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Asia Insurance (Philippines) Corporation

Financial Statements
As at and for the years ended December 31, 2022 and 2021

Isla Lipana & Co.

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Asia Insurance (Philippines) Corporation
15th Floor, Tytana Plaza
Plaza Lorenzo Ruiz Binondo, Manila

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Asia Insurance (Philippines) Corporation (the "Company") as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of total comprehensive income for the years ended December 31, 2022 and 2021;
- the statements of changes in equity for the years ended December 31, 2022 and 2021;
- the statements of cash flows for the years ended December 31, 2022 and 2021; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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 PFRS, 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

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We 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 we identify during our audit.

Report on Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Dexter DJ V. Toledaña
Partner
CPA Cert. No. 121827
P.T.R. No. 0032961; issued on January 9, 2023 at Makati City
SEC A.N. (individual) as general auditors 121827-SEC, Category A;
valid to audit 2022 to 2026 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
T.I.N. 255-979-765
BIR A.N. 08-000745-241-2023, issued on January 30, 2023; effective until January 29, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
May 25, 2023

Asia Insurance (Philippines) Corporation

Statements of Financial Position
December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
	ASSETS		
Cash and cash equivalents	3	436,163,849	508,528,445
Receivables, net	4	407,785,789	342,275,377
Available-for-sale securities	5	83,627,746	78,385,824
Held-to-maturity securities	5	1,214,646,173	1,090,619,719
Reinsurance recoverable on unpaid losses	6	462,380,089	472,582,869
Deferred reinsurance premiums	6	232,472,033	194,794,550
Deferred acquisition costs, net	6	101,937,373	111,034,024
Retirement benefit asset	14	-	1,950,166
Investment property, net	7	140,297,222	130,877,222
Property and equipment, net	8	52,461,438	43,112,127
Deferred income tax assets, net	9	-	1,811,807
Other assets		10,549,874	7,593,811
Total assets		3,142,321,586	2,983,565,941
	LIABILITIES AND EQUITY		
Losses and claims payable	6	590,907,377	612,827,898
Reserve for unearned premiums	6	431,121,947	356,071,181
Due to reinsurers and ceding companies		288,221,464	308,319,685
Funds held for reinsurers		54,583,989	61,325,820
Commissions payable		22,325,554	39,679,135
Accounts payable and other liabilities	10	184,298,740	147,670,910
Income tax payable		12,381,506	29,303,924
Deferred income tax liabilities, net	9	4,700,142	-
Total liabilities		1,588,540,719	1,555,198,553
Share capital	11	350,000,000	350,000,000
Contingency surplus	11	-	40,000,000
Contributed surplus	11	500,000	500,000
Accumulated other comprehensive gain	11	19,052,472	24,996,322
Retained earnings	11	1,184,228,395	1,012,871,066
Total equity		1,553,780,867	1,428,367,388
Total liabilities and equity		3,142,321,586	2,983,565,941

(The notes on pages 1 to 55 are integral part of these financial statements)

Asia Insurance (Philippines) Corporation

Statements of Total Comprehensive Income
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
UNDERWRITING INCOME			
Premiums written, net of returns		1,057,048,811	1,085,079,738
Reinsurance premiums ceded		(568,484,426)	(599,520,815)
Premiums retained		488,564,385	485,558,923
Increase in reserve for unearned premiums, net	6	(37,373,284)	(20,946,388)
Premiums earned		451,191,101	464,612,535
Commissions earned		89,101,713	96,109,589
Other underwriting income		782,769	798,675
GROSS UNDERWRITING INCOME		**541,075,583**	**561,520,799**
UNDERWRITING EXPENSES			
Commissions and other underwriting expenses		227,021,477	243,460,978
Losses and claims, net	6	102,037,037	105,548,635
		329,058,514	349,009,613
NET UNDERWRITING INCOME		**212,017,069**	**212,511,186**
INVESTMENT AND OTHER INCOME, NET			
Interest income	12	43,352,946	37,665,215
Foreign exchange gain	19	37,574,899	27,438,525
Fair value gains on investment property, net	7	9,420,000	22,075,000
Rent	7	5,828,427	5,833,857
Dividend	5	3,006,134	2,190,355
Gain on sale of investments	5	-	521,322
Miscellaneous		1,927,823	3,125,498
		101,110,229	**98,849,772**
NET UNDERWRITING AND INVESTMENT INCOME		**313,127,298**	**311,360,958**
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and employee benefits	13	53,596,558	50,199,655
Occupancy and equipment-related costs		8,051,111	8,286,434
Representation and entertainment		6,111,892	4,653,644
Transportation and travel		5,393,160	4,398,013
Taxes, licenses and fees		2,449,947	1,718,503
Professional and directors' fees		2,657,412	1,942,840
Printing, stationery and supplies		1,917,035	1,992,136
Association dues	7	1,559,540	1,170,535
Communication and postage		1,208,580	1,297,845
Interest expense on lease liability	18	158,339	119,307
Advertising and promotion		24,694	11,880
Miscellaneous		4,450,531	3,653,131
		87,578,799	**79,443,923**
INCOME BEFORE INCOME TAX		**225,548,499**	**231,917,035**
PROVISION FOR INCOME TAX	15	(54,191,170)	(55,861,101)
NET INCOME FOR THE YEAR		**171,357,329**	**176,055,934**
OTHER COMPREHENSIVE (LOSS) INCOME			
Item that will be subsequently reclassified to profit or loss			
Net change in fair value of available-for-sale securities, net of tax	5,11	(7,825,848)	(3,200,028)
Item that will not be subsequently reclassified to profit or loss			
Changes in revaluation surplus of property and equipment, net of tax	8,11	5,019,749	3,255,375
Remeasurement (loss) gain on retirement benefit obligation, net of tax	11,14	(3,137,751)	(4,420,818)
		(5,943,850)	**(4,365,471)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**165,413,479**	**171,690,463**

(The notes on pages 1 to 55 are integral part of these financial statements)

Asia Insurance (Philippines) Corporation

Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Share capital (Note 11)	Contingency surplus (Note 11)	Contributed surplus (Note 11)	Accumulated other comprehensive income (Note 11)	Retained earnings (Note 11)	Total
Balances at January 1, 2021	**350,000,000**	**40,000,000**	**500,000**	**29,361,793**	**836,815,132**	**1,256,676,925**
Comprehensive income						
Net income for the year	-	-	-	-	176,055,934	176,055,934
Other comprehensive loss	-	-	-	(4,365,471)	-	(4,365,471)
Total comprehensive income for the year	-	-	-	(4,365,471)	176,055,934	171,690,463
Balances at December 31, 2021	**350,000,000**	**40,000,000**	**500,000**	**24,996,322**	**1,012,871,066**	**1,428,367,388**
Transaction with owners						
Return of contributions for contingency surplus	-	(40,000,000)	-	-	-	(40,000,000)
Comprehensive income						
Net income for the year	-	-	-	-	171,357,329	171,357,329
Other comprehensive loss	-	-	-	(5,943,850)	-	(5,943,850)
Total comprehensive income for the year	-	-	-	(5,943,850)	171,357,329	165,413,479
Balances at December 31, 2022	**350,000,000**	-	**500,000**	**19,052,472**	**1,184,228,395**	**1,553,780,867**

(The notes on pages 1 to 55 are integral part of these financial statements)

Asia Insurance (Philippines) Corporation

Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	97,645,126	121,955,538
Interest received		3,772,791	4,441,240
Net receipt from plan asset	14	-	10,841,844
Income taxes paid		(62,620,356)	(42,835,225)
Net cash from operating activities		**38,797,561**	**94,403,397**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment	8	(5,076,988)	(5,560,983)
Available-for-sale securities	5	(14,360,920)	(11,000,000)
Held-to-maturity securities	5	(450,838,288)	(411,850,965)
Proceeds from:			
Maturities of held-to-maturity securities	5	354,914,159	260,573,539
Disposal of available-for-sale securities	5	-	9,000,932
Interest received		38,222,142	35,135,773
Dividends received	5	3,074,634	2,121,855
Advances to related parties	17	(1,315,000)	(1,249,821)
Net cash used in investing activities		**(75,380,261)**	**(122,829,670)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Return of contributions	11	(40,000,000)	-
Payments on lease liabilities	18	(1,825,982)	(1,669,127)
Net cash used in financing activities		**(41,825,982)**	**(1,669,127)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(78,408,682)**	**(30,095,400)**
CASH AND CASH EQUIVALENTS			
At January 1		508,528,445	512,445,071
Effects of exchange rate changes on cash and cash equivalents		6,044,086	26,178,774
At December 31	**3**	**436,163,849**	**508,528,445**

(The notes on pages 1 to 55 are integral part of these financial statements)

Asia Insurance (Philippines) Corporation

Notes to Financial Statements
As at and for the years ended December 31, 2022 and 2021
(All amounts are shown in Philippine Peso, unless otherwise stated)

Note 1 - General information

Asia Insurance (Philippines) Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) primarily to engage in selling of non-life insurance policies on fire, marine cargo, motor vehicle, casualty, surety bond, personal accident, comprehensive general liability, engineering lines and miscellaneous insurances.

As at reporting dates, the Company is 20% owned by Asian Insurance International (Holdings) Ltd., which is domiciled and incorporated in Bermuda, 11% owned by APIC Holdings, Inc., which is domiciled and incorporated in the Philippines, 10% owned by Bangkok Bank Public Company, Ltd., which is domiciled and incorporated in Thailand, and a number of domestic corporate and individual shareholders.

The Company's registered office, which is also its principal place of business, is located at the 15th Floor, Tytana Plaza, Plaza Lorenzo Ruiz, Binondo, Manila.

The Company has 89 employees as at December 31, 2022 (2021 - 92).

Approval of financial statements

The financial statements have been approved and authorized for issuance by the Company's Board of Directors on May 25, 2023.

Note 2 - Additional information on the results of operations by line of business

The following information shows the financial information by line of business for the years ended December 31:

	Fire	Marine	Motor Car	Casualty	Bond	Total
2022						
UNDERWRITING INCOME						
Premiums written, net of returns	521,196,128	19,624,186	407,352,727	79,718,034	29,157,736	1,057,048,811
Reinsurance premium ceded	(467,880,307)	(15,328,836)	(3,406,887)	(67,166,301)	(14,702,095)	(568,484,426)
Premiums retained	53,315,821	4,295,350	403,945,840	12,551,733	14,455,641	488,564,385
Increase in reserve for unearned premiums, net	(6,240,994)	(242,767)	(30,118,626)	(644,186)	(126,711)	(37,373,284)
Premiums earned	47,074,827	4,052,583	373,827,214	11,907,547	14,328,930	451,191,101
Commissions earned	57,129,427	5,555,390	387,433	19,617,280	6,412,183	89,101,713
Other underwriting income	6,851	3	24,742	528,233	222,940	782,769
GROSS UNDERWRITING INCOME	104,211,105	9,607,976	374,239,389	32,053,060	20,964,053	541,075,583
UNDERWRITING EXPENSES						
Commissions and other underwriting expenses	46,663,554	6,628,189	134,598,655	27,164,214	11,966,865	227,021,477
Losses and claims, net	4,886,826	(31,084)	95,113,977	2,210,516	(143,198)	102,037,037
	51,550,380	6,597,105	229,712,632	29,374,730	11,823,667	329,058,514
NET UNDERWRITING INCOME	52,660,725	3,010,871	144,526,757	2,678,330	9,140,386	212,017,069
INVESTMENT AND OTHER INCOME, NET						101,110,229
NET UNDERWRITING AND INVESTMENT INCOME						313,127,298
GENERAL AND ADMINISTRATIVE EXPENSES						(87,578,799)
INCOME BEFORE INCOME TAX						225,548,499
PROVISION FOR INCOME TAX						(54,191,170)
NET INCOME FOR THE YEAR						171,357,329
OTHER COMPREHENSIVE INCOME						(5,943,850)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						165,413,479

	Fire	Marine	Motor Car	Casualty	Bond	Total
2021						
UNDERWRITING INCOME						
Premiums written, net of returns	505,843,657	11,954,735	402,867,379	123,021,380	41,392,587	1,085,079,738
Reinsurance premium ceded	(454,720,330)	(9,078,636)	(3,835,940)	(110,082,058)	(21,803,851)	(599,520,815)
Premiums retained	51,123,327	2,876,099	399,031,439	12,939,322	19,588,736	485,558,923
Increase in reserve for unearned premiums, net	(5,036,761)	(19,370)	(14,975,848)	(567,609)	(346,800)	(20,946,388)
Premiums earned	46,086,566	2,856,729	384,055,591	12,371,713	19,241,936	464,612,535
Commissions earned	52,655,551	3,297,785	262,030	31,131,961	8,762,262	96,109,589
Other underwriting income	63	-	24,103	518,188	256,321	798,675
GROSS UNDERWRITING INCOME	98,742,180	6,154,514	384,341,724	44,021,862	28,260,519	561,520,799
UNDERWRITING EXPENSES						
Commissions and other underwriting expenses	48,840,270	4,361,324	139,888,495	35,872,097	14,498,792	243,460,978
Losses and claims, net	7,057,247	(71,106)	91,696,010	3,057,126	3,809,358	105,548,635
	55,897,517	4,290,218	231,584,505	38,929,223	18,308,150	349,009,613
NET UNDERWRITING INCOME	42,844,663	1,864,296	152,757,219	5,092,639	9,952,369	212,511,186
INVESTMENT AND OTHER INCOME, NET						98,849,772
NET UNDERWRITING AND INVESTMENT INCOME						311,360,958
GENERAL AND ADMINISTRATIVE EXPENSES						(79,443,923)
INCOME BEFORE INCOME TAX						231,917,035
PROVISION FOR INCOME TAX						(55,861,101)
NET INCOME FOR THE YEAR						176,055,934
OTHER COMPREHENSIVE INCOME						(4,365,471)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						171,690,463

Note 3 - Cash and cash equivalents

The details of the account at December 31 are as follows:

	Interest rate (%)		Amount	
	2022	2021	2022	2021
Cash on hand	-	-	40,954,373	24,568,729
Cash in banks				
Philippine Peso	0.05 - 0.50	0.05 - 0.50	98,506,890	106,216,022
US Dollar	0.10 - 0.25	0.13 - 0.25	32,999,558	34,618,832
Time deposits				
Philippine Peso	0.60 - 5.50	0.15 - 1.10	251,611,918	338,156,082
US Dollar	1.25 - 2.00	0.69 - 1.00	11,655,679	4,594,200
Canadian Dollar	1.25	1.16	435,431	374,580
			436,163,849	508,528,445

The maturities of cash equivalents which consist of time deposits from reporting dates are as follows:

	2022	2021
US Dollar	30-91 days	30-90 days
Philippine Peso	5-91 days	30-90 days

The related interest earned on cash and cash equivalents is presented in Note 12.

