STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CORPORATE GUARANTEE AND INSURANCE COMPANY** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from misstatements, 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 review and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

REYES TACANDONG AND CO., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

LISSET L. VELASCO
Chairman

EXCLUSIVE PURPOSE
This document is being issued exclusively for below purpose only:
Insurance Commission
Advisory No. RS-2023-008
May 30, 2023

LISSET L. VELASCO
Chief Executive Officer

MA. THERESA A. LAUS
Treasurer

Signed this 3rd day of April, 2023.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 4782 SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

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Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Corporate Guarantee & Insurance Company, Incorporated
Doing business under the name and style of
Corporate Guarantee (A Non-Life Insurance Company)
2nd Floor, CGIC Building
Jose Abad Santos Avenue, San Jose
City of San Fernando, Pampanga, 2000

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Corporate Guarantee & Insurance Company, Incorporated doing business under the name and style of Corporate Guarantee (A Non-Life Insurance Company) (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' 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 audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Corporate Guarantee & Insurance Company, Incorporated. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

PAMELA ANN P. ESCUADRO
Partner
CPA Certificate No. 128829
Tax Identification No. 216-321-918-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 128829-SEC Group A
Issued March 23, 2021
Valid for Financial Periods 2020 to 2024
IC Accreditation No. 128829-IC
Issued February 22, 2021
Valid for Financial Periods 2020 to 2024
BIR Accreditation No. 08-005144-013-2023
Valid until January 24, 2026
PTR No. 9564568
Issued January 3, 2023, Makati City

April 3, 2023
Makati City, Metro Manila

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

STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱630,393,536**	₱289,862,124
Short-term investments	4	**–**	127,973,981
Insurance receivables	5	**135,591,322**	147,661,569
Held-to-maturity (HTM) investments	6	**207,122,261**	149,246,640
Real estate mortgage loans receivable	6	**13,333,333**	–
Loans and receivables	6	**6,658,903**	11,595,952
Reinsurance assets	7	**16,888,564**	24,737,103
Deferred acquisition costs	8	**22,097,653**	16,378,097
Other current assets	9	**20,162,486**	22,282,575
Total Current Assets		**1,052,248,058**	789,738,041
Noncurrent Assets			
HTM investments - net of current portion	6	**207,169,574**	261,945,959
Available-for-sale (AFS) investments	6	**102,461,584**	116,122,906
Long-term investments	4	**10,167,556**	–
Real estate mortgage loans receivable - net of current portion	6	**106,666,667**	–
Investment properties	10	**240,248,521**	312,298,521
Property and equipment:	11		
At revalued amount		**216,971,703**	220,287,341
At cost		**45,028,535**	52,269,399
Total Noncurrent Assets		**928,714,140**	962,924,126
Total Assets		**₱1,980,962,198**	₱1,752,662,167

	Note	2022	2021
LIABILITIES AND EQUITY			
Current Liabilities			
Insurance contract liabilities	12	**₱320,595,558**	₱317,525,064
Premiums due to reinsurers	13	**3,763,324**	3,681,113
Deferred reinsurance commissions	8	**2,854,643**	2,196,801
Accounts and other payables	14	**98,780,904**	119,038,700
Current portion of lease liability	23	**4,138,583**	3,726,479
Income tax payable		**23,687,624**	–
Total Current Liabilities		**453,820,636**	446,168,157
Noncurrent Liabilities			
Noncurrent portion of lease liability	23	**32,185,490**	36,324,072
Net retirement liability	21	**7,579,688**	13,944,493
Net deferred tax liabilities	22	**39,227,107**	46,640,396
Total Noncurrent Liabilities		**78,992,285**	96,908,961
Total Liabilities		**532,812,921**	543,077,118

(Forward)

	Note	December 31 2022	2021
Equity			
Capital stock		**₱311,000,000**	₱311,000,000
Contingency surplus	16	**349,000,000**	209,000,000
Retained earnings	16	**665,372,609**	564,348,458
Other components of equity:			
Revaluation reserve for property and equipment	11	**121,224,771**	123,711,499
Cumulative remeasurement gain (loss) on net retirement liability	21	**1,470,475**	(4,233,379)
Cumulative fair value changes on AFS investments	6	**81,422**	5,758,471
Total Equity		**1,448,149,277**	1,209,585,049
		₱1,980,962,198	₱1,752,662,167

See accompanying Notes to the Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2022**	2021
REVENUE			
Gross earned premiums on insurance contracts	17	**₱414,748,501**	₱352,258,799
Reinsurers' share of gross earned premiums on insurance contracts	17	**(20,467,964)**	(19,305,624)
		394,280,537	332,953,175
BENEFITS, CLAIMS AND EXPENSES			
Net insurance benefits and claims	18	**168,314,561**	187,671,488
Operating expenses	19	**128,582,184**	168,522,483
Commission expense	8	**34,290,189**	34,123,025
		331,186,934	390,316,996
INTEREST EXPENSE	23	**(1,793,522)**	(1,963,432)
OTHER INCOME – Net	20	**63,250,223**	72,001,971
INCOME BEFORE INCOME TAX		**124,550,304**	12,674,718
PROVISION FOR (BENEFIT FROM) INCOME TAX	22		
Current		**35,327,455**	1,704,183
Deferred		**(9,314,574)**	(5,141,733)
		26,012,881	(3,437,550)
NET INCOME		**98,537,423**	16,112,268
OTHER COMPREHENSIVE INCOME (LOSS)			
To be reclassified to profit or loss when realized –			
Net unrealized gain (loss) on fair value changes of AFS investments	6	**(5,677,049)**	2,390,441
Not to be reclassified to profit or loss:			
Remeasurement gain on net retirement liability - net of tax effect	21	**5,703,854**	–
Revaluation increment of property and equipment - net of tax effect	11	**–**	14,878,596
Impact of change in statutory tax rate	22	**–**	7,114,842
		26,805	24,383,879
TOTAL COMPREHENSIVE INCOME		**₱98,564,228**	₱40,496,147

See accompanying Notes to the Financial Statements.

CORPORATE GUARANTEE & INSURANCE COMPANY, INCORPORATED

Doing business under the name and style of Corporate Guarantee
(A Non-Life Insurance Company)

STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31 2022	2021
CAPITAL STOCK - ₱1,000 par value			
Authorized - 500,000 shares			
Issued and outstanding - 311,000 shares		**₱311,000,000**	₱311,000,000
CONTINGENCY SURPLUS	16		
Balance at beginning of year		**209,000,000**	209,000,000
Additions during the year		**140,000,000**	–
Balance at end of year		**349,000,000**	209,000,000
RETAINED EARNINGS			
Balance at beginning of year		**564,348,458**	546,113,083
Net income		**98,537,423**	16,112,268
Transfer from revaluation reserve	11	**2,486,728**	2,123,107
Balance at end of year		**665,372,609**	564,348,458
OTHER COMPONENTS OF EQUITY			
Revaluation reserve for property and equipment	11		
Balance at beginning of year		**123,711,499**	103,558,943
Transfer to retained earnings		**(2,486,728)**	(2,123,107)
Revaluation increment		**–**	14,878,596
Impact of change in statutory tax rate		**–**	7,397,067
Balance at end of year		**121,224,771**	123,711,499
Cumulative remeasurement gain (loss) on net retirement benefit liability	21		
Balance at beginning of year		**(4,233,379)**	(3,951,154)
Actuarial gain during the year		**5,703,854**	–
Impact of change in statutory tax rate		**–**	(282,225)
Balance at end of year		**1,470,475**	(4,233,379)
Cumulative fair value changes on AFS investments	6		
Balance at beginning of year		**5,758,471**	3,368,030
Net change in fair value of AFS investments		**(5,677,049)**	2,390,441
Balance at end of year		**81,422**	5,758,471
		122,776,668	125,236,591
		₱1,448,149,277	₱1,209,585,049

See accompanying Notes to the Financial Statements.

CORPORATE GUARANTEE & INSURANCE COMPANY, INCORPORATED

Doing business under the name and style of Corporate Guarantee

(A Non-Life Insurance Company)

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱124,550,304**	₱12,674,718
Adjustments for:			
Interest income	6	**(15,328,715)**	(10,918,083)
Provision for impairment losses on insurance receivables	5	**14,608,349**	29,384,809
Depreciation and amortization	11	**8,333,667**	6,989,673
Dividend income	6	**(5,374,846)**	(5,315,783)
Amortization of ROU asset	23	**4,533,135**	4,533,135
Reversal of allowance on loans and other receivables	6	**(3,365,304)**	–
Interest expense	23	**1,793,522**	1,963,432
Retirement benefit expense	21	**1,858,236**	2,093,636
Gain on sale of:			
Investment property	10	**(826,027)**	–
Property and equipment	11	**(692,247)**	(124,998)
Realized gain on sale of AFS investments	6	**(649,269)**	(431,767)
Unrealized foreign exchange loss (gain)	20	**(486,901)**	25,531
Fair value gain on investment property	10	**–**	(17,070,500)
Operating income before changes in working capital		**128,953,904**	23,803,803
Decrease (increase) in:			
Insurance receivables		**(2,538,102)**	734,615
Loans and receivables		**8,118,773**	1,141,212
Reinsurance assets		**7,848,539**	(3,302,607)
Deferred acquisition costs		**(5,719,556)**	2,740,820
Other current assets		**2,120,089**	328,606
Increase (decrease) in:			
Insurance contract liabilities		**3,070,494**	30,214,357
Premiums due to reinsurers		**82,211**	777,087
Deferred reinsurance commissions		**657,842**	42,167
Accounts and other payables		**(20,875,698)**	(10,446,324)
Net cash generated from operations		**121,718,496**	46,033,736
Income tax paid		**(11,639,831)**	(3,042,433)
Contribution to the retirement plan	21	**–**	(460,000)
Net cash provided by operating activities		**110,078,665**	42,531,303
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in real estate mortgage loans receivables	6	**(120,000,000)**	–
Additions to:			
HTM investments	6	**(172,593,952)**	(235,591,667)
Long-term investments	4	**(10,000,000)**	–
Property and equipment	11	**(2,969,206)**	(12,538,756)
AFS investments	6	**(1,590,000)**	(3,525,099)
Investment property	10	**–**	(3,223,043)

(Forward)

	Note	Years Ended December 31 2022	2021
Proceeds from maturities of:			
HTM investments	6	**₱149,957,724**	₱162,110,508
Short-term investments		**127,973,981**	48,824,160
Proceeds from disposal of:			
Investment property	10	**72,876,027**	–
AFS investments	6	**10,223,542**	2,529,221
Property and equipment	11	**1,351,153**	588,481
Interest received		**35,820,061**	9,035,857
Dividend received		**4,436,516**	6,033,686
Net cash provided by (used in) investing activities		**95,485,846**	(25,756,652)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from contingency surplus		**140,000,000**	–
Payments of lease liability	23	**(5,520,000)**	(5,520,000)
Net cash provided by (used in) financing activities		**134,480,000**	(5,520,000)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**486,901**	(25,531)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**340,531,412**	11,229,120
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**289,862,124**	278,633,004
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱630,393,536**	₱289,862,124

See accompanying Notes to the Financial Statements.

CORPORATE GUARANTEE & INSURANCE COMPANY, INCORPORATED

Doing business under the name and style of Corporate Guarantee
(A Non-Life Insurance Company)

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

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 November 11, 2021, the Insurance Commission (IC) renewed the Company's license to operate as an Insurance Company with Certificate of Authority No. 2022/43-R valid until December 31, 2024.

The Company is owned by proprietors of the Laus Group of Companies.

Approval of the Financial Statements

The financial statements as at and for the years then ended December 31, 2022 and 2021 were approved and authorized for issuance by the Board of Directors (BOD) on April 3, 2023.

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 and Sustainability Reporting Standards Council (formerly 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.

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

Measurement Bases

The financial statements of the Company are presented in Philippine Peso (Peso), the Company's functional and presentation 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 land, building and other equipment included as part of "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 25 - Fair Value of Financial Instruments

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets).

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

The adoption of the amended PFRS did not materially affect the financial statements of the Company.

