**SECURITIES AND EXCHANGE COMMISSION**
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

**The following document has been received:**

**Receiving:** ICTD ERMD
**Receipt Date and Time:** May 10, 2024 02:19:18 PM

## Company Information

**SEC Registration No.:** CS201019311
**Company Name:** PHILIPPINE BRITISH ASSURANCE CO., INC.
**Industry Classification:** J67030
**Company Type:** Stock Corporation

## Document Information

**Document ID:** OST10510202482383749
**Document Type:** Financial Statement
**Document Code:** FS
**Period Covered:** December 31, 2023
**Submission Type:** Annual
**Remarks:** None

Acceptance of this document is subject to review of forms and contents

# COVER SHEET
## for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201019311

**Company Name**

PHILIPPINE BRITISH ASSURANCE CO., INC.

**Principal Office ( No./Street/Barangay/City/Town)Province)**

PENTHOUSE, MORNING STAR CENTER BUILDING, 347 SEN. GIL PUYAT AVENUE, MAKATI CITY

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AAFS | CRMD | N/A |

### COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| info@philbritish.com | 8890-4051 | N/A |

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| 21 | April/24 | December/31 |

### CONTACT PERSON INFORMATION

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Ian Philippe W. Cuyegkeng | iancuyegkeng@philbritish.com | 8890-4051 | N/A |

**Contact Person's Address**

Penthouse, Morning Star Center Building, 347 Sen. Gil Puyat Avenue, Makati City

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

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 25 2024
BY: ROSE MARCIANO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

# 2023
# AUDITED FINANCIAL STATEMENTS

## PHILIPPINE BRITISH ASSURANCE CO., INC.
December 31, 2023 and 2022

R. R. TAN AND ASSOCIATES
Certified Public Accountants

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 25 2024
BY: ROSE MARCIANO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

PhilBritish
INSURANCE

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

## FOR FINANCIAL STATEMENTS

The management of **PHILIPPINE BRITISH ASSURANCE CO., INC.** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2023 and 2022, 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 is responsible for overseeing the Company's financial reporting process.

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

**R.R. TAN AND ASSOCIATES, CPAS**, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in her report to the stockholders, has expressed her opinion on the fairness of presentation upon completion of such audit.

Rosario W. Cuyegkeng
Chairman of the Board

Ian Philippe W. Cuyegkeng
President

Milagros O. Diaz
Treasurer

Signed this 8th day of April 2024.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 25 2024
BY: ROSE MARCIANO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

Penthouse, Morning Star Bldg.
347 Sen. Gil Puyat Ave. Ext. Makati City

Tel No. 8-890-4051-57
Fax 8-897-3588

Globe – 09171523323
Smart, Sun, Viber – 09989606885

info@philbritish.com
www.philbritish.com

**R. R. TAN & ASSOCIATES, CPAs**

Unit 1705, Antel Global Corporate Center
Doña Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605
Tel.: (632) 8638-3430 to 32; Fax: (632) 8638-3430
e-mail : info@rrtan.net

PRC-BOA Reg. No. 0132, valid until August 13, 2024
BIR Accreditation No. 07-100510-002-2022, valid until September 14, 2025
IC Accreditation No. 0132-IC, valid until November 17, 2024

***Report of Independent Public Accountants***

The Board of Directors and Stockholders
**PHILIPPINE BRITISH ASSURANCE CO., INC.**
Penthouse, Morning Star Center Building
347 Sen. Gil Puyat Avenue, Makati City

***Report on the Audit of the Financial Statements***

***Opinion***
We have audited the financial statements of **PHILIPPINE BRITISH ASSURANCE CO., INC.** (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standard. (PFRSs).

***Basis for Opinion***
We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our 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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 25 2024
BY: ROSE MARCIANO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on the Supplementary Information Required Under Revenue Regulations (RR) 15-2010 of the Bureau of Internal Revenue***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and 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.

**R. R. TAN AND ASSOCIATES, CPAs**

By: **CHESTER NIMITZ F. SALVADOR**
Partner
CPA Certificate No. 129556
Tax Identification No. 307-838-154
PTR No. 173935, January 05, 2024, Pasig City
BIR Accreditation No. 07-100488-001-2022, valid until May 30, 2025
IC Accreditation No. 129556-IC, valid until March 1, 2025

April 8, 2024
Pasig City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 25 2024
BY: ROSE MARCIANO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

**R. R. TAN & ASSOCIATES, CPAs**

Unit 1705, Antel Global Corporate Center
Doña Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605
Tel.: (632) 8638-3430 to 32; Fax: (632) 8638-3430
e-mail : info@rrtan.net

PRC-BOA Reg. No. 0132, valid until August 13, 2024
BIR Accreditation No. 07-100510-002-2022, valid until September 14, 2025
IC Accreditation No. 0132-IC, valid until November 17, 2024

***Report of Independent Public Accountants to Accompany Financial Statements for filing with Securities and Exchange Commission***

The Board of Directors and Stockholders
**PHILIPPINE BRITISH ASSURANCE CO., INC.**
Penthouse, Morning Star Center Building
347 Sen. Gil Puyat Avenue, Makati City

We have audited the financial statements of **PHILIPPINE BRITISH ASSURANCE CO., INC.** (the Company) as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 8, 2024.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said company has a total number of nineteen (19) stockholders owning one hundred (100) or more shares each.

**R. R. TAN AND ASSOCIATES, CPAs**

By: **CHESTER NIMITZ F. SALVADOR**
Partner
CPA Certificate No. 129556
Tax Identification No. 307-838-154
PTR No. 173935, January 05, 2024, Pasig City
BIR Accreditation No. 07-100488-001-2022, valid until May 30, 2025
IC Accreditation No. 129556-IC, valid until March 1, 2025

April 8, 2024
Pasig City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 25 2024
BY: ROSE MARCIANO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

**PHILIPPINE BRITISH ASSURANCE CO., INC.**
**STATEMENTS OF FINANCIAL POSITION**
**DECEMBER 31, 2023 AND 2022**

| ASSETS | Notes | 2023 | 2022 |
|---|---|---|---|
| Cash and cash equivalents | 8 | P 290,471,257 | P 324,040,067 |
| Short-term investments | 9 | 6,229,989 | 6,053,432 |
| Financial assets | 10 | | |
| Available-for-sale (AFS) | | 687,030,326 | 942,699,565 |
| Held-to-maturity (HTM) | | 924,165,795 | 639,141,566 |
| Loans and receivables | | 3,999,152 | 8,395,572 |
| Insurance receivables - net | 11 | 765,555,736 | 828,618,034 |
| Reinsurance assets | 12 | 316,874,967 | 539,712,024 |
| Investment properties | 13 | 283,494,667 | 124,203,000 |
| Property and equipment - net | 14 | 332,775,428 | 34,375,700 |
| Deferred acquisition costs | 15 | 227,312,189 | 179,610,970 |
| Accrued income | 16 | 17,417,131 | 12,081,069 |
| Deferred tax assets - net | 30 | - | 21,224,141 |
| Other assets | 17 | 29,442,865 | 14,153,215 |
| **TOTAL ASSETS** | | P 3,884,769,502 | P 3,674,308,355 |
| **LIABILITIES AND EQUITY** | | | |
| Reserve for unearned premiums | 18 | P 1,097,104,725 | P 976,624,580 |
| Insurance claims payable | 19 | 614,057,121 | 754,148,408 |
| Reinsurance liabilities | 21 | 11,050,628 | 33,570,908 |
| Deferred reinsurance commission | 15 | 12,084,764 | 16,391,772 |
| Accounts payable and other liabilities | 20 | 379,670,618 | 359,628,450 |
| Deferred tax liability - net | 30 | 25,720,234 | - |
| Pension liability | 29 | 10,814,279 | 10,324,684 |
| **Total Liabilities** | | 2,150,502,369 | 2,150,688,802 |
| **EQUITY** | | | |
| Share Capital | 22 | | |
| Issued and outstanding | | 580,000,000 | 530,000,000 |
| Subscribed and paid | | 29,500,000 | - |
| Deposit for future stock subscription | | - | 60,000,000 |
| Contributed surplus | | 84,175,439 | 84,175,439 |
| Retained earnings - December 31 | 22 | | |
| Appropriated retained earnings | | 435,000,000 | - |
| Unappropriated retained earnings | | 513,107,952 | 821,445,107 |
| Revaluation reserve on: | | | |
| Property and equipment | 14 | 93,676,183 | - |
| AFS financial assets | 10 | (3,478,657) | 25,847,898 |
| Remeasurement gains on pension liability | 29 | 2,286,216 | 2,151,109 |
| **Total Equity** | | 1,734,267,133 | 1,523,619,553 |
| **TOTAL LIABILITIES AND EQUITY** | | P 3,884,769,502 | P 3,674,308,355 |

*See accompanying notes to financial statements*

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 25 2024
BY: ROSE MARCIANO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

**PHILIPPINE BRITISH ASSURANCE CO., INC.**
**STATEMENTS OF INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **REVENUES** | | | |
| Gross premiums earned | 24 | P 2,244,680,549 | P 2,003,021,745 |
| Reinsurers' share of gross earned premiums | 24 | (513,334,156) | (307,992,457) |
| Net insurance revenue | | 1,731,346,393 | 1,695,029,288 |
| Investment income and other income | 25 | 121,284,708 | 40,376,047 |
| Unrealized fair value gain on investment properties | 6,13 | 68,955,423 | - |
| Commission income | 27 | 40,656,697 | 31,803,048 |
| | | 1,962,243,221 | 1,767,208,383 |
| **CLAIMS, LOSSES AND ADJUSTMENT EXPENSES** | | | |
| Insurance claims, losses and adjustment expenses paid - net of salvages and recoveries | 19,26 | 1,228,240,207 | 1,058,323,709 |
| Paid insurance claims, losses and adjustment expenses recovered from reinsurers | 19,26 | (219,228,916) | (230,337,586) |
| Changes in insurance claims payable | 26 | (140,091,287) | 289,221,156 |
| Changes in reinsurers' share of claims, losses and adjustment expenses | 26 | 219,958,196 | (257,842,055) |
| Other underwriting expenses | | 22,681,391 | 93,771,049 |
| | | 1,111,559,594 | 953,136,273 |
| **COSTS AND EXPENSES** | | | |
| Commission expense | 27 | 436,119,053 | 434,927,712 |
| General and administrative expenses | 28 | 249,203,355 | 213,203,070 |
| Provision for impairment losses | 11 | 377,656 | 605,411 |
| Interest expense | 31 | 249,418 | 177,891 |
| | | 685,949,482 | 648,914,084 |
| **INCOME BEFORE INCOME TAX EXPENSE** | | 164,734,145 | 165,158,026 |
| **INCOME TAX EXPENSE** | 30 | 38,071,300 | 44,042,748 |
| **PROFIT FOR THE YEAR** | | P 126,662,845 | P 121,115,278 |

*See accompanying notes to financial statements*

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 25 2024
BY: ROSE MARCIANO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

**PHILIPPINE BRITISH ASSURANCE CO., INC.**
**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

| | *Notes* | 2023 | 2022 |
|---|---|---|---|
| **PROFIT FOR THE YEAR** | | **P 126,662,845** | P 121,115,278 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Amount to be reclassified to profit or loss in subsequent periods: | | | |
| Fair value changes in AFS investments | *10* | **(5,201,708)** | (28,656,066) |
| Transferred to profit and loss | *10* | **(24,124,847)** | 25,289,458 |
| | | **(29,326,555)** | (3,366,608) |
| Amount not to be reclassified to profit or loss in subsequent periods: | | | |
| Revaluation of property and equipment | *14* | **124,901,577** | - |
| Effect of deferred tax | | **(31,225,394)** | - |
| | | **93,676,183** | - |
| Remeasurement gain on pension liability | *29* | **180,143** | 2,675,030 |
| Effect of deferred tax | *29* | **(45,036)** | (668,758) |
| | | **135,107** | 2,006,272 |
| | | **64,484,735** | 2,006,272 |
| **TOTAL COMPREHENSIVE INCOME** | | **P 191,147,580** | P 119,754,942 |

*See accompanying notes to financial statements*

PHILIPPINE BRITISH ASSURANCE CO., INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

| | Share Capital (Note 22) | | Deposit for future stock subscription (Note 22) | Contributed Surplus | Revaluation reserve on (Note 10) | | Remeasurement Loss on Defined Benefit Obligation (Note 28) | Retained Earnings (Note 22) | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued and Outstanding | Subscribed and Paid | | | Available-for-Sale Financial Assets (Note 10) | Property and Equipment (Note 6) | | Appropriated | Unappropriated | |
| Balances, January 1, 2023 | P 580,000,000 | P - | P 60,000,000 | P 84,175,439 | P 25,847,899 | P - | P 2,101,109 | P - | P 821,445,107 | P 1,573,619,653 |
| Issuance/Conversion During the Year | 60,000,000 | - | (60,000,000) | | | | | | | |
| Deposits on Subscription | - | - | - | - | - | - | - | - | - | - |
| Subscription during the year | - | 18,850,000 | - | - | - | - | - | - | - | 18,850,000 |
| Subscription/Conversion during the year | - | 10,000,000 | (10,000,000) | | - | - | - | - | - | - |
| Changes in Fair Values | - | - | - | - | (29,326,866) | 93,676,183 | - | - | - | 64,349,317 |
| Remeasurement Gain (Loss) During the Year | - | - | - | - | - | - | 136,107 | - | - | 136,107 |
| Appropriation during the year | - | | - | - | - | - | - | 436,000,000 | (436,000,000) | - |
| Profit for the Year | - | - | - | - | - | - | - | - | 128,662,846 | 128,662,846 |
| Balances, December 31, 2023 | P 640,000,000 | P 28,850,000 | P - | P 84,175,439 | P (3,478,967) | P 93,676,183 | P 2,237,216 | P 436,000,000 | P 513,107,953 | P 1,734,267,133 |

| | Share Capital (Note 22) | | Deposit for future stock subscription (Note 22) | Contributed Surplus | Revaluation reserve on | | Remeasurement Loss on Defined Benefit Obligation (Note 28) | Retained Earnings (Note 22) | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued and Outstanding | Subscribed and Paid | | | Available-for-Sale Financial Assets (Note 10) | Property and Equipment (Note 6) | | Appropriated | Unappropriated | |
| Balances, January 1, 2022 | P 550,000,000 | P - | P 30,000,000 | P 84,175,439 | P 29,214,506 | P - | P 144,837 | P - | P 700,329,829 | P 1,393,864,611 |
| Issuance/Conversion During the Year | 30,000,000 | - | (30,000,000) | - | - | - | - | - | - | - |
| Deposits on Subscription | - | - | 60,000,000 | - | - | - | - | - | - | 60,000,000 |
| Changes in Fair Values | - | - | - | - | (3,366,606) | - | - | - | - | (3,366,606) |
| Remeasurement Gain (Loss) During the Year | - | - | - | - | - | - | 2,000,272 | - | - | 2,000,272 |
| Profit for the Year | - | - | - | - | - | - | - | - | 121,115,278 | 121,115,278 |
| Balances, December 31, 2022 | P 580,000,000 | P - | P 60,000,000 | P 84,175,439 | P 25,847,899 | P - | P 2,101,109 | P - | P 821,445,107 | P 1,573,619,920 |

