

## NEPOMUCENO Jann

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Submission Date/Time: **Apr 28, 2023 12:22 AM**

Company TIN: **000-487-306**

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Charter Ping An Insurance Corporation is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the period ended December 27, 2022 and year ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, 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 Charter Ping An Insurance Corporation'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 Charter Ping An Insurance Corporation or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing Charter Ping An Insurance Corporation's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of Charter Ping An Insurance Corporation in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

Solomon S. Cua  
Chairman of the Board

Bernardo Rafael Serrano Lopez  
President and Chief Executive Officer

Gael Georges Ann Lapie  
Chief Financial Officer

Signed this 28th day of March 2023

### CHARTER PING AN INSURANCE CORPORATION

Under the trade name AXA Philippines

29th Floor GT Tower International, 6813 Ayala Ave. cor. H.V. Dela Costa St., Makati City, Philippines 1227

Customer Care Hotline +63 2 5815 292 • customer.service@axa.com.ph • www.axa.com.ph

Internal

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**COMPANY NAME**

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**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address

www.axa.com.ph

Company's Telephone Number

885-0101

Mobile Number

N/A

No. of Stockholders

46

Annual Meeting (Month / Day)

Any day in April

Fiscal Year (Month / Day)

12/31

**CONTACT PERSON INFORMATION**The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Gael Georges Ann Lapie

Email Address

gaelgeorgesann.lapie  
@axa.com.ph

Telephone Number/s

885-0101

Mobile Number

N/A

**CONTACT PERSON'S ADDRESS**

29th Floor GT Tower International, 6813 Ayala Avenue, Makati City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Charter Ping An Insurance Corporation  
29th Floor GT Tower International  
6813 Ayala Avenue  
Makati City

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Charter Ping An Insurance Corporation (the Company), which comprise the statements of financial position as at December 27, 2022 and December 31, 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the period ended December 27, 2022 and the year ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 27, 2022 and December 31, 2021, and its financial performance and its cash flows for the period ended December 27, 2022 and the year ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

We draw attention to Notes 1 and 2 to the financial statements, which discuss that on June 24, 2021, the Board of Directors of the Company approved the merger between the Philippine AXA Life Insurance Corporation (the Parent Company) and the Company, with the Parent Company as the surviving entity. On December 28, 2022, the Securities and Exchange Commission (SEC) approved the Articles of Merger. The merger is accounted for as similar to pooling of interest method wherein the acquired assets and assumed liabilities are recognized at the carrying amounts of the merged entities as at the date of the effectivity of the merger. The accompanying financial statements were prepared to assist the Company in complying with the reportorial requirements of the SEC, Bureau of Internal Revenue (BIR) and Insurance Commission (IC). As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the information and use of the Company, the SEC, BIR and IC and should not be used by other parties. Our opinion is not modified in respect of this matter.



## **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 PFRSs, 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 PSAs 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 PSAs, 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.



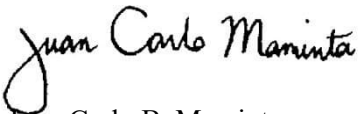
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 29 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 information is the responsibility of the management of Charter Ping An Insurance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023

PTR No. 9564655, January 3, 2023, Makati City

March 28, 2023



**CHARTER PING AN INSURANCE CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

	Notes	December 27, 2022	December 31, 2021
<b>ASSETS</b>			
Cash and cash equivalents	4	<b>¥1,211,806,978</b>	¥990,563,382
Insurance receivables - net	5	<b>1,452,941,573</b>	1,576,947,683
Financial assets			
Available-for-sale financial assets	6	<b>3,552,883,987</b>	4,129,864,651
Loans and receivables - net		<b>67,891,950</b>	102,483,094
Reinsurance assets	7, 12	<b>3,171,914,017</b>	3,745,534,473
Deferred acquisition costs	8	<b>219,924,311</b>	256,317,393
Property and equipment - net	9	<b>17,055,236</b>	25,648,245
Assets held for sale	10	<b>26,899,500</b>	43,356,460
Net deferred tax assets	22	<b>404,392,729</b>	366,895,366
Right-of-use assets	24	<b>4,403,735</b>	23,348,115
Other assets	11	<b>160,689,574</b>	153,316,956
<b>TOTAL ASSETS</b>		<b>¥10,290,803,590</b>	¥11,414,275,818
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance contract liabilities	12	<b>¥5,884,603,172</b>	¥7,236,840,092
Insurance payables	13	<b>405,480,406</b>	186,714,596
Accounts payable and accrued expenses	14	<b>1,676,116,286</b>	1,620,229,834
Income tax payable		<b>4,918,611</b>	7,681,283
Deferred reinsurance commissions	8	<b>41,624,803</b>	52,648,487
Lease liabilities	24	<b>4,173,573</b>	24,621,405
Net retirement benefit obligation	21	<b>7,484,540</b>	35,632,968
<b>Total Liabilities</b>		<b>8,024,401,391</b>	9,164,368,665
<b>Equity</b>			
Capital stock	15	<b>512,500,000</b>	512,500,000
Contingency surplus	15	<b>3,270,000,000</b>	3,270,000,000
Additional paid-in capital		<b>6,634,245</b>	6,634,245
Revaluation reserve on:			
Available-for-sale financial assets	6	<b>(131,256,314)</b>	2,471,870
Property and equipment	9	<b>55,533,695</b>	55,533,695
Remeasurement gain (loss) on retirement benefit obligation	21	<b>22,154,510</b>	(1,904,964)
Deficit		<b>(1,469,163,937)</b>	(1,595,327,693)
<b>Total Equity</b>		<b>2,266,402,199</b>	2,249,907,153
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>¥10,290,803,590</b>	¥11,414,275,818

*See accompanying Notes to Financial Statements.*



**CHARTER PING AN INSURANCE CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	Notes	Period Ended December 27, 2022	Year Ended December 31, 2021
Gross earned premiums on insurance contracts		¥3,275,497,959	¥3,840,642,323
Reinsurers' share of gross earned premiums on insurance contracts		(992,150,272)	(1,064,851,733)
<b>Net insurance earned premiums</b>	12, 16	<b>2,283,347,687</b>	<b>2,775,790,590</b>
Interest income	17	159,149,791	162,360,118
Commission income	8	63,923,775	128,981,720
Gain on sale of available-for-sale financial assets	6	4,583,573	2,929,491
Dividend income	17	3,539,893	3,537,148
Other income - net	17	18,740,716	42,665,614
<b>Other income</b>		<b>249,937,748</b>	<b>340,474,091</b>
<b>Total income</b>		<b>2,533,285,435</b>	<b>3,116,264,681</b>
Gross insurance contract benefits and claims paid		1,914,622,808	2,293,942,744
Reinsurers' share of gross insurance contract benefits and claims paid		(622,293,048)	(761,989,895)
Gross change in insurance contract liabilities		(1,193,604,445)	1,221,858,863
Reinsurers' share of gross change in insurance contract liabilities		610,496,712	(1,050,679,580)
<b>Net insurance benefits and claims</b>	12, 18	<b>709,222,027</b>	<b>1,703,132,132</b>
Operating expenses	19	1,087,107,201	1,201,509,337
Commission expense	8	612,213,314	745,568,244
Interest on lease liabilities	24	1,056,361	3,930,719
Interest on retirement benefit obligation	21	870,269	89,862
Interest on funds held for reinsurers	13	11,965	26,463
<b>Other expenses</b>		<b>1,701,259,110</b>	<b>1,951,124,625</b>
<b>Total benefits, claims and other expenses</b>		<b>2,410,481,137</b>	<b>3,654,256,757</b>
<b>Income (loss) before income tax</b>		<b>122,804,298</b>	<b>(537,992,076)</b>
Current		42,157,729	42,681,412
Deferred		(45,517,187)	(81,308,507)
<b>Benefit from income tax</b>	22	<b>(3,359,458)</b>	<b>(38,627,095)</b>
<b>NET INCOME (LOSS)</b>		<b>126,163,756</b>	<b>(499,364,981)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Item that will be reclassified into profit or loss subsequent periods:</i>			
Unrealized fair value losses on available-for-sale financial assets	6	(135,006,866)	(75,684,417)
Fair value gains (losses) on available-for-sale financial assets transferred to profit or loss	6	1,278,682	(2,929,491)
<i>Items that will not be reclassified into profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on retirement benefit obligation, net of tax effect	21	24,059,474	(1,329,681)
Total other comprehensive loss		(109,668,710)	(79,943,589)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>¥16,495,046</b>	<b>(¥579,308,570)</b>

See accompanying Notes to Financial Statements.





# CHARTER PING AN INSURANCE CORPORATION

## STATEMENTS OF CHANGES IN EQUITY

	Revaluation Reserves							
	Capital stock (Note 15)	Contingency surplus (Note 15)	Additional paid-in capital	Available-for-sale financial assets (Note 6)	Property and equipment (Note 9)	Remeasurement gain (loss) on defined benefit obligation (Note 21)	Deficit	Total
As of January 1, 2022	₱512,500,000	₱3,270,000,000	₱6,634,245	₱2,471,870	₱55,533,695	(₱1,904,964)	(₱1,595,327,693)	₱2,249,907,153
Net income for the period	-	-	-	-	-	-	126,163,756	126,163,756
Other comprehensive income (loss)	-	-	-	(133,728,184)	-	24,059,474	-	(109,668,710)
Total comprehensive income (loss)	-	-	-	(133,728,184)	-	24,059,474	126,163,756	16,495,046
As of December 27, 2022	₱512,500,000	₱3,270,000,000	₱6,634,245	(₱131,256,314)	₱55,533,695	₱22,154,510	(₱1,469,163,937)	₱2,266,402,199
As of January 1, 2021	₱512,500,000	₱3,270,000,000	₱6,634,245	₱81,085,778	₱55,533,695	(₱575,283)	(₱1,095,962,712)	₱2,829,215,723
Net loss for the year	-	-	-	-	-	-	(499,364,981)	(499,364,981)
Other comprehensive loss	-	-	-	(78,613,908)	-	(1,329,681)	-	(79,943,589)
Total comprehensive loss	-	-	-	(78,613,908)	-	(1,329,681)	(499,364,981)	(579,308,570)
As of December 31, 2021	₱512,500,000	₱3,270,000,000	₱6,634,245	₱2,471,870	₱55,533,695	(₱1,904,964)	(₱1,595,327,693)	₱2,249,907,153

See accompanying Notes to Financial Statements.



# CHARTER PING AN INSURANCE CORPORATION

## STATEMENTS OF CASH FLOWS

	Notes	Period Ended December 27, 2022	Year Ended December 31, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax		<b>¥122,804,298</b>	(¥537,992,076)
Adjustments for:			
Interest income	17	<b>(159,149,791)</b>	(162,360,118)
Depreciation and amortization	19	<b>41,972,535</b>	69,459,190
Provision for doubtful accounts	19	<b>26,095,322</b>	11,867,911
Retirement expense	20, 21	<b>23,156,392</b>	23,996,260
Unrealized foreign exchange gain	17	<b>(7,563,623)</b>	(14,373,252)
Impairment losses on available-for-sale financial assets	19	<b>5,862,255</b>	—
Gain on sale of available-for-sale financial assets	6	<b>(4,583,573)</b>	(2,929,491)
Dividend income	17	<b>(3,539,893)</b>	(3,537,148)
Released obligation due to employee transfers	21	<b>(1,195,791)</b>	(160,263)
Interest on lease liability	24	<b>1,056,361</b>	3,930,719
Gain on termination of right-of-use assets	24	<b>(867,768)</b>	(871,365)
Interest on retirement benefit obligation	21	<b>870,269</b>	89,862
Loss (gain) on sale of property and equipment	9,17	<b>(71,441)</b>	38,223
Interest on funds held for reinsurer	13	<b>11,965</b>	26,463
Operating income (loss) before working capital changes		<b>44,857,517</b>	(612,815,085)
Decrease (increase) in:			
Reinsurance assets		<b>572,818,963</b>	(945,738,704)
Insurance receivables		<b>97,673,225</b>	173,815,523
Loans and receivables		<b>39,840,670</b>	(32,669,078)
Deferred acquisition costs		<b>36,393,082</b>	157,165,106
Assets held for sale		<b>16,456,960</b>	24,109,215
Other assets		<b>(7,372,618)</b>	(4,655,823)
Increase (decrease) in:			
Insurance contract liabilities		<b>(1,352,236,920)</b>	797,738,904
Insurance payables		<b>217,526,262</b>	(65,471,124)
Accounts payable and accrued expenses		<b>52,993,834</b>	(304,563,066)
Deferred reinsurance commissions		<b>(11,023,684)</b>	(31,661,199)
Net cash used in operations		<b>(292,072,709)</b>	(844,745,331)
Interest received		<b>188,421,209</b>	203,558,015
Income tax paid		<b>(44,920,401)</b>	(50,648,072)
Contributions paid to the pension fund	21	<b>(18,900,000)</b>	—
Dividends received	17	<b>3,539,893</b>	3,537,148
Interest paid on lease liability	24	<b>(1,056,361)</b>	(3,930,719)
Interest paid on funds held for reinsurer	13	<b>(11,965)</b>	(26,463)
Net cash used in operating activities		<b>(165,000,334)</b>	(692,255,422)

(Forward)



	Notes	Period Ended December 27, 2022	Year Ended December 31, 2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale/maturities of:			
Available-for-sale financial assets	6	<b>₱1,221,420,345</b>	₱2,082,505,593
Property and equipment	9	<b>100,570</b>	310,891
Acquisition of:			
Available-for-sale financial assets	6	<b>(809,349,896)</b>	(1,880,536,682)
Property and equipment	9	<b>(14,224,552)</b>	(6,865,391)
Net cash provided by investing activities		<b>397,946,467</b>	195,414,411
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Payment of principal portion of lease liabilities	24	<b>(19,819,787)</b>	(25,905,197)
Net cash used in financing activity		<b>(19,819,787)</b>	(25,905,197)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>213,126,346</b>	(522,746,208)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>990,563,382</b>	1,502,771,985
<b>EFFECTS OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>		<b>8,117,250</b>	10,537,605
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	4	<b>₱1,211,806,978</b>	₱990,563,382

*See accompanying Notes to Financial Statements.*



# CHARTER PING AN INSURANCE CORPORATION

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## NOTES TO FINANCIAL STATEMENTS

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### 1. Corporate Information

Charter Ping An Insurance Corporation (the Company) was incorporated in the Philippines on June 21, 1960.

Philippine AXA Life Insurance Corporation (AXA Philippines or Parent Company) acquired effective control and management of the Company on April 4, 2016. The operations of the two insurers remain separate.

The Company is presently engaged in the business of non-life insurance which includes fire, motor car, marine hull, marine cargo, personal accident insurance and other products that are permitted to be sold by a non-life insurance company in the Philippines.

On June 24, 2021, the Board of Directors (BOD) of the Parent Company and the Company approved the merger of both companies, with the Parent Company as the surviving entity. On December 21, 2021, the IC has approved the Parent Company's request for the endorsement of Articles of Merger, Increase of Authorized Capital Stock and its Amended Articles of Incorporation and By-laws, subject to the usual financial examination and verification of the Insurance Commission (IC).

On December 28, 2022, the Articles of Merger, Increase of Authorized Capital Stock of the Parent Company and its Amended Articles of Incorporation and By-laws were approved by the Securities and Exchange Commission (SEC). Subsequently, on January 10, 2023, the Parent Company applied for a composite license to the IC. As of the report date, the Parent Company is waiting for the approval of the IC of its composite license (see Note 28).

The Company's registered office is at 29th Floor, GT Tower International, 6813 Ayala Avenue, Makati City.

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 28, 2023.

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### 2. Summary of Significant Accounting Policies

#### Basis of Preparation

The accompanying financial statements, which are prepared for submission to the SEC, Bureau of Internal Revenue (BIR) and IC, have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets and certain property and equipment, which have been measured at fair value and assets held for sale which are measured at the lower of carrying amount and fair value less costs to sell. The Company's financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. All values are rounded off to the nearest peso except when otherwise stated.

The financial statements were prepared for complying with the reportorial requirements of the SEC, BIR and IC as a consequence of its approved merger (see Note 1).

The financial statements presents the statements of comprehensive income, statements of changes in equity, statements of cash flows for the annual period January 1, 2021 to December 31, 2021 as the comparative period following the requirements of the SEC, BIR and IC in line with the approved merger. As such, the amounts presented in the statements of comprehensive income, statement of



changes in equity, statements of cash flows and related notes, which are for the period from January 1, 2022 to December 27, 2022 and the year ended December 31, 2021 are not comparable.

#### Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- *Amendment to PFRS 3, Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- *Amendment to PFRS 16, Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- *Amendment to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.



- *Annual Improvements to PFRSs 2018-2020 Cycle*

- *Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

#### Foreign Exchange Transactions

Transactions in foreign currencies are initially recorded in the functional currency of the Company at the foreign exchange rates prevailing at the respective date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the functional currency rate of exchange ruling at the reporting date and are not subsequently restated. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

All foreign exchange differences are taken to profit or loss, except where it relates to available-for-sale financial assets which gains or losses are recognized directly in other comprehensive income. In this case, the gain or loss is then recognized net of the exchange component in the other comprehensive income.

#### Product Classification

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

#### Fair Value Measurement

The Company measures financial instrument and non-financial assets such as condominium units, at fair value at each reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 25.



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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- *Level 1* - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- *Level 2* - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- *Level 3* - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Cash and Cash Equivalents

Cash includes cash on hand, cash in banks and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value.

#### Insurance Receivables

Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss. Insurance receivables are derecognized under the derecognition criteria of financial assets.



## Financial Instruments

### *Date of recognition*

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

### *Initial recognition*

Financial instruments are initially recognized at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, Available-For-Sale (AFS) financial assets, FVPL investments and loans and receivables.

The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every end of the reporting period.

As of December 27, 2022 and December 31, 2021, the Company's financial instruments are in the nature of AFS financial assets, loans and receivables and other financial liabilities.

### *Day 1 difference*

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where an observable data is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

### *AFS financial assets*

AFS financial assets are those which are designated as such or do not qualify to be classified as designated at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. This includes government securities, equity investments, and other debt instruments.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss.

Interest earned on holding AFS debt investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS equity investments are recognized in profit or loss when the right to receive the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS investments are reported as "Revaluation reserve on available-for-sale financial assets" in equity. The losses arising from impairment of such investments are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized as realized gains or losses in profit or loss. When the Company holds more than one investment in the same security, the cost is determined using the weighted average method.





When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

#### *Other financial liabilities*

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.

Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

This accounting policy applies primarily to the Company's provision for claims reported by policyholders, insurance payables and accounts payable and accrued expenses that meet the above definition (other than liabilities covered by other accounting standards, such as retirement benefit obligation and income tax payable).

#### Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it has a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual agreement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income.

Distributions to holders of financial instrument classified as equity are charged directly to liabilities and equity, net of any related income tax benefits.

#### Offsetting

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

#### Impairment of Financial Assets

The Company assesses at each end of the reporting period whether a financial asset or a group of financial assets is impaired.



A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortized cost*

For financial assets carried at amortized cost (e.g., loans and receivables), the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for 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 for impairment. 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 for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against profit or loss. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The Company performs a regular review of the age and status of its loans and receivables, designed to identify receivables with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Company.

*AFS investments carried at fair value*

For equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of an investment below its cost or where other objective evidence of impairment exists. Where there is evidence of impairment, 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 investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of 'Interest income' account in profit or loss. If, in a subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.



*AFS investments carried at cost*

If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

*Write-off policy*

The Company writes-off its financial assets when it has been established that all efforts to collect and recover the loss has been exhausted. This may include other party being insolvent, deceased or the obligation being unenforceable.

Derecognition of Financial Assets and Liabilities

*Financial asset*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Company could be required to repay.

*Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, nor designated as AFS or FVPL. This accounting policy relates to the Company's statement of financial position captions: (a) "Insurance receivables" and (b) "Loans and receivables."



