Pioneer Intercontinental Insurance Corporation

Financial Statements
December 31, 2021 and 2020

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Pioneer Intercontinental Insurance Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pioneer Intercontinental Insurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 27 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 Pioneer Intercontinental Insurance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-081-2021, February 1, 2021, valid until January 31, 2024
PTR No. 8854354, January 3, 2022, Makati City

April 8, 2022

PIONEER INTERCONTINENTAL INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Cash and cash equivalents (Notes 4 and 26)	**₱191,165,492**	₱83,275,457
Insurance receivables - net (Notes 5 and 26)	**179,051,635**	160,363,647
Financial assets (Notes 2, 6 and 26)		
Financial assets at fair value through profit or loss (FVTPL)	**29,025,624**	16,915,649
Financial assets at fair value through other comprehensive income (FVOCI)	**275,596,381**	265,326,863
Investments securities at amortized cost	**254,078,974**	255,046,726
Loans and receivables - net	**29,599,534**	20,098,367
Investment in an associate (Note 7)	**747,116,956**	747,116,956
Interest receivable (Note 26)	**5,136,080**	3,435,121
Reinsurance assets (Notes 9 and 13)	**176,489,936**	122,330,499
Deferred acquisition costs (Note 8)	**15,900,979**	15,096,157
Net pension asset (Note 11)	**18,046,497**	16,980,272
Right-of-use assets (Note 24)	**341,510**	125,306
Other assets (Note 12)	**9,205,984**	14,291,123
TOTAL ASSETS	**₱1,930,755,582**	₱1,720,402,143

LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 13 and 26)	**₱520,277,681**	₱390,830,135
Insurance payables (Notes 14 and 26)	**170,096,722**	103,650,104
Deferred reinsurance commissions (Note 8)	**14,623,542**	28,718,629
Accounts payable and accrued expenses (Notes 15 and 26)	**27,787,724**	23,583,772
Commissions payable (Note 26)	**32,566,817**	25,395,704
Lease liabilities (Note 24)	**345,094**	129,922
Income tax payable	**3,016,284**	4,415,591
Deferred tax liabilities - net (Note 21)	**23,089,175**	11,962,291
Total Liabilities	**791,803,039**	588,686,148
Equity		
Capital stock (Note 16)	**250,000,000**	250,000,000
Reserve for fluctuation in value of financial assets at FVOCI (Notes 6, 7 and 26)	**225,093,192**	230,292,694
Remeasurement gains on defined benefit obligation (Note 11)	**4,737,429**	3,805,826
Fluctuation reserves on reclassified financial assets (Notes 6 and 7)	**552,899,262**	552,899,262
Retained earnings	**106,222,660**	94,718,213
Total Equity	**1,138,952,543**	1,131,715,995
TOTAL LIABILITIES AND EQUITY	**₱1,930,755,582**	₱1,720,402,143

See accompanying Notes to Financial Statements.

PIONEER INTERCONTINENTAL INSURANCE CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31	
	2021	2020
REVENUES		
Gross earned premiums on insurance contracts (Note 17)	**₱298,913,856**	₱317,181,141
Reinsurers' share of gross earned premiums on insurance contracts (Note 17)	**(173,710,418)**	(169,409,375)
Net earned premiums	**125,203,438**	147,771,766
Investment income (Note 18)	**18,814,882**	15,079,212
Commission income (Note 8)	**63,437,026**	40,047,707
Foreign currency exchange gains - net	**438,347**	–
Other income	**2,760,829**	699,566
Total Revenues	**210,654,522**	203,598,251
BENEFITS, CLAIMS AND EXPENSES		
Gross insurance contract benefits and claims paid (Notes 13 and 19)	**46,993,483**	60,698,979
Reinsurers' share of gross insurance contract benefits and claims paid (Notes 13 and 19)	**(16,766,010)**	(26,153,397)
Gross change in insurance contract liabilities (Notes 13 and 19)	**118,667,686**	104,536,217
Reinsurers' share of gross change in insurance contract liabilities (Notes 13 and 19)	**(35,922,017)**	(40,219,750)
Net insurance benefits and claims	**112,973,142**	98,862,049
Commission and other underwriting expenses (Note 20)	**65,183,376**	62,646,921
General expenses (Note 20)	**13,646,182**	16,305,697
Interest expense (Notes 14 and 24)	**683,431**	1,203,717
Foreign currency exchange losses - net	**–**	378,351
Total Benefits, Claims and Expenses	**192,486,131**	179,396,735
INCOME BEFORE INCOME TAX	**18,168,391**	24,201,516
PROVISION FOR INCOME TAX (Note 21)	**6,663,944**	8,390,327
NET INCOME	**₱11,504,447**	₱15,811,189