Cash on hand represents undeposited cash collections and various cash funds as at December 31, 2022 and 2021.

Cash and cash equivalents are available for normal business operations and classified as current.

Note 4 - Receivables, net

The account at December 31 consists of:

	2022	2021
Receivables arising from insurance contracts		
Premium receivable	187,478,931	113,518,597
Reinsurance recoverable on paid losses	151,095,546	151,654,611
Due from reinsurers and ceding companies	20,407,746	34,896,942
Funds held by ceding companies	11,275,104	10,697,324
	370,257,327	310,767,474
Other receivables		
Accounts receivable	31,408,007	26,745,461
Accrued interest income	7,554,606	6,196,593
Refundable deposits	69,700	69,700
Security fund	49,149	49,149
	39,081,462	33,060,903
Total receivables	409,338,789	343,828,377
Allowance for impairment on premium receivable	(1,553,000)	(1,553,000)
	407,785,789	342,275,377

The maturity profile of the Company's receivables is disclosed in Note 19.2.2.

Accounts receivable is mainly composed of advances to employees.

The security fund is maintained in compliance with Sections 365 and 367 of the Insurance Code of the Philippines (Insurance Code). The amount of security fund is determined by and deposited with the Insurance Commission (IC) to pay valid claims against insolvent insurance companies.

There are no movements in allowance for impairment on premium receivable in 2022 and 2021.

There is no concentration of credit risk to a single counterparty with respect to receivables arising from insurance contracts.

Significant accounting judgment - Recoverability of receivables

The Company reviews its receivables at each reporting date to assess whether an allowance for impairment or write-off should be recorded. In these cases, management uses judgment based on the best available facts and circumstances, including but not limited to, the length of relationship with the counterparty and the counterparty's payment history. These also include factors, such as, but not limited to, age of balances and financial status of the counterparty. The amount and timing of recorded impairment losses for any period would therefore differ based on the judgments made. Based on management's assessment, there is no provision needed to be recognized on the Company's receivables for the years ended December 31, 2022 and 2021. Management did not identify any indications that these receivables will not be recovered.

Note 5 - Investments

Details and classification of the Company's investments at December 31 follow:

	2022	2021
Held-to-maturity securities	1,214,646,173	1,090,619,719
Available-for-sale securities	83,627,746	78,385,824
	1,298,273,919	1,169,005,543

The movements in investments are summarized as follows:

	Available-for-sale securities	Held-to-maturity securities
Balances at January 1, 2021	76,171,199	940,453,965
Additions	11,000,000	411,850,965
Disposals	(8,479,610)	-
Maturities	-	(260,573,539)
Fair value adjustment	(5,096,642)	-
Foreign currency revaluation	4,790,877	(3,842,430)
Amortization of bond premium, net	-	2,730,758
Balances at December 31, 2021	78,385,824	1,090,619,719
Additions	14,360,920	450,838,288
Maturities	-	(354,914,159)
Fair value adjustment	(10,434,465)	-
Foreign currency revaluation	1,315,467	25,351,084
Amortization of bond discount, net	-	2,751,241
Balances at December 31, 2022	83,627,746	1,214,646,173

Available-for-sale securities as at December 31 consist of:

	2022	2021
Investment in mutual funds	51,509,207	44,988,367
Listed equity securities	20,558,539	21,837,457
Unquoted equity securities	11,560,000	11,560,000
	83,627,746	78,385,824

Proceeds from the disposals of available-for-sale securities amount to nil in 2022 (2021 - P9,000,932).

Gain on sale of available-for-sale securities recognized in the statement of total comprehensive income amounts to nil for the year ended December 31, 2022 (2021 - P521,322 gain).

Dividend income on equity securities recognized in the statement of total comprehensive income amounts to P3,006,134 for the year ended December 31, 2022 (2021 - P2,190,355). As at December 31, 2022, dividend receivable amounts to nil (2021 - P68,500).

Available-for-sale securities are intended to be held for more than 12 months.

As at December 31, held-to-maturity securities are as follows:

	2022	2021
Treasury bonds and notes		
Philippine Peso	576,463,000	516,679,000
US Dollar	306,058,441	277,956,116
Corporate bonds		
Philippine Peso	152,300,000	116,800,000
Time deposits		
Philippine Peso	125,150,888	122,405,410
US Dollar	51,977,400	53,970,476
	1,211,949,729	1,087,811,002
Unamortized bond premiums, net	2,696,444	2,808,717
	1,214,646,173	1,090,619,719

Corporate bonds are debt securities mainly issued by listed corporations.

The Company's held-to-maturity securities earn interest rates (in %) as follows:

	2022	2021
Treasury bonds and notes	1.38 - 6.88	1.00 - 6.88
Corporate bonds	1.69 - 7.82	1.69 - 7.82
Time deposits	0.14 - 5.63	0.20 - 3.52

Interest income earned from held-to-maturity securities is presented in Note 12.

The maturity profile of the Company's held-to-maturity securities at December 31 is as follows:

	2022	2021
Short-term (within one year)	541,900,941	339,285,473
Medium-term (more than one year to five years)	403,031,348	584,828,536
Long-term (more than five years)	269,713,884	166,505,710
	1,214,646,173	1,090,619,719

As at December 31, 2022, government securities, classified as held-to-maturity securities with face amount of P369,283,000 (2021 - P242,679,000) are deposited with the IC in accordance with the provisions of the Insurance Code for the benefit of policyholders and creditors of the Company.

Significant accounting judgment - Impairment of available-for-sale and held-to-maturity securities

The Company determines that available-for-sale securities are impaired when there has been a significant or prolonged decline in the fair value below its cost for equity securities. For debt securities classified as available-for-sale and held-to-maturity, the Company first assesses at each reporting date whether an objective evidence of impairment exists. A financial asset or group of financial asset is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The determination of what is significant or prolonged decline or objective evidence of impairment requires judgment (Note 20.2.4). Impairment may be appropriate when there is an evidence of deterioration in the financial health and near-term business outlook of the investee or issuer, including factors such as industry and sector performance, changes in technology, and financing and operational cash flows.

Significant accounting judgment - Classification to held-to-maturity securities

The Company follows the guidance of PAS 39, *Financial Instruments: Recognition and measurement* in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for the specific circumstances (for example, selling an insignificant amount close to maturity) it will be required to reclassify the entire class as available-for-sale securities. The investments would therefore be measured at fair value and not at amortized cost.

If the entire class of held-to-maturity investments is tainted, the carrying amount of investment would decrease by P47,543,393 (2021 - increase by P15,842,869), as a result of the fair value adjustment, with a corresponding entry in reserve for available-for-sale securities in the equity section of the statement of financial position.

Note 6 - Insurance liabilities and reinsurance assets

The account at December 31 consists of:

	2022	2021
Reserve for outstanding losses		
Reported claims	461,396,275	526,955,109
Incurred but not yet reported (IBNR) claims, gross of reinsurance	129,511,102	85,872,789
Losses and claims payable	590,907,377	612,827,898
Reserve for unearned premiums	431,121,947	356,071,181
Total insurance liabilities	1,022,029,324	968,899,079
Reinsurance recoverable on unpaid losses	462,380,089	472,582,869
Deferred reinsurance premiums	232,472,033	194,794,550
Total reinsurance assets	694,852,122	667,377,419
Insurance liabilities, net	327,177,202	301,521,660

The maturity profile of the Company's insurance liabilities is disclosed in Note 19.2.3.

Provision for IBNR at December 31 consists of:

	2022			2021		
	Insurance liabilities, gross	Reinsurers' share of liabilities	Insurance liabilities, net	Insurance liabilities, gross	Reinsurers' share of liabilities	Insurance liabilities, net
IBNR best estimate	75,264,976	63,958,354	11,306,622	25,630,454	8,871,555	16,758,899
MFAD	45,967,902	42,729,974	3,237,928	48,260,390	44,366,061	3,894,329
CHE	8,278,224	4,702,110	3,576,114	11,981,945	221,007	11,760,938
At December 31	129,511,102	111,390,438	18,120,664	85,872,789	53,458,623	32,414,166

The movements in the insurance liabilities and reinsurance assets at December 31 are shown below:

	2022			2021		
(Amounts in thousands)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reported claims	526,955	419,124	107,831	330,450	208,206	122,244
IBNR claims	85,873	53,459	32,414	45,145	24,761	20,384
Balances at January 1	612,828	472,583	140,245	375,595	232,967	142,628
Claims and loss adjustment expenses						
Cash paid for claims settled during the year	319,646	205,891	113,755	189,661	81,729	107,932
Increase (decrease) in liabilities arising from current year claims	(341,567)	(216,094)	(125,473)	47,572	157,887	(110,315)
	(21,921)	(10,203)	(11,718)	237,233	239,616	(2,383)
Balances at December 31	590,907	462,380	128,527	612,828	472,583	140,245
Reported claims	461,396	350,990	110,406	526,955	419,124	107,831
IBNR claims	129,511	111,390	18,121	85,873	53,459	32,414
Balances at December 31	590,907	462,380	128,527	612,828	472,583	140,245

The Company utilizes reinsurance agreements to minimize its exposure to large losses in all aspects of its insurance business. Reinsurance permits recovery of a portion of losses from the reinsurer. However, it does not discharge the primary liability of the Company as direct insurer of the risk reinsured.

As disclosed in Note 20.6.8, the Company sells damaged property (salvage) or pursues third parties for some or all of the costs (subrogation). These are deducted from claims and losses. The Company's total salvage and subrogation reimbursements for the year ended December 31, 2022 amount to P3,573,230 (2021 - P4,460,085).

Movements in reserve for unearned premiums, net, at December 31 follow:

	2022			2021		
(Amounts in thousands)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At January 1	356,071	194,795	161,276	275,907	135,577	140,330
Increase (decrease) during the year	75,051	37,677	37,374	80,164	59,218	20,946
At December 31	431,122	232,472	198,650	356,071	194,795	161,276

Movements in deferred acquisition costs, net, at December 31 follow:

	2022	2021
At January 1	111,034,024	100,855,290
Costs deferred during the year	101,937,373	111,034,024
Amortization during the year	(111,034,024)	(100,855,290)
At December 31	101,937,373	111,034,024

Amortization of deferred acquisition costs is presented as part of commissions and other underwriting expenses in the statement of total comprehensive income.

The Company considers commissions paid to agents and reinsurers as part of its acquisition costs and deducts commissions received from cedants under its reinsurance business, subject to the same amortization method as the related acquisition costs (Note 20.6.4).

Deferred reinsurance premiums and deferred acquisition costs, net are recoverable and to be applied in the next 12 months.

Critical estimate - Liability arising from claims made under insurance contracts

Management makes the best estimate of its insurance liability at reporting date using the adjuster's report and other available information relating to claims. However, there are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The major uncertainties are the frequency of claims due to the contingencies covered and the timing of benefit payments (Note 19.1).

Sensitivity analysis is further disclosed in Note 19.1.6.

Note 7 - Investment property, net

The movements of the account at December 31 are as follows:

At fair value	Land	Condominium units and parking lots	Total
Balances at January 1, 2021	2,984,222	105,818,000	108,802,222
Fair value adjustment	183,000	21,892,000	22,075,000
Balances at December 31, 2021	3,167,222	127,710,000	130,877,222
Fair value adjustment	244,000	9,176,000	9,420,000
Balances at December 31, 2022	3,411,222	136,886,000	140,297,222

Rental income derived from these properties for the year ended December 31, 2022 amounts to P5,828,427 (2021 - P5,833,857) and presented in the statement of total comprehensive income. Expenses incurred in relation to the Company's investment properties, which mainly relate to association dues, amount to P1,559,540 for the year ended December 31, 2022 (2021 - P1,170,535).

On May 4, 2021, the Company submitted a letter to the IC seeking approval to recognize its investment property (Note 7) at fair value and include the fair value changes as part of its net worth to further support and strengthen its capital build up plan (Note 19.4). The Company believes that the shift to fair value model best reflects the true measure of economic benefits arising from these assets. On May 24, 2021, the IC has issued a letter of approval granting the Company to use fair market value based on the appraisal reports as the valuation for the Company's investment in real properties.

Investment properties consist of land and four (4) condominium units located in Makati City and one (1) office condominium in Pasig City. The fair values of the investment properties were based on the appraisal reports issued by qualified independent firm of appraisers engaged by management. The latest appraisal was conducted in March 2023. The fair value substantially and reasonably represents the fair value of the properties as at reporting periods.

The above fair value of the properties were computed using the Market Data Approach (Level 3). In this approach, the value of the properties was based on the sales and listings of comparable properties registered within the vicinity, as well as the extent, character and utility of the property. Information about valuation of investment properties is provided in Note 19.4.