After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the “Interest income” in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

#### Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in profit or loss. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized in profit or loss as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party. When the Company enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Company initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability which is presented as “Insurance payables” in the liabilities section of the statement of financial position will be withheld and recognized as “Funds held for reinsurers” and included as part of the “Insurance payables” in the liabilities section of the statement of financial position. The amount withheld is generally released after a year. Funds held by ceding companies is accounted for in the same manner.

#### Deferred Acquisition Costs (DAC)

Commissions and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 24th method over the life of the contract. Amortization is charged against profit or loss. The unamortized acquisition costs are shown as “Deferred acquisition costs” in the assets section of the statement of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss. DAC is also considered in the liability adequacy test for each end of the reporting period.



### Property and Equipment

The Company's property and equipment consist of condominium units, office and leasehold improvements, equipment and right-of-use assets. Property and equipment, except for condominium units, are stated at cost, net of accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, 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 are charged against profit or loss during the financial period in which they are incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful life of the assets. Office and leasehold improvements are amortized over the estimated useful life of the improvements or the term of the related lease, whichever is shorter. The estimated useful lives of the different categories of property and equipment follow:

	Years
Building (including condominium units)	20
Electronic data processing (EDP) equipment	3
Transportation equipment	5
Office furniture, fixtures and equipment	5
Office and leasehold improvements	5-8 years or the related lease term whichever is shorter

The assets' residual values, useful lives and depreciation and amortization method are reviewed at each reporting date and adjusted if appropriate to ensure that the period, residual value and the method of depreciation and amortization are consistent with the expected pattern of consumption of future economic benefits embodied in the asset.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the year the asset is derecognized. This is not applicable to items that still have useful lives but are currently classified as idle. Depreciation continues for those items until fully depreciated or disposed.

Condominium units are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in OCI and credited to the asset revaluation reserve in equity.

However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

The revaluation reserve on property and equipment will be transferred directly to retained earnings when the asset is derecognized, i.e., the whole of the reserve will be transferred to retained earnings when the condominium units is retired or disposed of. Transfers from revaluation reserve to retained earnings are not made through profit or loss.



#### Computer Software

Costs associated with the acquisition of computer software are capitalized only if the asset can be reliably measured, will generate future economic benefits, and there is an ability to use or sell the asset.

Computer software is carried at cost less accumulated amortization. Computer software cost is amortized over the expected useful life of the asset, but not to exceed five years. All computer software components are amortized over three (3) to five (5) years. Amortization commences when the asset is available for use or when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company.

#### Assets Held for Sale

The Company classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### Impairment of Non-financial Assets

The Company assesses at each end of the reporting period whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

#### Insurance Contract Liabilities

Insurance contract liabilities are recognized when events within the scope of the premium-paying insurance contracts issued have occurred and which the insured have contractual right to demand reimbursement.



*Provision for unearned premiums*

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums as part of “Insurance contract liabilities” and presented in the liabilities section of the statement of financial position. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

*Premium liabilities*

Premium liabilities is equal to the provision for unearned premiums plus the difference between the provision for unexpired risk and the provision for unearned premiums, net of deferred acquisition costs, if the provision for unexpired risk is greater than the provision for unearned premiums net of deferred acquisition costs. Otherwise, it is equal to the provision for unearned premiums.

*Provision for claims reported, loss adjustment expenses, and Incurred But Not Reported (IBNR) losses*

These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money and includes provision for IBNR losses. The IBNR is calculated at the reporting date using a range of actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and Bornheutter-Ferguson method. The liability is derecognized when the contract is discharged, cancelled or has expired.

Provision for claims IBNR pertains to amount provided for claim events that have occurred but have not been reported to the Company as of the reporting date. The provision for claims IBNR at each reporting date is calculated by an internal actuary and certified by an independent and accredited actuary by Insurance Commission (IC), using standard actuarial projection techniques (or combination of such techniques), including but not limited to the chain ladder method, the expected loss ratio approach, and the Bornhuetter-Ferguson method. The actuary determines the appropriateness of the method used by considering the characteristics of the Company’s claims data and other factors such as maturity of the business, large losses arising from significant past events, operational changes in claims and underwriting processes and external conditions.

The Company shall include an MfAD to allow for inherent uncertainty of the best estimate of the policy reserves which shall be determined by an independent actuary at least on an annual basis based on standard projection techniques or combination of such techniques such as, but not limited to, the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the policy liabilities at the 75% level of sufficiency.

Provision for claims handling expenses is also calculated by the actuary to cover estimated expenses of settling all claims, both reported and unreported, outstanding as of the reporting date.

Quarterly, an actuarial valuation is performed on the gross and net claims and premium liabilities to ensure that the reserves are in compliance with the Valuation Standards for Non-Life Insurance Policy Reserves as required by the IC guided by Sections 219 and 220 of the Amended Insurance Code (Republic Act (RA) No. 10607) along with Circular Letters No. 2018-18 and No. 2018-19.



Additional reserves are set up if the result of the actuarial investigation shows that the existing balances are not in accordance with the mandate of IC.

#### *Liability adequacy test*

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, net of the related DAC assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to profit or loss by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

#### Lease Commitments

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Right-of-use asset*

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. All right-of-use assets are amortized over three (3) to five (5) years. Right-of-use assets are subject to impairment (see to Note 3 Impairment of nonfinancial assets).

#### *Lease liability*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.





In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The accretion of interest is presented as 'Interest on lease liability' in the statement of comprehensive income.

#### *Short-term leases and leases of low-value asset*

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### Pension Cost

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit cost comprises the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurement of net defined benefit liability or asset

Service cost includes current service cost, past service cost and gain or loss on non-routine settlements and is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as interest expense in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is



limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

### Equity

#### *Capital stock*

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to additional paid-in capital. Share issuance costs incurred as necessary part of completing an equity transaction are accounted for as part of that transaction and are treated as a deduction from additional paid-in capital from previous share issuance. If the additional paid-in capital account is not sufficient, the excess is deducted from retained earnings.

#### *Contingency surplus*

Contingency Surplus represents contributions of the stockholders to cover any unexpected deficiency in the Margin of Solvency (MOS) and Risk-Based Capital (RBC) as required under the Insurance Code and can be withdrawn upon the approval of the IC.

#### *Additional paid-in capital*

Additional paid-in capital includes any premiums received in excess of par value on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

#### *Deficit*

Deficit include all the accumulated losses of the Company, less any amount of dividends declared.

### Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

#### *Other income*

Other income is recognized in the profit or loss as it accrues. This includes administrative fees and other underwriting income.

### Revenues outside the scope of PFRS 15

#### *Premiums revenue*

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.



Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums and shown as part of "Insurance contract liabilities" presented in the liabilities section of the statements of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at end of the reporting period are accounted for as Deferred reinsurance premiums and shown as part of "Reinsurance assets" in the statements of financial position. The net changes in these accounts between each end of reporting period are recognized in profit or loss.

#### *Reinsurance commissions*

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24<sup>th</sup> method. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as "Deferred reinsurance commissions" and presented in the liabilities section of the statement of financial position.

#### *Interest income*

For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as "Interest income."

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

#### *Dividend income*

Dividend income is recognized when the shareholders' right to receive the payment is established.

### Benefits, Claims and Expenses Recognition

#### *Benefits and claims*

Benefits and claims consist of benefits and claims paid to policyholders, which include changes in the valuation of Insurance contract liabilities, including IBNR, except for changes in the provision for unearned premiums which are recorded in premiums revenue. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

#### *Operating expenses*

Operating expenses, except for lease expenses, are recognized as expense as they are incurred.



#### *Commission expense*

Commissions are recognized as expense over the period of the contracts using the 24<sup>th</sup> method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as “Deferred acquisition cost” in the assets section of the statement of financial position.

#### *Interest expenses*

Interest expenses are charged against operations and are calculated using the effective interest and the discount rate methods.

#### Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

#### Income Tax

##### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the end of the reporting period.

##### *Deferred tax*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.



The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the statement of other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

#### Events after the Reporting Date

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

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements unless otherwise indicated.

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

#### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

#### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.



The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. In line with this, the IC issued circular Memorandum Circular No. 2020-62, stating that the IC will provide support to insurance industry by further deferring the implementation of PFRS 17 two (2) years after the IASB implemented it.

The Company is currently assessing the impact of adopting PFRS 17.

The Company applies the exemption from applying PFRS 9 as permitted by the amendments to PFRS 4 *Applying PFRS 9 Financial Instruments with PFRS 4, Insurance Contracts* issued in September 2016. The temporary exemption permits the Company to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2025. The Company concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As at December 31, 2015, the Company's gross liabilities arising from contracts within the scope of PFRS 4 represented 87% of the total carrying amount of all its liabilities. Since December 31, 2015, there has been no change in the activities of the Company that requires reassessment of the use of the temporary exemption.

#### *Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



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### 3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRSs requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Company financial statements:

##### *Product classification*

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

The Company has determined that the insurance policies it issues have significant insurance risks and therefore meet the definition of an insurance contract and should be accounted for as such.

##### *Determination of lease term of contracts with renewal and termination options – Company as a lessee*

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

#### Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Leases - estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available. The Company estimates the IBR using observable inputs such as market interest rates adjusted with entity-specific estimates such as the Company's stand-alone credit rating.



The Company's lease liabilities amounted to ₱4.17 million and ₱24.62 million as of December 27, 2022 and December 31, 2021, respectively (see Note 24).

*Claims liability arising from insurance contracts*

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

The carrying values of provision for outstanding claims and IBNR gross of reinsurer's share in the liabilities amounted to ₱4.49 billion and ₱5.63 billion as of December 27, 2022 and December 31, 2021, respectively (see Note 12).

*Impairment of financial assets*

The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more or 'prolonged' as continuous decline for more than six (6) months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

The Company reviews its insurance receivables and loans and receivables at each end of the reporting period to assess whether an allowance for impairment should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.





The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

Insurance receivables, net of allowance for doubtful accounts amounted to ₱1.45 billion and ₱1.58 billion as of December 27, 2022 and December 31, 2021, respectively (see Note 5). Loans and receivables, net of allowance for doubtful accounts amounted to ₱67.89 million and ₱102.48 million as of December 27, 2022 and December 31, 2021, respectively (see Note 6). Reinsurance assets, net of allowance for doubtful accounts amounted to ₱3.17 billion and ₱3.75 billion as of December 27, 2022 and December 31, 2021, respectively (see Note 7).

Available for sale financial assets amounted to ₱3.55 billion and ₱4.13 billion as of December 27, 2022 and December 31, 2022. Impairment loss for Available for sale financial assets for the period ended December 27, 2022 and year ended December 31, 2021 amounted to ₱5.87 million and nil, respectively (see Note 6).

#### *Impairment of nonfinancial assets*

The Company assesses impairment on property and equipment, right-of-use assets and assets held for sale whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying value of property and equipment amounted to ₱17.06 million and ₱25.65 million as of December 27, 2022 and December 31, 2021, respectively (see Note 9). The carrying value of assets held for sale amounted to ₱26.90 million and ₱43.36 million as of December 27, 2022 and December 31, 2021, respectively (see Note 10). The carrying value of right-of-use assets amounted to ₱4.40 million and ₱23.35 million as of December 27, 2022 and December 31, 2021, respectively (see Note 24).

#### *Recognition of deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilized.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used, or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.



As of December 27, 2022 and December 31, 2021, net deferred tax assets amounted to ₱404.39 million and ₱366.90 million, respectively (see Note 22).

*Estimation of pension obligations and other retirement benefits*

The determination of pension obligation and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of end of the reporting period. Refer to Note 21 for the details of assumptions used in the calculation. In accordance with PAS 19, actual results that differ from the Company's assumptions are recognized as other comprehensive income in the statement of comprehensive income. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation.

The Company's net pension obligation amounted to ₱7.48 million and ₱35.63 million as of December 27, 2022 and December 31, 2021, respectively (see Note 21).

*Contingencies*

The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the legal counsels and based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position. It is possible, however, that the results of operations could be materially affected by changes in the estimates (see Note 27).

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#### 4. Cash and Cash Equivalents

This account consists of:

	<b>December 27, 2022</b>	December 31, 2021
Cash on hand	<b>₱235,000</b>	₱245,000
Cash in banks	<b>240,665,978</b>	342,519,882
Cash equivalents	<b>970,906,000</b>	647,798,500
	<b>₱1,211,806,978</b>	₱990,563,382

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earned interest at rates ranging from 1.05% to 5.86% for the period ended December 27, 2022 and 0.10% to 3.75% for the year ended December 31, 2021.

Interest income earned from cash equivalents and cash in banks amounted ₱14.17 million and ₱0.25 million for the period ended December 27, 2022 and ₱4.14 million and ₱0.37 million for the year ended December 31, 2021, respectively (see Note 17). Accrued interest income on cash equivalents as of December 31, 2022 and December 31, 2021 amounted to ₱2.46 million and ₱0.13 million, respectively (see Note 6).



## 5. Insurance Receivables - net

This account consists of:

	December 27, 2022	December 31, 2021
Premiums receivable and agents' balances	<b>₱989,529,947</b>	₱1,066,920,847
Reinsurance recoverable on paid losses	<b>735,649,561</b>	707,394,643
Bonds recoverable on paid losses	<b>29,272,723</b>	29,272,723
Due from ceding companies	<b>21,845,585</b>	71,968,095
Funds held by ceding companies	<b>15,538,050</b>	14,190,346
	<b>1,791,835,866</b>	1,889,746,654
Less allowance for doubtful accounts	<b>(338,894,293)</b>	(312,798,971)
	<b>₱1,452,941,573</b>	₱1,576,947,683

Premiums receivable and agents' balances arise from unpaid premiums from policyholders and intermediaries.

Reinsurance recoverable on paid losses are the share of insurance or reinsurance companies for the claims paid to the insured by the Company.

Due from ceding companies are premiums receivable for assumed business from other insurance and reinsurance companies.

Bonds recoverable on paid losses represent the estimated recoveries the Company may have from losses on bond policies issued.

The amount of funds held by ceding companies is a percentage of the premiums, as required by the IC.

The Company's insurance receivables are all due within one year.

The following table shows aging information of insurance receivables:

### December 27, 2022

	1 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
Premiums receivable and agents' balances	₱536,652,205	₱102,644,376	₱50,495,309	₱41,050,152	₱258,687,905	₱989,529,947
Reinsurance recoverable on paid losses	346,856,125	1,568,782	1,222,038	55,240,237	330,762,379	735,649,561
Due from ceding companies	5,779,553	827,535	686,695	12,287	14,539,515	21,845,585
Bonds recoverable on paid losses	—	—	—	—	29,272,723	29,272,723
	<b>₱889,287,883</b>	<b>₱105,040,693</b>	<b>₱52,404,042</b>	<b>₱96,302,676</b>	<b>₱633,262,522</b>	<b>₱1,776,297,816</b>



### December 31, 2021

	1 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
Premiums receivable and agents' balances	₱564,440,802	₱105,994,019	₱52,083,510	₱51,758,193	₱292,644,323	₱1,066,920,847
Reinsurance recoverable on paid losses	322,474,415	45,544,601	82,945,466	46,230,932	210,199,229	707,394,643
Due from ceding companies	10,161,816	2,818,794	2,243,606	8,123,607	48,620,272	71,968,095
Bonds recoverable on paid losses	—	—	—	—	29,272,723	29,272,723
	<b>₱897,077,033</b>	<b>₱154,357,414</b>	<b>₱137,272,582</b>	<b>₱106,112,732</b>	<b>₱580,736,547</b>	<b>₱1,875,556,308</b>

Funds held by ceding companies amounting to ₱15.54 million and ₱14.19 million are due and demandable as of December 27, 2022 and December 31, 2021, respectively.

The following is a reconciliation of the changes in allowance for doubtful accounts for insurance receivables:

### December 27, 2022

	Premiums receivable and agents' balances	Reinsurance recoverable on paid losses	Due from ceding companies	Bonds recoverable on paid losses	Total
At January 1, 2022	₱178,171,712	₱103,599,940	₱3,925,957	₱27,101,362	₱312,798,971
Impairment during the period (Note 19)	25,235,220	860,102	—	—	26,095,322
At December 27, 2022	<b>₱203,406,932</b>	<b>₱104,460,042</b>	<b>₱3,925,957</b>	<b>₱27,101,362</b>	<b>₱338,894,293</b>
Individual impairment	₱114,776,223	₱104,460,042	₱3,925,957	₱27,101,362	₱250,263,584
Collective impairment	88,630,709	—	—	—	88,630,709
	<b>₱203,406,932</b>	<b>₱104,460,042</b>	<b>₱3,925,957</b>	<b>₱27,101,362</b>	<b>₱338,894,293</b>

### December 31, 2021

	Premiums receivable and agents' balances	Reinsurance recoverable on paid losses	Due from ceding companies	Bonds recoverable on paid losses	Total
At January 1, 2021	₱173,319,386	₱102,296,426	₱3,925,957	₱27,101,362	₱306,643,131
Impairment during the year (Note 19)	4,852,326	1,303,514	—	—	6,155,840
At December 31, 2021	<b>₱178,171,712</b>	<b>₱103,599,940</b>	<b>₱3,925,957</b>	<b>₱27,101,362</b>	<b>₱312,798,971</b>
Individual impairment	₱93,030,598	₱103,599,940	₱3,925,957	₱27,101,362	₱227,657,857
Collective impairment	85,141,114	—	—	—	85,141,114
	<b>₱178,171,712</b>	<b>₱103,599,940</b>	<b>₱3,925,957</b>	<b>₱27,101,362</b>	<b>₱312,798,971</b>

The following is a breakdown of the provision for doubtful accounts recognized:

	Notes	December 27, 2022	December 31, 2021
Insurance receivables - net	5	<b>₱26,095,322</b>	₱6,155,840
Loans and receivables - net	6	—	1,967,187
Reinsurance receivables - net	7	—	3,744,884
	19	<b>₱26,095,322</b>	<b>₱11,867,911</b>



## 6. Financial Assets

The Company's financial assets are summarized by measurement categories as follows:

	December 27, 2022	December 31, 2021
AFS financial assets	<b>₱3,552,883,987</b>	₱4,129,864,651
Loans and receivables – net	<b>67,891,950</b>	102,483,094
	<b>₱3,620,775,937</b>	₱4,232,347,745

The assets included in each of the categories above are detailed below:

### a. AFS financial assets

	December 27, 2022	December 31, 2021
Equity securities		
Quoted:		
Common shares	<b>₱185,409,838</b>	₱203,987,210
Preferred shares	<b>9,560,000</b>	10,240,000
Club shares	<b>800,000</b>	750,000
Unquoted:		
Common shares	<b>35,125</b>	35,125
Preferred shares	<b>21,525</b>	21,525
Total equity securities	<b>195,826,488</b>	215,033,860
Debt securities		
Government securities:		
Local currency	<b>2,932,595,418</b>	3,419,575,370
Foreign currency	<b>39,024,962</b>	42,011,910
Private debt securities	<b>385,437,119</b>	453,243,511
Total debt securities	<b>3,357,057,499</b>	3,914,830,791
Total AFS financial assets recognized in the statements of financial position	<b>₱3,552,883,987</b>	₱4,129,864,651

The costs or amortized costs of AFS financial assets are as follows:

	December 27, 2022	December 31, 2021
Equity securities		
Quoted:		
Common shares	<b>₱191,219,210</b>	₱189,955,040
Preferred shares	<b>10,000,000</b>	10,000,000
Club shares	<b>117,500</b>	117,500
Unquoted:		
Common shares	<b>35,125</b>	35,125
Preferred shares	<b>21,525</b>	21,525
Total equity securities	<b>201,393,360</b>	200,129,190

(Forward)



	December 27, 2022	December 31, 2021
Debt securities		
Quoted:		
Government debt securities:		
Local currency	<b>₱3,054,363,813</b>	₱3,439,940,591
Foreign currency	<b>40,924,848</b>	38,284,900
Private debt securities	<b>387,458,280</b>	449,038,100
Total debt securities	<b>3,482,746,941</b>	3,927,263,591
Total AFS financial assets at cost or amortized cost	<b>₱3,684,140,301</b>	₱4,127,392,781

The carrying values of AFS financial assets have been determined as follows:

	December 27, 2022	December 31, 2021
Beginning balance	<b>₱4,129,864,651</b>	₱4,456,999,018
Additions	<b>809,349,896</b>	1,880,536,682
Maturities and disposals	<b>(1,221,420,345)</b>	(2,082,505,593)
Amortization of premium	<b>(29,903,349)</b>	(34,001,109)
Fair value loss against other comprehensive income	<b>(135,006,866)</b>	(91,164,347)
Ending balance	<b>₱3,552,883,987</b>	₱4,129,864,651

The rollforward analysis of revaluation reserve on AFS financial assets follows:

	December 27, 2022	December 31, 2021
Beginning balance	<b>₱2,471,870</b>	₱81,085,778
OCI:		
Changes in fair value of AFS financial assets	<b>(135,006,866)</b>	(75,684,417)
Transferred to profit or loss:		
Realized gain on sale of AFS financial assets	<b>(4,583,573)</b>	(2,929,491)
Provision for impairment losses (Note 19)	<b>5,862,255</b>	—
Ending balance	<b>(₱131,256,314)</b>	₱2,471,870

Available-for-sale debt financial assets bear interest ranging from 2.63% to 8.63% for the period ended December 27, 2022 and from 1.22% to 8.13% for the year ended December 31, 2021.

