



SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines

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SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, [7907 Makati Avenue](#),
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Submission Date/Time: **Dec 16, 2022 04:55 PM**

Company TIN: **000-798-742**

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ORIENTAL ASSURANCE CORPORATION

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ORIENTAL ASSURANCE CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ORIENTAL ASSURANCE CORPORATION** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the period 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 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.


The Board of Directors are responsible for overseeing the Company's financial reporting process.

The Board of Directors review and approve the financial statements including the schedules attached therein and submits the same to the partners or members.


Roxas Cruz Tagle and Co., the independent auditor appointed by the directors, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.



DOMINGO N. COTOCO
Chief Executive Officer/
President



MANOLO ROMULO
Chairman of the Board



GWENY LYNN HAZEL U. COTOCO
Chief Financial Officer/
Treasurer

Signed this 17th day of October, 2022.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders
Oriental Assurance Corporation
2nd Floor OAC Bldg., San Miguel Avenue
Ortigas Center, Pasig City 1605

Report on the Audit of the Financial Statements*Opinion*

We have audited the financial statements of **Oriental Assurance Corporation** (the "Company"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, 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 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit 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 audits.

Report on the Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as disclosed in Note 38 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of management. 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.

ROXAS CRUZ TAGLE AND CO.

Clark Joseph Babor
Clark Joseph C. Babor

Partner

CPA Certificate No. 0119212

Tax Identification No. 248-709-974-000

BIR Accreditation No. 08-001682-019-2022, issued on October 14, 2022,
effective until October 13, 2025

SEC Accreditation No. 1809-A, Group B, issued on March 31, 2020
effective until March 31, 2023

IC Accreditation No. 119212-IC, issued on December 17, 2021,
effective until December 16, 2025

PTR No. 8876903, issued on January 24, 2022, Makati City

October 17, 2022

Makati City



ORIENTAL ASSURANCE CORPORATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

	Note	2021	2020
ASSETS			
Cash and cash equivalents	8	P52,040,516	P70,121,862
Insurance receivables, net	9	1,607,445,284	1,593,843,317
Investments in securities at amortized cost	10	202,411,811	202,744,105
Financial assets at fair value through other comprehensive income (FVOCI)	11	69,833,879	63,114,473
Other receivables	12	3,846,196	4,065,426
Property and equipment, net	13	2,337,927	1,193,570
Right-of-use asset	36	-	5,040,803
Investment properties, net	14	5,910,000	5,910,000
Deferred acquisition costs, net	15	95,947,813	78,420,373
Reinsurance assets	16	422,765,773	367,827,827
Deferred tax assets	30	38,428,571	51,515,971
Other assets	17	4,501,382	4,797,743
		P2,505,469,152	P2,448,595,470
LIABILITIES AND EQUITY			
Liabilities			
Accrued expenses and other liabilities	18	P20,220,581	P15,070,585
Losses and claims payable	19	447,651,668	451,987,307
Insurance payable	20	31,229,308	62,135,028
Commissions payable	9	33,427,417	37,521,512
Lease liability	36	-	3,868,812
Income tax payable	30	27,357,896	29,140,557
Premiums and other taxes payable	21	266,211,863	334,782,754
VAT payable, net	22	131,995,027	109,723,237
Retirement liability	33	23,967,007	34,050,424
Reserve for unearned premiums	16	400,888,770	365,156,360
Total Liabilities		1,382,949,537	1,443,436,576
Equity			
Share capital	24	250,000,000	250,000,000
Surplus	24	406,387,094	296,387,094
Other comprehensive income		46,247,501	44,302,326
Retained earnings		419,885,020	414,469,474
Total Equity		1,122,519,615	1,005,158,894
		P2,505,469,152	P2,448,595,470

See Notes to the Financial Statements.



ORIENTAL ASSURANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes	2021	2020
Gross premiums – direct		P562,095,036	P582,035,997
Reinsurance premiums assumed		269,580,102	233,440,973
Gross premiums written	16,25	831,675,138	815,476,970
Reinsurance premiums ceded	16,25	(276,232,726)	(223,573,335)
Net premiums retained	16,25	555,442,412	591,903,635
Increase in reserve for unearned premiums, net	16,25	(2,224,976)	12,418,129
Net premiums earned	16,25	553,217,436	604,321,764
Commission income	15	6,801,831	5,941,174
		560,019,267	610,262,938
Underwriting expenses			
Losses, net of recoveries	26	(297,568,816)	(430,076,585)
Commission expense	15	(154,221,392)	(108,509,406)
Other underwriting expenses	27	(29,813,897)	(21,125,962)
Adjustment expense	15	(12,542,314)	(19,267,846)
		(494,146,419)	(578,979,799)
Net underwriting income		65,872,848	31,283,139
Other income, net	28	103,760,238	116,313,219
Total underwriting and other income		169,633,086	147,596,358
Operating expenses	29	(146,976,821)	(119,829,740)
Profit before income tax		22,656,265	27,766,618
Provision for (benefit from) income tax	30	(17,609,396)	(5,559,425)
NET PROFIT		5,046,869	22,207,193
Other comprehensive loss			
Item that will not be reclassified to profit or loss:			
Actuarial gain (loss) on retirement liability, net of tax	33	7,440,745	(6,254,052)
Net fair value reserves on financial asset at FVOCI, net of tax	11	1,881,490	(14,875,023)
		9,322,235	(21,129,075)
TOTAL COMPREHENSIVE INCOME		P14,369,103	P1,078,118

See Notes to the Financial Statements.



ORIENTAL ASSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Share capital (Note 24)	Surplus (Note 24)			Other comprehensive income			Retained earnings	Total
		Contributed	Contingency	Total	Revaluation Reserve on Financial Asset at FVOCI (Note 11)	Actuarial loss on retirement liability, net (Note 33)	Total		
Balance as at December 31, 2020	₱250,000,000	₱216,986,500	₱79,400,594	₱296,387,094	₱36,925,267	₱7,377,059	₱44,302,326	₱414,469,474	₱1,005,158,894
Adjustment for Property and Equipment	-	-	-	-	-	-	-	368,677	368,677
Comprehensive income:									
Net income for the year	-	-	-	-	-	-	-	5,046,869	5,046,869
Other comprehensive income	-	-	-	-	1,881,490	63,685	1,945,175	-	1,945,175
Subscribed capital stock	-	110,000,000	-	110,000,000	-	-	-	-	110,000,000
Balance as at December 31, 2021	₱250,000,000	₱326,986,500	₱79,400,594	₱406,387,094	₱38,806,757	₱7,440,744	₱46,247,501	₱419,885,020	₱1,122,519,615
Balance as at December 31, 2019	₱250,000,000	₱56,986,500	₱79,400,594	₱136,387,094	₱51,800,290	₱13,631,111	₱65,431,401	₱392,262,281	₱844,080,776
Comprehensive income:									
Net income for the year	-	-	-	-	-	-	-	22,207,193	22,207,193
Other comprehensive loss	-	-	-	-	(14,875,023)	(6,254,052)	(21,129,075)	-	(21,129,075)
Subscribed capital stock	-	160,000,000	-	160,000,000	-	-	-	-	160,000,000
Balance as at December 31, 2020	₱250,000,000	₱216,986,500	₱79,400,594	₱296,387,094	₱36,925,267	₱7,377,059	₱44,302,326	₱414,469,474	₱1,005,158,894

See Notes to the Financial Statements.



ORIENTAL ASSURANCE CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes	2021	2020
Cash flows from operating activities			
Profit before income tax		P22,656,264	P27,766,618
Adjustments for:			
Retirement expense (Gain on curtailment)	33	(9,998,503)	5,055,493
Depreciation of right-of-use asset	36	5,040,803	8,641,377
Provision for bad debts - insurance receivables	9	24,676,455	617,514
Depreciation and amortization	13	757,948	713,974
Interest on lease liability	36	-	459,200
Adjustment for AFS		-	-
Reversal on allowance for doubtful accounts	9	(819,569)	-
Dividend income	11	115,773	(115,773)
Increase in deferred acquisition cost	15	(17,527,440)	(6,874,118)
Amortization of investments in debt securities	10	(1,486,486)	(14,988,117)
Interest income	28	(9,355,434)	(9,355,434)
Decrease in reserve for unearned premiums	16,25	35,732,410	(12,418,129)
Operating loss before working capital changes		49,792,221	(497,395)
Decrease (increase) in:			
Insurance receivables		(37,458,853)	(209,482,783)
Other receivables		219,230	431,669
Reinsurance assets		(54,937,946)	86,706,680
Other assets		296,361	(6,765,903)
Increase (decrease) in:			
Accrued expenses and other liabilities		5,149,996	240,434
Losses and claims payable		(4,335,639)	(68,799,256)
Insurance payable		(30,905,720)	12,618,017
Commissions payable		(4,094,095)	7,474,716
Premiums and other taxes payable		(68,570,891)	(71,497,392)
VAT payable		22,271,790	41,145,111
Cash used for operating activities		(122,573,546)	(208,426,102)
Income taxes paid		(6,325,885)	-
Interest received		9,355,434	9,355,434
Net cash used in operating activities		(119,543,997)	(199,070,668)

Forward



	Notes	2021	2020
Cash flows from investing activities			
Proceeds from maturities of Investments in debt securities	10	₱1,818,780	₱152,958,292
Disposal of financial asset at FVOCI	11	(4,837,916)	-
Dividends received	11	(115,773)	115,773
Purchase of financial asset at FVOCI	11	-	(70,035)
Purchase of property and equipment	13	(1,533,628)	(749,258)
Purchase of short-term investments		-	(2,009,168)
Purchase of Investments in debt securities	10	-	(64,621,688)
Net cash (used in) provided by investing activities		(4,668,537)	85,623,916
Cash flows from financing activities			
Increase in paid-in capital	24	110,000,000	160,000,000
Payment of lease liability		(3,868,812)	(7,682,572)
Net cash provided by financing activities		106,131,188	152,317,428
Net increase (decrease) in cash and cash equivalents		(18,081,346)	38,870,676
Cash and cash equivalents, January 1		70,121,862	31,251,186
Cash and cash equivalents, December 31		₱52,040,516	₱70,121,862

See Notes to the Financial Statements.



ORIENTAL ASSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Reporting Entity

Corporate Information

Oriental Assurance Corporation (the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) on May 3, 1962 to engage in the business and operation of all kinds of insurance and reinsurances on buildings, automobiles, cars and other motor vehicles, goods and merchandise, goods in transit, goods in storage, insurance against accidents, fire, earthquake and all other forms of undertaking to indemnify any person against loss, damage or liability arising from unknown or contingent events, except life insurance.

The Company is registered with and licensed by the Insurance Commission (IC). Its principal office is at 2nd Floor OAC Bldg., San Miguel Avenue, Ortigas Center, Pasig City.

Non-admitted assets

Section 202 and 203 of the Republic Act No. 10607 entitled: An act strengthening the Insurance Industry, further amending Presidential Decree No. 612, otherwise known as "The Insurance Code", as amended by Presidential Decree Nos. 1141, 1280, 1455, 1460, 1814 and 1981, and Batas Pambansa Blg. 874, and for other purposes which was signed and approved by the president of the Philippines on August 15, 2013 enumerated the items that are considered to be admissible and non-admissible.

As at December 31, 2021 and 2020, the Company's Non-Admitted Assets (NAA) are its other receivables, property and equipment other than Electronic Data Processing/Information Technology equipment and certain items in other assets which are disclosed in Notes 12, 13 and 17, respectively.

2. Basis of Preparation

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The financial statements were approved and authorized for issue on October 17, 2022, by the Company's President, Mr. Domingo N. Cotoco, who was duly authorized by the Company's Board of Directors (BOD) to approve the issuance of the audited financial statements on its behalf.

Basis of measurement

The Company's financial statements have been prepared on historical cost basis, except as disclosed in the accounting policies below and in the succeeding pages.

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the functional currency of the Company. All values are rounded off to the nearest peso, except when otherwise indicated.



3. Significant Accounting Policies

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2021:

- Amendments to PFRS 16, *Leases – COVID-19-Related Concessions beyond June 30, 2021*. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification.

Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met.

This amendment is effective for annual periods beginning on or after April 1, 2021.

These amendments had no impact on the financial statements of the Company.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2021 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combinations - Reference to the Conceptual Framework*. The amendments add an exception to the recognition principle of PFRS 3 to avoid the issue of potential "day 2" gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21, *Levies*, if incurred separately. It also clarifies that contingent assets do not qualify recognition at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.
- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*. The amendments prohibit the entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. Instead, the entity recognizes such sales proceeds and any related costs in the profit or loss.
- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts – Costs of Fulfilling a Contract*. The amendments specify the costs a Company includes when assessing whether a contract will be loss-making and is therefore recognized as an onerous contract. The amendments apply a "directly related 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.
- Annual Improvements to PFRS Standards 2018 – 2020 Cycle
 - Amendments to PFRS 1, *First-time Adoption of PFRS - Subsidiary as a First-time Adopter*. The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRS.
 - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 Per Cent' Test for Derecognition of Financial Liabilities*. The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.