<u>New and Amended PFRS and in Issue But Not Yet Effective or Adopted</u>

Relevant new and amended PFRS, which are not yet effective as at December 31, 2022, are summarized below.

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

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) 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 (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- 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 in 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 a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Effective for annual periods beginning on or after January 1, 2025:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts.* It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation,* which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, *Insurance Contracts - Initial Application of PFRS 17 and PFRS 9 - Comparative information* – The amendment adds a transition option for a "classification overlay" to address temporary accounting mismatches between financial assets and insurance contract liabilities relating to comparative information presented on the initial application of PFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies PFRS 17. No amendments have been made to the transition requirements of PFRS 9.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

Financial Instruments

The Company availed of the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*, issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 instead of PFRS 9 until the effectivity of the new insurance standards beginning January 1, 2025.

Based on the assessment made by the Management, the Company qualifies for the deferral of application of PFRS 9 since its activities are predominantly connected with insurance. Accordingly, the Company deferred the adoption of PFRS 9 and has continued to apply PAS 39.

To comply with the disclosure requirements of the amendments to PFRS 4, the table below presents the comparison of the classification of the Company's financial assets as at December 31, 2022 under PAS 39 and PFRS 9. The carrying amounts of these financial assets under PAS 39 remain unchanged under PFRS 9.

Financial Assets	Classification under PAS 39	Classification under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost
Short-term and long-term investments	Loans and receivables	Financial assets at amortized cost
Insurance receivables	Loans and receivables	Financial assets at amortized cost
Loans and receivables	Loans and receivables	Financial assets at amortized cost
Real estate mortgage loans receivable	Loans and receivables	Financial assets at amortized cost
HTM investments	HTM investments	Financial assets at amortized cost
AFS investments	AFS investments	Financial assets at fair value through other comprehensive income (FVOCI)

A financial instrument is any contract that gives rise to a financial asset or a liability or equity instrument of another entity.

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

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

Classification. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Company classifies its financial assets into the following categories: financial assets at FVPL, HTM investments, AFS investments, and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition, and where allowed and appropriate, re-evaluates the designation at each reporting date.

The Company has no financial assets and liabilities at FVPL as at December 31, 2022 and 2021.

HTM Investments. HTM investments are nonderivative financial assets that are quoted in the market, with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. HTM investments are subsequently measured at amortized cost less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included as part of "Interest income" lodged in "Investment income" line item under "Other income – net" account in the statement of comprehensive income. Gains and losses are recognized in profit or loss when the HTM investments are derecognized. Any impairment loss is recognized in profit or loss.

Where the Company sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. The Company would then be unable to categorize financial instruments as HTM investments for the next two (2) years in the financial statements.

HTM investments are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company's HTM investments consist of investments in retail treasury and government bonds (see Note 6).

AFS Investments. AFS investments are nonderivative financial assets that are either designated in this category or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. Financial assets may be designated at initial recognition as AFS investments if these are purchased indefinitely and may be sold in response to liquidity requirements or change in market conditions.

After the initial measurement, AFS investments are carried at fair value in the statement of financial position. Changes in the fair value of AFS investments are reported as part of other comprehensive income (OCI) and accounted for in equity under "Cumulative fair value changes on AFS investments" account, until the investment is derecognized or the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in profit or loss. AFS investments with no available published prices in the active market are stated at cost less impairment, if any.

Dividends earned on holding AFS financial assets are recognized in the profit or loss when the right to receive payment has been established. The loss arising from impairment of such securities is recognized as impairment loss in profit or loss.

When AFS financial assets are derecognized, the cumulative gain or loss previously recognized in OCI and previously reported in equity is transferred to profit or loss. Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a weighted average basis.

AFS investments are included in current assets if it is expected to be realized or disposed of within 12 months from the end of the reporting year. Otherwise, these are classified as noncurrent assets.

The Company's AFS investments include investments in equity securities (see Note 6).

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents, short-term investments, long-term investments, insurance receivables, loans and receivables and real estate mortgage loans receivables (see Notes 4, 5 and 6).

Cash and Cash Equivalents. Cash includes cash on hand and in banks. Cash equivalents pertain to short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. Cash and cash equivalents are measured at face amount.

Short-term Investments. Short-term investments pertain to investments with maturity periods of more than three months but less than one year, measured at face value, and earn interest at the respective short-term investment rates.

Long-term Investments. Long-term investments pertain to investments with maturity periods of more than one year, measured at face value, and earn interest at the respective long-term investment rates.

Insurance Receivables. Insurance receivables are recognized on policy inception dates and measured on initial recognition at fair value of consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost less any allowance for impairment. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized in profit or loss.

Other Financial Liabilities. Financial liabilities which are not held for trading or are not designated at FVPL are classified as financial liabilities carried at amortized cost 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, 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 an integral part of the effective interest rate. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized and through the amortization process.

This category includes premiums due to reinsurers, accounts and other payables (excluding statutory payables) and lease liability (see Notes 13, 14 and 23).

Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence includes observable data that comes to the attention of the Company about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization.

Loans and Receivables. The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets' effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Where loans and receivables have been ascertained to be worthless, the related amount is written off against the corresponding allowance for impairment.

AFS Investments Carried at Fair Value. In case of equity investments classified as AFS investments, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from OCI and recognized in profit or loss. Recovery of impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in OCI.

The Company treats "significant" generally as 20% or more and "prolonged" as greater than six (6) months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in OCI is reclassified from equity to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

In the case of debt instrument classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost.

Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "interest income" account in profit or loss. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

AFS Investments Carried at Cost. If there is an objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be measured reliably, the amount of the loss is measured as the difference between that 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.

Derecognition of Financial Assets and Financial Liabilities

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

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

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

Financial Liability. A financial liability is derecognized from the statement of financial position when the obligation under the financial liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

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

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

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

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

Other Current Assets
This account includes deferred input value-added tax (VAT), prepaid taxes, prepayments, security funds and deposits, among others, which are stated at face value.

VAT. Revenue, expenses and assets are recognized net of the amount of VAT except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or

- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT payable to the taxation authority is included as part of "Accounts and other payables" in the statement of financial position.

Deferred Input VAT. In accordance with Revenue Regulations No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

In accordance with Section 35 of Republic Act (RA) No. 10963 otherwise known as the "Tax Reform for Acceleration or Inclusion", the amortization of the input VAT shall only be allowed until December 31, 2021 after which taxpayers with unutilized input VAT on capital goods purchased or imported shall be allowed to apply the same as scheduled until fully utilized. Accordingly, all input tax on purchases of capital goods starting January 1, 2022 shall already be allowed upon purchase payment and no longer be deferred based on Revenue Memorandum Circular No. 21-2022.

Prepayments. These are expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time.

Prepayments are classified in the statement of financial position as current asset when it is expected to be realized for no more than 12 months after the financial year. Otherwise, prepayments are classified as noncurrent assets.

Prepaid taxes. Prepaid taxes are taxes paid in advance and recorded as asset before these are utilized and is measured at the amount of cash paid. This will be applied as payment against taxes in the following year.

Security Funds and Deposits. Security funds and deposits pertain to amount advances to lessors under operating lease agreement and to suppliers. Security deposits and deposits on lease agreement renewable annually are included under current assets. Otherwise, this is presented under noncurrent assets section of statement of financial position.

Deferred Acquisition Costs

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

Subsequent to initial recognition, these costs are amortized using the 24th method. Amortization of deferred acquisition costs is recognized in profit or loss. The unamortized acquisition costs are presented as "Deferred acquisition costs" account in the statement of financial position.

Investment Properties

Investment properties pertain to a parcel of land and buildings which are held to earn rentals or for capital appreciation or for both.

Investment properties are measured initially at cost. Cost includes the acquisition cost of the investment properties plus incidental costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects the prevailing market conditions as at report date. Gains or losses resulting from changes in fair value of the investment properties are recognized in profit or loss in the period in which they arise.

Expenditures incurred after the investment properties have put into operations, such as repairs and maintenance costs, are charged to operations in the year in which the costs are incurred.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use 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 the statement of comprehensive income in the year of retirement or disposal.

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

Property and Equipment

Property and equipment, except for land, building and other equipment, are stated at cost less accumulated depreciation and amortization and any impairment losses. Land, building and other equipment are stated at revalued amounts. Under the revaluation model, these are initially recorded at cost and subsequently carried at appraised values, as determined by independent appraisers, less any subsequent accumulated depreciation and amortization and any accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Additions subsequent to the last appraisal date are stated at acquisition cost.

The initial cost of property and equipment comprises its purchase price, including import duties and nonrefundable taxes, and any direct costs attributable in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the assets have been put into operations, such as repairs and maintenance, are normally charged to profit or loss in the year the cost are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of the assets.

Any revaluation reserve is credited to "Revaluation reserve for property and equipment" account presented under the equity section of the statement of financial position. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to OCI to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss.

Annually, an amount from the "Revaluation reserve for property and equipment" account is transferred to "Retained earnings" under the equity section in the statement of financial position for the depreciation relating to the revaluation reserve, net of related taxes. Upon disposal, any revaluation reserve relating to the particular asset sold is transferred to "Retained earnings." Revaluations are performed with sufficient regularity ensuring that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Depreciation and amortization is computed using the straight-line method of property and equipment based on the estimated useful lives of the assets as follows:

Asset type	Number of Years
Building	40
Office furniture and equipment	5
Transportation equipment	5
Other equipment	5
Leasehold improvements	5 or lease term, whichever is shorter

Depreciation and amortization commence when the property and equipment is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization ceases at the earlier of the date that the property and equipment is classified as held-for-sale and the date the property and equipment is derecognized.

The estimated useful lives and depreciation and amortization method of property and equipment are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

Construction in-progress (CIP) represents properties under construction and is stated at cost, including costs of construction, equipment and other direct costs. CIP is not depreciated until such time that the relevant assets are completed and ready for operational use.

Fully depreciated or amortized property and equipment are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those property and equipment.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the property and equipment is derecognized.

When items of property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and any impairment loss are removed from the accounts and any resulting gain or loss is charged to the profit or loss.

Impairment of Nonfinancial Assets

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that these nonfinancial assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statement of comprehensive income. The recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of future cash flows expected to be derived from an asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

Insurance Contracts

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

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, unless all rights and obligations are extinguished or expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Reinsurance. The Company cedes insurance risk in the normal course of business. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises. Reinsurance assets are impaired only if there is objective evidence that the Company may not receive all amounts due under the terms of the contract and that this can be measured reliably. If such evidence exists, impairment loss is recognized in profit or loss.

Premiums and claims on assumed reinsurance are recognized in profit or loss in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the reinsurance contract.

Reinsurance recoverable on paid losses on businesses ceded are offset against insurance payable to reinsurers which is customary in the industry.

Insurance Contract Liabilities

Provision for Unearned Premiums. The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as unearned premiums. The change in the provision for unearned premiums is recognized in profit or loss in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for Claims Reported and Incurred but not Reported (IBNR) Claims. Provision for claims reported and IBNR losses are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of which cannot be known with certainty at the reporting date. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach and the Bornheutter-Ferguson method. At each reporting date, prior year estimates are reassessed for adequacy and changes made are charged to provision.

Liability Adequacy Test. At each reporting date, liability adequacy test is performed, to ensure adequacy of insurance contract liabilities, net of deferred acquisition costs. In performing the test, current best estimates of future cash flows, claims handling and policy administration are used. Any inadequacy is immediately recognized in profit or loss by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premium is increased to the extent that the future claims and expenses in respect of current insurance contract exceed future premium plus the current provision for unearned premiums.

Benefits and Claims

Benefits and claims consist of benefits and claims paid to policyholders, which includes changes in valuation of insurance contract liabilities, except for gross changes in the provision for unearned premiums which are recorded in premium income. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. General insurance claims are recorded on the basis of notifications received.

Net insurance benefits and claims represent gross insurance contract benefits and claims and gross change in insurance contract liabilities less reinsurer's share.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued and outstanding.

Contingency Surplus. Contingency surplus, which is measured at amount received, represents contributions to cover any deficiency in the net worth requirement under the Insurance Code and can be withdrawn upon the approval of the IC.

