31 December 2023 and 2022, aging analyses for due from reinsurers were as follows:

	2023	2022
	(in Baht)	
Within credit terms	30,469,833	29,609,131
Overdue		
Over 1 year	-	263,972
Total due from reinsurer	30,469,833	29,873,103

8 Financial assets

8.1 Financial assets by measurement are as follows:

	2023		2022	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
	(in Baht)			
<i>Financial assets measured at fair value through profit or loss</i>				
Equity securities	26,567,241	25,782,089	-	-
Unit trusts	61,599,764	62,206,184	-	-
Total	88,167,005	87,988,273	-	-
Less unrealised loss	(178,732)	-	-	-
Total financial assets measured at fair value through profit or loss	87,988,273	87,988,273	-	-
<i>Financial assets measured at amortised cost</i>				
Deposits at banks with original maturity over 3 months	682,123,271	682,123,271	589,644,681	589,644,681
Private debt securities	10,000,000	10,001,584	10,000,000	10,100,996
Total	692,123,271	692,124,855	599,644,681	599,745,677
Less allowance for ECL	(514,480)	-	(396,944)	-
Total financial assets measured at amortised cost	691,608,791	692,124,855	599,247,737	599,745,677
Total	779,597,064	780,113,128	599,247,737	599,745,677

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2023

8.2 Financial assets measured at amortised cost

	Carrying value	2023 Allowance for ECL (in Baht)	Net carrying value
<i>Debt securities - no significant increase in credit risk (stage 1)</i>			
Deposits at banks with original maturity over 3 months	682,123,271	(503,958)	681,619,313
Private debt securities	10,000,000	(10,522)	9,989,478
Total	692,123,271	(514,480)	691,608,791
	Carrying value	2022 Allowance for ECL (in Baht)	Net carrying value
<i>Debt securities - no significant increase in credit risk (stage 1)</i>			
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
Total	599,644,681	(396,944)	599,247,737

9 Equipment

	Furniture and fixtures	Office equipment (in Baht)	Total
<i>Cost</i>			
At 1 January 2022	7,301,968	7,886,580	15,188,548
Additions	253,750	691,056	944,806
Disposals and write-offs	-	(280,796)	(280,796)
At 31 December 2022 and 1 January 2023	7,555,718	8,296,840	15,852,558
Additions	238,500	2,342,728	2,581,228
Disposals and write-offs	-	(269,718)	(269,718)
At 31 December 2023	7,794,218	10,369,850	18,164,068
<i>Accumulated Depreciation</i>			
At 1 January 2022	6,891,532	5,819,510	12,711,042
Depreciation charge for the year	132,828	977,090	1,109,918
Disposals and write-offs	-	(275,871)	(275,871)
At 31 December 2022 and 1 January 2023	7,024,360	6,520,729	13,545,089
Depreciation charge for the year	206,511	1,406,190	1,612,701
Disposals and write-offs	-	(340,477)	(340,477)
At 31 December 2023	7,230,871	7,586,442	14,817,313
<i>Net book value</i>			
At 1 January 2022	410,436	2,067,070	2,477,506
At 31 December 2022 and 1 January 2023	531,358	1,776,111	2,307,469
At 31 December 2023	563,347	2,783,408	3,346,755

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2023

The gross amount of the Company's fully depreciated equipment that was still in use as at 31 December 2023 amounted to Baht 12.74 million (2022: Baht 11.65 million).

10 Leases

As a lessee

<i>At 31 December</i>	2023	2022
	<i>(in Baht)</i>	
<i>Right-of-use assets</i>		
Buildings and buildings improvement	9,603,055	1,722,009
Vehicles	3,792,760	2,135,861
Total	13,395,815	3,857,870

In 2023, additions to the right-of-use assets of the Company were Baht 15.45 million (2022: additions Baht 1.83 million).

<i>For the year ended 31 December</i>	2023	2022
	<i>(in Baht)</i>	
<i>Amounts recognised in profit or loss</i>		
Depreciation of right-of-use assets:		
- Buildings and buildings improvement	4,519,331	4,465,881
- Vehicles	1,395,682	1,229,939
Interest on lease liabilities	795,092	362,655
Lease expense	684,883	505,634

In 2023, total cash outflow for leases of the Company were Baht 6.52 million (2022: Baht 5.89 million).