- Amendments to PFRS 16, *Leases - Lease Incentives*. The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- Amendments to PAS 41, *Agriculture - Taxation in Fair Value Measurements*. The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 12, *Income Taxes – Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.
- PFRS 17, *Insurance Contracts*. This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. On December 15, 2021, the “FRSC” amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of IFRS 17 by two (2) years after its effective date as decided by the IASB

The Company expects to apply the temporary exemption until the effectivity of PFRS 17, *Insurance Contracts*, on January 1, 2021. On May 18, 2020, in its IC Circular Letter No. 2020-62, the Insurance Commission deferred the implementation of IFRS 17 for Life and Non-Life insurance industries two years after its effective date as decided by the IASB. Management intends to engage a third party actuary to estimate the effects of PFRS17.

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. The amendments to PAS 1 specify the requirements for classifying current and noncurrent liabilities. The amendments will clarify that a right to defer must exist at the end of reporting period and the classification is unaffected by the likelihood that an entity will exercise its deferral right. The issuance of amendments was deferred until January 1, 2023, as a result of COVID-19 pandemic.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amended standard also clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.
- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure Initiative - Accounting Policies*. The amendments aim to help entities provide accounting policy disclosures that are more useful by (a) replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and (b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Under prevailing circumstances, except for the impact on PFRS 17, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company.



Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of 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. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference 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.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

Financial Assets and Liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at December 31, 2021 and 2020, the Company does not have financial assets and liabilities at FVPL.



Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. 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. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Assets classified under this category are cash and cash equivalents, insurance receivables, other receivables, and short-term investments lodged under the "Investments in Debt Securities at Amortized Cost and Other Investments" category (see Notes 8, 9, 10, and 12).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

The Company's financial assets at fair value through other comprehensive income are included in this category (see Note 11).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest 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. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Company's accrued expenses and other liabilities, losses and claims payable, commissions payable and insurance payable are included under this category (see Notes 18, 19 and 20).



Reclassification. The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost and FVOCI. The Company records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial 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 financial 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 a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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 the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities. Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable 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 equity net of any related income tax benefits.

Fair Value Measurements

The Company measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

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: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

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



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

Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

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 the categorization at the end of each reporting period.

The fair values of the Company's financial instruments are presented in Note 6.

Derivative Financial Instruments and Hedging

Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either:

- (a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);
- (b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- (c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in the statements of comprehensive income. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in the statements of comprehensive income.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The Company discontinues fair value hedge accounting if:

- (a) the hedging instrument expires, is sold, is terminated or is exercised;
- (b) the hedge no longer meets the criteria for hedge accounting; or
- (c) the Company revokes the designation.

The Company has no outstanding derivatives accounted for as a fair value hedge as at December 31, 2021 and 2020.



Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented in the statements of changes in equity. The ineffective portion is immediately recognized in the statements of comprehensive income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in the statements of changes in equity are transferred and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in the statements of changes in equity are transferred to the statements of comprehensive income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects the statements of comprehensive income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in the statements of changes in equity is retained until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in the statements of changes in equity is recognized in the statements of comprehensive income.

The Company has no outstanding derivatives accounted for as a cash flow hedge as at December 31, 2021 and 2020.

Net Investment Hedge. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gain or loss relating to the ineffective portion is recognized in the statements of comprehensive income. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in the statements of changes in equity is transferred to and recognized in the statements of comprehensive income.

The Company has no hedge of a net investment in a foreign operation as at December 31, 2021 and 2020.

Changes in fair values of derivatives that do not qualify for hedge accounting are recognized directly in the statements of comprehensive income.

Embedded Derivatives

The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Company has not bifurcated any embedded derivatives as at December 31, 2021 and 2020.

Cash and Cash Equivalents

Cash includes cash on hand and in banks which are stated at amortized cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.



Insurance contracts

The proportion of written and ceded premiums attributable to subsequent periods or to risks that have not yet expired is referred as reserve for unearned premiums and deferred reinsurance premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method.

Reserve for unearned premiums

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 reserve for unearned premiums as part of insurance contract liabilities and presented in the liabilities section of the statement of financial position.

The change in the reserve 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.

Deferred reinsurance premiums

The related reinsurance premiums ceded that pertains to the unexpired periods at end of the reporting period are shown as "Deferred reinsurance premiums" in the statements of financial position. The net changes in these accounts between each end of reporting periods are recognized in the statements of comprehensive income.

Policy acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new insurance contracts and renewing existing contracts are deferred and charged to expense over the period of the contracts using the 24th method.

Incurred but not reported

Provision is made for the cost of claims incurred as of financial reporting date but not reported (IBNR) until after the reporting date based on the Company's experience and historical data.

Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the statements of comprehensive income (loss) of subsequent years.

Liability adequacy tests

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of reinsurance assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities are used. Any deficiency is immediately recognized in the statements of comprehensive income.

Receivables and payables related to insurance contracts

Receivables and payables are recognized on policy inception dates or when due, respectively. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes provision for expected credit loss in the statements of comprehensive income (loss).

Reinsurance recoverable on paid losses

Amounts recoverable from reinsurers that relate to paid claims and adjustment expenses are classified as assets, with an allowance for estimated uncollectible amounts. Reinsurance receivable and the related liabilities are reported separately.

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets include balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the reinsurance contract.

An impairment review is performed at each financial reporting date 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 the statements of comprehensive income.



The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized 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, which are included in "Insurance payables" account in the statements of financial position. 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.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
EDP hardware and software	5
Furniture, fixtures, and office equipment	3-5
Computer peripherals	5
Transportation equipment	5

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period of retirement and disposal.

Investment properties

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes.

Depreciation of building and improvements, which commences when the assets are available for their intended use, is computed using the straight-line method over the estimated useful life of 20 to 40 years.

The useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

In 2019, the management changed the measurement from cost model to fair value model as management believes that adoption of the fair value model will result to more appropriate valuation and presentation. This is a change in accounting policy which would require a retrospective application. However, management determined that it is impractical to reflect the period-specific effect or cumulative effect of the change in accounting policy at the beginning of the current period since overall impact of the adjustment is insignificant to the financial statements. As such, the Company adjusted comparative information to apply the new accounting policy prospectively from the earliest date practicable.



Fair value pertains to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. Gain or losses arising from changes in the fair value of investment property are included in profit or loss. The fair value of the investment property was assessed by an independent appraiser on September 9, 2019 using the sales comparison approach that considers the sales or substitute properties and related market data and establishes a value estimate by process involving comparison (see Note 14).

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Acquisition costs

Costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts such as commissions, certain underwriting and policy issues and inspection fees, are deferred and charged to expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the financial reporting period is accounted for as "Deferred acquisition cost" in the assets section of the statements of financial position.

Other assets

Other assets are recognized when the Company expects to receive future economic benefit and the amount can be reliably measured.

The Company's other assets consist of rental deposits, supplies inventory, security fund and creditable withholding taxes of the Company measured at the amount of cash paid as agreed in the corresponding contracts.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets such as property and equipment, investment properties, deferred tax assets and other assets particularly creditable withholding taxes and supplies inventory are reviewed at the end of each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased.

Among others, the factors that the Company considers important which could trigger an impairment review include the following:

- significant or prolonged decline in fair value of the asset;
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- 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; or
- significant negative industry or economic trends.

If any such indication exists or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset'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. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. 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.



Where the carrying amount of an asset or its cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and an impairment loss is recognized in the statements of comprehensive income.

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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the statements of comprehensive income. 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 useful life.

Provisions and contingencies

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. 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 finance cost. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is charged against the statements of comprehensive income, net of any reimbursement.

Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate.

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

Value-added tax (VAT) payable, net

Input VAT pertains to 12% indirect payment by the Company in the course of the Company's trade or business on local purchase of goods or services.

Output VAT pertains to 12% tax due on the sale of insurance policies and other goods or services by the Company. If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "VAT Payable, net" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other assets" account.

Equity

Share capital is determined using the nominal value of shares that have been issued.

Contributed surplus represents original contributions of the shareholders as provided under the Insurance Code.

Contingency surplus represents contributions of the shareholders to cover any deficiency in the Margin of Solvency (MOS) as required under the Insurance Code and can be withdrawn only upon the approval of the IC.

Retained earnings include all current and prior period results as disclosed in the statements of comprehensive income.

Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and revenue can be reliably measured.

The additional specific recognition criteria for each type of revenue are as follows:

Premiums and reserve determination

Premiums from short-duration insurance contracts are recognized as revenue over the period of the insurance contracts using the 24th method for all classes of business.



The portion of the premiums written that relates to the unexpired periods of the policies at the financial reporting dates are accounted for as Reserve for Unearned Premiums and presented in the liability section of the statements of financial position. The net changes in the reserve for unearned premiums account between financial reporting dates are credited to or charged against income.

Reinsurance commissions

Reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs.

Interest income

Interest income on deposits, investments, cash collateral bond and incoming treaty is recognized as the interest accrues usually on a time proportion basis taking into account the effective yield on the asset or EIR.

Dividend income

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

Rental income

Rental income arising from operating leases or investment properties is accounted for on a straight-line basis over the lease terms.

Income

Other income is recognized when there is an incidental economic benefit, other than from the usual business operations, that will flow to the Company and that can be reliably measured.

Expense recognition

Expenses are recognized in the statements of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be reliably measured. Expenses are recognized (a) on the basis of a direct association between the costs incurred and the earning of specific items of income; (b) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (c) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset. Operating expenses are costs attributable to administrative and other business activities of the Company.

Claim cost recognition

Liabilities for unpaid claim costs and claim adjustment expenses relating to insurance contracts are accrued when insured events occur.

The liabilities for unpaid claims, including those for incurred but not reported (IBNR), are based on the estimated ultimate cost of settling the claims as determined by the loss adjusters. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense of the period in which the estimates are changed or payments are made.

Estimated recoveries on settled and unsettled claims are evaluated in terms of the estimated realizable values of the salvage recoverable. Recoveries on settled claims are recognized in the statements of comprehensive income in the period the recoveries are determined while estimated recoveries on unsettled claims are deducted from the liability for unpaid claims.

At each financial reporting date, a liability adequacy test is performed. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the provision for outstanding claims. The provision for unearned premiums is increased to the extent that future claims in respect of current insurance contracts exceed future premiums plus the provision for unearned premiums.

Employee benefits

Short-term employee benefits

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that these will lead to a reduction in future payments. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, non-monetary benefits and other short-term benefits.



Retirement benefits

The Company has a funded, non-contributory defined benefit retirement plan covering all of its regular employees. Retirement benefit cost is determined using the projected unit credit actuarial valuation method as determined by an independent actuary taking into account the factors of investment, mortality, disability and salary projection rates on an actuarial basis.

The retirement benefit liability recognized in the statements of financial position is the present value of the Company's defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. The defined benefit asset is adjusted for any effect of limiting it to the asset ceiling, which 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 defined benefit obligation is calculated by an independent actuary using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity as OCI in the period in which they arise.

Past service cost are recognized in profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Company recognizes restructuring related assets

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation in profit or loss:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

A curtailment is a significant reduction in, or an elimination of, defined benefit accruals for present employees' future services.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

Company as Lessee

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 assets - 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 measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.



The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease liabilities - 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 the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets - 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 lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. 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.

Company as Lessor

Leases where the Company does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Foreign exchange transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and nonmonetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Nonmonetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the statements of income, except for differences arising on the translation of financial asset at FVOCI, a financial liability designated as an effective hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognized in other comprehensive income.



Taxes

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

Current tax relating to items recognized directly in equity is recognized in equity and not in the statements of income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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 profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises 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 profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Carrying amount of deferred tax assets is reviewed at each reporting date 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 reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 reporting date.

Current tax and deferred tax are recognized in the statements of income, except to the extent that it relates to a business combination, or items recognized directly in equity or in 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 the deferred taxes relate to the same taxable entity and the same taxation authority.



Related parties

A related party is an entity or person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others, who have the ability to control, jointly control or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Events after the financial reporting date

Post year-end events up to the date when the financial statements were authorized for issuance by BOD that provide additional information about the Company's position at financial reporting date (adjusting events) are reflected in the financial statements. Non-adjusting post year-end events are disclosed in the notes to the financial statements when material.

4. Use of Judgements Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income, and expenses reported in the financial statements at the reporting date.

However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

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

Determination of functional currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency is determined to be the Philippine Peso. It is the currency that mainly influences the Company's operations.

Determination whether an arrangement contains a lease. The Company assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3. On adoption of PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

The details of these lease agreements are disclosed in Note 36.

Company as Lessor. The Company has entered into lease agreements as a lessor. The Company has determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in the statements of comprehensive income amounted to ₱451,569 and ₱890,626 in 2021 and 2020 (see Note 36).

Determining the lease term of contracts with renewal and termination options – Company as lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



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).

The Company included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Company typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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

Contingencies. The Company is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Company. The Company's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Company currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (see Note 35).

Estimates and assumptions

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

Fair Value Measurements. A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Company uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Note 6.

Allowance for ECL on receivables. Provisions are made for specific and groups of accounts, where objective evidence of credit loss exists. The Company evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in the allowance for ECL would increase the recorded costs and expenses and decrease current assets.



Allowance for doubtful accounts on insurance receivables are presented in Note 9.