See accompanying Notes to Financial Statements.

PIONEER INTERCONTINENTAL INSURANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
NET INCOME	**₱11,504,447**	₱15,811,189
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will not be recycled to profit or loss in subsequent periods:		
Fluctuation reserves on equity financial assets at FVOCI (Note 6)	**(5,199,502)**	(2,848,014)
Remeasurement losses on defined benefit obligation (Note 11)	**931,603**	(684,492)
	(4,267,899)	(3,532,506)
TOTAL COMPREHENSIVE INCOME	**₱7,236,548**	₱12,278,683

See accompanying Notes to Financial Statements.

PIONEER INTERCONTINENTAL INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Reserve for Fluctuation in Value of FVOCI (Notes 6, 7 and 26)	Remeasurement Gains on Defined Benefit Obligation (Note 11)	Fluctuation reserves on reclassified financial assets (Notes 6 and 7)	Retained Earnings	Total
As of January 1, 2021	**₱250,000,000**	**₱230,292,694**	**₱3,805,826**	**₱552,899,262**	**₱94,718,213**	**₱1,131,715,995**
Net income	**–**	**–**	**–**	**–**	**11,504,447**	**11,504,447**
Other comprehensive income	**–**	**(5,199,502)**	**931,603**	**–**	**–**	**(4,267,899)**
Total comprehensive income	**–**	**(5,199,502)**	**931,603**	**–**	**11,504,447**	**7,236,548**
As of December 31, 2021	**₱250,000,000**	**₱225,093,192**	**₱4,737,429**	**₱552,899,262**	**₱106,222,660**	**₱1,138,952,543**
As of January 1, 2020	₱250,000,000	₱233,140,708	₱4,490,318	₱552,899,262	₱78,907,024	₱1,119,437,312
Net income	–	–	–	–	15,811,189	15,811,189
Other comprehensive loss	–	(2,848,014)	(684,492)	–	–	(3,532,506)
Total comprehensive income (loss)	–	(2,848,014)	(684,492)	–	15,811,189	12,278,683
As of December 31, 2020	₱250,000,000	₱230,292,694	₱3,805,826	₱552,899,262	₱94,718,213	₱1,131,715,995

See accompanying Notes to Financial Statements.

PIONEER INTERCONTINENTAL INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱18,168,391**	₱24,201,516
Adjustments for:		
Interest income (Note 18)	**(16,669,677)**	(14,567,429)
Reversal of allowance for credit losses (Note 5)	**(2,753,066)**	–
Fair value losses on financial assets at FVTPL (Note 6)	**(1,549,433)**	(192,633)
Dividend income (Notes 6 and 18)	**(595,772)**	(319,150)
Current service cost on pension (Note 11)	**409,066**	336,363
Depreciation of right-of-use assets (Notes 20 and 24)	**215,862**	216,328
Interest expense - lease liabilities (Note 24)	**8,293**	10,014
Provision for impairment losses (Note 12)	**–**	4,116,458
Income before changes in working capital	**(2,766,336)**	13,801,467
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Insurance receivables - net	**(15,934,922)**	(60,942,564)
Loans and receivables	**(9,501,167)**	(6,652,328)
Reinsurance assets	**(54,159,437)**	(53,573,808)
Deferred acquisition costs	**(804,822)**	(2,950,975)
Other assets	**3,603,105**	(296,837)
Increase (decrease) in:		
Insurance contract liabilities	**129,447,546**	108,917,548
Insurance payables	**66,446,618**	9,571,843
Deferred reinsurance commissions	**(14,095,087)**	7,812,313
Accounts payable and accrued expenses	**4,260,282**	(1,591,419)
Commissions payable	**7,171,113**	10,601,409
Net cash from operations	**113,666,893**	24,696,649
Income tax paid	**(10,852,650)**	(4,215,709)
Net cash from operating activities	**102,814,243**	20,480,940
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVTPL (Note 6)	**(250,369,670)**	(50,003,596)
Investment securities at amortized cost (Note 6)	**(13,496,214)**	–
Investment in associate	**–**	(33,556)
Proceeds from disposals of:		
Financial assets at FVTPL (Note 6)	**239,809,128**	66,750,099
Investment securities at amortized cost (Note 6)	**11,750,000**	
Interest received	**17,011,963**	16,356,211
Interest paid	**(8,293)**	(10,014)
Dividends received	**595,772**	319,150
Net cash from investing activities	**5,292,686**	33,378,294
CASH FLOWS FROM FINANCING ACTIVITY		
Payment of principal portion of lease liabilities (Note 24)	**(216,894)**	(215,172)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**107,890,035**	53,644,062
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**83,275,457**	29,631,395
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱191,165,492**	₱83,275,457