11 Intangible assets

	Computer software	Software under installation	Total
	<i>(in Baht)</i>		
<i>Cost</i>			
At 1 January 2022	3,108,313	-	3,108,313
Additions	1,314,780	2,666,038	3,980,818
At 31 December 2022 and 1 January 2023	4,423,093	2,666,038	7,089,131
Additions	5,809,875	3,130,876	8,940,751
At 31 December 2023	10,232,968	5,796,914	16,029,882
<i>Accumulated amortisation</i>			
At 1 January 2022	3,015,373	-	3,015,373
Amortisation for the year	234,055	-	234,055
At 31 December 2022 and 1 January 2023	3,249,428	-	3,249,428
Amortisation for the year	366,856	-	366,856
At 31 December 2023	3,616,284	-	3,616,284
<i>Net book value</i>			
At 1 January 2022	92,940	-	92,940
At 31 December 2022 and 1 January 2023	1,173,665	2,666,038	3,839,703
At 31 December 2023	6,616,684	5,796,914	12,413,598

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2023

As at 31 December 2023, certain intangible assets at cost of Baht 3.05 million were fully amortized but still in use (2022: Baht 3.05 million).

12 Other assets

	<i>Note</i>	2023	2022
		<i>(in Baht)</i>	
Deposits		1,565,505	1,450,056
Prepaid expense		591,297	782,215
Advance prepaid of regional service fee	25	54,403,865	-
Others		6,207,209	9,277,433
Total		62,767,876	11,509,704

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2023

13 Insurance contract liabilities

	2023			2022			
	Gross	Reinsurer's share	Net	(in Baht)	Gross	Reinsurer's share	Net
Short-term technical reserves							
Loss reserves and outstanding claims							
- Case reserves	79,759,795	(68,170,653)	11,589,142		67,456,114	(49,075,714)	18,380,400
- Incurred but not reported	65,577,950	(10,834,294)	54,743,656		89,437,216	(10,371,974)	79,065,242
Total loss reserves and outstanding claims	145,337,745	(79,004,947)	66,332,798		156,893,330	(59,447,688)	97,445,642
Unearned premium reserves	569,635,186	(126,683,146)	442,952,040		612,766,955	(130,342,540)	482,424,415
Total	714,972,931	(205,688,093)	509,284,838		769,660,285	(189,790,228)	579,870,057
13.1 Loss reserves and outstanding claims							
At 1 January	156,893,330	(59,447,688)	97,445,642		90,704,892	(47,303,417)	43,401,475
Insurance claim expense incurred during the year	743,325,807	(156,376,886)	586,948,921		498,973,250	(115,256,089)	383,717,161
Change in estimation and assumption	(23,859,266)	(462,320)	(24,321,586)		59,343,652	(5,561,744)	53,781,908
Insurance claim expense paid during the year	(731,022,126)	137,281,947	(593,740,179)		(492,128,464)	108,673,562	(383,454,902)
At 31 December	145,337,745	(79,004,947)	66,332,798		156,893,330	(59,447,688)	97,445,642
13.2 Unearned premium reserves							
At 1 January	612,766,955	(130,342,540)	482,424,415		361,028,719	(100,508,333)	260,520,386
Premium written during the year	2,360,530,862	(258,375,966)	2,102,154,896		2,126,737,995	(331,514,144)	1,795,223,851
Earned premium in the year	(2,403,662,631)	262,035,360	(2,141,627,271)		(1,874,999,759)	301,679,937	(1,573,319,822)
At 31 December	569,635,186	(126,683,146)	442,952,040		612,766,955	(130,342,540)	482,424,415
Unexpired risk reserves	207,616,620	(58,633,965)	148,982,655		192,185,678	(50,722,198)	141,463,480

As at 31 December 2023, no additional reserve for unexpired risk reserves has been establish as the unexpired risk reserves estimated by the Company amounting to Baht 207.61 million (31 December 2022: Baht 192.19 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 2023

13.3 Loss development triangle

As at 31 December 2023

Accident year / Accounting year	2019	2020	2021	2022	2023	Total
	<i>(in Baht)</i>					
Estimated loss reserves and outstanding claims						
At year ended of accident year	248,745,906	228,997,126	290,149,892	458,824,813	675,559,263	
Development year 1	238,107,164	213,578,259	262,900,402	416,397,296		
Development year 2	238,434,413	213,560,961	260,122,619			
Development year 3	239,017,569	213,922,528				
Development year 4	239,047,453					
Absolute estimated loss reserves and outstanding claims	239,047,453	213,922,528	260,122,619	416,397,296	675,559,263	1,805,049,159
Accumulated claim paid	239,043,269	213,920,978	260,100,884	414,688,221	541,074,783	1,668,828,135
Total	4,184	1,550	21,735	1,709,075	134,484,480	136,221,024
Loss reserve - 2019						16,350
Adjustment case reserve - accounting						4,016,761
Reinsurance						2,813,480
Total loss reserve						143,067,615
Unallocated loss adjustment expense						2,270,130
						145,337,745