The carrying amount of insurance receivables amounted to ₱1,607,445,284 and ₱1,593,843,317 as at December 31, 2021 and 2020, respectively (see Note 9).

Allowance for other receivables amounted to nil as at December 31, 2021 and 2020, respectively.

The carrying amount of other receivables amounted to ₱3,846,196 and ₱4,065,426 as at December 31, 2021 and 2020, respectively (see Note 12).

ECL on financial assets at FVOCI. Loss on Financial assets at FVOCI are assessed when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. 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.

Estimation of useful lives of property and equipment and investment properties. The Company estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment properties would increase the recorded costs and expenses and decrease noncurrent assets.

The useful lives of the Company's property and equipment and investment properties are presented in Note 3.

Estimation of impairment of non-financial assets. PFRS requires that an impairment review be performed on investments (excluding financial asset at FVOCI), property and equipment, right-of-use assets and investment properties when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

The carrying values of non-financial assets subject to impairment review as at December 31, 2021 and 2020 are as follows:

	Note	2021	2020
Property and equipment, net	13	₱2,337,927	₱1,193,570
Supplies inventory	17	1,051,824	1,351,935
Right-of-use-asset	36	-	5,040,803

There are no indicators of impairment on non-financial assets. No provision for impairment losses was recognized by the Company in 2021 and 2020.

Estimation of insurance liabilities arising from insurance contracts. The liabilities for unpaid claims, including those for incurred but not reported (IBNR), are based on the estimated ultimate cost of settling the claims as determined by the loss adjusters. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense of the period in which the estimates are changed or payments are made. The Company's estimate of insurance claims is discussed in detail in Note 5 on claims development table.



Estimated recoveries on settled and unsettled claims are evaluated in terms of the estimated realizable values of the salvage recoverable. Recoveries on settled claims are recognized in the statements of comprehensive income in the period the recoveries are determined while estimated recoveries on unsettled claims are deducted from the liability for unpaid claims.

Estimation of retirement liability. The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions include, among others, discount rate, rate of expected return on plan assets and salary increase rate. The amounts of retirement benefit obligation and expense, and an analysis of the movements in the estimated present value of defined benefit obligation (DBO) are presented in Note 33.

Estimation of legal contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the Company's financial statements.

Accordingly, no provision for probable losses arising from legal contingencies was recognized for the years ended December 31, 2021 and 2020 (see Note 35).

Estimating Asset Retirement Obligation. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Company determined that there are no ARO as at December 31, 2021 and 2020.

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 (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimation on realizability of Deferred Tax Assets. The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount 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 assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to ₱42,339,939 and ₱51,515,971 as at December 31, 2021 and 2020 (Note 30).

5. Insurance and Financial Risk Management Objectives and Policies

Insurance risk

Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the issuer. It is the possibility that the insured events will occur and the uncertainty of the amount of the resulting claim.

The principal risk the Company faces under insurance contract is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency and severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus, a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.



The Company's direct and reinsurance and retroceded premiums for the years ended December 31, 2021 and 2020 per line of risk are shown below:

Line of risk	2021				
	Direct business	Reinsurance premiums assumed	Reinsurance premiums ceded	Retrocessionaire's share in premium	Net
Fire	P251,136,039	P142,329,947	(P245,900,863)	P-	P147,565,123
Motor car	142,188,445	25,566,024	(10,095,504)	-	157,658,965
Marine cargo	38,391,468	43,174,861	(999,331)	-	80,566,998
Personal accident	45,405,823	26,833,051	(982,541)	-	71,256,333
Bonds	46,948,851	2,897,195	(3,661,742)	-	46,184,304
Engineering	13,186,433	19,453,816	(13,772,669)	-	18,867,579
Equipment floater	-	-	-	-	-
Miscellaneous	24,837,979	9,325,208	(820,077)	-	33,343,110
	P562,095,038	P269,580,102	(P276,232,727)	P-	P555,442,412

Line of risk	2020				
	Direct business	Reinsurance premiums assumed	Reinsurance premiums ceded	Retrocessionaire's share in premium	Net
Fire	P274,783,490	P132,295,300	(P128,516,428)	(P58,124,320)	P220,438,042
Motor car	150,331,608	13,670,166	(6,884,335)	-	157,117,439
Marine cargo	34,308,952	40,721,887	(537,656)	(257,805)	74,235,378
Personal accident	43,455,101	28,885,179	(1,363,992)	-	70,976,288
Bonds	36,279,573	1,055,603	(19,834,803)	-	17,500,373
Engineering	15,758,875	9,481,137	(7,046,085)	(298,715)	17,895,212
Equipment floater	-	-	-	-	-
Miscellaneous	27,118,398	7,331,701	(552,247)	(156,949)	33,740,903
	P582,035,997	P233,440,973	(P164,735,546)	(P58,837,789)	P591,903,635

Miscellaneous includes all risks insurance, money securities and payroll (MSPR), comprehensive general liability, fidelity guarantee, electronic equipment, public liability, engineering insurance and other insurance products.

The Company's risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of both facultative and treaty reinsurance arrangements. The majority of insurance business ceded is placed on excess-of-loss insurance treaty agreements with varying retention limits per product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Reinsurance placement is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Key assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. These assumptions are handled by the Company's adjusters.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future. For example, one-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, may affect these estimates.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation may potentially affect the forecasts.



The table below sets out the concentration of the Company's losses and claims payable (see Note 19) as of December 31, 2021 and 2020, as shown in the statements of financial position:

Line of risk	2021			2020		
	Direct claims	Share in losses for RI assumed	Gross claim liabilities	Direct claims	Share in losses for RI assumed	Gross claim liabilities
Fire	P327,592,588	P19,755,833	P347,348,421	P324,402,796	P17,315,829	P341,718,624
Motor car	46,255,084	1,124,642	47,379,726	61,562,145	1,003,109	62,565,254
Personal accident	6,752,382	1,972,986	8,725,369	10,209,177	1,084,525	11,293,701
Marine cargo	18,007,336	704,052	18,711,388	16,082,999	610,526	16,693,525
Engineering	16,558,138	565,309	17,123,448	13,501,561	501,682	14,003,244
Bonds	2,026,157	-	2,026,157	2,069,998	-	2,069,998
Marine hull	-	-	-	-	-	-
Miscellaneous	6,337,159	-	6,337,159	3,642,960	-	3,642,961
	P423,528,844	P24,122,822	P447,651,668	P431,471,636	P20,515,671	P451,987,307

The table below shows the concentration of the Company's losses and claims payable, net of reinsurance recoverable on unpaid losses (see Note 19):

Line of risk	2021			2020		
	Gross claim liabilities	Reinsurers' share in claim liabilities	Net claim liabilities	Gross claim liabilities	Reinsurers' share in claim liabilities	Net claim liabilities
Fire	P347,348,421	P234,978,314	P112,370,107	P341,718,624	P211,492,762	P130,225,863
Motor car	47,379,726	3,653,717	43,726,009	62,565,254	4,309,461	58,255,793
Personal accident	8,725,369	1,036,776	7,688,593	11,293,701	1,095,485	10,198,216
Marine cargo	18,711,388	2,219,635	16,491,754	16,693,525	2,562,531	14,130,994
Engineering	17,123,448	3,935,772	13,187,676	14,003,244	3,165,946	10,837,298
Bonds	2,026,157	367,631	1,658,526	2,069,998	639,247	1,430,750
Marine hull	-	-	-	-	-	-
Miscellaneous	6,337,159	2,621,815	3,715,345	3,642,961	1,481,430	2,161,531
	P447,651,668	P248,813,660	P198,838,010	P451,987,307	P224,746,862	P227,240,445

Claims development table

The Company aims to maintain strong reserves in respect of its insurance business in order to protect itself against adverse future claims experience and developments. Amounts of estimates at the year were based from reports of adjusters who handle major accounts of the Company, usually for fire and marine claims. Other estimates are based on reasonable approximation after going thorough evaluation of reported claims. Adjustments to actual claims versus the loss reserve are made in the year the ultimate cost of claim becomes more certain. Reserves are either accounts under litigation.

The following tables reflect the cumulative incurred claims for each successive accident year at each reporting date, together with the cumulative payments to date:

	Gross insurance liabilities for 2021					Total
	2017	2018	2019	2020	2021	
Estimate of ultimate claim cost						
At the end of the accident year	P6,024,893,187	P171,004,292	P542,582,094	P515,075,293	P489,151,774	P489,151,774
One year later	8,976,369,410	519,116,848	574,063,600	499,820,185	-	499,820,185
Two years later	9,274,623,003	670,903,170	661,410,048	-	-	661,410,048
Three years later	9,150,803,429	786,474,696	-	-	-	786,474,696
Four years later	9,190,958,208	-	-	-	-	9,190,958,208
Current estimate of cumulative claims	9,190,958,208	786,474,696	661,410,048	499,820,185	489,151,774	11,627,814,911
Cumulative payments to date	9,056,255,031	780,730,924	619,674,995	458,920,777	264,581,516	11,180,163,243
Liability recognized at gross	P134,703,177	P5,743,772	P41,735,053	P40,899,408	P224,570,258	P447,651,668



Net insurance liabilities for 2021						
	2017	2018	2019	2020	2021	Total
Estimate of ultimate claim cost						
At the end of the accident year	₱2,933,619,561	₱275,428,806	₱434,350,752	₱461,689,417	₱284,144,138	₱284,144,138
One year later	3,097,582,346	434,103,265	546,474,090	430,914,788		430,914,788
Two years later	3,792,182,850	589,314,678	644,005,398	-		644,005,398
Three years later	3,428,593,023	643,982,656	-	-		643,982,656
Four years later	2,015,084,776	-	-	-		2,015,084,776
Current estimate of cumulative claims	2,015,084,776	643,982,656	644,005,398	430,914,788	284,144,138	4,018,131,756
Cumulative payments to date	2,005,591,402	639,525,355	609,712,684	404,633,871	159,830,435	3,819,293,747
Liability recognized at net of RI recoverable on unpaid losses	₱9,493,374	₱4,457,301	₱34,292,714	₱26,280,917	₱124,313,703	₱198,838,009

Financial risk

The Company is exposed to a variety of financial risks arising from both its operating and investing activities. The Company's risk management is coordinated with its BOD, and focuses on actively securing the Company's short-to-medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are also managed to generate lasting returns.

The overall objective of the BOD is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and liquidity. Further details regarding these policies are set out on the succeeding pages.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is the Company's policy to assess the credit risk of new customers before entering into contracts with them. For reinsurance transactions, the Company takes into consideration the financial capability of its reinsurers and cedants and their standing in the industry. Furthermore, the Company now only transacts with reinsurers that are rated A by Standards and Poors (S & P). The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. Credit ratings are undertaken into account by local businesses on which the Company relies.

With respect to credit risk arising from the other financial assets of the Company, which comprise of cash in banks, cash equivalents, Investments in debt securities at amortized cost and other investments, financial asset at FVOCI investments and other receivables, the Company's exposure to credit risk could arise from default of the party, having a maximum exposure equal to the carrying amount of these instruments.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position.



As at December 31, 2021 and 2020, the Company's maximum exposure to credit risk before collateral held or other credit enhancements follows:

	Note	2021		2020	
		Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Cash and cash equivalents*	8	₱26,328,788	₱26,328,788	₱66,120,528	₱66,120,528
Insurance receivables, net	9	1,607,445,284	1,607,445,284	1,593,843,317	1,593,843,317
Investments in debt securities at amortized cost and other investments	10	202,411,811	202,411,811	202,744,105	202,744,105
Financial asset at FVOCI	11	1,115,398	1,115,398	4,132,297	4,132,297
Other receivables	12	3,846,196	3,846,196	4,065,426	4,065,426
		₱1,841,147,477	₱1,841,147,477	₱1,870,905,673	₱1,870,905,673

*Excludes cash on hand of ₱5,966,258 and ₱4,001,334 as at December 2021 and 2020, respectively.

Financial assets considered past due but not impaired are collectible in full as they are bound by facultative and treaty agreements.

The aging analysis of financial assets as at December 31, 2021 and 2020 are as follows (amounts are gross of allowances):

Note	Total	2021					
		Neither past due nor impaired	Past due but not impaired				
			91-180 days	181-360 days	1-3 years	3-5 years	Impaired
Cash in banks and cash equivalents*	8	₱26,328,788	₱26,328,788	₱-	₱-	₱-	₱-
Insurance receivables	9	1,683,243,854	201,899,553	200,589,052	150,130,450	374,183,407	687,498,256
Investments in debt securities	10	202,411,811	202,411,811	-	-	-	-
Financial asset at FVOCI	11	1,115,398	1,115,398	-	-	-	-
Other receivables	12	3,846,196	3,846,196	-	-	-	-
		₱1,916,946,047	₱435,601,746	₱200,589,052	₱150,130,450	₱374,183,407	₱687,498,256
							₱68,943,136

*Excludes cash on hand of ₱5,966,258 as at December 2021.