Retained Earnings. Retained earnings represent the cumulative balance of the Company's net income and transfer from revaluation reserve.

Other Components of Equity. Other components of equity comprise of revaluation reserve for property and equipment, cumulative remeasurement gain on net retirement liability and cumulative fair value changes on AFS investments that were not recognized in profit or loss. These income and expenses, when earned or incurred for the period, are classified as OCI and presented after net income in the statement of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

The following are the recognition criteria for revenues of the Company outside the scope of PFRS 15, *Revenues from Contracts with Customers.*

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

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of premiums written that relate to the unexpired periods of the policies at reporting date are accounted for as provisions for unearned premiums and included as part of "insurance contract liabilities" in the statement of financial position. The net changes in these accounts during the year are recognized in profit or loss for the year.

Insurance receivables are recognized when due and measured at the original invoice amount, less allowance for uncollectible amount. Insurance receivables are derecognized following the derecognition criteria of financial assets.

Commission Income. Reinsurance commissions are recognized as revenue over the period of the contracts using the 24^{th} method. The portion of the commissions that relates to the unexpired periods of the policies at the reporting date is presented as "Deferred reinsurance commissions" in the statement of financial position.

Rent Income. Rent income is recognized as earned on a straight-line basis over the lease term.

Interest Income. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized:

Other Income. Other income is recognized when the earning process is complete and the flow of economic benefit is reasonably assured.

Expense Recognition

Expenses are recognized in the statement of comprehensive income upon consumption of goods, utilization of services or at the date these are incurred.

Benefits and Claims. Benefits and claims consist of benefits and claims to policyholders, which includes the valuation of insurance contract liabilities, except for gross changes in the provision for premiums which are recorded in premium income. It further includes internal and external handling costs that are directly related to the processing and settlement of claims. General insurance claims are recorded on the basis of notifications received.

Net insurance benefits and claims represent gross insurance contract benefits and claims and gross change in insurance contract liabilities less reinsurer's share.

Operating Expenses. Operating expenses constitute costs of administrating the business and costs incurred in advertising and promotions. These are expensed when incurred.

Commission Expense. Commissions are recognized as expense over the period of the contracts using the 24^{th} method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition costs" in the asset section of the statement of financial position.

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

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, leave credits, employer's share on government contributions and other short-term benefits.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Company has a funded, noncontributory defined benefit plan covering all qualified employees. The retirement expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, and net interest expense or income in the statement of comprehensive income. Net interest is calculated by applying the discount rate to the net retirement liability or plan asset. Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring related costs.

Remeasurements, comprising actuarial gains and losses and return on plan assets, are recognized immediately in OCI in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The net retirement liability is the aggregate of the present value of the retirement liability reduced by the fair value of plan assets on which the liabilities are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Related Party Transactions and Relationships

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes (a) individuals who, owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company (b) associates and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

Leases

The Company assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

a. The right to obtain substantially all of the economic benefits from the use of the identified asset; and

b. The right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

The Company as a Lessor. Leases where the Company does not transfer substantially all the risks and benefits incidental to ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as rental income.

The Company as a Lessee. At the commencement date, the Company recognizes ROU asset and lease liability for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Asset. At commencement date, the Company measures ROU asset at cost. The cost comprises:

a. The amount of the initial measurement of lease liability;

b. Any lease payments made at or before the commencement date less any lease incentives received;

c. Any initial direct costs; and

d. An estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

The ROU asset is recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU asset is carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liability. The ROU asset is amortized over the shorter of the lease term or the useful life of the underlying asset of ten years.

Lease Liability. At commencement date, the Company measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

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

a. Fixed payments, including in-substance fixed payments;

b. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c. Amounts expected to be payable by the lessee under residual value guarantees; and

d. 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.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Lease liability is classified in the statement of financial position as current liabilities when it is expected to be paid for no more than 12 months after the financial year. Otherwise, lease liability is classified as noncurrent liabilities.

For income tax reporting purposes, expenses under operating lease agreements are treated as deductible expenses in accordance with the terms of the lease agreements.

<u>Foreign Currency Denominated Transactions</u>

The Company determines its own functional currency and items included in the financial statements are measured using that functional currency. Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of each reporting date. All differences are taken to statement of comprehensive income.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Income Tax

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Adjustments recognized in the period for current tax of prior periods pertain to the difference between current tax computed at the statutory tax rate and current tax computed at the amended tax rate had the amended tax rate been substantively enacted as at reporting period. The adjustment is recognized under "provision for current tax" account in profit or loss and will be included as part of the effective tax rate reconciliation.

Deferred Tax. Deferred tax is provided, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognized in statement of comprehensive income except to the extent of items recognized as OCI or items directly recognized in equity.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred tax assets to be recovered.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Amount of deferred tax relating to changes in tax rates or the imposition of new taxes pertain to any movement in deferred taxes arising from the change in tax rates that will form part of the provision for or benefit from deferred taxes. The impact of remeasurement is recognized under "provision for deferred tax" account in the profit or loss, unless it can be recognized in other comprehensive income or another equity account and will be included as part of the effective tax rate reconciliation

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Company plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

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

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

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

Events after the Reporting Date
Events after the reporting date that provide additional information about the Company's financial position as at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires management to exercise judgments, make estimates and use assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from these estimates and assumptions used, and the effect of any change in estimates will be adjusted in the financial statements when these become reasonably determinable.

Judgments, estimates and assumptions 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.

The Company believes the following represent a summary of these significant judgments, estimates, assumptions and related impact and associated risks in the financial statements.

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

Identifying Product Classification. The Company has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such. Insurance contracts are those contracts when the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts also transfer financial risk.

Classifying Financial Instruments. The Company classifies a financial instrument, on initial recognition as a financial asset, a financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Company's financial assets include cash in banks and cash equivalents, short-term investments, long-term investments, insurance receivables, HTM investments, AFS investments and loans and receivables. The Company's financial liabilities include premiums due to reinsurers, accounts and other payables (excluding statutory payables) and lease liability.

Assessing the Distinction Between Investment Properties and Property and Equipment. The Company determines whether a property qualifies as investment property or property and equipment. In making its judgment, the Company considers whether the property is held for administrative purposes or is held for capital appreciation and to earn rentals, in which case the property shall be classified as property and equipment or investment property, respectively, as the case may be. The Company considers each property separately in making its judgment.

Classifying Leases - The Company as a Lessor. The Company has entered into contracts of lease with related parties covering office spaces for various periods ranging between one to five years and has determined that it retains all the significant risks and rewards incidental to ownership of the leased properties. The leases are therefore accounted for as operating leases.

Rent income, included in "Other income" account in statements of comprehensive income amounted to ₱33.5 million and ₱30.4 million in 2022 and 2021, respectively (see Note 20 and 23).

Classifying Leases - The Company as Lessee. The Company, as a lessee, has entered into operating lease agreements for the land where its newly constructed building is located and several branch offices. For the Company's non-cancellable lease, the Company recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate. The Company availed an exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on the short-term lease are recognized as expense on a straight-line basis over the lease term.

The carrying amount of ROU assets amounted to ₱32.5 million and ₱37.0 million as at December 31, 2022 and 2021, respectively (see Note 23).

The carrying amount of lease liability amounted to ₱36.3 million and ₱40.1 million as at December 31, 2022 and 2021, respectively (see Note 23).

Rent expense on short-term lease in 2022 and 2021 amounted to ₱0.9 million (see Note 23).

Determining the Incremental Borrowing Rate on Lease. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities.

The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Company estimates the IBR using available observable inputs, such as the prevailing Bloomberg Valuation Service (BVAL) interest rates, adjusted for entity-specific estimates, to reflect the terms and conditions of the lease.

Estimates and Assumptions

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

Estimating the Claims Liability Arising from Insurance Contracts. For non-life insurance contracts, estimates have been made both for the expected ultimate costs of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statements of financial position claims provision. The IBNR provision of the Company has been calculated using standard actuarial projection techniques using past development patterns to determine the expected future development and project the claim amounts for each accident year to its ultimate value. A number of different valuation methodologies have been adopted, each with their own strengths and blended them together which include incurred chain ladder/development approach, paid chain ladder/development method, the Bornheutter-Ferguson incurred approach and the Bornheutter-Ferguson paid approach. At each reporting date, prior year claims estimates are reassessed for adequacy and changed made are charged to provision.

The main assumptions underlying the estimation of the claims provision is that a Company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. Historical claims development is mainly analyzed by accident years, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserve at the face value of loss adjustor 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 and loss ratio. Instead, the assumptions used are those implicit in the historic claims development data on which projections are based.

The total carrying value of provision for outstanding claims and IBNR amounted to ₱79.7 million and ₱98.5 million as at December 31, 2022 and 2021, respectively (see Note 12).

Determining the Fair Value of AFS Investments. PFRS requires that certain financial instruments be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence, the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial instruments would directly affect the statements of comprehensive income and the statement of changes in equity.

The carrying amount of AFS investments measured at fair value amounted to ₱100.8 million and ₱114.4 million as at December 31, 2022 and 2021, respectively (see Note 6).

Assessing the Impairment Losses on AFS Investments. The Company treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" and "prolonged" requires judgment. The Company treats "significant" generally as 20% or more of the original cost of investment, and "prolonged," as greater than six months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows.

No impairment loss was recognized in 2022 and 2021. The carrying amount of AFS investments amounted to ₱102.5 million and ₱116.1 million as at December 31, 2022 and 2021, respectively (see Note 6).

Assessing the Impairment Losses on HTM Investments. The Company determines impairment of HTM investments based on its evaluation of the presence of objective evidence of impairment which includes observable data that comes to the attention of the Company such as but not limited to significant financial difficulty of the counterparty of the probability that the borrower will enter bankruptcy or other financial re-organization. In addition to the individual impairment assessment, if an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets and collectively assesses them for impairment which takes into consideration the credit risk characteristics such as borrower type, payment history and past due status.

No impairment loss was recognized in 2022 and 2021. The carrying amount of HTM investments amounted to ₱414.3 million and ₱411.2 million as at December 31, 2022 and 2021, respectively (see Note 6).

Assessing the Impairment Losses on Receivables. The Company maintains an allowance for impairment losses on receivables at a level considered adequate to provide for potential losses. The level of this allowance is determined by management using specific and collective impairment tests. The Company performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses.

The Company assesses specifically the significant receivables based on factors that affect its collectability. These factors include, but are not limited to, the length of the Company's relationship with the customer, the counterparties payment behavior and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

The Company conducts impairment tests at a collective level for receivables that are not individually significant and for those that were already specifically tested but with no impairment losses determined. For collective impairment testing purposes, receivables are grouped according to their risks characteristics. The loss rate applied to each risk group to compute for the required allowance for impairment losses is determined based on the risk group's default or past due migration and loss history. Management's judgment is required in choosing the risk characteristics used in grouping the receivables as well as in selecting the periods over which the past due migration and loss history shall be obtained. In computing the loss rates for each group, management also makes certain assumptions over the available data on past due migration and loss history of the risk group that these reflect current relevant economic circumstances. Adjustments on the loss rates are made as deemed necessary by management to ensure that the loss rates properly reflect the incurred loss on the risks groups as of reporting date.

The amount and timing of recorded expenses for any year would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

Provision for impairment losses recognized on insurance receivables amounted to ₱14.6 million and ₱29.4 million in 2022 and 2021, respectively. Amounts written-off amounted to ₱16.8 million and nil in 2022 and 2021, respectively. The carrying amount of insurance receivables amounted to ₱135.6 million and ₱147.7 million as at December 31, 2022 and 2021, respectively. Allowance for impairment losses amounted to ₱37.2 million and ₱39.4 million as at December 31, 2022 and 2021, respectively (see Note 5).

Reversal of allowance for impairment losses on loans and other receivables amounted to ₱3.4 million in 2022. The carrying amount of loans and receivables amounted to ₱6.7 million and ₱11.6 million as at December 31, 2022 and 2021, respectively. Allowance for impairment losses amounted to nil and ₱3.4 million as at December 31, 2022 and 2021, respectively (see Note 6).