See accompanying Notes to Financial Statements.

PIONEER INTERCONTINENTAL INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Pioneer Intercontinental Insurance Corporation (the "Company") was incorporated in the Philippines on February 24, 1966. On February 18, 2016, the Company filed with the Securities and Exchange Commission (SEC) an Amended Articles of Incorporation to amend Article IV which extended the term of the Company's corporate existence. On the same date, the amendment was approved by the SEC. Republic Act No. 11232, otherwise known as "An Act Providing for the Revised Corporation Code of the Philippines" (RCC) was signed into law on February 20, 2019 and took effect on February 23, 2019. Under paragraph 2 of Section 11 of the RCC, a corporation with certificate of incorporation issued prior to the effectivity of the RCC, and which continue to exist shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing a majority of its outstanding capital stock, notifies the Commission that it elects to retain its specific corporate term pursuant to its articles of incorporation, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of the RCC. Accordingly, the corporate term of the Company became perpetual.

The Company is engaged in the business of nonlife insurance which includes fire, motor car, marine hull, marine cargo, personal accident, and other products that are permitted to be sold by a nonlife insurance company in the Philippines. Starting January 2001, the Company has ceased from underwriting traditional nonlife insurance products and is now focusing on specialized casualty products.

The Company is 96.86% owned by Pioneer Insurance & Surety Corporation (PISC or the "Parent Company"), a company incorporated in the Philippines. The Company's ultimate parent is Pioneer, Inc., a company incorporated in the Philippines. The registered office address of the Company is Pioneer House, 108 Paseo de Roxas Street, Legaspi Village, Makati City.

The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on April 8, 2022.

2. Summary of Significant Accounting Policies

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

Basis of Preparation
The financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded off to the nearest peso unit, unless otherwise indicated.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that that Company has adopted the following new accounting pronouncements starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Standards Issued but Not Yet Effective
The Company will adopt, where applicable, the following new standards, amendments to existing standards and interpretations when these become effective. Unless otherwise stated, the adoption of these new standards, amendments thereto and interpretation is not expected to have significant impact on the Company's financial statements. Additional disclosures will be provided when these standards and amendments are adopted.

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

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

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

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

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after

January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

The Company started a project to implement PFRS 17 and has been performing a high-level impact assessment of PFRS 17. The Company expects that the new standard will result in significant changes to accounting policies for insurance contract liabilities and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

Deferred effectivity

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

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2021 on the Company's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

Translation of Foreign Currency-Denominated Transactions
Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the functional currency rate of exchange at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are taken to the statement of income.

Product Classification
Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the 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 can also transfer financial risk.

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or have expired.

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

Financial Instruments – Classification and Subsequent Measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent to initial recognition, the Company may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at FVTPL
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at amortized cost (debt instruments)

In order for debt instruments to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if these were acquired for the purpose of selling or repurchasing in the near term. Financial assets at FVTPL are measured at fair value. Changes in fair values are recognized in profit or loss.