Note	Total	2020					
		Neither past due nor impaired	Past due but not impaired				
			91-180 days	181-360 days	1-3 years	3-5 years	Impaired
Cash in banks and cash equivalents*	8	₱66,120,528	₱66,120,528	₱-	₱-	₱-	₱-
Insurance receivables	9	1,645,785,001	243,895,864	149,749,125	148,841,204	1,051,357,124	9,026,381
Investments in debt securities	10	202,744,105	202,744,105	-	-	-	-
Financial asset at FVOCI	11	4,132,297	4,132,297	-	-	-	-
Other receivables	12	4,065,426	4,065,426	-	-	-	-
		₱1,922,847,357	₱520,958,220	₱149,749,125	₱148,841,204	₱1,051,357,124	₱9,026,381
							₱42,915,304

*excludes cash on hand of ₱4,001,334 as at December 2020.

The Company has placed strict credit and collection policy that helps minimize the risk of loss due to defaulting debtors. The Company has a policy of terminating an insurance contract if the policy holder or agent fails to remit premiums within 90 days for insurance contracts with premiums not exceeding ₱500,000. The Company has a policy of providing hundred percent (100%) allowance on due from ceding companies, reinsurance recoverable on paid losses, and funds held by ceding companies aging more than five (5) years.

Insurance receivable aging 91-180 days, 181-360 days and 1-3 years are fully collectible as they are bound by an agreement.



The aging analysis of insurance receivables as at December 31, 2021 and 2020 are as follows (amounts are gross of allowances):

	2021					
	Total	Neither past due nor impaired	Past due but not impaired			
			91-180 days	181-360 days	1-5 years	Impaired
RI recoverable on paid losses	₱946,819,737	₱72,896	₱25,459	₱67,590,767	₱831,942,731	₱47,187,884
Premiums receivable	458,508,488	171,663,140	163,003,464	54,175,434	64,057,164	5,609,286
Due from ceding companies	273,409,008	26,230,287	37,560,129	28,364,249	158,688,896	22,565,446
Fund held by ceding companies	4,506,621	3,933,230	-	-	137,437	435,954
	₱1,683,243,854	₱201,899,553	₱200,589,052	₱150,130,450	₱1,054,826,228	₱75,798,570
	2020					
	Total	Neither past due nor impaired	Past due but not impaired			
			91-180 days	181-360 days	1-5 years	Impaired
RI recoverable on paid losses	₱989,103,795	₱30,737,440	₱5,100,934	(₱539,894)	₱925,684,600	₱28,120,715
Premiums receivable	420,090,957	183,644,828	116,560,774	87,229,606	32,655,749	-
Due from ceding companies	236,014,004	29,513,597	28,087,418	62,151,492	92,876,482	23,385,015
Fund held by ceding companies	576,248	-	-	-	140,294	435,954
	₱1,645,785,004	₱243,895,865	₱149,749,126	₱148,841,204	₱1,051,357,125	₱51,941,684

Credit quality per class of financial assets

The Company classifies its unimpaired financial assets subject to credit risk according to the following credit grades:

High grade (neither past due nor impaired) – This pertains to accounts with very low probability of defaults because of the borrower's established ability to tap its liquid resources to fully service its obligations as they become due. The borrower has no history of default and uses leverage sparingly. This category includes debt securities issued or guaranteed by the government or its agencies or controlled corporations.

Standard grade (neither past due nor impaired) – This pertains to accounts with an acceptable probability of default. Nevertheless, the borrower has a strong debt service record and has demonstrated the ability to readily service its debts. Collateral cover, if applicable, should be adequate. This includes receivables with good credit standing and amounts lent to other financial institutions with healthy capital and liquidity ratios.

Substandard grade – Risk of default is higher than normal. The borrower is expected to be able to service its debt under normal economic and business conditions. Any prolonged economic or business downturn would however ostensibly create liquidity issues for the borrower. The borrower may have a history of default but must have regularized its debt service performance as of reporting date.



The breakdown of the Company's financial assets as to credit quality as at December 31, 2021 and 2020 are as follows:

	Note	2021			Total
		High grade	Standard grade	Substandard grade	
Cash in banks and cash equivalents*	8	₱46,074,258	₱-	₱-	₱46,074,258
Insurance receivables	9	-	201,899,553	1,481,344,301	1,683,243,854
Investments in debt securities at amortized cost	10	202,411,811	-	-	202,411,811
Financial asset at FVOCI	11	1,115,398	-	-	1,115,398
Other receivables	12	3,846,196	-	-	3,846,196
		₱253,447,663	₱201,899,553	₱1,481,344,301	₱1,936,691,517

*excludes cash on hand of ₱5,966,258 as at December 2021.

	Note	2020			Total
		High grade	Standard grade	Substandard grade	
Cash in banks and cash equivalents*	8	₱66,120,528	₱-	₱-	₱66,120,528
Insurance receivables	9	-	243,895,864	1,401,889,137	1,645,785,001
Investments in debt securities at amortized cost	10	202,744,105	-	-	202,744,105
Financial asset at FVOCI	11	4,132,297	-	-	4,132,297
Other receivables	12	4,065,426	-	-	4,065,426
		₱277,062,356	₱243,895,864	₱1,401,889,137	₱1,922,847,357

*excludes cash on hand of ₱4,001,334 as at December 2020.

Liquidity risks

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is mainly exposed to liquidity risk through its maturing liabilities.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

As at December 31, 2021 and 2020, the following are the financial liabilities classified based on maturity:

	Note	2021				
		Carrying amount	Total	On demand	Within one year	More than one year
Accrued expenses and other liabilities	18	₱20,220,581	₱20,220,581	₱-	₱20,220,581	₱-
Losses and claims payable	19	447,651,668	447,651,668	447,651,668	-	-
Commissions payable	9	33,427,417	33,427,417	33,427,417	-	-
Insurance payable	20	31,229,308	31,229,308	31,229,308	-	-
Lease liabilities	36	-	-	-	-	-
		₱532,528,974	₱532,528,974	₱512,308,393	₱20,220,581	₱-



		2020				
	Note	Carrying amount	Total	On demand	Within one year	More than one year
Accrued expenses and other liabilities	18	P15,070,585	P15,070,585	P-	P15,070,585	P-
Losses and claims payable	19	451,987,307	451,987,307	451,987,307	-	-
Commissions payable	9	37,521,512	37,521,512	37,521,512	-	-
Insurance payable	20	62,135,028	62,135,028	62,135,028	-	-
Lease liabilities	36	3,868,812	3,868,812	-	-	3,868,812
		P570,583,244	P570,583,244	P551,643,847	P15,070,585	P3,868,812

Market risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates; foreign currency exchanges rates, equity prices and other market changes.

The Company's market risk is manageable within conservative bounds. As at December 31, 2021 and 2020, the Company has not engaged in trading financial instruments.

Interest rate risk

Interest rate risk is the risk to earnings or capital resulting from adverse movements in the interest rates. The economic perspective of interest rate risk focuses on the value of a bank in the current interest rate environment and the sensitivity of that value to changes in interest rates.

The Company closely monitors the movements of interest rates in the market and reviews its asset and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits.

The following is the maturity profile of interest-bearing financial instruments subject to interest rate risk at December 31, 2021 and 2020:

		2021			
	Note	Within 1 year	1-3 years	More than 3 years	Total
Cash and cash equivalents*	8	P46,074,258	P-	P-	P46,074,258
Investments in debt securities at amortized cost and other investments	10	202,411,811	-	-	202,411,811
Financial asset at FVOCI	11	-	-	-	-
		P248,486,069	P-	P-	P248,486,069

*excludes cash on hand of P5,966,258 as at December 2021.

		2020			
	Note	Within 1 year	1-3 years	More than 3 years	Total
Cash and cash equivalents*	8	P66,120,528	P-	P-	P66,120,528
Investments in debt securities at amortized cost and other investments	10	202,744,105	-	-	202,744,105
Financial asset at FVOCI	11	4,132,297	-	-	4,132,297
		P272,996,930	P-	P-	P272,996,930

*excludes cash on hand of P4,001,334 as at December 2020.



The interest rates for the interest-bearing financial instruments are as follows:

	Note	2021			
		Due and demandable	Within 1 year	1-3 years	More than 3 years
Cash and cash equivalents		-	-	-	-
Cash in bank		0.02% - 1.00%	-	-	-
Cash equivalents		0.50% - 3.12%	-	-	-
Investments in debt securities at amortized cost and other investments	10	-	1.00% - 1.50%	-	-
Financial asset at FVOCI	11	3.63% - 5.22%	-	-	-

	Note	2020			
		Due and demandable	Within 1 year	1-3 years	More than 3 years
Cash and cash equivalents		-	-	-	-
Cash in bank		0.04% - 0.01%	-	-	-
Cash equivalents		0.50% - 3.93%	-	-	-
Investments in debt securities at amortized cost and other investments	10	-	1.69% - 3.93%	-	-
Financial asset at FVOCI	11	3.62% - 5.23%	-	-	-

As at December 31, 2021 and 2020, the Company does not have financial liabilities that bear significant rates of interest.

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, AFS financial assets. 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 investments are regulated under the pertinent provisions of Republic Act 10607, otherwise known as "The Insurance Code", as amended. The Insurance Code generally requires all insurance companies to obtain prior approval of the IC for any and all of their investments. It further requires companies to submit to the IC a monthly report on all investments made during the previous month. The IC reviews the investments and may suggest or require the immediate sale or disposal of investments deemed too risky.

Volatility rates were derived from the average month-end price change during the immediately preceding three (3) years of the Philippine Stock Exchange (PSE) – listed equity investments. The following table shows the equity impact after tax of the reasonable possible change in the fair values of the Company's investment as at December 31 (all other variables held constant):

	2021		2020	
	Volatility	Effect on Equity	Volatility	Effect on Equity
Financial asset at FVOCI	+2.82%	₱342,032	+4.47%	₱27,928
	-2.82%	(342,032)	-4.38%	(27,928)

Foreign currency risk

The Company has no significant exposure to foreign currency risks as most transactions are denominated in the Philippine Peso (PHP), its functional currency. However, the Company has bank that are denominated other than the functional currency of the Company.

The following table shows the foreign currency-denominated assets expressed in US dollar (USD) and their PHP equivalents as at December 31:

	2021		2019	
	USD	PHP	USD	PHP
Cash in banks	221,410	11,173,992	31,735	1,523,909



These cash in banks were translated at the prevailing exchange rates at year-end mandated by the Insurance Commission (IC). Exchange rate of 1 United States Dollar (USD) to Philippine Peso (PHP) was ₱50.47 and ₱48.02 as at December 31, 2021 and 2020, respectively.

The following table summarizes the impact of possible changes in the exchange rates of USD against PHP (all other variables held constant) on the Company's profit before tax:

	2021		2020	
	Volatility	Effect on Total Comprehensive Income	Volatility	Effect on Total Comprehensive Income
Cash in banks	+2.5%	₱273,766	+5%	₱83,146
	-2.5%	(273,766)	-5%	(83,146)

Assumption is based on the experienced fluctuation of USD to PHP exchange rate from December 31, 2020 to December 31, 2019. There is no other impact on the Company's equity other than those affecting the statements of comprehensive income.

6. Financial Instruments

The following table summarizes the carrying values of the Company's financial assets and financial liabilities at December 31:

	Note	2021	2020
Financial assets			
Loans and receivables			
Cash and cash equivalents	8	₱52,040,516	₱70,121,862
Insurance receivables, net	9	1,607,445,284	1,593,843,317
Other receivables	12	3,846,196	4,065,426
Investments in debt securities at amortized cost and other investments	10	202,411,811	202,744,105
Financial asset at FVOCI	11	69,833,879	63,114,473
		₱1,935,577,686	₱1,933,889,183
Financial liabilities			
Financial liabilities at amortized cost			
Accrued expenses and other liabilities	18	₱15,070,585	₱15,070,585
Losses and claims payable	19	447,651,668	451,987,307
Commissions payable		33,427,417	37,521,512
Insurance payable	20	31,229,308	62,135,028
Lease liabilities	36	-	3,868,812
		₱527,378,978	₱570,583,244

The carrying amounts of financial assets and financial liabilities, carried at amortized cost except for AFS financial assets, are assumed to approximate their fair values due to their relatively short-term maturities and being subject to an insignificant risk of change in value. AFS financial assets are carried at its fair value at year-end.

As discussed in Note 3, the disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.



Fair value determination of financial assets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3, depending on the degree by which the fair value is observable.

2021	Level 1	Level 2	Total
Financial Assets			
Financial asset at FVOCI	₱13,244,203	₱56,589,676	₱69,833,879
2020	Level 1	Level 2	Total
Financial Assets			
Financial asset at FVOCI	₱21,087,173	₱42,027,300	₱63,114,473

The fair values of financial asset at FVOCI have been determined directly by reference to published prices in active market. The fair values of unquoted AFS equity securities, consisting mainly of golf and country club shares, were derived from the most recent prices published by the GG & A Club Shares.

Fair value determination of non-financial assets

2021	Level 1	Level 2	Total
Non-financial Assets			
Investment properties, net	₱-	₱5,910,000	₱5,910,000
Property and equipment, net	-	1,969,250	1,969,250
	₱-	₱7,879,250	₱7,879,250
2020	Level 1	Level 2	Total
Non-financial Assets			
Investment properties, net	₱-	₱5,910,000	₱5,910,000
Property and equipment, net	-	1,193,570	1,193,570
	₱-	₱7,103,570	₱7,103,570

The fair value of investment property has been determined based on the appraisal report of an independent appraiser, and with reference to arm's length transaction of similar properties in the market.