Note 8 - Property and equipment, net

The account at December 31 consists of:

	Building	EDP equipment	Leasehold improvements	Transportation equipment	Furniture, fixture and office equipment	Office premise	Total
Cost							
At January 1, 2022	25,510,250	5,517,339	1,830,815	7,475,118	2,791,804	3,162,862	46,288,188
Additions	-	3,051,545	-	1,440,000	585,443	2,176,543	7,253,531
Retirement	-	(478,429)	(187,500)	(864,054)	(1,421,645)	-	(2,951,628)
At December 31, 2022	25,510,250	8,090,455	1,643,315	8,051,064	1,955,602	5,339,405	50,590,091
Accumulated depreciation and impairment loss							
At January 1, 2022	25,510,250	2,625,806	1,731,222	2,311,182	2,176,812	1,976,789	36,332,061
Depreciation and amortization	-	1,228,391	48,700	1,373,440	184,138	1,760,314	4,594,983
Retirement	-	(478,404)	(187,499)	(864,052)	(1,419,436)	-	(2,949,391)
At December 31, 2022	25,510,250	3,375,793	1,592,423	2,820,570	941,514	3,737,103	37,977,653
Revaluation surplus							
At January 1, 2022	33,156,000	-	-	-	-	-	33,156,000
Increase during the year	6,693,000	-	-	-	-	-	6,693,000
At December 31, 2022	39,849,000	-	-	-	-	-	39,849,000
Net carrying value	39,849,000	4,714,662	50,892	5,230,494	1,014,088	1,602,302	52,461,438

	Building	EDP equipment	Leasehold improvements	Transportation equipment	Furniture, fixture and office equipment	Office premise	Total
Cost							
At January 1, 2021	25,510,250	5,302,667	4,226,151	6,187,314	2,263,651	3,162,862	46,652,895
Additions	-	795,186	-	4,575,261	550,608	-	5,921,055
Retirement	-	(580,514)	(2,395,336)	(3,287,457)	(22,455)	-	(6,285,762)
At December 31, 2021	25,510,250	5,517,339	1,830,815	7,475,118	2,791,804	3,162,862	46,288,188
Accumulated depreciation and impairment loss							
At January 1, 2021	24,676,001	2,211,364	3,760,350	4,355,522	1,897,163	395,358	37,295,758
Depreciation and amortization	834,249	994,938	366,162	1,243,110	302,101	1,581,431	5,321,991
Retirement	-	(580,496)	(2,395,290)	(3,287,450)	(22,452)		(6,285,688)
At December 31, 2021	25,510,250	2,625,806	1,731,222	2,311,182	2,176,812	1,976,789	36,332,061
Revaluation surplus							
At January 1, 2021	30,873,750	-	-	-	-	-	30,873,750
Increase during the year	2,282,250	-	-	-	-	-	2,282,250
At December 31, 2021	33,156,000	-	-	-	-	-	33,156,000
Net carrying value	33,156,000	2,891,533	99,593	5,163,936	614,992	1,186,073	43,112,127

Depreciation and amortization is included as part of occupancy and equipment-related costs in the statement of total comprehensive income.

On May 4, 2021, the Company submitted a letter to the IC seeking approval to recognize its Building (Note 8) at fair value and include the revaluation surplus as part of its net worth to further support and strengthen its capital build up plan (Note 19.4). The Company believes that the shift to revaluation model best reflects the true measure of economic benefits arising from these assets. On May 24, 2021, the IC has issued a letter of approval granting the Company to use fair value based on the appraisal reports as the valuation for Building.

Building consists of office unit at Tytana Plaza and a parking slot at Cityland Makati. The fair values of Building were based on the appraisal reports issued by qualified independent firm of appraisers engaged by management. The latest appraisal was conducted in March 2023, March 2022 and June 2020. The fair value substantially and reasonably represents the fair value of the properties as at reporting periods

The fair value of the Building was computed using the Market Data Approach (Level 3). In this approach, the value of the Building was based on sales and listings of comparable property registered within the vicinity, as well as the extent, character and utility of the property. Information about valuation of the Building is provided in Note 19.4.

The remaining property and equipment, net are carried at cost less accumulated depreciation.

Critical accounting estimate - Estimated useful lives (EUL) of assets

The useful life of each of the Company's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of non-financial assets.

The sensitivity of depreciation expense to changes in estimated useful life of property and equipment as at December 31 follows:

	2022	2021
Increase by 10%	(483,068)	(812,172)
Decrease by 10%	1,625,963	190,010

Significant accounting judgment - Impairment of property and equipment (Notes 7 and 8)

The Company's building under property and equipment are carried at fair value. All other asset classes under property and equipment are carried at cost less accumulated depreciation and amortization and impairment losses, if any. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those judgments could have a significant effect on the carrying value of the properties and the amount and timing of recorded provision for any period.

As at December 31, 2022 and 2021, management believes, based on its assessment, that there are no indications of impairment or changes in circumstances indicating that the carrying value of its property and equipment not be recoverable.

Note 9 - Deferred income taxes, net

The significant components of deferred income tax assets and liabilities at December 31 are as follows:

	2022	2021
Deferred income tax assets		
Reserve for unearned premiums, net	49,662,478	40,319,157
Retirement benefit obligation	7,101,058	3,238,969
IBNR, net	4,530,166	8,103,541
Unrealized fair value loss in available-for-sale securities	770,509	-
Allowance for impairment	388,250	388,250
Leases (PFRS 16)	1,187	-
Total deferred income tax assets	62,453,648	52,049,917
Deferred income tax liabilities		
Deferred acquisition cost, net	25,484,343	27,758,506
Fair value gains on investment property, net	23,529,538	5,518,750
Revaluation surplus	9,962,250	8,289,000
Unrealized foreign exchange gain, net	8,177,659	6,781,805
Unrealized fair value gain in available-for-sale securities	-	1,838,107
Leases (PFRS 16)	-	51,942
Total deferred income tax liabilities	67,153,790	50,238,110
Deferred income tax (liabilities) assets, net	(4,700,142)	1,811,807

The movements in the deferred income tax account at December 31 are summarized as follows:

	2022	2021
At January 1	1,811,807	97,406
Amounts charged to profit or loss	(8,493,232)	(2,537,118)
Amounts credited to other comprehensive income	1,981,283	4,251,519
At December 31	(4,700,142)	1,811,807

The deferred tax credited (charged) to profit or loss comprises the following temporary differences at December 31:

	2022	2021
Reserve for unearned premium	9,343,321	(1,779,915)
Retirement benefit obligation	2,816,172	6,849,746
Deferred acquisition cost	2,274,163	2,498,081
Leases (PFRS 16)	53,129	19,872
Unrealized foreign exchange gain, net	(1,395,854)	(12,678,859)
IBNR, net	(3,573,375)	7,838,357
Fair value gains on investment property, net	(18,010,788)	(5,206,750)
Allowance for impairment	-	(77,650)
	(8,493,232)	(2,537,118)

Significant accounting judgment - recoverability of deferred income tax assets

The Company reviews at each reporting date the carrying amounts of DIT assets. The carrying amount of DIT assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax losses will be applied. The Company believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

Note 10 - Accounts payable and other liabilities

The account at December 31 consists of:

	Notes	2022	2021
Accounts payable	17	93,585,040	77,920,572
Taxes payable		30,179,342	25,614,610
Deferred output VAT		26,776,255	17,619,273
Accrued expenses		9,460,527	9,815,537
Dividend payable	11	8,384,912	8,384,912
Fees payable		6,413,420	5,572,532
Retirement benefit obligation	14	5,403,874	-
Lease liability	18	1,607,052	978,306
Others		2,488,318	1,765,168
		184,298,740	147,670,910

Accounts payable mainly consist of overpayment of premium receivables, staled checks and other accounts payable.

Taxes payable is comprised of documentary stamp taxes payable, output value-added tax (VAT), withholding taxes payable and local and national taxes due.

Miscellaneous fees payable pertains to amounts collected from motor car insurance holders for compulsory third party liability, and authentication and other registration costs to Land Transportation Office which will be subsequently paid to the appropriate agencies.

Other liabilities pertain mainly to employee-related benefit payables such as contributions to SSS, Philhealth and HDMF.

The maturity profile of the Company's accounts payable and other liabilities is disclosed in Note 19.2.3.

Taxes payable and other payables to government agencies are expected to be settled in the next 12 months.

Note 11 - Equity

Share capital

Details of the account at December 31 follow:

	2022		2021	
	Number of shares	Amount	Number of shares	Amount
Authorized, at P100 par value per Share	4,000,000	400,000,000	4,000,000	400,000,000
Subscribed shares				
Balance, beginning of the year	3,500,000	350,000,000	3,500,000	350,000,000
Subscription during the year	-	-	-	-
Less: Subscription receivable	-	-	-	-
Issued and outstanding shares	3,500,000	350,000,000	3,500,000	350,000,000

Contributed Surplus

Contributed surplus represents additional capital contribution from shareholders to demonstrate the commitment and strong support of shareholders to the local operations. Such amount is presented as part of contributed surplus in accordance with the guidelines of the IC.

On December 29, 2019, the shareholders initially agreed to subscribe additional 400,000 shares at P100 par value amounting to P40 million but the contributions which were fully paid on February 28, 2020 were eventually set aside by the shareholders as a contingency surplus to support their capital build-up plan and to cover any possible impairment in the Company's net worth consistent with the P1.3 billion net worth requirement at the end of 2022 under the amended Code. During 2022, this amount was returned to the shareholders.

Retained earnings

As at December 31, 2017 and 2016, the Company has excess retained earnings over its paid-up capital.

In 2008, the SEC issued Memorandum Circular No. 11 providing the guidelines in determining the appropriate amount of retained earnings available for dividend distribution taking into consideration the effective accounting standards and rules of the SEC. Stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-in capital.

On October 3, 2019, the SEC published the Revised SRC Rule 68 which prescribed the required schedule of the Reconciliation of Retained Earning for Dividend Declaration.

Section 201 of the amended Code provides that no domestic insurance corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements of the amended Code.

As at December 31, 2022, the Company plans to retain the excess retained earnings over its paid-up capital of P834,228,395 (2021 - P662,371,066) for the following:

- As an additional reserve for future contingencies, especially for catastrophe losses;
- To continuously comply with the more robust Risk Based Capital ("RBC") and reserving requirements implemented by the IC effective January 1, 2017.

Management will continue to evaluate the plans to retain the excess retained earnings over its paid-up capital after considering the amended regulatory capital requirements of the IC on fixed capitalization and RBC2 framework.

Cash dividend (Note 10)

Dividends payable at December 31, 2022 and 2021 are comprised of the following unpaid cash dividend declarations:

Declaration date	Cash dividend declared	Dividends per share	Dividends payable 2022	Dividends payable 2021
2012	10,000,000	P2.86	3,065,188	3,065,188
2013	17,500,000	P5.00	710,622	710,622
2014	15,000,000	P4.29	759,102	759,102
2015	17,500,000	P5.00	1,225,000	1,225,000
2017	17,500,000	P5.00	2,625,000	2,625,000
			8,384,912	8,384,912

Accumulated other comprehensive income

Details of the account at December 31 follow:

	2022	2021
Unrealized fair value (loss) gain on available-for-sale securities, net of tax	(2,311,526)	5,514,322
Cumulative remeasurement loss on retirement benefit obligation, net of tax	(8,522,752)	(5,385,001)
Revaluation surplus of property and equipment, net of tax	29,886,750	24,867,001
	19,052,472	24,996,322

The movements in accumulated other comprehensive (loss) income for the years ended December 31 are as follows:

	2022	2021
At January 1	24,996,322	29,361,793
Net change in fair value of available-for-sale securities, net of tax	(7,825,848)	(3,200,028)
Remeasurement loss on retirement benefit asset, net of tax	(3,137,751)	(4,420,818)
Changes in revaluation surplus of property and equipment, net of tax	5,019,749	3,255,375
At December 31	19,052,472	24,996,322

Note 12 - Interest income

Details of interest income for the years ended December 31 are as follows:

	2022	2021
Cash and cash equivalents	3,772,791	4,441,240
Held-to-maturity securities		
Treasury bonds and notes		
US Dollar	9,541,332	9,388,003
Philippine Peso	6,734,308	6,279,572
Corporate bonds	17,759,520	15,660,536
Time deposits	5,544,995	1,895,864
	43,352,946	37,665,215

Note 13 - Salaries and employee benefits

The details of the account for the years ended December 31 are as follows:

	Note	2022	2021
Salaries and wages		36,741,356	34,646,963
Retirement benefit expense	14	3,170,372	1,621,114
Other employee benefits		13,684,830	13,931,578
		53,596,558	50,199,655

Other employee benefits pertain to payments to Health Maintenance Organizations (HMO) providers, social security contributions and allowance and bonuses.

Note 14 - Retirement benefit obligation

The Company has a funded, non-contributory defined benefit plan providing death, disability, and retirement benefits for all its employees. The fund is being managed and administered by a financial institution on the basis of a duly executed trust agreement and governed by local regulations in the Philippines. Under the plan, qualified officers and employees are entitled to retirement benefits when they reach the normal retirement age of 60 years with an option for early retirement at 50 years of age provided that they have completed at least 10 years of continuous service. Normal and early retirement benefits consist of a lump sum benefit equivalent to one month's final pay for every year of service. The plan also provides late retirement, death, disability and voluntary separation benefits.

The Company's obligation under the defined benefit plan may significantly vary depending on a number of market, economic and demographic conditions, such as yields on government debt, return on plan assets invested in debt and equity securities as well as pooled funds, employee turnover and retiree mortality rates.

These risk factors may affect the Company's future cash outflows to fund its obligation, amounts of periodic benefit cost used in calculating net profit and remeasurement charges reported in other comprehensive income.

Following are the amounts based on the latest actuarial valuation as at December 31, 2022 and 2021 using the projected unit cost method.

Retirement benefit expense recognized as part of salaries and employee benefits in the statement of total comprehensive income for the years ended December 31 is as follows:

	2022	2021
Retirement benefit cost recognized in profit or loss		
Current service cost	3,267,491	2,367,074
Net interest cost	(97,119)	(745,960)
	3,170,372	1,621,114
Retirement benefit loss recognized in other comprehensive income		
Remeasurement loss - retirement benefit obligation	867,699	3,593,768
Remeasurement loss - plan assets	3,315,969	2,208,830
	4,183,668	5,802,598
Deferred tax effect	(1,045,917)	(1,381,780)
	3,137,751	4,420,818

Retirement benefit asset as at December 31 is determined as follows:

	2022	2021
Present value of defined benefit obligation	43,150,134	41,869,726
Fair value of plan assets	(37,746,260)	(43,819,892)
Retirement benefit asset	5,403,874	(1,950,166)

The movements in the present value of defined benefit obligation for the years ended December 31 are as follows:

	2022	2021
Beginning of year	41,869,726	36,755,590
Current service cost	3,267,491	2,367,074
Interest cost	2,085,112	1,356,281
Benefits paid	(4,939,894)	(2,202,987)
Remeasurements		
Effect of changes in financial assumptions	(1,864,702)	2,059,783
Experience adjustments	2,732,401	1,533,985
End of year	43,150,134	41,869,726

The movements in the fair value of plan assets for the years ended December 31 are as follows:

	2022	2021
Beginning of the year	43,819,892	56,971,312
Interest income	2,182,231	2,102,241
Remeasurement	(3,315,969)	(2,208,830)
Benefits paid	(4,939,894)	(13,044,831)
End of year	37,746,260	43,819,892

Benefit due reported under the present value of defined benefit obligation in 2022 and 2021 include benefits due to employees of the Company who have retired in 2022 and 2021 but were subsequently paid in the ensuing years. The Company has accrued for the benefits due which is included as part of accrued expenses under accounts payable and other liabilities (Note 10) in the statement of financial position.