# PHILIPPINE BRITISH ASSURANCE CO., INC.
## STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax expense | | P 164,734,145 | P 165,158,026 |
| Adjustments for: | | | |
| Provision for: | | | |
| Reserve for unearned premiums - net | | 123,359,003 | 114,957,262 |
| Depreciation | 14 | 13,797,841 | 13,639,290 |
| Impairment loss | 11 | 377,656 | 605,411 |
| IBNR and other reserves | | 292,901,190 | (158,491,304) |
| Pension expense | 29 | 669,738 | 1,932,444 |
| Amortization of deferred acquisition cost - net | 15 | (52,008,227) | 8,795,894 |
| Amortization of premium of AFS and HTM investments, net of discounts | 10 | (416,760) | 3,672,198 |
| Unrealized fair value gain on investment properties | 13 | (68,955,423) | - |
| Loss on disposal of property and equipment | 25 | 5,714 | 120,000 |
| (Gain) loss on sale of available-for-sale securities | 10 | (89,207,600) | 25,289,458 |
| Interest expense | 31 | 249,418 | 177,891 |
| Interest income | 25 | (84,096,533) | (52,114,308) |
| Dividend income | 25 | (5,903,518) | (4,978,334) |
| Operating Income before Working Capital Changes | | 295,506,644 | 118,763,928 |
| Decrease (Increase) in Operating Assets: | | | |
| Insurance receivables | | 62,684,642 | (152,347,942) |
| Loans and receivables | | 4,398,420 | (3,511,991) |
| Other assets | | (3,078,402) | 13,548,050 |
| Increase (Decrease) in Operating Liabilities: | | | |
| Accounts payable and other liabilities | | 28,089,543 | 52,436,935 |
| Reinsurance liabilities | | (22,520,280) | (50,718,308) |
| Insurance claims payable | | (213,034,278) | 189,870,405 |
| Cash provided by operations | | 152,046,289 | 168,041,077 |
| Income taxes paid, including final taxes | | (42,975,636) | (48,058,571) |
| **Net Cash Provided by Operating Activities** | | 109,070,653 | 119,982,506 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale/maturities of: | | | |
| Short-term investment | | 6,053,432 | 4,553,670 |
| Financial assets | | | |
| Available-for-sale | | 394,326,596 | 167,337,381 |
| Held-to-maturity | | 242,945,222 | 208,396,900 |
| Investment property | | - | 4,200,000 |
| Acquisitions of: | | | |
| Short-term investment | | (6,229,989) | (6,053,432) |
| Financial assets: | | | |
| Available-for-sale | 10 | (78,776,314) | (169,715,868) |
| Held-to-maturity | 10 | (527,552,691) | (252,379,645) |
| Property and equipment | 14 | (185,549,183) | (4,724,681) |
| Investment property | 13 | (90,336,245) | - |
| Interest and dividend received | | 84,663,989 | 50,798,781 |
| **Net Cash Used in Investing Activities** | | (160,455,183) | (17,566,894) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Amortization of lease liability: | | | |
| Principal | | (1,434,862) | (1,157,813) |
| Interest | 31 | (249,418) | (177,891) |
| Proceeds of share capital subscription | 22 | 19,500,000 | 60,000,000 |
| **Net Cash Provided by In Financing Activities** | | 17,815,720 | 58,664,296 |
| **NET INCREASE (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | | (33,568,810) | 161,059,908 |
| **CASH AND CASH EQUIVALENTS, JANUARY 1** | | 324,040,067 | 162,980,159 |
| **CASH AND CASH EQUIVALENTS, DECEMBER 31** | | P 290,471,257 | P 324,040,067 |

*See accompanying notes to financial statements*

**PHILIPPINE BRITISH ASSURANCE CO., INC.**
**NOTES TO FINANCIAL STATEMENTS**
**DECEMBER 31, 2023 AND 2022**

## 1. Corporate Information

Philippine British Assurance Co., Inc. (the Company), a corporation duly organized and existing under the laws of the Republic of the Philippines, was registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 1960. On November 26, 2010, the Company renewed its registration with the SEC on the 50th year in the business as prescribed by the law.

The Company is engaged in the business of nonlife insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events. It includes lines such as fire and allied lines, motor vehicle, casualty, surety marine cargo, marine hull, comprehensive liability insurance and allied risks, and/or such other insurance coverage allied with and incident to the aforementioned lines, except life insurance.

The Company is accredited by the Insurance Commission as at December 31, 2023 with CA No. 2022/60-R

The registered office address of the Company is Penthouse, Morning Star Center Building, 347 Sen. Gil Puyat Avenue, Makati City.

The financial statements of the Company as at and for the years ended December 31, 2023 and 2022 were authorized for issue by the Board of Directors on April 8, 2024.

## 2. Statement of Compliance and Basis of Preparation and Presentation

*Statement of Compliance*
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and SEC pronouncements.

*Basis of Financial Statement Preparation and Presentation*
The accompanying financial statements have been prepared on a historical cost basis except for financial assets which are available-for-sale, investment properties and condominium units included under Property and equipment – net which are carried at fair values.

The financial statements are presented in Philippine Peso and all values represent absolute amount except as otherwise indicated.

The Company presents its statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities within twelve months after the end of the reporting period (current) is presented in the Note 31.

## 3. Changes in Accounting Policies and Disclosures

*New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2023*

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments did not have a material impact on the Company.

Amendments to PAS 8, *Definition of Accounting Estimates*
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify 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.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments did not have a material impact on the Company.

Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the financial statements. The application of these amendments is reflected in the Company's financial statements under Note 4.

Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*
The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively. Management assessed that the application of such amendments had no significant impact on the Company's financial statements.

***New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2023***

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2023 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

*Effective beginning on or after January 1, 2024*

Amendments to PAS 1, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice.

Amendments to PFRS 16, Leases - *Lease Liability in a Sale and Leaseback*
The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements of PFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of lease. Any gain or loss to the partial of full termination of the lease does not relate to the right of use retained but to the right of use terminated.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Early application is permitted. The amendments are not expected to have a material impact on the Company.

Amendments to PAS 7 and PFRS 7, *Supplier Finance Arrangements*
The amendments added disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

The amendments are effective for annual periods beginning on or after January 1, 2024 with earlier adoption permitted. The amendments are not expected to have an impact on the Company's financial statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Early application is permitted. The amendments are not expected to have a material impact on the Company's financial statements.

*Effective beginning on or after January 1, 2025*

PFRS17, *Insurance Contracts*
PFRS 17 replaces PFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2025. The Company will apply PFRS 17 starting January 1, 2025 with full comparative figures for 2024. A transition team has been created for this purpose to ascertain the impact of transition.

Premium Allocation Approach
The measurement model to calculate the Liability for Remaining Claims (LRC) will be the Premium Allocation Approach (PAA). This approach is most appropriate since most of the Company's coverage period is one year or less. For insurance contracts with coverage exceeding one year, PAA will be applied only if it can be demonstrated that using the PAA would produce a measurement that is a reasonable approximation of the general model. Acquisition cash flows will be expensed as incurred. Discounting and Risk adjustment will not be applied unless the group of contracts is onerous.

Liability for Incurred Claims
Liability for Incurred Claims (LIC) will comprise the present value of future cash flows and the risk adjustments that incorporates all of the available information about the fulfillment cash flows in a way that is consistent with observable market information.

Level of Aggregation
PFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined first by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together and are established at initial recognition. No group may contain contracts issued more than one year apart. The Company has defined groups of insurance and reinsurance contracts issued based on its product lines and underwriting year. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business.

Onerous Group of Contracts
The Company issues some contracts before the coverage period starts and the premium becomes due. The Company will determine whether any contracts issued from a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations

Changes to Presentation and Disclosure
For presentation purposes, the Company will aggregate insurance contracts issued and reinsurance contracts held based on portfolios and these will be presented separately in the statement of financial position. The presentation of the insurance revenue account and statement of other comprehensive income will require separate presentation of insurance revenue and service expenses, insurance finance income or expenses and income or expenses from reinsurance contracts held. There will no longer be items such as gross, net or earned premiums or net claims incurred shown on the insurance revenue account. The Company will also provide disaggregated qualitative information about significant judgements, and changes in those judgements, when applying the standard.

As of December 31, 2023, the full impact of adopting PFRS 17 is not currently estimable.

*Deferred effectivity*

PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the financial statements.

## 4. Summary of Material Accounting Policies

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

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

Short-term Investments
These are short-term cash investments with original maturities of more than three months but less than one year.

Financial Instruments
*Date of Recognition*
Financial assets and financial liabilities are recognized in the statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

*Initial Recognition*
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of these financial instruments includes transaction costs.

*Determination of Fair Value*
The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and fair value in the statement of comprehensive income unless it qualifies for recognition as some other type of asset.

*Offsetting of Financial Instruments*
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. 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 Instruments*
The Company classifies financial assets into the following categories, (i) At fair value through profit or loss (FVPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivable. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

- Financial Assets and Financial Liabilities at FVPL
  Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. After initial recognition, financial assets and financial liabilities at FVPL are carried at fair value.

  Financial asset and financial liability are classified as held for trading if:

  - It has been acquired principally for the purpose of selling in the near future; or
  - It is part of an identified portfolio of financial instruments that the Company manages together and has recent actual pattern of short-term profit-taking; or
  - It is a derivative that is not designated and effective as a hedging instrument.

  A financial asset other than a financial asset held for trading may be designated as at FVPL upon initial recognition if:

  - Such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or
  - The financial asset forms part of a group of financial assets that is managed and its performance is evaluated on a fair value basis.
  - It forms part of a contract containing one or more embedded derivatives.

  As of December 31, 2023 and 2022, the Company has no financial instrument under this category.

- Available-for-sale (AFS)
  AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the statement of financial position. Changes in the fair value are recognized directly in equity account as "*Revaluation reserve on AFS financial assets*". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in profit or loss for the period.

  As of December 31, 2023 and 2022, financial assets under this category amounted to P687,030,326 and P942,699,565, respectively.

- Loans and Receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

  Included under this category are the company's cash and cash equivalents, insurance receivables, reinsurance assets, due from employees, other receivables, security deposits.

- Held-to-maturity (HTM)
  HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM assets are carried at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Any changes to the carrying amount of the investment are recognized in statements of income.

  As of December 31, 2023 and 2022, financial assets under this category amounted to P924,165,795 and P639,141,566, respectively.

- Other Financial Liabilities
  Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

  After initial measurement, other 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 integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.

  Included under this category are insurance claims payable, reinsurance liabilities, accounts payable and other liabilities.

*Reclassification of Financial Assets*
A financial asset is reclassified out of the FVPL category when the following conditions are met:

(i) the financial asset is no longer held for the purpose of selling or repurchasing it the near future; and,
(ii) there is a rare situation

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

*Impairment of Financial Assets*
The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) *Assets carried at amortized cost*
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

(iii) *Available-for-sale financial assets*
Available-for-sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

*Derecognition of Financial Instruments*

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

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

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the 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 or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

<u>*Accounting Policies for Insurance and Reinsurance Contracts*</u>

*Insurance Contract*
Insurance contract is an agreement under which one party (the insurer), accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured events) adversely affects the policyholder.

*Contract classification*
The Company issues short-term insurance contracts categorized as (i) Casualty, (ii) Property, (iii) Guaranty and (iv) Short - duration life accident insurance

Casualty insurance contracts protect the assured against the risk of causing them harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. Property insurance contracts mainly compensate the Company's assured for damages suffered to their properties or for the value of property lost. Short-duration accident insurance protects the assured from the consequences of events such as death or disability.

An insurance contract remains in force at the inception date of policy until its maturity regardless of number of claims reported and for as long as the coverage is sufficient.

*Insurance Receivables*
These include amounts due to and from agents, brokers and insurance contract holders which comprise the balance of uncollected policy premiums and reinsurance premiums from reinsurers arising from reinsurance contracts measured at amortized cost, using the effective interest method.

*Reinsurance*
The Company assumes and cedes (Treaty and Facultative) insurance risk in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered as direct business, taking into account the product classification of the reinsured business.

Amounts recoverable from reinsurers that relate to paid and unpaid claims and claim adjustment expenses are classified as assets. Reinsurance receivables and the related liabilities are reported separately.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Company may not receive the amounts due to it under the terms of the contract and that it can be measured reliably.

Reinsurance assets and liabilities are derecognized when the contractual rights is extinguished or expired.

*Deferred Acquisition Costs*
Commissions and other expenses directly attributable to the production and renewal of insurance contracts are deferred in proportion to premium revenue recognized. Deferred acquisition costs are amortized over the life of the policy in which it was incurred.

Deferred acquisition costs are reviewed at each reporting date and the carrying value is written down to the recoverable amount.

*Reserve for Unearned Premiums and Reinsurance Premiums*
Reserve for unearned premiums is calculated on the following basis:

(i) Reserves for unearned premium are calculated using the 24th method based on gross premiums written. Under the 24th method, it is assumed that the average date of issue of all policies written during any one month is the middle of that month.

(ii) Reserve for unearned premiums on inward treaties is taken up based on the dates the statement is received.

Reserve for reinsurance premium represents the portion of reinsurance premiums ceded computed in the same manner as the reserve for unearned premiums.

The changes in reserve for unearned premiums and reinsurance premiums are reported in the statements of income.

*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 are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim cost resulting from 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.

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

Estimates of salvage recoveries are included as a reduction in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

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

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverable. Recoveries on claims are recognized in profit or loss and expenses in the period the recoveries are determined. Recoverable amounts are presented as part of Reinsurance assets.

*Options and Guarantees*
Options and guarantees within insurance are treated as derivative financial instruments which are closely related to the host insurance contracts and are therefore not separated subsequently.

*Investment Properties*
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both and that is not occupied by the company. Investment properties are initially measured at cost, including transaction costs.

After initial recognition, investment property is measured at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in fair value is recognized in profit or loss for the period in which it arrives.

Investment property is derecognized when either it has been disposed of, or when the investment property is permanently withdrawn or sold and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the commencement of an operating lease to another party. If owner-occupied property becomes an investment property, the Company accounts for such property up to the date of the change in use. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or the commencement of development with a view to sale. Transfers from investment property are recorded using the carrying amount of the investment property as at the date of change in use.

*Property and Equipment*
Property and equipment, except Condominium units are initially recognized at cost including the costs to get the property ready for its intended use. Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and impairment losses, if any.

Condominium units are measured at their revalued amounts, less accumulated depreciation and impairment losses recognized after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the revaluation surplus included in the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss.

Depreciation is computed on a straight-line method over the estimated useful lives of the depreciable assets as follows:

| | |
|---|---|
| Condominium units | 20 years |
| EDP Equipment | 5-10 years |
| Furniture, fixtures and equipment | 10 years |
| Transportation equipment | 5 years |
| Leasehold improvements | 10 years |
| Right-of-use-asset | Lease term |

An asset's residual value, useful life and depreciation method are reviewed periodically to ensure that the period, residual value and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Expenditures for additions, major improvements and renewals are capitalized while minor repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in the statement of income for the period.

When the carrying amount of an asset is greater than its estimated recoverable amount, the cost is written down immediately to its recoverable amount. Fully depreciated assets are retained in the accounts until they are no longer in use.

*Impairment of Non-financial Assets*
The Company's investment properties and property and equipment are subject to impairment testing. All other individual asset or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indication that an impairment loss previously recognized may no longer exists and the carrying amount of the, asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

*Insurance Claims Payable*
Liabilities for claims is calculated as the sum of Outstanding claims reserve, Claims handling expense, and Incurred but not reported claims (IBNR), with Margin for Adverse Deviation (MfAD).

At end of each reporting period, liability adequacy tests are performed, to ensure the adequacy of liabilities for claims.

In calculating IBNR, the following primary reserving methodologies were applied in the valuation process

- Incurred Chain Ladder/Loss Development Approach
- Paid Chain Ladder/Development Method
- Bornhuetter-Ferguson Incurred Approach
- Bornhuetter-Ferguson Paid Approach

The Actuary determines the appropriateness of the methodology considering the characteristics of the data available. The Actuary also assesses the reliability of the expected loss ratios by obtaining estimates from various sources, such as underwriters, the business plan, market statistics, or from a historic view of profitability and loss ratios. In valuing the claims liabilities, the Actuary also considers other factors such as, but not limited to, varying expense structure in run-off situations, large losses arising from significant past events, operational changes in claims management, underwriting changes such as business mix and premium rate changes, changes in reinsurance program, changes in claims handling process, and external conditions.

To ensure sufficiency of reserves, the Actuary conducts a back-testing exercise by comparing actual and expected experience based on previous valuations. Claim liabilities also include MfAD to allow for inherent uncertainty of the best estimate.

*Premium Reserves*
Premium reserves refer to all future claim payments arising from future events after the valuation date that are insured under unexpired policies, as well as expenses for policy management and claims settlement, and is computed as the higher of the UPR and URR at a designated level of confidence, on both gross and net of reinsurance basis.

UPR is the reserve for that portion of the premium received which is attributable to a period of risk falling beyond the valuation date, and is recognized as revenue over the period of the policy using the 24th method. URR is an estimate of the total liability (including expenses), at a designated level of confidence, in respect of the risk after the valuation date of policies written prior to that date including expenses for policy management and claims settlement costs. In estimating URR, the Company adopted the loss ratio approach by multiplying the UPR with loss ratios adjusted by taking into account all potential future payments including but not limited to future claims payments, retrocession costs, unallocated loss adjustment expense and ongoing policy administration costs arising from the unearned portion of premium collected. A computation is performed to determine whether the URR required is greater or less than the UPR. If the URR is greater, then the difference should be booked as an additional reserve on top of the UPR.

In performing the test for premium liabilities, the Unearned Risk Reserve (URR) is compared to the Unearned Premium Reserve (UPR). If the URR is greater than the UPR, the excess is set up as an additional premium liability on top of the UPR.

*Accounts Payable and Accrued Expenses*
Accounts payables are liabilities for goods or services that have been received or provided and have been invoiced or formally agreed with the supplier. Accounts payables are non-interest bearing and are stated at their original invoice amount since the effect of discounting is immaterial.

Accruals are liabilities for goods or services that have been received or provided but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

*Leases*
At 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 uses the definition of a lease in PFRS 16.