Income, expense, gains or losses on financial instruments

Items of income, expense, gains or losses with respect to financial assets and financial liabilities in the statements of comprehensive income are as follows:

	<i>Note</i>	2021	2020
Interest income			
On cash and cash equivalents	8	₱28,708	₱95,154
On short-term investments	10	-	70,036
On Investments in debt securities at amortized cost and other investments	10	4,029,414	8,923,845
On financial asset at FVOCI under IMA	11	-	231,520
		₱4,058,122	₱9,320,555
Dividend income from financial asset at FVOCI	11	₱243,593	₱115,773
Realized foreign exchange	8	₱48,688	(₱201,534)
Fair value adjustments on financial asset at FVOCI	11	₱1,881,490	(₱14,875,023)



7. Capital Management Objectives and Policies

The primary objectives of the Company for capital management are to ensure its ability to continue as a going concern; to maintain quality ratios especially liquidity and to ensure compliance with IC regulations.

The Executive Officers of the Company, composed of the President and the Executive Vice-President, are responsible for managing the Company's capital structure and making the necessary adjustments to address the risks and to adapt to changes in economic conditions and regulatory requirements.

The Company regards the following items as the capital it manages as at December 31:

	Note	2021	2020
Share capital	24	₱250,000,000	₱250,000,000
Contributed surplus		326,986,500	216,986,500
Contingency surplus		79,400,594	79,400,594
Other comprehensive income, net		46,247,501	44,302,326
Retained earnings		425,862,068	414,469,475
		₱1,128,496,663	₱1,005,158,895

There are no changes in the Company's capital management approach.

On a meeting held on December 2, 2019, additional 12,500,000 authorized shares with ₱100 par value per share amounting to ₱1,250,000,000 was unanimously approved by majority of directors. In February 2020, the Company received ₱160,000,000 from the stockholders representing 1,600,000 of the subscribed shares at ₱100 per share.

On June 11, 2021, the Securities and Exchange Commission issued a certificate of approval of increase of capital stock to the Company which will increase its authorized shares from ₱250,000,000 to ₱1,500,000,000. In addition, the conversion of ₱160,000,000 and ₱100,000,000 from contributed surplus to share capital were approved to increase in authorized capital.

The Company is subject to IC's capital requirements, details of which are as follows:

a. Margin of solvency (MOS)

The amended Insurance Code grants the Insurance Commissioner the power to prescribe solvency requirements based on internationally accepted solvency frameworks. Since the Insurance Commissioner has not prescribed new solvency requirements as yet, the margin of solvency requirements of the previous insurance code was followed.

Under the previous insurance code, a non-life insurance company doing business in the Philippines is required to maintain at all times a MOS equal to ₱500,000 or 10% of the total amount of its net premiums written during the preceding year, whichever is higher. The MOS is the excess of the value of a company's admitted assets as defined under existing insurance regulations, exclusive of its paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves in the Philippines.

In accordance with the pertinent provisions of the Insurance Code, the Company is restricted from declaring dividends on its outstanding capital stock except from profits attested to be remaining on hand after retaining unimpaired its entire paid-up capital stock, the required MOS, unearned premiums and a sum sufficient to pay all net losses reported, or in the course of settlement, and all other liabilities.

If the Company fails to meet the minimum required statutory net worth and Risk-Based Capital requirements, the IC is authorized to suspend or revoke all certificates of authority granted to the Company, its officers and agents, and no new business shall be borne by and for the Company until its authority is restored by the IC.

As at December 31, 2021 and 2020, the Company's Non-Admitted Assets (NAA) are its other receivables, property and equipment other than Electronic Data Processing/Information Technology equipment and certain items on other assets which are disclosed in Notes 12, 13 and 17, respectively.



b. Capitalization and net worth requirements

On January 13, 2015, IC issued CL No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. Based on the said CL, all domestic life and non-life insurance companies duly licensed by IC must have a net worth of at least ₱550 million by December 31, 2017. The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum Net Worth	Compliance Date
₱550 Million	December 31, 2017
900 Million	December 31, 2019
1.3 Billion	December 31, 2022

For the purposes of the above stated section, net worth shall consist of the following:

- Paid-up capital;
- Retained earnings;
- Unimpaired surplus; and
- Revaluation of assets as may be approved by the Commissioner.

The Company's total estimated net worth amounted to ₱865,684,689 as at December 31, 2019. To comply with the requirement, the Company applied for the increase in capitalization amounting to ₱1,250,000,000 in which ₱160,000,000 was paid on February 2020 (see Note 37).

The Company has complied with the minimum net worth requirement of ₱900,000,000 as at December 31, 2021, having a total estimated net worth of ₱1,128,496,663.

The final amount of the MOS and net worth can be determined only after the accounts have been examined by IC particularly with respect to the determination of admitted and non-admitted assets.

c. Risk-Based Capital (RBC) requirements

Insurance Memorandum Circular (IMC) No. 7-2006 adopted the RBC framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every non-life insurance company is annually required to maintain a minimum required RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the non-life insurance company to corresponding regulatory intervention which has been defined at various levels.

The RBC ratio 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 IC.

The following table shows how the RBC ratio was determined by the Company based on its calculations:

	2021	2020
Net worth	₱1,128,496,663	₱997,931,795
RBC requirement	224,712,022	237,126,999
RBC ratio	502%	421%

The final RBC ratio can only be determined 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.

If the Company failed to meet the minimum required statutory net worth and RBC requirements, the IC is authorized to suspend or revoke all certificates of authority granted to the Company, its officers and agents, and no new business shall be borne by and for the Company until its authority is restored by the IC.



Pursuant to IC CL No. 2017-15, *Regulatory Requirements and Actions for the New Regulatory Framework*, effective January 1, 2017, non-life insurance companies are required to maintain minimum RBC2 requirement as prescribed under IC CL No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*. Under the RBC2 Framework, the RBC ratio shall be calculated as total available capital divided by the RBC2 requirement. The following table shows the estimated RBC ratio as of December 31, 2021 and 2020 as determined by the Company based on the RBC2 Framework:

	2021	2020
Total available capital	₱1,079,301,837	₱949,971,604
RBC2 requirement	224,712,022	237,126,999
RBC2 ratio	480%	401%

The final amount of the RBC ratio can only be determined after the accounts of the Company have been examined by the IC.

The total available capital shall be 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. This capital is considered to be the highest quality capital available to the insurer. Tier 2 capital does not have the same high quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer. Tier 2 capital shall not exceed 50% of Tier 1 capital.

The RBC requirement shall be the capital that is required to be held appropriately to the risks an insurance company is exposed to, computed using the formula as prescribed under IC CL No. 2016-68.

8. Cash and Cash Equivalents

The details of this account are as follows:

	2021	2020
Cash on hand	₱5,966,258	₱4,001,334
Cash in banks	26,328,788	45,453,590
Cash equivalents	19,745,470	20,666,938
	₱52,040,516	₱70,121,862

Cash in banks generally earn interest at rates ranging from 0.02% to 0.036% in 2021 and 2020. Cash equivalents consist of time deposits and special savings deposits with maximum terms of three months and bear annual interest rates ranging from 0.50% to 3.12% and 0.5% to 3.93% in 2021 and 2020, respectively.

Certain cash in banks and cash equivalents amounting to ₱10,877,244 and ₱7,794,495 are under an investment management agreement with a universal bank as of December 31, 2021 and 2020, respectively (see Note 32).

Interest earned from cash in banks and cash equivalents amounted to ₱28,708 and ₱95,154 in 2021 and 2020, respectively (see Note 28).

Foreign exchange gain and loss recognized from cash and cash equivalents amounted to ₱48,688 and ₱201,534 in 2021 and 2020, respectively (see Note 28). The US Dollar accounts were translated using Insurance Commission's published exchange rate of US\$1: ₱50.47 and US\$1: ₱48.02 as at December 31, 2021 and 2020, respectively.



9. Insurance Receivables, Net

The details of this account are as follows:

	2021	2020
Reinsurance recoverable on paid losses	₱946,819,737	₱989,103,794
Premiums receivable	458,508,488	420,090,957
Due from ceding companies	273,409,008	236,014,002
Funds held by ceding companies	4,506,621	576,248
Insurance receivables, gross	1,683,243,854	1,645,785,001
Allowance for doubtful accounts	(75,798,570)	(51,941,684)
Insurance receivables, net	₱1,607,445,284	₱1,593,843,317

All insurance receivables are subject to credit risk exposure. However, the Company does not identify specific concentrations of credit risks with regard to insurance and other receivables, as the amounts recognized resemble a large number of receivables from various customers.

Details of the allowance for doubtful accounts on insurance receivables as of December 31 are as follows:

	Note	2021	2020
Balance at January 1		₱51,941,684	₱51,324,170
Provision	29	24,676,455	617,514
Reversal	28	(819,569)	-
Balance at December 31		₱75,798,570	₱51,941,684

The Company allocates commission payable based on the outstanding premiums receivable at the end of each year. Commission rate ranges from 27.5% to 5% in 2021 and 2020. Commissions payable amounted to ₱33,427,417 and ₱37,521,512 as at December 31, 2021 and 2020, respectively.

10. Investments in Securities at Amortized Cost

The details of this account are as follows:

	2021	2020
Government debt securities	₱50,524,259	₱64,621,688
Short-term investments	151,887,552	138,122,417
	₱202,411,811	₱202,744,105

The details of government debt securities are as follows:

	2021	2020
Balance at January 1	₱64,621,688	₱137,970,175
Acquisitions	50,524,259	64,621,688
Maturities	(66,106,174)	(152,958,292)
Amortization	1,484,486	14,988,117
Balance at December 31	₱50,524,259	₱64,621,688

The movement in the government debt securities are as follows:

	2021	2020
Cost		
Balance at January 1	₱65,735,000	₱152,958,292
Acquisitions	51,163,000	65,735,000
Maturities	(65,735,000)	(152,958,292)
Balance at December 31	51,163,000	65,735,000



	2021	2020
Unamortized discount		
Balance at January 1	(P1,113,312)	(P14,988,117)
Acquisitions	(1,009,915)	(1,113,312)
Amortizations	1,484,486	14,988,117
Balance at December 31	(638,741)	(1,113,312)
Net book value at December 31	P50,524,259	P64,621,688

Government debt securities comprise of investments in treasury bills, which are deposited with the Bureau of Treasury in compliance with IC regulation as security for the benefit of policyholders and creditors of the Company, have terms ranging from more than three (3) months to one (1) year from the purchase date and bear annual interest rates ranging from 1.00% to 1.50% and 1.69% to 3.93% in 2021 and 2020, respectively.

Interest income earned from these investments amounted to P4,029,414 and P8,923,845 in 2021 and 2020, respectively (see Note 28).

Short-term investments pertain to several time deposit placements that carry 3.25% annual interest and having terms of more than three months to one year.

Interest income earned from these investments amounted to P46,660 and P70,036 in 2021 and 2020, respectively (see Note 28).

11. Financial Asset at FVOCI

The details of this account are as follows:

	Note	2021	2020
Equity securities			
Quoted		P12,128,805	P16,886,880
Unquoted		56,589,676	42,095,296
Debt securities			
Government bonds under Investment Management Agreement (IMA)	32	-	1,132,297
Corporate bonds	32	1,115,398	3,000,000
		P69,833,879	P63,114,473

The movements in the accounts are as follows:

	2021	2020
Cost		
Balance at January 1	P20,518,642	P20,448,607
Additions	-	70,035
Disposals	(4,810,555)	-
Balance at December 31	15,708,087	20,518,642
Reserve for financial asset at FVOCI		
Balance at January 1	52,244,302	67,119,325
Fluctuations	1,881,490	(14,875,023)
Balance at December 31	54,125,792	52,244,302
Fair value at December 31	P69,833,879	P63,114,473

The unrealized gain on financial asset at FVOCI, net of deferred tax, is as follows:

	Note	2021	2020
Fair value adjustment		P54,125,792	P42,595,832
Deferred tax liability	30	(7,697,175)	(12,778,749)
		P46,428,617	P29,817,083



The fair value of investments in equity securities is based on either the market value recommended by the IC, market value in the stock exchange as at December 31, 2021 and 2020, the price of the financial instruments based on the most recent transactions in established exchanges, or the fair value determined by reference to the current market value of another instrument which is substantially the same.

The change in market value amounting to ₱1,881,490 and (₱14,875,023) for the years ended December 31, 2021 and 2020, respectively, are presented in the statements of comprehensive income and statements of changes in equity.

Investment in government bonds and other securities under Investment Management Agreement (IMA) earn interest at rates ranging from 3.62 % to 5.23% for 2021 and 2020.

Interest earned for the investments under IMA amounted to ₱69,238 and ₱231,520 in 2021 and 2020, respectively. (see Note 28).

Dividends earned and collected amounted to ₱243,593 and ₱115,773 in 2021 and 2020, respectively (see Note 28).