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Company can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined by instrument level.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as income when the right of payment is established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably investments in quoted and unquoted equity securities under this category.

Investment securities at amortized cost
The Company measures financial assets at amortized cost when:

- The financial asset is held within a business model with the objective to hold these and collect contractual cash flow; and
- The contractual term of the financial assets gives rise, on specific dates, to cash flows that are SPPI.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash and cash equivalents, insurance receivables, loans and receivables and interest receivable.

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

Insurance receivables
Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, nor designated as FVOCI or at FVTPL.

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

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, financial liabilities at amortized cost (e.g., loans and borrowings, payables), or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities at amortized cost, net of directly attributable transaction costs.

The Company's financial liabilities comprise of financial liabilities at amortized cost.

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of income.

This accounting policy relates to the statement of financial position captions "Insurance payables," "Accounts payable and accrued expenses," and "Commissions payable" that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

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

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

This accounting policy relates primarily to the statement of financial position captions “Insurance payables” and “Accounts payable” that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Impairment of Financial Assets

Expected credit loss methodology
ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of the financial asset.

Definition of “default”
The Company defines a financial instrument as in default in all cases when the counterparty becomes over 90 days past due on its contractual payments. As a part of the qualitative assessment of whether a counterparty is in default, the Company also considers a variety of instances that may indicate objective evidence of impairment, such as significant problems in the operations of the customers and bankruptcy of the counterparties.

Significant increase in credit risk (SICR)
The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company’s aging information, the borrower becomes past due for over 30 days. Further, the Company assumes that the credit risk of a financial asset, particularly on cash and equivalents, short-term investments and investment securities at amortized cost, has not increased significantly since origination if the financial asset is determined to have “low credit risk” as of the reporting date. A financial asset is considered “low credit risk” when it has an external rating equivalent to “investment grade”.

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company shall revert to recognizing a 12-month ECL.

Staging assessment
For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The Company recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Company recognizes a lifetime ECL for Stage 2 debt financial assets.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

ECL parameters and methodologies
For 'Cash and cash equivalents' and 'Investment securities at amortized cost', the Company's calculation of ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

For 'Insurance receivables', the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates are based on days past due for groupings of various counterparty segments that have similar loss patterns (e.g. by intermediary, debtor). The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Forward looking information
A range of economic overlays are considered and expert credit judgment is applied in determining the forward-looking inputs to the ECL calculation. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Write-offs
Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. Any subsequent recoveries are credited to 'Provision for impairment loss - net' in the statement of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Derecognition of Financial Assets and Liabilities

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

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

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

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

Determination of Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

Financial assets
The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an

active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing the 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.

As of December 31, 2021 and 2020, the Company classifies all of its quoted financial assets under Level 1 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

Day 1 difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” profit or loss) in the statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 profit or loss amount.

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence shows that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies, which are included under “Insurance payables” in the statement of financial position. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights expire, are extinguished, or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest method.

Deferred Acquisition Costs (DAC) and Deferred Reinsurance Commissions (DRC)
Costs that vary with and are primarily related to the acquisition of new and renewal of insurance contracts are deferred and charged to expense in proportion to the premium revenue recognized. Subsequent to initial recognition, these costs are amortized using the 24th method. The unamortized acquisition costs are shown as “Deferred acquisition costs” in the assets section of the statement of financial position. Reinsurance commissions are deferred and shown as “Deferred reinsurance commissions” in the liabilities section of the statement of financial position, subject to the same amortization method as the related acquisition costs.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of the property and equipment comprises its purchase price, nonrefundable taxes, and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets of five (5) years.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

Right-of-Use Assets
The Company recognizes right-of-use (ROU) assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost

of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term of two (2) years.