Determining the Fair Value of Investment Properties. Investment properties are carried at fair value, which has been determined based on arm's length transactions as at the reporting period, as certified by an independent appraiser using income and market data approach for buildings and land, respectively.

The carrying amount of investment properties carried at fair value amounted to and ₱240.2 million and ₱312.3 million as at December 31, 2022 and 2021, respectively (see Note 10).

Determining the Fair Value of Property and Equipment. The Company carries land, building and other equipment at revalued amounts. The values of properties were arrived at by using market data approach. With this approach, the values of the properties are based on sales and listings of comparable properties registered in the vicinity.

The fair value of property and equipment carried at revalued amount amounted to ₱217.0 million and ₱220.3 million as at December 31, 2022 and 2021, respectively (see Note 11).

Estimating the Useful Lives of Depreciable Property and Equipment. The Company estimates the useful lives of its depreciable property and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of depreciable property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the depreciable property and equipment.

There was no change in the estimated useful lives of depreciable property and equipment in 2022 and 2021. The carrying amount of depreciable property and equipment amounted to ₱134.0 million and ₱144.6 million as at December 31, 2022 and 2021, respectively (see Note 11).

Assessing the Impairment Losses on Property and Equipment. The Company assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The factors that the Company considered important which could trigger an impairment review include the following:

- Significant changes or planned changes in the use of the assets;
- Significant under-performance of the business; and
- Significant negative industry or economic trends.

Whenever the carrying amount of property and equipment exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. 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 a measurement date. The estimated cash flows are projected using growth rate based on historical experience and business plans and are discounted using a pretax discount rate that reflects the current assessment of the time value of money and the risks specific to the asset. Recoverable amount is estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

There were no impairment indicators on property and equipment in 2022 and 2021. Accordingly, no impairment loss was recognized. The carrying amount of property and equipment amounted to ₱229.5 million and ₱235.5 million as at December 31, 2022 and 2021, respectively (see Note 11).

Determining the Net Retirement Liability and Retirement Expense. The determination of the net retirement liability and retirement expense is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

The assumptions for determining retirement expense are described in the Note 21 and include, among others, discount rate and expected rate of salary increase. Actual results that differ from certain assumptions are accumulated and are recognized as part of equity. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the retirement liability.

Retirement expense amounted to ₱1.9 million and ₱2.1 million in 2022 and 2021, respectively. Net retirement liability amounted to ₱7.6 million and ₱13.9 million as at December 31, 2022 and 2021, respectively (see Note 21).

Assessing the Realizability of Deferred Tax Assets. The Company reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be utilized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company's gross deferred tax assets amounted to ₱17.9 million and ₱17.5 million as at December 31, 2022 and 2021, respectively (see Note 22).

Assessing Provisions and Evaluating Contingencies. Provisions can be distinguished from other liabilities because there is uncertainty about the timing and amount of settlement. The most common provisions recorded by the Company arise from obligations in relation to unasserted claims. Contingent liabilities of the Company are not recognized but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

The recognition and measurement of provisions and contingencies require the Company to make significant estimates with regard to the probability (if the event is more likely than not to occur) that an outflow of resources will be required to settle the obligation and make assumptions whether a reliable estimate can be made of the amount of the obligation.

Moreover, the Company's accounting policy requires recognition of the best estimate of the amount that would be required to settle an obligation and the estimate may be based on information that produces a range of amounts.

Based on the assessment of the Company's management, ultimate outcome of unasserted claims and assessments will not have a material impact on the statements of financial position and statements of comprehensive income.

Outstanding provision for probable losses amounting to ₱9.4 million as at December 31, 2022 and 2021 is included under "Accounts and other payables" account (see Note 14).

4. Cash and Cash Equivalents and Money Placements

This account consists of:

	2022	2021
Cash on hand	**₱2,919,318**	₱21,214,220
Cash in banks	**388,855,180**	143,796,616
Cash equivalents	**238,619,038**	124,851,288
	₱630,393,536	₱289,862,124

Cash in banks earns interest at the prevailing bank deposit rates.

Cash equivalents pertain to short-term placements made in varying periods with maturity of up to 90 days, depending on the immediate cash requirements of the Company, and earn interest ranging from 2.25% to 4.10% in 2022 from 1.26% to 1.30% in 2021.

As at December 31, 2021 short-term placements with maturity of more than 90 days up to one year amounting to ₱128.0 million and earn interest ranging from 1.13% to 5.50% in 2021 is separately presented as "Short-term investments" under the current assets section of statements of financial position.

Long-term money placements amounting to ₱10.2 million as at December 31, 2022 are investments with maturity periods beyond 12 months after the reporting date with interest rate of 3.25% in 2022. These are separately presented as "Long-term investments" account under noncurrent assets section of the statements of financial position. Interest income earned from long-term investments amounted to ₱0.2 million in 2022.

Interest income earned from cash and cash equivalents and money placements aggregating to ₱5.2 million and ₱3.7 million in 2022 and 2021, respectively (see Note 6).

5. Insurance Receivables

This account consists of:

	Note	2022	2021
Premium receivables:			
Related parties	15	**₱51,219,264**	₱47,090,703
Third parties		**89,978,454**	112,335,590
Reinsurance recoverable on paid losses		**27,802,415**	24,501,920
Premiums due from ceding companies		**3,822,825**	3,125,537
		172,822,958	187,053,750
Less allowance for impairment losses		**(37,231,636)**	(39,392,181)
		₱135,591,322	₱147,661,569

Premium receivables arise from unpaid premiums from policyholders and intermediaries. Normal credit term of these receivables is 30 to 90 days.

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

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

Movements in allowance for impairment losses on insurance receivables follow:

	Note	2022	2021
Balance at beginning of year		**₱39,392,181**	₱10,007,372
Write-off		**(16,768,894)**	–
Provision for impairment losses	19	**14,608,349**	29,384,809
Balance at end of year		**₱37,231,636**	₱39,392,181

6. Financial Assets

This account consists of:

	2022	2021
HTM investments:		
Current portion	**₱207,122,261**	₱149,246,640
Noncurrent portion	**207,169,574**	261,945,959
	414,291,835	411,192,599
Real estate mortgage loans receivable	**120,000,000**	–
AFS investments	**102,461,584**	116,122,906
Loans and receivables	**6,658,903**	11,595,952
	₱643,412,322	₱538,911,457

HTM Investments

HTM investments are investments in retail treasury bonds and Peso-denominated government debt securities. Government debt securities deposited with the IC in accordance with the Insurance Code (the Code) amounted to ₱345.5 million and ₱334.4 million as at December 31, 2022 and 2021, respectively. These government securities serve as security for the benefit of policyholders and creditors of the Company.

Movements of the HTM investments are as follows:

	2022	2021
Balance at beginning of year	**₱411,192,599**	₱338,858,817
Additions	**172,593,952**	235,591,667
Maturities	**(149,957,724)**	(162,110,508)
Net discount amortization	**(19,536,992)**	(1,147,377)
Balance at end of year	**₱414,291,835**	₱411,192,599

Interest income earned from HTM investments amounted to ₱10.1 million and ₱7.2 million in 2022 and 2021, respectively.

The maturity profile of the HTM investments is as follows:

	2022	2021
Within one year	**₱207,122,261**	₱149,246,640
Two to five years	**86,578,554**	146,393,068
Four to five years	**89,956,555**	44,375,960
Beyond five years	**30,634,465**	71,176,931
	₱414,291,835	₱411,192,599

As at December 31, 2022 and 2021, the Company has no HTM investments pledged as collateral.

Real Estate Mortgage Loans Receivable

On November 7, 2022, the Company extended an interest-bearing loan to a related party amounting to ₱120.0 million. This is a five-year loan, which is subject to an annual interest of 5% with a fixed quarterly loan repayment of ₱6.7 million plus interest starting July 2023. The loan is collateralized by a parcel of land with an appraised value of ₱540.0 million.

The maturity profile of the real estate mortgage loans receivable as at December 31, 2022 is as follows:

Within one year	₱13,333,333
Two to five years	106,666,667
	₱120,000,000

AFS Investments

AFS investments in equity securities follow:

	2022	2021
Quoted	**₱100,771,979**	₱114,433,301
At cost	**1,689,605**	1,689,605
	₱102,461,584	₱116,122,906

The fair value of AFS investments are based on published bidding prices from active markets which are categorized under Level 1 of the fair value hierarchy. Proprietary shares with no available published prices in active market are stated at cost.

Movements of the AFS investments are as follows:

	2022	2021
Balance at beginning of year	**₱116,122,906**	₱112,304,820
Additions	**1,590,000**	3,525,099
Disposals	**(9,574,273)**	(2,097,454)
Net change in fair value of AFS investments	**(5,677,049)**	2,390,441
Balance at end of year	**₱102,461,584**	₱116,122,906

Proceeds from disposals of AFS investments amounted to ₱10.2 million and ₱2.5 million in 2022 and 2021, respectively.

Movements of the cumulative fair value changes on AFS investments are as follows:

	2022	2021
Balance at beginning of year	**₱5,758,471**	₱3,368,030
Change in fair value of AFS investments	**(5,027,780)**	2,822,208
Realized gain on sale of AFS investments reclassified to profit or loss	**(649,269)**	(431,767)
Balance at end of year	**₱81,422**	₱5,758,471

Dividends earned from AFS investments amounted to ₱5.4 million and ₱5.3 million in 2022 and 2021, respectively.

Loans and Receivables

Loans and receivables consist of:

	Note	2022	2021
Accrued interest receivable		**₱3,019,407**	₱4,051,257
Due from related parties	15	**1,709,767**	7,339,776
Accounts receivable		**724,435**	1,010,870
Reinsurance premium receivable		**433,001**	1,554,526
Advances to officers and employees		**8,000**	–
Commissions receivable		**–**	23,224
Others		**764,293**	981,603
		6,658,903	14,961,256
Less allowance for impairment losses		**–**	(3,365,304)
		₱6,658,903	₱11,595,952

Movement in allowance for impairment losses on loans and receivables pertains to reversal of allowance amounting to ₱3.4 million in 2022 (see Note 19).

Investment Income
Investment income arises from the following (see Note 20):

	Note	2022	2021
Interest income on:			
HTM investments		**₱10,081,523**	₱7,233,586
Cash and cash equivalents	4	**5,079,636**	2,221,067
Long-term investment	4	**167,556**	–
Short-term investments	4	**–**	1,463,430
		15,328,715	10,918,083
Dividend income		**5,374,846**	5,315,783
Realized gain on sale of AFS investments reclassified to profit or loss		**649,269**	431,767
	20	**₱21,352,830**	₱16,665,633

7. Reinsurance Assets

This account consists of:

	Note	2022	2021
Reinsurance recoverable on unpaid losses	12	**₱4,359,631**	₱13,908,681
Deferred reinsurance premiums	12	**12,528,933**	10,828,422
		₱16,888,564	₱24,737,103

8. Deferred Acquisition Costs and Deferred Reinsurance Commissions

Deferred Acquisition Costs
Movement in this account follows:

	2022	2021
Balance at beginning of year	**₱16,378,097**	₱19,118,917
Cost deferred during the year	**40,009,745**	31,382,205
Amortization during the year	**(34,290,189)**	(34,123,025)
Balance at end of year	**₱22,097,653**	₱16,378,097

Deferred Reinsurance Commissions
Movement in this account follows:

	Note	2022	2021
Balance at beginning of year		**₱2,196,801**	₱2,154,634
Income deferred during the year		**5,077,636**	3,935,091
Amortization during the year	20	**(4,419,794)**	(3,892,924)
Balance at end of year		**₱2,854,643**	₱2,196,801

9. Other Current Assets

This account consists of:

	2022	2021
Deferred input VAT	**₱10,990,558**	₱11,310,317
Security funds and deposits	**5,137,377**	1,231,559
Prepayments	**2,537,031**	2,848,390
Prepaid taxes	**1,017,520**	6,412,309
Others	**480,000**	480,000
	₱20,162,486	₱22,282,575

Deferred input VAT pertains to input VAT arising from claims incurred which remain unpaid at the end of the year.

Security funds and deposits pertain to amounts advanced to lessors for rented properties and to suppliers.