12. Other Receivables

The details of this account are as follows:

	2021	2020
Accounts receivable	₱2,258,620	₱2,477,750
Accrued interest receivable	1,587,676	1,587,676
	₱3,846,196	₱4,065,426

Accounts receivable represents advances on employee benefits, health plan and hospitalization assistance. It also includes claims fund, advances to various agencies and accrued interest on trust account.

Accrued interest receivable includes interest income accrued under IMA amounting to ₱12,350 and ₱30,035 as at December 31, 2021 and 2020, respectively (see Note 32).

Management believes that the carrying amounts of trade and other receivables approximate their fair values.

13. Property and Equipment, Net

The composition of and movements in this account are as follows:

	Note	EDP hardware and software	Furniture, fixtures and office equipment	Computer peripherals	Transportation equipment	Total
Cost						
As at December 31, 2019		₱15,333,099	₱8,951,424	₱22,542,537	₱14,689,452	₱61,516,512
Additions		-	514,234	235,024	-	749,258
As at December 31, 2020		15,333,099	9,465,658	22,777,561	14,689,452	62,265,770
Additions		-	60,242	1,473,386	-	1,533,628
As at December 31, 2021		15,333,099	9,525,900	24,250,947	14,689,452	63,799,398

Forward



	Note	EDP hardware and software	Furniture, fixtures and office equipment	Computer peripherals	Transportation equipment	Total
Accumulated depreciation						
As at December 31, 2019		P15,213,938	P8,545,138	P21,969,004	P14,630,146	P60,358,226
Depreciation and amortization	29	-	656,225	7,858	49,891	713,974
As at December 31, 2020		15,213,938	9,201,363	21,976,862	14,680,037	61,072,200
Adjustment		-	(566,690)	235,295	(37,282)	(368,677)
Depreciation and amortization	29	-	337,080	401,555	19,313	757,948
As at December 31, 2021		15,213,938	8,971,753	22,613,712	14,662,068	611,461,470
Net book value						
As at December 31, 2021		P119,161	P554,147	P1,637,234	P27,384	P2,337,927
As at December 31, 2020		P119,161	P264,295	P800,699	P9,415	P1,193,570

The cost of fully depreciated assets still in use amounted to P58,365,130 as at December 31, 2021 and 2020, respectively.

The Company's management sees no condition of impairment and that the net carrying amount of property and equipment can be recovered through use in operations. None of the assets is restricted and pledged as security for the Company's liabilities.

14. Investment Properties, Net

The composition of and movements in the account are as follows:

	Foreclosed properties (Land)	Condominium units	Total
Cost			
As at December 31, 2020 and 2021	P5,910,000	P3,211,050	P9,121,050
Accumulated depreciation			
As at December 31, 2020	-	3,211,050	3,211,050
Depreciation	-	-	-
As at December 31, 2021	-	3,211,050	3,211,050
Net book value			
As at December 31, 2020 and 2021	P5,910,000	P-	P5,910,000

The Company has one (1) residential lot located at Macabebe, Pampanga and seven (7) parcels of residential lots at Sabang, Morong, Bataan as at December 31, 2021 and 2020. All of these real properties were acquired by way of foreclosure in the following locations and costs:

	Acquisition date	Acquisition cost
Pampanga	January 13, 1981	P340,806
Bataan	December 12, 1935	17,165
		P357,971



The Company's condominium units are as follows:

	2021	2020
Cost		
One San Miguel	₱1,489,194	₱1,489,194
Herrera Tower	1,721,856	1,721,856
	3,211,050	3,211,050
Accumulated depreciation		
One San Miguel	(1,489,194)	1,489,194
Herrera Tower	(1,721,856)	1,721,856
	3,211,050	3,211,050
Net book value	₱-	₱-

The fair values of the condominium units is to ₱2,036,820 as at December 31, 2020. The fair values have been determined based on the zonal value as appraised by the local government units of the properties to which they are located, and therefore within level 2 of fair value hierarchy, as disclosed in Note 5.

The condominium units at Herrera Tower and One San Miguel are currently leased out. The Company earned ₱451,569 and ₱890,626 rental income in 2021 and 2020, respectively (see Notes 28 and 36).

The Company's land in Moring, Bataan and Macabebe, Pampanga, were revalued on September 9, 2019 by a firm independent professional qualified appraisers at market value. Market value was determined by the amount in which property should be exchanged on the date of valuation between a willing seller and a willing buyer in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. The appraised value of the land amounted to ₱5,910,000.

The Company's land in Morong, Bataan and Macabebe, Pampanga, were revalued on September 9, 2019 by a firm of independent professionally qualified appraisers at market value. Market value was determined by the amount in which a property should be exchanged on the date of valuation between a willing seller and a willing buyer in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In 2021 and 2020, operating expenses incurred for the above investment properties consisted of real property tax amounting to ₱75,110 and ₱93,997 respectively.

15. Deferred Acquisition Costs, Net

The movements of this account are as follows:

	2021	2020
Balance at January 1	₱78,420,373	₱71,546,255
Movements in:		
Deferred commission expense	20,884,709	15,717,082
Unearned commission income	(3,357,269)	(8,842,964)
Net increase	17,527,440	6,874,118
Balance at December 31	₱95,947,813	₱78,420,373
	2021	2020
Commission income	₱6,801,831	₱5,941,174
Commission expense	154,221,392	108,509,406
Adjustment expense	12,542,314	19,267,846

Net deferred acquisition costs represent the accrued component of the commission expense and commission income after the effect of 24th method of valuation.



16. Reinsurance Assets

This account consists of:

	2021	2020
Deferred reinsurance premiums	₱172,956,863	₱139,449,429
Reinsurance recoverable on unpaid losses	249,808,910	228,378,398
	₱422,765,773	₱367,827,827

Deferred reinsurance premiums pertain to the unexpired portion of the reinsurance premiums ceded out by the Company, computed based on the 24th method.

Reinsurance recoverable on unpaid losses represent the amounts recoverable from facultative and treaty reinsurers on their share on unpaid losses and loss adjustment expenses net of salvage or recoveries, including share on claims in respect of claims events that have occurred but have not been reported to the Company as of the valuation date.

The following tables show the relationship of reserve for unearned premiums and deferred reinsurance premiums in the statements of financial position with the premiums earned in the statements of comprehensive income due to 24th method.

		2021	
		Reserve for unearned premiums	Deferred reinsurance premiums
	Note		Net
Balance at beginning of year		₱365,156,360	₱139,449,428
New policies written during the year	25	831,675,138	276,232,726
Premiums earned during the year	25	(795,942,728)	(242,725,292)
Decrease in reserve for unearned premiums and deferred reinsurance premiums	25	35,732,410	33,507,434
Balance at end of year		₱400,888,770	₱172,956,862

		2020	
		Reserve for unearned premiums	Deferred reinsurance premiums
	Note		Net
Balance at beginning of year		₱423,919,602	₱185,794,541
New policies written during the year	25	815,476,969	223,573,334
Premiums earned during the year	25	(874,240,211)	(269,918,447)
Decrease in reserve for unearned premiums and deferred reinsurance premiums	25	(58,763,242)	(46,345,113)
Balance at end of year		₱365,156,360	₱139,449,428

Net premiums earned shown in the statements of comprehensive income represent the net premiums retained after considering the effect of the net movement in reserve for unearned premiums in 2021 and 2020.

The reinsurance share on IBNR and claims handling expense in 2021 and 2020 amounted to **₱97,927,603** and **₱82,704,246**, respectively.



17. Other Assets

The details of this account are as follows:

	2021	2020
Rental deposits	P3,394,770	P3,391,020
Supplies inventory	1,051,824	1,351,935
Security fund	54,788	54,788
Certificate of tax withheld	-	-
	P4,501,382	P4,797,743

Rental deposits pertain to deposits made by the Company to lessors of its offices. These deposits will be applied against the remaining months of the lease term.

Supplies inventory pertains to unused office supplies as at yearend.

Security fund pertains to the Company's contribution to the common fund of all domestic insurance companies intended to secure the payment of insurance claims even in case of insolvency as required by Section 367 of the Insurance Code. Earnings from the fund inures proportionately to the benefit of contributing members.

18. Accrued Expenses and Other Liabilities

The details of this account are as follows:

	2021	2020
Payable to various agencies	P6,651,843	P6,651,843
Adjusters' fees payable	6,759,917	6,759,917
Accrued expenses	1,310,812	1,310,812
Deposits from lessees	348,013	348,013
	P15,070,585	P15,070,585

Payable to various agencies represents over-remittance of premiums by the Company's insurance agents which are payable through cash refund and/or offsetting with related receivables, unpaid government contributions SSS, Philhealth, HDMF, and cash collateral which are given by the assured related to bond insurance.

Adjusters' fees payable represents services incurred in hiring independent adjusters for estimation and valuation of losses incurred from claims.

Accrued expenses are unpaid but already incurred operating expenses of the Company. It also includes accrued trust fees payable as at December 31, 2021 and 2020 amounting to P7,488 and P7,470, respectively (see Note 32).

Deposits from lessees represent cash advances for payment of leases.

19. Losses and Claims Payable

Losses and claims payable consist of the estimated liability for reported claims and accrual of estimated losses incurred but not reported (IBNR) and claims handling expenses.

The details of the movement in claims payable at gross are as follows:

	2021	2020
Balance at beginning of the year	P451,987,307	P520,786,563
Adjusters' fees payable	446,053,375	430,788,606
Accrued expenses	(450,389,014)	(499,587,862)
	P447,651,668	P451,987,307



Provision for IBNR and claims handling expenses in 2021 and 2020 amounted to ₱177,740,666 and ₱143,252,607, respectively.

20. Insurance Payable

The details of this account are as follows:

	2021	2020
Due to reinsurers		
Facultative	₱20,467,175	₱40,213,485
Treaty	9,103,510	20,221,189
	29,570,685	60,434,674
Funds held for reinsurers	1,685,623	1,700,354
	₱31,256,308	₱62,135,028

Due to reinsurers – Facultative represents the reinsurers' share on premiums from the policies ceded out by the Company under facultative agreement.

Due to reinsurers – Treaty represents the reinsurers' share on premiums from the policies ceded out by the Company under treaty agreement.

Funds held for reinsurers represents premiums retained by the Company from written business under funds held basis.

21. Premiums and Other Taxes Payable

The details of this account are as follows:

	2021	2020
Documentary stamps tax payable	₱249,061,210	₱322,724,661
Fire service tax payable	10,861,237	6,734,041
Withholding tax payable	3,979,707	3,712,363
Refund premiums payable	761,439	761,439
Premium tax payable	1,454,797	701,006
Local government tax payable	93,473	149,244
	₱266,211,863	₱334,782,754

These items mainly pertain to taxes related to the issuance of insurance policies.

22. Vat Payable, Net

The details of this account are as follows:

	2021	2020
Output VAT	₱167,064,166	₱141,203,070
Input VAT	(35,069,139)	(31,479,833)
	₱131,995,027	₱109,723,237

23. Reserve for Unearned Premiums

The Company adopts the 24th method of recognizing premiums revenue and the related acquisition cost, resulting to reserve for unearned premiums and deferred reinsurance premiums. The net movement in the reserve for unearned premium is presented in the statements of comprehensive income amounting to ₱12,418,129 and ₱11,243,008, respectively (see Notes 16 and 25).



24. Equity

The details of the authorized, issued and outstanding share capital are as follows:

	2021		2020	
	Shares	Amount	Shares	Amount
Authorized - ₱100 par value per share				
Beginning	2,500,000	₱250,000,000	2,500,000	₱250,000,000
Additions	12,500,000	1,250,000,000	-	-
Ending	15,000,000	1,500,000,000	2,500,000	250,000,000
Issued and outstanding	2,500,000	250,000,000	2,500,000	250,000,000
	2,500,000	₱250,000,000	2,500,000	₱250,000,000

Total contributed surplus amounted to ₱326,986,500 and ₱216,986,500 in 2021 and 2020, respectively. This pertains to amount of capital paid above par value.

Total contingency surplus amounted to ₱79,400,594 in 2021 and 2020. This pertains to restricted portion of surplus that serves as reservation against specific or general contingency.

On a meeting held on December 2, 2019, additional 12,500,000 authorized shares with ₱100 par value per share amounting to ₱1,250,000,000 was unanimously approved by majority of directors.

In February 2020, the Company received ₱160,000,000 from the stockholders representing 1,600,000 of the subscribed shares at ₱100 per share, for the compliance of insurance companies to have a minimum network requirement of ₱900,000,000 for 2019 (Note 7).

On June 11, 2021, The Securities and Exchange Commission issued a certificate of approval on the increase of capital stock to the Company which will increase its authorized shares from ₱250,000,000 to ₱1,500,000,000. On 2022 the Company will convert a total of

On 2022, the Company will convert a 2,700,000 to share capital at 100 per share.