*As a Lessee*
At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payment that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company used a number of practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17. In particular, the Company:

- Did not recognized right-of-use assets and liabilities for leases for which the lease term ends within 12 months from the date of initial application;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

- Used hindsight when determining the lease term.

*Short-term Leases and Leases of Low-value Assets*
The Company has elected not to recognize right-of-use assets and lease liabilities for the leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*As a Lessor*
When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially the entire risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease is a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

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

<u>Equity</u>
Share capital is determined at par value of shares that have been issued.

Contributed surplus represent additional contribution of stockholders to the Company in compliance with the requirement of the Insurance Commission.

Retained earnings include all current and prior period results of operations as disclosed in the Statements of Income.

Revaluation reserve comprises changes in fair value due to revaluation of Available-for-sale financial assets and Property and equipment.

In accordance with the amended Insurance Code, dividend declaration or distribution from accumulated profits remaining on hand can only be made after retaining unimpaired the following:

- The entire paid-up capital stock;
- The net worth required under Section 194;
- The solvency required;
- The legal reserve fund required; and
- A sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

Deposits for future stock subscription refer to the amount of money received by the Company with the purpose of applying the same as payment for future issuance of stocks. The Company does not consider a deposit for stock subscription as an equity instrument unless all of the following elements are present:

- There is a lack or insufficient authorized unissued shares of stock to cover the deposit;
- The Company's BOD and stockholders have approved an increase in capital stock to cover the shares corresponding to the amount of the deposit; and,
- An application for the approval of the increase in capital stock has been presented for filing or filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability. The amount of deposits for future stock subscription will be reclassified to equity accounts when the Company meets the foregoing criteria.

*Revenue Recognition*
Revenue is recognized only when the Company satisfies a performance obligation by transferring control of the promised services to the customer. Revenue is measured at the transaction price which the entity expects to be entitled in exchange for a good or service. The following specific revenue recognition criteria must also be met before revenue is recognized.

*Premiums*
Premiums from short duration insurance contracts are recognized as revenue over the period of the contracts using the $24^{th}$ method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting periods are accounted for as "*Reserve for Unearned Premiums*" and presented in the liability section of the statement of financial position. The reinsurance premiums ceded that pertains to the unexpired period as at reporting dates are accounted for as "*Reserve for reinsurance premium*" and lodge under "*Reinsurance assets*" account in the statements of financial position. The net changes in these accounts between reporting dates are credited or charged against income for the year.

*Commission*
Reinsurance commissions are recognized as revenue over the period of the contracts. The portion of commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as "*Deferred commission income*" in the liabilities section of the statement of financial position.

*Interest income*
Interest income from bank deposits, special savings account available-for-sale investments, loans and receivable and held-to-maturity investment is recognized as interest accrues taking into account the effective yield on the related asset.

*Dividend income*
Dividend income is recognized when the right to receive dividends is established.

*Realized gains and losses*
Realized gains and losses on the sale of property and equipment are calculated as the difference between net sales proceeds and the net book value. Realized gains and losses on the sale of AFS financial assets are calculated as the difference between net sales proceeds and the original cost net of accumulated impairment losses. Realized gains and losses are recognized in profit or loss when the sale transaction occurred.

*Cost and Expense Recognition*

*Claims and losses*
Claims and losses consist of benefits and claims paid to insured, which include changes in the valuation of insurance liabilities. It further includes internal and external adjustment expenses that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. Insurance claims are recorded on the basis of notifications received.

Claims expenses (including those incurred but not reported) are based on the estimated ultimate cost of settling these claims. The method of determining such estimates and establishing reserve are continually reviewed and updated. Changes in estimates of claims cost resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period the estimates are made.

Share in recoveries of claim are evaluated in terms of the estimated realizable values of the salvage or recoveries. Recoveries on settled claims are recognized in profit or loss in the period the recoveries are determined. Recoveries on the unsettled claims are recorded as reinsurance recoverable on losses shown as part of reinsurance assets.

*Acquisition cost*
Cost that vary with and primarily related to the acquisition of new and renewal insurance contracts such as commissions, certain underwriting, and policy issue cost and inspection fees are deferred and charged to expense in proportion to the premium revenue recognized. Unamortized acquisition costs are shown in the statement of financial position as deferred acquisition cost.

*Reinsurance commission*
Commissions paid to cedants are deferred and are included in deferred acquisition cost, subject to the same amortization method as that of acquisition costs.

*Expense recognition*
Expenses are decreases in economic benefits in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

*Income Taxes*
Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as at the end of the reporting period.

Deferred tax assets and liabilities are recognized using the balance sheet liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax liabilities are recognized for all taxable differences between the tax basis of the liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the periods when the asset is realized or the liability is settled.

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

Deferred taxes relating to items recognized directly in equity are reported in other comprehensive income and not in the statement of income.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of income. Only changes in deferred tax assets or liabilities that relate to a change in value of asset or liabilities are charged or credited directly to equity.

*Pension Cost*
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit cost comprises the following:

a) Service cost
b) Net interest on the net defined benefit liability or asset; and
c) Re-measurements of net defined benefit liability or asset

Service cost which includes current service cost, past service cost and gains or losses on non-routine settlements is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs.

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

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

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

*Foreign Currency Transactions and Translations*

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

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

*Provisions*

Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example legal disputes for onerous contract.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at end of the reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. In addition, long term provisions are discounted at their present values, where time value of money is material.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent asset, hence, are not recognized in the financial statements.

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

*Events After End of the Reporting Period*
Post year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

## 5. Significant Accounting Judgments and Estimates

The Company makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the next financial year. Estimates and judgments 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.

Judgments
The following judgments were applied which have the most significant effect on the amounts recognized in the financial statements.

*Product classification*
All the Company's existing products are insurance contracts as defined in PFRS 4. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

*Classification of investments*
In classifying its investments, the Company follows the guidance of PAS 39. In making the judgment, the Company evaluates its intention, marketability of the instrument and its ability to hold the investments until maturity.

The classification of investments as at December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Available-for-sale | P | **687,030,326** | P 942,699,565 |
| Held-to-maturity | | **924,165,795** | 639,141,566 |
| Loans and receivables | | **3,999,152** | 8,395,572 |

*Distinguishing investment properties and owner-occupied properties*
The Company determines whether a property qualifies as an investment property. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the delivery of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

Investment properties, as of December 31, 2023 and 2022, amounted to P283,494,667 and P124,203,000, respectively.

*Classification of Deposit for future stock subscription as liability or equity*
In 2022, SEC issued revised guidelines on the classification of Deposit for future stock subscription (DFSS). Accordingly, DFSS may be classified within the equity, if and only if, all of the following elements are present as of the end of the reporting period:

(i) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
(ii) There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
(iii) There is stockholders' approval of said proposed increase; and
(iv) The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

Based on the foregoing requirements, the Company determined that DFSS amounting to nil in 2023 and P60 million in 2022 is classified as equity.

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

*Determination of fair value of financial assets*
The fair value for assets traded in active market at the reporting date is based on their quoted market price. For all other assets not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and fair value in the statements of income unless it qualifies for recognition as some other type of asset.

*Determining the appraised value of investment properties and property and equipment*
The Company determines the appraised value of its investment property and Property and equipment through the use of an independent appraisers. The appraisers value the property through the use of market approach for land and cost approach for Building. The description of these methodologies is described in Note 6.

As of December 31, 2023 and 2022, Investment properties and Property and equipment carried at fair values and revalued amount are as follows:

| | 2023 | 2022 |
|---|---|---|
| Investment Properties | P 283,494,667 | P 124,203,000 |
| Property and equipment: | | |
| Condominium units | 304,565,333 | - |

*Estimating allowance for impairment of financial assets*
The Company maintains allowance for probable loss at a level considered adequate to provide for potential uncollectible accounts. The level of allowance for doubtful accounts is evaluated by management on the basis of factors affecting collectability of the financial assets. In addition, a review of the accounts designed to identify accounts to be provided with allowance, is made on a continuing basis.

*Estimating useful lives of property and equipment*
The Company reviews annually the estimated useful lives of property and equipment, based on the period on which the assets are expected to be available for use. It is possible that future results of operation could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and decrease the related asset account.

Property and equipment, net of accumulated depreciation and impairment losses, amounted to P332,775,428 and P34,375,700, as at December 31, 2023 and 2022, respectively. (See Note 14)

*Deferred tax asset*
The Company reviews the carrying amounts of deferred tax asset at each reporting date and reduces the deferred tax asset 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.

Net deferred tax asset as at December 31, 2023 and 2022 amounted to nil and P21,224,141, respectively. (See Note 30)

*Estimating of pension liability*
The determination of pension liability and pension expense is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates. Such estimates are subject to significant uncertainty. In accordance with PAS 19, actual results that differ from the Company's assumptions are recognized immediately in OCI in the period in which they arise.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may affect the pension liability.

The carrying value of net pension benefit obligation as of December 31, 2023 and 2022 amounted to P10.8 million and P10.3 million, respectively (see Note 29)

*Valuation of insurance*
Estimates have to be made at the reporting date for both the expected ultimate cost of both claims reported and claims IBNR. It can take a significant period of time before the ultimate claim cost can be established with certainty and for some types of policies, IBNR claims form the majority of the claims provision. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques such as Chain Ladder method and Bornhuetter-Ferguson method based on paid and reported claims information.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

As at December 31, 2023 and 2022, the carrying values of provision for IBNR indicating CHE and MfAD amounted to P338,608,348 and P265,665,358, respectively.

## 6. Fair Value Measurement

*(i) Financial instruments*

The fair value of financial instruments and their carrying amounts is as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Category of financial instruments** | | | | |
| AFS | **P 687,030,326** | **P 687,030,326** | P 942,699,565 | P 942,699,565 |
| HTM | **924,165,795** | **924,487,940** | 639,141,566 | 640,615,654 |
| Loans and receivable | | | | |
| Cash and cash equivalents | **290,471,257** | **290,471,257** | 324,040,067 | 324,040,067 |
| Short term investments | **6,229,989** | **6,229,989** | 6,053,432 | 6,053,432 |
| Insurance and reinsurance balances receivable | **1,002,942,546** | **1,002,942,546** | 1,285,963,043 | 1,285,963,043 |
| Other loans and receivables | **3,999,152** | **3,999,152** | 8,395,572 | 8,395,572 |
| Security deposit | **16,997,073** | **16,997,073** | 9,092,968 | 9,092,968 |
| Security fund | **48,439** | **48,439** | 48,439 | 48,439 |
| Other financial liabilities | | | | |
| Insurance claims payable | **614,057,121** | **614,057,121** | 754,148,408 | 754,148,408 |
| Accounts payable and other liabilities | **136,865,706** | **136,865,706** | 93,600,462 | 93,600,462 |
| Reinsurance liabilities | **11,050,628** | **11,050,628** | 33,570,908 | 33,570,908 |

The fair value hierarchy of the Company's financial instruments are summarized in the tables below.

| | 2023 | | | |
|---|---|---|---|---|
| | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| **Financial instruments measured at fair value** | | | | |
| AFS | | | | |
| Government securities | P 280,697,464 | P 280,697,464 | P - | P - |
| Corporate debt securities | 165,525,564 | 165,525,564 | - | - |
| Quoted equity securities | 197,306,488 | 197,306,488 | - | - |
| Money market fund | 17,930,810 | - | 17,930,810 | - |
| Unquoted equity securities | 25,570,000 | - | - | 25,570,000 |
| **Financial instruments for which fair value is disclosed** | | | | |
| HTM | | | | |
| Government securities | 583,834,237 | 583,834,237 | - | - |
| Corporate securities | 340,653,703 | 340,653,703 | - | - |

| | 2022 | | | |
|---|---|---|---|---|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| **Financial instruments measured at fair value** | | | | |
| AFS | | | | |
| Government securities | P 256,174,580 | P 256,174,580 | P - | P - |
| Corporate debt securities | 196,194,533 | 196,194,533 | - | - |
| Quoted equity securities | 231,286,278 | 231,286,278 | - | - |
| Money market fund | 120,374,173 | - | 120,374,173 | - |
| Unquoted equity securities | 138,670,000 | - | - | 138,670,000 |
| **Financial instruments for which fair value is disclosed** | | | | |
| HTM | | | | |
| Government securities | 362,327,008 | 362,327,008 | - | - |
| Corporate securities | 278,288,646 | 278,288,645 | - | - |

The Company measures fair value of financial assets using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1
  Inputs are quoted in active market for identical assets that the entity can access at the measurement date.

  Included in Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market.

  A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Level 2
  Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3
  Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Fair values were determined as follows:

- *Cash and cash equivalents, short-term investments*– the fair values are approximately the carrying amounts due to short-term nature.
- *Quoted debt securities (government and corporate)* – the fair values were determined from the published references from Philippine Dealing System or third party information.
- *Quoted equity securities* - the fair values were determined from the published prices from Philippine Stock Exchange.
- *Unquoted AFS investment* – valuation technique using significant observable inputs. Where valuation technique is not representative of fair values, the acquisition cost is used as fair value.
- *Money market funds* – The fair value was determined via Net Asset Value per share/units. These are calculated by dividing the fair value of net assets over the total number of shares/units issued.
- *Receivables, deposits and other financial liabilities* - Due to their short duration, the carrying amounts of Receivables, deposits and other financial liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

*(ii) Non-Financial Assets*

Investment Properties
On December 31, 2023 and February 19, 2024, the certain investment properties in Parañaque and Makati were appraised by an independent firm of appraisers. The fair value was determined in accordance with the prevailing market prices as at December 31, 2023.

The methodologies used to determine fair values are as follows:

- *Market Approach* – a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.
- *Cost Approach* – an approach that estimates the current reproduction cost of the improvements then deducting accrued depreciation from all sources, and adding the value of the land.

The highest and best use of investment properties is residential utility, commercial utility, and residential-farm utility.

The appraisals resulted to the recognition of unrealized gain on fair value adjustment of investment property of P68,955,423 in 2023. Fair value is determined using the Market approach under the level 3 of the fair value hierarchy. The highest and best use of these properties is commercial utility. The carrying value of this account amounted to P283,494,667 and P124,203,000 as at December 31, 2023 and 2022, respectively.

The highest and best use of investment properties is commercial utility.

Properties located in Cabanatuan, Naga, Pamplona and Angeles were appraised in 2021 with aggregate fair value of P25.9 million. The Company does not expect significant changes in fair value as of December 31, 2023. The highest and best use of these investment properties is commercial utility, residential utility, commercial utility, and residential-farm utility.

The description of valuation techniques and inputs used in determining the fair value of investment property is as follows:

| Property location | Property description | | 2023 | 2022 |
|---|---|---|---|---|
| Parañaque, Metro Manila | Land only | Fair value | **P 87,202,000** | P 98,336,000 |
| | | Adjustment factors: | | |
| | | External Factor | **-5%** | -5% |
| | | Internal Factor | | |
| | | Location | **-** | - |
| | | Size | **+3% to +10%** | +3% to +10% |
| | | Accessibility | **+3% to +10%** | +3% to +10% |
| | | Algebraic Sum of internal factor | **+3% to +10%** | +3% to +10% |
| Cabanatuan City, Nueva Ecija | Land only | Fair value | **P 11,652,000** | P 11,652,000 |
| | | Adjustment factors: | | |
| | | External Factor | **-5%** | -5% |
| | | Internal Factor | | |
| | | Location | **+10% to +20%** | +10% to +20% |
| | | Size | **+5% to +20%** | +5% to +20% |
| | | Accessibility | **+10% to +20%** | +10% to +20% |
| | | Algebraic Sum of internal factor | **+25% to +60%** | +25% to +60% |
| Naga City, Camarines Sur | Land only | Fair value | **P 6,624,000** | P 6,624,000 |
| | | Adjustment factors: | | |
| | | External Factor | **-5%** | -5% |
| | | Internal Factor | | |
| | | Size | **-5%** | -5% |
| | | Facilities and Utilities | **-** | - |
| | | Algebraic Sum of internal factor | **-5%** | -5% |
| Pamplona, Camarines Sur | Land only | Fair value | **P 5,400,000** | P 5,400,000 |
| | | Adjustment factors: | | |
| | | External Factor | **-5% to -20%** | -5% to -20% |
| | | Internal Factor | | |
| | | Location | **+20% to -20%** | +20% to -20% |
| | | Size | **+8% to +20%** | +8% to +20% |
| | | Use | **-** | - |
| | | Algebraic Sum of internal factor | **+20% to +28%** | +20% to +28% |
| Angeles City, Pampanga | Land only | Fair value | **P 2,191,000** | P 2,191,000 |
| | | Adjustment factors: | | |
| | | External Factor | **-5%** | -5% |
| | | Internal Factor | | |
| | | Location | **+20%** | +20% |
| | | Size | **-11% to -5%** | -11% to -5% |
| | | Improvements | **+20%** | +20% |
| | | Accessibility | **+20%** | +20% |
| | | Algebraic Sum of internal factor | **+49% to +55%** | +49% to +55% |
| Makati City | Condominium Units | Fair value | **P 153,137,667** | |
| | | Adjustment factors: | | |
| | | External Factor | **-10%** | - |
| | | Internal Factor | **-** | - |
| | | Location | **-5%** | - |
| | | Size | **0% to +15%** | - |
| | | Algebraic Sum of internal factor | **0% to +15%** | - |

The estimated fair value of improvements on Parañaque property was estimated using the cost approach. The approach involves estimating the cost to reproduce or replace the improvements at current prices and using current standards of materials and design. Accrued depreciation in value arising from wear and tear, functional obsolescence and other external factors, are deducted. The fair value is estimated at P17.2 million

Condominium units (included under Property and Equipment)
On February 19, 2024, the Company's Condominium unit was appraised by an independent firm of appraiser. The appraisal resulted to the recognition of revaluation increment of P93.7 million, net of deferred income tax. Fair value is determined using the Market approach under the level 3 of the fair value hierarchy. The highest and best use of these properties is commercial, its current use. The assigned value for condominium units was estimated using the Market Approach.