ROU assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Investment in an Associate

The investment in an associate is carried in the statement of financial position at cost, less any impairment in value.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The investments are derecognized on disposal, with the difference between the net proceeds and the carrying amount being recognized in the statement of income. The reporting dates of the subsidiary and the associate and joint venture are identical with the Company and the accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Impairment of Nonfinancial Assets

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

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

Insurance Contract Liabilities

Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Claims provision and incurred but not reported (IBNR) losses

Provisions for claims reported and IBNR are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, 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 liability is not discounted for the time value of money and includes provision for claims reported and claims IBNR. The provision for claims liability is based on the independent adjuster's report on the individual claims. The provision for claims IBNR was estimated using Chain Ladder method based on both claims paid and claims incurred, Bornheutter-Ferguson method based on both claims paid and claims incurred, and Expected Loss Ratio. No provision for equalization or catastrophic reserves is recognized. The liability is derecognized when the contract expires, is discharged, or cancelled.

Provision for unearned premiums

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. The change in the provision for unearned premiums is taken to the statement of income using the 24th method. 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.

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, net of related DAC. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests.

Retirement Cost

Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement costs comprise the following:

(a) Service costs;
(b) Net interest on the net defined benefit liability or asset; and
(c) Remeasurements of net defined benefit liability or asset.

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

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

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability) are recognized immediately in OCI under “Remeasurement losses on defined benefit obligation” in the period in which they arise. Remeasurements are not recycled to statement of income in subsequent periods.

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

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

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of office space with remaining lease term of 12 months or less. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Revenue Recognition (outside of scope of PFRS 15)
Revenue is recognized to the extent that it is probable that economic benefits associated with the transaction will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Premiums
Premiums from short-duration insurance and reinsurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written and assumed that relate to the unexpired periods of the policies at reporting date are accounted for as “Provision for unearned premiums” and are included in the “Insurance contract liabilities” in the statement of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as “Deferred reinsurance premiums” and are included in the “Reinsurance assets” in the statement of financial position. The net changes in these accounts between reporting dates are charged to or credited against income for the year.

Commission income
Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at end of the reporting period is accounted for as “Deferred reinsurance commissions” and presented in the liabilities section of the statement of financial position.

Commissions payable pertains to unpaid commissions to agents and insurers ceding insurance risks to the Company. These are noninterest-bearing and are due upon receipt of premium payments.

Investment income

- Interest income is recognized in the statement of income as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium using the EIR.
- Dividend income is recognized when the Company's right to receive the payment is established.

Other income
Other income includes fees and other underwriting income. It is recognized in the statement of income as earned.

<u>Expense Recognition</u>
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Benefits and claims
Gross benefits and claims consist of benefits and claims paid to policyholders, and changes in the gross valuation of insurance contract liabilities, except gross changes in the provision for unearned premiums which are included in net premiums earned. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Insurance claims are recorded on the basis of notifications received while claims IBNR is based on historical experience.

Commission expense
Commissions incurred from short-duration insurance contracts are recognized as expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at reporting date is accounted for as "Deferred acquisition costs" and presented in the asset section of the statement of financial position.

Other underwriting expenses
Other underwriting expenses are recognized in the statement of income as incurred.

Interest expense
Interest expense is recognized in the statement of income as incurred.

General expenses
Expenses are recognized in the statement of income in the period these are incurred.

<u>Equity</u>

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

Retained earnings
Retained earnings represent the cumulative balance of net income or loss of the Company, net of any dividend distribution and restatements, net of consequential tax impact.

Taxes
Income tax for the year consists of current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in other comprehensive income. Tax on these items is recognized in the statement of comprehensive income.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and NOLCO can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that is 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 as of end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Movements in the deferred tax assets and liabilities arising from changes in the rates are charged or credited to operations for the period.

Value-added tax (VAT)
Revenue, expenses, and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other assets or other liabilities in the Company's statement of financial position.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

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3. **Significant Accounting Judgments and Estimates**

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

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

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

Product classification
The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

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

Determination of existence of significant influence
In determining whether the Company has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.00% to 50.00% of the voting rights of an investee is presumed to give the Company a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Company applies significant judgment n assessing whether it holds significant influence over an investee and considers the following: (a) representation to the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investees; (d) interchange of managerial personnel; or (e) provision of essential technical information.