Interest income earned from AFS financial assets amounted to ₱144.13 million and ₱157.08 million for the period ended December 27, 2022 and for the year ended December 31, 2021, respectively (see Note 17).

Dividend income from AFS financial assets earned by the Company amounted to ₱3.54 million for the period ended December 27, 2022 and for the year ended December 31, 2021 (see Note 17).

Provision from impairment losses recognized from quoted common shares amounted to ₱5.86 million for the period ended December 27, 2022 and nil for the year ended December 31, 2021 (see Note 19).



*b. Loans and receivables - net*

This account consists of:

	Note	December 27, 2022	December 31, 2021
Accounts receivable		<b>₱34,870,734</b>	₱74,692,003
Allowance for doubtful accounts		<b>(5,798,591)</b>	(5,798,591)
Accounts receivable - net		<b>29,072,143</b>	68,893,412
Accrued dividend income		<b>67,266</b>	86,667
Accrued interest income on:			
Cash equivalents	4	<b>2,458,288</b>	134,477
AFS debt securities		<b>36,294,253</b>	33,368,538
		<b>₱67,891,950</b>	₱102,483,094

Accounts receivable pertains to advances granted to insurance agents and salary loans granted to employees. Advances granted to insurance agents are to be settled through regular deductions from commissions while salary loans granted to employees are non-interest bearing and payable to the Company within one year through payroll deduction.

Accrued income pertains to interest accrued arising from cash and cash equivalents, short-term investments and AFS financial assets.

The reconciliation of changes in allowance for impairment on loans and receivables are as follows:

	Note	December 27, 2022	December 31, 2021
Beginning balance		<b>₱5,798,591</b>	₱3,831,404
Impairment during the period	5,19	—	1,967,187
Ending balance		<b>₱5,798,591</b>	₱5,798,591

## 7. Reinsurance Assets

This account consists of the following:

	Note	December 27, 2022	December 31, 2021
Reinsurance recoverable on unpaid losses		<b>₱2,077,091,513</b>	₱1,555,336,155
Less allowance for doubtful accounts		<b>(147,597,630)</b>	(147,597,630)
Reinsurance recoverable on unpaid losses - net	12	<b>1,929,493,883</b>	1,407,738,525
Reinsurance share on IBNR	12	<b>1,017,658,946</b>	2,099,988,883
Deferred reinsurance premiums	12	<b>224,761,188</b>	237,807,065
		<b>₱3,171,914,017</b>	₱3,745,534,473



The reconciliation of changes in allowance for reinsurance assets are as follows:

	Note	December 27, 2022	December 31, 2021
Beginning balance		<b>₱147,597,630</b>	₱143,852,746
Impairment during the period	5,19	–	3,744,884
Ending balance		<b>₱147,597,630</b>	₱147,597,630

## 8. Deferred Acquisition Costs and Deferred Reinsurance Commissions

### Deferred acquisition costs

The rollforward analyses of this account follow:

#### December 27, 2022

	Commission Expense	Other Acquisition Costs	Total
At January 1	<b>₱248,156,854</b>	<b>₱8,160,539</b>	<b>₱256,317,393</b>
Costs deferred during the period	<b>583,401,718</b>	<b>(4,000)</b>	<b>583,397,718</b>
Amortization during the period	<b>(612,213,314)</b>	<b>(7,577,486)</b>	<b>(619,790,800)</b>
At December 27	<b>₱219,345,258</b>	<b>₱579,053</b>	<b>₱219,924,311</b>

#### December 31, 2021

	Commission Expense	Other Acquisition Costs	Total
At January 1	₱342,057,977	₱71,424,522	₱413,482,499
Costs deferred during the year	651,667,121	(1,664,394)	650,002,727
Amortization during the year	(745,568,244)	(61,599,589)	(807,167,833)
At December 31	₱248,156,854	₱8,160,539	₱256,317,393

Other acquisition costs pertain to underwriting expenses, other than commissions, incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts. These costs are included in the 'Other underwriting expense' under 'Operating expenses' account (Note 19).

### Deferred reinsurance commissions

The rollforward analyses of this account follow:

	December 27, 2022	December 31, 2021
At January 1	<b>₱52,648,487</b>	₱84,309,686
Income deferred during the period	<b>52,900,091</b>	97,320,521
Amortization during the period	<b>(63,923,775)</b>	(128,981,720)
Balance at end of period	<b>₱41,624,803</b>	₱52,648,487





## 9. Property and Equipment - net

The rollforward analysis of this account follows:

### December 27, 2022

	EDP Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Office and Leasehold Improvements	Total
<b>Cost</b>					
At January 1, 2022	₱158,204,603	₱20,506,124	₱7,187,215	₱92,080,547	₱277,978,489
Additions	14,065,644	—	—	158,908	14,224,552
<b>Disposals</b>	(1,278,160)	—	(2,121,665)	—	(3,399,825)
<b>At December 27, 2022</b>	<b>170,992,087</b>	<b>20,506,124</b>	<b>5,065,550</b>	<b>92,239,455</b>	<b>288,803,216</b>
<b>Accumulated depreciation and amortization</b>					
At January 1, 2022	146,646,490	19,462,985	6,340,570	79,880,199	252,330,244
Depreciation and amortization (Notes 19 and 24)	10,391,794	714,851	428,917	11,252,870	22,788,432
<b>Disposals</b>	(1,278,160)	—	(2,092,536)	—	(3,370,696)
<b>At December 27, 2022</b>	<b>155,760,124</b>	<b>20,177,836</b>	<b>4,676,951</b>	<b>91,133,069</b>	<b>271,747,980</b>
<b>Net book value as of December 27, 2022</b>	<b>₱15,231,963</b>	<b>₱328,288</b>	<b>₱388,599</b>	<b>₱1,106,386</b>	<b>₱17,055,236</b>

### December 31, 2021

	EDP Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Office and Leasehold Improvements	Total
<b>Cost</b>					
At January 1, 2021	₱151,529,826	₱20,758,124	₱11,349,111	₱92,080,547	₱275,717,608
Additions	6,674,777	—	190,614	—	6,865,391
<b>Disposals</b>	—	(252,000)	(4,352,510)	—	(4,604,510)
<b>At December 31, 2021</b>	<b>158,204,603</b>	<b>20,506,124</b>	<b>7,187,215</b>	<b>92,080,547</b>	<b>277,978,489</b>
<b>Accumulated depreciation and amortization</b>					
At January 1, 2021	115,178,969	18,486,959	9,764,354	67,211,498	210,641,780
Depreciation and amortization (Notes 19 and 24)	31,467,521	1,139,816	667,822	12,668,701	45,943,860
<b>Disposals</b>	—	(163,790)	(4,091,606)	—	(4,255,396)
<b>At December 31, 2021</b>	<b>146,646,490</b>	<b>19,462,985</b>	<b>6,340,570</b>	<b>79,880,199</b>	<b>252,330,244</b>
<b>Net book value as of December 31, 2021</b>	<b>₱11,558,113</b>	<b>₱1,043,139</b>	<b>₱846,645</b>	<b>₱12,200,348</b>	<b>₱25,648,245</b>

The Company recognized gain on disposal of property amounting to ₱0.07 million for the period ended December 27, 2022 and loss on disposal of property amounting to ₱0.04 million for the year ended December 31, 2021 (see Note 17).

The rollforward analysis of property and equipment at revalued amount for 2022 and 2021 follows:

	<b>Condominium Units</b>	
	<b>December 27, 2022</b>	<b>December 31, 2021</b>
<b>Cost</b>		
At January 1	<b>₱276,275,729</b>	<b>₱276,275,729</b>
<b>Disposals</b>	<b>—</b>	<b>—</b>
<b>Ending balance</b>	<b>276,275,729</b>	<b>276,275,729</b>

(Forward)



	<b>Condominium Units</b>	
	<b>December 27, 2022</b>	<b>December 31, 2021</b>
Accumulated depreciation and amortization		
At January 1	<b>₱276,275,729</b>	₱276,275,729
Disposals	—	—
Ending balance	<b>276,275,729</b>	276,275,729
Net book value at the end of period	<b>₱—</b>	<b>₱—</b>

The balance of revaluation reserve on property and equipment as of December 27, 2022 and December 31, 2021 is ₱55.53 million.

If condominium units were carried at the cost model, the cost and carrying amount as of December 27, 2022 and December 31, 2021 is ₱55.00 million and nil, respectively.

	<b>December 27, 2022</b>	<b>December 31, 2021</b>
Cost		
At January 1	<b>₱220,742,034</b>	₱220,742,034
Disposals	—	—
Ending balance	<b>220,742,034</b>	220,742,034
Accumulated depreciation and amortization		
At January 1	<b>₱220,742,034</b>	₱220,742,034
Disposals	—	—
Ending balance	<b>220,742,034</b>	220,742,034
Net carrying amount	<b>₱—</b>	<b>₱—</b>

To determine the Market Value of the condominium units, the Market Approach is utilized. The approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analyzing data which qualify as ‘arms-length’, between willing buyers and sellers, market value indicators and price trends can be established. Adjustments can be made for time, size, location, and other relevant factors when comparing these data against the Property. This approach is commonly used to value properties when reliable transaction evidence of properties of a similar nature is available. As of January 30, 2017, the real estate properties’ fair values are based on the valuations performed by Colliers International Philippines, Inc., an accredited independent appraiser.

Description of valuation techniques used and key inputs to valuation on revalued property and equipment as of December 27, 2022 and December 31, 2021 are as follows:

<b>Location</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range (weighted average)</b>
Sen. Gil J. Puyat Avenue, Makati City	Market Approach	Estimated computed value per sqm	68,000 to 142,544 (98,000)
		Net price (₱/sqm)	85,000 to 219,298
		Internal factors:	
		Location	10%
		Condition	-5% to -10%
		Utility	10%
		Size	-5% to -20%
		Bargaining allowance	-15%



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#### 10. Assets Held for Sale

Assets held for sale pertain to salvage recoverable which consists of amount recoverable on account of losses on direct business. These recoveries are available for immediate sale in its present condition and its sale are highly probable. As of December 27, 2022 and for the year ended December 31, 2021, management is committed to a plan to sell the assets and is actively locating for buyers.

Salvage recoverable amounted to ₱26.90 million and ₱43.36 million as of the period ended December 27, 2022 and December 31, 2021, respectively.

Gain and loss incurred on sale which is part of “Gross insurance contract benefits and claims paid” under the statement of comprehensive income amounted to ₱6.51 million gain and ₱6.89 million loss for the period ended December 27, 2022 and for the period ended December 31, 2021, respectively.

Salvage recoveries amounted to ₱72.73 million and ₱69.79 million as of the period ended December 27, 2022 and for the year ended December 31, 2021, respectively.

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#### 11. Other Assets

This account consists of the following:

	<b>December 27, 2022</b>	December 31, 2021
Creditable withholding taxes	<b>₱128,169,996</b>	₱117,355,944
Deposits and prepayments	<b>17,524,431</b>	22,182,544
Claims fund	<b>9,492,371</b>	8,275,692
Documentary stamps fund	<b>5,451,561</b>	5,451,561
Security fund	<b>51,215</b>	51,215
	<b>₱160,689,574</b>	₱153,316,956

Creditable withholding taxes pertain to the Company’s taxes withheld at source by its customers and is creditable against the income tax liability of the Company. Deposits and prepayments pertain to the rental and security deposits on rented properties, minimum deposits pertaining to reinsurance contracts and advance payments for the electric meter and telephone.

Claims fund represents fund set-up held by third parties for the payment of claims. Documentary stamps fund represents fund set-up for documentary stamps affixture to policy contracts. Security fund pertains to the fund set-up for payment of claims against insolvent insurance companies in compliance with Section 367 of Presidential Decree (PD) No. 612, as amended under PD No. 1640.



## 12. Insurance Contract Liabilities

Insurance contract liabilities may be analyzed as follows:

### December 27, 2022

	Note	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net
Provision for claims reported and loss adjustment expenses		₱2,627,839,593	₱2,077,091,513	₱550,748,080
Allowance for doubtful accounts		–	(147,597,630)	147,597,630
Provision for IBNR and ULAE (unallocated loss adjustment expenses)		1,863,840,463	1,017,658,946	846,181,517
<b>Total claims reported and IBNR</b>		<b>4,491,680,056</b>	<b>2,947,152,829</b>	<b>1,544,527,227</b>
Provision for unearned premiums	16	1,392,923,116	224,761,188	1,168,161,928
<b>Total insurance contract liabilities</b>		<b>₱5,884,603,172</b>	<b>₱3,171,914,017</b>	<b>₱2,712,689,155</b>

### December 31, 2021

	Note	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net
Provision for claims reported and loss adjustment expenses		₱2,471,629,603	₱1,555,336,155	₱916,293,448
Allowance for doubtful accounts		–	(147,597,630)	147,597,630
Provision for IBNR and ULAE		3,162,931,271	2,099,988,883	1,062,942,388
Total claims reported and IBNR		5,634,560,874	3,507,727,408	2,126,833,466
Provision for unearned premiums	16	1,602,279,218	237,807,065	1,364,472,153
<b>Total insurance contract liabilities</b>		<b>₱7,236,840,092</b>	<b>₱3,745,534,473</b>	<b>₱3,491,305,619</b>

Provisions for claims reported by policyholders and IBNR may be analyzed as follows:

### December 27, 2022

	Notes	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net
At January 1		₱5,634,560,874	₱3,507,727,408	₱2,126,833,466
Claims incurred during the period		2,070,832,798	1,144,048,406	926,784,392
Decrease in IBNR and ULAE	18	(1,299,090,808)	(1,082,329,937)	(216,760,871)
Claims paid during the period	18	(1,914,622,808)	(622,293,048)	(1,292,329,760)
<b>At December 27</b>		<b>₱4,491,680,056</b>	<b>₱2,947,152,829</b>	<b>₱1,544,527,227</b>



December 31, 2021

	Notes	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net
At January 1		₱4,378,492,340	₱2,426,971,263	₱1,951,521,077
Claims incurred during the year		1,511,304,627	336,480,597	1,174,824,030
Increase in IBNR and ULAE	18	2,038,706,651	1,506,265,443	532,441,208
Claims paid during the year	18	(2,293,942,744)	(761,989,895)	(1,531,952,849)
At December 31		₱5,634,560,874	₱3,507,727,408	₱2,126,833,466

Claims under litigation for the period ended December 27, 2022 and year ended December 31, 2021 amounted to ₱1.01 billion and ₱1.00 billion, respectively.

Provision for unearned premiums may be analyzed as follows:

December 27, 2022

	Notes	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net
At January 1		₱1,602,279,218	₱237,807,065	₱1,364,472,153
New policies written during the period	16	3,066,141,857	979,104,395	2,087,037,462
Premiums earned during the period	16	(3,275,497,959)	(992,150,272)	(2,283,347,687)
At December 27		₱1,392,923,116	₱224,761,188	₱1,168,161,928

December 31, 2021

	Notes	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net
At January 1		₱2,060,608,848	₱376,957,611	₱1,683,651,237
New policies written during the year	16	3,382,312,693	925,701,187	2,456,611,506
Premiums earned during the year	16	(3,840,642,323)	(1,064,851,733)	(2,775,790,590)
At December 31		₱1,602,279,218	₱237,807,065	₱1,364,472,153

### 13. Insurance Payables

This account consists of:

	December 27, 2022	December 31, 2021
Due to reinsurers	₱286,277,263	₱140,324,425
Funds held for reinsurers	119,203,143	46,390,171
	₱405,480,406	₱186,714,596



Funds held for reinsurers bear interest of 2.5% as of December 27, 2022 and December 31, 2021. The Company recognized an amount of ₱0.01 million and ₱0.03 million as “Interest expense” charged against the statement of comprehensive income for the period ended December 27, 2022 and year ended December 31, 2021, respectively. The rollforward analysis of this account follows:

**December 27, 2022**

	<b>Due to Reinsurers</b>	<b>Funds held for Reinsurers</b>	<b>Total</b>
At January 1	<b>₱140,324,425</b>	<b>₱46,390,171</b>	<b>₱186,714,596</b>
Arising during the period	<b>440,827,909</b>	<b>126,497,974</b>	<b>567,325,883</b>
Utilized	<b>(294,875,071)</b>	<b>(53,685,002)</b>	<b>(348,560,073)</b>
At December 27	<b>₱286,277,263</b>	<b>₱119,203,143</b>	<b>₱405,480,406</b>

**December 31, 2021**

	<b>Due to Reinsurers</b>	<b>Funds held for Reinsurers</b>	<b>Total</b>
At January 1	<b>₱173,938,015</b>	<b>₱78,757,115</b>	<b>₱252,695,130</b>
Arising during the year	<b>606,082,047</b>	<b>104,687,190</b>	<b>710,769,237</b>
Utilized	<b>(639,695,637)</b>	<b>(137,054,134)</b>	<b>(776,749,771)</b>
At December 31	<b>₱140,324,425</b>	<b>₱46,390,171</b>	<b>₱186,714,596</b>

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**14. Accounts Payable and Accrued Expenses**

This account consists of:

	<b>December 27, 2022</b>	<b>December 31, 2021</b>
Accounts payable	<b>₱1,009,182,438</b>	<b>₱815,204,112</b>
Commissions payable	<b>278,437,352</b>	<b>339,125,689</b>
Accrued expenses	<b>256,645,261</b>	<b>263,352,074</b>
Taxes payable	<b>131,851,235</b>	<b>202,547,959</b>
	<b>₱1,676,116,286</b>	<b>₱1,620,229,834</b>

Accounts payable include amounts due to suppliers which represent payables for goods and services purchased that have been contracted for but not yet settled as of the end of the reporting period which are payable on demand.

Commissions payable pertain to sales force commissions which are non-interest bearing and payable every month.

Accrued expenses are expected to be settled within twelve (12) months after the end of the reporting period.

Taxes payable consists primarily of value-added taxes (VAT), local government taxes payable, and withholding taxes payable.



## 15. Capital Stock and Contingency Surplus

The Company's capital stock consists of:

	December 27, 2022		December 31, 2021	
	Shares	Amount	Shares	Amount
Common stock - ₱100 par value				
Authorized:	10,000,000	₱1,000,000,000	10,000,000	₱1,000,000,000
Issued and outstanding:	5,125,000	₱512,500,000	5,125,000	₱512,500,000

In 2016, the Company received contingency surplus from its Parent Company amounting to ₱1.80 billion. Subsequently in 2019, the Company received from its Parent Company an additional contingency surplus amounting to ₱1.47 billion.