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2023

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
Total	-	27,380	-	1,777,273	146,359,943	148,164,596
Adjustment case reserve - accounting						4,468,344
Reinsurance						2,320,779
Total loss reserve						154,953,719
Unallocated loss adjustment expense						1,939,611
						156,893,330

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2023

14 Reinsurance payable

	2023	2022
	(in Baht)	
Amounts withheld on reinsurance	77,170,604	73,492,400
Due to reinsurers	75,725,841	67,564,120
Total	152,896,445	141,056,520

15 Employee benefit obligations

	2023	2022
	(in Baht)	
Post-employment benefits	4,163,966	3,287,240
Other long-term employee benefits	645,510	508,976
Total	4,809,476	3,796,216

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

	2023	2022
	(in Baht)	
At 1 January	3,796,216	1,981,993
Included in profit or loss		
Current service cost	658,201	542,042
Interest on obligation	114,299	46,430
Included in other comprehensive income		
Actuarial loss (gain)		
- Demographic assumptions	372	1,232,789
- Financial assumptions	21,072	(250,981)
- Experience adjustment	219,316	368,943
	4,809,476	3,921,216
Benefits paid	-	(125,000)
At 31 December	4,809,476	3,796,216

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

	2023	2022
Retirement age	60 years	60 years
Mortality rate	Thai Mortality table 2017	Thai Mortality table 2017
Employee turnover (%)	10.00 - 20.00 per annum	10.00 - 25.00 per annum
Discount rate (%)	2.95 per annum	3.01 per annum
Future salary growth (%)	4.26 per annum	4.26 per annum

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2023

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 at 31 December

	2023		2022	
	Increase	Decrease	Increase	Decrease
	<i>(in Baht)</i>			
Future salary growth (1% movement)	329,105	(298,390)	295,119	(265,852)
Employee turnover (1 % of assumption movement)	(394,042)	441,117	(351,394)	396,213
Discount rate (1% movement)	(339,561)	381,260	(302,612)	341,868

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

	2023	2022
	<i>(in Baht)</i>	
Other accrued expenses	70,278,137	89,157,996
Commission and brokerage payable	30,284,967	24,955,658
Premium received in advance	7,147,861	9,680,122
Claim payable and commission payable obtained from portfolio transfers	42,076,106	56,393,817
Others	15,194,380	7,031,140
Total	164,981,451	187,218,733

17 Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

18 Share capital

	Par value per share <i>(in Baht)</i>	2023		2022	
		Number	Amount <i>(shares/Baht)</i>	Number	Amount
Authorised at 31 December		20,000,000	500,000,000	20,000,000	500,000,000
<i>Issued and paid-up</i>					
At 1 January					
- ordinary shares	25	20,000,000	500,000,000	20,000,000	500,000,000
At 31 December					
- 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 2023

19 Operating expenses

For the year ended 31 December

		2023	2022
	Note	(in Baht)	
Employee expenses	21	83,912,717	72,543,719
VAT expenses		88,595,083	62,584,326
Professional fees		4,906,500	6,339,333
Regional service	25	66,973,741	23,015,484
Depreciation and amortisation expenses		7,780,328	7,039,793
Doubtful debt expenses		5,017,878	4,321,419
Rental of equipment, building and service expenses	21	277,869	277,869
Other operating expenses		44,227,114	26,498,492
Total		301,691,230	202,620,435

20 Employee benefit expenses

For the year ended 31 December

		2023	2022
		(in Baht)	
Salaries and wages		79,312,554	69,479,841
Post-employment benefits		772,501	588,471
Provident fund contribution		1,781,877	1,656,982
Others		2,818,286	1,406,896
Total		84,685,218	73,132,190