The Company has no transactions with the plan other than the contributions and benefit payments presented above for the years ended December 31, 2022 and 2021.

The plan assets at December 31, 2022 and 2021 are substantially comprised of investments in mutual funds and unit investment trust funds that are carried at fair value. There are no plan assets invested in debt or equity securities of the Company or its related entity.

The movements in cumulative remeasurement losses on retirement benefit obligation, net of tax, presented as part of accumulated other comprehensive gain (loss) within equity for the years ended December 31 are as follows:

	2022	2021
Beginning of the year	(7,180,001)	(1,377,403)
Remeasurement loss - retirement benefit obligation	(867,699)	(3,593,768)
Remeasurement loss - plan assets	(3,315,969)	(2,208,830)
Total	(11,363,669)	(7,180,001)
Deferred tax on cumulative remeasurement of retirement benefit obligation	2,840,917	1,795,000
End of year	(8,522,752)	(5,385,001)

The principal actuarial assumptions used in determining the retirement benefit obligation for the years ended December 31 are shown below:

	2022	2021
Discount rate	7.11%	4.98%
Salary increase rate	7.00%	6.00%

Discount rate

The discount rate was determined in accordance with the Philippine Interpretations Committee (PIC) - approved Q&A 2008-01(Revised), which mandates that discount rates reflect benefit cash flows and use of zero-coupon rates, even though theoretically derived.

The reinvestment method was applied to the PH BVAL benchmark government bonds to arrive at the theoretical zero-coupon yield curve. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years.

Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding future mortality and disability rates are based on published statistics generally used for local actuarial valuation purposes.

The defined benefit plan typically exposes the Company to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risks. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company. However, the Company believes that due to the long-term nature of the retirement benefit liability and the strength of the Company itself, the mix of debt and equity securities holdings of the plan under its mutual and unit investment trust funds is an appropriate element of the Company's long term strategy to manage the plan efficiently.

The Company ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The Company's main objective is to match assets to the defined benefit obligation by investing primarily long-term debt securities which offer the best returns over the long term with an acceptable level of risk. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is being discussed with the trustee bank, as necessary to better ensure the appropriate asset-liability matching.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Weighted average duration of the retirement benefit obligation is 22 years (2021 - 21 years).

The projected maturity analysis of undiscounted retirement benefit payments as at December 31 is as follows:

	2022	2021
Less than 1 year	11,177,767	4,712,560
1 to 5 years	10,441,100	12,944,466
6 to 10 years	20,414,639	18,736,754
11 to 20 years	49,130,231	41,364,814
Over 20 years	406,246,035	298,005,352

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions for the years ended December 31 is as follows:

2022	Change in assumption	Impact on pension liability	
		Increase in assumption	Decrease in assumption
Discount rate	0.50%	Increase by 537,171	Decrease by 291,737
Salary increase rate	1.00%	Increase by 1,430,330	Decrease by 459,367

2021	Change in assumption	Impact on pension liability	
		Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 1,060,757	Increase by 1,644,991
Salary increase rate	1.00%	Increase by 3,774,790	Decrease by 1,625,778

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statement of financial position.

Note 15 - Provision for income tax

Provision for income tax for the years ended December 31 follows:

	Note	2022	2021
Current			
RCIT		38,959,598	47,514,044
Final tax		6,738,340	5,809,939
Deferred	9	8,493,232	2,537,118
		54,191,170	55,861,101

RCIT for the year ended December 31, 2021 includes impact of CREATE amounting to 2,204,381.

A reconciliation of the provision for income tax computed at the statutory rate to the actual provision for income tax for the years ended December 31 follows:

	2022	2021
Income before income tax	225,548,499	231,917,035
Income tax calculated at 25%	56,387,125	57,979,259
Income subject to final tax rate, net	(1,714,565)	(1,259,364)
Tax-exempt income	(481,390)	(677,919)
Impact of CREATE	-	(180,875)
Actual provision for income tax	54,191,170	55,861,101

Significant accounting judgment - Provision for income tax

Significant judgment is required in determining the income tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business.

The Company recognizes liabilities based on careful evaluation of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Company's current and deferred income tax provisions in the period in which such determination is made. Further, recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary difference can be applied (Note 9).

Note 16 - Cash generated from operations

The details of cash generated from operations for the years ended December 31 are as follows:

	Notes	2022	2021
Income before income tax		225,548,499	231,917,035
Adjustments for:			
Provision for IBNR, net		18,120,664	32,414,166
Retirement benefit expense	14	3,170,372	1,621,114
Depreciation	8	4,594,983	5,321,991
Interest expense	18	158,339	119,307
Loss on retirement of property and equipment, net	8	2,237	-
Gain on sale of available-for-sale securities	5	-	(521,322)
Dividend income	5	(3,006,134)	(2,190,355)
Fair value gains on investment property, net	7	(9,420,000)	(22,075,000)
Unrealized foreign exchange gain	19	(32,710,638)	(27,127,221)
Interest income	12	(43,352,946)	(37,665,215)
Operating income before changes in operating assets and liabilities		163,105,376	181,814,500
Changes in operating assets and liabilities			
(Increase) decrease in:			
Reinsurance recoverable on unpaid losses		10,202,780	(239,616,052)
Deferred acquisition costs, net		9,096,651	(10,178,734)
Deferred reinsurance premiums		(37,677,483)	(59,217,560)
Receivables, net		(66,973,129)	(108,122,092)
Other assets		(2,956,062)	1,099,333
Increase (decrease) in:			
Reserve for unearned premiums		75,050,766	80,163,949
Accounts payable and other liabilities		32,031,045	6,061,190
Funds held for reinsurers		(6,741,831)	17,833,474
Commissions payable		(17,353,581)	8,678,684
Due to reinsurers and ceding companies		(20,098,221)	38,619,978
Losses and claims payable		(40,041,185)	204,818,868
Cash generated from operations		97,645,126	121,955,538

Note 17 - Related party transactions

In the ordinary course of business, the Company cedes reinsurance businesses under various reinsurance contracts (mainly treaty) with its related reinsurance companies.

Premiums paid to related party reinsurers are booked as reinsurance premiums ceded in profit or loss and the related payables are included as part of due to reinsurers and ceding companies in the statement of financial position. Commissions out of these reinsurance transactions are included as part of commissions earned and any outstanding uncollected commissions are offset with due to reinsurers and ceding companies.

The share of the related party reinsurer in incurred losses is included as part of reinsurance recoverable on unpaid losses or reinsurance recoverable on paid losses under net receivables in the statement of financial position.

Outstanding balances under treaty and facultative contracts with such related parties as at December 31 are as follows:

	2022	2021	Terms and conditions
Shareholders			
Reinsurance recoverable on paid losses	14,531,127	14,960,045	- Unsecured and unguaranteed - Non-interest bearing - Collectible in cash at gross within 15 days after reinsurer's confirmation
Reinsurance recoverable on unpaid losses	2,198,496	2,238,650	- Unsecured and unguaranteed - Non-interest bearing - Collectible in cash upon payment of the actual losses and follows the same term as reinsurance recoverable on paid losses above
	16,729,623	17,198,695	
Due to reinsurers and ceding companies	(15,391,952)	(14,990,756)	- Unsecured and unguaranteed - Non-interest bearing - Payable in cash at net of commission receivable within 15 days after reinsurer's confirmation
	(15,391,952)	(14,990,756)	
	1,337,671	2,207,939	

Transactions under treaty and facultative contracts with such related parties for the years ended December 31 are as follows:

	2022	2021	Terms and conditions
Shareholders			
Losses and claims	32,427	25,460	- Represents share of reinsurers in incurred loss - Unsecured and unguaranteed - Due and demandable - Payable in cash at gross amount
	32,427	25,460	

The table below shows transactions and outstanding balances with the Company's key management personnel as at and for the years ended December 31:

	2022		2021		
	Transactions	Outstanding Balance	Transactions	Outstanding Balance	Terms and conditions
Advances	1,315,000	5,865,009	1,249,821	8,794,278	- Secured and guaranteed up to the amount of the officer's retirement benefit - Interest-bearing at 8% per annum - Collectible in cash at gross over a period of one year or more through salary deduction
Salaries and other benefits	12,159,801	-	12,074,732	-	- Represents salaries and other benefits paid to key management personnel during the year - No provisions for termination, post-employment and other long-term benefits for key management personnel, except for such benefits to which they are entitled under the Company's retirement plan
Directors' fees	429,273	-	415,121	-	Fees paid to directors during the year which are settled during the Board of Directors meeting

Note 18 - Contingencies and commitments

Contingencies

In the ordinary course of business, the Company, as plaintiff, is currently pursuing a number of collection-related cases against certain customers. Any asset or income arising from the ultimate resolution of these cases will be recognized when actual settlement is received or when collection is virtually certain.

Lease commitments

The Company has entered into various lease arrangements covering its office space and branches with terms ranging from one to two years.

The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The leased asset may not be used as security for borrowing purposes. Refundable deposits are collectible at the end of the lease term.

Details of right-of-use asset and lease liability at December 31 are as follows:

	2022	2021
Right-of-use assets (Note 8)		
Office premise	1,602,302	1,186,074
Lease liabilities (Note 10)		
Current	1,607,052	978,306
Non-current	-	-
	1,607,052	978,306

The movements in the lease liability for the years ended December 31 are as follows:

	2022	2021
As at January 1	978,306	2,528,126
Additions to lease liability	2,296,389	-
Interest accretion on lease liability	158,339	119,307
Payments during the year		
Principal portion of the lease liability	(1,667,643)	(1,549,820)
Interest expense on lease liability	(158,339)	(119,307)
As at December 31	1,607,052	978,306

The statement of total comprehensive income shows the following amounts relating to leases for the year ended December 31:

	2022	2021
Depreciation expense		
Office premise (Note 8)	1,760,314	1,581,431
Interest expense on lease liability	158,339	119,307
Expense relating to short-term leases (included in Occupancy and equipment-related expenses)	366,768	298,921

Critical accounting estimate – Determination of incremental borrowing rate

The lease payments for lease of office premise are discounted using the lessee's incremental borrowing rate, being the rate that the Branch would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing, and
- makes adjustments specific to the lease, (e.g., term, currency and security).

The Company's weighted average incremental borrowing rate applied to the lease liability was in 2022 and 2021 was 6.25%. As at December 31, 2022, if the Company's incremental borrowing rate increased/decreased by 10% while holding all other assumptions constant, the Company's lease liabilities would be lower/higher by P4,506 and P4,524, respectively (2021 - P1,508 and P1,513, respectively).

Significant accounting judgment - Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company's existing contract has enforceable extension option provisions.

Note 19 - Insurance and financial risk and capital management

This section summarizes the Company's insurance and financial risks and the way the Company manages them, including the Company's capital management objectives.

19.1 Insurance risk

Insurance is a form of contract whereby periodic payments (also known as insurance premiums) are made to an insurance company, in order to provide an individual or business compensation in the event of property loss or damage. The risk under any one insurance contract is the uncertainty about an unfavorable outcome in a given situation. Insurance risk is an uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or the time when claims payments will fall due.

The principal risk the Company is facing under insurance contracts is when the actual claims and benefit payments exceeds the carrying amount of the insurance liabilities. This could happen when there are numerous claims that occur in a particular period and the actual payment exceeds the estimated amount.

Factors that aggravate insurance risk include reduction in rates of premium, geographical location, and type of industry covered. One way of reducing insurance risk is by transfer and sharing of risk.

The Company has developed its insurance underwriting strategy to expand the type of insurance risk accepted in order to attain premium income growth and above-average underwriting profit.

19.1.1 Casualty insurance contracts

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. Estimated inflation is a significant factor due to the long period typically required to settle these cases. Another factor is the political and economic stability of the country which could result to numerous theft claims. The Company manages these risks through its well-designed underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography in order to spread possible losses fairly between the Company (retention) and the reinsurers.

Management continues to review the loss experience and premium payment record of existing agencies to identify and weed out the bad agencies and motivate the good agencies to produce more business.

Sources of uncertainty in the estimation of future claim payments

The claims outstanding provision is the estimated ultimate cost of all claims and the related claims handling expenses in respect of events up to the accounting date less amounts already paid.

The provision will relate to all events that have occurred up to the accounting date, whether or not the Company has been notified of the claims in question before the close of the accounting period. The latter category of claims is referred to as IBNR claims.

It is impossible for an insurance company to predict its outstanding claims provision with 100% accuracy. If understated, the Company may distribute assets or otherwise act in a way that could lead to severe financial problems, and possible insolvency, when claims come to be paid.

The provision for reported and IBNR claims are the Company's estimate of the amount which it will have to pay at reporting date.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures.

19.1.2 Property insurance contracts

Frequency and severity of claims

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding, typhoons, etc.) and their consequences.

Cost of rebuilding properties, replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

The Company has the right to reprice the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Moreover, it has the right not to accept a certain risk by not engaging in any form of hazardous enterprise at all. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event.

Sources of uncertainty in the estimation of future claims payments

Risk continue to be concentrated in the property business, particularly on the motor line. Treaty cession limits and underwriting strategies are being implemented to protect the Company and reinsurers from high exposures to possible losses. Property claims are analyzed separately for its exposures and risk accumulation. This is estimated within the definition of the crest zone exposures. The shorter settlement period for these claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims.

19.1.3 Motor insurance contracts

Frequency and severity of claims

Motor insurance contracts are underwritten by placing underwriting limits to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (i.e., subrogation). All motor insurance policies issued are covered by a reinsurance program.

Sources of uncertainty in the estimation of future claim payments

Claims on motor insurance contracts are payable on a claims occurrence and claims made basis. The Company is liable for all insured events that occurred during the term of the contract.

The Company makes valuations and recommendations for the estimated loss reserves which include direct expenses to be incurred in settling claims, the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures. The Actuary provides reasonable estimates of the ultimate cost of claims using the Company's past experience and recognized estimation techniques.