The description of valuation techniques and inputs used in determining the fair value of investment property as of December 31, 2023 as follows:

| Property location | Property description | | |
|---|---|---|---|
| Makati City | Condominium Units | Fair value | **P 304,565,333** |
| | | Adjustment factors: | |
| | | External Factor | **-10%** |
| | | Internal Factor | **-** |
| | | Location | **-5%** |
| | | Size | **0% to +15%** |
| | | Algebraic Sum of internal factor | **0% to +15%** |

Had the condominium units been carried at cost, its carrying amount would amount to P179.6 million in 2023.

## 7. Management of Insurance Risk, Financial Risk and Capital

*Insurance risk*
The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated.

Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Internally, the Company manages its risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured events.

The concentration of insurance claims as at December 31, 2023 and 2022 is as follows:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Gross | Share of Reinsurer | Net Liability | Gross | Share of Reinsurer | Net Liability |
| **Fire** | P 382,376,935 | P 195,958,281 | P 186,418,654 | P 466,782,066 | P 380,173,718 | P 86,608,348 |
| **Motor** | 131,780,172 | 18,071,576 | 113,708,596 | 109,416,723 | 7,737,547 | 101,679,175 |
| **Personal accident** | 15,514,385 | 821,913 | 14,692,472 | 14,788,913 | 1,110,071 | 13,678,842 |
| **Marine** | 28,891,927 | 5,878,549 | 23,013,378 | 27,588,111 | 11,564,465 | 16,023,646 |
| **Engineering** | 17,510,209 | 6,168,593 | 11,341,616 | 16,312,107 | 9,561,849 | 6,750,258 |
| **Hull** | 6,565,213 | 5,470,894 | 1,094,319 | 41,843,646 | 36,722,813 | 5,120,833 |
| **Surety** | 571,610 | 863 | 570,747 | 683,469 | 126,762 | 556,707 |
| **Miscellaneous** | 30,846,670 | 5,016,142 | 25,830,528 | 76,733,373 | 10,347,784 | 66,385,590 |
| | P 614,057,121 | P 237,386,811 | P 376,670,310 | P 754,148,408 | P 457,345,009 | P 296,803,399 |

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

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

*Credit Risk*
Credit risk is risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.
Credit risk limit is also used to manage credit exposure which specifies exposure credit limit for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience.

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

- Reinsurers' share of insurance premiums,
- Amounts due from reinsurers on claims already paid,
- Amounts due from insurance contract holders, and
- Amounts due from insurance intermediaries

*Exposure*
The table below shows the gross maximum exposure to credit risk of the Company as at December 31, 2023 and 2022.

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents* | P 252,261,401 | P 285,530,893 |
| Short-term investments | 6,229,989 | 6,053,432 |
| Financial Asset | | |
| AFS | 687,030,326 | 942,699,565 |
| HTM | 914,506,000 | 639,487,700 |
| Loans and receivables | 3,999,152 | 9,036,022 |
| Insurance receivables | 772,290,460 | 834,986,559 |
| Reinsurance assets | 237,386,811 | 457,345,009 |
| Accrued investment income | 17,417,131 | 12,081,069 |
| Security deposit | 16,997,073 | 9,092,968 |
| Security fund | 48,439 | 48,439 |
| | P 2,908,166,782 | P 3,196,361,656 |

**Excludes cash on hand of P38,209,856 in 2023 and P38,509,174 in 2022.*

The Company uses the following risk mitigation policies to reduce credit risks:

- Cash in banks and short-term investments are deposited and placed with reputable commercial and universal banks in the Philippines. Moreover, all bank deposits are automatically covered up to a certain amount from Philippine Deposit Insurance Corporation.

- Financial assets that are HTM are debt securities issued and guaranteed by the Philippine government which are considered risk free. HTM investments are lodge under Philippine Depository & Trust Corporation.

- The Company's equity investments classified as AFS are mostly stocks belonging to Philippine Stock Exchange Index (PSEi) with regular trading transaction in the Philippine Stock Exchange. Other AFS investment includes government securities in local currencies and in Investment Management Accounts.

- Insurance balances of brokers and agents have a maximum age of 90 days. Commissions are released only upon full remittance of premiums. Reinsurance arrangements are placed only with reputable reinsurers at industry acceptable terms.

- Accrued investment income is collectible in subsequent period. Interest proceeds are either rolled over to principal balance or credited to savings account.

*Credit Quality*
The credit quality of group of financial assets are as follows:

*(i)* *Cash-in-bank, cash equivalents and short-term investments*
Substantial portion of the Company's Cash-in-banks, Cash equivalents and Short-term investments are maintained in universal and commercial banks thereby limiting the credit risk. Limits are placed on thrift and lower-tiered banks. This is consistent with Company's internal policy on deposit maintenance. Cash-in-bank, cash equivalents and short-term investments classified by type of banks are as follows:

| | 2023 | 2022 |
|---|---|---|
| Universal banks | P 245,259,948 | P 279,300,131 |
| Commercial banks | 4,283,862 | 2,426,694 |
| Thrift and rural banks | 2,717,591 | 3,804,068 |
| | P 252,261,401 | P 285,530,893 |

(ii) *Available-for-sale and Held-to-maturity Investments*
The credit risk on investments represents the risk of actual default of the issuer. This risk is managed through limits which takes into account the type of credit exposure, credit quality and, where needed, maturity, and through regular monitoring and early warning systems. Investment exposures and limits are monitored on a regular basis.

The limits are defined by the following categories:

- Limits on government securities is guided by the existing circulars issued by the Insurance Commission;
- Limits on corporate bonds are based on certain criteria such as total corporate bonds exposure as a percentage of the portfolio, limits by sector based on the credit ratings; currency and monitoring of concentrated exposure;

The credit rating applied by the Company is based on the best available rating from Moody's, Fitch and Standard & Poor's. For specific exposure types, other rating agencies can be used such as AM Best for reinsurance counterparties.

The table below provides information on the credit quality of investments.

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Rated | | | | | |
| | AAA to AA- | A+ to A- | BBB+ to BBB- | BB+ to BB- | Unrated | Total |
| Debt securities | | | | | | |
| Fixed-rated treasury bonds | P - | P - | P - | P - | P 848,133,463 | P 848,133,463 |
| Retail treasury bonds | - | - | - | - | - | - |
| Corporate bonds | 481,805,564 | - | - | - | 30,790,000 | 512,595,564 |
| Foreign currency bonds | | | | | | |
| ROP bonds | - | - | - | - | - | - |
| Corporate bonds | - | - | - | - | - | - |
| Equity securities | 208,412,911 | - | - | - | 32,394,388 | 240,807,299 |
| | P690,218,475 | P - | P - | P - | P 911,317,851 | P1,601,536,326 |

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Rated | | | | | |
| | AAA to AA- | A+ to A- | BBB+ to BBB- | BB+ to BB- | Unrated | Total |
| Debt securities | | | | | | |
| Fixed-rated treasury bonds | P - | P - | P - | P - | P 362,217,700 | P 362,217,700 |
| Retail treasury bonds | - | - | - | - | - | - |
| Corporate bonds | - | - | - | - | 277,270,000 | 277,270,000 |
| Foreign currency bonds | | | | | | |
| ROP bonds | - | - | - | - | - | - |
| Corporate bonds | - | - | - | - | | - |
| Equity securities | - | - | 498,685,758 | - | 444,013,807 | 942,699,565 |
| | P - | P - | P 498,685,758 | P - | P1,083,501,507 | P1,582,187,265 |

(i) *Insurance, reinsurance and other receivables*
Credit risk on Insurance, reinsurance and other receivables reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors. The scope of credit risk alleviation includes risk-mitigating contracts on reinsurance arrangements and setting up maximum credit terms with agents.

Credit risk can arise also due to the purchase of reinsurance or other risk mitigation contracts. The Company minimizes this risk through policies on counterparty selection, collateral requirements and diversification. This risk is mitigated through close monitoring of outstanding counterparty default positions. Diversification and avoidance of low rated exposures are key elements in the mitigation of this risk.

The Company also limits its exposure to credit losses from its reinsurance business by entering into master netting arrangements with counterparties. Master netting arrangements do not generally result in an offset of assets and liabilities in the Statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts (asset position) is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are settled on a net basis. The Company maintains a normal credit term of 90 days for insurance balances receivable. Past due are those accounts which are outstanding beyond 90 days.

Exposure to credit risk on other receivable is low considering that these receivables is collected through salary deduction or deducted from the commissions due to them, as the case maybe. These counterparties have a good credit standing with no history of default. Credit risk on Security deposits is minimal since a significant portion of which can be applied to cover rentals due.

Impairment for specific credit risk is established if there is objective evidence that Company will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment is the difference between the carrying amount and the recoverable amount. Conditions for write-off may be that the debtor's bankruptcy proceedings have been reached and and/or guarantors are insolvent, all normal recovery efforts have been exhausted, or the economic loss period (i.e., the period within which all expenses will exceed the recoverable amount) has been reached.

The aging analysis of Receivables, reinsurance and other receivables that are not impaired are as follows:

| | | 2023 | | | | |
|---|---|---|---|---|---|---|
| | | No. of days past due | | | | |
| | | 30 days | 60 days | 90 days | 180 days | Total |
| **Due from agents and brokers** | **P** | **208,260,505** | **P166,284,417** | **P114,177,126** | **P65,520,535** | **P554,242,583** |
| **Due from ceding companies** | | **3,350,003** | **4,187,504** | **34,337,532** | **-** | **41,875,039** |
| **Reinsurance recoverable on paid losses** | | **3,073,411** | **9,220,232** | **141,365,440** | | **153,659,083** |
| **Other receivable** | | **21,416,283** | **-** | **-** | **-** | **21,416,283** |
| | **P** | **236,100,202** | **P 179,692,153** | **P 289,880,098** | **P 65,520,535** | **P 771,192,988** |

| | | 2022 | | | | |
|---|---|---|---|---|---|---|
| | | No. of days past due | | | | |
| | | 30 days | 60 days | 90 days | 180 days | Total |
| Due from agents and brokers | P | 349,023,635 | P180,783,580 | P107,576,226 | P38,469,106 | P675,852,547 |
| Due from ceding companies | | 5,927,604 | 348,683 | 28,591,973 | - | 34,868,260 |
| Reinsurance recoverable on paid losses | | 1,200,707 | 6,003,534 | 112,866,440 | - | 120,070,681 |
| Other receivable | | 20,476,641 | - | - | - | 20,476,641 |
| | P | 376,628,587 | P 187,135,797 | P 249,034,639 | P 38,469,106 | P 851,268,129 |

The table below provides information on the concentration of credit risk as of December 31 by type of financial assets:

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | **Cash & cash equivalents** | **Short-term investments** | **Available-for-sale** | **Held-to maturity** | **Receivables** | **Total** |
| **Insurance** | P - | P - | P - | P - | P 962,254,475 | P 962,254,475 |
| **Financial institutions** | 252,261,401 | 6,229,989 | 25,404,380 | 607,723,937 | - | 891,619,708 |
| **Government** | - | - | 280,697,463 | - | - | 280,697,463 |
| **Holding companies** | - | - | 21,836,470 | 179,649,222 | - | 201,485,692 |
| **Property** | - | - | 60,143,921 | 64,022,636 | - | 124,166,558 |
| **Oil, power and energy** | - | - | 20,201,677 | 59,470,000 | - | 79,671,677 |
| **ICT** | - | - | 2,087,708 | 2,000,000 | - | 4,087,708 |
| **Food and beverage** | - | - | - | 5,000,000 | - | 5,000,000 |
| **Services and others** | - | - | 276,658,706 | 6,300,000 | - | 282,958,706 |
| | P 252,261,401 | P 6,229,989 | P 687,030,326 | P 924,165,795 | P 962,254,475 | P 2,831,941,987 |

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Cash & cash equivalents | Short-term investments | Available-for-sale | Held-to maturity | Receivables | Total |
| Insurance | P - | P - | P139,213,918 | P - | P1,253,268,237 | P 1,392,482,155 |
| Financial institutions | 285,530,893 | 6,053,432 | 132,588,985 | 362,217,700 | - | 786,391,010 |
| Government | - | - | 605,512,800 | 28,700,000 | - | 634,212,800 |
| Holding companies | - | - | 6,226,550 | - | - | 6,226,550 |
| Property | - | - | 20,781,509 | 162,593,866 | - | 183,375,375 |
| Oil, power and energy | - | - | 25,802,864 | 85,630,000 | - | 111,432,864 |
| ICT | - | - | 7,850,671 | - | - | 7,850,671 |
| Food and beverage | - | - | 1,761,020 | - | - | 1,761,020 |
| Services and others | - | - | 2,961,248 | - | - | 2,961,248 |
| | P 285,530,893 | P 6,053,432 | P 942,699,565 | P 639,141,566 | P 1,253,268,237 | P 3,126,693,693 |

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

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

Contractual maturities of financial assets and liabilities as at December 31, 2023 and 2022 are presented below:

| 2023 (In thousand) | Contractual maturities < 1 year | > 1 year < 5 years | >5 years | Total |
|---|---|---|---|---|
| **Financial assets that are :** | | | | |
| **Cash and cash equivalents** | P 252,261 | P - | P - | P 252,261 |
| **Short-term investments** | 6,230 | - | - | 6,230 |
| **AFS** | 687,030 | - | - | 687,030 |
| **HTM** | 91,090 | 380,566 | 442,850 | 914,505 |
| **Loans and receivable** | 3,999 | - | - | 3,999 |
| **Insurance receivables** | 772,290 | - | - | 772,290 |
| **Reinsurance assets** | 237,387 | - | - | 237,387 |
| **Accrued investment income** | 17,417 | - | - | 17,417 |
| **Security deposit** | 16,997 | - | - | 16,997 |
| **Security fund** | 48 | - | - | 48 |
| **Financial liabilities that are:** | | | | |
| **Insurance claims payable** | 614,057 | - | - | 614,057 |
| **Accounts payable and other liabilities** | 136,866 | - | - | 136,866 |
| **Reinsurance liabilities** | 11,051 | - | - | 11,051 |

| 2022 (In thousand) | Contractual maturities < 1 year | > 1 year < 5 years | >5 years | Total |
|---|---|---|---|---|
| Financial assets that are : | | | | |
| Cash and cash equivalents | P 285,531 | P - | P - | P 285,531 |
| Short-term investments | 6,053 | - | - | 6,053 |
| AFS | 942,700 | - | - | 942,700 |
| HTM | 116,436 | 355,041 | 168,010 | 639,487 |
| Loans and receivable | 8,396 | - | - | 8,396 |
| Insurance receivables | 834,987 | - | - | 834,987 |
| Reinsurance assets | 457,345 | - | - | 457,345 |
| Accrued investment income | 12,081 | - | - | 12,081 |
| Surety losses recoverable | - | - | - | - |
| Security deposit | 9,093 | - | - | 9,093 |
| Security fund | 48 | - | - | 48 |
| Financial liabilities that are: | | | | |
| Insurance claims payable | 754,148 | - | - | 754,148 |
| Accounts payable and other liabilities | 93,600 | - | - | 93,600 |
| Reinsurance liabilities | 33,571 | - | - | 33,571 |

It is unusual for a Company primarily transacting insurance business to predict the requirements of funding with absolute certainty as the theory of probability is applied in insurance contracts to ascertain the likely provision and time period when such liabilities will require settlement. The amount and maturities in respect of insurance liabilities are thus based on management's best estimate and on statistical techniques and past experience.