25. Net Premiums Earned

The details of this account are as follows:

	Note	2021		Net Premiums Earned
		Gross premiums	Ceded	
Premiums written	16	₱831,675,138	(₱276,232,726)	₱555,442,412
Decrease (increase) in reserve for unearned premiums	16	(35,732,410)	33,507,434	(2,224,976)
		₱795,942,728	(₱242,725,292)	₱553,217,436
	Note	2020		Net Premiums Earned
		Gross premiums	Ceded	
Premiums written	16	₱815,476,970	(₱223,573,335)	₱591,903,634
Decrease (increase) in reserve for unearned premiums	16	58,763,242	(46,345,113)	12,418,129
		₱874,240,212	(₱269,918,448)	₱604,321,764



26. Losses, Net of Recoveries

The details of this account are as follows:

	2021	2020
Insurance contract benefits and claims paid:		
Direct insurance	₱411,054,101	₱425,671,865
Assumed reinsurance	34,999,274	5,116,742
Total insurance contract benefits and claims paid	446,053,375	430,788,607
Loss recoveries on insurance ceded	(148,484,559)	(712,022)
	₱297,568,816	₱430,076,585

27. Other Underwriting Expenses

The details of this account are as follows:

	2021	2020
Incoming and outgoing treaty expense	₱22,402,951	₱11,676,349
Profit and overriding commissions	4,535,003	7,995,791
Legal fees, law costs and disputes	402,366	-
Accreditation and filing fees	396,558	417,616
Certification and docket fees	23,173	15,289
Authentication and verification fees	(544,796)	1,020,917
Others	2,598,642	-
	₱29,813,897	₱21,125,962

Incoming and outgoing treaty expense pertains to marketing fees, management dues and interest expenses for the Company's miscellaneous policy lines.

Profit and overriding commissions are the incentives given to the Company's agents for high rate of production and low rate of cost incurred during the year.

Authentication and verification fees include expenses used in authenticating endorsements and production summary.

Legal fees, law costs and disputes refer to attorneys' fees and professional fees relating to bonds and issuance of policies.

Other expenses include penalties for breach of contracts, appraisal fees, engineering fees, medical exam fees, paper stamps and other expenses that do not fall on the above categories.

28. Other Income, Net

The details of this account are as follows:

	Note	2021	2020
Interest income from:			
Investment in securities at amortized cost	10	₱4,029,414	₱8,923,845
Financial asset at FVOCI under IMA	11	-	231,520
Cash equivalents	8	-	90,724
Short-term investments	10	-	70,036
Incoming treaty		117,373	34,879
Cash in banks	8	28,708	4,430
		4,175,495	9,355,434

Forward



	Note	2021	2020
Tax savings		₱86,743,891	₱105,288,242
Retirement gain		9,998,503	-
Gain on reversal of allowance for doubtful accounts	9	819,569	-
Notarial and service fees		697,117	704,178
Rental	14	451,569	890,626
Miscellaneous		-	160,500
Dividend	11	243,593	115,773
Foreign exchange gain (loss)	8	48,688	(201,534)
Others		581,813	-
		99,584,743	106,957,785
		₱103,760,238	₱116,313,219

Tax savings pertains to reversal of accrued income tax payable, documentary stamp tax, percentage tax and vat payable. The Company availed the government's tax amnesty program for deficiency taxes due.

Miscellaneous income includes income from personal accident treaty/pool and sale of car parts.

29. Operating Expenses

The details of this account are as follows:

	Note	2021	2020
Salaries, wages and benefits		₱38,419,122	₱35,810,537
Provision of doubtful accounts - insurance receivable	9	24,676,455	617,514
Agency		15,202,477	18,105,658
Employee benefits		11,163,220	5,586,170
Professional and legal fees		8,651,219	5,963,059
Rentals	36	7,280,950	3,060,948
Repairs and maintenance		7,225,276	8,485,963
Communication, light and water		5,793,389	5,136,001
Depreciation of right-of-use assets	36	5,040,803	8,641,377
Advertising		3,781,950	3,723,488
Transportation		3,763,763	5,135,577
Representation		3,699,695	3,765,946
Taxes and licenses		3,627,304	751,542
Printing and office supplies		2,496,180	2,237,417
Promotional and technical development		1,453,090	4,779,933
Penalties		788,853	201,120
Depreciation and amortization	13	757,948	713,974
Insurance		176,768	167,268
Interest from lease liability	36	66,165	459,200
Retirement expense	33	-	5,055,493
Others		2,912,194	1,431,555
		₱146,976,821	₱119,829,740

Other expenses include subscriptions, association and pool dues, donations, bank charges, notarial fees, and Christmas expenses.

30. Income Taxes

a) The components of the Company's income tax expense are as follows:

	2021	2020
Current tax	₱7,302,295	₱4,578,052
Deferred tax	10,307,101	981,373
	₱17,609,396	₱5,559,425



- b) The reconciliation of the provision for income tax computed at statutory income tax rate to actual income tax expense follows:

	2021	2020
Profit before income tax	P22,656,264	P27,766,618
Income tax at statutory rate of 25%	P5,664,067	P8,329,986
Additions to (reductions in) income tax:		
Net temporary difference	2,750,679	-
Interest income subject to final tax	(1,043,874)	(2,796,166)
Non-taxable income	(204,892)	-
Non-deductible penalties and deficiency taxes	197,213	60,337
Dividend income subject to final tax	(60,898)	(34,732)
	P7,302,295	P5,559,425

- c) The deferred tax amounts in the statements of financial position constitute the tax effects of the following accounts:

		2021		2020	
	Note	Asset	Liabilities	Asset	Liabilities
Provision for IBNR and claims handling		P27,251,598	P-	P28,766,688	P-
Reserve for unearned premiums, net		16,728,198	-	19,406,345	-
Provision for retirement		8,457,672	-	13,263,997	-
Allowance for impairment losses:					
Due from ceding companies		6,981,056	-	7,015,505	-
Reinsurance recoverable on paid losses		11,796,971		8,436,217	-
Premiums receivable		472,412		-	-
Funds held by ceding companies		108,989		130,788	-
Excess of MCIT over RCIT		370,753		741,505	-
Actuarial gain, net		-	(2,657,409)	-	(3,161,597)
Effect of IFRS 16		1,672,261	-	474,623	-
Unrealized gain on financial asset at FVOCI	10		(7,697,175)	-	(5,551,650)
Deferred acquisition cost			(21,145,387)	-	(18,006,450)
		P73,839,910	(P31,499,971)	P78,235,668	(P26,719,697)

Net deferred tax amounted to **P42,339,939** and **P51,515,971** in 2021 and 2020.



d) Details of deferred tax assets (liabilities) follow:

	2020	Charged to profit or loss	Charged to equity	2021
Provision for IBNR and claims handling	₱28,766,688	(₱1,515,090)	₱-	₱27,251,598
Reserve for unearned premiums, net	19,406,345	(2,678,147)	-	16,728,198
Allowance for impairment	15,582,510	3,776,922	-	19,359,428
Provision for retirement	13,263,997	(4,806,325)	-	8,457,672
Actuarial loss on retirement liability	(3,161,597)	-	504,188	(2,657,409)
Unrealized loss on financial asset at FVOCI (Note 10)	(5,551,650)	-	(2,145,525)	(7,697,175)
Deferred acquisition cost	(18,006,450)	(3,138,937)	-	(21,145,387)
Effect of IFRS 16	474,623	1,197,638	-	1,672,261
Excess of MCIT over RCIT	741,505	(370,753)	-	370,753
	₱51,515,971	(₱7,534,692)	(₱1,641,337)	₱42,339,939

	2019	Charged to profit or loss	Charged to equity	2020
Provision for IBNR and claims handling	₱30,099,434	(₱1,332,746)	₱-	₱28,766,688
Reserve for unearned premiums, net	23,131,784	(3,725,439)	-	19,406,345
Allowance for impairment	15,397,255	185,255	-	15,582,510
Provision for retirement	11,860,075	1,403,922	-	13,263,997
Actuarial loss on retirement liability	(5,841,905)	-	2,680,308	(3,161,597)
Unrealized loss on financial asset at FVOCI (Note 10)	118,915	-	(5,670,565)	(5,551,650)
Deferred acquisition cost	(20,068,685)	2,062,235	-	(18,006,450)
Effect of IFRS 16	49,222	425,401	-	474,623
Excess of MCIT over RCIT	741,505	-	-	741,505
	₱55,487,600	(₱981,372)	(₱2,990,257)	₱51,515,971

e) Movements in income tax payable follow:

	2021	2020
Balance at January 1	₱29,140,557	₱32,655,405
Charged to profit or loss	7,302,295	4,578,052
Payments	(2,000,000)	-
Application of tax credits	(7,084,956)	(8,092,900)
Balance at December 31	₱27,357,896	₱29,140,557

f) Corporate Recovery and Tax Incentives for Enterprises or "CREATE" Act

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, ratified the Corporate Recovery and Tax Incentives for Enterprises (the CREATE bill). The CREATE bill seeks to reform corporate income taxes and rationalize fiscal incentives in the country by implementing certain changes to the current tax regulations. Under the bill, some changes will be implemented for periods beginning July 1, 2020.

On February 24, 2021, the final version of the CREATE bill was transmitted to the Office of the President for signing or approval into law. On March 26, 2021, the Office of the President approved the bill, now called Republic Act No. 11534 or CREATE Act. The CREATE Act will become effective 15 days after complete publication in the Official Gazette or any newspaper of general circulation in the Philippines.



The CREATE Act resulted to the reduction of the Company's tax rate from 30% to 25% effective July 1, 2020. The impact is as follows:

	Previous Rate	CREATE Rate	Difference	2021	2020
DTA	₱51,515,967	₱42,339,939	₱9,176,028	₱29,140,557	₱32,655,405
Income tax payable (overpayment)	(3,514,849)	(3,896,354)	(381,505)	7,302,295	4,578,052
Provision for current income tax	4,578,051	4,196,546	381,505	(2,000,000)	-

*The Company's provision for current income tax was based on RCIT of 30% and 27.5% transitional rate, on the previous rate and CREATE rate, respectively.

**DTAs were measured at 30% and 25% on previous rate and CREATE rate, respectively.

31. Reconciliation of Net Income Under PFRS to Statutory Net Income

The reconciliation of net income under PFRSs to statutory net income is as follows:

	2021	2020
Net income per PFRS	₱22,656,264	₱27,766,618
Add (deduct):		
Decrease in reserve for unearned premium, net	(2,224,976)	(12,418,129)
Increase in deferred acquisition cost	17,527,440	6,874,118
	15,302,464	5,544,011
Income tax on the above adjustment	(3,825,616)	(1,663,203)
	₱11,476,848	₱29,429,821

32. Investment Management Agreement

The account refers to the investment of the Company made on July 17, 2008 under an Investment Management Agreement with a universal bank as the investment manager for the management and custodianship of certain investible funds and properties (portfolio) of the Company subject to the terms and conditions of the agreement.

Among the salient features of the Investment Management Agreement are as follows:

- The agreement is an agency and not a trust agreement. The Company, being the Principal, shall at all times retain legal title to funds and properties subject of this agreement.
- The agreement does not guarantee a yield, return or income by the investment manager.
- The investment management agreement is not covered by the Philippine Deposit Insurance Corporation, and that losses, if any, shall be for the account of the Principal.
- In the absence of fraud, bad faith or gross or willful negligence on the part of the investment manager or any person acting on its behalf, the investment manager shall not be liable for any loss or damage at the portfolio.
- Subject to availability of funds and non-diminution of the portfolio below ₱1,000,000, the Principal may withdraw the income/ principal of the portfolio or a portion thereof upon written instruction to the investment manager.
- In addition to the reimbursement of reasonable expenses and disbursements in the administration of the portfolio, the investment manager shall receive a management fee equivalent to 0.25% of the average month end market value of the portfolio. In no case, however, shall the investment management fees be lower than ₱10,000 per annum.



The composition of investible funds under investment management agreement as of December 31 is as follows:

	Note	2021	2020
Assets			
Cash in bank and cash equivalents	8	₱10,877,244	₱7,794,495
Financial asset at FVOCI			
Investment in corporate bonds	11	-	3,000,000
Investment in government bonds	11	1,088,967	1,132,298
Expected credit losses in corporate bonds		(4,681)	(4,192)
Accrued interest receivables	12	12,350	30,035
		₱11,973,880	₱11,952,636
	Note	2021	2020
Liability			
Accrued trust fees payable	18	₱7,488	₱7,470
		2021	2020
Equity			
Fund balance		₱11,901,835	₱11,688,008
Net income		64,556	257,158
		₱11,966,392	₱11,945,166

33. Retirement Benefit Plan

The Company has a funded and non-contributory defined benefit plan covering all regular and full-time permanent employees. The Company's retirement plan has been effective since January 1, 1996. Benefits are based on the employee's years of service and final plan salary. The fund is administered by a BPI Asset Management. The retirement plan meets the minimum retirement benefit specified under RA No. 7641. The actuarial present value of the retirement liability under the plan is measured in terms of actuarial assumptions of mortality, investment yield and salary increase rates.

The retirement benefit is equal to one hundred percent (100%) of monthly basic salary for every year of service. The benefit is paid in a lump sum upon retirement or separation in accordance with the terms of the Plan.