19.1.4 Valuation standards for insurance liabilities beginning January 1, 2017

On December 28, 2016, the IC, through its CL No. 2016-67, issued the New Valuation Standard for Insurance Policy Reserve with effect beginning January 1, 2017 and onwards. Among others, the New Valuation Standard for Insurance Policy Reserve provides for:

(i) the determination of premium liabilities based on the higher of UPR and the URR;
(ii) consideration of the claims handling expense ("CHE");
(iii) consideration of MfAD to allow for inherent uncertainty of the best estimate of policy reserve; and,
(iv) certification of an actuary on the calculation of the insurance policy reserve in accordance with the New Valuation Standard for Insurance Policy Reserve prescribed by the IC.

Beginning January 1, 2017, the initial year of implementation of the New Valuation Standard for Insurance Policy Reserve, the IC through its CL 2016-69 issued on December 28, 2016, has relaxed the valuation requirements in determining the Insurance Policy Reserve to consider:

(i) set up of premium liabilities using UPR alone, instead of the higher of UPR (net of DAC) and URR;
(ii) set up MfAD to zero, instead of company specific MfAD.

On March 9, 2018, the IC, through its CL No. 2018-18, issued the New Valuation Standards for Non-life Insurance Policy Reserves and replaced CL No. 2016-67. Beginning January 1, 2018, among others, the new valuation standards provide for the determination of premium liabilities on an aggregate basis. A computation should be performed to determine whether an additional reserve is required to be booked on top of the UPR. Therefore, premium liabilities should be valued equal to the UPR plus the sum of the higher amount between the (1) URR and UPR, net of related DAC component, and (2) zero. UPR shall be calculated for all classes of business, on a gross of reinsurance basis while URR shall be calculated as the best estimate of future claims and expenses for all classes of business and with MfAD.

On the same date, IC issued its CL No. 2018-19 which amends certain provisions of CL No. 2016-69 as it relates to the calculation of MfAD. IC mandates that MfAD should be company-specific, and allows insurance entities to set MfAD as follows:

Period covered	Percentage (%) of company specific MfAD
2017	0%
2018	50%
2019 onwards	100%

As at December 31, 2022 and 2021, the Company's UPR, net of DAC, is determined to be higher than the URR. As such, the Company did not require any additional provision in respect to the unearned premiums. Moreover, the Company has applied entity specific MfAD for both claims and premiums liabilities, which is based on the bootstrapping method using the Company's own data at 75% sufficiency level for policy reserves.

19.1.5 Losses and claims payable

In 2017, the Company has adopted certain provisions of the Implementing Requirements for the New Valuation Standard for Insurance Policy Reserve through IC CL 2016-69 as its accounting policy for reserving, particularly the incorporation of MfAD and CHE in determining its claims obligation. The Company has engaged an external actuary in determining its Insurance Policy Reserve, who has considered actual historical claims data for the last 10 years, CHE of 2% and MfAD of 8.5%.

The Company has applied entity specific MfAD at 100% of claims and premiums liabilities, which is based on the Stochastic Chain Ladder method using the Company's own data at 75% sufficiency level for policy reserves. Entity-specific CHE assumption, on the other hand, is computed at the best estimate of IBNR and outstanding claims while policy maintenance expenses is computed ay one-third of the Company's general and administrative expenses.

The incremental claims reserve due to MfAD as at December 31, 2022 is P3,327,927 (2021 - P3,894,329).

19.1.6 Sensitivities

The general insurance claims provision is sensitive to the Company's past claims development experiences. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the reporting date.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate liabilities are recognized in subsequent financial statements.

Following the Company's adoption of certain provisions of the new valuation standards on insurance policy reserve, the analysis below is performed for a reasonable possible movement in key assumption with all other assumptions held constant, on income and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis. It should also be stressed that these assumptions are non-linear and larger or smaller impacts cannot easily be gleamed from these results.

The key assumptions considered in the sensitivity analysis are as follows:

- 12 to 24-month Loss Development Factor (LDF)
- Initial Loss and Allocated Loss Adjustment Expenses (ALAE) Ratios

The LDF is used to estimate the ultimate losses under the Incurred Chain Ladder/Development Approach and Paid Chain Ladder Development approach. The LDF is based on the Company's historical loss experience supplemented with industry loss triangles.

Initial loss and ALAE Ratios are used to estimate the ultimate loss under Bornhuetter-Ferguson Incurred Approach and Bornheutter-Ferguson Paid Approach.

Based on CL No. 2016-67, *Valuation Standards for Non-life Insurance Policy Reserves*, standard actuarial projection techniques, or combination of which, include but not limited to the chain ladder method, the expected loss ratio approach and the Bornheutter-Ferguson method.

To show the sensitivity of this assumption, the impact of changing LDF and Initial and ALAE ratios by 10% as at December 31 is shown in the table below.

	Change in	% impact on claims liability	
2022	Assumption	Gross	Net
LDF	+10%	+4.04%	+2.00%
	-10%	-1.64%	-1.19%
Initial loss and ALAE ratios	+10%	+10.95%	+2.99%
	10%	-10.95%	-2.99%

	Change in	% impact on claims liability	
2021	Assumption	Gross	Net
LDF	+10%	+2.98%	+8.75%
	-10%	-1.26%	-4.87%
Initial loss and ALAE ratios	+10%	+0.67%	+2.44%
	10%	-0.67%	-2.41%

Loss development triangle

Reproduced below are the tables showing the development of claims over a period of time on a gross and net reinsurance basis:

Gross reinsurance basis

As at December 31, 2022

	Accident Year						
Year of Payment	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
2015 and prior	6,939,577,729	1,577,422,732	1,569,125,762	1,572,345,402	1,569,622,078	1,560,627,639	1,560,033,778
2016	226,398,519	208,624,564	200,577,402	200,897,625	197,830,924	198,153,849	197,022,251
2017	-	233,689,130	209,709,661	207,633,386	200,251,936	197,379,567	196,160,884
2018	-	-	443,885,767	442,076,474	431,559,988	419,000,609	417,235,747
2019	-	-	-	380,030,344	334,618,091	324,648,395	318,944,339
2020	-	-	-	-	226,905,697	299,444,987	297,308,327
2021	-	-	-	-	-	347,269,955	363,410,199
2022	-	-	-	-	-	-	250,496,878
Cumulative estimate of claim	7,165,976,248	2,019,736,426	2,423,298,592	2,802,983,231	2,960,788,714	3,346,525,001	3,600,612,403
Cumulative payments to date	5,681,021,882	1,759,696,159	2,062,235,115	2,445,919,241	2,630,338,880	2,819,569,892	3,139,216,128
Liability recognized in the statement of financial position	1,484,954,366	260,040,267	361,063,477	357,063,990	330,449,834	526,955,109	461,396,275
IBNR claims, gross of reinsurance							129,511,102
Reserve for outstanding losses, net (Note 6)							590,907,377

As at December 31, 2021

	Accident Year						
Year of Payment	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
2014 and prior	5,145,221,379	1,381,405,662	1,377,473,671	1,384,939,335	1,388,525,229	1,387,493,855	1,378,716,752
2015	202,707,922	210,242,766	199,949,061	184,186,427	183,820,173	182,128,224	181,910,887
2016	-	226,398,519	208,624,564	200,577,402	200,897,625	197,830,924	198,153,849
2017	-	-	233,689,130	209,707,661	207,633,386	200,251,936	197,379,567
2018	-	-	-	443,885,767	442,076,474	431,559,988	419,000,609
2019	-	-	-	-	380,030,344	334,618,090	324,648,395
2020	-	-	-	-	-	226,905,697	299,444,987
2021	-	-	-	-	-	-	347,269,955
Cumulative estimate of claim	5,347,929,301	1,818,046,947	2,019,736,426	2,423,296,592	2,802,983,231	2,960,788,714	3,346,525,001
Cumulative payments to date	4,159,200,421	1,521,821,462	1,759,696,159	2,062,235,115	2,445,919,241	2,630,338,880	2,819,569,892
Liability recognized in the statement of financial position	1,188,728,880	296,225,485	260,040,267	361,061,477	357,063,990	330,449,834	526,955,109
IBNR claims, gross of reinsurance							85,872,789
Reserve for outstanding losses, net (Note 6)							612,827,898

Net reinsurance basis

As at December 31, 2022

Year of Payment	Accident Year 2016	2017	2018	2019	2020	2021	2022
2015 and prior	2,987,895,993	710,919,597	714,048,346	716,392,272	713,218,786	710,487,091	709,655,554
2016	156,044,616	144,197,807	140,729,888	141,270,628	138,232,311	138,555,236	137,262,219
2017	-	167,876,947	158,231,877	159,052,225	151,947,017	149,426,799	148,019,614
2018	-	-	182,758,686	186,273,477	181,201,306	175,078,770	173,881,786
2019	-	-	-	172,296,530	179,342,969	175,685,271	162,708,516
2020	-	-	-	-	99,913,648	113,101,929	71,277,194
2021	-	-	-	-	-	94,609,278	39,881,924
2022	-	-	-	-	-	-	123,086,454
Cumulative estimate of claim	3,143,940,609	1,022,994,351	1,195,768,797	1,375,285,132	1,463,856,037	1,556,944,374	1,565,773,261
Cumulative payments to date	2,633,164,897	904,471,074	1,070,744,066	1,240,677,344	1,341,611,859	1,449,113,511	1,455,366,637
Liability recognized in the statement of financial position	510,775,712	118,523,277	125,024,731	134,607,788	122,244,178	107,830,863	110,406,624
IBNR claims, net of reinsurance							18,120,664
Reserve for outstanding losses, net (Note 6)							128,527,288

As at December 31, 2021

Year of Payment	Accident Year 2015	2016	2017	2018	2019	2020	2021
2014 and prior	2,131,298,039	587,289,998	589,939,298	595,395,168	597,851,604	596,364,661	593,850,303
2015	147,431,447	121,876,508	120,980,300	118,653,177	118,543,669	116,854,126	116,636,788
2016	-	156,044,616	144,197,807	140,729,888	141,270,628	138,232,311	138,555,236
2017	-	-	167,876,947	158,231,877	159,052,225	151,947,017	149,426,799
2018	-	-	-	182,758,686	186,273,477	181,201,306	175,078,770
2019	-	-	-	-	172,296,531	179,342,969	175,685,271
2020	-	-	-	-	-	99,913,648	113,101,929
2021	-	-	-	-	-	-	94,609,278
Cumulative estimate of claim	2,278,729,486	865,211,122	1,022,994,352	1,195,768,796	1,375,288,134	1,463,856,038	1,556,944,374
Cumulative payments to date	1,880,045,635	753,119,260	904,471,075	1,070,744,065	1,240,680,346	1,341,611,860	1,449,113,511
Liability recognized in the statement of financial position	398,683,851	112,091,862	118,523,277	125,024,731	134,607,788	122,244,178	107,830,863
IBNR claims, net of reinsurance							32,414,166
Reserve for outstanding losses, net (Note 6)							140,245,029

19.1.7 Reserve for unearned premiums

The determination of the Company's reserve for unearned premium balance as at December 31 following the requirement of CL No. 2018-18 (Note 19.1.5) is shown below:

		2022			2021		
	Note	Gross	Reinsurance	Net	Gross	Reinsurance	Net
UPR		431,121,947	232,472,033	198,649,914	356,071,181	194,794,550	161,276,631
Add: The higher of (a) or (b),							
(a) (1) URR (with MfAD), less		211,233,033	121,249,577	89,983,456	108,750,676	57,347,572	51,403,104
(2) UPR, net of DAC		297,225,927	202,850,776	94,375,151	219,245,910	169,013,243	50,232,667
		(85,992,894)	(81,601,199)	(4,391,695)	(110,495,234)	(111,665,671)	1,170,437
(b) Zero		-	-	-	-	-	-
Reserve for unearned premiums	6	431,121,947	232,472,033	198,649,914	356,071,181	194,794,550	161,276,631

The Company's UPR, net of DAC, is determined to be higher than the URR. As such, the Company did not require any additional provision for premium liability as the actuarial estimate of URR is less than the Company's UPR, net of DAC.

Critical accounting estimate - Unexpired risk reserves ("URR")

The Company calculates for the URR at 75th level percentile of sufficiency using the best estimate of future claims and expenses for all classes of business, including margin for adverse deviation to address uncertainty in the estimate of unexpired risks. In order to arrive at the URR, the Unearned Premium Reserve ("UPR") for each class of business is multiplied by the expected loss ratio, adjusted for future expenses and Margin for Adverse Deviation ("MfAD").

The expected future claims include all claims which might occur during the unexpired period including: claims which are reported after the end of the unexpired exposure period, but have occurred within the unexpired exposure period; and claims which are reopened at any date, but have occurred within the unexpired exposure period. The expected future expenses include estimates of claims expenses and general policy maintenance expenses based on actual historical experience. The claims expense ratio is being applied to the gross unexpired risk reserves while the policy maintenance expense ratio is applied on the provision for unearned premiums.

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors and may be revised as additional experience becomes available or as regulations change. The Company takes all reasonable steps to ensure that it has appropriate information regarding its unexpired risk exposures.

Following the requirements of CL 2018-18, the Company's premium liabilities are based on the UPR values as at December 31, 2022 and 2021, as the UPR is significantly higher based on the assessment made by management. As such, the Company no longer presented the necessary sensitivities related to URR.

19.2 Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are market risk, credit risk and liquidity risk.

19.2.1 Market risk

Interest rate risk

This is the type of risk that the Company primarily faces due to the nature of its financial assets and liabilities. The interest rate risk is the only financial risk that has a materially different impact across the assets and liabilities categorized in the Company's asset liability management framework.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Given that the Company's cash and cash equivalents, debt securities classified as held-to-maturity and lease liability are carried at amortized cost and have fixed interest rates, these are not exposed to fair value and cash flow interest rate risks.

Foreign currency risk

The insurance business of the Company is mostly denominated in local currency.

Currency exposures arise primarily from the holding of monetary assets and liabilities denominated in US Dollar. The Company does not enter into derivatives to manage foreign currency risks.