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

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

The Company manages market risk by evenly distributing capital among investment instruments, sectors and geographical areas.

The Company structures the levels of market risk it accepts through a sound market risk policy based on specific guidelines. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation reporting and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures to the IC, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

Sensitivity analysis of market risk exposures follows:

i. Currency risk
No foreign currency forward contracts are outstanding as at December 31, 2023 and 2022 to hedge the foreign currency accounts.

The carrying values of financial assets exposed to currency risk at the end of reporting period are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Phil. Peso** | **US $** | Phil. Peso | US $ |
| Cash and cash equivalents | **P 3,231,679** | **$ 58,365** | P 2,251,299 | $ 40,375 |

** The exchange rate used was P 55.37 in 2023 and P 55.76 in 2022 to US $ 1.00.*

As of December 31, 2023 and 2022 the sensibility analyses on foreign currency risk is insignificant.

ii. Interest rate risk
The Company's exposure to risk for changes in market interest rates relates primarily to the debt instrument which are subject to variable interest rates. The Company follows prudent policies in managing its exposures to interest rate fluctuations, and constantly monitors assets.

The Company's exposure to interest rate risk is as follows:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| Security | **Face value** | **Coupon rate** | **Re-pricing** | Face value | Coupon rate | Re-pricing |
| Retail treasury bond | **P 343,530,000** | **2.375% to 6.25%** | **fixed** | P 305,080,000 | 2.375% to 6.25% | fixed |
| Fixed rate treasury note | **464,606,000** | **2.375% to 10.25%** | **fixed** | 355,077,000 | 2.375% to 10.25% | fixed |
| Corporate bonds | **515,530,000** | **2.5 % to 8.03%** | **fixed** | 503,580,000 | 2.4565 % to 8.029% | fixed |
| Time deposit | **190,494,556** | **1.4% to 6.25%** | **-** | 187,439,987 | 1.4% to 5.225% | - |

The sensitivity analyses have been determined based on the exposure to interest rates for debt instrument subject to repricing. Given that the interest rate increases or decreases by 200 basis point will not have a material effect on it investment income.

iii. Price risk
The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of equity price on a monthly basis by assessing the expected changes in the different portfolio due to parallel movements of a 10% increase or decrease in the Philippine stock exchange index (PSEi).

With all other variables held constant, a 10% movement in the stock exchange would result in an impact on equity of P29 million in 2023 and P24.26 million in 2022. This does not affect income since changes in fair value of AFS investments are taken to equity.

iv. Operational risk
Operational risk is the risk of loss from system failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risk but initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage risk. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes. Business risk such as changes in environment, technology and industry are monitored through the Company's strategic planning and budgeting processes.

*Capital management*
The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Company's activities and externally imposed capital requirements.

The company regards the following as the capital it manages as at December 31, 2023 and 2022.

| | 2023 | 2022 |
|---|---|---|
| Share capital | | |
| Issued and outstanding | P 580,000,000 | P 530,000,000 |
| Subscribed and paid | 29,500,000 | - |
| Deposit for future stock subscription | - | 60,000,000 |
| Contributed surplus | 84,175,439 | 84,175,439 |
| Retained earnings | 948,107,952 | 821,445,107 |
| | P 1,641,783,391 | P 1,495,620,546 |

*Net worth Requirement*
Externally imposed capital requirements are set and regulated by the Insurance Commission (IC). The requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders value.

Pursuant to IC Circular No. 2015-02-A, dated January 13, 2015 issued on the basis of Republic Act 10607 known as the Revised Insurance code, domestic insurance companies under the supervision of IC must have a net worth of at least P250 million by December 31, 2013. The minimum net worth of a particular company shall remain unimpaired at all times and shall increase to the amounts as follows:

| Minimum networth | Compliance date |
|---|---|
| P 900,000,000 | December 31, 2019 |
| 1,300,000,000 | December 31, 2022 |

Insurance Memorandum Circular 22-2008 further clarified that the paid-up capital should remain intact and unimpaired at all times, the statements of financial position should show that the net worth is at least equal to the actual paid up capital.

As at December 31, 2023 and 2022, the Company is in compliance with the required minimum paid-up capital. The statutory net worth is based on Regulatory Accounting Policies and may be determined only after the accounts of the Company have been examined by the IC.

*Risk-Based Capital Requirement*
The IC has adopted a three (3) pillar risk-based approach to solvency which comprise the following:

- Quantitative requirements in relation to the calculation of capital requirements and recognition of eligible capital;
- Governance and risk management requirement tht consists of supervisory review process which may include a supervisory adjustment to capital; and
- Disclosure requirement designed to encourage market disipline

The minimum RBC ratio is set at 100% which are requried to be maintained at all times. Failure to meet the minimum RBC ratio shall subject the Company to the corresponding regulatory intervention which has been defined at various levels as follows:

- Company Action Event – the RBC is less than 100% but not below 75%, the Company is required to identify the conditions that contributed to the event and will provide corrective actions that company intend to take including future projections of financial position and analysis of operations.
- Regulatory Action Event – the RBC is less than 75% but not below 50%, the Company is submit an RBC plan and IC will perform an examination of the Company including its RBC plan.
- Authorized and Mandatory Control Event – the RBC is less than 50%, the IC is required to place Company under regulatory control.

The RBC ratio is calculated as Total Available Capital divided by the RBC requirement. TAC shall include the (i) paid-up capital, (ii) other capital surplus and (iii) Special surplus funds to the extent authorized by IC.

Internal calculations of RBC ratio as at December 31, 2023 and 2022 revealed the following:

| | 2023 | 2022 |
|---|---|---|
| Networth | **P 1,708,414,110** | P 1,465,217,969 |
| RBC requirement | **321,373,351** | 310,280,328 |
| RBC ratio | **532%** | 472% |

The computation of RBC is based on the regulatory accounting policy in accordance the Philippine Insurance Code. The RBC can be determined only after the accounts of the Company have been examined by the IC.

## 8. Cash and Cash Equivalents

This account consists of:

| | 2023 | 2022 |
|---|---|---|
| Cash on hand | **P 38,209,856** | P 38,509,174 |
| Cash in banks | **67,996,834** | 104,144,338 |
| Cash equivalents | **184,264,567** | 181,386,555 |
| | **P 290,471,257** | P 324,040,067 |

Cash on hand consists of petty cash fund, claims fund, commission fund, postage stamps fund and revolving fund.

Cash in bank and cash equivalents earn interest at an annual interest rates ranging from 0.23% to 6.25% in 2023 and 0.23% to 0.75% in 2022. Interest income earned on these deposits amounted to P11,291,603 in 2023 and P3,469,217 in 2022. (See Note 25)

## 9. Short-term Investments

This account consists of time deposit with the maturity of more than three months but less than one year from the date acquired. As of December 31, 2023 and 2022, the balance of short term investment amounted to P6,229,989 and P6,053,432, respectively.

Short-term investments earn interest at annual interest rates ranging from 3.0% to 10.25% in 2023 and 1.4% to 5.0% in 2022. Interest income earned on these investments amounted to P58,498 in 2023 and P43,848 in 2022. (See Note 25)

## 10. Financial Assets

The reconciliation of the carrying amounts of financial assets at the beginning and end of the year is as follows:

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | **AFS** | **HTM** | **Loans & Receivable** | **Total** |
| **Gross carrying value** | | | | |
| **Balance at the beginning of year** | **P 942,699,565** | **P 639,141,566** | **P 9,036,022** | **P 1,590,877,153** |
| **Additions** | **78,776,314** | **527,552,691** | **6,418,716** | **612,747,721** |
| **Disposal/Maturity** | **(305,118,998)** | **(242,945,222)** | **(11,455,586)** | **(559,519,806)** |
| **Amortization of premium/discount** | | **416,760** | **-** | **416,760** |
| **Changes in fair value** | **(29,326,555)** | **-** | **-** | **(29,326,555)** |
| **Balance at the end of the year** | **P 687,030,326** | **P 924,165,795** | **P 3,999,152** | **P 1,615,195,273** |

| | As of December 31, 2022 | | | |
|---|---|---|---|---|
| | AFS | HTM | Loans & Receivable | Total |
| Gross carrying value | | | | |
| Balance at the beginning of year | P 951,521,389 | P 596,286,775 | P 5,524,031 | P 1,553,332,195 |
| Additions | 189,715,868 | 252,379,645 | 272,043,489 | 714,139,002 |
| Disposal/Maturity | (192,626,839) | (208,396,900) | (268,531,498) | (669,555,237) |
| Amortization of premium/discount | (2,544,244) | (1,127,954) | - | (3,672,198) |
| Changes in fair value | (3,366,609) | - | - | (3,366,609) |
| Balance at the end of the year | 942,699,565 | 639,141,566 | 9,036,022 | 1,590,877,153 |
| Allowance for impairment losses | - | - | (640,450) | (640,450) |
| | P 942,699,565 | P 639,141,566 | P 8,395,572 | P 1,590,236,703 |

*Available-for-sale financial assets*

The breakdown of this account is as follows:

| | 2023 | 2022 |
|---|---|---|
| Acquisition cost | | |
| Government securities | P 279,675,756 | P 256,395,713 |
| Corporate debt securities | 168,991,039 | 194,116,816 |
| Money market fund | 18,150,219 | 120,323,387 |
| Quoted equity securities | 203,621,969 | 245,945,751 |
| Unquoted equity securities | 20,070,000 | 100,070,000 |
| | 690,508,983 | 916,851,667 |
| Change in fair value | | |
| Government securities | 1,021,708 | (221,133) |
| Corporate debt securities | (3,465,475) | 2,077,717 |
| Money market fund | (219,409) | 50,786 |
| Quoted equity securities | (6,315,481) | (14,659,472) |
| Unquoted equity securities | 5,500,000 | 38,600,000 |
| | (3,478,657) | 25,847,898 |
| | P 687,030,326 | P 942,699,565 |

Significant portion of this account are held by fund managers acting as trustee under investment management agreements. Trustees are authorized to invest and reinvest the principal and interest of the funds to stocks, debt instruments, trusts, pooled funds or other investment. Trust fees are based on a fixed rate or on certain percentage of fund's average value.

Unquoted equity securities significantly represent shares of stock in Philippine Recovery Platform I FIST-AMC, INC, a company organized in accordance with Republic Act No. 11523 or the Financial Institution Strategic Transfer Act (FIST Act). As such, this Company is into the business of investing and selling the non-performing assets of financial institutions.

Realized gains on these investments reported in the statements of income are as follows:

| | 2023 | 2022 |
|---|---|---|
| Interest *(see Note 25)* | P 30,905,424 | P 21,538,119 |
| Dividends *(see Note 25)* | 5,903,518 | 4,978,334 |
| Gain (loss) on sale of AFS *(see Note 25)* | 24,124,847 | (25,289,458) |

The reconciliation of unrealized fair value gains (losses) are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | P 25,847,898 | P 29,214,506 |
| Fair value gains(losses) taken to: | | |
| Other comprehensive income (OCI) | (5,201,708) | (28,656,066) |
| Profit and loss | | |
| Gain on sale of AFS financial asset | (24,124,847) | 25,289,458 |
| Balance at end of year | P (3,478,657) | P 25,847,898 |

*Held-to-Maturity (HTM) Investments*
Investments classified as HTM are as follows:

| | 2023 | 2022 |
|---|---|---|
| Government securities | P 567,436,000 | P 362,217,700 |
| Corporate bonds | 347,070,000 | 277,270,000 |
| | 914,506,000 | 639,487,700 |
| Unamortized discount/premium | 9,659,795 | (346,134) |
| | P 924,165,795 | P 639,141,566 |

Government securities has a maximum term of 15 years with coupons rates ranging from 2.50% to 9.25% in 2023 and 2.38% to 7.25% in 2022. Government securities with face value of P325,891,400 are deposited with the Insurance Commission in accordance with the provision of the Insurance Code as security for the benefit of the policyholders and creditors of the Company.

Corporate bonds are issued by various private corporations for a period ranging from 2 year to 15 years and bears interest at the rate of 2.46% to 7.82% in 2023 and 2022, payable quarterly or semi-annually.

The net changes in unamortized premium/discount charged/credited to interest income amounted to P416,760 in 2023 and P1,127,954 in 2022.

Interest income realized on HTM investments amounted to P41,841,009 in 2023 and P27,063,124 in 2022. (See Note 25)

The maturity profile of this account is presented below:

| | 2023 | 2022 |
|---|---|---|
| Due within 12 months | P 91,090,000 | P 116,436,300 |
| Due after 1 year but less than 5 years | 380,566,000 | 355,041,400 |
| Due beyond five years | 442,850,000 | 168,010,000 |
| | P 914,506,000 | P 639,487,700 |

*Loans and receivable*
The breakdown of this account is as follows:

| | 2023 | 2022 |
|---|---|---|
| Due from employees | P - | P 384,232 |
| Other receivables | 2,392,938 | 4,451,790 |
| Real estate mortgage receivable | 1,606,214 | 4,200,000 |
| | 3,999,152 | 9,036,022 |
| Allowance for probable losses | - | (640,450) |
| | P 3,999,152 | P 8,395,572 |

In 2023, the Company wrote-off certain long-outstanding receivables amounting to P640,450.

On December 29, 2022, the Company entered into an agreement for the sale of a parcel of land located in Caloocan City. The total contract price of P4,305,000 is payable as follows:

- Downpayment of P500,000 payable at the time of sale;
- P500,000 each payable in January and February 2023, subject to 6% interest per annum based on the declining balance;
- Balance is payable in 24 equal monthly amortizations subject to 6% interest per annum based on the declining balance.

The maturity profile of Real estate mortgage loan receivable as at December 31, 2023 and 2022 is as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Due in: | | | | |
| 12 months | P | **1,459,379** | P | 2,115,311 |
| More than 12 months | | **146,835** | | 2,084,689 |
| | P | **1,606,214** | | 4,200,000 |

Due from employees are advances which are subject to liquidation. Other receivable includes receivable from trust funds and social security system.

## 11. Insurance Receivables - Net

The breakdown of this account is as follows:

| | 2023 | 2022 |
|---|---|---|
| Premiums receivable | **P 571,208,581** | P 675,852,547 |
| Reinsurance recoverable on paid losses | **153,659,083** | 120,070,681 |
| Due from ceding companies | **41,875,039** | 34,868,260 |
| Funds held by ceding companies | **5,547,757** | 4,195,071 |
| | **772,290,460** | 834,986,559 |
| Allowance for impairment losses | **(6,734,724)** | (6,368,525) |
| | **P 765,555,736** | P 828,618,034 |

Premium receivables have an average term 90 days to 120 days. Premium receivables represent premiums on written policies.

Reinsurance recoverable on paid losses pertains to the Company's receivables from the reinsurers for their share on the losses paid by the Company.

Due from ceding companies and reinsurers pertains to premiums collectible resulting from treaty and facultative acceptances from ceding companies.

Funds held by ceding companies pertain to the portion of the premium withheld by ceding companies in accordance with the reinsurance contracts.

There is no concentration of credit risk with respect to insurance receivables, as the Company has a diverse base of agents, brokers and reinsurers.

The movement in allowance for impairment losses as of December 31, 2023 and 2022 is as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **Balance, beginning of the year** | P | **6,368,525** | P | 5,763,114 |
| **Provision** | | **377,656** | | 605,411 |
| **Accounts witten-off** | | **(11,457)** | | - |
| **Balance, ending of the year** | P | **6,734,724** | P | 6,368,525 |

## 12. Reinsurance Assets

This account consists of:

| | 2023 | 2022 |
|---|---|---|
| Reserve for reinsurance premium *(see Note 18)* | P 79,488,157 | P 82,367,015 |
| Reinsurance recoverable on unpaid losses *(see Note 19)* | 237,386,810 | 457,345,009 |
| | P 316,874,967 | P 539,712,024 |

As of December 31, 2023 and 2022, management believes that reinsurance assets are fully recoverable and that no impairment loss is necessary.

