

CORPORATE GUARANTEE & INSURANCE COMPANY, INCORPORATED
Doing business under the name and style of Corporate Guarantee
(A Non-Life Insurance Company)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Corporate Information

Corporate Guarantee & Insurance Company, Incorporated doing business under the name and style of Corporate Guarantee (A Non-Life Insurance Company) (the Company) was incorporated with the Philippine Securities and Exchange Commission (SEC) on June 19, 1997 and is primarily engaged in property and casualty insurance business.

On July 19, 2019, the SEC approved the amendment of the Company's Articles of Incorporation to change the corporate name from Corporate Guarantee & Insurance Company, Incorporated to Corporate Guarantee & Insurance Company, Incorporated doing business under the name and style of Corporate Guarantee (A Non-Life Insurance Company).

The registered office address of the Company is 2nd Floor, CGIC Building, Jose Abad Santos Avenue, San Jose, City of San Fernando, Pampanga, 2000.

On January 1, 2019, the Insurance Commission (IC) renewed the Company's license to operate as an Insurance Company with Certificate of Authority No. 2019/14-R valid until December 31, 2021.

The Company is owned by proprietors of the LausGroup of Companies.

Events After the Reporting Period

The country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country starting March 16, 2020. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on Company operations and financial performance, however, cannot be reasonably determined as at report date.

The financial statements as at and for the years then ended December 31, 2019 and 2018 were approved and authorized for issue by the Board of Directors (BOD) on June 8, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

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 adopted by SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

Measurement Bases

The financial statements of the Company are presented in Philippine Peso (Peso), which is the Company's functional and presentational currency. All amounts are rounded to the nearest Peso unless otherwise stated.

The financial statements have been prepared on the historical cost basis of accounting, except for AFS investments and investment properties which are stated at fair value and property and equipment which are stated at revalued amounts. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 6 - Financial Assets
- Note 10 - Investment Properties
- Note 11 - Property and Equipment
- Note 24 - Insurance and Financial Risk Management Objectives and Capital Management