Prepayments pertain to taxes, insurance and service fees paid in advance by the Company.

10. Investment Properties

Investment properties, which are carried at fair value, pertain to parcels of land and buildings held to earn rentals. Carrying amount are as follow:

	2022	2021
Building	**₱240,248,521**	₱250,335,521
Land	**–**	61,963,000
	₱240,248,521	₱312,298,521

Movement in this account follows:

	Note	2022	2021
Cost			
Balance at beginning of year		**₱223,849,830**	₱220,626,787
Disposals		**(43,230,000)**	–
Additions		**–**	3,223,043
Balance at end of year		**180,619,830**	223,849,830
Cumulative Gain on Fair Value Changes			
Balance at beginning of year		**88,448,691**	71,378,191
Fair value gain	20	**–**	17,070,500
Disposals		**(28,820,000)**	–
Balance at end of year		**59,628,691**	88,448,691
Carrying Amount		**₱240,248,521**	₱312,298,521

On November 8, 2022, the Company sold a parcel of land located in San Fernando City, Pampanga with a carrying value of ₱72.1 million for ₱72.9 million resulting to a gain of ₱0.8 million.

Rental income earned from investment properties amounted to ₱33.5 million and ₱30.4 million in 2022 and 2021, respectively (see Note 23).

Direct costs incurred related to the investment property mainly pertains to the real property taxes amounting to ₱0.3 million in 2022 and 2021.

The fair value of investment properties are based on a valuation made by an independent qualified appraiser as at December 31, 2021. As at December 31, 2022, management assessed that the fair value did not significantly change from the last valuation report.

The fair value of the parcel of land was based on "Market Value" approach, using unobservable inputs such as average selling price per square meter. Estimated price per square meter based on this approach and unobservable input amounted to ₱50,000 per square meter. Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the properties.

The fair value of the building was determined using "Income Approach" based on what an investor is willing to pay for a particular investment. Estimated rental rate ranges from ₱450 to ₱600 per square meter and uses a discount rate of 7.77% to 12.00%. Significant changes in estimated rental rate per square meter and discount rate would significantly affect the fair value of the properties.

In relation to changes in unobservable inputs used, increase or decreases in prices per square meter and value adjustments are directly proportional to the fair value measurement of investment properties.

The fair value measurement considers the concept of value in use of the investment properties which is based on the highest and best use of the asset or that which may reasonably be expected to produce the highest return over a given period of time. The fair value measurement is categorized under Level 3 of the fair value hierarchy.

11. Property and Equipment

This account consists of:

	2022	2021
At revalued amount	**₱216,971,703**	₱220,287,341
At cost	**45,028,535**	52,269,399
	₱262,000,238	₱272,556,740

Movements of property and equipment carried at revalued amount are as follows:

	2022			
	Land	**Building**	**Other Equipment**	**Total**
Cost				
Balance at beginning and end of year	₱128,000,000	₱113,787,454	₱5,732,889	₱247,520,343
Accumulated Depreciation				
Balance at beginning of year	–	22,940,115	4,292,887	27,233,002
Depreciation	–	2,595,638	720,000	3,315,638
Balance at end of year	–	25,535,753	5,012,887	30,548,640
Carrying Amount	₱128,000,000	₱88,251,701	₱720,002	₱216,971,703

	2021			
	Land	Building	Other Equipment	Total
Cost				
Balance at beginning of year	₱115,200,000	₱107,209,326	₱5,272,889	₱227,682,215
Revaluation	12,800,000	6,578,128	460,000	19,838,128
Balance at end of year	128,000,000	113,787,454	5,732,889	247,520,343
Accumulated Depreciation				
Balance at beginning of year	–	20,599,304	3,802,889	24,402,193
Depreciation	–	2,340,811	489,998	2,830,809
Balance at end of year	–	22,940,115	4,292,887	27,233,002
Carrying Amount	₱128,000,000	₱90,847,339	₱1,440,002	₱220,287,341

The reconciliation of revaluation reserve on property and equipment is as follows:

	2022		
	Revaluation Reserve	**Deferred Tax Liability (see Note 22)**	**Net**
Balance at beginning of year	**₱164,948,666**	**₱41,237,167**	**₱123,711,499**
Transfer to retained earnings	**(3,315,638)**	**(828,910)**	**(2,486,728)**
Balance at end of year	**₱161,633,028**	**₱40,408,257**	**₱121,224,771**

	2021		
	Revaluation Reserve	Deferred Tax Liability (see Note 22)	Net
Balance at beginning of year	₱147,941,347	₱44,382,404	₱103,558,943
Revaluation increment	19,838,128	4,959,532	14,878,596
Impact of change in statutory tax rate	–	(7,397,067)	7,397,067
Transfer to retained earnings	(2,830,809)	(707,702)	(2,123,107)
Balance at end of year	₱164,948,666	₱41,237,167	₱123,711,499

Land, building and other equipment are stated at revalued amounts based on the latest independent property revaluation performed by an independent appraiser as at December 31, 2021. As at December 31, 2022, management believes that the fair value did not significantly change from the last valuation report.

The valuation for parcel of land was derived through "Market Value" approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Estimated price per square meter based on this approach and unobservable input amounted to ₱50,000.00 per square meter. Significant changes in estimated price per square meter would significantly affect the fair value of the properties.

In relation to changes in unobservable inputs used, increase or decreases in prices per square meter and value adjustments are directly proportional to the fair value measurement of investment properties.

The valuation for the building and other equipment was arrived using cost approach and straight-line depreciation-effective age methods. In this approach, the value of the building and other equipment is determined by deducting the estimated total accrued depreciation from the estimated total reproduction cost of similar new improvements. Reproduction cost figures are based on present day costs. The fair value measurement is categorized under Level 3 of the fair value hierarchy.

If land, building and other equipment were carried at cost less accumulated depreciation, the amounts would be as follows:

	2022	2021
Cost	**₱155,723,819**	₱155,723,819
Accumulated depreciation	**(100,385,141)**	(100,385,141)
Carrying Amount	**₱55,338,678**	₱55,338,678

The carrying amount pertains to the carrying amount of land as building and other equipment has been fully depreciated had it been carried at cost.

Movements of property and equipment carried at cost are as follows:

	2022				
	ROU Assets (Note 23)	**Office Furniture and Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Total**
Cost					
Balance at beginning of year	**₱46,086,873**	**₱58,902,994**	**₱15,894,273**	**₱265,810**	**₱121,149,950**
Additions	**–**	**1,364,143**	**1,289,991**	**–**	**2,654,134**
Transfer in from related party	**–**	**–**	**716,845**	**–**	**716,845**
Disposals	**–**	**(63,839)**	**(3,431,780)**	**–**	**(3,495,619)**
Balance at end of year	**46,086,873**	**60,203,298**	**14,469,329**	**265,810**	**121,025,310**
Accumulated Depreciation					
Balance at beginning of year	**9,066,270**	**49,041,520**	**10,506,951**	**265,810**	**68,880,551**
Depreciation	**4,533,135**	**3,147,033**	**1,870,996**	**–**	**9,551,164**
Transfer in from related party	**–**	**–**	**401,773**	**–**	**401,773**
Disposals	**–**	**(23,053)**	**(2,813,660)**	**–**	**(2,836,713)**
Balance at end of year	**13,599,405**	**52,165,500**	**9,966,060**	**265,810**	**₱75,996,775**
Carrying Amount	**₱32,487,468**	**₱8,037,798**	**₱4,503,269**	**₱–**	**₱45,028,535**

	2021				
	ROU Assets (Note 23)	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	₱46,086,873	₱50,733,651	₱13,128,104	₱265,810	₱110,214,438
Additions	–	8,169,343	4,369,413	–	12,538,756
Disposals	–	–	(1,603,244)	–	(1,603,244)
Balance at end of year	46,086,873	58,902,994	15,894,273	265,810	121,149,950
Accumulated Depreciation					
Balance at beginning of year	4,533,135	46,378,820	10,150,548	265,810	61,328,313
Depreciation	4,533,135	2,662,700	1,496,164	–	8,691,999
Disposals	–	–	(1,139,761)	–	(1,139,761)
Balance at end of year	9,066,270	49,041,520	10,506,951	265,810	68,880,551
Carrying Amount	₱37,020,603	₱9,861,474	₱5,387,322	₱–	₱52,269,399

In 2022, transfer of property and equipment from related party was made at carrying amount of ₱0.3 million which was also paid during the year (see Note 15).

Details of disposal of property and equipment are as follows:

	Note	2022	2021
Proceeds		**₱1,351,153**	₱588,481
Carrying amount		**(658,906)**	(463,483)
Gain on sale	20	**₱692,247**	₱124,998

Gain on sale of property and equipment is presented under "Other income" account in the statements of comprehensive income.

Depreciation and amortization consist of the following (see Note 19):

	2022	2021
At cost	**₱9,551,164**	₱8,691,999
At revalued amount	**3,315,638**	2,830,809
	₱12,866,802	₱11,522,808

The cost of fully depreciated property and equipment still being used in operations amounted to ₱56.0 million and ₱48.3 million as at December 31, 2022 and 2021, respectively.

12. Insurance Contract Liabilities

Insurance contract liabilities consist of:

	2022		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (see Note 7)**	**Net**
Provision for claims reported by policyholders	**₱61,136,838**	**₱4,359,631**	**₱56,777,207**
Provision for IBNR	**22,971,547**	**–**	**22,971,547**
Outstanding claims provision	**84,108,385**	**4,359,631**	**79,748,754**
Provision for unearned premiums	**236,487,173**	**12,528,933**	**223,958,240**
	₱320,595,558	**₱16,888,564**	**₱303,706,994**

	2021		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 7)	Net
Provision for claims reported by policyholders	₱102,046,579	₱13,908,681	₱88,137,898
Provision for IBNR	10,389,773	–	10,389,773
Outstanding claims provision	112,436,352	13,908,681	98,527,671
Provision for unearned premiums	205,088,712	10,828,422	194,260,290
	₱317,525,064	₱24,737,103	₱292,787,961

Movements of outstanding claims provision follow:

		2022		
	Note	**Insurance Contract Liabilities**	**Reinsurers' Share of Liabilities**	**Net**
Balance at beginning of year		**₱112,436,352**	**₱13,908,681**	**₱98,527,671**
Claims incurred during the year		**193,084,251**	**18,253,365**	**174,830,886**
Claims paid, net of recoveries	18	**(233,993,992)**	**(27,802,415)**	**(206,191,577)**
Decrease in IBNR	18	**12,581,774**	**–**	**12,581,774**
Balance at end of year		**₱84,108,385**	**₱4,359,631**	**₱79,748,754**

		2021		
	Note	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Balance at beginning of year		₱109,144,602	₱10,451,707	₱98,692,895
Claims incurred during the year		209,914,920	27,958,894	181,956,026
Claims paid, net of recoveries	18	(205,424,684)	(24,501,920)	(180,922,764)
Decrease in IBNR	18	(1,198,486)	–	(1,198,486)
Balance at end of year		₱112,436,352	₱13,908,681	₱98,527,671

Losses and claims payable settled by related parties on behalf of the Company amounted to ₱35.2 million and ₱46.4 million as at December 31, 2022 and 2021, respectively (see Note 15).

Movements of provision for unearned premiums follow:

		2022		
	Note	**Insurance Contract Liabilities**	**Reinsurers' Share of Liabilities**	**Net**
Balance at beginning of year		**₱205,088,712**	**₱10,828,422**	**₱194,260,290**
Premiums written during the year		**446,146,962**	**22,168,475**	**423,978,487**
Premiums earned during the year	17	**(414,748,501)**	**(20,467,964)**	**(394,280,537)**
Balance at end of year		**₱236,487,173**	**₱12,528,933**	**₱223,958,240**

		2021		
	Note	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Balance at beginning of year		₱178,166,105	₱10,982,789	₱167,183,316
Premiums written during the year		379,181,406	19,151,257	360,030,149
Premiums earned during the year	17	(352,258,799)	(19,305,624)	(332,953,175)
Balance at end of year		₱205,088,712	₱10,828,422	₱194,260,290

13. Premiums Due to Reinsurers

Premiums due to reinsurers pertains to premiums ceded to reinsurers under the Company's reinsurance contracts. This amounted to ₱3.8 million and ₱3.7 million as at December 31, 2022 and 2021, respectively.