## 13. Investment Properties

The details of investment properties are as follows:

| 2023 | Lots | Land and Building | Condominium units | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| **Balance at beginning of year** | P 25,867,000 | P 98,336,000 | P - | P 124,203,000 |
| **Acquisitions during the year** | - | - | 90,336,244 | 90,336,244 |
| **Fair value increase** *(See Note 6)* | - | 6,154,000 | 62,801,423 | 68,955,423 |
| **Balance at end of year** | P 25,867,000 | P 104,490,000 | P 153,137,667 | P 283,494,667 |

| 2022 | Lots | Land and Building | Total |
|---|---|---|---|
| Acquisition cost | | | |
| Balance at beginning of year | P 30,187,000 | P 98,336,000 | P 128,523,000 |
| Acquisitions during the year | - | - | - |
| Sold | (4,320,000) | - | (4,320,000) |
| Balance at end of year | P 25,867,000 | P 98,336,000 | P 124,203,000 |

## 14. Property and Equipment - Net

The breakdown of this account is as follows:

| 2023 | | Condominium units | | EDP Equipment | | Transportation Equipment | | Furniture, Fixtures and Equipment | | Leasehold Improvements | | Right-of-Use-Asset | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Costs** | | | | | | | | | | | | | | |
| At January 1, 2023 | P | - | P | 100,985,982 | P | 7,825,085 | P | 7,197,768 | P | 12,078,964 | P | 3,396,105 | P | 131,483,904 |
| Additions | | 179,663,756 | | 2,303,764 | | 1,202,233 | | 1,095,093 | | 1,284,338 | | - | | 185,549,184 |
| Revaluation *(See Note 6)* | | 124,901,577 | | - | | - | | - | | - | | - | | 124,901,577 |
| Lease inception | | | | - | | - | | - | | - | | 1,754,523 | | 1,754,523 |
| Disposal/Derecognition | | - | | - | | - | | (45,217) | | - | | (1,167,795) | | (1,213,012) |
| At December 31, 2023 | | 304,565,333 | | 103,289,746 | | 9,027,318 | | 8,247,644 | | 13,363,302 | | 3,982,833 | | 442,476,175 |
| **Accumulated depreciation and and impairment losses** | | | | | | | | | | | | | | |
| At January 1, 2023 | | - | | 78,073,460 | | 7,797,576 | | 4,399,705 | | 5,651,422 | | 1,186,041 | | 97,108,204 |
| Provisions | | - | | 10,457,084 | | 44,680 | | 688,397 | | 1,000,165 | | 1,607,515 | | 13,797,841 |
| Disposal/Derecognition | | - | | - | | - | | (37,503) | | - | | (1,167,795) | | (1,205,298) |
| At December 31, 2023 | | - | | 88,530,544 | | 7,842,256 | | 5,050,599 | | 6,651,587 | | 1,625,761 | | 109,700,747 |
| **Net Carrying Value** | | | | | | | | | | | | | | |
| At December 31, 2023 | P | 304,565,333 | P | 14,759,202 | P | 1,185,062 | P | 3,197,045 | P | 6,711,715 | P | 2,357,072 | P | 332,775,428 |

| 2022 | | EDP Equipment | | Transportation Equipment | | Furniture, Fixtures and Equipment | | Leasehold Improvements | | Right-of-Use-Asset | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Costs | | | | | | | | | | | | |
| At January 1, 2022 | P | 96,639,429 | P | 7,825,085 | P | 6,896,747 | P | 12,001,857 | P | 1,955,440 | P | 125,318,558 |
| Additions | | 4,346,553 | | - | | 301,021 | | 77,107 | | - | | 4,724,681 |
| Lease inception | | - | | - | | - | | - | | 2,228,311 | | 2,228,311 |
| Disposal | | - | | - | | - | | - | | (787,646) | | (787,646) |
| At December 31, 2022 | | 100,985,982 | | 7,825,085 | | 7,197,768 | | 12,078,964 | | 3,396,105 | | 131,483,904 |
| Accumulated depreciation and and impairment losses | | | | | | | | | | | | |
| At January 1, 2022 | | 67,040,883 | | 7,762,264 | | 3,843,948 | | 4,709,065 | | 900,400 | | 84,256,560 |
| Provisions | | 11,032,577 | | 35,312 | | 555,757 | | 942,357 | | 1,073,287 | | 13,639,290 |
| Disposal | | - | | - | | - | | - | | (787,646) | | (787,646) |
| At December 31, 2022 | | 78,073,460 | | 7,797,576 | | 4,399,705 | | 5,651,422 | | 1,186,041 | | 97,108,204 |
| Net Carrying Value | | | | | | | | | | | | |
| At December 31, 2022 | P | 22,912,522 | P | 27,509 | P | 2,798,063 | P | 6,427,542 | P | 2,210,064 | P | 34,375,700 |

Depreciation of property and equipment charged to operations amounted to P13,797,841 in 2023 and P13,639,290 in 2022 (see Note 28)

## 15. Deferred Acquisition Costs and Deferred Reinsurance Commission

Movements of this account during the year are as follows:

| **2023** | **Deferred acquisition cost** | **Deferred reinsurance commision** | **Net DAC** |
|---|---|---|---|
| **Balances, beginning** | **P 179,610,970** | **P 16,391,772** | **P 163,219,198** |
| **Net changes in acquisition cost** *(see Note 27)* | **47,701,219** | **(4,307,008)** | **52,008,227** |
| | **P 227,312,189** | **P 12,084,764** | **P 215,227,425** |

| 2022 | Deferred acquisition cost | Deferred reinsurance commision | Net DAC |
|---|---|---|---|
| Balances, beginning | P 189,828,637 | P 17,813,545 | P 172,015,092 |
| Net changes in acquisition cost *(see Note 27)* | (10,217,667) | (1,421,773) | (8,795,894) |
| | P 179,610,970 | P 16,391,772 | P 163,219,198 |

As at December 31, 2023 and 2022, management believes that deferred acquisition cost are fully recoverable and that no impairment loss is necessary.

## 16. Accrued Income

The breakdown of this account is as follows:

| | **2023** | 2022 |
|---|---|---|
| Accrued interest receivable on: | | |
| Held-to-maturity investment | **P 11,857,309** | P 4,912,651 |
| Available-for-sale-financial asset | **4,897,667** | 6,906,177 |
| Cash and cash equivalents | **552,274** | 227,446 |
| Short-term investments | **21,924** | 21,924 |
| Dividend receivable | **87,957** | 12,871 |
| | **P 17,417,131** | P 12,081,069 |

## 17. Other Assets

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Security deposit | **P 16,997,073** | P 9,092,968 |
| Prepayments | **12,397,353** | 5,011,808 |
| Security fund | **48,439** | 48,439 |
| | **P 29,442,865** | P 14,153,215 |

The description of these accounts is as follows:

- Security deposits consist mainly of rental and utility deposits in relation to the Company's rental of office space and bid deposits in compliance with bidding agreements.
- Prepayments represent deferred input VAT pertaining to 12% indirect tax paid by the Company in the course of the Company's trade or business on local purchase of services and capital goods. These are available for offset against output VAT in subsequent periods.

- Security fund was created under Section 365 of Presidential Decree (PD) No. 612 as amended under PD No. 1640, to be used for payment of allowed claims against insolvent insurance companies. The balance of the fund represents the Company's contribution to the fund. The balance of the fund earns interest at rates determined by the IC annually.

## 18. Reserve for Unearned Premiums

The analysis of this account is as follows:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Direct business** | **Ceded** | **Net** | Direct business | Ceded | Net |
| Balances, January 1 | **P 976,624,580** | **P 82,367,015** | **P 894,257,565** | P 883,798,576 | P 104,498,273 | P 779,300,303 |
| Policies written during the year | **2,365,160,694** | **510,455,298** | **1,854,705,395** | 2,095,847,749 | 285,861,199 | 1,809,986,550 |
| Premiums earned during the year | **(2,244,680,549)** | **(513,334,156)** | **(1,731,346,393)** | (2,003,021,745) | (307,992,457) | (1,695,029,288) |
| Balances, December 31 | **P 1,097,104,725** | **P 79,488,157** | **P 1,017,616,567** | P 976,624,580 | P 82,367,015 | P 894,257,565 |

In accordance with IC circular 2016-67, Premium liabilities for each class of business shall be determined as the higher of Unearned Premium Reserve (UPR) and Unexpired Risk Reserve (URR). UPR is calculated using the 24th method for all classes of business, on a gross of reinsurance basis. URR is calculated as the best estimate of future obligation, expenses for policy management and claims settlement cost. URR may be estimated as the unearned premium for each class of business multiplied by ultimate loss ratio and adjusted for future expenses.

The actuarial valuation result for premium liabilities for the year ended December 31, 2023 and 2022 is as follows:

| | Gross | | Net | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| UPR (a) | **P 1,097,104,725** | P 883,798,576 | **P 1,017,616,569** | P 779,300,303 |
| URR (b) | | | | |
| Best Estimate of Future Obligation | **520,715,000** | 412,943,634 | **465,356,000** | 369,084,118 |
| Maintenance Expense | **52,053,000** | 42,236,087 | **52,053,000** | 42,236,087 |
| Claims Handling Expense | **16,497,000** | 3,665,005 | **16,497,000** | 3,665,007 |
| Margin for Adverse Deviation | **139,209,165** | 101,606,654 | **90,356,638** | 69,185,474 |
| | **728,474,165** | 560,451,380 | **624,262,638** | 484,170,686 |
| Premium Liability (whichever is higher between a and b) | **P 1,097,104,725** | P 883,798,576 | **P 1,017,616,569** | P 779,300,303 |

## 19. Insurance Claims Payable

Outstanding claims will become payable and materialize into claims paid when the amounts of insured losses suffered by policyholders were ascertained and agreed, without any contractual maturity date. The timing of future cash outflow arising from the provision is not ascertainable but is likely to fall within 3 years.

The provision is sensitive to many factors such as interpretation of circumstances, judicial decisions, economic conditions, climatic changes and is subject to uncertainties such as:

- Uncertain as to whether an event has occurred which would give rise to a policyholder suffering an insured loss:
- Uncertainty as to the extent of policy coverage and limits applicable; and
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

The analysis of this account is shown below:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Gross** | **Reinsurance** | **Net** | Gross | Reinsurance | Net |
| Balances, January 1 | P **754,148,408** | **457,345,009** P | **296,803,399** P | 464,927,252 P | 199,502,954 P | 265,424,298 |
| Claims and losses incurred - net of recoveries | **815,302,921** | **(173,146,283)** | **988,449,204** | 1,160,536,865 | 405,271,641 | 755,265,224 |
| Provision for incurred but not reported claims | **272,846,000** | **172,417,000** | **100,429,000** | 187,008,000 | 82,908,000 | 104,100,000 |
| Claims and losses paid - net of reinsurer's share | **(1,228,240,208)** | **(219,228,915)** | **(1,009,011,293)** | (1,058,323,709) | (230,337,586) | (827,986,123) |
| | P **614,057,121** P | **237,386,811** P | **376,670,310** P | 754,148,408 P | 457,345,009 P | 296,803,399 |

In accordance with IC circular 2016-67, claims liabilities for both direct business, assumed treaty and reinsurance business shall be calculated as the sum of outstanding claims reserve, claims handling expense and IBNR.

Claims handling expense was computed on a net insurance basis using the Kittle's Refinement to the Classical Paid-to-Paid Ratio Method that explicitly recognized that claims handling expense is incurred as claims are reported, even if no loss payments are made.

MfAD is included to allow the inherent uncertainty of the best estimate of the policy reserves and to consider the variability of claims experience with a class of business, the diversification between classes of business and conservatism in the best estimate. MfAD is set to 75% as of December 31, 2023 and 2022.

The actuarial valuation result for Claims liabilities for the year ended December 31, 2023 and 2022 is as follows:

| | Gross | | Net of Reinsurance | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Outstanding Claims Reserve | P **275,448,772** P | 488,483,050 P | **236,766,277** P | 161,153,002 |
| Claims Handling Expense | **1,016,000** | 716,000 | **1,016,000** | 716,000 |
| IBNR | **272,846,000** | 187,008,000 | **100,429,000** | 104,100,000 |
| MfAD | **64,746,349** | 77,941,358 | **38,459,033** | 30,834,397 |
| | P **614,057,121** P | 754,148,408 P | **376,670,310** P | 296,803,399 |

## 20. Accounts Payable and Other Liabilities

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Taxes payable | P **176,657,075** P | 148,129,802 |
| Commissions payable | **98,810,266** | 74,697,000 |
| Access fees payable | **13,062,464** | 4,461,128 |
| Accounts payable | **22,534,895** | 12,303,913 |
| Lease liability (see Note 31) | **2,458,081** | 2,138,421 |
| Other liabilities | **66,147,837** | 117,898,186 |
| | P **379,670,618** P | 359,628,450 |

The terms and conditions of these accounts are as follows:

- Taxes payable consists of documentary stamp tax, output tax, premium tax and other taxes that are usually paid and remitted on the following month. It also includes deferred output tax which is payable upon collection of premiums.
- Commissions payable are liabilities to brokers and agents for uncollected premiums. The amounts are settled within 12 months.
- Access fees payable are liabilities to network and dental access fees to Cocolife for the rights to the facilities of their accredited hospitals.
- Accounts payable are liabilities for supplies and services that have been provided. The amounts are due and demandable.
- Other liabilities represent government dues which are usually paid and remitted on the following month after the reporting date.

Management believes that the carrying amounts are the reasonable approximation of their fair values as at December 31, 2023 and 2022.

## 21. Reinsurance Liabilities

The movements of this account are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at the beginning | P 33,570,908 | P 84,289,216 |
| Additions | 510,455,299 | 285,861,200 |
| Reductions | (532,975,579) | (336,579,508) |
| Balance at the end of year | P 11,050,628 | P 33,570,908 |

## 22. Equity

Share capital

(i) Issued and Outstanding

The Company's share capital is as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | Shares | Amount |
| **Authorized** - P10.00 par value per share | **80,000,000** | **P 800,000,000** | 60,000,000 | P 600,000,000 |
| **Issued and outstanding** | | | | |
| Balance at beginning of the year | **53,000,000** | **P 530,000,000** | 50,000,000 | P 500,000,000 |
| Issued during the year | **5,000,000** | **50,000,000** | 3,000,000 | 30,000,000 |
| Balance at the end of year | **58,000,000** | **P 580,000,000** | 53,000,000 | P 530,000,000 |

In a meeting held on September 9, 2022, stockholders representing at least two-thirds (2/3) of the outstanding share capital approved the increase in authorized share capital from P600 million divided into 60 million shares at par value of P10 each to P800 million divided into 80 million shares at par value of P10 each. Stockholders subscribed to 5 million shares or a total par value of P50 million shares to such increase. The required payment for the subscription amounting to P12.5 was satisfied through conversion of Deposit for future subscription (DFSS) for the same amount. The SEC approval for application to increase authorized capital together with the conversion of DFSS was sought on February 3, 2023. Full payment of the subscription was made on November 17, 2023 amounting to P37.5 million through conversion of DFSS for the same amount.

On various dates during 2022, 3 million shares were issued to stockholders for P30 million from the unissued authorized share capital. The payment was satisfied through conversion of DFSS amounting to P30 million.

(ii) Subscribed and Paid

On November 20, 2023 stockholders subscribed to 2.95 million shares at P10 per share. Payment for the said subscription was satisfied through a combination of cash payment amounting to P19.5 million received on December 1, 2023 and conversion of DFSS amounting to P10 million.

DFFS
Details of this account is as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of the year | P 60,000,000 | P 30,000,000 |
| Deposits during the year | - | 60,000,000 |
| Conversion to: | | |
| Issued share capital | (50,000,000) | - |
| Subscribed share capital | (10,000,000) | (30,000,000) |
| Balance at end of year | P - | P 60,000,000 |

As discussed in Note 4, DFSS is classified as equity instrument.

Retained Earnings

At the special meeting of BOD held on December 4, 2023, the following expansion projects were appropriated to be taken out against the unappropriated Retained earnings as of December 31, 2022.

| | |
|---|---|
| Repair, rehabilitation and refurbishment of the 11th floor of the Pacific Star Building | P 300,000,000 |
| Purchase of financial assets | 115,000,000 |
| Purchase of IT equipment, hardware and software | 20,000,000 |
| | P 435,000,000 |

The timeline for these appropriation is within the next 12-month period.

Other Comprehensive Income
This account comprises the revaluation of the following:

| | 2023 | 2022 |
|---|---|---|
| Available-for-sale financial assets (See note 10) | P (3,478,657) | P 25,847,898 |
| Property and equipment (See note 14) | 93,676,183 | - |
| Balance at end of year | P 90,197,526 | P 25,847,898 |

## 23. Insurance Contracts – Terms, Assumption and Sensitivities

*Terms and Condition*
The major classes of general insurance written by the Company include motor, property, casualty, marine and engineering. Risks under these policies usually cover 12-month duration.

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

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

The measurement process primarily includes projections of future claims through the use of historical experience statistics. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analyzed by geographical area and class of business. In addition, claims are usually assessed by loss adjusters.

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

Other key assumptions includes variation in interest rate, delays in settlement and changes in foreign currency rates.

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions such as legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date.

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

The analysis below is performed for a reasonable possible movement in key assumptions with all other assumptions held constant, on the statement of comprehensive income. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis. It should also be stressed that these assumptions are nonlinear and larger or smaller impacts cannot easily be gleaned from these results.