The Company's foreign currency assets and liabilities denominated in US Dollars as at December 31 are as follows:

	Notes	2022	2021
Assets			
Cash and cash equivalents	3		
Cash in banks		591,867	678,814
Time deposits		216,861	99,483
Available-for-sale securities			
Investment in mutual funds	5	923,849	120,738
Held-to-maturity securities			
Treasury bonds and notes	5	5,489,345	5,450,227
Time deposits	5	932,246	1,058,265
Reinsurance recoverable on unpaid losses		630,000	630,000
Total assets		8,784,168	8,037,527
Liability			
Losses and claims payable		637,500	637,500
Net asset		8,146,668	7,400,027
Exchange rate		55.755	50.999
Peso equivalent		454,217,474	377,393,977

For the years ended December 31, the Company's foreign exchange (gain) loss are as follows:

	2022	2021
Unrealized foreign exchange gain	(32,710,638)	(27,127,221)
Realized foreign exchange gain	(4,864,261)	(311,304)
	(37,574,899)	(27,438,525)

A sensitivity analysis was performed on the US Dollar denominated assets and liabilities. The fluctuation rate is based on the historical movement of US Dollar year on year.

Year	Change in currency	Effect on net income and equity in Philippine Peso
2022	+/- 5.05%	+/- 20,235,360
2021	+/- 6.20%	+/- 15,014,941

Price risk

The Company is exposed to price risk in respect of listed equity securities and investment in mutual funds classified as available-for-sale securities.

The Company manages such risk by setting and monitoring objectives and diversification plan.

Net change in fair value of available-for-sale equity securities for the years ended December 31, 2022 would change by P4,211,245 (2021 - P4,066,219) as a result of an increase/decrease of 20.48% (2021 - 18.62%) in market prices which is based on the average historical fluctuation in the stock price index year-on-year.

Net change in fair value of investments in mutual funds for the years ended December 31, 2022 would change by P5,150,921 (2021 - P4,498,837) as a result of an increase/decrease of 10% in market prices which is based on how management monitors the net asset value per share of these investments.

19.2.2 Credit risk

Credit risk management, risk limit and mitigation policies

(i) Insurance and reinsurance receivable balances

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or group of counterparties, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved annually by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. For facultative reinsurers, only approved companies are being used after taking into consideration their paying habit and reciprocal business.

Key areas where the Company is exposed to credit risk are:

- reinsurers' share of insurance liabilities.
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries.

(ii) Available-for-sale and held-to-maturity debt securities and time deposits

One of the Company's primary investment objectives is to seek the preservation of its portfolio by mitigating the credit risk which is the risk of loss due to failure of the issuer to make good on its obligation when maturity becomes due. This is mitigated by investing in safe securities and diversifying its investment portfolio so that the failure of any one issuer would not materially affect the cash flow of the Company. Within the guidelines provided by the IC, the Company's Investment Committee ensures that the Company invests in allowable categories of investment instruments and provides limitation as to the percentage of the portfolio which can be invested in certain category. Presently, the Company has significant investments in government securities and time deposits with local banks.

For time deposits and debt securities, external ratings such as those provided by Philippine Rating Services Corporation (Philratings) and Standard & Poor (S&P) or their equivalent are used by the Company for managing credit risk exposures. Investments in these deposits and securities are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements.

(iii) Cash

The Company manages credit risk on its cash by depositing largely in reputable universal banks.

(iv) Other receivables

The Company continuously monitors the financial health and status of its counterparties to ascertain that other receivables from these counterparties will be substantially collected on due date. Credit risk on receivables is assessed on an on-going basis.

Maximum exposure to credit risk

Credit risk exposures relating to financial assets at December 31 are as follows:

	2022	2021
Cash and cash equivalents		
Cash in banks	131,506,448	140,834,854
Time deposits	263,703,028	343,124,862
	395,209,476	483,959,716
Receivable arising from insurance contracts		
Premium receivable, net of allowance	185,925,931	111,965,597
Reinsurance recoverable on paid losses	151,095,546	151,654,611
Due from reinsurers and ceding companies	20,407,746	34,896,942
Funds held by ceding companies	11,275,104	10,697,324
	368,704,327	309,214,474
Other receivables		
Accounts receivable	31,408,007	26,745,461
Accrued interest income	7,554,606	6,196,593
Refundable deposits	69,700	69,700
Security fund	49,149	49,149
	39,081,462	33,060,903
Available-for-sale securities - investment in mutual funds	51,509,207	44,988,367
Held-to-maturity securities		
Treasury bonds and notes	885,217,885	797,443,833
Corporate bonds	152,300,000	116,800,000
Time deposits	177,128,288	176,375,886
	1,214,646,173	1,090,619,719
Reinsurance recoverable on unpaid losses	462,380,089	472,582,869
	2,531,530,734	2,434,426,048

Credit quality of receivables arising from insurance contracts and other loans and receivables

Amounts in thousands	Neither past due nor impaired (1-30 days)	Past due but not impaired			Overdue and impaired	Total
		31-180 days	181-360 days	More than 360 days		
December 31, 2022						
Receivable arising from insurance contracts						
Premium receivable	19,984	158,198	3,315	5,982	-	187,479
Reinsurance recoverable on paid losses	8,913	15,373	59,864	66,946	-	151,096
Due from reinsurers and ceding companies	3,709	2,277	(1,981)	16,403	-	20,408
Funds held by ceding companies		139	439	10,697	-	11,275
Other loans and receivables					-	
Accounts receivable (loans receivable)	4,926	2,329	2,194	21,959	-	31,408
Accrued interest income	7,555				-	7,555
Refundable deposits				70	-	70
Security fund				49	-	49
Reinsurance recoverable on unpaid losses	462,380				-	462,380
	507,467	178,316	63,831	122,106	-	871,720

Amounts in thousands	Neither past due nor impaired (1-30 days)	Past due but not impaired 31-180 days	181-360 days	More than 360 days	Overdue and impaired	Total
December 31, 2021						
Receivable arising from insurance contracts						
Premium receivable	21,149	76,186	5,266	10,917	-	113,518
Reinsurance recoverable on paid losses	10,440	26,415	21,332	93,468	-	151,655
Due from reinsurers and ceding companies	2,678	17,412	5,170	9,637	-	34,897
Funds held by ceding companies	-	153	-	10,544	-	10,697
Other loans and receivables						
Accounts receivable	5,630	1,964	2,177	16,974	-	26,745
Accrued interest income	6,196	-	-	-	-	6,196
Refundable deposits	70	-	-	-	-	70
Security fund	49	-	-	-	-	49
Reinsurance recoverable on unpaid losses	472,583	-	-	-	-	472,583
	518,795	122,130	33,945	141,540	-	816,410

The credit quality of receivables can be assessed by reference to historical information about the counterparties' default rates. Currently, there is no history of default for these counterparties, and, hence, no impairment needs to be recognized on these receivables, other than those receivables which were classified under overdue and impaired category which have been fully provided for.

Receivables from insurance and reinsurance contracts and other loans and receivables which are neither past due nor impaired are assessed to be collectible and that no impairment indicators exist for such items.

As at December 31, 2022, receivables from insurance and reinsurance contracts and other loans and receivables of P364,134 thousand (2021 - P297,615 thousand) are past due but not impaired. These relate to a number of independent counterparties for whom there is no recent history of default and balances are fully collectible.

As at December 31, 2022 and 2021, allowance for impairment on premium receivable amounts to P1,553,000.

Credit quality of cash and cash equivalents, available-for-sale securities and held-to-maturity securities

	A+ to AAA*	BBB- to BB+**	Camel3***	Unrated****	Total
December 31, 2022					
Available-for-sale securities	51,509,207	-	-	-	51,509,207
Held-to-maturity securities					
Treasury bonds and notes					
Philippine Peso	576,912,108	-	-	-	576,912,108
US Dollar	29,651,339	278,655,638	-	-	308,306,977
Corporate bonds	132,298,800	20,000,000	-	-	152,298,800
Short-term time deposits	42,501,422	134,626,866	-	-	177,128,288
	781,363,669	433,282,504	-	-	1,214,646,173
Cash and cash equivalents					
Universal bank	64,815,827	198,303,713	84,260,241	-	347,379,781
Commercial bank	1,193,686	12,209,788	-	-	13,403,474
Thrift bank	8,526,036	23,707,463	-	500,962	32,734,461
Rural bank	-	-	-	1,691,760	1,691,760
	74,535,549	234,220,964	84,260,241	2,192,722	395,209,476

	A+ to AAA*	BBB- to BB+**	Camel3***	Unrated****	Total
December 31, 2021					
Available-for-sale securities	44,988,367	-	-	-	44,988,367
Held-to-maturity securities					
Treasury bonds and notes					
Philippine Peso	517,119,564	-	-	-	517,119,564
US Dollar	47,266,944	233,057,525	-	-	280,324,469
Corporate bonds	116,799,800	-	-	-	116,799,800
Short-term time deposits	135,238,151	31,267,070	9,870,665	-	176,375,886
	816,424,459	264,324,595	9,870,665	-	1,090,619,719
Cash and cash equivalents					
Universal bank	200,808,992	134,835,595	72,437,498	-	408,082,085
Commercial bank	25,526,711	12,047,257	-	-	37,573,968
Thrift bank	12,821,224	23,468,946	-	498,835	36,789,005
Rural bank	-	-	-	1,514,658	1,514,658
	239,156,927	170,351,798	72,437,498	2,013,493	483,959,716

** Based on Philratings*
*** Based on Standard & Poor's rating*
**** Based on CAMELS rating*
****Unrated short-term deposits and cash and cash equivalents are issued by local commercial, thrift and rural banks.*

The credit quality of cash and cash equivalents is based on the Bangko Sentral ng Pilipinas classification of banks operating in the Philippines. To minimize credit risk, the Company invests only in financial institutions which are reputable and in good credit standing.

Philratings and Standard & Poor's are reputable credit rating agencies used in the market to determine credit risk of local and international companies respectively.

Insurance-related assets are generally considered as unrated.

Unrated counterparties have no history of default and hence, no provisions are required.

19.2.3 Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from short-term insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The IC as well as the Board of Directors have issued certain guidelines to comply with to ensure that the Company maintains liquidity at all times. The amounts disclosed in the table are the maturity analysis of assets and liabilities, which the Company uses to manage the inherent liquidity risk.

Amounts in thousands	Up to one year	Over one year	Total
December 31, 2022			
Assets			
Cash and cash equivalents	436,164	-	436,164
Receivables arising from insurance contracts			
Premium receivable	181,497	5,982	187,479
Reinsurance recoverable on paid losses	84,150	66,946	151,096
Due from reinsurers and ceding companies	4,005	16,403	20,408
Funds held by ceding companies	578	10,697	11,275
Other loans and receivables			
Accounts receivable	9,449	21,959	31,408
Accrued interest income	7,555	-	7,555
Refundable deposits	70	-	70
Security fund	49	-	49
Available-for-sale securities	83,628	-	83,628
Held-to-maturity securities	210,455	1,004,191	1,214,646
	1,017,600	1,126,178	2,143,778
Liabilities			
Losses and claims payable	354,013	236,894	590,907
Due to reinsurers and ceding companies	139,673	148,548	288,221
Funds held for reinsurers	54,584	-	54,584
Commissions payable	22,325	-	22,325
Accounts payable and other liabilities (excluding tax-related payables)	68,897	62,416	131,313
	639,492	447,858	1,087,350
Net assets	378,108	678,320	1,056,428

Amounts in thousands	Up to one year	Over one year	Total
December 31, 2021			
Assets			
Cash and cash equivalents	508,528	-	508,528
Receivables arising from insurance contracts			
Premium receivable	102,601	10,917	113,518
Reinsurance recoverable on paid losses	58,187	93,468	151,655
Due from reinsurers and ceding companies	25,260	9,637	34,897
Funds held by ceding companies	153	10,544	10,697
Other loans and receivables			
Accounts receivable	9,771	16,974	26,745
Accrued interest income	6,196	-	6,196
Refundable deposits	70	-	70
Security fund	49	-	49
Available-for-sale securities	78,386	-	78,386
Held-to-maturity securities	147,234	943,385	1,090,619
	936,435	1,084,925	2,021,360
Liabilities			
Losses and claims payable	367,146	245,682	612,828
Due to reinsurers and ceding companies	271,616	36,704	308,320
Funds held for reinsurers	61,326	-	61,326
Commissions payable	39,679	-	39,679
Accounts payable and other liabilities (excluding tax-related payables)	54,867	49,707	104,574
	794,634	332,093	1,126,727
Net assets	141,801	752,832	894,633

19.3 Fair value of financial assets and financial liabilities

The aggregate fair value of the Company's available-for-sale securities at December 31, 2022 amounting to P83.79 million (2021 - P78.39 million), which is determined based on market prices, include investment in mutual funds and listed equity securities aggregating P72.23 million (2021 - P66.83 million) under Level 1 and unquoted equity securities amounting to P11.56 million (2021 - P11.56 million) under Level 2 of the fair value hierarchy.

There are no other financial instruments measured at fair value at December 31, 2022 and 2021.

The carrying amounts of the Company's other financial assets approximate their respective fair values as at December 31, 2022 and 2021 due to their short term maturities.

As at December 31, 2022, the fair value of held-to-maturity securities amounts to P1,167.10 million (2021 - P1,106.46 million). Such valuation falls under Level 2 of the fair value hierarchy.

As at reporting dates, there are no financial instruments that fall under the Level 3 hierarchy. There were also no transfers between categories during the reporting period.

The method and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

Cash in banks and cash equivalents

The estimated fair value of interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. The carrying values of interest-bearing deposits in which the interest rates are repriced approximate their fair values.

Receivables

The estimated fair value of receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. Due to the short-term nature of the receivables, the carrying amount approximates fair value.

Held-to-maturity and available-for-sale securities

Fair values of held-to-maturity and available-for-sale securities are based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Financial liabilities

The estimated fair value of liabilities with no stated maturity is the amount repayable on demand. Due to the short-term nature of the liabilities, the carrying values already approximate their fair values at reporting date.

19.4 Fair value of non-financial assets

The fair values of the Company's building and investment properties are determined from market-based evidence by appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidences used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Company's building and investment properties.

The table below below presents the fair value hierarchy of the Company's assets and liabilities that are measured at fair value on a recurring basis.