21 Expenses by nature

For the year ended 31 December

		2023	2022
	Note	(in Baht)	
Employee expenses			
Included in benefits payments and insurance claims expenses		4,463,382	2,777,403
Included in other underwriting expenses		2,438,891	2,216,722
Included in operating expenses	19	83,912,717	72,543,719
Total		90,814,990	77,537,844
Rental of equipment, building and service expenses			
Included in operating expenses		277,869	277,869
Total		277,869	277,869

22 Expected credit loss

For the year ended 31 December

		2023	2022
		(in Baht)	
Financial assets			
Financial assets measured at amortised cost		117,537	168,296
Total		117,537	168,296

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2023

23 Income tax expense

Income tax recognised in profit or loss

	2023	2022
	<i>(in Baht)</i>	
Current tax		
Current period	78,774,537	77,115,310
Adjustment for prior period	(32,492,147)	-
Deferred tax		
Movements in temporary differences	5,058,033	(11,829,175)
Total	51,340,423	65,286,135

Recognised in other comprehensive income

	2023		2022		
	Before tax	Tax (expense) benefit	Before tax	Tax (expense) benefit	Net of tax
	<i>(in Baht)</i>				
Defined benefit plan actuarial losses	(240,759)	48,152	(192,607)	(1,350,752)	270,150
Total	(240,759)	48,152	(192,607)	(1,350,752)	(1,080,602)

Reconciliation of effective tax rate

	2023	2022
	Rate (%)	Rate (%)
	<i>(in Baht)</i>	
Profit before income tax	254,074,851	278,725,630
Income tax using the Thai corporation tax rate	20	55,745,126
Expense (income) not subject to tax	4,645,702	(10,915,774)
Expenses not deductible for tax purposes	28,371,898	20,456,783
Taxable expenses of previous year	-	-
Over provided in prior years	(32,492,147)	-
Total	20	65,286,135

Deferred tax assets

	2023	2022
	<i>(in Baht)</i>	
Deferred tax assets	28,791,939	33,801,820

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2023

Movements in total deferred tax assets during the year ended 31 December 2023 and 2022 is as follow:

	At 1 January 2023	(Charged) / credited to:		At 31 December 2023
		Profit or loss	Other comprehensive income	
		(in Baht)		
Deferred tax assets				
Allowance for doubtful accounts	1,027,027	950,781	-	1,977,808
Allowance of impairment	79,389	23,507	-	102,896
Premium reserves	12,292,833	-	-	12,292,833
Loss reserves	19,489,128	(6,222,567)	-	13,266,561
Employee benefits obligation	913,443	154,500	48,152	1,116,095
Unrealised loss from financial assets measured at fair value through profit or loss	-	35,746	-	35,746
Total	33,801,820	(5,058,033)	48,152	28,791,939

	At 1 January 2022	(Charged) / credited to:		At 31 December 2022
		Profit or loss	Other comprehensive income	
		(in Baht)		
Deferred tax assets				
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
Total	21,702,495	11,829,175	270,150	33,801,820

24 Basic earnings per share

The calculations of basic earnings per share for the year ended 31 December 2023 and 2022 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:

	2023	2022
Profit for the period attributable to ordinary shareholders (in Baht)	202,734,428	213,439,495
Number of ordinary shares outstanding (in shares)	20,000,000	20,000,000
Basic earnings per share (in Baht)	10.14	10.67

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2023

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	British Virgin Islands	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 income (other income)	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 2023 and 2022 were as follows:

	2023	2022
	(in Baht)	
<i>Med-Sure Services Limited</i>		
Rental and service income	-	640,000
Underwriting	66,980,333	61,749,818
Loss adjustment expense	44,013,745	46,361,017
<i>Legal Concept Company Limited</i>		
Legal consulting fees	-	267,250
<i>Pacific Cross International Limited</i>		
Regional service charged	66,973,741	23,015,484
<i>Key management personnel compensation</i>		
Short-term employee benefits	16,816,489	16,110,874
Directors remuneration	1,350,000	400,000
Post-employment benefits	244,928	509,364
Total	18,411,417	17,020,238

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2023

Balance with related parties as at 31 December 2023 and 2022 were as follows:

	2023	2022
	<i>(in Baht)</i>	
<i>Med-Sure Services Limited</i>		
Underwriting and loss adjustment payable	10,252,736	10,648,799
<i>Pacific Cross International Limited</i>		
Other accrued expenses	-	16,898,369
Advance prepaid of regional service fee	54,403,865	-

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 2023 and 2022 were as follows:

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

	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	2023 Profit before Income tax <i>(in Baht)</i>	Equity
Ultimate loss ratio in latest accident year	+5% multiplicative	39,459,392	30,425,999	(30,425,999)	(24,340,799)
Unallocated loss adjustment expense ratio	+20% multiplicative	508,509	508,509	(508,509)	(406,807)
	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	2022 Profit before Income tax <i>(in Baht)</i>	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)

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2023

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

				2023	
	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	Profit before Income tax	Equity
				(in Baht)	
Ultimate loss ratio in latest accident year	-5% multiplicative	(39,459,392)	(30,425,999)	30,425,999	24,340,799
Unallocated loss adjustment expense ratio	-20% multiplicative	(508,509)	(508,509)	508,509	406,807

				2022	
	Change in Assumptions (%)	Gross Liabilities	Net Liabilities	Profit before Income tax	Equity
				(in Baht)	
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

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 manages 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 2023 and 2022, 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 2023

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 which 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 2023 and 2022 significant financial assets classified by type of interest rate are as follows:

	2023			Total
	Fixed interest rate	Floating interest rate	Non-interest bearing	
			(in Baht)	
Financial assets				
Cash and cash equivalents	-	397,614,142	1,778,036	399,392,178
Financial assets	692,123,271	-	87,988,273	780,111,544
Total	692,123,271	397,614,142	89,766,309	1,179,503,722

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

As at 31 December 2023 and 2022, 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)		
At 31 December 2023					
Financial assets					
Financial assets	0.05 - 2.40	513,072,510	179,050,761	-	692,123,271
Total		513,072,510	179,050,761	-	692,123,271

	Interest rate (% per annum)	Maturity period			Total
		Within 1 year	After 1 year but within 5 years	Over 5 years	
			(in Baht)		
At 31 December 2022					
Financial assets					
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
Total		541,583,920	78,560,761	-	620,144,681

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2023

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 2023 and 2022 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 2023 (in Baht)			Total
	Stage 1	Stage 2	Stage 3	
<i>Investments measured at amortised cost</i>				
Private debt securities				
Rated A and above	10,000,000	-	-	10,000,000
Carrying amount	10,000,000	-	-	10,000,000
Less allowance for excepted credit loss	(10,522)	-	-	(10,522)
Net carrying amount	9,989,478	-	-	9,989,478
	31 December 2022 (in Baht)			Total
	Stage 1	Stage 2	Stage 3	
<i>Investments measured at amortised cost</i>				
Private debt securities				
Rated A and above	10,000,000	-	-	10,000,000
Carrying amount	10,000,000	-	-	10,000,000
Less allowance for excepted credit loss	(9,450)	-	-	(9,450)
Net carrying amount	9,990,550	-	-	9,990,550

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

The following table shows the carrying amounts and fair values of financial assets including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Pacific Cross Health Insurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2023

At 31 December 2023	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
		(in Baht)			
Financial assets					
Equity securities	25,782,089	25,782,089	-	-	25,782,089
Unit trusts	62,206,184	-	62,206,184	-	62,206,184
Total	87,988,273	25,782,089	62,206,184	-	87,988,273

The Company determines Level 1 fair values for listed equity securities using the close price on the last business day of the period provided by The Stock Exchanges of Thailand.

The Company determines Level 2 fair values for unit trusts using the net asset value (NAV) on the last business day of the period provided by assets management companies.

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 2023 and 2022, deposits at bank had been pledged with the Registrar in accordance with the Non-Life Insurance Act (No. 2) B.E. 2551 as follows:

	2023	2022
	Book value	Book value
	(in Baht)	
Term deposits	3,500,000	3,500,000

27.2 As at 31 December 2023 and 2022, 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:

	2023	2022
	Book value	Book value
	(in Baht)	
Term deposits	217,483,034	172,331,604

28 Contribution to Non-Life Insurance Fund

As at 31 December 2023 and 2022, the accumulated Contribution to Non-Life Insurance Fund were as follows:

	2023	2022
	(in Baht)	
At 1 January	11,787,784	7,165,193
Increase during the year	7,026,768	4,622,591
At 31 December	18,814,552	11,787,784

Pacific Cross Health Insurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2023

29 Commitments with non-related parties

Future minimum lease payment under non-cancellable operating leases

	2023	2022
	<i>(in Baht)</i>	
Within 1 year	224,000	342,000
1 - 5 years	247,500	26,000
Total	471,500	368,000

30 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:

TFRS	Topic
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.