The figures shown below demonstrate the effect of a 5% variation in loss ratio in determining the estimated ultimate liabilities.

| % change in loss ratio | Impact on income | | Impact on equity | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| +5% | **P 86,567,320** | P 47,656,814 | **P 64,925,490** | P 31,491,356 |
| -5% | **(86,567,320)** | (47,656,814) | **(64,925,490)** | (31,491,356) |

*Loss Development Table*
Loss development table for the year 2023 and 2022, gross and net of the reinsurer's share is as follows:

**Gross Insurance Contract Liabilities in 2023**

| Accident Year | 2013 and prior | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Estimate of Ultimate Claim Cost** | | | | | | | | | | | | |
| At the End of Accident Year | P110,504,905 | P230,642,713 | P 103,044,101 | P414,934,912 | P 243,827,943 | P186,309,818 | P429,781,016 | P 684,217,436 | P 608,208,305 | P 934,699,816 | P 982,980,958 | P 982,980,958 |
| One Year Later | 142,873,478 | 542,097,471 | 182,946,469 | 550,145,708 | 285,938,019 | 348,114,040 | 594,428,306 | 696,621,882 | 919,459,016 | 984,125,844 | | 984,125,844 |
| Two Years Later | 223,255,438 | 549,818,221 | 178,663,722 | 562,726,212 | 307,785,472 | 356,576,934 | 624,203,852 | 699,215,274 | 899,107,574 | | | 899,107,574 |
| Three Years Later | 233,783,796 | 550,388,278 | 180,644,218 | 563,647,155 | 309,427,280 | 361,410,863 | 630,038,328 | 684,459,661 | | | | 684,459,661 |
| Four Years Later | 235,001,596 | 550,328,316 | 181,971,486 | 563,950,863 | 309,421,380 | 362,340,384 | 634,072,278 | | | | | 634,072,278 |
| Five Years Later | 235,104,043 | 550,597,115 | 182,398,528 | 563,928,509 | 309,421,380 | 363,444,747 | | | | | | 363,444,747 |
| Six Years Later | 235,119,647 | 550,597,115 | 182,398,528 | 563,928,509 | 309,421,380 | | | | | | | 309,421,380 |
| Seven Years Later | 235,119,647 | 550,597,115 | 182,398,528 | 563,928,509 | | | | | | | | 583,928,509 |
| Eight Years Later | 235,119,647 | 550,597,115 | 182,398,528 | | | | | | | | | 182,398,528 |
| Nine Years Later | 235,119,647 | 550,597,115 | | | | | | | | | | 550,597,115 |
| Ten Years Later | 235,119,647 | | | | | | | | | | | 235,119,647 |
| Total | 235,119,647 | 550,597,115 | 182,398,528 | 563,928,509 | 309,421,380 | 363,444,747 | 634,072,278 | 684,459,661 | 899,107,574 | 984,125,844 | 982,980,958 | 6,389,656,242 |
| Cumulative Payments to Date | 235,119,647 | 550,597,115 | 182,398,528 | 514,858,116 | 309,421,380 | 362,950,208 | 633,873,260 | 681,290,104 | 857,918,777 | 945,272,536 | 501,899,440 | 5,775,599,120 |
| Liability Recognized in the Statements of Financial Position | P - | P - | P - | P 49,070,393 | P - | P 494,538 | P 199,018 | P 3,169,557 | P 41,188,797 | P 38,853,308 | P 481,081,511 | P 614,067,121 |

**Gross Insurance Contract Liabilities in 2022**

| Accident Year | 2012 and prior | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Estimate of Ultimate Claim Cost** | | | | | | | | | | | | |
| At the End of Accident Year | P - | P110,504,905 | P 230,642,713 | P103,044,101 | P 414,934,912 | P243,827,943 | P186,309,818 | P 429,781,016 | P 684,217,436 | P 608,208,305 | P 934,699,816 | P 934,699,816 |
| One Year Later | - | 142,873,478 | 542,097,471 | 233,783,796 | 235,001,596 | 235,104,043 | 235,119,647 | 235,119,647 | 235,119,647 | 919,459,016 | | 919,459,016 |
| Two Years Later | 230,642,713 | 223,255,438 | 549,818,221 | 550,388,278 | 550,328,316 | 550,597,115 | 550,597,115 | 550,597,115 | 699,215,274 | | | 699,215,274 |
| Three Years Later | 103,044,101 | 233,783,796 | 550,388,278 | 563,647,155 | 181,971,486 | 182,398,528 | 182,398,528 | 630,038,328 | | | | 630,038,328 |
| Four Years Later | 414,934,912 | 235,001,596 | 550,328,316 | 563,647,155 | 563,950,863 | 563,928,509 | 362,346,384 | | | | | 362,346,384 |
| Five Years Later | 243,827,943 | 235,104,043 | 550,597,115 | 309,427,280 | 309,421,380 | 309,421,380 | | | | | | 309,421,380 |
| Six Years Later | 186,309,818 | 235,119,647 | 550,597,115 | 361,410,863 | 583,928,509 | | | | | | | 583,928,509 |
| Seven Years Later | 429,781,016 | 235,119,647 | 550,597,115 | 182,398,528 | | | | | | | | 182,398,528 |
| Eight Years Later | 684,217,436 | 235,119,647 | 550,597,115 | | | | | | | | | 550,597,115 |
| Nine Years Later | 608,208,305 | 235,119,647 | | | | | | | | | | 235,119,647 |
| Ten Years Later | - | | | | | | | | | | | - |
| Total | - | 235,119,647 | 550,597,115 | 182,398,528 | 563,928,509 | 309,421,380 | 362,346,384 | 630,038,328 | 699,215,274 | 919,459,016 | 934,699,816 | 5,387,223,997 |
| Cumulative Payments to Date | - | 235,119,647 | 550,597,115 | 182,398,528 | 514,858,116 | 309,421,380 | 360,873,801 | 628,741,355 | 670,566,993 | 738,781,910 | 441,717,745 | 4,633,075,589 |
| Liability Recognized in the Statements of Financial Position | P - | P - | P - | P - | P 49,070,393 | P - | P 1,472,584 | P 1,296,973 | P 28,648,281 | P 180,677,106 | P 492,982,071 | P 754,148,408 |

**Net Insurance Contract Liabilities in 2023**

| Accident Year | 2013 and prior | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Estimate of Ultimate Claim Cost** | | | | | | | | | | | | |
| At the End of Accident Year | P101,772,234 | P183,319,984 | P 98,752,834 | P414,859,942 | P 243,722,869 | P185,847,645 | P429,598,843 | P 567,615,473 | P 514,740,808 | P 786,469,972 | P 973,945,614 | P 973,945,614 |
| One Year Later | 125,845,399 | 429,586,719 | 157,443,591 | 515,506,005 | 285,798,610 | 347,322,073 | 594,273,527 | 611,123,980 | 592,697,818 | 840,933,227 | - | 840,933,227 |
| Two Years Later | 143,817,074 | 436,710,721 | 172,594,009 | 562,706,478 | 307,844,010 | 365,786,967 | 623,993,069 | 606,640,387 | 612,080,236 | - | - | 612,080,236 |
| Three Years Later | 155,338,890 | 436,874,213 | 174,574,962 | 563,828,422 | 309,285,818 | 360,618,696 | 629,234,039 | 605,738,458 | - | - | - | 605,738,458 |
| Four Years Later | 155,311,249 | 436,810,574 | 175,902,233 | 563,932,129 | 309,279,917 | 361,554,417 | 633,117,201 | - | - | - | - | 633,117,201 |
| Five Years Later | 155,297,858 | 436,999,546 | 176,329,274 | 563,909,776 | 309,279,917 | 362,652,780 | - | - | - | - | - | 362,652,780 |
| Six Years Later | 155,300,029 | 436,999,546 | 176,329,274 | 563,909,776 | 309,279,917 | - | - | - | - | - | - | 309,279,917 |
| Seven Years Later | 155,300,029 | 436,999,546 | 176,329,274 | 563,909,776 | - | - | - | - | - | - | - | 563,909,776 |
| Eight Years Later | 155,300,029 | 436,999,546 | 176,329,274 | - | - | - | - | - | - | - | - | 176,329,274 |
| Nine Years Later | 155,300,029 | 436,999,546 | - | - | - | - | - | - | - | - | - | 436,999,546 |
| Ten Years Later | 155,300,029 | - | - | - | - | - | - | - | - | - | - | 155,300,029 |
| Total | 155,300,029 | 436,999,546 | 176,329,274 | 563,909,776 | 309,279,917 | 362,652,780 | 633,117,201 | 605,738,458 | 612,080,236 | 840,933,227 | 973,945,614 | 5,670,286,057 |
| Cumulative Payments to Date | 155,300,029 | 436,999,546 | 176,329,274 | 514,858,116 | 309,279,917 | 362,158,241 | 632,918,183 | 602,568,900 | 585,952,640 | 817,508,062 | 699,742,836 | 5,293,615,747 |
| Liability Recognized in the Statements of Financial Position | P - | P - | P - | P 49,051,660 | P - | P 494,539 | P 199,018 | P 3,169,558 | P 26,127,596 | P 23,425,165 | P 274,202,777 | P 376,670,310 |

**Net Insurance Contract Liabilities in 2022**

| Accident Year | 2012 and prior | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Estimate of Ultimate Claim Cost** | | | | | | | | | | | | |
| At the End of Accident Year | P - | P101,772,234 | P 183,319,984 | P 98,752,834 | P 414,859,942 | P243,722,869 | P185,847,645 | P 429,598,843 | P 567,615,473 | P 514,740,808 | P 564,419,329 | P 564,419,329 |
| One Year Later | - | 125,845,399 | 429,586,719 | 157,443,591 | 515,506,005 | 285,798,610 | 347,322,073 | 594,273,527 | 611,123,980 | 592,697,818 | - | 592,697,818 |
| Two Years Later | - | 143,817,074 | 436,710,721 | 172,594,009 | 562,706,478 | 307,844,010 | 365,786,967 | 623,993,069 | 606,640,387 | - | - | 606,640,387 |
| Three Years Later | - | 155,338,890 | 436,874,213 | 174,574,962 | 563,828,422 | 309,285,818 | 360,618,696 | 629,234,039 | - | - | - | 629,234,039 |
| Four Years Later | - | 155,311,249 | 436,810,574 | 175,902,233 | 563,932,129 | 309,279,917 | 361,554,417 | - | - | - | - | 361,554,417 |
| Five Years Later | - | 155,297,858 | 436,999,546 | 176,329,274 | 563,909,776 | 309,279,917 | - | - | - | - | - | 309,279,917 |
| Six Years Later | - | 155,300,029 | 436,999,546 | 176,329,274 | 563,909,776 | - | - | - | - | - | - | 563,909,776 |
| Seven Years Later | - | 155,300,029 | 436,999,546 | 176,329,274 | - | - | - | - | - | - | - | 176,329,274 |
| Eight Years Later | - | 155,300,029 | 436,999,546 | - | - | - | - | - | - | - | - | 436,999,546 |
| Nine Years Later | - | 155,300,029 | - | - | - | - | - | - | - | - | - | 155,300,029 |
| Ten Years Later | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | 155,300,029 | 436,999,546 | 176,329,274 | 563,909,776 | 309,279,917 | 361,554,417 | 629,234,039 | 606,640,387 | 592,697,818 | 564,419,329 | 4,396,364,533 |
| Cumulative Payments to Date | - | 155,300,029 | 436,999,546 | 176,329,274 | 514,858,116 | 309,279,917 | 360,081,834 | 627,974,565 | 597,755,649 | 567,608,005 | 353,374,196 | 4,099,561,133 |
| Liability Recognized in the Statements of Financial Position | P - | P - | P - | P - | P 49,051,660 | P - | P 1,472,584 | P 1,259,473 | P 8,884,738 | P 25,089,813 | P 211,045,133 | P 296,803,399 |

## 24. Premiums

Analysis of premiums is as follows:

| 2023 | Direct Business | Assumed | Total | Ceded | Net premiums Retained |
|---|---|---|---|---|---|
| Premiums written | P 2,291,955,349 | P73,205,345 | P 2,365,160,694 | P510,455,298 | P 1,854,705,395 |
| Changes in unexpired risk | (123,645,215) | 3,165,069 | (120,480,145) | 2,878,858 | (123,359,002) |
| Net | P 2,168,310,134 | P76,370,414 | P 2,244,680,549 | P513,334,156 | P 1,731,346,393 |

| 2022 | Direct Business | Assumed | Total | Ceded | Net premiums Retained |
|---|---|---|---|---|---|
| Premiums written | P 2,018,528,471 | P77,319,278 | P 2,095,847,749 | P285,861,199 | P 1,809,986,550 |
| Changes in unexpired risk | (83,699,726) | (9,126,280) | (92,826,004) | 22,131,258 | (114,957,262) |
| Net | P 1,934,828,745 | P68,193,000 | P 2,003,021,745 | P307,992,457 | P 1,695,029,288 |

## 25. Investment Income and Other Income

Sources of investment income and other income are as follows:

| | 2023 | 2022 |
|---|---|---|
| Interest income on: | | |
| Cash equivalents *(see Note 8)* | P 11,291,603 | P 3,469,217 |
| Short term investments *(see Note 9)* | 58,498 | 43,848 |
| Financial asset *(see Note 10)* | | |
| Available-for-sale debt securities | 30,905,424 | 21,538,119 |
| Held-to-maturity debt securities | 41,841,009 | 27,063,124 |
| Dividend income *(see Note 10)* | 5,903,518 | 4,978,334 |
| Gain (Loss) on sale of Available-for-sale investments *(see Note 10)* | 24,124,847 | (25,289,458) |
| Loss on disposal of investment property *(see Note 13)* | (5,714) | (120,000) |
| Gain on foreign exchange | 2,973,755 | 4,293,251 |
| Other income | 4,191,768 | 4,399,612 |
| | P 121,284,708 | P 40,376,047 |

## 26. Claims, Losses and Adjustment Expenses

Analysis of claims, losses and adjustment expenses paid is as follows:

| | 2023 | 2022 |
|---|---|---|
| Insurance claims, losses and adjustment expenses paid - net of salvages and recoveries (see Note 19) | P1,228,240,207 | P 1,058,323,709 |
| Paid Insurance claims, losses and adjustment expenses | (219,228,915) | (230,337,586) |
| Net benefits claims, losses and adjustment expenses paid (Note 19) | 1,009,011,292 | 827,986,123 |
| Changes in insurance claims payable | | |
| Claims and losses payable | (213,034,277) | 189,870,405 |
| Change in provision for IBNR | 72,942,990 | 99,350,751 |
| Total change in insurance claims payable | (140,091,287) | 289,221,156 |
| Changes in reinsurers' share of claims, losses and adjustment expenses | 219,958,198 | (257,842,055) |
| | 79,866,911 | 31,379,101 |
| Net insurance benefits and claims | P1,088,878,203 | P 859,365,224 |

## 27. Commission Expense and Commission Income

The composition of this account is as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Commision expense** | **Commission Income** | Commision expense | Commission income |
| Direct business | **P 479,420,817** | **P -** | P 418,047,250 | P - |
| Reinsurance business | **4,399,456** | **36,349,690** | 6,662,795 | 30,381,275 |
| Total | **483,820,272** | **36,349,690** | 424,710,045 | 30,381,275 |
| Increase/(Decrease) in DAC/DRC *(see Note 15)* | **(47,701,219)** | **4,307,008** | 10,217,667 | 1,421,773 |
| | **P 436,119,053** | **P 40,656,697** | P 434,927,712 | P 31,803,048 |

Standard commission rate for direct and reinsurance business ranges from 17.5% to 50%.

## 28. General and Administrative Expenses

General and administrative expenses consist of:

| | 2023 | 2022 |
|---|---|---|
| Salaries, allowances and other benefits | **P 127,568,421** | P 112,635,294 |
| Transportation, communication and postage | **21,559,459** | 17,313,943 |
| Rental *(see Note 31)* | **16,004,597** | 14,633,774 |
| Depreciation *(see Note 14)* | **13,797,841** | 13,639,290 |
| Taxes and licenses | **13,697,170** | 3,253,001 |
| Representation and entertainment | **8,302,791** | 8,251,600 |
| Supplies | **7,864,894** | 8,494,183 |
| Agency development expenses | **7,436,574** | 6,489,633 |
| Professional fees | **6,538,358** | 6,266,750 |
| Utilities | **5,949,182** | 5,025,191 |
| Information and technology expense | **5,847,406** | - |
| Trust fees and bank charges | **3,122,174** | 3,331,067 |
| Repairs and maintenance | **2,167,488** | 3,885,451 |
| Advertising | **678,056** | 59,465 |
| Pension expense *(see Note 29)* | **669,738** | 1,932,444 |
| Insurance | **206,384** | 268,281 |
| Professional development | **73,582** | 64,017 |
| Miscellaneous | **7,719,240** | 7,659,686 |
| | **P 249,203,355** | P 213,203,070 |

Miscellaneous expenses consist of dues and subscriptions, bidding expenses, Christmas party expenses, bereavement pays, office sanitation and disinfection, and other COVID related expenses.