14. Accounts and Other Payables

This account consists of:

	Note	**2022**	2021
Accounts payable		**₱6,712,657**	₱12,598,318
Statutory payables		**43,997,255**	61,373,631
Premium deposits		**10,858,930**	12,087,436
Commissions payable:			
Related parties	15	**3,947,812**	10,128,706
Third parties		**8,920,327**	807,500
Due to related parties	15	**10,917,440**	6,439,612
Accrued expenses		**3,982,781**	6,159,795
Others		**9,443,702**	9,443,702
		₱98,780,904	₱119,038,700

Accounts payable pertain to amounts due to agents, reinsurers, employees and individuals arising from non-insurance transactions. These are normally settled within one year after the reporting date.

Statutory payables consist of government contributions and withholding, premium and fire service tax payable which are normally settled within the subsequent month. These payables also consist of deferred output taxes which are settled upon collection of premium receivables.

Premium deposits pertain to collections from policyholders which are subsequently applied against receivables and collections from canceled subscriptions which will be refunded to policyholders.

Commissions payable pertain to amounts due to affiliates and agents arising from sale of insurance premiums.

Accrued expenses consist of unpaid utilities, rent, transportation and travel, employee incentives and bonuses. These are normally settled within one year after the reporting date.

Other payables pertain to provision for unasserted claims and assessments set-up by the Company. Pursuant to Section 92 of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, any information that are expected to seriously prejudice the position of an entity, subject of the provision need not be disclosed. No additional provision was recognized in 2022 and 2021.

15. Related Party Transactions

In the ordinary course of business, the Company has transactions with its related parties as follows:

			Amount of Transactions		Outstanding Balance	
Relationship	Nature of transactions	Note	**2022**	2021	**2022**	2021
Entities under common control	Premiums receivable	5	**₱207,713,352**	₱142,371,938	**₱51,219,264**	₱47,090,703
	Real estate mortgage loans receivable	6	**₱120,000,000**	₱–	**₱120,000,000**	₱–
	Loans and receivables					
	Premiums collected		**₱25,345,827**	₱25,660,320	**₱5,300**	₱6,867,304
	Rent		**32,885,716**	29,862,502	**–**	–
	Sale of investment property		**72,876,027**	–	**–**	–
	Transfer of property and equipment		**315,073**	–	**–**	–
	Others		**5,165,138**	902,608	**1,704,467**	472,472
		6			**₱1,709,767**	₱7,339,776
	Losses and claims payable	12	**₱103,645,956**	₱120,655,041	**₱35,192,002**	₱46,374,939
	Commission payable	14	**37,270,456**	27,776,642	**3,947,812**	10,128,706
	Due to related parties	14	**29,215,635**	50,970,520	**10,917,440**	6,439,612

Outstanding balances as at year-end are unsecured, noninterest-bearing, and payable and collectible within normal credit terms or on demand and are normally settled in cash. The Company did not recognize any impairment loss on outstanding related party receivables in 2022 and 2021. The assessment is undertaken each financial year by examining the financial position of related parties and the market in which they operate.

Compensation of Key Management Personnel
The aggregate compensation of key management personnel of the Company pertains to short-term benefits amounting to ₱12.5 million and ₱9.3 million in 2022 and 2021, respectively.

16. Equity

Contingency Surplus
Contingency surplus is received from the Company's stockholders.

In 2022, the Company received an additional cash contribution from stockholders amounting to ₱140.0 million. Through a memorandum dated February 6, 2023, the IC acknowledged the said cash infusion made to the Company.

Contingency surplus amounted to ₱349.0 million and ₱209.0 million as at December 31, 2022 and 2021, respectively.

Pursuant to Circular Letter (CL) 2016-65 issued by IC, contingency surplus represents contributions of stockholders to cover any impairment in net worth requirement and can be withdrawn upon the approval of the IC.

Retained Earnings
Under the Revised Corporation Code of the Philippines, stock corporations are generally prohibited from retaining surplus profits in excess of 100% of their paid up capital.

As at December 31, 2022 and 2021, the Company's retained earnings amounting to ₱665.4 million and ₱564.3 million, respectively, is in excess of its paid-up capital. The retention of excess retained earnings is mainly due to the requirements of the IC for minimum statutory net worth for which the Company has to comply with (see Note 24).

17. Net Earned Insurance Premiums

Gross earned insurance premiums on insurance contracts follow:

	Note	2022	2021
Gross premiums on insurance contracts:			
Direct insurance		**₱440,581,338**	₱372,621,986
Assumed reinsurance		**5,565,624**	6,559,420
Total gross premium on insurance contracts		**₱446,146,962**	379,181,406
Total reinsurer's share of gross change in insurance contract liabilities		**(31,398,461)**	(26,922,607)
Total gross earned premiums on insurance contracts	12	**₱414,748,501**	₱352,258,799

Reinsurers' share of gross earned premiums on insurance contracts follow:

	Note	2022	2021
Reinsurers' share of gross premiums on direct insurance contracts		**₱22,168,475**	₱19,151,257
Reinsurers' share of gross change in provision for unearned premiums		**(1,700,511)**	154,367
Total reinsurer's share of gross earned premiums on insurance contracts	12	**₱20,467,964**	₱19,305,624

18. Net Insurance Benefits and Claims

This account consists of:

	Note	2022	2021
Gross benefits and claims paid on insurance contracts	12	**₱233,993,992**	₱205,424,684
Reinsurers' share of general insurance contract benefits and claims paid on insurance contracts	12	**(27,802,415)**	(24,501,920)
Net benefits and claims paid	12	**206,191,577**	180,922,764
Gross change in outstanding claims provisions:			
Direct insurance		**(40,909,740)**	4,490,235
Decrease in IBNR	12	**12,581,774**	(1,198,486)
Total gross change in insurance contract liabilities		**(28,327,966)**	3,291,749
Total reinsurer's share of gross change in insurance contract liabilities		**(9,549,050)**	3,456,975
Net change in insurance contract liabilities		**(37,877,016)**	6,748,724
Net insurance benefits and claims		**₱168,314,561**	₱187,671,488

19. Operating Expenses

This account consists of:

	Note	2022	2021
Personnel costs		**₱32,938,531**	₱30,140,837
Outside services		**23,058,395**	41,208,597
Insurance		**11,842,419**	15,268,544
Fuel, light and water		**11,577,258**	11,251,343
Provision for impairment losses on insurance receivables	5,6	**11,243,045**	29,384,809
Depreciation and amortization	11	**8,333,667**	6,989,673
Depreciation of ROU asset	11, 23	**4,533,135**	4,533,135
Taxes and license fees		**4,444,744**	3,015,280
Communication		**3,160,933**	2,985,620
Advertising and promotions		**3,149,822**	9,658,181
Repairs and maintenance		**2,169,279**	2,942,916
Bank charges		**1,962,094**	1,870,837
Supplies		**1,780,955**	2,185,986
Transportation		**1,478,987**	1,020,814
Association dues		**1,336,088**	1,117,104
Rent	23	**905,900**	902,400
Employee welfare		**898,086**	1,013,048
Entertainment, amusement and recreation		**586,939**	414,290
Service fees		**464,911**	112,500
Others		**2,716,996**	2,506,569
		₱128,582,184	₱168,522,483

Personnel costs consist of:

	Note	2022	2021
Salaries, wages and other employee benefits		**₱31,080,295**	₱28,047,201
Retirement expense	21	**1,858,236**	2,093,636
		₱32,938,531	₱30,140,837

20. Other Income - Net

This account consists of:

	Note	2022	2021
Rent income	23	**₱33,514,324**	₱30,389,830
Investment income	6	**21,352,830**	16,665,633
Commission income	8	**4,419,794**	3,892,924
Gain on sale of investment property	10	**826,027**	–
Gain on sale of property and equipment	11	**692,247**	124,998
Unrealized foreign exchange gain (loss)		**486,901**	(25,531)
Fair value gain on investment properties	10	**–**	17,070,500
Others		**1,958,100**	3,883,617
		₱63,250,223	₱72,001,971

21. Retirement Benefits

The Company has a funded, noncontributory and defined benefit retirement plan for its qualified employees. The benefits are based on the years of service and percentage of latest monthly salary. The latest actuarial valuation for the period ended December 31, 2021 and 2020 is as at April 14, 2021.

The following tables summarize the components of retirement benefit expense recognized in the statements of comprehensive income and the movements and amounts recognized in the statements of financial position.

Retirement benefit expense recognized in the statements of comprehensive income and presented in "Personnel costs" account under "Operating expenses" consists of:

	2022	2021
Current service cost	**₱1,279,540**	₱1,583,688
Net interest cost	**578,696**	509,948
	₱1,858,236	₱2,093,636

Net retirement liability recognized in the statements of financial position is as follows:

	2022	2021
Present value of defined benefits obligation	**₱8,028,142**	₱14,404,493
Fair value of retirement plan assets	**(448,454)**	(460,000)
	₱7,579,688	₱13,944,493

Changes in present value of defined benefits obligation are as follows:

	2022	2021
Balance at beginning of year	**₱14,404,493**	₱12,310,857
Current service cost	**1,279,540**	1,583,688
Interest cost	**597,786**	509,948
Net released obligation due to employee transfers	**(617,902)**	–
Remeasurement gain on defined benefits obligation		
Changes in financial assumptions	**(4,723,890)**	–
Experience adjustments	**(2,911,885)**	–
Balance at end of year	**₱8,028,142**	₱14,404,493

Changes in fair value of retirement plan assets are as follows:

	2022	2021
Balance at beginning of year	**₱460,000**	₱–
Remeasurement loss on plan assets	**(30,636)**	–
Interest income	**19,090**	–
Contribution	**–**	460,000
Balance at end of year	**₱448,454**	₱460,000

The cumulative remeasurement loss on net retirement liability recognized in OCI as at December 31 follows:

	2022		
	Cumulative Remeasurement Gain (Loss)	**Deferred Tax**	**Net**
Balance at beginning of year	**(₱5,644,506)**	**(₱1,411,127)**	**(₱4,233,379)**
Remeasurement gain	**7,605,139**	**1,901,285**	**5,703,854**
Balance at end of year	**₱1,960,633**	**₱490,158**	**₱1,470,475**

	2021		
	Cumulative Remeasurement Loss	Deferred Tax	Net
Balance at beginning of year	(₱5,644,506)	(₱1,693,352)	(₱3,951,154)
Impact of change in statutory tax rate	–	282,225	(282,225)
Balance at end of year	(₱5,644,506)	(₱1,411,127)	(₱4,233,379)

The Company is expected to contribute to its retirement fund in 2023.
The plan exposes the Company to the following risks:

- *Salary risk* - any increase in the retirement plan participants' salary will increase the retirement plan's liability.

- *Longevity risk* - any increase in the plan participants' life expectancy will increase the retirement plan's liability.

- *Interest rate risk* - a decrease in the bond interest rate will increase the present value of the retirement liability. However, partially counterbalanced by an increase in the return on the plan assets.

- *Investment risk* - if the actual return on plan assets is below the discount rate used in calculating the present value of the retirement liability, a plan deficit will arise. However, the compositions of plan assets are balanced enough not to expose the Company to significant concentrations of investment risk.

The principal assumptions used to determine the net retirement liability in 2022 and 2021 are as follows:

	2022	2021
Discount rates	**7.35%**	4.15%
Salary increase rate	**5.00%**	5.00%

Sensitivity analysis based on reasonably possible changes of the assumptions on net retirement liability as at December 31, 2022 are as follows:

	Change in Assumption	Effect on Net Retirement Liability	Present Value of Net Retirement Liability
Discount rate	+1.0%	(₱515,758)	₱7,063,930
	-1.0%	1,614,983	9,194,671
Salary increase rate	+1.0%	1,666,989	9,246,677
	-1.0%	(571,676)	7,008,012

The schedule below presents a projection of benefit payments expected to be paid out of the retirement fund in 2022 and 2021.