	Fair value hierarchy	Fair values 2022	2021	Valuation technique	Unobservable input for Level 3
Investment properties	Level 3	140,297,222	130,877,222	Market Data Approach - range of price per square meter of PHP 4,000 to PHP 184,000; 10% to 35% physical adjustments (2021- PHP3,826 to PHP180,000; 10% to 30%).	Concluded sales transactions for similar properties; physical adjustments (i.e. unit condition, bargaining allowance, marketability, location, amenities, size, shape)
Building (Property and equipment)	Level 3	39,849,000	33,156,000	Market Data Approach - range of price per square meter of PHP 80,000 to PHP 119,047.62; 40% physical adjustments. (2021- PHP35,000 to PHP36,033; 5% to 10%	Concluded sales transactions for similar properties; physical adjustments (i.e. unit condition, bargaining allowance, marketability, location, amenities, size, shape)

Critical accounting estimate - Fair value of non-financial assets (Notes 7 and 8)

The fair values of the Company's property and equipment and investment property are determined from market-based evidence (Level 3) by appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidences used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Company's property and equipment and investment properties.

If the prices of the comparable properties under Market Data Approach in relation to investment properties and building were to differ by +/-10%, the carrying amount of investment properties and building as at December 31, 2022 would be approximately P14.03 million and P3.98 million (2021 - P13.08 million and P3.32 million), respectively, higher/lower.

The percentages used in the sensitivity analyses above presents management's best assessment of reasonable possible change in the prices of its investment property and building considered by management to be significant.

19.5 Capital management

The Company's objectives when managing capital are:

- to comply with the minimum net worth requirement and Risk-Based Capital (RBC) model set by the IC;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide security for its policyholders, returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The Company calculates its capital as equity as shown in the statement of financial position. Management also monitors capital in accordance with regulatory requirements. The Company maintains a certain level of capital to ensure solvency margin in excess of regulatory requirements, which in turn, protects its policyholders.

To ensure compliance with these externally imposed capital requirements, it is the Company's policy to assess its position, at least on a quarterly basis, against set minimum capital requirements. The Company elevates any requirement for additional capital infusion to its shareholders to address any foreseen capital deficiency.

19.5.1 Minimum statutory net worth

The Company also manages its capital through its compliance with Republic Act No. 10607 - Amended Insurance Code, effective September 20, 2013. Under this Act, the requirement for domestic insurance companies to maintain a minimum statutory net worth amounts to:

June 30, 2013	P250 million
December 31, 2016	P550 million
December 31, 2019	P900 million
December 31, 2022	P1,300 million

Net worth shall consist of paid-up capital, retained earnings, unimpaired surplus, and revaluation of assets as may be approved by the Insurance Commissioner.

On May 15, 2020, the IC issued CL No. 2020-60, which provides regulatory relief on net worth requirements where all insurance companies already in compliance with the net worth requirements under Section 194 of the amended Code before the declaration of the enhanced community quarantine affected by the crisis are relieved from the quarterly compliance of net worth requirements of P900 million. Provided however that for all insurance companies who are not compliant with the net worth requirements prescribed under the amended Code before the declaration of the enhanced community quarantine, they are required to put up additional funds to cover the deficiency before availing the relief.

The Company's net worth as at December 31, 2022 amounts to P1,553,780,866 (2021 - P1,428,372,522). The Company is compliant with the minimum statutory net worth as at December 31, 2022 and 2021.

19.5.2 RBC2 Framework

On December 28, 2016, the IC issued CL No. 2016-68 which provides for the Amended RBC 2 Framework with effect beginning January 1, 2017. The CL provides that the RBC ratio of a non-life insurance company is calculated by dividing the total available capital by the RBC requirement. Total available capital is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and deductions prescribed by the IC. The non-life RBC requirement considered the following components set by the IC:

(i) credit risk capital charge;
(ii) insurance risk capital charge;
(iii) market risk capital charge for equities;
(iv) market risk capital charge for other than equities;
(v) operational risk capital charge; and,
(vi) catastrophe risk capital charge.

The minimum RBC ratio is to be established at 100%. All non-life insurance companies are required to maintain the minimum RBC ratio and not fail the trend test. Failure to meet the minimum RBC ratio will trigger regulatory intervention by the IC.

On the same date, the IC issued CL No. 2016-69 which provides that on the year of implementation of the Amended RBC2 Framework, the RBC requirement will be relaxed to consider the level of sufficiency to be 95th percentile for year 2017, 97.5th percentile for year 2018 and 99.5th percentile for year 2019.

The following table shows how the RBC ratio as at December 31 was determined by the Company:

	2022	2021
Net worth	1,553,780,867	1,428,372,522
RBC requirement	490,620,315	451,372,522
RBC ratio	317%	316%

The 2022 Annual Statement of the Company has not yet been approved by the IC. The final amount of the 2021 net worth and RBC can be determined only after the accounts of the Company have been examined by the IC specifically as to admitted and non-admitted assets as defined in the previous insurance code.

In addition to the regulatory relief on net worth requirements prescribed by the IC though CL No. 2020-60 issued on May 15, 2020, the IC has provided further guidelines on the implementation of the Amended RBC framework for the calendar year 2020 in order for insurance companies to better utilize their capital requirements while they continue to work on their recovery from the implications of the pandemic. Applying the revised regulatory intervention on the RBC ratio, no regulatory action is needed for the Company as its RBC ratio as at December 31, 2019, before the declaration of the enhanced community quarantine is over 100%.

The Company is compliant with the requirements of the RBC2 framework and will not require capital call from shareholders as at December 31, 2022 and 2021.

Note 20 - Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

20.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRSs, Philippine Accounting Standards (PASs) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by Financial and Sustainability Reporting Standards Council (formerly known as the Financial Reporting Standards Council) and adopted by SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities.

The preparation of financial statements in conformity with PFRSs require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- Judgment on recoverability of receivables (Note 4)
- Judgment on impairment of available-for-sale and held-to-maturity securities (Note 5)
- Estimation of liability arising from claims made under insurance contracts (Note 6)
- Estimation of useful lives (EUL) of assets (Note 8)
- Judgment on impairment of property and equipment (Notes 8)
- Judgment on recoverability of deferred income tax assets (Notes 9)
- Judgment on provision for income tax (Notes 15)
- Estimation of incremental borrowing rate on leases (Note 18)
- Judgment on determination of lease term (Note 18)
- Estimation of unexpired risk reserves ("URR") (Note 19.1.7)
- Estimation of fair value of non-financial assets (Notes 19.4)

Changes in accounting policy and disclosures

(a) Amendments to existing standards and the revised Conceptual Framework adopted by the Company

The Company has applied the following amendments to existing standards and the revised Conceptual Framework for the first time for their annual reporting period commencing January 1, 2022:

- Amendment to PAS 16, *'Property, Plant and Equipment'*

  The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- PAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to PFRS Standards 2018-2020

  The following improvements were finalized in May 2020:

  - PFRS 9, 'Financial Instruments', clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

  - PFRS 16, 'Leases', amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments did not have any impact on the financial statements of the Company.

There are no other standards, interpretations and amendments effective January 1, 2022 that are considered relevant to the Company's financial statements.

(b) New standards and amendments to existing standards not yet adopted by the Company

The following relevant new accounting standards and interpretations are not mandatory for the December 31, 2022 reporting period and has not been early adopted by the Company:

- *PFRS 17, 'Insurance Contracts' (effective January 1, 2025)*

  PFRS 17 was issued in May 2018 as replacement for PFRS 4, "Insurance Contracts". PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9, "Financial instruments." An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

  On March 17, 2020, the IASB has decided to further defer the effective date of the standard to annual reporting periods beginning on or after January 1, 2023. The IC, considering the extension of IFRS 17 and the challenges of the COVID-19 pandemic to the insurance industry, has deferred the implementation of PFRS 17 further to January 1, 2025, granting an additional two-year period from the date of effectivity proposed by the IASB.

  The IC, in coordination with Philippine Insurers and Reinsurers Association, is currently reviewing the impact of PFRS 17 across the entire industry and has established a project team to manage the implementation approach.

  The Company is currently reviewing the impact of PFRS 17 across the Company and a project team is currently overseeing the impact assessment and the implementation program.

- *PFRS 9 'Financial instruments' and its interaction with PFRS 4 'Insurance Contracts'.*

  PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39 with a single model that has three classification categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). Classification under PFRS 9 is driven by the entity's business model for managing and holding the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income. The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value arising from changes in the entity's own credit risk are presented separately in other comprehensive income.

  The impairment rules of PFRS 9 introduce an 'expected credit loss' (ECL) model that replaces the 'incurred credit loss' model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39.

  The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges.

  In September 2016, 'Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts (Amendments to PFRS 4)' was issued, which provides optional relief to insurers meeting certain criteria from any adverse impact that may arise from the different effective dates of PFRS 9 and PFRS 17. The two options for entities that issue contracts within the scope of PFRS 4 permit an entity to either:
  (1) reclassify from profit or loss to other comprehensive income some of the income or expenses arising from designated financial assets; referred to as the 'overlay approach', or
  (2) for entities whose predominant activity is issuing contracts within the scope of PFRS 4, defer the application of PFRS 9 entirely; referred to as the 'deferral approach'.

  <u>Deferral of adoption of PFRS 9</u>

  The Company has elected to apply the temporary option since it satisfies the following criteria:

  - The Company has not previously applied any versions of PFRS 9; and,
  - The Company's activities are predominantly connected with insurance at annual reporting date that immediately precedes April 1, 2016, i.e., December 31, 2015, based on the eligibility assessment that:
    - the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is greater than 90% of the total carrying amount of all its liabilities; or,
    - the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is less than 90% and the total carrying amount of liabilities connected with insurance is equal to or less than 90% but greater than 80% of the total carrying amount of all its liabilities.

  The Company made the assessment based on the financial position as at December 31, 2015, concluding that the carrying amount of the Company's liabilities arising from contracts within the scope of PFRS 4 was significant compared to the total carrying amount of all its liabilities. The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities as at December 31, 2015 is assessed to be 90%. After the date of eligibility assessment, there has been no change in the Company's activities that requires a reassessment of the eligibility assessment.

  All of the Company's financial assets, excluding those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis (AFS equity securities), are with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As at December 31, 2022 and 2021, the financial assets that are carried at fair value, are shown in Note 5. Changes in the fair value of these financial assets for the year ended December 31, 2022 and 2021 are disclosed in Note 11. Information about the credit risk exposure of these assets is disclosed in Note 19.2.2.

The following tables set out the fair value at December 31, 2022 and 2021 and changes in fair values for the years ended December 31, 2022 and 2021, of financial assets separately for the following groups:

- Financial assets that meet the SPPI criteria in PFRS 9, excluding those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis; and
- All other financial assets, including those assets that do not meet the SPPI criteria in PFRS 9 and those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis.

Financial assets that meet the SPPI criteria in PFRS 9 are those whose cash flows comprise solely payments of principal and interest on principal outstanding (SPPI).

The fair value of financial instruments at December 31 classified between those that meet and those that fail the SPPI criterion are described as follow:

	Financial assets that meet the SPPI criteria	Financial assets that fail the SPPI criteria	Total
2022			
Cash and cash equivalents	436,163,849	-	436,163,849
Available-for-sale securities	51,509,207	20,558,539	72,067,746
HTM financial assets	1,214,646,173	-	1,214,646,173
Other receivables			
Accounts receivables	31,408,007	-	31,408,007
Accrued interest income	7,554,606	-	7,554,606
Refundable deposits	69,700	-	69,700
Security fund	49,149	-	49,149
	1,741,400,691	20,558,539	1,761,959,230

	Financial assets that meet the SPPI criteria	Financial assets that fail the SPPI criteria	Total
2021			
Cash and cash equivalents	508,528,445	-	508,528,445
Available-for-sale securities	44,988,367	33,397,457	78,385,824
HTM financial assets	1,106,462,588	-	1,106,462,588
Other receivables			
Accounts receivables	26,745,461	-	26,745,461
Accrued interest income	6,196,593	-	6,196,593
Refundable deposits	69,700	-	69,700
Security fund	49,149	-	49,149
	1,693,040,303	33,397,457	1,726,437,760

For financial assets as at December 31, 2022 and 2021 that meet the SPPI criteria, the current carrying values measured in accordance with PAS 39 are analyzed in the following tables by credit rating:

	Neither past due nor impaired					
	High	Medium	Low	Past due	Impaired	Total
December 31, 2022						
Cash and cash equivalents	436,163,849	-	-	-	-	436,163,849
Available-for-sale securities	51,509,207	-	-	-	-	51,509,207
HTM financial assets	1,214,646,173	-	-	-	-	1,214,646,173
Other receivables						
Accounts receivables	31,408,007	-	-	-	-	31,408,007
Accrued interest income	7,554,606	-	-	-	-	7,554,606
Refundable deposits	69,700	-	-	-	-	69,700
Security fund	49,149	-	-	-	-	49,149
	1,741,400,691	-	-	118,849		1,741,400,691

	Neither past due nor impaired					
	High	Medium	Low	Past due	Impaired	Total
December 31, 2021						
Cash and cash equivalents	508,528,445	-	-	-	-	508,528,445
Available-for-sale securities	44,988,367	-	-	-	-	44,988,367
HTM financial assets	1,106,462,588	-	-	-	-	1,106,462,588
Other receivables						
Accounts receivables	26,745,461	-	-	-	-	26,745,461
Accrued interest income	6,196,593	-	-	-	-	6,196,593
Refundable deposits	69,700	-	-	-	-	69,700
Security fund	49,149	-	-	-	-	49,149
	1,693,040,303	-	-	-	-	1,693,040,303

20.2 Financial assets

20.2.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, at FVTPL and available-for-sale securities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company has no investments classified as at FVTPL during and at the end of each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Company's loans and receivables consists of cash and cash equivalents (Note 3) and receivables (Note 4) in the statement of financial position.

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value.

Receivables consist of receivables arising from insurance contracts, such as premium receivable, reinsurance recoverable on paid losses, due from reinsurers and ceding companies and funds held by ceding companies, and other receivables, such as accounts receivable, accrued interest income, refundable deposits and security fund.

Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity.

Held-to-maturity securities of the Company consist of treasury bonds and notes, corporate bonds and time deposits (Note 5).

Available-for-sale securities

Available-for-sale securities are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Available-for sale securities consist of equity shares and investments in mutual funds.

20.2.2 Initial recognition and subsequent measurement

Financial assets, consisting of loans and receivables, held-to-maturity securities and available-for-sale securities, are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition.

Loans and receivables and held-to-maturity securities are subsequently carried at amortized cost using the effective interest rate method.

Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest earned on these securities is recognized using the effective interest rate in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive payment is established. Changes in the fair value of monetary securities denominated in foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. The translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognized in equity.