In 2019, the Company gained significant influence over PTC in which investments were previously classified as financial assets at FVOCI. On May 28, 2019, the Company together with other entities within the Pioneer Group with aggregate ownership of 9.86% were granted two (2) representatives in PTC's board of directors equivalent to 16.67% of the voting power effective October 4, 2019. On September 18, 2019, the Pioneer Group signed a memorandum of agreement stating that Pioneer Group shall jointly vote as one in all matters affecting its rights as stockholders of PTC and that the Pioneer Group's representatives to the Board shall decide and vote jointly for every corporate act and purpose during meetings of PTC for and in behalf of the Pioneer Group. Accordingly, the investment in PTC was reclassified from financial assets at FVOCI to investment in associate effective October 4, 2019

Estimates

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

Valuation of insurance contract liabilities

Estimates have to be made at the reporting date for the expected ultimate cost of both claims reported and claims IBNR. It takes a significant period of time before the ultimate claim cost can be established with certainty and for some type of policies, IBNR claims form the majority of the claims provision.

The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends. At the each reporting date, prior year claims estimates are assessed for adequacy and any changes made are charged to provision for claims reported and claims IBNR. Insurance claims liabilities are not discounted for the time value of money.

The carrying value of claims reported and IBNR included in the insurance contract liabilities are disclosed in Note 13.

Financial assets not quoted in an active market

The Company has financial assets at FVOCI not quoted in an active market whose fair value is determined using the discounted cash flow (DCF) method and adjusted net asset method which incorporate market observable and unobservable data (Level 3). The unobservable input to the model include assumptions regarding the future financial performance of the investee, its risk profile and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Discussion on the valuation methodology and significant inputs used is disclosed in Note 26.

The carrying value of financial assets at FVOCI not quoted in an active are disclosed in Notes 6 and 26.

Provision for expected credit losses
The Company uses a provision matrix to calculate ECLs for Insurance Receivables. The provision rates are based on days past due per policy.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying value of insurance receivables and related allowance for ECL are disclosed in Note 5.

Recognition of deferred tax assets
Deferred tax assets are recognized for all future tax deductibles to the extent that it is probable that the taxable income will be available against which these temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The recognized deferred tax assets are disclosed in Note 21.

Pension and other employee benefits
The determination of obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate, expected return on plan assets, and salary increase rate. In accordance with the relevant PFRS, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations.

The net pension asset as of December 31, 2021 and 2020 are disclosed in Note 11.

4. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱303,000**	₱303,000
Cash in banks	**88,634,133**	19,824,523
Cash equivalents	**102,228,359**	63,147,934
	₱191,165,492	₱83,275,457

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are placed for varying periods of up to three months, depending on the immediate cash requirements of the Company. Cash and cash equivalents earned interest at annual rates ranging from 0.10% to 1.50% in 2021 and 0.10% to 3.25% in 2020.

Interest income from cash and cash equivalents amounted to ₱441,008 and ₱840,375 in 2021 and 2020 (see Note 18).

5. **Insurance Receivables - net**

This account consists of:

	2021	2020
Due from ceding companies (Note 23)	**₱131,314,898**	₱120,925,166
Premiums receivable	**38,651,276**	36,139,826
Funds held by ceding companies (Note 23)	**3,064,771**	3,158,847
Reinsurance recoverable on paid losses	**6,204,157**	3,076,341
	179,235,102	163,300,180
Less allowance for credit losses	**183,467**	2,936,533
	₱179,051,635	₱160,363,647

Due from ceding companies refers to premiums collectible from ceding companies with respect to assumed policies. These amounts are due and demandable.

Funds held by ceding companies are amounts pertaining to certain percentages of reinsurance premiums that are withheld by ceding companies representing the premiums reserve. These amounts are interest-bearing and are generally collected within one year after the reporting date.

Premiums receivable represent premiums on written policies which are collectible within the Company's grace period.

Reinsurance recoverable on paid losses pertains to amounts recoverable from the reinsurers in respect of claims already settled by the Company. These amounts are due and demandable.