Period	**2022**	2021
Between one to five years	**₱2,842,069**	₱2,502,123
Between five and 10 years	**3,545,778**	5,704,893
Between 10 to 15 years	**5,520,264**	2,933,714
Between 15 to 20 years	**19,668,341**	9,272,553
Over 20 years	**74,092,642**	120,726,251
	₱105,669,094	₱141,139,534

The weighted average duration of the net retirement liability is 19 years.

22. Income Taxes

The Company's income tax represents regular corporate income tax (RCIT) in 2022 and 2021.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020.

The approval of the law is considered a non-adjusting event for financial reporting in 2020. The retroactive impact of change in statutory income tax rate is recognized in profit or loss in 2021.

The income tax rates used in preparing the financial statements are 25% and 1% for RCIT and MCIT in 2022 and 2021.

Deferred tax assets and liabilities as at December 31, 2021 were remeasured using the new tax rate of 25%.

The Company's net deferred tax liabilities relate to the tax effect of the following temporary differences:

	2022	2021
Deferred tax liabilities on:		
Revaluation of property and equipment carried at fair value	**₱40,408,257**	₱41,237,167
Fair value gain on investment properties	**14,907,173**	22,112,173
Accumulated depreciation for investment property	**1,694,821**	827,864
Unrealized foreign exchange gain	**121,725**	–
	57,131,976	64,177,204
Deferred tax assets on:		
Allowance for impairment losses on receivables	**9,307,909**	10,689,371
Provision for IBNR losses	**5,742,887**	2,597,443
Net retirement liability	**1,894,922**	3,486,124
Excess of lease liability over ROU asset	**959,151**	757,487
Unrealized foreign exchange loss	**–**	6,383
	17,904,869	17,536,808
Net deferred tax liabilities	**₱39,227,107**	₱46,640,396

The components of provision for (benefit from) income tax as reported in the statements of comprehensive income are recognized in the following:

	Note	**2022**	2021
Reported in Profit or Loss			
Current tax:			
Provision for current tax		**₱35,327,455**	₱2,327,373
Impact of change in statutory tax rate		**–**	(623,190)
		35,327,455	1,704,183
Deferred tax:			
Movement in deferred tax liabilities		**(9,314,574)**	(3,267,003)
Impact of change in statutory tax rate		**–**	(1,874,730)
		(9,314,574)	(5,141,733)
		₱26,012,881	(₱3,437,550)
Reported in OCI			
Deferred tax:			
Revaluation increment on property and equipment	11	**(₱828,910)**	₱4,959,532
Remeasurement gain on net retirement liability	21	**1,901,285**	282,225
Impact of change in statutory tax rate		**–**	(7,114,842)
		₱1,072,375	(₱1,873,085)

The reconciliation of provision for income tax computed at statutory income tax rates to the provision for (benefit from) income tax as shown in the statements of comprehensive income follows:

	2022	2021
Provision for income tax at statutory income tax rate	**₱31,137,576**	₱3,168,680
Transfer of retirement liability	**154,476**	–
Income tax effects of:		
Interest income already subjected to final tax	**(3,994,496)**	(2,837,463)
Dividend income exempted from tax	**(1,343,712)**	(1,328,946)
Investment expenses	**59,037**	58,099
Impact of change in statutory tax rate		
Provision for current income tax	**–**	(623,190)
Provision for deferred income tax	**–**	(1,874,730)
	₱26,012,881	(₱3,437,550)

23. Operating Lease Commitments

Operating Lease Commitments - The Company as a Lessor

The Company, as a lessor, has entered into several operating lease agreements with related parties covering office spaces for various periods ranging between one to five years.

Rental income earned by the Company amounted to ₱33.5 million and ₱30.4 million in 2022 and 2021, respectively (see Note 10). These amounts are presented under "Other income" account in the statements of comprehensive income.

Future minimum rental receivables in 2022 and 2021 under the said lease agreements are as follows:

	2022	2021
Within one year	**₱37,586,944**	₱37,592,043
After one year but not more than five years	**39,907,698**	61,351,502
More than five years	**17,328,656**	28,334,695
	₱94,823,298	₱127,278,240

Operating Lease Commitments - The Company as a Lessee

The Company, as a lessee, has entered into operating lease agreements for the land where its newly-constructed building is located and several of its branch offices with varying terms ranging between one to ten years with and escalation rate of 5% every three years. The leases are renewable under certain terms and conditions.

The ROU asset and lease liability are measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate of 4.68% at adoption date.

Movements in ROU asset follows:

	Note	**2022**	2021
Balance at beginning of year		**₱37,020,603**	₱41,553,738
Amortization	19	**(4,533,135)**	(4,533,135)
Carrying amount		**₱32,487,468**	₱37,020,603

Movements in lease liability follows:

	2022	2021
Balance as at beginning of year	**₱40,050,551**	₱43,607,119
Payments	**(5,520,000)**	(5,520,000)
Interest expense	**1,793,522**	1,963,432
Balance at end of year	**36,324,073**	40,050,551
Current portion	**(4,138,583)**	(3,726,479)
Noncurrent portion	**₱32,185,490**	₱36,324,072

Lease-related accounts recognized in the statements of comprehensive income are as follows:

	Note	2022	2021
Depreciation of ROU asset	19	**₱4,533,135**	₱4,533,135
Interest expense on lease liability		**1,793,522**	1,963,432
Rent expense on short term leases	19	**905,900**	902,400
		₱7,232,557	₱7,398,967

Rent expense for short-term operating lease agreements with third party lessors for its branch offices are recognized as on a straight-line basis over the lease term.

Future minimum payments on lease liability follows:

	2022	2021
Within one year	**₱4,138,583**	₱3,726,479
After one year but not more than five years	**19,387,686**	18,175,370
More than five years	**12,797,804**	18,148,702
	₱36,324,073	₱40,050,551

24. Insurance and Financial Risk Management Objectives and Capital Management

Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This is influenced by the frequency of claims, severity of claims, when actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The following tables set out the concentration of the claims liabilities by the type of contract as of December 31.

	2022		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**
Motor	**₱69,999,740**	**₱222,806**	**₱69,776,934**
Fire	**6,245,867**	**234,970**	**6,010,897**
Casualty	**766,657**	**50,193**	**716,464**
Marine	**124,622**	**61,310**	**63,312**
Bond	**96,892**	**20,000**	**76,892**
Accident	**1,325,901**	**102,902**	**1,222,999**
Engineering	**5,548,706**	**3,667,450**	**1,881,256**
	₱84,108,385	**₱4,359,631**	**₱79,748,754**

	2021		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Motor	₱101,034,954	₱9,198,839	₱91,836,115
Fire	4,061,680	3,483,009	578,671
Casualty	838,415	12,520	825,895
Marine	152,806	19,930	132,876
Bond	171,000	65,000	106,000
Accident	320,952	15,383	305,569
Engineering	5,856,545	1,114,000	4,742,545
	₱112,436,352	₱13,908,681	₱98,527,671

For general insurance contracts, the most significant risks which arise from motor are car accidents, carnapping, weather disturbances, natural disasters and terrorist activities. These risks vary significantly in relation to the location of the risk insured by the Company and the types of risks insured.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diverse portfolio is less likely to be affected by across the board changes in any subset of the portfolio.

The variability of risks is also improved by careful selection and implementation of underwriting strategies, strict claims review policies to assess all new and ongoing claims, as well as the investigation of possible fraudulent claims. The Company also enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can impact the Company negatively.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements. The purpose of these underwriting and insurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Company's premiums retained.

The majority of reinsurance business ceded is placed on a surplus and excess-of-loss basis with retention limits varying by the product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statements of financial position as reinsurance assets.

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

The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon a single reinsurance contract. There is no single counterparty exposure that exceeds 5% of the total reinsurance assets at the reporting date.

Financial Risk Management Objectives

The Company's principal financial instruments consist of cash in banks and cash equivalents, short-term investments, HTM investments and AFS investments. The Company also has various other financial assets and liabilities such as insurance receivables, loans and receivables, insurance contract liabilities, insurance payables, accounts and other payables (excluding statutory liabilities) and lease liability which arise directly from its operations. Financial assets arise from the Company's investing activities.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk and equity price risk. The Company's BOD and management review and approve the policies for managing each of the risks summarized below.

Credit Risk. Credit risk is a risk that the Company will incur financial loss when its counterparties fail to discharge their contractual obligations. The Company deals with reputable banks to limit this risk.

The table below shows the credit risk exposure of the Company's financial assets as at December 31, 2022 and 2021.

	2022	2021
Cash in banks	**₱388,855,180**	₱143,796,616
Cash equivalents	**238,619,038**	124,851,288
Short-term investments	**–**	127,973,981
Insurance receivables	**135,591,322**	147,661,569
Loans and receivables	**6,658,903**	11,595,952
Long-term investments	**10,167,556**	–
Real estate mortgage loans receivables	**120,000,000**	–
HTM investments	**414,291,835**	411,192,599
AFS investments	**102,461,584**	116,122,906
	₱1,416,645,418	₱1,083,194,911

The tables below show the credit quality of financial assets as at December 31, 2022 and 2021.

	2022							
	Neither past due or impaired			Past due but not impaired				
	High Grade	Substandard Grade	Standard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Impaired	Total
Cash in banks	₱ 388,855,180	₱–	₱–	₱–	₱–	₱–	₱–	₱388,855,180
Cash equivalents	238,619,038	–	–	–	–	–	–	238,619,038
Insurance receivables	–	135,591,322	–	–	–	–	37,231,636	172,822,958
HTM investments	414,291,835	–	–	–	–	–	–	414,291,835
AFS investments	102,461,584	–	–	–	–	–	–	102,461,584
Long-term investments	10,167,556	–	–	–	–	–	–	10,167,556
Real estate mortgage loans	120,000,000	–	–	–	–	–	–	120,000,000
Loans and receivables	–	6,658,903	–	–	–	–	–	6,658,903
	₱1,274,395,193	₱142,250,225	₱–	₱–	₱–	₱–	₱37,231,636	₱1,453,877,054

	2021							
	Neither past due or impaired			Past due but not impaired				
	High Grade	Substandard Grade	Standard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Impaired	Total
Cash in banks	₱143,796,616	₱–	₱–	₱–	₱–	₱–	₱–	₱143,796,616
Cash equivalents	124,851,288	–	–	–	–	–	–	124,851,288
Short-term investments	127,973,981	–	–	–	–	–	–	127,973,981
Insurance receivables	–	147,661,569	–	–	–	–	39,392,181	187,053,750
HTM investments	411,192,599	–	–	–	–	–	–	411,192,599
AFS investments	116,122,906	–	–	–	–	–	–	116,122,906
Loans and receivables	11,595,952	–	–	–	–	–	3,365,304	14,961,256
	₱935,533,342	₱147,661,569	₱–	₱–	₱–	₱–	₱42,757,485	₱1,125,952,396

Cash in banks, cash equivalents, short-term investments and long-term investments are classified as high grade since these are deposited in reputable banks with good credit rating and low probability of insolvency.

HTM and AFS investments are assessed as high grade since these include investment in government treasury bonds and investment in equity securities of companies having good financial condition and operating in an industry which has potential growth.

High grade receivables pertain to those receivables from counterparties that consistently pay before the maturity date. Standard grade includes receivables that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under substandard grade receivables.

The Company has no significant concentration of credit risk in relation to its financial assets.