20.2.3 Derecognition

Financial assets, consisting of loans and receivables, held-to-maturity securities and available-for-sale securities, are derecognized when the contractual right to receive cash flows from the financial assets has ceased to exist or where the Company has transferred substantially all risks and rewards of ownership.

20.2.4 Impairment

Financial assets classified as loans and receivables and held-to-maturity securities

The Company assesses at each reporting date whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is an objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments; and
- it becomes probable that the debtor will enter bankruptcy or other financial reorganization.

The Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (recoverable amount). The calculation of recoverable amount of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Impairment loss, if any, is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss as a reduction of impairment losses for the year.

Loans and receivables are written-off in the year in which they are determined to be uncollectible. Loans and receivables are determined to be uncollectible after exerting effort to collect the accounts and upon approval by the Company's Board of Directors.

Financial assets classified as available-for-sale securities

The Company assesses at the end of each reporting period whether there is an objective evidence that available-for-sale debt securities are impaired using similar criteria and process applied to financial assets carried at amortized cost as described above.

For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence that the assets are impaired. A decline in the fair value of the instrument by more than 20 percent is considered significant and a period of 12 months or greater is considered to be a 'prolonged' decline. If any such evidence exists for available-for-sale equity securities, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in profit or loss. Impairment losses on equity investment are not reversed in profit or loss. Increases in fair value after impairment are recognized directly in equity.

20.3 Financial liabilities

20.3.1 Classification

The Company classifies its financial liabilities in the following categories: at FVTPL and at amortized cost. The classification depends on the purpose for which the financial liabilities were acquired or incurred. Management determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities include losses and claims payable (excluding IBNR) (Note 6), due to reinsurers and ceding companies (Note 6), funds held for reinsurers, commissions payable, and accounts payable and other liabilities (excluding tax-related payables and retirement benefit obligation).

The Company has no financial liabilities classified as at FVTPL during and at the end of each reporting period.

20.3.2 Initial recognition subsequent measurement

Financial liabilities are initially recognized at fair value of the consideration received plus transaction costs. Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method.

20.3.3 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

20.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

Financial assets

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and,
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair values were determined in reference to observable market inputs reflecting orderly transactions, i.e. market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

Non-financial assets

For non-financial assets, the Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

20.5 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

There are no financial assets and liabilities which have been offset at reporting date.

20.6 Insurance contracts

20.6.1 Recognition and measurement

Short-term insurance contracts of the Company mainly include motor car, marine and casualty insurance contracts, while long-term insurance contracts of the Company mainly include fire and bond insurance.

For all these contracts, premiums are recognized as revenue as follows:

Direct business

Gross premiums written are recognized at the inception date of the risks underwritten and are earned over the period of cover in accordance with the incidence of risk using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The portion of the gross premiums written that relates to the unexpired periods of the policies at year-end is presented as reserve for unearned premiums in the statement of financial position.

Inward reinsurance business

Gross premiums written are recognized based on the date of notification by the ceding companies and are earned over the period of cover in accordance with the incidence of risk using the 24th method. The portion of the gross premiums written that relates to the unexpired periods of the policies at year-end is presented as reserve for unearned premiums in the statement of financial position.

Outward reinsurance business

The related reinsurance premiums ceded that pertain to the unexpired periods at year-end are reported as deferred reinsurance premiums in the statement of financial position.

The net change in the reserve for unearned premiums and deferred reinsurance premiums during the reporting period is recognized in profit or loss.

Reinsurance premiums are recognized based on notification of inception of the underlying risks underwritten and are allocated over the period of cover in accordance with the incidence of risk using the 24th method.

20.6.2 Insurance contracts liabilities

(a) Premium liabilities

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risk that have not yet expired, is deferred as provision for unearned premiums using the 24th method.

The change in provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further provision is made to cover any deficiency to the extent that the URR exceeds the UPR, net of DAC. The URR represents the premiums to match future claims and expenses in the unexpired coverage period of in-force contracts. The future claims and expenses are adjusted for potential changes or uncertainties.

(b) Claims liabilities (losses and claims payable)

Losses and claims payable are recognized when the contracts are entered into and the premiums are charged. Loss and claims adjustment expenses are recognized in profit or loss based on the estimated liability for compensation owed to contract holders or to third parties damaged by the contract holders. These include direct and indirect claim settlement costs arising from events that have occurred up to the reporting date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims.

Liabilities for unpaid claim costs, including those for IBNR, are estimated and accrued and considers actual claims reported in the succeeding year but for which the related insured event occurred in the year under coverage. The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims using the input of assessment for individual cases reported to the Company. The method of determining such estimates and establishing reserves is continually reviewed and updated.

Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expenses in the year in which the estimates are changed or payments are made. Estimated recoveries on settled and unsettled claims are evaluated in terms of estimated realizable values of the salvage recoverable and deducted from the liability for unpaid claims.

Outstanding claims and IBNR losses are presented in the statement of financial position as part of losses and claims payable.

20.6.3 Reinsurance commission

Reinsurance commission is initially recognized upon acceptance of the premium cession by reinsurers. Reinsurance commission is presented as commissions earned in the statement of income.

20.6.4 Deferred acquisition costs

Costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts such as commissions are deferred and charged to expense in proportion to premium revenue recognized. Unamortized acquisition costs are shown in the statement of financial position as deferred acquisition costs.

Reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs and recognized in profit or loss using the same amortization method as the related acquisition costs.

20.6.5 Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities, net of related deferred acquisition costs. In performing these tests, current best estimate of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing-off deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired provision). There were no deficiencies recognized in profit or loss during the reporting periods. Any deferred acquisition costs written off as a result of this test cannot be subsequently reinstated.

20.6.6 Reinsurance contracts held

Contracts entered by the Company with reinsurers, which compensate the Company for losses in one or more contracts issued and meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are classified as insurance contracts. Contracts that do not meet these classification requirements are classified as financial contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of reinsurance recoverable on paid and unpaid losses, due from reinsurers and ceding companies and funds held by ceding companies (classified within receivables).

The Company assesses its reinsurance assets for impairment annually. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes an impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same policies adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets. These policies are described in Note 20.2.4.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense upon recognition of related premiums. These liabilities pertain to due to reinsurers and ceding companies and funds held for reinsurers.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

20.6.7 Receivables and payables related to insurance contracts

Receivables and payables, such as premium receivable, losses and claims payable and commissions payable, are recognized when the right to receive payment is established or when the obligation becomes due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is an objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same policies adopted for loans and receivables. The impairment loss is also calculated under the same method used for financial assets. These policies are described in Note 20.2.4.

20.6.8 Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell usually damaged property acquired in settling a claim (i.e., salvage). The Company also have the right to pursue third parties for payment of some or all costs (i.e., subrogation).

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are charged against losses and claims payable when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

20.7 Investment properties

Properties held for long term rental yields or for capital appreciation or for both, are classified as investment properties. These properties are initially measured at cost, which includes transaction costs, but excludes day to day servicing costs. Replacement cost is capitalized if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

After initial recognition, investment property is carried at fair value as determined by an independent firm of appraisers. Changes in fair values are recognized in the statement of comprehensive income under 'Fair value gains on investment property, net.'

Transfers are made to investment property when there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. There were no transfers made to investment property during and at the end of each reporting period.

Investment property is derecognized when it has been disposed of or when permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment property is recognized in profit or loss in the year of derecognition.

Rental income from investment property is recognized in profit or loss on a straight-line basis over the lease term. Lease incentives are recognized as an integral part of the total rent income. Expenses with regard to investment property are treated as ordinary operating expenses and are recognized when incurred.

20.8 Property and equipment

Property and equipment, except for building, are stated at cost less accumulated depreciation and any impairment in value. Historical cost includes expenditures that are directly attributable to the acquisition of items.

Building is initially recognized at cost and subsequently revalued based on periodic valuations by external independent appraisers, less subsequent depreciation and impairment losses, if there is any. The net appraisal increase resulting from the revaluation is credited to "Changes in revaluation surplus of property and equipment, net of tax" account, net of corresponding deferred tax liability in the statement of financial position and statement of changes in equity.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Building	27 years
EDP equipment	5 years
Transportation equipment	5 years
Furniture, fixtures and office equipment	5 to 7 years
Leasehold improvements	5 years or lease term, whichever is shorter
Office premise	5 years or lease term, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognized as part of miscellaneous income or expense in the statement of total comprehensive income.

If the carrying amount of the Company's asset is decreased as a result of revaluation, this decrease is recognized as other comprehensive loss to the extent of any credit balance existing in the revaluation increment in respect of that asset. The excess of such decrease over the existing balance in the revaluation increment is recognized in profit or loss.

An increase in the carrying amount of the Company's building is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

20.9 Impairment of non-financial assets

Assets that are subject to depreciation or amortization, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Value-in-use requires the Company to make estimates of future cash flows to be derived from a particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

20.10 Income taxes

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess of minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balances on a net basis.

Deferred income tax expense or credit included in provision for income tax is recognized for the changes during the year in the deferred income tax assets and liabilities.

The Company reassesses the carrying amount of deferred income tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

20.11 Provisions

Provisions for legal claims are recognized when the following are present:

- the Company has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

20.12 Retirement benefit obligation

The Company maintains a funded defined benefit plan for all its regular employees. A defined benefit plan is a retirement plan that defines an amount of retirement benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation less the fair value of plan assets at reporting dates. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against equity in other comprehensive income (shown as part of accumulated other comprehensive income in the statement of financial position) in the period in which they arise.

Past service cost, if any, are recognized immediately in profit or loss.

20.13 Equity

Share capital

Share capital represents share issued and outstanding. Subscription receivable is presented as deduction to share capital when there is no fixed payment date indicated in the subscription agreement.

Share premium

Any amount received by the Company in excess of par value of its shares is credited to share premium which forms part of the non-distributable reserve of the Company and can be used only for purposes specified under corporate legislation.

Retained earnings

Retained earnings pertain to the unrestricted portion of the accumulated profit from operations of the Company, which are available for dividend declaration.

Contingency surplus

This represents contributions of the shareholders to cover any possible impairment in net worth as required under the amended Code. The contributions made can either be converted into share capital or returned to the shareholders at the option of the shareholders, subject to the approval of IC.

20.14 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

20.15 Revenue recognition

Revenue is recognized to the extent that it is a probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Premium revenue

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The portion of the premiums written that relate to the unexpired periods of the policies at reporting date is accounted for as reserve for unearned premiums in the statement of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums presented in the statement of financial position. The net changes in these accounts between reporting dates are included in the determination of net premium earned.

Commission income

Reinsurance commissions are recognized as revenue over the period of the contracts using the 24th method, except for marine cargo where the deferred reinsurance commission pertains to the premiums for the last two months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as deferred reinsurance commissions and offset against deferred acquisition costs in the statement of financial position.

20.16 Leases

20.16.1 The Company is the lessee

The Company recognizes lease as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently amortized on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the lease term. The estimated useful life of the right-of-use asset is determined on the same basis as those of the related property and equipment category. The right-of-use asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

20.16.2 The Company is the lessor

Properties leased out under operating leases are included in investment properties in the statement of financial position. Rental income under operating leases is recognized as part of investment and other income in the statement of total comprehensive income on a straight-line basis over the period of the lease.

20.17 General and administrative expenses

General and administrative expenses are recognized when incurred.

20.18 Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company's financial statements are presented in Philippine Peso, which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rate at the date when the fair value is determined.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale securities are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities classified as available-for-sale are included in other comprehensive income.

20.19 Related party transactions and relationships

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

20.20 Events after the reporting date

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Note 21 - Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by Revenue Regulation No. 15-2010 that is relevant to the Company. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. All amounts are in Philippine Pesos.

(i) Output VAT

Output VAT declared for the year ended December 31, 2022 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Premiums (non-life)	912,058,110	109,446,973
Commission income	93,968,029	11,276,164
Rental income	5,828,427	699,411
	1,011,854,566	121,422,548

The gross revenues shown above are based on gross receipts of the Company for VAT purposes while gross revenues presented in the statement of total comprehensive income are measured in accordance with the policy in Notes 20.15 and 20.16. Output VAT presented as part of taxes payables under Accounts payable and other liabilities in the statement of financial position amounts to P12,937,757.

(ii) Input VAT

Movements in input VAT for the year ended December 31, 2022 follow:

	Amount
Beginning balance	2,926,426
Input tax on services	35,372,338
Deferred input tax	(34,580,298)
Ending balance	3,718,466

The above input VAT is presented as part of other assets in the statement of financial position.

(iii) Documentary stamp tax

Documentary stamp taxes (DST) paid for the year ended December 31, 2022 amounts to P119,000,000. Documentary stamp taxes payable as at December 31, 2022 which amounts to P14,002,487 is included under taxes payable (Note 10).

(iv) All other local and national taxes

All other local and national taxes paid and accrued for the year ended December 31, 2022 consist of:

	Paid	Accrued	Total
Fire service tax	3,440,793	1,876,649	5,317,442
Local government tax on premiums	-	2,008,894	2,008,894
Real property tax	1,049,790	-	1,049,790
IC supervision/filing fees	1,026,360	-	1,026,360
IC Certificate of Authority renewal fees	142,410	-	142,410
Municipality taxes	70,259	-	70,259
Premium tax (non-life)	62,060	34,685	96,745
Community tax	10,500	-	10,500
Others	150,628	-	150,628
	5,952,800	3,920,228	9,873,028

The above local and national taxes are charged to taxes, licenses and fees the statement of total comprehensive income, except for fire service tax, local government tax on premiums and premium tax (non-life) which are passed on to the policyholders.

The accrued other local and national taxes are presented as part of taxes payable under Accounts payable and other liabilities in the statement of financial position.

(v) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2022 consist of:

	Paid	Accrued	Total
Expanded withholding tax	28,061,401	2,523,344	30,584,745
Withholding tax on compensation	2,532,681	1,235,458	3,768,139
Final withholding tax	285,028	113,236	398,264
	30,879,110	3,872,038	34,751,148

The accrued withholding taxes are included as part of taxes payable under Accounts payable and other liabilities in the statement of financial position.

(vi) Tax assessments and cases

As at December 31, 2022, the Company's open tax years are 2021, 2020, and 2019. The Company has no pending tax cases as at and for the year ended December 31, 2022.

All other information required to be disclosed by the BIR have been included in this note.