## 16. Net Insurance Earned Premiums

Gross earned premiums and reinsurers' share in gross earned premiums on insurance contracts consist of the following:

	Notes	2022	2021
Gross premiums on insurance contracts:			
Direct insurance		₱2,990,701,268	₱3,288,379,948
Assumed reinsurance		75,440,589	93,932,745
Total gross premiums on insurance contracts	12	3,066,141,857	3,382,312,693
Gross change in provision for unearned premiums		209,356,102	458,329,630
<b>Total gross earned premiums on insurance Contracts</b>	12	<b>3,275,497,959</b>	<b>3,840,642,323</b>
Reinsurers' share of gross premiums on insurance contracts:			
Direct insurance		953,331,744	889,132,648
Assumed reinsurance		25,772,651	36,568,539
Total reinsurers' share of gross premiums on insurance contracts	12	979,104,395	925,701,187
Reinsurers' share of gross change in provision for unearned premiums		13,045,877	139,150,546
<b>Total reinsurers' share of gross earned premiums on insurance contracts</b>	12	<b>992,150,272</b>	<b>1,064,851,733</b>
<b>Net insurance earned premiums</b>	12	<b>₱2,283,347,687</b>	<b>₱2,775,790,590</b>

## 17. Interest, Other Underwriting, Dividend, and Other Income

Interest income consists of the following:

	Notes	December 27, 2022	December 31, 2021
AFS financial assets	6	₱144,130,739	₱157,077,040
Cash equivalents	4	14,169,923	4,135,018
Salary loans		598,674	773,189
Cash in banks	4	250,455	374,871
		<b>₱159,149,791</b>	<b>₱162,360,118</b>



Other income - net consists of:

	December 27, 2022	December 31, 2021
Recovery on charged-off assets	<b>₱4,691,828</b>	₱20,633,612
Foreign exchange gain:		
Unrealized	<b>7,563,623</b>	14,373,252
Realized	<b>1,488,144</b>	3,254,026
Other underwriting income	<b>1,799,217</b>	1,860,773
Gain (loss) on sale of property and equipment (Note 9)	<b>71,441</b>	(38,223)
Other income	<b>3,126,463</b>	2,582,174
Other income - net	<b>₱18,740,716</b>	₱42,665,614

Recovery on charged-off assets pertains to the collection of premium balance receivables that were previously written-off.

Other underwriting income pertains to the fronting fees earned by the Company for fronting arrangements made during the year with several agencies and intermediaries. It also includes recoveries from cancelled transactions.

Other income is income derived from activities unrelated to the main operation of the business.

Dividend income from AFS equity financial assets amounted to ₱3.54 million for the period ended December 27, 2022 and year ended December 31, 2021 (see Note 6).

## 18. Net Insurance Benefits and Claims

Gross insurance contract benefits and claims paid consist of the following:

	Note	December 27, 2022	December 31, 2021
Direct insurance		<b>₱1,829,607,160</b>	₱2,222,779,179
Assumed reinsurance		<b>85,015,648</b>	71,163,565
Total insurance contract benefits and claims paid	12	<b>₱1,914,622,808</b>	₱2,293,942,744

Reinsurers' share of gross insurance contract benefits and claims paid consist of the following:

	Note	December 27, 2022	December 31, 2021
Direct insurance		<b>₱580,106,157</b>	₱709,670,954
Assumed reinsurance		<b>42,186,891</b>	52,318,941
Total reinsurers' share of insurance contract benefits and claims paid	12	<b>₱622,293,048</b>	₱761,989,895





Gross change in insurance contract liabilities:

	Note	December 31, 2022	December 31, 2021
Change in provision for claims reported		<b>₱105,486,363</b>	(₱816,847,788)
Change in provision for IBNR	12	<b>(1,299,090,808)</b>	2,038,706,651
Total gross change in insurance contract liabilities		<b>(₱1,193,604,445)</b>	₱1,221,858,863

The amount presented for gross change in provision for claims reported includes unrealized foreign exchange loss amounting to ₱50.72 million and unrealized foreign exchange loss amounting to ₱34.20 million for the period ended December 27, 2022 and for the year ended December 31, 2021, respectively.

Reinsurers' share of gross change in insurance contract liabilities:

	Note	December 27, 2022	December 31, 2021
Change in provision for claims reported		<b>₱471,833,225</b>	(₱455,585,863)
Change in provision for IBNR	12	<b>(1,082,329,937)</b>	1,506,265,443
Total reinsurers' share of gross change in insurance contract liabilities		<b>(₱610,496,712)</b>	(₱1,050,679,580)

The amount presented for reinsurer's share of gross change in provision for claims reported includes unrealized foreign exchange loss amounting to ₱49.92 million and unrealized foreign exchange loss amounting to ₱33.80 million for the period ended December 27, 2022 and for the year ended December 31, 2021, respectively.

The Company's net insurance benefits and claims include unrealized foreign exchange loss amounting to ₱0.80 million and unrealized foreign exchange loss amounting to ₱0.39 million for the period ended December 27, 2022 and for the year ended December 31, 2021, respectively.

## 19. Operating Expenses

This account consists of:

	Notes	December 27, 2022	December 31, 2021
Salaries, allowances and employee benefits	20	<b>₱449,534,124</b>	₱490,629,432
Outside services	23	<b>259,069,675</b>	335,857,851
Other underwriting expense	8	<b>107,266,385</b>	130,945,250
Depreciation and amortization of property and equipment and right of use asset	9, 24	<b>41,972,535</b>	69,459,190
Communication and postage		<b>38,874,895</b>	30,398,786
Repairs and maintenance		<b>32,376,326</b>	22,441,229
Provision for doubtful accounts	5, 6, 7	<b>26,095,322</b>	11,867,911
Advertising and promotion		<b>20,631,821</b>	3,995,149
Rent	24	<b>12,658,910</b>	8,702,600

(Forward)



	Notes	December 27, 2022	December 31, 2021
Transportation and travel		<b>₱9,675,486</b>	₱3,981,278
Utilities		<b>6,278,826</b>	1,741,209
Loss on impairment of AFS financial assets	6	<b>5,862,255</b>	—
Supplies		<b>5,372,200</b>	8,360,418
Association and pool dues		<b>4,943,281</b>	5,089,960
Representation and entertainment		<b>1,574,386</b>	1,189,106
Taxes and licenses		<b>1,313,865</b>	1,295,096
Insurance		<b>752,978</b>	959,111
Others		<b>62,853,931</b>	74,595,761
		<b>₱1,087,107,201</b>	<b>₱1,201,509,337</b>

Others pertain to provision amounting to ₱52.80 million and ₱58.30 million for the period ended December 27, 2022 and for the year ended December 31, 2021, respectively.

## 20. Salaries, Allowances and Employee Benefits

Expenses recognized for salaries, allowances and employee benefits are presented below.

	Note	December 27, 2022	December 31, 2021
Salaries and wages		<b>₱255,266,860</b>	₱274,099,508
Allowances and bonuses		<b>99,795,599</b>	112,313,941
Retirement expense	21	<b>23,156,392</b>	23,996,260
Social security costs		<b>13,112,808</b>	14,480,205
PhilHealth insurance contribution		<b>3,900,133</b>	3,373,535
Director's fees and allowances		<b>3,600,000</b>	6,455,000
Pag-ibig contribution		<b>618,700</b>	681,500
Other employee benefits		<b>50,083,632</b>	55,229,483
		<b>₱449,534,124</b>	<b>₱490,629,432</b>

Other employee benefits pertain to the clothing and medical allowances, leave conversion, and holiday pay of the employees during the period.

## 21. Pension Benefits

The Company has a noncontributory defined benefit pension plan, covering substantially all of its employees, which requires contributions to be made by the Company to an administered fund. The Company's retirement fund is administered by Metropolitan Bank and Trust Company (MBTC) as trustee, under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Trustees.



Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Company also provides additional post employment healthcare benefits to certain employees. These benefits are unfunded.

The following tables summarize the components of net benefit expense recognized in the statement of comprehensive income and the amounts recognized in the statement of financial position:

*Net benefit expense*

	Note	December 27, 2022	December 31, 2021
Current service cost	20	<b>₱23,156,392</b>	₱23,996,260
Net interest cost		<b>870,269</b>	89,862
Total benefit expense		<b>₱24,026,661</b>	₱24,086,122

*Remeasurement gains/ (losses) on defined benefit obligation*

	December 27, 2022	December 31, 2021
From defined benefit obligation	<b>₱42,882,029</b>	₱11,908,985
From plan assets	<b>(10,802,731)</b>	(13,627,103)
Total amount to be recognized in OCI	<b>₱32,079,298</b>	(₱1,718,118)

*Net pension obligation*

	December 27, 2022	December 31, 2021
Defined benefit obligation	<b>₱202,563,930</b>	₱228,675,892
Fair value of plan assets	<b>(195,079,390)</b>	(193,042,924)
Net pension obligation	<b>₱7,484,540</b>	₱35,632,968

Changes in the defined benefit obligation are as follows:

	December 27, 2022	December 31, 2021
Defined benefit obligation at January 1	<b>₱228,675,892</b>	₱223,546,225
Current service cost	<b>23,156,392</b>	23,996,260
Benefits paid from plan assets	<b>(16,388,197)</b>	(14,941,130)
Actuarial gains	<b>(42,882,029)</b>	(11,908,985)
Interest cost	<b>11,197,663</b>	8,143,785
Net released obligation due to employee transfers	<b>(1,195,791)</b>	(160,263)
Defined benefit obligation at end of period	<b>₱202,563,930</b>	₱228,675,892



Changes in fair value of plan assets are as follows:

	December 27, 2022	December 31, 2021
Fair value of plan assets at January 1	<b>₱193,042,924</b>	₱213,557,234
Interest income	<b>10,327,394</b>	8,053,923
Contributions	<b>18,900,000</b>	—
Actuarial losses	<b>(10,802,731)</b>	(13,627,103)
Benefits paid	<b>(16,388,197)</b>	(14,941,130)
Fair value of plan assets at end of period	<b>₱195,079,390</b>	₱193,042,924

The principal assumptions used in determining pension obligation for the Company's plan as of January 1, 2022 and January 1, 2021 are shown below:

	2022	2021
Discount rate	<b>7.21%</b>	5.07%
Salary increase rate	<b>6.00%</b>	6.00%
Mortality rate	<b>2017 PCIM</b>	2017 PCIM
	<b>A scale ranging from</b>	A scale ranging
	<b>20% at age 18 to 0% at</b>	from 20% at age 18
Turnover rate	<b>age 60</b>	to 0% at age 60

The distribution of the Company's plan assets as of December 27, 2022 and December 31, 2021 follows:

	December 27, 2022	December 31, 2021
<b>Assets</b>		
Government securities	<b>₱183,999,268</b>	₱190,784,849
Deposit in banks	<b>9,209,511</b>	369,811
Accrued interest receivables	<b>1,943,985</b>	—
Other receivable	<b>33,486</b>	—
Unit investment trust funds (UITFs)	<b>32,061</b>	986,433
Corporate bonds and debt instruments	<b>—</b>	1,028,321
	<b>195,218,311</b>	193,169,414
<b>Liabilities</b>		
Accounts payable	<b>138,921</b>	126,490
<b>Net assets</b>	<b>₱195,079,390</b>	₱193,042,924

In view of the merger as disclosed in Note 1 to the financial statements, the Company expects to contribute ₱37.35 million to its retirement plan relating to the general insurance business in 2023.

The rollforward analysis of remeasurement gain (loss) on retirement plan follows:

	Note	December 27, 2022	December 31, 2021
At January 1		<b>(₱1,904,964)</b>	(₱575,283)
CREATE Act impact		—	(41,092)
Recognized in OCI		<b>32,079,298</b>	(1,718,118)
Tax effect	22	<b>(8,019,824)</b>	429,529
Balance at end of period		<b>₱22,154,510</b>	(₱1,904,964)



### *Sensitivities*

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

#### **December 27, 2022**

	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)
Discount rate	+1.00%	(₱15,238,446)
	-1.00%	17,510,828
Salary increase rate	+1.00%	18,541,492
	-1.00%	(16,388,458)
Turnover rate	+20.00%	(769,714)
	-20.00%	709,107

#### **December 31, 2021**

	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)
Discount rate	+1.00%	(₱21,406,687)
	-1.00%	22,851,219
Salary increase rate	+1.00%	24,524,512
	-1.00%	(21,368,080)
Turnover rate	+20.00%	(5,354,235)
	-20.00%	6,172,447

The average duration of the expected benefit payments at the end of the reporting period is 11.48 years as of December 27, 2022 and 17.48 years as of December 31, 2021.

The following shows the maturity profile for the undiscounted benefits payments of the Company:

#### **December 27, 2022**

Plan Year	Expected Benefit		Total
	Normal Retirement	Payments Other than Normal Retirement	
Less than one year	₱1,722,713	₱17,113,116	₱18,835,829
More than one year to five years	15,170,051	68,233,071	83,403,122
More than five years to 10 years	46,495,170	106,457,439	152,952,609
More than 10 years to 15 years	66,756,495	106,236,098	172,992,593
More than 15 years to 20 years	108,598,870	95,218,692	203,817,562
More than 20 years	266,250,618	131,706,264	397,956,882



December 31, 2021

Plan Year	Expected Benefit		Total
	Normal Retirement	Payments Other than Normal Retirement	
Less than one year	₱—	₱14,442,364	₱14,442,364
More than one year to five years	13,280,576	66,323,054	79,603,630
More than five years to 10 years	37,182,928	107,206,497	144,389,425
More than 10 years to 15 years	58,166,634	112,275,847	170,442,481
More than 15 years to 20 years	106,056,237	106,528,686	212,584,923
More than 20 years	308,684,421	152,097,398	460,781,819

## 22. Income Tax

Current tax regulations provide that the RCIT rate shall be 25% and that interest allowed as a deductible expense is reduced by 20% of interest income subjected to final tax.

An Optional Standard Deduction (OSD) equivalent to 40% of gross income may be claimed as an alternative deduction in computing for the RCIT.

Current tax regulations also provide for a Minimum Corporate Income Tax (MCIT) of 1% on modified gross income and allow a NOLCO. The MCIT is imposed on the fourth taxable year from commencement of the Company's business operations. The MCIT may be applied against the Company's income tax liability and taxable income over a three-year period from the year of inception

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

Based on the provisions of Revenue Regulations (RR) No. 5-2022 dated April 8, 2021 issued by the BIR, the prorated MCIT rate of the Company for CY2020 is 1.5%. This resulted in a lower provision for current income tax of ₱3.31 million for the year ended December 31, 2020. The reduced amounts were reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes are recognized in the 2021 financial statements.

This also resulted to a write-down of the deferred tax assets of the Company recognized as of December 31, 2020 by ₱47.49 million. This is recognized as provision for income tax - deferred in the 2021 financial statements.



### Current Tax

The provision for current income tax consists of:

	December 27, 2022	December 31, 2021
Current		
MCIT	<b>₱4,918,611</b>	₱7,681,283
Final	<b>37,239,118</b>	38,306,266
Impact of CREATE Act in CY2021	–	(3,306,137)
	<b>42,157,729</b>	42,681,412
Deferred:		
Deferred income tax	<b>(45,517,187)</b>	(128,800,486)
Impact of CREATE Act in CY2021	–	47,491,979
	<b>(45,517,187)</b>	(81,308,507)
	<b>(₱3,359,458)</b>	(₱38,627,095)

### Deferred Tax

The net deferred income tax assets consist of the tax effects of the following:

	December 31, 2022	December 31, 2021
Deferred tax assets:		
Provision for IBNR and ULAE	<b>₱211,545,379</b>	₱224,676,137
Accrued expenses	<b>136,724,822</b>	93,206,398
Allowance for doubtful accounts	<b>72,005,870</b>	94,020,448
MCIT	<b>24,941,700</b>	–
Deferred reinsurance commissions	<b>10,406,201</b>	₱13,162,122
Unamortized past service cost	<b>3,444,457</b>	4,520,981
Retirement benefit obligation	<b>1,871,135</b>	8,908,242
Total deferred tax assets	<b>460,939,564</b>	438,494,328
Deferred tax liabilities:		
Deferred acquisition costs	<b>54,981,078</b>	64,079,348
Excess of provision for unearned premiums per books over tax basis	<b>1,140,415</b>	3,926,300
Unrealized foreign exchange gain	<b>425,342</b>	3,593,314
Total deferred tax liabilities	<b>56,546,835</b>	71,598,962
	<b>₱404,392,729</b>	₱366,895,366

Movements in deferred tax that were recognized in OCI and profit or loss in 2022 and 2021 follows:

	Note	December 27, 2022	December 31, 2021
Recognized in OCI	6, 21	<b>₱8,019,824</b>	(₱15,868,367)
Recognized in profit or loss		<b>(45,517,187)</b>	(81,308,507)
		<b>(₱37,497,363)</b>	(₱97,176,874)



A reconciliation of the statutory income tax rate to effective income tax rate in 2022 and 2021 follows:

	<b>December 31, 2022</b>	December 31, 2021
Statutory income tax rate	<b>25.00%</b>	(25.00%)
Tax effects of:		
Income subject to final tax	<b>(3.83%)</b>	(0.39%)
Income not subject to income tax	<b>(2.72%)</b>	(1.37%)
Nondeductible expenses	<b>0.63%</b>	3.83%
Impact of CREATE Act	—	8.21%
Movement of unrecognized deferred tax assets	<b>(21.81%)</b>	7.54%
Effective income tax rate	<b>(2.73%)</b>	(7.18%)

As of December 27, 2022 and December 31, 2021, the Company did not recognize deferred tax assets on the deductible temporary.

	<b>December 27, 2022</b>	December 31, 2021
NOLCO	<b>₱143,571,476</b>	₱183,421,432
Allowance for doubtful accounts	<b>28,323,383</b>	22,528,350
IBNR	—	41,059,460
MCIT	—	22,669,417
	<b>₱171,894,859</b>	₱269,678,659

On September 30, 2020, the Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, otherwise known as “Bayanihan to Recover as One Act”, allowing qualified businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. Prior to this, NOLCO may be applied against the Company’s gross income over three consecutive taxable years immediately following the year of such loss.