Liquidity Risk. Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated funds. The Company manages its liquid funds through cash planning, using historical figures and experiences as well as reasonable forecasts for its collections and disbursements.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31 based on contractual undiscounted payments:

	2022				
	Within 1 Year	**1 to 3 Years**	**>3 to 5 Years**	**Over 5 Years**	**Total**
Premiums due to reinsurers	**₱3,763,324**	**₱–**	**₱–**	**₱–**	**₱3,763,324**
Accounts and other payables*	**54,783,649**	**–**	**–**	**–**	**54,783,649**
Lease liability**	**4,138,583**	**8,977,883**	**10,409,803**	**12,797,804**	**36,324,073**
	₱62,685,556	**₱8,977,883**	**₱10,409,803**	**₱12,797,804**	**₱94,871,046**

	2021				
	Within 1 Year	1 to 3 Years	>3 to 5 Years	Over 5 Years	Total
Premiums due to reinsurers	₱3,681,113	₱–	₱–	₱–	₱3,681,113
Accounts and other payables*	57,665,069	–	–	–	57,665,069
Lease liability**	3,726,479	8,522,799	9,652,571	18,148,702	40,050,551
	₱65,072,661	₱8,522,799	₱9,652,571	₱18,148,702	₱101,396,733

** Excluding statutory payables amounting to ₱44.0 million and ₱61.4 million as at December 31, 2022 and 2021, respectively.*
*** Excluding future interest payments amounting to ₱6.6 million and ₱8.4 million as at December 31, 2022 and 2021, respectively.*

Foreign Currency Risk. The Company's exposure to foreign currency risk results from its cash in banks denominated in United States Dollar (US$) which management believes that such risk is minimal. The exposure in US foreign currency risk is managed by monitoring the foreign exchange movement on a monthly basis.

The carrying amount of the Company's monetary assets denominated in US dollars at the reporting date are as follows:

	December 31, 2022		December 31, 2021	
	US Dollar	**Peso**	US Dollar	Peso
Cash in bank	**US$108,162**	**₱6,070,032**	US$14,638	₱746,538

The sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's net income before income tax and equity for the years ended December 31, 2022 and 2021 are as follows:

	2022		
	Increase (decrease) in Foreign Exchange Rate	**Effect on Income Before Income Tax**	**Effect on Equity**
US$	**10.04%**	**₱609,431**	**₱457,073**
	-10.04%	**(609,431)**	**(457,073)**

	2021		
	Increase (decrease) in Foreign Exchange Rate	Effect on Income Before Income Tax	Effect on Equity
US$	6.17%	₱46,062	₱34,547
	-6.17%	(46,062)	(34,547)

The exchange rate used for conversion of US$ amounts to its Peso equivalent is ₱56.12 and ₱51.00 in 2022 and 2021, respectively.

Equity Price Risk. The Company's price risk exposure at year-end relates to financial instruments whose values will fluctuate as a result of changes in market prices, principally, AFS investments. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factor specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's assessment of reasonably possible change, based on its expectations, was determined to be an increase of 20.6% and 18.7% in the index resulting to a possible increase on other comprehensive income of ₱12.6 million and ₱13.6 million as at December 31, 2022 and 2021, respectively. There is no material impact on the Company's equity other than those already affecting the profit and loss.

Capital Management

The primary objective of the Company's capital management is to ensure that it complies with the IC requirements. The Company manages its capital structure and makes adjustments whenever there are changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and process in 2022 and 2021.

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

The following presents the amount of required net worth and the schedule of compliance:

Networth	Compliance Date
₱250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

On January 13, 2015, the IC issued CL No. 2015-02-A which provides for the clarification of minimum capital requirements under Sections 194, 197, 200 and 289 of The New Insurance Code. The said circular supersedes the Department Order Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008.

The minimum net worth requirements must remain unimpaired for the continuance of the license. Pursuant to Section 202 of the Code, the estimated amount of non-admitted assets as at December 31, 2022 and the actual non-admitted assets as at December 31, 2021 follows:

	2022 (Estimated)	2021 (Actual)
Insurance receivables	**₱17,449,646**	₱56,820,198
Loans and receivables	**3,639,496**	4,421,920
Other assets	**85,807,992**	140,030,162
	₱106,897,134	₱201,272,280

Other assets pertain to prepayments, transportation equipment, office equipment and furniture and fixtures which are generally non-admitted assets.

The Company's estimated net worth as at December 31, 2022 and the actual net worth as at December 31, 2021 based on the examination of IC follows:

	2022 (Estimated)	2021 (Actual)
Total assets	**₱1,980,962,198**	₱1,752,662,167
Total liabilities	**532,812,921**	543,077,118
Equity	**1,448,149,277**	1,209,585,049
Less: Non-admitted assets	**106,897,134**	201,272,280
Net worth	**1,341,252,143**	1,008,312,769
Less: Net worth requirements	**1,300,000,000**	900,000,000
Excess over net worth requirement	**₱41,252,143**	₱108,312,769

In 2020, the IC issued CL No. 2020-58 which provided regulatory relief on admittance of receivables from 90 days to 180 days from the date of issuance of the policies. The relief was applied for annual reports for the year 2020 unless extended or changed as deemed necessary. In 2021, the IC issued CL No. 2021-43 extending the regulatory relief up to annual reports for the year 2021.

As at December 31, 2022 and 2021, the Company's estimated and actual net worth respectively, is compliant with the minimum statutory net worth requirements of the IC.

Risk-based Capital (RBC) Requirements

The RBC ratio shall be computed as net worth divided by the RBC requirement. Net worth shall include the Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve shall form part of the net worth only to the extent authorized by the IC. The RBC requirement is the ratio of the number of insurers which are able to meet the corresponding RBC Hurdle Rate requirement for a given year to the total number of insurers in the industry.

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

The following table shows how the RBC ratio as at December 31, 2022 and 2021 was determined by the Company based on its internal calculations:

	2022 (Estimated)	2021 (Actual)
Total available capital	**₱1,434,888,216**	₱1,192,896,247
RBC requirement	**220,022,007**	203,010,560
RBC ratio	**652%**	571%

The final amount of the RBC ratio as at December 31, 2022 can be determined only after the accounts of the Company have been examined by IC specifically for the determination of admitted and non-admitted assets as defined under the Code.

CL No. 2016-65, *Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607),* prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Code and all other accounts not discussed in the Code but are used in accounting of insurance and reinsurance companies.

CL No. 2016-67, *Valuation Standards for Non-Life Insurance Policy Reserves,* prescribes the new valuation methodology for the non-life insurance companies. Non-life insurance companies will be changing the basis of valuation of their non-life insurance reserves. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The IBNR reserves will now be computed using actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method, and Bornheutter-Ferguson method. A margin for the adverse deviation is estimated based on standard projection techniques or combination of such techniques, such as but not limited to Mack method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the Policy Liabilities at the 75th percentile level of sufficiency. Discount rates to be used shall be current risk-free rates. The rates shall exactly match the duration of the policy and the currency of the cash flows and shall be prescribed by the IC.

CL No. 2016-69, implementation requirements for FRF, valuation standards for insurance policy reserves and new risk-based capital framework provides that the level of sufficiency for the RBC 2 Framework shall be at 95% level in 2017, 97.50% in 2018, and 99.50% in 2019.

The new regulatory requirements under CL Nos. 2016-65, 2016-67, 2016-68, and 2016-69 shall take effect on January 1, 2017.

As at December 31, 2022 and 2021, the Company is compliant with the RBC ratio requirements of the IC.

25. Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements as at December 31, 2022 and 2021:

	2022		2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**₱630,393,536**	**₱630,393,536**	₱289,862,124	₱289,862,124
Short-term investments	**–**	**–**	127,973,981	127,973,981
Insurance receivables	**135,591,322**	**135,591,322**	147,661,569	147,661,569
Loans and receivables	**6,658,903**	**6,658,903**	11,595,952	11,595,952
Long-term investments	**10,167,556**	**10,167,556**	–	–
Real estate mortgage loans receivable	**120,000,000**	**118,780,911**	–	–
HTM investments	**414,291,835**	**410,906,842**	411,192,599	419,622,475
AFS investments	**102,461,584**	**102,461,584**	116,122,906	116,122,906
	₱1,419,564,736	**₱1,414,960,654**	₱1,104,409,131	₱1,112,839,007
Financial Liabilities				
Financial liabilities at amortized cost				
Premiums due to reinsurers	**₱3,763,324**	**₱3,763,324**	₱3,681,113	₱3,681,113
Accounts and other payables*	**54,783,649**	**54,783,649**	57,665,069	57,665,069
Lease liability	**36,324,073**	**33,911,995**	40,050,551	40,039,183
	₱94,871,046	**₱92,458,968**	₱101,396,733	₱101,385,365

**Excluding statutory payables amounting to ₱44.0 million and ₱61.4 million in 2022 and 2021, respectively.*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Insurance Receivables, Loans and Receivables, Premiums Due to Reinsurers and Accounts and Other Payables (excluding Statutory Payables). The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

HTM and AFS investments. The fair values were determined based on Level 1 in which the inputs are based on quoted prices in active markets.

Long-term Investments. Long-term investments consist of cash time deposits that have a maturity of more than one year. Its carrying amount approximates its fair value because the interest rate that it earns approximates the interest rate for comparable instrument in the market.

Real Estate Mortgage Loans Receivable. The fair values of real estate mortgage loans receivable were determined based on Level 2 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market. The discount rates used in determining the fair value of the Company's real estate mortgage loans receivable ranges from 4.95% to 6.46% in 2022.

Lease Liability. Fair value is generally based upon quoted market prices. If the market prices are not readily available, fair value is estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. As at December 31, 2022 and 2021, the discount rates used in determining the fair value of lease liability is 6.68% and 4.68%, respectively. Lease liability is measured using level 2 valuation technique.

Fair Value Hierarchy

For the year ended December 31, 2022 and 2021, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

26. Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

VAT

The Company's revenue is subject to output VAT based on receipts while its purchases from other VAT-registered individuals or corporations are subject to input VAT.

a. Output VAT

	Net Receipts	Output VAT
Vatable revenues	₱538,746,645	₱64,540,983
Zero-rated revenues	905,119	–
	₱539,651,764	₱64,540,983

Output VAT is based on gross receipts while the amount of revenue presented in the statement of comprehensive income is based on accrual method.

b. Input VAT

	₱–
Current year's domestic purchases of services	24,919,012
Current year's domestic purchases of goods other than capital goods	217,735
Purchase of capital goods not exceeding ₱1.0 million	126,601
Allowable input VAT	25,263,348
Applied against output VAT	25,263,348
Balance at end of year	₱–

Total VAT payments in 2022 amounted to ₱28.0 million. Outstanding balance of net output VAT payable amounted to ₱11.0 million and is included as part of "Statutory liabilities" line item under "Trade and other payables" account.

All Other Local and National Taxes

The Company's local and national taxes for the year ended December 31, 2022 consist of:

Local business permits	₱933,766
Documentary stamp tax	907,586
Real property tax	733,162
Insurance commission fees	514,080
Annual VAT registration fees	2,000
Others	1,354,150
	₱4,444,744

Withholding Taxes

Withholding taxes paid, accrued and/or withheld by the Company for the year ended December 31, 2022 consist of:

	Paid	Accrued	Total
Expanded withholding taxes	₱9,793,820	₱621,443	₱10,415,263
Withholding taxes on compensation	1,540,734	256,749	1,797,483
	₱11,334,554	₱878,192	₱12,212,746

Tax Assessment and Case

The Company has no pending tax assessment and tax case as at and for the year ended December 31, 2022.

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
BUREAU OF INTERNAL REVENUE

The Stockholders and the Board of Directors
Corporate Guarantee & Insurance Company, Incorporated
Doing business under the name and style of
Corporate Guarantee (A Non-Life Insurance Company)
2nd Floor, CGIC Building
Jose Abad Santos Avenue, San Jose
City of San Fernando, Pampanga, 2000

EXCLUSIVE PURPOSE
This document is being issued exclusively for below purpose only:
Insurance Commission
Advisory No. RS-2023-008
May 30, 2023

We have audited the accompanying financial statements of Corporate Guarantee & Insurance Company, Incorporated doing business under the name and style of Corporate Guarantee (A Non-Life Insurance Company) (the Company) as at and for the years then ended December 31, 2022 and 2021, on which we have rendered our report dated April 3, 2023.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

REYES TACANDONG & CO.

PAMELA ANN P. ESCUADRO
Partner
CPA Certificate No. 128829
Tax Identification No. 216-321-918-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 128829-SEC Group A
Issued March 23, 2021
Valid for Financial Periods 2020 to 2024
IC Accreditation No. 128829-IC
Issued February 22, 2021
Valid for Financial Periods 2020 to 2024
BIR Accreditation No. 08-005144-013-2023
Valid until January 24, 2026
PTR No. 9564568
Issued January 3, 2023, Makati City

April 3, 2023
Makati City, Metro Manila