Completed years of continuous service	Applicable %
Less than 10	0%
10 but less than 15	50%
15 but less than 20	75%
20 or more	100%

The principal assumptions used in determining the retirement liability of the Company are shown below:

	2021	2020
Discount rate	5.07%	3.96%
Salary increase rate	5%	5%

Defined benefit expense recognized in profit and loss follow (see Notes 28 and 29):

	2021	2020
Current service cost	₱3,841,314	₱3,757,547
Past service cost – curtailment	(15,254,298)	
Interest cost		
Interest expense on defined benefit obligation	1,859,814	2,155,309
Interest income on plan assets	(445,333)	(857,363)
Income and expense recognized	(₱9,998,503)	₱5,055,493



Defined benefit expense (income) net of deferred tax recognized in other comprehensive income:

	Note	2021	2020
Defined benefit expense (income) in OCI		(P84,914)	(P8,934,360)
Income tax effect	30	148,599	2,680,308
Balance at end of year		P63,685	(P6,254,052)

Changes in the present value of the DBO follow:

	2021	2020
Present value of obligation at January 1	P46,965,001	P37,680,223
Current service cost	3,841,314	3,757,547
Interest expense	1,859,814	2,155,309
Past service cost – curtailment	(15,254,298)	-
Benefits paid from plan assets	(3,337,608)	(5,261,577)
Actuarial gain on change in financial assumptions	(1,532,781)	5,464,247
Actuarial gain on experience	1,081,577	3,169,252
Actuarial (gain) / loss - changes in demographic assumptions	(508)	-
Present value of obligation at December 31	P33,622,511	P46,965,001

Changes in the fair value of plan assets follow:

	2021	2020
Fair value of plan assets at January 1	P12,914,577	P17,619,652
Interest income	445,333	857,363
Remeasurement loss	(366,798)	(300,861)
Benefits paid from plan assets	(3,337,608)	(5,261,577)
Fair value of plan assets at December 31	P9,655,504	P12,914,577

The amounts recognized in the statements of financial position as retirement liability follow:

	2021	2020
Defined benefit obligation	P33,622,511	P46,965,001
Fair value of plan assets	(9,655,504)	(12,914,577)
Net defined benefit liability	P23,967,007	P34,050,424

The movements in the retirement liability recognized in the statements of financial position are as follows:

	2021	2020
Retirement liability at January 1	P34,050,424	P20,060,571
Defined benefit expense recognized in P/L	(9,998,503)	5,055,493
Defined benefit expense (income) recognized in OCI	(84,914)	8,934,360
Retirement benefit liability at December 31	P23,967,007	P34,050,424

Allocation of the plan assets is as follows:

	2021	2020
Mutual funds	94.40%	80.65%
Unit investment trust funds	5.50%	4.69%
Debt instruments – government bonds	-	0.00%
Cash and cash equivalents	-	0.00%
Others	0.10%	14.66%

The retirement trust fund assets are valued by the fund manager at fair value using the market valuation. While no significant changes in the asset allocation is expected in the next financial year, the retirement plan trustee may make changes at any time.



34. Related Party Transactions

Compensation of key management personnel for the years ended December 31, 2021 and 2020 amounted to ₱11,450,247 and ₱10,975,569, respectively.

35. Commitments and Contingencies

In the normal course of business, the Company is a defendant in lawsuits involving settlement of insurance claims. The Company recognizes adequate provisions in its books to cover possible losses that may be incurred on those claims. In the opinion of the Company's management, liabilities arising from those claims, if any, will not have material effect on the Company's financial position and will have no material impact on the financial statements, taken as a whole.

36. Leases

Lease Commitments – Company as Lessee

The Company has lease agreements for one (1) year which are renewable upon mutual agreement with OAC Realty and Development Corporation for their office and with various lessors for their branches and networks.

A lease agreement, effective July 1, 2019, from which the right-of-use asset and lease liability were recognized. Incremental borrowing rate to calculate the right-of-use asset and lease liability was based on BVAL rates as of December 31, 2020.

The following were recognized relating to these leases under PFRS 16:

	Note	2021	2020
Statement of financial position			
Right-of-use asset		₱-	₱5,040,803
Lease liability		-	3,868,812
Statement of comprehensive income			
Depreciation of right-of-use asset	29	5,040,803	8,641,377
Interest expense	29	₱66,165	₱459,200

Details of right-of-use assets as at December 31, 2021 and 2020 are as follows:

	Note	2021	2020
Beginning of year		₱5,040,803	₱13,682,180
Depreciation	29	5,040,803	(8,641,377)
End of year		₱-	₱5,040,803

Movement of lease liabilities for the year ended December 31, 2021 and 2020 follows:

	Note	2021	2020
Beginning of year		₱3,868,812	₱11,092,184
Principal payments		(3,802,647)	(6,764,172)
Interest payments	29	(66,165)	(459,200)
End of year		₱-	₱3,868,812

The present value of lease liabilities at December 31, 2021 and 2020 is as follows:

	2021	2020
Not later than 1 year	₱-	₱3,868,812
Noncurrent	-	-
	₱-	₱3,868,812



Rental for the years ended December 31, 2021 and 2020 from low value and short-term leases amounted to ₱7,280,950 and ₱3,060,948, respectively (see Note 29).

Lease Commitments – Company as Lessor

The Company entered into lease agreements as a lessor for its investment properties with periods covering normally within one (1) year with total rental income in 2021 and 2020 amounting to ₱451,569 and ₱890,626, respectively (see Note 14).

37. Events after the Financial Reporting Date

Continuing effects of COVID-19 pandemic

On March 11, 2020, the World Health Organization assessed that the novel coronavirus of 2019 (COVID-19) has become a pandemic. In an effort to contain the spread of COVID-19 in the Philippines, community quarantines and alert levels of varying strictness were imposed in numerous parts of the country. Furthermore, the Government implemented COVID-19 vaccine deployment and vaccination program to mitigate the spread of the virus.

These measures did not affect economic activities and business operations of the Company. The scale and duration of these developments remain uncertain as of the report date. Considering the evolving nature of the pandemic, the Company will continue to monitor the situation



38. **Supplementary Information Required by the Bureau of Internal Revenue (BIR)**

A. REVENUE REGULATIONS (RR) NO. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS and such other standards and/or conventions that may heretofore be adopted, in the Notes to Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year ended December 31, 2021.

Following is the required information under RR No. 10-2010 for the year ended December 31, 2021:

The Company reported the following types of taxes in 2021:

1. Value Added Tax (VAT)

	Net sales/receipts	Output VAT
Taxable services	₱500,868,840	₱60,104,261
Exempt	15,820,375	1,898,445
	₱516,689,215	₱62,002,706

The exempt sales consist of services to entities which were granted indirect tax exemption under special laws as provided under SEC 4. 108-6 of RR 16-2005 as amended by RR 4-2007.

Balance at January 1, 2021

Current year's domestic purchases:

a. Capital goods not subject to amortization

₱2,740,832

b. Services lodged under cost of goods sold

90,170,275

Claims for tax credit/refund and other adjustments

-

₱92,911,107

2. Premium taxes

	Tax Base	Amount
Premium earned	₱45,405,823	₱908,116

3. Documentary stamp tax

	Tax Base	Amount
Premium on insurance	₱562,095,037	₱64,699,666

4. Withholding taxes

Expanded withholding tax	₱14,502,286
Tax on compensation and benefits	1,675,755
	₱16,178,041



5. All other taxes

a. Local	
Mayor's permit	₱215,281
Real estate taxes	99,890
Community tax certificate	15,327
Barangay clearance	3,775
Other-local	7,652
b. National	
Licenses	3,186,040
Registration fees	93,839
BIR annual registration	5,500
	<hr/>
	₱3,627,304

6. Tax cases and assessments

Tax assessments and cases

As at December 31, 2020, the Company did not have any final deficiency tax assessments from the BIR.

B. REVENUE REGULATION (RR) NO. 34-2020

BIR issued Revenue Regulations (RR) No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents. Section 2 of the RR enumerated the taxpayers required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Company is not covered under Section 2 of the RR 34-2020, hence the requirements and procedures for related party transactions provided under the said RR is not applicable.





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INDEPENDENT AUDITOR'S SUPPLEMENTAL WRITTEN STATEMENT

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Oriental Assurance Corporation
2nd Floor OAC Bldg., San Miguel Avenue
Ortigas Center, Pasig City 1605

We have audited the financial statements of **Oriental Assurance Corporation** (the "Company") as at and for the year ended December 31, 2021, on which we have rendered the attached report dated October 17, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has a total number of thirteen (13) shareholders owning one hundred (100) or more shares each.

ROXAS CRUZ TAGLE AND CO.

Clark Joseph Babor
Clark Joseph C. Babor

Partner

CPA Certificate No. 0119212

Tax Identification No. 248-709-974-000

BIR Accreditation No. 08-001682-019-2022, issued on October 14, 2022,
effective until October 13, 2025

SEC Accreditation No. 1809-A, Group B, issued on March 31, 2020
effective until March 31, 2023

IC Accreditation No. 119212-IC, issued on December 17, 2021,
effective until December 16, 2025

PTR No. 8876903, issued on January 24, 2022, Makati City

October 17, 2022
Makati City





MOORE Roxas Cruz Tagle and Co.

Roxas Cruz Tagle and Co.

2F Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226,
Philippines

T: +632 8844 2016
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www.roxascruztagle.com

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Shareholders
Oriental Assurance Corporation
2nd Floor OAC Bldg., San Miguel Avenue
Ortigas Center, Pasig City 1605

We have audited, in accordance with Philippine Standards on Auditing (PSA), the financial statements of **Oriental Assurance Corporation** (the "Company") as at and for the years ended December 31, 2021 and 2020 included in this Audited Financial Statements (AFS) and have issued our report thereon dated October 17, 2022. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules in this AFS are presented for purposes of complying with the revised Securities Regulation Code (SRC) Rule 68 and the Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. Such schedules are the responsibility of management. The schedules have 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.

ROXAS CRUZ TAGLE AND CO.

Clark Joseph Babor
Clark Joseph C. Babor

Partner

CPA Certificate No. 0119212

Tax Identification No. 248-709-974-000

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Makati City



ORIENTAL ASSURANCE CORPORATION

RETAINED EARNINGS RECONCILIATION

DECEMBER 31, 2021

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		P414,469,474
Add: Net income actually earned/realized during the period		
Net loss during the period closed to Retained Earnings		5,046,869
Less:	Non-actual/unrealized income net of tax	-
	Equity in net income of associate/joint venture	-
	Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
	Unrealized actuarial gain	(9,998,503)
	Fair value adjustment (Market to market gains)	(368,677)
	Fair value adjustment of Investment Property resulting to gain	-
	Adjustment due to deviations from PFRS/GAAP – gain	-
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Sub-total		(10,367,180)
Add: Non-actual losses		
	Depreciation on revaluation increment (after tax)	-
	Adjustment due to deviation from PFRS/GAAP – loss	-
	Loss on fair value adjustment of investment property (after tax)	-
Sub-total		(10,367,180)
Net loss actually incurred during the period		(5,320,311)
Add (Less):		
	Dividend declarations during the period	-
	Appropriations of Retained Earnings during the period	-
	Reversals of appropriations	-
	Effects of prior period adjustments	-
	Treasury shares	-
RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DISTRIBUTION		P409,149,163



REPUBLIC OF THE PHILIPPINES)
Pasig City) S.S.

SECRETARY'S CERTIFICATE

I, **MELODY ANNE E. CALO-VILLAR**, of legal age, Filipino, with office address at 5th Floor, OAC Building, No. 27 San Miguel Avenue, Ortigas Center, Pasig City, after being duly sworn in accordance with law hereby depose, and state that :

1. I am the Corporate Secretary of **Oriental Assurance Corporation**, ("the Company") a corporation duly organized and existing under and by virtue of the laws of the Philippines with principal office address at 2/F, OAC Building, 27 San Miguel Avenue, Ortigas Center, Pasig City, and as such, have the custody of the records and books of the Company;

2. At the special meeting of the Board of Directors of the aforesaid Corporation held on 17 October 2022 at its principal office where a quorum was present, the following resolutions were unanimously approved by the directors present in the said meeting:

RESOLVED, AS IT IS HEREBY RESOLVED, that the audited financial statements of the Company as at December 31, 2021 as it is hereby approved;

RESOLVED, FURTHER, that the issuance on October 17, 2022 of the said financial statements be, as it is hereby authorized;

RESOLVED, FINALLY, that the **President** of the Company, **DOMINGO N. COTOCO**, be, as he is hereby, authorized to sign and approve the said financial statements on behalf of the Board of Directors.

3. The foregoing resolutions have not in any way been amended, rescinded, or revoked and are in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto affixed my signature this OCT 27 2022 day of PASIG CITY 2022 at Pasig City.



[Signature]

MELODY ANNE E. CALO-VILLAR
Corporate Secretary

SUBSCRIBED AND SWORN to before me this OCT 27 2022 day of PASIG CITY 2022 at PASIG CITY City, affiant exhibiting to me her Social Security System I.D. No. 33-7664492-2.

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Series of 2022.

FERDINAND D. AYAHAO
Notary Public

For Pasig City, Pateros and San Juan City
Appointment No. 108 (2022-2023) valid until 12/31/2023
MCLF Exemption No. VII-BEP003719 valid until 04/14/25
Rat. No. 46377; IBP LRN 02459; OR 535836; 06/21/2001
TIN 123-011-785; PTR 8129984; 01/05/21; Pasig City
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City Tel. +632-86314090