Details of the Company’s NOLCO follow:

Inception year	Amount	Used	Expired	Balance	Expiry Year
2019	₱917,521,735	₱315,273,113	₱602,248,622	₱—	2022
2021	131,437,108	—	—	131,437,108	2026
2022	12,134,368	—	—	12,134,368	2025
	<b>₱1,061,093,211</b>	<b>₱315,273,113</b>	<b>₱602,248,622</b>	<b>₱143,571,476</b>	

Details of the Company’s MCIT are as follows:

Inception year	Amount	Used	Expired	Balance	Expiry Year
2019	₱2,646,328	₱—	₱2,646,328	₱—	2022
2020	12,341,806	—	—	12,341,806	2023
2021	7,681,283	—	—	7,681,283	2024
2022	4,918,611	—	—	4,918,611	2025
	<b>₱27,588,028</b>	<b>₱—</b>	<b>₱2,646,328</b>	<b>₱24,941,700</b>	





## 23. Related Party Transaction

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Company, in its regular conduct of business, has entered into transactions with related parties principally consisting of the following:

### December 27, 2022

Category	Volume/ Amount	Outstanding Balance	Terms	Conditions
<b>Philippine AXA Life Insurance Corporation</b>				
Direct premiums	₱449	₱—	—	—
Shared service cost (Note 19)	103,101,760	—	—	—
Accounts payable and accrued expenses	—	488,993,630	Due and Demandable; non-interest bearing	Unsecured; no impairment
<b>Metropolitan Bank and Trust Company</b>				
Direct premiums	48,655,919	—	—	—
Premiums receivable	—	27,040,229	Due and Demandable; non-interest bearing	Unsecured; with impairment
Investment expense	852,795	—	—	—
Bank charges	4,300,233	—	—	—
Time deposit placements	—	343,000,000	46 to 76 days; 3.5% - 5.88%	—
Interest income on time deposits	4,895,723	—	3.5% - 5.88%	—
Accrued interest on time deposits	—	904,892	3.5% - 5.88%	—
Savings and current deposits	—	127,084,539	0.125% - 0.0625%	—
Interest income on savings deposits	87,984	—	0.125% - 0.0625%	—
Investment in AFS equity securities	—	7,187,655	Common shares	—
Unrealized gain on equity securities	969,485	—	—	—
Rent expense	1,571,269	—	—	—
Utilities	53,301	—	—	—
Plan assets	—	18,900,000	—	No impairment
Dividend income	374,887	—	—	—
<b>First Metro Investment Corporation</b>				
Direct premiums	948,389	—	—	—
Premiums receivable	—	313,561	Due and demandable	Unsecured; with impairment
<b>Philippine Savings Bank</b>				
Direct premiums	38,388,502	—	—	—
Premiums receivable	—	10,748,856	Due and demandable; non-interest bearing	Unsecured; with impairment
Interest income on time deposits	1,113,937	—	0.45% - 4%	—
Savings and current deposits	—	25,508,808	0.125%	—
Interest income on savings deposit	22,796	—	0.125%	—
Other Underwriting Expense	31,309,016	—	—	—
Investment Expense	50	—	—	—



Category	Volume/ Amount	Outstanding Balance	Terms	Conditions
<b>Federal Land Inc.</b>				
Direct premiums	₱3,645,669	₱—	—	—
Premiums receivable	—	956,009	Due and demandable; non- interest bearing	Unsecured; with impairment
Rent expense	15,130,456	—	—	—
Rental and security deposits	—	4,398,644	Due and demandable; non- interest bearing	—
Utilities	2,123,059	—	—	—
Association dues	8,507,142	—	—	—
<b>ORIX Metro Leasing and Financing Corporation</b>				
Direct premiums	14,443,955	—	—	—
Premiums receivable	—	10,165,283	Due and demandable; non- interest bearing	Unsecured; with impairment
<b>LMI Insurance Agency, Inc.</b>				
Commission expense	32,135,708	—	—	—
Commission payable	—	40,062,896	Due and demandable; non- interest bearing	—
<b>OMLF Insurance Agency, Inc.</b>				
Direct premiums	32,352	—	—	—
Commission expense	63,593,210	—	—	—
Commission payable	—	5,382,948	Due and demandable; non- interest bearing	—
<b>TMBC Insurance Agency, Inc.</b>				
Commission expense	41,110,857	—	—	—
Commission payable	—	25,161,073	Due and demandable; non- interest bearing	—
<b>ORIX Auto Leasing Phils. Corporation</b>				
Direct premiums	192,219	—	—	—
Premiums receivable	—	181	Due and demandable; non- interest bearing	Unsecured; with impairment
<b>ORIX Rental Corporation</b>				
Direct premiums	50,833,086	—	—	—
Premiums receivable	—	5,784,688	Due and demandable; non- interest bearing	Unsecured; with impairment
<b>Toyota Financial Services Philippine Corporation</b>				
Direct premiums	15,070,641	—	—	—
Premiums receivable	—	238,310	Due and demandable; non- interest bearing	Unsecured; with impairment



Category	Volume/ Amount	Outstanding Balance	Terms	Conditions
<b>Toyota Manila Bay Corporation</b>				
Direct premiums	₱584,065	₱—	—	—
Premiums receivable	—	296,315	Due and demandable; non- interest bearing	Unsecured; with impairment
<b>Toyota Motors Philippines Corporation</b>				
Direct premiums	19,791,454	—	—	—
Premiums receivable	—	616	Due and demandable; non- interest bearing	Unsecured; with impairment
<b>Cathay International Resources Corporation</b>				
Direct premiums	2,943,866	—	—	—
<b>GT Capital Holdings</b>				
Direct premiums	602,063	—	—	—
Premiums receivable	—	363,234	Due and demandable; non- interest bearing	Unsecured; with impairment
Dividend income	19,338	—	—	—
Investment in AFS equity securities	—	2,829,794	Common shares	—
Investment in AFS debt securities	—	19,999,607	10 years; 5.09%	Unsecured; no impairment
Accrued interest on debt securities	—	76,971	5.09%	—
Interest income on debt securities	764,055	—	5.09%	—
Unrealized loss on equity securities	547,261	—	—	—
<b>AXA Global P&amp;C (AXA Global RE)</b>				
Reinsurer's share of gross premiums on insurance contracts	563,300,794	—	—	—
Commission income	67,362,988	—	—	—
Funds held by ceding company	—	118,887,330	Non-interest bearing	Unsecured; no impairment
Reinsurance recoverable on paid losses	—	373,238,361	Due and demandable; non- interest bearing	Unsecured; no impairment
Reinsurance recoverable on unpaid losses	—	707,701,382	Non-interest bearing	Unsecured; no impairment
Due to reinsurer	—	146,313,829	Non-interest bearing	Unsecured; no impairment
<b>First Metro Securities Brokerage Corporation</b>				
Direct premiums	193,446	—	—	—
Premiums receivable	—	120,761	Due and demandable; non- interest bearing	Unsecured; with impairment
Investment expense	109,980	—	—	—
<b>AXA Group Operations Hong Kong Limited (formerly AXA Technologies Services Asia Limited)</b>				
Service fee	21,199,017	—	—	—
Accounts payable	—	6,921,807	—	—



Category	Volume/ Amount	Outstanding Balance	Terms	Conditions
<b>AXA Asia</b>				
Service fee	₱46,287,589	₱—	—	—
Accounts payable and accrued expenses	—	67,624,188	Non-interest bearing	Unsecured; no impairment
<b>AXA General Insurance Hong Kong Limited</b>				
Reinsurer's share of gross premiums on insurance contracts	11,652,027	—	—	—
Commission income	3,018,971	—	—	—
Due to reinsurer		854,081	Non-interest bearing	Unsecured; no impairment
<b>First Metro Asset Management, Inc.</b>				
Direct premiums	313,591	—	—	—
<b>XL Insurance Co. SE (Singapore Branch) (formerly AXA Corporate Solutions Assurance Singapore Branch)</b>				
Service fee	10,302,563	—	—	—
Reinsurer's share of gross premiums on insurance contracts	17,851,839	—	—	—
Commission income	2,749,107	—	—	—
Reinsurance recoverable on unpaid losses	—	2,130,532	Due and demandable; non-interest bearing	Unsecured; no impairment
Reinsurance recoverable on paid losses	—	115,818	Due and demandable; non-interest bearing	Unsecured; no impairment
Due to reinsurer	—	8,411,031	Non-interest bearing	Unsecured; no impairment
<b>AXA Insurance Singapore PTE LTD</b>				
Service fee	687,488	—	—	—
Reinsurer's share of gross premiums on insurance contracts	377,995	—	—	—
Commission income	118,123	—	—	—
Due to reinsurer		270,323	Non-interest bearing	Unsecured; no impairment
<b>Sumisho Motor Finance Corp</b>				
Direct premiums	888,917	—	—	—
Premiums receivable	—	331,722	Due and demandable; non-interest bearing	Unsecured; with impairment
<b>AXA Group Operations SAS (formerly AXA Group Solutions SAS/AXA Services SAS)</b>				
Professional fees	996,106	—	—	—
<b>Horizon Land Property and Development Corporation</b>				
Direct premiums	550,226	—	—	—
Premiums receivable	—	373	Due and demandable; non-interest bearing	Unsecured; with impairment



Category	Volume/ Amount	Outstanding Balance	Terms	Conditions
<b>Assist and Assistance Concept, Inc.</b>				
Other underwriting expense	₱817,472	₱—	—	—
<b>Bonifacio Landmark Realty and Development Corporation</b>				
Direct premiums	164,327	—	—	—

December 31, 2021

Category	Volume/ Amount	Outstanding Balance	Terms	Conditions
<b>Philippine AXA Life Insurance Corporation</b>				
Shared service cost (Note 19)	₱187,096,715	₱—	—	—
Accounts payable and accrued expenses	—	355,728,956	Due and Demandable; non-interest bearing	Unsecured; no impairment
<b>Metropolitan Bank and Trust Company</b>				
Direct premiums	51,966,087	—	—	—
Premiums receivable	—	21,866,790	Due and Demandable; non-interest bearing	Unsecured; with impairment
Investment expense	6,386,292	—	—	—
Bank charges	2,543,350	—	—	—
Time deposit placements	—	60,000,000	57 to 63 days; 0.25% - 0.30%	—
Interest income on time deposits	170,590	—	0.25% - 0.30%	—
Accrued interest on time deposits	—	5,422	0.25% - 0.30%	—
Savings and current deposits	—	124,674,699	0.125% - 0.0625%	—
Interest income on savings deposits	154,165	—	0.125% - 0.0625%	—
Investment in AFS equity securities	—	10,687,438	Common shares	—
Unrealized gain on equity securities	1,819,862	—	—	—
Rent expense	6,213,898	—	—	—
Rental and security deposits	—	2,703,403	Non-interest bearing	No impairment
Utilities	485,207	—	—	—
CUSA/Association dues	235,076	—	—	—
Plan assets	—	23,744,323	—	No impairment
<b>First Metro Investment Corporation</b>				
Direct premiums	947,292	—	—	—
Premiums receivable	—	225,424	Due and demandable	Unsecured; with impairment
<b>Philippine Savings Bank</b>				
Direct premiums	56,178,991	—	—	—
Premiums receivable	—	6,504,098	Due and demandable; non-interest bearing	Unsecured; with impairment
Time deposit placements	—	348,498,500	30 to 43 days; 0.20% - 0.53%	—
Accrued interest on time deposits	—	83,773	0.20% - 0.53%	—
Interest income on time deposits	1,560,971	—	0.20% - 0.53%	—
Savings and current deposits	—	39,125,999	0.25% - 0.50%	—
Interest income on savings deposit	60,076	—	0.25% - 0.50%	—
Other underwriting expense	1,435,960	—	—	—
Investment expense	19,838	—	—	—
<b>Federal Land Inc.</b>				
Direct premiums	10,328,927	—	—	—
Premiums receivable	—	8,880,626	Due and demandable; non-interest bearing	Unsecured; with impairment
Rent expense	18,551,282	—	—	—



Category	Volume/ Amount	Outstanding Balance	Terms	Conditions
Rental and security deposits	₱—	₱4,398,644	Due and demandable; non-interest bearing	—
Utilities	3,227,606	—	—	—
Association dues	2,901,600	—	—	—
ORIX Metro Leasing and Financing Corporation				
Direct premiums	16,108,758	—	—	—
Premiums receivable	—	7,394,986	Due and demandable; non-interest bearing	Unsecured; with impairment
LMI Insurance Agency, Inc.				
Commission expense	13,429,898	—	—	—
Commission payable	—	4,270,183	Due and demandable; non-interest bearing	—
OMLF Insurance Agency, Inc.				
Commission expense	70,270,541	—	—	—
Commission payable	—	38,820,502	Due and demandable; non-interest bearing	—
TMBC Insurance Agency, Inc.				
Commission expense	40,251,939	—	—	—
Commission payable	—	22,801,307	Due and demandable; non-interest bearing	—
ORIX Auto Leasing Phils. Corporation				
Direct premiums	289,653	—	—	—
Premiums receivable	—	1,365	Due and demandable; non-interest bearing	Unsecured; with impairment
ORIX Rental Corporation				
Direct premiums	46,160,108	—	—	—
Premiums receivable	—	9,389,401	Due and demandable; non-interest bearing	Unsecured; with impairment
Toyota Financial Services Philippine Corporation				
Direct premiums	27,363,144	—	—	—
Premiums receivable	—	2,438,155	Due and demandable; non-interest bearing	Unsecured; with impairment
Toyota Manila Bay Corporation				
Direct premiums	638,247	—	—	—
Premiums receivable	—	534,556	Due and demandable; non-interest bearing	Unsecured; with impairment
Toyota Motors Philippines Corporation				
Direct premiums	20,914,252	—	—	—
Premiums receivable	—	1,232	Due and demandable; non-interest bearing	Unsecured; no impairment
Cathay International Resources Corporation				
Direct premiums	2,992,562	—	—	—
Premiums receivable	—	652,329	Due and demandable; non-interest bearing	Unsecured; no impairment
GT Capital Holdings				
Direct premiums	2,521,887	—	—	—



Category	Volume/ Amount	Outstanding Balance	Terms	Conditions
Premiums receivable	₱—	₱310,296	Due and demandable; non-interest bearing	Unsecured; with impairment
Dividend income	15,033	—	—	—
Investment in AFS equity securities	—	4,619,700	Common shares	—
Investment in AFS debt securities	—	20,513,882	10 years; 5.09%	Unsecured; no impairment
Accrued interest on debt securities	—	76,971	5.09%	—
Interest income on debt securities	1,018,740	—	5.09%	—
Unrealized loss on equity securities	180,921	—	—	—
AXA Global P&C (AXA Global RE)				
Reinsurer's share of gross premiums on insurance contracts	614,509,678	—	—	—
Commission income	68,807,873	—	—	—
Funds held by ceding company	—	45,915,567	Non-interest bearing	Unsecured; no impairment
Reinsurance recoverable on paid losses	—	336,534,122	Due and demandable; non-interest bearing	Unsecured; no impairment
Reinsurance recoverable on unpaid losses	—	288,412,831	Non-interest bearing	Unsecured; no impairment
First Metro Securities Brokerage Corporation				
Direct premiums	284,982	—	—	—
Premiums receivable	—	188,032	Due and demandable; non-interest bearing	Unsecured; with impairment
Investment expense	493,806	—	—	—
AXA Group Operations Hong Kong Limited (formerly AXA Technologies Services Asia Limited)				
Service fee	25,743,430	—	—	—
Accounts payable	—	6,024,318	—	—
AXA Asia				
Service fee	58,751,444	—	—	—
Accounts payable and accrued expenses	—	26,049,381	Non-interest bearing	Unsecured; no impairment
AXA General Insurance Hong Kong Limited				
Reinsurer's share of gross premiums on insurance contracts	230,958	—	—	—
Commission income	10,311	—	—	—
First Metro Asset Management, Inc.				
Direct premiums	260,810	—	—	—
XL Insurance Co. SE (Singapore Branch) (formerly AXA Corporate Solutions Assurance Singapore Branch)				
Reinsurer's share of gross premiums on insurance contracts	20,037,067	—	—	—
Commission income	3,231,800	—	—	—
Reinsurance recoverable on unpaid losses	—	3,591,178	Due and demandable; non- interest bearing	Unsecured; no impairment
Reinsurance recoverable on paid losses	—	115,818	Due and demandable; non- interest bearing	Unsecured; no impairment



Category	Volume/ Amount	Outstanding Balance	Terms	Conditions
Due to reinsurer	₱—	₱4,266,380	Non-interest bearing	Unsecured; no impairment
AXA Insurance Singapore PTE LTD				
Reinsurer's share of gross premiums on insurance contracts	22,926,695	—	—	—
Commission income	6,616,954	—	—	—
Due to reinsurer		689,054	Non-interest bearing	Unsecured; no impairment
AXA Business Services PVT LTD				
Professional fees	364,275	—	—	—
Sumisho Motor Finance Corp				
Direct premiums	720,072	—	—	—
Premiums receivable	—	569,812	Due and demandable; non-interest bearing	Unsecured; with impairment
AXA Group Operations SAS (formerly AXA Group Solutions SAS/AXA Services SAS)				
Professional fees	3,343,719	—	—	—
Horizon Land Property and Development Corporation				
Direct premiums	3,627,292	—	—	—
Premiums receivable	—	12,561	Due and demandable; non-interest bearing	Unsecured; with impairment
Assist and Assistance Concept, Inc.				
Other underwriting expense	7,656,187	—	—	—
Bonifacio Landmark Realty and Development Corporation				
Direct premiums	40,054,297	—	—	—
Premiums receivable	—	6,524	Due and demandable; non-interest bearing	Unsecured; with impairment

Companies within the AXA Group allocated certain expenses to the Company which pertains to shared service costs for providing services on management planning, support and maintenance services, procurement regional projects and information technology service delivery charges. Total amount of Service fees allocated to CPAIC are included in the 'Outside services' which amounted to ₱114.65 million and ₱187.10 million for the period ended December 27, 2022 and year ended December 31, 2021, respectively (see Note 19).

## 24. Lease Commitments

The Company is a party under various leases covering certain offices which have lease terms between 1 to 8 years for its branches. These leases have an average life of between 1 to 8 years with renewal terms included in the contracts. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include termination options which the management is reasonably certain not to exercise.





The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the Company's business needs. Management exercises significant judgment in determining whether these assets and termination options are reasonably certain to be exercised. Based on management's assessment, the Company will not terminate any contracts and/or plan to avail of the extension of contracts.

The Company also has certain leases with lease terms of 12 months or less and leases with low-value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period.

	Notes	December 27, 2022	December 31, 2021
At January 1		<b>₱23,348,115</b>	₱44,095,521
Additions		<b>894,089</b>	13,081,806
Disposals		<b>(654,366)</b>	(10,313,882)
Depreciation expense	19	<b>(19,184,103)</b>	(23,515,330)
Balance at end of period		<b>₱4,403,735</b>	₱23,348,115

The Company also recognized lease liability with movements stated below:

		December 27, 2022	December 31, 2021
At January 1		<b>₱24,621,405</b>	₱48,630,043
Additions		<b>894,089</b>	13,081,806
Interest expense		<b>1,056,361</b>	3,930,719
Disposals		<b>(1,522,134)</b>	(11,185,247)
Payments		<b>(20,876,148)</b>	(29,835,916)
Balance at end of period		<b>₱4,173,573</b>	₱24,621,405

The Company recognized a gain on pre-termination of lease contracts amounting to ₱0.87 million for the period ended December 27, 2022 and year ended 2021.

The maturity analysis of lease liabilities is disclosed in Note 26.

The following are the amounts recognized in statement of income:

	Notes	December 27, 2022	December 31, 2021
Depreciation expense of right-of-use assets		<b>₱19,184,103</b>	₱23,515,330
Interest expense on lease liabilities		<b>1,056,361</b>	3,930,719
Expenses relating to short-term leases	19	<b>11,038,910</b>	4,163,650
Expenses relating to leases of low-value assets	19	<b>1,620,000</b>	4,538,950
Total amount recognized in statement of income		<b>₱32,899,374</b>	₱36,148,649



Minimum lease payments due:

	<b>December 27, 2022</b>	December 31, 2021
Within one (1) year	<b>₱3,911,372</b>	₱20,467,415
More than one (1) year but less than five (5) years	<b>358,279</b>	5,545,240
	<b>₱4,269,651</b>	₱26,012,655

## 25. Management of Capital, Insurance and Financial Risks

### Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the individual business unit levels. The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

### Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close right to ensure that the Company is satisfactorily managing the affairs for their benefit. At the same time, the regulators are also ensuring that the Company maintains appropriate solvency position to meet liabilities arising from claims and that the risks are at acceptable levels.

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g. minimum statutory net worth and risk-based capital requirements).

On August 5, 2013, the President of the Philippines approved the Republic Act No. 10607 to be known as the "New Insurance Code" which provides the new capitalization requirements of all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

On January 13, 2015, the IC issued Circular Letter No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. All domestic life and non-life insurance companies duly licensed by the IC must have a net worth of at least ₱250.00 million by December 31, 2013. The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

<b>Networth</b>	<b>Compliance Date</b>
₱550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

As of December 27, 2022, the Company's estimated statutory net worth amounted to ₱1.66 billion and the Company's net worth as of December 31, 2021 after verification of the IC amounted to ₱1.51 billion.



For the period ended December 27, 2022 and year ended December 31, 2021, the Company has complied with the minimum net worth requirements.

The premiums received by the Company from policyholders are properly invested not only to provide for policy obligations but also to serve as capital or surplus to provide margin of safety which will attract insurance buyers.

The funds invested shall produce an investment income that will be needed to pay stockholders a fair return. While part of this income is due to favorable loss experience and sound cost management, a major portion of additional profits must be earned by managing the investment portfolio to produce a higher return on investment. While there may be a wide range of investment opportunities, the investment portfolio must always reflect the safety of the funds.

Since these funds are held in fiduciary capacity, the New Insurance Code contains investment provisions that the Company should observe to protect the interest of the policyholders and of the stockholders.