## 29. Pension Liability

The Company maintains a non-contributory defined benefit plan covering all regular and permanent employees. Benefits are based on the employee's final plan salary and years of service. At regular intervals, an actuarial valuation is made to determine if the retirement benefits due to the employee is not below the framework of Republic Act 7641, otherwise known as "*Retirement Pay Law*". The Company provides additional post employment healthcare benefits to the employees which are also unfunded.

The following information summarizes the components of defined benefit costs, the funded status and the amounts recognized as defined benefit liability.

The retirement benefits expense recognized in the statement of income is as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Current service cost | P | **273,705** | P | 1,516,871 |
| Net interest cost | | **396,033** | | 415,573 |
| | P | **669,738** | P | 1,932,444 |

Remeasurement gain recognized in OCI consists of the following:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Balance, January 1 | P | **2,151,109** | P | 144,837 |
| Remeasurement gain recognized in OCI | | **180,143** | | 2,675,030 |
| | | **2,331,252** | | 2,819,867 |
| Effect of deferred tax | | **(45,036)** | | (668,758) |
| Balance, December 31 | P | **2,286,216** | P | 2,151,109 |

The changes in pension liability are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance, January 1 | **P 10,324,684** | P 11,067,270 |
| Retirement expense recognized in profit or loss | **669,738** | 1,932,444 |
| Remeasurement gain recognized in OCI | **(180,143)** | (2,675,030) |
| Balance, December 31 | **P 10,814,279** | P 10,324,684 |

Actuarial assumptions used to determine retirement benefits are as follows:

| | 2023 | 2022 |
|---|---|---|
| Discount rate | **6.04%** | 7.02% |
| Salary rate increase | **3.00%** | 3.00% |
| Mortality rate | **2017 PICM** | 2017 PICM |
| Disability rate | **1952 Disability Study, Period 2, Benefit 5** | 1952 Disability Study, Period 2, Benefit 5 |
| Turnover rate | **A scale ranging from 12% at age 18 to 0% at age 65** | A scale ranging from 12% at age 18 to 0% at age 65 |

The sensitivity analysis based on reasonably possible changes of each significant assumption on the defined benefit liabilities as of December 31, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Discount rate | | |
| Decrease by 1% | **P 11,063,157** | P 10,612,227 |
| Increase by 1% | **(10,588,056)** | (10,065,483) |
| Salary rate increase | | |
| Decrease by 1% | **(10,532,988)** | (10,010,939) |
| Increase by 1% | **11,117,445** | 10,666,339 |

The average year of service is 26.78 in 2023 and 28.85 in 2022.

The maturity profile of the undiscounted benefit payments based on normal retirements for the year 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| One to less than five years | P 10,895,869 | P 9,385,191 |
| More than 5 years to 10 years | 611,140 | 1,736,409 |
| More than 10 years to 20 years | 1,433,383 | 4,782,163 |
| More than 25 years to 30 years | - | - |

The average duration of the expected benefit payments at the end of the reporting period is 2.65 years in 2023 and 3.34 years in 2022.

## 30. Income Taxes

The major components of provision for income tax for the years ended December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Current | | |
| Regular/MCIT | P 3,553,325 | P 37,986,132 |
| Final | 18,844,029 | 10,813,967 |
| Deferred | 15,673,946 | (4,757,351) |
| | P 38,071,300 | P 44,042,748 |

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense is as follows:

| | 2023 | 2022 |
|---|---|---|
| Statutory income tax | P 41,183,536 | P 41,289,506 |
| Adjustments for: | | |
| Non-taxable income and income subjected to final tax | (11,269,406) | (14,273,161) |
| Nondeductible expense | - | 12,043,100 |
| Unrecognized temporary differences | 8,157,170 | 4,983,303 |
| Actual provision for income tax | P 38,071,300 | P 44,042,748 |

Significant component of Company of deferred tax assets and liabilities recognized in the financial statements is as follows:

| | 2023 | 2022 |
|---|---|---|
| **Deferred tax assets** | | |
| Claims and losses incurred but not reported (IBNR) | P 34,976,009 | P 33,912,600 |
| Allowance for impairment of financial assets | 1,846,658 | 1,752,244 |
| Effect of PFRS 16 | 59,302 | - |
| | 36,881,969 | 35,664,844 |
| **Deferred tax liabilities** | | |
| Effect of PFRS16 | - | 17,911 |
| Unrealize foreign exchange gain | 743,439 | 1,073,313 |
| Fair value gains from investment property | 61,096,692 | 12,632,442 |
| Deferred tax liability on remeasurement gains on pension liability- OCI | 762,072 | 717,037 |
| | 62,602,203 | 14,440,703 |
| **Net deferred tax for liability (asset)** | P (25,720,234) | P 21,224,141 |

The movements of deferred tax assets and liabilities are as follows:

| | 2023 | | | |
|---|---|---|---|---|
| | | Changes taken to | | |
| | Beginning | Profit and loss | Equity | Ending |
| **Deferred tax assets** | P 35,664,843 | P 1,217,123 | P - | P 36,881,966 |
| **Deferred tax liabilities** | 14,440,702 | (16,891,068) | (31,270,430) | 62,602,200 |
| | P 21,224,141 | P (15,673,945) | P (31,270,430) | P (25,720,234) |

| | 2022 | | | |
|---|---|---|---|---|
| | | Changes taken to | | |
| | Beginning | Profit and loss | Equity | Ending |
| Deferred tax assets | P 30,693,783 | P 4,971,060 | P - | P 35,664,843 |
| Deferred tax liabilities | 13,558,236 | 213,708 | 668,758 | 14,440,702 |
| | P 17,135,547 | P 4,757,352 | P 668,758 | P 21,224,141 |

## 31. Other Significant Matters

*Deferral of adoption of PFRS 9*
In 2023 and 2022, the Company continues to apply the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 Applying PFRS 9 with PFRS 4 issued in 2016. The temporary exemption from applying the PFRS 9 is applicable until the mandatory effectivity of PFRS 17 for entities whose activities are predominantly connected with issuing contracts within the scope of PFRS 4. The predominance test, as required by the standard, was performed using the Statement of financial position as of December 31, 2017. Accordingly, the Company's gross liabilities arising from insurance contracts within the scope of PFRS 4 is equivalent to 83% of the total carrying amount of all its liabilities. No re-assessments have been performed at subsequent date because there was no substantial change in the business of Company that would require such re-assessment.

As the Company is eligible to apply the temporary exemption from applying PFRS 9, the Company of Directors decided to align the effective date of PFRS 9 to the mandatory adoption date of PFRS 17. The following information on fair value disclosure, credit risk exposure and credit concentrations are presented as required by the amended standard.

(i) The fair value of financial assets at December 31, 2023 and 2022 classified between those that meet and those that does not meet the Solely Payment of Principal and Interest (SPPI) criteria and the changes in fair value are presented as follow:

| | **Fair values as of December 31, 2023** | | Fair values as of December 31, 2022 | |
|---|---|---|---|---|
| | **Meets the SPPI test** | **Does not meet the SPPI test** | Meets the SPPI test | Does not meet the SPPI test |
| Cash and cash equivalents | P 252,261,401 | P - | P 285,530,893 | P - |
| Short-term investments | 6,229,989 | - | 6,053,432 | - |
| HTM | 924,487,940 | - | 840,615,654 | - |
| AFS | 446,223,027 | 240,807,299 | 572,743,286 | 369,956,280 |
| Insurance-related receivables | 962,254,475 | - | 1,253,268,237 | - |
| Other receivables | 21,416,283 | - | 20,476,641 | - |
| | P 2,612,873,115 | P 240,807,299 | P 2,778,688,142 | P 369,956,280 |

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

(ii) Information about the credit risk exposure of financial assets that meets the SPPI test is as follows:

| | As of December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | | Past Due but | | |
| | Rated | Unrated | Unimpaired | Impaired | Total |
| **Cash and cash equivalents** | P - | P 252,261,401 | P - | P - | P 252,261,401 |
| **Short-term investments** | - | 6,229,989 | - | - | 6,229,989 |
| **HTM** | 924,487,940 | - | - | - | 924,487,940 |
| **AFS** | 165,525,564 | 280,697,463 | - | - | 446,223,027 |
| **Insurance-related receivables** | - | 962,254,475 | - | - | 962,254,475 |
| **Other receivables** | - | 21,416,283 | - | - | 21,416,283 |
| | P 1,090,013,504 | P 1,522,859,611 | P - | P - | P 2,612,873,115 |

| | As of December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | | Past Due but | | |
| | Rated | Unrated | Unimpaired | Impaired | Total |
| Cash and cash equivalents | P - | P 285,530,893 | P - | P - | P 285,530,893 |
| Short-term investments | - | 6,053,432 | - | - | 6,053,432 |
| HTM | 640,615,654 | - | - | - | 640,615,654 |
| AFS | - | 572,743,286 | - | - | 572,743,286 |
| Insurance-related receivables | - | 1,253,268,237 | - | - | 1,253,268,237 |
| Other receivables | - | 20,476,641 | - | - | 20,476,641 |
| | P 640,615,654 | P 2,138,072,489 | P - | P - | P 2,778,688,142 |

The ratings used above is consistent with the ratings used in Note 7.

(iii) Information about the credit concentration of financial assets that meets the SPPI test is as follows:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | **Government** | **Financial Institutions** | **All others** | **Total** |
| **Cash and cash equivalents** | P - | P 252,261,401 | P - | P 252,261,401 |
| **Short-term investments** | - | 6,229,989 | - | 6,229,989 |
| **HTM** | 583,834,237 | 30,651,928 | 310,001,775 | 924,487,940 |
| **AFS** | 262,949,814 | 9,679,006 | 173,594,207 | 446,223,027 |
| **Insurance-related receivables** | - | - | 962,254,475 | 962,254,475 |
| **Other receivables** | - | - | 21,416,283 | 21,416,283 |
| | **P 846,784,051** | **P 298,822,324** | **P 1,467,266,740** | **P 2,612,873,115** |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Government | Financial Institutions | All others | Total |
| Cash and cash equivalents | P - | P 285,530,893 | P - | P 285,530,893 |
| Short-term investments | - | 6,053,432 | - | 6,053,432 |
| HTM | 362,217,700 | - | 277,270,000 | 639,487,700 |
| AFS | 256,174,580 | 120,374,173 | 196,194,533 | 572,743,286 |
| Insurance-related receivables | - | - | 1,253,268,237 | 1,253,268,237 |
| Other receivables | - | - | 20,476,641 | 20,476,641 |
| | P 618,392,280 | P 411,958,498 | P 1,747,209,411 | P 2,777,560,189 |

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

*Leases*
The Company is party to various agreements to lease properties that are used as head office and branches. The lease terms ranges from 1 to 2 years renewable at the option of both parties. Among others, the lease agreement has the following terms and condition:

- Payment of fixed monthly rent for a period of 1 to 2 years
- Payment of security deposit and advance rental
- Annual escalation of rental rates

The table below presents the expenses related to the Company's lease arrangements as reported in the statement of income:

| | 2023 | 2022 |
|---|---|---|
| Rent Expense | | |
| Short term leases | P 16,004,597 | P 14,633,774 |
| Depreciation of right-of-use asset | 1,607,515 | 1,073,287 |
| Interest expense on lease liability | 249,418 | 177,891 |
| | P 17,861,530 | P 15,884,952 |

As of December 31, 2023 and 2022, the carrying value of right-of-use asset amounted to P2,357,071 and P2,210,064, respectively.

The maturity profile of lease liabilities as of December 31, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| **Due in:** | | |
| 12 months | P 937,567 | P 1,142,718 |
| More than 12 months | 1,520,514 | 995,703 |
| | P 2,458,081 | P 2,138,421 |

*Current and non-current distinction*
The Company's current assets and current liabilities are presented below:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Current assets | Non-current assets | Current assets | Non-current assets |
| Cash and cash equivalents | P 290,471,257 | P - | P 324,040,067 | P - |
| Available-for-sale | 687,030,326 | - | 942,699,565 | - |
| Held to maturity investments | 91,090,000 | 833,075,795 | 116,436,300 | 522,705,266 |
| Loans and receivables | 1,914,463 | 2,084,689 | 6,310,883 | 2,084,889 |
| Short term investments | 6,229,989 | - | 6,053,432 | - |
| Other assets | 12,397,353 | 17,045,512 | 5,011,808 | 9,141,407 |
| Insurance receivables | 765,555,736 | - | 828,618,034 | - |
| Reinsurance assets | 316,874,967 | - | 539,712,024 | - |
| Accrued investment income | 17,417,131 | - | 12,081,069 | - |
| Investment properties | - | 283,494,667 | - | 124,203,000 |
| Property and equipment | - | 332,775,428 | - | 34,375,700 |
| Deferred tax asset | - | - | - | 21,224,141 |
| Deferred acquisition costs | 227,312,189 | - | 179,610,970 | - |
| | P 2,416,293,411 | P 1,468,476,091 | P 2,960,574,152 | P 713,734,203 |

| | Current liabilities | Non-current liabilities | Current liabilities | Non-current liabilities |
|---|---|---|---|---|
| Accounts payable and other liabilities | P 378,674,915 | P 995,703 | P 358,632,747 | P 995,703 |
| Reinsurance liabilities | 11,050,628 | - | 33,570,908 | - |
| Insurance claims payable | 614,057,121 | - | 754,148,408 | - |
| Reserve for unearned premiums | 1,097,104,725 | - | 976,624,580 | - |
| Deferred tax liability | - | 25,720,234 | - | - |
| Pension liability | - | 10,814,279 | - | 10,324,684 |
| Deferred reinsurance commission | 12,084,764 | - | 16,391,772 | - |
| | P 2,112,972,153 | P 37,530,216 | P 2,139,368,415 | P 11,320,387 |

The Company classifies all other assets and liabilities as non-current.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the end of the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

The Company classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in norm
- al operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the end of the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

The Company classifies all other liabilities as non-current.

*Non-cash Investing and Financing Activities*
The Company's non-cash investing and financing activities in 2023 are as follows:

- Increase in investment properties due to increase in fair value amounting to P68.9 million (see Note 13)

- Increase in Condominium units included in Property a nd equipment arising from revaluation of Condominium units amounting to P124.9 million (see Note 14)

- Conversion of Deposit for future stock subscription to Issued and outstanding share capital amounting to P50 million (see Note 22)

- Conversion of Deposit for future stock subscription to Subscribed share capital amounting to P10 million (see Note 22)

- Transfer of P435 million from Unappropriated retained earnings to Appropriated retained earnings (see Note 22)

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

The Bureau of Internal Revenue (BIR) issued Revenue Regulations 15-2010 which requires additional tax information to be disclosed in the Notes to Financial Statements. The following information covering the calendar year ended December 31, 2023 is presented in compliance thereto.

- The details of VAT output tax declared in the Company's 2023 VAT returns and their related accounts are as follows:

| | Amount subject to VAT | Output tax |
|---|---|---|
| Premiums | P 1,481,050,002 | P 177,726,000 |

- The VAT input tax claimed is broken down as follows:

| | |
|---|---|
| Balance at the beginnning of the year | P - |
| Current year' domestic purchases/payments for: | |
| Goods | 2,487,217 |
| Services | 134,388,403 |
| Amortization of input tax | 1,607,142 |
| Applied against output tax | (138,482,762) |
| | P - |

- The premium tax on personal accident insurance paid and accrued amounted to P3,644,309.

- The documentary stamp tax paid and accrued for insurance policies, deed of sales and shares of stock are as follows:

| | |
|---|---|
| Insurance policies | P 165,902,449 |
| Deed of sale | 6,005,775 |
| Shares of stock | 375,000 |

- The fire service tax paid and accrued for insurance policies amounted to P9,376,518.

- The withholding tax paid/accrued, by category are as follows:

| | |
|---|---|
| Tax on compensation and benefits | P 6,115,521 |
| Expanded withholding tax | 61,901,428 |

- The details of taxes and licenses presented under administrative expenses in the Company's statement of income are as follows:

| | |
|---|---|
| Local | |
| Community tax | P 21,451 |
| Local government taxes | 914,751 |
| National | |
| Annual registration fees | 15,000 |
| Documentary stamp tax on deed of sale and shares of stock | 6,754,768 |
| Capital gain tax | 5,460,600 |
| IC supervision and filing fees | 103,323 |
| Other regulatory fees and licenses | 427,277 |
| | P 13,697,169 |