The three (3) general classifications of investment requirements are:

1. Capital Investments - The Company must invest at least 25% of its minimum net worth in bonds or other evidences of debt of the Government of the Philippines or its political subdivisions or in government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas.  
Furthermore, investments shall at all times be maintained free from any lien or encumbrance and shall be deposited and held by the Commissioner of the IC for the benefit and security of the policyholders.
2. Reserve Investment - The Company must invest 100% of the Reserve for unearned premiums and Reserve funds withheld for authorized reinsurer in common or preferred stocks and government or private bonds, real estate and real estate loans, collateral loans, adequately secured obligations and other securities as may be approved by the Commissioner.
3. Surplus Investment - After complying with the capital and reserve investment requirements, the Company may invest any portion of its funds, representing earned surplus in stocks, bonds, real estate, equities of other financial institutions, engaged in the buying and selling of short-term debt instruments, securities issued by registered enterprises under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987.

Section 201 of the New Insurance Code provides that a domestic non-life insurance company shall declare or distribute dividends on its outstanding capital stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the solvency requirements;
- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.



### **Risk-based capital requirements**

In 2006, the IC issued Memorandum Circular (IMC) No. 7-2006 adopting a risk-based capital framework to establish the required amounts of capital to be maintained by non-life insurance companies in relation to their investment and insurance risks. The RBC ratio of a company shall be calculated as Net worth divided by the RBC requirement. Net worth shall include the Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the Insurance Commissioner.

In 2016, the IC issued Circular Letter No. 2016-68, Amended Risk-Based Capital (RBC2) Framework, pursuant to Section 437 of the Amended Insurance Code. The RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis (e.g. Capital Stock, Statutory Deposit, Capital Stock Subscribed, Contributed Surplus, etc.). Tier 2 Capital does not have the same high quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer [e.g. Reserve for Appraisal Increment – Property and Equipment, Remeasurement Gains (Losses) on Retirement Pension Asset (Obligation), etc.]. Tier 2 Capital shall not exceed 50% of Tier 1 Capital.

The minimum RBC ratio is set at 100%. All insurance companies are required to maintain the minimum RBC ratio and not fail the Trend Test.

The following table shows how the RBC ratio as of December 27, 2022 and for the year ended December 31, 2021 was determined by the Company:

	<b>December 27, 2022</b>	December 31, 2021
Total Available Capital	<b>₱1,890,639,078</b>	₱1,811,252,493
RBC requirement	<b>661,263,070</b>	887,709,506
RBC Ratio	<b>286%</b>	204%

The final RBC ratio 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 under the Code. In 2021, the RBC ratio was determined to be at 211% based on the examination made by the IC.

### **New regulatory framework**

Pursuant to the powers vested in the Insurance Commissioner by Sections 189, 200, 437 and 438 of Republic Act (RA) No. 10607, otherwise known as the Insurance Code, as amended, the following regulatory requirements and actions for the new regulatory framework are hereby adopted and promulgated:

*Circular Letter No. 2016-65, Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607)*, prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies. This circular was further amended by CL No. 2018-54 to clarify the provisions of Section 6.1 ("Miscellaneous Provisions").



*Circular Letter 2018-18, Valuation Standards for Non-Life Insurance Policy Reserves*, prescribes the new valuation methodology for the non-life insurance companies. This CL supersedes CL No. 2016-67 and amends CL No. 2015-06 “New Reserves Computation for the Compulsory Insurance Coverage for Migrant Workers.” CL No. 2018-18 was further supplemented by CL No. 2018-76, Discount Rates for Non-Life Insurance Policy Reserves as of 31 December 2018, prescribing the use of Peso spot and forward rates derived from the PHP BVAL Reference rates from Bloomberg and the Dollar spot and forward rates derived from the International Yield Curve from Bloomberg for Peso-denominated and US Dollar-denominated policies, respectively.

*Circular Letter No. 2016-68, Amended Risk-Based Capital (RBC2) Framework*, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the Trend Test as stated under Section 3 of this Circular. The RBC ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement.

*Implementation requirements and transition accounting*

*Circular Letter No. 2016-69, Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-based Capital Framework*. The new regulatory requirements under circular letters 2016-65, 2016-68 and 2018-18 shall take effect beginning January 1, 2017.

This circular was further amended by CL No. 2018-19 allowing companies to set the Margin for Adverse Deviation (MfAD) as follows:

<b>Period Covered</b>	<b>Percentage (%) of company specific MfAD</b>
2017	0%
2018	50%
2019 onwards	100%

*Circular Letter No. 2017-15, Regulatory Requirements and Actions for the New Regulatory Framework*. The cumulative prior year impact of the changes arising from the adoption of the New Financial Reporting Framework, including the revaluation of the reserves for Claims and Premiums Liabilities computed based on the new valuation standards for non-life insurance policy reserves as provided under CL No. 2016-67, shall be recognized in “Retained Earnings – Transition Adjustments” account except for items listed in Section 2.1. All changes in valuation shall be measured net of any tax effect.

*Circular Letter No. 2020-58, Regulatory Relief on the admittance of Premiums Receivable due to COVID-19 pandemic*. The basis for admitting Premium Receivable account (direct agents, general agents and insurance brokers) for all non-life insurance and professional reinsurance companies shall be adjusted from ninety (90) days to one hundred eighty (180) days from the date of issuance of the policies. This rule shall be applied to annual and quarterly financial reports for the year 2020 unless extended or changed as deemed necessary by this Commission.

*Circular Letter No. 2021-43, Extension of the Regulatory Relief on the admittance of Premiums Receivable due to COVID-19 pandemic*. This rule shall be applied to annual and quarterly financial reports for the year 2021 unless extended or changed as deemed necessary by this Commission.

*Circular Letter No. 2022-30, Regulatory Relief on the Admittance of Premiums Receivable due to the COVID-19 Pandemic for the periods ending 31 December 2020 up to 30 June 2022*. This rule shall be applied only to quarterly reports and annual statements covering the periods 2020 and 2021; and 1<sup>st</sup> and 2<sup>nd</sup> quarter reports for the year 2022, provided, that the non-life insurance company shall



submit a proof allowing the credit term beyond ninety (90) days to its policyholders, and a separate premiums receivable aging schedule with supporting documents.

#### Insurance Risk

The risk under insurance contracts is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claims. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

Occurrence risk - the possibility that the number of insured events will differ from those expected.

Severity risk - the possibility that the cost of the events will differ from those expected.

Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The variability of risks can also be improved by careful selection and implementation of underwriting strategy and guidelines.

The business of the Company comprises short-term non-life insurance contracts. For general insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

These risks currently do not vary significantly in relation to the location of the risk insured by the Company whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company has an objective to control and minimize insurance risk, to reduce volatility of operating profits. The Company manages insurance risk through the following mechanisms:

The use and maintenance of management information systems that provide up-to-date, accurate and reliable data on risk exposure at any point in time.

Guidelines are issued for concluding insurance contracts and assuming insurance risks.

Pro-active claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.

Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.

Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

#### Reinsurance

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on a quota-share basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets. Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.



The Company is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any reinsurance contract.

The following table sets out the concentration of the claims liabilities by type of contract:

	December 27, 2022			December 31, 2021		
	<i>*Reinsurers'</i>			<i>*Reinsurers'</i>		
	<i>*Gross</i>	<i>Share of</i>	<i>*Net Liabilities</i>	<i>*Gross</i>	<i>Share of</i>	<i>*Net Liabilities</i>
	<i>Liabilities</i>	<i>Liabilities</i>		<i>Liabilities</i>	<i>Liabilities</i>	
Fire	₱2,851,445,183	₱2,364,765,249	₱486,679,935	₱3,986,063,838	₱3,066,040,551	₱920,023,287
Engineering	305,412,779	237,860,340	67,552,439	240,197,712	174,013,569	66,184,143
Bonds	176,939,246	137,257,625	39,681,621	213,504,582	166,020,793	47,483,789
Motorcar	743,858,401	101,465,411	642,392,990	741,331,445	18,014,306	723,317,139
Marine	214,558,812	119,902,344	94,656,468	259,194,938	115,409,060	143,785,878
Accident	76,055,306	21,303,906	54,751,400	65,144,971	7,469,636	57,675,334
Casualty	123,410,329	112,195,584	11,214,745	129,123,388	108,357,123	20,766,265
	<b>₱4,491,680,056</b>	<b>₱3,094,750,459</b>	<b>₱1,396,929,598</b>	<b>₱5,634,560,874</b>	<b>₱3,655,325,038</b>	<b>₱1,979,235,835</b>

*\*gross of allowance*

### *Terms and Conditions*

The major classes of general insurance written by the Company include motor, fire and marine insurance. Risks under these policies usually cover 12-month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the end of the reporting period.

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

Claims provisions are separately analyzed by class of business. In addition, larger claims are usually either separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

### Assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example once off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

### Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions such as legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

The analysis below is performed for a reasonable possible movement in key assumptions with all other assumptions held constant, on the statement of comprehensive income and equity.



### December 27, 2022

	Change in assumptions	Increase (decrease) in gross liabilities	Increase (decrease) in net liabilities	Increase (decrease) in profit before tax	Increase (decrease) in equity
Average claim cost	-13.40%	(P601,689,465)	(P187,127,714)	(P187,127,714)	(P140,345,786)
Average number of claims	-6.70%	(300,992,192)	(93,609,718)	93,609,718	70,207,289

### December 31, 2021

	Change in assumptions	Increase (decrease) in gross liabilities	Increase (decrease) in net liabilities	Increase (decrease) in profit before tax	Increase (decrease) in equity
Average claim cost	32.77%	P1,846,375,660	P648,571,016	(P648,571,016)	(P9,509,712)
Average number of claims	-16.16%	(910,396,445)	(319,792,316)	319,792,316	267,108,682

### Claims Development Table

Reproduced below are the tables showing the development of claims over a period of time on a gross and net reinsurance basis for fire, engineering, bonds, motorcar, marine, personal accident and casualty lines.





The tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each end of the reporting period, together with cumulative payments to date.

Gross general insurance contract liabilities for the period ended December 27, 2022

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2021	2022	Total
<b>Estimate of ultimate claims costs:</b>											
At the end of accident year	₱7,761,718,192	₱1,548,416,776	₱1,626,715,450	₱2,124,908,695	₱2,656,448,702	₱3,480,606,464	₱3,544,628,454	₱1,674,778,395	₱1,630,028,134	₱1,121,481,781	
One year later	8,698,032,766	1,561,574,619	1,905,134,447	2,106,628,531	2,789,414,948	3,537,860,707	3,571,055,540	1,604,534,974	2,784,091,590	-	₱1,121,481,781
Two years later	8,605,422,974	1,531,214,385	1,850,268,227	2,028,565,958	2,666,436,105	3,576,609,741	3,445,160,674	1,546,623,919	-	-	₱1,121,481,781
Three years later	9,027,142,072	1,496,233,910	1,803,874,862	2,022,039,280	2,650,204,223	3,547,994,771	3,430,024,452	-	-	-	₱1,121,481,781
Four years later	8,492,888,336	1,488,957,220	1,804,444,913	2,003,086,914	2,581,523,623	3,572,936,431	-	-	-	-	₱1,121,481,781
Five years later	8,480,918,274	1,485,875,067	1,795,314,750	1,951,346,725	2,591,250,128	-	-	-	-	-	₱1,121,481,781
Six years later	8,475,905,047	1,487,929,171	1,861,863,615	1,996,741,862	-	-	-	-	-	-	₱1,121,481,781
Seven years later	8,309,487,135	1,488,742,613	1,797,106,918	-	-	-	-	-	-	-	₱1,121,481,781
Eight years later	8,325,855,904	1,487,267,316	-	-	-	-	-	-	-	-	₱1,121,481,781
Nine years later	8,499,086,981	-	-	-	-	-	-	-	-	-	₱1,121,481,781
Current estimate of cumulative claims	8,499,086,981	1,487,267,316	1,797,106,918	1,996,741,862	2,591,250,128	3,572,936,431	3,430,024,452	1,546,623,919	2,784,091,590	1,121,481,781	28,826,611,378
Cumulative payments to date	7,523,741,703	1,467,319,924	1,794,617,691	1,943,563,824	2,533,796,262	3,533,050,407	3,256,406,526	1,491,147,254	2,001,137,532	653,990,662	26,198,771,785
<b>Total gross insurance liabilities included in the statement of financial position (Note 12)</b>	<b>₱975,345,278</b>	<b>₱19,947,392</b>	<b>₱2,489,227</b>	<b>₱3,178,038</b>	<b>₱57,453,866</b>	<b>₱9,886,024</b>	<b>₱173,617,926</b>	<b>₱55,476,665</b>	<b>₱782,954,058</b>	<b>₱467,491,119</b>	<b>₱2,627,839,593</b>

Net general insurance contract liabilities for the year ended 2022

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2021	2022	Total
<b>Estimate of ultimate claims costs:</b>											
At the end of accident year	₱4,894,835,379	₱1,116,483,010	₱1,340,401,248	₱1,745,978,418	₱1,813,246,675	₱2,278,514,311	₱2,479,547,862	₱1,466,416,720	₱1,343,652,559	₱1,015,588,380	₱1,015,588,380
One year later	4,244,083,050	1,002,727,502	1,281,375,633	1,757,071,046	1,989,127,453	2,522,969,840	2,604,065,515	1,404,687,705	1,494,634,454	-	₱1,015,588,380
Two years later	3,795,652,590	933,863,422	1,244,887,700	1,718,520,921	1,952,065,037	2,389,024,916	2,460,755,643	1,353,137,339	-	-	₱1,015,588,380
Three years later	3,607,952,227	924,271,079	1,249,107,061	1,718,102,322	1,903,172,605	2,367,683,365	2,516,693,129	-	-	-	₱1,015,588,380
Four years later	3,449,759,819	934,304,280	1,247,895,401	1,726,804,887	1,929,228,020	2,337,279,322	-	-	-	-	₱1,015,588,380
Five years later	3,586,615,665	935,706,141	1,246,162,790	1,734,395,952	1,924,486,828	-	-	-	-	-	₱1,015,588,380
Six years later	3,549,761,641	937,167,104	1,257,946,887	1,733,719,993	-	-	-	-	-	-	₱1,015,588,380
Seven years later	3,517,164,632	939,905,632	1,250,084,886	-	-	-	-	-	-	-	₱1,015,588,380
Eight years later	3,520,555,637	935,271,590	-	-	-	-	-	-	-	-	₱1,015,588,380
Nine years later	3,483,829,893	-	-	-	-	-	-	-	-	-	₱1,015,588,380
Current estimate of cumulative claims	3,483,829,893	935,271,590	1,250,084,886	1,733,719,993	1,924,486,828	2,337,279,322	2,516,693,129	1,353,137,339	1,494,634,454	1,015,588,380	18,044,725,814
Cumulative payments to date	3,460,871,143	934,847,649	1,247,622,853	1,727,486,350	1,911,756,859	2,332,398,529	2,480,218,320	1,328,280,759	1,452,561,817	617,933,455	17,493,977,734
<b>Total net insurance liabilities included in the statement of financial position (Note 12)</b>	<b>₱22,958,750</b>	<b>₱423,941</b>	<b>₱2,462,033</b>	<b>₱6,233,643</b>	<b>₱12,729,969</b>	<b>₱4,880,793</b>	<b>₱36,474,809</b>	<b>₱24,856,580</b>	<b>₱42,072,637</b>	<b>₱397,654,925</b>	<b>₱550,748,080</b>



### Gross general insurance contract liabilities for 2021

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2021	2022	Total
Estimate of ultimate claims costs:											
At the end of accident year	P4,853,146,473	P2,908,571,719	P1,548,416,776	P1,626,715,450	P2,124,908,695	P2,656,448,702	P3,480,606,464	P3,544,628,454	P1,674,778,395	P1,630,028,134	P1,630,028,134
One year later	5,143,198,080	3,554,834,687	1,561,574,619	1,905,134,447	2,106,638,531	2,789,414,948	3,537,860,707	3,571,055,540	1,604,534,974	-	1,604,534,974
Two years later	5,172,444,912	3,432,978,063	1,531,214,385	1,850,268,227	2,028,565,958	2,666,436,105	3,576,609,741	3,445,160,674	-	-	3,445,160,674
Three years later	5,597,965,402	3,429,176,669	1,496,233,910	1,803,874,862	2,022,039,280	2,650,204,223	3,547,994,771	-	-	-	3,547,994,771
Four years later	5,097,492,533	3,395,395,803	1,488,957,220	1,804,444,913	2,003,086,914	2,581,523,623	-	-	-	-	2,581,523,623
Five years later	5,081,931,829	3,398,986,445	1,488,875,067	1,795,314,750	1,951,346,725	-	-	-	-	-	1,951,346,725
Six years later	5,077,707,434	3,398,197,613	1,487,929,171	1,861,863,615	-	-	-	-	-	-	1,861,863,615
Seven years later	4,910,264,724	3,399,222,410	1,488,742,613	-	-	-	-	-	-	-	1,488,742,613
Eight years later	4,909,330,143	-	-	-	-	-	-	-	-	-	3,416,525,761
Nine years later	5,155,329,155	3,416,525,761	-	-	-	-	-	-	-	-	5,155,329,155
Current estimate of cumulative claims	5,155,329,155	3,416,525,761	1,488,742,613	1,861,863,615	1,951,346,725	2,581,523,623	3,547,994,771	3,445,160,674	1,604,534,974	1,630,028,134	26,683,050,045
Cumulative payments to date	4,057,287,471	3,385,470,108	1,467,235,115	1,792,502,187	1,943,139,417	2,526,980,150	3,495,366,142	3,148,029,789	1,390,978,369	1,004,431,694	24,211,420,442
Total gross insurance liabilities included in the statement of financial position (Note 12)	P1,098,041,684	P31,055,653	P21,507,498	P69,361,428	P8,207,308	P54,543,473	P52,628,629	P297,130,885	P213,556,605	P625,596,440	P2,471,629,603

### Net general insurance contract liabilities for 2021

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2021	2022	Total
Estimate of ultimate claims costs:											
At the end of accident year	P2,475,160,928	P2,419,674,451	P1,116,483,010	P1,340,401,248	P1,745,978,418	P1,813,246,675	P2,278,514,311	P2,479,547,862	P1,466,416,720	P1,343,652,559	P1,343,652,559
One year later	2,796,558,281	1,447,524,769	1,002,727,502	1,281,375,633	1,757,071,046	1,989,127,453	2,522,969,840	2,604,065,515	1,404,687,704	-	1,404,687,704
Two years later	2,724,273,385	1,071,379,205	933,863,422	1,244,887,700	1,718,520,921	1,952,065,037	2,389,024,916	2,460,735,643	-	-	2,460,735,643
Three years later	2,679,908,742	928,043,485	924,271,079	1,249,107,061	1,718,102,322	1,903,172,605	2,367,683,365	-	-	-	2,367,683,365
Four years later	2,542,125,787	907,634,032	934,304,280	1,247,895,401	1,726,804,887	1,929,228,020	-	-	-	-	1,929,228,020
Five years later	2,675,296,647	911,319,017	935,706,141	1,246,162,790	1,734,395,952	-	-	-	-	-	1,734,395,952
Six years later	2,637,556,293	912,132,005	937,167,104	1,257,946,887	-	-	-	-	-	-	1,257,946,887
Seven years later	2,605,032,627	912,132,005	939,905,632	-	-	-	-	-	-	-	939,905,632
Eight years later	2,605,279,696	915,275,942	-	-	-	-	-	-	-	-	915,275,942
Nine years later	2,691,701,183	-	-	-	-	-	-	-	-	-	2,691,701,183
Current estimate of cumulative claims	2,691,701,183	915,275,942	939,905,632	1,257,946,887	1,734,395,952	1,929,228,020	2,367,683,365	2,460,735,643	1,404,687,704	1,343,652,559	17,045,212,887
Cumulative payments to date	2,547,582,459	908,593,717	934,804,068	1,245,475,913	1,727,086,602	1,906,623,212	2,355,543,157	2,423,307,143	1,278,268,220	801,634,948	16,128,919,439
Total net insurance liabilities included in the statement of financial position (Note 12)	P144,118,724	P6,682,225	P5,101,564	P12,470,974	P7,309,350	P22,604,808	P12,140,208	P37,428,500	P126,419,484	P542,017,611	P916,293,448



### Financial Instruments

The table below presents the carrying amounts and fair values of the Company's non-derivative financial instruments for the period ended December 27, 2022 and for the period ended December 31, 2021.

	December 27, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Loans and Receivables</b>				
Cash and cash equivalents	₱1,211,806,978	₱1,211,806,978	₱990,563,382	₱990,563,382
Insurance receivables - net	1,452,941,573	1,452,941,573	1,576,947,683	1,576,947,683
Loans and receivables:				
Accounts receivable - net	29,072,143	29,072,143	68,893,412	68,893,412
Accrued income	38,819,807	38,819,807	33,589,682	33,589,682
<b>AFS Financial Assets</b>				
Government debt	2,971,620,380	2,971,620,380	3,461,587,280	3,461,587,280
Private debt	385,437,119	385,437,119	453,243,511	453,243,511
Equity securities	195,826,488	195,826,488	215,033,860	215,033,860
<b>Total Financial Assets</b>	<b>₱6,285,524,488</b>	<b>₱6,285,524,488</b>	<b>₱6,799,858,810</b>	<b>₱6,799,858,810</b>
<b>Other Financial Liabilities:</b>				
Provision for claims reported by policyholders	₱2,627,839,593	₱2,627,839,593	₱2,471,629,603	₱2,471,629,603
Insurance payables:				
Due to reinsurers	286,277,263	286,277,263	140,324,425	140,324,425
Funds held for reinsurers	119,203,143	119,203,143	46,390,171	46,390,171
Accounts payable and accrued expenses				
Accounts payable	1,009,182,438	1,009,182,438	815,204,112	815,204,112
Commissions payable	278,437,352	278,437,352	339,125,689	339,125,689
Accrued expenses	256,645,261	256,645,261	263,352,074	263,352,074
Lease liability	4,173,573	4,173,573	24,621,405	24,621,405
<b>Total Other Financial Liabilities</b>	<b>₱4,581,758,623</b>	<b>₱4,581,758,623</b>	<b>₱4,100,647,479</b>	<b>₱4,100,647,479</b>

Due to the short-term nature of cash and cash equivalents, insurance receivables, loans and receivables, insurance payables, and accounts payable and accrued expenses, their carrying values reasonably approximate fair values at year-end.

The fair value of AFS financial assets that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date, or last trading day as applicable.

The fair value of unquoted equity shares where the fair value is not reasonably determinable due to the unpredictable nature of cash flows and the lack of suitable method at arriving at a reliable fair value are carried at cost.

### Fair Value Hierarchy

The Company classifies its financial assets and property and equipment at fair value as follows:

#### December 27, 2022

	Date of valuation	Quoted in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Assets measured at fair value:</b>					
<b>AFS financial assets</b>					
Government debt securities	December 31	₱2,971,620,380	₱-	₱-	₱2,971,620,380
Private debt securities	December 31	385,437,119	-	-	385,437,119
<b>Quoted equity securities:</b>					
Common shares	December 31	185,409,838	-	-	185,409,838
Preferred shares	December 31	9,560,000	-	-	9,560,000
Club shares	December 31	-	800,000	-	800,000
<b>Property and equipment:</b>					
Real estate properties	December 7, 2017	-	-	129,554,000	129,554,000
<b>Total</b>		<b>₱3,552,027,337</b>	<b>₱800,000</b>	<b>₱129,554,000</b>	<b>₱3,682,381,337</b>



December 31, 2021

	Date of valuation	Quoted in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:					
AFS financial assets					
Government debt securities	December 31	₱3,461,587,280	₱—	₱—	₱3,461,587,280
Private debt securities	December 31	453,243,511	—	—	453,243,511
Quoted equity securities:					
Common shares	December 31	203,987,210	—	—	203,987,210
Preferred shares	December 31	10,240,000	—	—	10,240,000
Club shares	December 31	—	750,000	—	750,000
Property and equipment:					
Real estate properties	December 7, 2017	—	—	129,554,000	129,554,000
<b>Total</b>		<b>₱4,129,058,001</b>	<b>₱750,000</b>	<b>₱129,554,000</b>	<b>₱4,259,362,001</b>

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1:* quoted (unadjusted prices) in active markets for identical assets and liabilities
- Level 2:* other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3:* techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

For the period ended December 27, 2022 and for the period ended December 31, 2021, the Company classifies AFS financial assets under Level 1 and Level 2 of the fair value hierarchy.

During the reporting for the period ended December 27, 2022 and for the period ended December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Fair value disclosure under the Amendments to PFRS 4

The table below presents an analysis of the fair value of classes of financial assets of the Company for the period ended December 27, 2022, as well as the corresponding change in fair value for the year then ended. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

December 27, 2022

	SPPI Financial assets		Other Financial assets	
Financial asset	Fair value	Fair value change	Fair value	Fair value change
Cash and cash equivalents	₱1,211,571,978	₱—	₱235,000	₱—
Insurance receivables	1,452,941,573	—	—	—
AFS financial assets	3,357,057,499	(125,689,441)	195,826,488	(5,566,872)
Accounts receivables - net	29,072,143	—	—	—
Accrued income	38,819,807	—	—	—



December 31, 2021

Financial asset	SPPI Financial assets		Other Financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Cash and cash equivalents	P990,318,382	P—	P245,000	P—
Insurance receivables	1,576,947,683	—	—	—
AFS financial assets	3,914,830,791	(106,069,018)	215,033,860	14,904,671
Accounts receivables - net	68,893,412	—	—	—
Accrued income	33,589,682	—	—	—

### Financial Risk

The Company is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are credit risk, liquidity risk and interest rate risk.

The Company's objectives in managing exposure to financial risks include providing financial security to policyholders, ensure prompt payment of its obligations and to provide owners with a satisfactory return on their investments.

To ensure that these objectives are met, the Company's policies and procedures require monitoring of financial risks by the Comptroller and regularly reviewed by the BOD.

### *Credit risk*

Credit risk is a risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.

Management has established a credit control policy, which provides for terms of business and credit reference criteria. The policy requires that financial references are obtained for each agent and broker when credit is given. Credit terms are set for the counterparty but these are withdrawn or restricted when these are breached. Any deviation from the policy requires justification subject to approval by the management.

The Company's procedures provide for the monitoring of the counterparty's ability to meet its obligations through regular review of each account. Statements of accounts with covering letter are regularly sent to agents and brokers reminding them of their outstanding balances and to follow up payment. Reconciliation of accounts is also done on a regular basis.

The credit control policy is regularly reviewed by the management and amended as necessary.

For cash and cash equivalents and investments, the Company considers the safety of the investment, yield or income, liquidity, diversification, capital growth and appreciation. The following are the acceptable instruments set up by the Investment Committee in order of priority:

1. Government securities
2. Special savings accounts/ bank promissory notes
3. Commercial papers with credit rating of two (2) for short term and B for long term
4. Preferred and common stocks (blue chip stocks only)



The table below shows the maximum exposure to credit risk for the components of its statement of financial position:

	December 27, 2022	December 31, 2021
Cash and cash equivalents*	<b>₱1,211,571,978</b>	₱990,318,382
Insurance receivables**	<b>1,450,770,213</b>	1,574,776,322
Financial assets:		
AFS financial assets		
Quoted debt securities	<b>3,357,057,499</b>	3,914,830,791
Loans and receivables	<b>67,891,950</b>	102,483,094
	<b>₱6,087,291,640</b>	₱6,582,408,589

\* Excluding *Cash on hand* amounting to ₱0.24 and ₱0.25 million in 2022 and 2021, respectively.

\*\* Excluding *Bond recoverable on paid losses* amounting to ₱2.17 million in 2022 and 2021.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

### December 27, 2022

	Neither Past Due nor Impaired		Past Due or Impaired	Total
	Investment Grade	Satisfactory		
Cash and cash equivalents	<b>₱1,211,571,978</b>	<b>₱—</b>	<b>₱—</b>	<b>₱1,211,571,978</b>
Insurance receivables:				
Premiums receivable and agents' balances	—	536,652,205	452,877,742	989,529,947
Reinsurance recoverable on paid losses	304,672,666	42,183,459	388,793,436	735,649,561
Due from ceding companies	299,055	5,480,498	16,066,032	21,845,585
Bonds recoverable on paid losses	—	—	29,272,723	29,272,723
Funds held by ceding companies	—	15,538,050	—	15,538,050
Financial assets:				
AFS financial assets:				
Government debt securities:				
Local currency	2,932,595,418	—	—	2,932,595,418
Foreign currency	39,024,962	—	—	39,024,962
Private debt securities	385,437,119	—	—	385,437,119
Loans and receivables:				
Accounts receivable	—	—	34,870,734	34,870,734
Accrued income	38,819,807	—	—	38,819,807
Total	<b>₱4,912,421,005</b>	<b>₱599,854,212</b>	<b>₱921,880,667</b>	<b>₱6,434,155,884</b>

### December 31, 2021

	Neither Past Due nor Impaired		Past Due or Impaired	Total
	Investment Grade	Satisfactory		
Cash and cash equivalents	₱990,318,382	₱—	₱—	₱990,318,382
Insurance receivables:				
Premiums receivable and agents' balances	—	564,440,802	502,480,045	1,066,920,847
Reinsurance recoverable on paid losses	304,163,492	18,310,923	384,920,228	707,394,643
Due from ceding companies	—	10,161,816	61,806,279	71,968,095
Bonds recoverable on paid losses	—	—	29,272,723	29,272,723
Funds held by ceding companies	—	14,190,346	—	14,190,346
Financial assets:				
Government debt securities:				
Local currency	3,419,575,370	—	—	3,419,575,370
Foreign currency	42,011,910	—	—	42,011,910
Private debt securities	453,243,511	—	—	453,243,511
Loans and receivables:				
Accounts receivable	—	—	74,692,003	74,692,003
Accrued income	33,589,682	—	—	33,589,682
Total	<b>₱5,242,902,347</b>	<b>₱607,103,887</b>	<b>₱1,053,171,278</b>	<b>₱6,903,177,512</b>



The Company uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness, as follows:

**Investment grade** - This rating class is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations. These financial assets have the smallest degree of financial risk.

**Satisfactory** - This rating class is given to borrowers and counterparties who possess above average capacity to meet its obligations.

The tables below show the analysis of age of financial assets that are past due or impaired:

### December 27, 2022

	Age analysis of financial assets past-due but not impaired				Total past due but not impaired	Past-due and impaired	Total
	1 to 30 days	31 to 60 days	61 to 90 days	over 90 days			
Insurance receivables:							
Premiums receivable and agents' balances	₱102,644,376	₱50,495,309	₱41,050,152	₱55,280,973	₱249,470,810	₱203,406,932	₱452,877,742
Reinsurance recoverable on paid losses	1,568,782	1,222,038	55,240,237	226,302,337	284,333,394	104,460,042	388,793,436
Due from ceding companies	827,535	686,695	12,287	10,613,558	12,140,075	3,925,957	16,066,032
Bonds recoverable on paid losses	—	—	—	2,171,361	2,171,361	27,101,362	29,272,723
Accounts receivable	11,094,897	4,159,598	187,378	13,630,270	29,072,143	5,798,591	34,870,734
<b>Total</b>	<b>₱116,135,590</b>	<b>₱56,563,640</b>	<b>₱96,490,054</b>	<b>₱307,998,499</b>	<b>₱577,187,783</b>	<b>₱344,692,884</b>	<b>₱921,880,667</b>

### December 31, 2021

	Age analysis of financial assets past-due but not impaired				Total past due but not impaired	Past-due and impaired	Total
	1 to 30 days	31 to 60 days	61 to 90 days	over 90 days			
Insurance receivables:							
Premiums receivable and agents' balances	₱105,994,019	₱52,083,510	₱51,758,193	₱114,472,611	₱324,308,333	₱178,171,712	₱502,480,045
Reinsurance recoverable on paid losses	45,544,601	82,945,466	46,230,932	106,599,289	281,320,288	103,599,940	384,920,228
Due from ceding companies	2,818,794	2,243,606	8,123,607	44,694,315	57,880,322	3,925,957	61,806,279
Bonds recoverable on paid losses	—	—	—	2,171,361	2,171,361	27,101,362	29,272,723
Accounts receivable	50,699,740	782,892	681,606	16,384,963	68,549,201	6,142,802	74,692,003
<b>Total</b>	<b>₱205,057,154</b>	<b>₱138,055,474</b>	<b>₱106,794,338</b>	<b>₱284,322,539</b>	<b>₱734,229,505</b>	<b>₱318,941,773</b>	<b>₱1,053,171,278</b>

### Credit risk disclosure under the Amendments to PFRS 4

The following table shows the carrying amount of the solely payments of principal and interest (SPPI) assets included in the table above by credit risk rating grades reported to key management personnel. The carrying amount is measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before impairment allowance.

### December 27, 2022

SPPI financial asset	Investment grade	Non-investment grade:	Unrated	Total
		Satisfactory		
Cash and cash equivalents	₱1,211,520,426	₱—	₱51,552	₱1,211,571,978
Insurance receivable	—	1,452,941,573	—	1,452,941,573
AFS financial assets	3,357,057,499	—	—	3,357,057,499
Accounts receivables - net	—	—	29,072,143	29,072,143
Accrued income	38,819,807	—	—	38,819,807



December 31, 2021

	Investment grade	Non-investment grade: Satisfactory	Unrated	Total
SPPI financial asset				
Cash and cash equivalents	₱990,267,048	₱–	₱51,334	₱990,318,382
Insurance receivable	–	1,576,947,683	–	1,576,947,683
AFS financial assets	3,914,830,791	–	–	3,914,830,791
Accounts receivables - net	–	–	68,893,412	68,893,412
Accrued income	33,589,682	–	–	33,589,682

*Liquidity risk*

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

Liquidity risk is a risk due to uncertain liquidity. An institution may suffer liquidity problem when its credit rating falls. The Company is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity.

It is the Company's objective to develop a plan that will provide a well-balanced cash flow to ensure that enough cash is available to meet its obligations and to fund its operational requirements. A well-managed cash flow statement will yield positive cash balance in compliance to the requirement of the IC.

To meet these objectives, the Company prepares a Cash Flow Plan which entails forecasting and tabulating all significant cash inflows relating to premiums paid by policyholders, interest received from investments and others, and analyzing in detail the timing of expected payments relating to supplies, wages, other expenses, capital expenditure, dividends, tax, and others. Excess funds resulting from a positive cash flows are invested in short-term placements and high yielding government securities.

The table below summarizes the maturity profile of the financial assets and liabilities of the Company using undiscounted contractual amounts based on remaining contractual maturity, or for the insurance contract liabilities, based on the estimated timing of net cash outflows.

December 27, 2022

	No term	Up to a year	1 to 3 years	3 to 5 years	Over 5 years	Total
Cash and cash equivalents*	₱240,900,978	₱973,364,288	₱–	₱–	₱–	₱1,214,265,266
Insurance receivables	–	1,452,941,573	–	–	–	1,452,941,573
Financial assets:						
AFS financial assets*	195,893,754	861,570,642	977,482,115	1,408,631,344	145,667,650	3,589,245,505
Loans and receivables*	–	67,891,950	–	–	–	67,891,950
<b>Total financial assets</b>	<b>₱436,794,732</b>	<b>₱3,355,768,453</b>	<b>₱977,482,115</b>	<b>₱1,408,631,344</b>	<b>₱145,667,650</b>	<b>₱6,324,344,294</b>
Provision for claims reported by policyholders	₱–	₱2,627,839,593	₱–	₱–	₱–	₱2,627,839,593
Insurance payables*	8,416	405,480,406	–	–	–	405,488,822
Accounts payable and accrued expenses:						
Accounts payable	–	1,009,182,438	–	–	–	1,009,182,438
Commissions payable	–	278,437,352	–	–	–	278,437,352
Accrued expenses	–	256,645,261	–	–	–	256,645,261
Lease liability*	–	3,821,927	351,646	–	–	4,173,573
<b>Total financial liabilities</b>	<b>8,416</b>	<b>4,581,406,977</b>	<b>351,646</b>	<b>–</b>	<b>–</b>	<b>4,581,767,039</b>
<b>Liquidity gap</b>	<b>₱436,786,316</b>	<b>(₱1,225,638,524)</b>	<b>₱977,130,469</b>	<b>₱1,408,631,344</b>	<b>₱145,667,650</b>	<b>₱1,742,577,255</b>

\*Inclusive of interest





## December 31, 2021

	No term	Up to a year	1 to 3 years	3 to 5 years	Over 5 years	Total
Cash and cash equivalents*	P342,764,882	P647,961,194	P-	P-	P-	P990,726,076
Insurance receivables	-	1,576,947,683	-	-	-	1,576,947,683
Financial assets:						
AFS financial assets*	215,033,860	1,299,154,405	1,230,506,904	1,193,801,974	492,345,898	4,430,843,041
Loans and receivables*	-	102,483,094	-	-	-	102,483,094
Total financial assets	P557,798,742	P3,626,546,376	P1,230,506,904	P1,193,801,974	P492,345,898	P7,100,999,894
Provision for claims reported						
by policyholders	P-	P2,471,629,603	P-	P-	P-	P2,471,629,603
Insurance payables*	-	186,727,190	-	-	-	186,727,190
Accounts payable and accrued expenses:						
Accounts payable	-	815,204,112	-	-	-	815,204,112
Commissions payable	-	339,125,689	-	-	-	339,125,689
Accrued expenses	-	263,352,074	-	-	-	263,352,074
Lease liability*	-	20,615,638	5,763,040	-	-	26,378,678
Total financial liabilities	-	4,096,654,306	5,763,040	-	-	4,102,417,346
Liquidity gap	P557,798,742	(P470,107,930)	P1,224,743,864	P1,193,801,974	P492,345,898	P2,998,582,548

\*Inclusive of interest

### Market risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Company would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

The Company manages market risk by evenly distributing capital among investment instruments.

The Company structures the levels of market risk it accepts through a sound market risk policy based on specific guidelines set by the Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation and portfolio limit structure.

Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

### Currency risk

The Company's principal transactions are carried out in Philippine peso and its exposure to foreign exchange risk arises primarily with respect to the US Dollar, as it deals with foreign reinsurers in its settlement of its obligations and receipt of any claim reimbursements.

The Company's financial assets are denominated in the same currencies as its insurance liabilities which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled.



The following table summarizes the Company's exposure to foreign currency exchange risk for the period ended December 27, 2022 and for the year ended December 31, 2021:

	December 27, 2022		December 31, 2021	
	US\$	PHP	US\$	PHP
<b>Assets</b>				
Cash and cash equivalents	\$285,125	₱15,897,129	\$800,086	₱40,803,604
AFS financial assets	699,937	39,024,962	823,779	42,011,909
Premiums receivable and agents' balances	50,033	2,789,578	84,917	4,330,701
	<b>1,035,095</b>	<b>57,711,669</b>	<b>1,708,782</b>	<b>87,146,214</b>
<b>Liabilities</b>				
Insurance contract liabilities	10,863,729	605,707,205	10,997,006	560,836,318
Due to reinsurers	178,498	9,952,144	111,790	5,701,187
	<b>11,042,227</b>	<b>615,659,349</b>	<b>11,108,796</b>	<b>566,537,505</b>
<b>Net exposure</b>	<b>(\$10,007,132)</b>	<b>(₱557,947,680)</b>	<b>(\$9,400,014)</b>	<b>(₱479,391,291)</b>

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of currency sensitive monetary assets and liabilities).

#### December 27, 2022

	Change in variables	Impact on profit before tax Increase (decrease)
USD	9.33%	(₱52,056,519)
USD	-9.33%	52,056,519

#### December 31, 2021

	Change in variables	Impact on profit before tax Increase (decrease)
USD	6.07%	(₱29,099,051)
USD	-6.07%	29,099,051

There is no impact on the Company's equity other than those already affecting the net income.

#### *Interest rate risk*

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

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk. The Company's fixed rate investments in particular are exposed to fair value interest rate risk.

The Company's market risk policy requires it to manage interest rate risk by investing in fixed rate instruments.



The following table shows the information relating to the Company's financial instruments that are exposed to fair value interest rate risk presented by maturity profile:

	Interest Rates	Maturity				Total
		Within 1 year	1-3 years	3-5 years	Over 5 years	
AFS financial assets						
2022	2.63 – 8.63%	₱856,397,940	₱969,124,831	₱1,387,069,009	₱144,465,719	₱3,357,057,499
2021	2.63 – 8.13%	₱1,183,391,913	₱1,100,128,690	₱1,165,549,432	₱465,760,756	₱3,914,830,791

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (that reflects adjustments on revaluing fixed rate AFS financial assets).

### December 27, 2022

	Change in variables	Impact on equity Increase (decrease)
AFS Debt securities	+100 basis points	(₱57,108,121)
	-100 basis points	59,217,588

### December 31, 2021

	Change in variables	Impact on equity Increase (decrease)
AFS Debt securities	+100 basis points	(₱63,064,165)
	-100 basis points	65,474,850

### *Price risk*

The Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investment in mutual fund and AFS equity securities.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investment, diversification plan and limits on investments.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (that reflects changes in fair value of AFS financial assets).

### December 27, 2022

	Change in Variable	Impact on equity Increase (decrease)
PSEi	-5.73%	(₱10,978,340)
PSEi	3.32%	10,978,340



December 31, 2021

	Change in Variable	Impact on equity Increase (decrease)
PSEi	-3.32%	(P6,893,849)
PSEi	3.32%	6,893,849

## 26. Maturity profile of assets and liabilities

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	December 27, 2022			December 31, 2021		
	Due within one year	Beyond one year	Total	Due within one year	Beyond one year	Total
<b>Assets</b>						
Cash and cash equivalents	P1,211,806,978	P—	P1,211,806,978	P990,563,382	P—	P990,563,382
Insurance receivables - net	1,452,941,573	—	1,452,941,573	1,576,947,683	—	1,576,947,683
Loans and receivables	67,891,950	—	67,891,950	102,483,094	—	102,483,094
Reinsurance assets	3,171,914,017	—	3,171,914,017	3,745,534,473	—	3,745,534,473
Assets held for sale	26,899,500	—	26,899,500	43,356,460	—	43,356,460
Deferred acquisition costs	219,924,311	—	219,924,311	256,317,393	—	256,317,393
Net deferred tax assets	—	404,392,729	404,392,729	—	366,895,366	366,895,366
Other assets	128,169,996	32,519,578	160,689,574	117,355,944	35,961,012	153,316,956
Available-for-sale financial assets						
Quoted equity securities at fair value:						
Common shares	—	185,409,838	185,409,838	—	203,987,210	203,987,210
Preferred shares	—	9,560,000	9,560,000	—	10,240,000	10,240,000
Club shares	—	800,000	800,000	—	750,000	750,000
Unquoted equity securities at cost:						
Common shares	—	35,125	35,125	—	35,125	35,125
Preferred shares	—	21,525	21,525	—	21,525	21,525
Government debt securities local currency	791,599,389	2,140,996,029	2,932,595,418	1,091,798,577	2,327,776,793	3,419,575,370
Corporate debt securities local currency	64,798,551	320,638,568	385,437,119	91,593,336	361,650,175	453,243,511
Government debt securities foreign currency	—	39,024,962	39,024,962	—	42,011,910	42,011,910
Property and equipment - net	—	17,055,236	17,055,236	—	25,648,245	25,648,245
Right-of-use asset	—	4,403,735	4,403,735	—	23,348,115	23,348,115
	7,135,946,265	3,154,857,325	10,290,803,590	8,015,950,342	3,398,325,476	11,414,275,818
<b>Liabilities</b>						
Insurance contract liabilities	5,884,603,172	—	5,884,603,172	7,236,840,092	—	7,236,840,092
Insurance payables	405,480,406	—	405,480,406	186,714,596	—	186,714,596
Accounts payable and accrued expenses	1,676,116,286	—	1,676,116,286	1,620,229,834	—	1,620,229,834
Income tax payable	4,918,611	—	4,918,611	7,681,283	—	7,681,283
Deferred reinsurance commissions	41,624,803	—	41,624,803	52,648,487	—	52,648,487
Retirement benefit obligation	—	7,484,540	7,484,540	—	35,632,968	35,632,968
Lease liability	3,821,927	351,646	4,173,573	19,281,380	5,340,025	24,621,405
	8,016,565,205	7,836,186	8,024,401,391	9,123,395,672	40,972,993	9,164,368,665
	(P880,618,940)	P3,147,021,139	P2,266,402,199	(P1,107,445,330)	P3,357,352,483	P2,249,907,153

## 27. Contingent Liabilities

Various legal actions and claims are pending or may be assessed in the future against the Company from litigations and claims incident to the ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, management believes that no material liabilities are likely to result.



## 28. Subsequent Events

Following the approval of the merger by the SEC, the Parent Company and the Company started operating as a single entity in 2023. The application for the composite license was submitted to IC on January 10, 2023. As of the report date, the Parent Company is waiting for the approval of the IC of its composite license (see Note 1).

## 29. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by RR15-2010 hereunder are the information on taxes and license fees paid or accrued during the taxable year.

- a. The Company is a Value-Added Tax (VAT) registered company with output VAT declaration of ₱352.12 million for the year based on Vatable Sales/Receipts of ₱2.93 billion.

The Company has zero-rated sales amounting to ₱19.19 million.

The Company has exempt sales amounting to ₱217.74 million.

The amount of input VAT claimed are broken down as follows:

	December 27, 2022
Balance at January 1	₱—
Current year's purchases/payments:	
Goods other than for resale	43,661,171
Services paid lodged under operating expenses	106,625,572
	150,286,743
Claims for tax credit/refund and other adjustments	(8,092,693)
Balance at December 27	₱142,194,050

- b. The Documentary Stamp Tax (DST) paid on the following transactions are:

Transaction	Amount	DST
Policy issuance:		
Based on premiums	₱2,774,090,991	₱346,761,654
Based on sum insured	683,647,728,320	8,074,580

- c. Other taxes paid are:

Transaction	Amount	Tax
Premium tax	₱217,742,802	₱4,354,856



- d. Details of other taxes, local and national, including real estate taxes, license and permit fees lodged under the “Taxes and licenses” account under “Operating expenses” in the statement of comprehensive income follow:

<i>Local:</i>	
Business license	₱413,910
Real estate taxes	585,754
Communicate tax certificate	20,500
	<u>1,020,164</u>
<i>National:</i>	
Registration fees	12,500
Miscellaneous	281,202
	<u>293,702</u>
<b>Total</b>	<b><u>₱1,313,866</u></b>

The Company paid fire service tax amounting to ₱10.86 million.

- e. The amount of withholding taxes paid/accrued for the year amounted to:

	Total Remittances	Amounts Outstanding
Expanded withholding taxes	₱111,887,393	₱6,488,731
Tax on compensation and benefits	43,599,132	5,347,903
Final withholding taxes	1,998,039	304,478
Final withholding VAT	1,236,409	145,548
Fringe benefit tax	455,803	121,957
<b>Total</b>	<b>₱159,176,776</b>	<b>₱12,408,617</b>

- f. The Company has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.



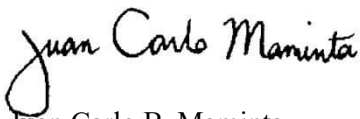
## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Charter Ping An Insurance Corporation  
29th Floor GT Tower International  
6813 Ayala Avenue  
Makati City

We have audited the financial statements of Charter Ping An Insurance Corporation (a wholly owned subsidiary of Philippine AXA Life Insurance Corporation) (the Company) as at and for the period ended December 27, 2022, on which we have rendered the attached report dated March 28, 2023.

In compliance with Revised Securities Regulation Code Rule No. 68, we are stating that the Company has only one (1) stockholder owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023

PTR No. 9564655, January 3, 2023, Makati City

March 28, 2023








Republic of the Philippines  
Department of Finance  
Bureau of Internal Revenue


For BIR  
Use Only: BCS/  
Item:

BIR Form No. <b>1702-RT</b> January 2018(ENCS) Page 1		<b>Annual Income Tax Return</b> For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.</i>		 1702-RT 01/18ENCS P1	
1 For <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal		3 Amended Return? <input type="radio"/> Yes <input checked="" type="radio"/> No		4 Short Period Return? <input type="radio"/> Yes <input checked="" type="radio"/> No	
2 Year Ended (MM/20YY) 12/2022				5 Alphanumeric Tax Code (ATC) IC055 Minimum Corporate Income Tax (MCIT) <input checked="" type="checkbox"/> IC010 DOMESTIC CORPORATION IN GENERAL <input checked="" type="checkbox"/>	
<b>Part I - Background Information</b>					
6 Taxpayer Identification Number (TIN) 000 - 487 - 306 - 000				7 RDO Code 125	
8 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) CHARTER PING AN INSURANCE CORPORATION					
9A Registered Address (Indicate complete registered address) 29TH FLOOR G.T. TOWER INTERNATIONAL 6813 AYALA AVE. COR. H.V. DELA COSTA ST. MAKATI CITY					
9B Zipcode 1209					
10 Date of Incorporation/Organization (MM/DD/YYYY)				06/12/1960	
11 Contact Number 5206224			12 Email Address cpaic.taxteam@axa.com.ph		
13 Method of Deductions <input checked="" type="radio"/> Itemized Deductions [Section 34 (A-J), NIRC] <input type="radio"/> Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]					
<b>Part II - Total Tax Payable (Do NOT enter Centavos)</b>					
14 Total Income Tax Due (Overpayment) (From Part IV Item 43)				4,918,611	
15 Less: Total Tax Credits/Payments (From Part IV Item 55)				124,016,964	
16 Net Tax Payable (Overpayment) (Item 14 Less Item 15) (From Part IV Item 56)				(119,098,353)	
<b>Add Penalties</b>					
17 Surcharge				0	
18 Interest				0	
19 Compromise				0	
20 Total Penalties (Sum of Items 17 to 19)				0	
21 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 16 and 20)				(119,098,353)	
If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable) <input type="radio"/> To be refunded <input checked="" type="radio"/> To be issued a Tax Credit Certificate (TCC) <input type="radio"/> To be carried over as tax credit next year/quarter					
We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization letter and indicate TIN)					
Signature over printed name of President/Principal Officer/Authorized Representative				Signature over printed name of Treasurer/Assistant Treasurer	
Title of Signatory		TIN	Title of Signatory		TIN
22 Number of Attachments 4					
<b>Part III - Details of Payment</b>					
Particulars	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount	
23 Cash/Bank Debit Memo				0	
24 Check				0	
25 Tax Debit Memo				0	
26 Others (Specify Below)					
0					
Machine Validation/Revenue Official Receipts Details (if not filed with an Authorized Agent Bank)				Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)	



BIR Form No. <b>1702-RT</b> January 2018(ENCS) Page 2		Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate		 1702-RT 01/18ENCS P2	
Taxpayer Identification Number (TIN)				Registered Name	
000-487-306-000				CHARTER PING AN INSURANCE CORPORATION	
Part IV - Computation of Tax (Do NOT enter Centavos)					
27 Sales/Receipts/Revenues/Fees				2,294,491,232	
28 Less: Sales Returns, Allowances and Discounts				0	
29 Net Sales/Receipts/Revenues/Fees (Item 27 Less Item 28)				2,294,491,232	
30 Less: Cost of Sales/Services				1,860,855,389	
31 Gross Income from Operation (Item 29 Less Item 30)				433,635,843	
32 Add: Other Taxable Income Not Subjected to Final Tax				58,225,219	
33 Total Taxable Income (Sum of Items 31 and 32)				491,861,062	
Less: Deductions Allowable under Existing Law					
34 Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)		348,470,216			
35 Special Allowable Itemized Deductions (From Part VI Schedule II Item 5)		0			
36 NOLCO (only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Part VI Schedule III Item 8)		143,390,846			
37 Total Deductions (Sum of Items 34 to 36)		491,861,062			
OR [in case taxable under Sec 27(A) & 28(A)(1)]					
38 Optional Standard Deduction (40% of Item 33)		0			
39 Net Taxable Income/(Loss) (If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)				0	
40 Applicable Income Tax Rate				25%	
41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) (Item 39 x Item 40)				0	
42 MCIT Due (2% of Item 33)				4,918,611	
43 Tax Due (Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)				4,918,611	
Less: Tax Credits/Payments (attach proof)					
44 Prior Year's Excess Credits Other Than MCIT				107,540,354	
45 Income Tax Payment under MCIT from Previous Quarter/s				0	
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s				0	
47 Excess MCIT Applied this Current Taxable Year (From Part VI Schedule IV Item 4)				0	
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307				3,831,270	
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter				12,645,340	
50 Foreign Tax Credits, if applicable				0	
51 Tax Paid in Return Previously Filed, if this is an Amended Return				0	
52 Special Tax Credits (To Part V Item 58)				0	
Other Credits/Payments (Specify)					
53				0	
54				0	
					
55 Total Tax Credits/Payments (Sum of Items 44 to 54) (To Part II Item 15)				124,016,964	
56 Net Tax Payable / (Overpayment) (Item 43 Less Item 55) ) (To Part II Item 16)				(119,098,353)	
Part V - Tax Relief Availment					
57 Special Allowable Itemized Deductions (Item 35 of Part IV x Applicable Income Tax Rate)				0	
58 Add: Special Tax Credits (From Part IV Item 52)				0	
59 Total Tax Relief Availment (Sum of Items 57 and 58)				0	

BIR Form No. <b>1702-RT</b> January 2018(ENCS) Page 3		<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate		 1702-RT 01/18ENCS P3	
Taxpayer Identification Number (TIN)				Registered Name	
000-487-306-000				CHARTER PING AN INSURANCE CORPORATION	
Schedule I - Ordinary Allowable Itemized Deductions (Attach additional sheet/s, if necessary)					
1 Amortizations				0	
2 Bad Debts				0	
3 Charitable Contributions				0	
4 Depletion				0	
5 Depreciation				22,788,433	
6 Entertainment, Amusement and Recreation				0	
7 Fringe Benefits				460,368	
8 Interest				0	
9 Losses				0	
10 Pension Trust				0	
11 Rental				33,535,058	
12 Research and Development				0	
13 Salaries, Wages and Allowances				88,609,136	
14 SSS, GSIS, Philhealth, HDMF and Other Contributions				2,076,057	
15 Taxes and Licenses				1,313,865	
16 Transportation and Travel				9,675,486	
17 Others (Deductions Subject to Withholding Tax and Other Expenses) [Specify below; Add additional sheet(s), if necessary]					
a Janitorial and Messengerial Services				0	
b Professional Fees				7,303,130	
c Security Services				0	
d ADVERTISING AND PROMOTIONS				20,631,821	
e COMMUNICATION, LIGHT AND WATER				45,153,721	
f DIRECTOR'S FEES AND ALLOWANCES				3,600,000	
g INSURANCE				752,978	
h OFFICE SUPPLIES				5,372,200	
i OTHERS				107,197,963	
▼					
i.1 REPAIRS AND MAINTENANCE				32,376,326	
i.2 OTHER OPERATING EXPENSE				74,821,637	
18 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 17i) (To Part IV Item 34)				348,470,216	
Schedule II - Special Allowable Itemized Deductions (Attach additional sheet/s, if necessary)					
Description		Legal Basis		Amount	
1				0	
2				0	
3				0	
4				0	
▼					
5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV Item 35)				0	

BIR Form No. <b>1702-RT</b> January 2018(ENCS) Page 4		<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate		 1702-RT 01/18ENCS P4			
Taxpayer Identification Number (TIN)			Registered Name				
000-487-306-000			CHARTER PING AN INSURANCE CORPORATION				
Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)							
1 Gross Income (From Part IV Item 33)				0			
2 Less: Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)				0			
3 Net Operating Loss/(Item 1 Less Item 2) (To Schedule IIIA, Item 7A)				0			
Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)							
Net Operating Loss				B) NOLCO Applied Previous Year			
Year Incurred		A) Amount					
4		0		0			
5 2021		131,437,108		0			
6 2020		917,521,735		315,273,113			
7		0		0			
Continuation of Schedule IIIA (Item numbers continue from table above)							
C) NOLCO Expired		D) NOLCO Applied Current Year		E) Net Operating Loss (Unapplied) [ E = A Less (B + C + D) ]			
4 0		0		0			
5 0		0		131,437,108			
6 458,857,776		143,390,846		0			
7 0		0		0			
8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV, Item 36)		143,390,846					
Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)							
Year		A) Normal Income Tax as adjusted		B) MCIT		C) Excess MCIT over Normal Income Tax	
1 2021		0		7,681,283		7,681,283	
2 2020		0		12,341,806		12,341,806	
3 2019		0		2,646,328		2,646,328	
Continuation of Schedule IV (Item numbers continue from table above)							
D) Excess MCIT Applied/Used in Previous Years		E) Expired Portion of Excess MCIT		F) Excess MCIT Applied this Current Taxable Year		G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [ G = C Less (D + E + F) ]	
1 0		0		0		7,681,283	
2 0		0		0		12,341,806	
3 0		0		0		2,646,328	
Total Excess MCIT Applied (Sum of Items 1F to 3F) (To Part IV Item 47)				0			
Schedule V - Reconciliation of Net Income per Books Against Taxable Income (attach additional sheet/s, if necessary)							
1 Net Income/(Loss) per books				122,804,298			
Add: Non-deductible Expenses/Taxable Other Income							
2 INVESTMENT EXPENSE				3,742,156			
3 OTHERS				264,320,367			
▼							
3.1		ALLOWANCE FOR DOUBTFUL ACCOUNTS		26,095,320			
3.2		UNREALIZED FOREIGN EXCHANGE LOSS		12,671,884			
3.3		PROVISION FOR TAX ASSESSMENT		50,000,000			
3.4		ACCRUED EXPENSES		92,703,635			
3.5		COMMISSION EXPENSE ACCRUAL		31,370,066			
3.6		EXCESS OF PROVISION FOR UNEARNED PREMIUMS PER BOOK		11,143,545			
3.7		DEFERRED ACQUISITION COSTS		36,393,082			
3.8		RETIREMENT EXPENSE		3,930,870			
3.9		INTEREST EXPENSE		11,965			
4 Total (Sum of Items 1 to 3)				390,866,821			
Less: A) Non-Taxable Income and Income Subjected to Final Tax							
5 DIVIDEND INCOME				3,539,893			
6 OTHERS				243,936,082			
▼							
6.1		INTEREST INCOME SUBJECTED TO FINAL TAX		158,551,117			
6.2		RECOVERY OF ACCOUNTS PREVIOUSLY WRITTEN OFF		5,254,847			
6.3		GAIN ON SALE OF AVAILABLE-FOR-SALE FINANCIAL ASSET		4,583,573			
6.4		IFRS 16 ADJUSTMENT		635,684			
6.5		DEFERRED REINSURANCE COMMISSION		11,023,685			
6.6		PROVISION OF IBNR & ULAE (NET)		52,523,033			
6.7		UNAMORTIZED PAST SERVICE COST		4,306,097			
6.8		NON TAXABLE INCOME		7,058,046			
B) Special Deductions							
7 NOLCO APPLICATION				143,390,846			
8				0			
▼							
9 Total (Sum of Items 5 to 8)				390,866,821			
10 Net Taxable Income/(Loss) (Item 4 Less Item 9)				0			

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**

## FILING REFERENCE NO.

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<b>TIN</b>	: 000-487-306-000
<b>Name</b>	: CHARTER PING AN INSURANCE CORPORATION
<b>RDO</b>	: 125
<b>Form Type</b>	: 1702
<b>Reference No.</b>	: 462300053614471
<b>Amount Payable (Over Remittance)</b>	: -119,098,353.00
<b>Accounting Type</b>	: C - Calendar
<b>For Tax Period</b>	: 12/31/2022
<b>Date Filed</b>	: 04/27/2023
<b>Tax Type</b>	: IT

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