The aging analyses of insurance receivables follow:

	2021					
	0 to 90 days	**91 to 180 days**	**181 to 270 days**	**More than 270 days**	**Impaired**	**Total**
Due from ceding companies	**₱13,389,867**	**₱13,204,129**	**₱10,585,291**	**₱94,135,611**	**₱–**	**₱131,314,898**
Premiums receivable	**29,276,707**	**6,158,442**	**1,912,709**	**1,119,951**	**183,467**	**38,651,276**
Funds held by ceding companies - treaty	**616,685**	**2,448,086**	**–**	**–**	**–**	**3,064,771**
Reinsurance recoverable on paid losses	**–**	**192,779**	**2,808,496**	**3,202,882**	**–**	**6,204,157**
	₱43,283,259	**₱22,003,436**	**₱15,306,496**	**₱98,458,444**	**₱183,467**	**₱179,235,102**

	2020					
	0 to 90 days	91 to 180 days	181 to 270 days	More than 270 days	Impaired	Total
Due from ceding companies	₱43,396,549	₱23,051,603	₱13,995,573	₱40,481,441	₱–	₱120,925,166
Premiums receivable	13,733,067	16,841,778	2,628,448	–	2,936,533	36,139,826
Funds held by ceding companies - treaty	594,609	70,925	45,227	2,448,086	–	3,158,847
Reinsurance recoverable on paid losses	2,893,333	13,364	–	169,644	–	3,076,341
	₱60,617,558	₱39,977,670	₱16,669,248	₱43,099,171	₱2,936,533	₱163,300,180

As of December 31, 2021 and 2020, premiums receivable with carrying value of ₱183,467 and ₱2,936,533, respectively, were collectively determined as impaired and have been fully provided for with allowance. In 2021, the Company recognized reversal of allowance for credit losses amounting to ₱2,753,066 included in 'Other income'.

6. **Financial Assets**

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

	2021	2020
Financial assets at FVTPL	**₱29,025,624**	₱16,915,649
Financial assets at FVOCI	**275,596,381**	265,326,863
Investments securities at amortized cost	**254,078,974**	255,046,726
Loans and Receivables	**29,599,534**	20,098,367
	₱588,300,513	₱557,387,605

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

Financial assets at FVTPL
This account consists of listed equity securities. Fair value gains on financial assets at FVTPL amounted to ₱1,549,433 and ₱192,633 in 2021 and 2020. Dividend income from financial assets at FVTPL amounted to ₱595,772 and ₱319,150 in 2021 and 2020, respectively (see Note 18).

Financial assets at FVOCI
This account consists of:

	2021	2020
Quoted common shares - at fair value	**₱95,500,000**	₱89,500,000
Unquoted common shares - at fair value	**180,096,381**	175,826,863
	₱275,596,381	₱265,326,863

The rollforward analysis of the reserve for fluctuation in value of financial assets at FVOCI financial assets follow:

	2021	2020
At January 1	**₱230,292,694**	₱233,140,708
Fair value movements	**(5,199,502)**	(2,848,014)
At December 31	**₱225,093,192**	₱230,292,694

In 2019, quoted equity financial assets at FVOCI with carrying amount of ₱747,083,400 were reclassified to investment in associates as the Company gained significant influence over the investee. Accordingly, the unrealized fair value gain amounting to ₱552,899,262 under "Reserve for fluctuation in value of financial assets at FVOCI" were not recycled to profit or loss but transferred within equity under "Fluctuation reserves on reclassified financial assets" account.

Investment securities at amortized cost
As of December 31, 2021 and 2020, investment securities at amortized cost pertain to government debt securities in local currency. The terms of the issues of these debt securities range from 5 to 20 years and earned interest rates at 4.625% to 8.000% in 2021 and in 2020.

In 2021, the Company acquired additional debt securities with face value amounting to ₱12,000,000 for ₱13,496,214 or at a premium of ₱1,496,214. Meanwhile, debt securities with face value amounting to ₱11,750,000 matured in the same year.

Interest income from investment securities at amortized cost amounted to ₱15,458,126 and ₱12,716,521 in 2021 and 2020, respectively (see Note 18).

Government debt securities are deposited with the IC in accordance with the provisions of the Insurance Code (the "Code") for the benefit and security of policyholders and creditors of the Company. The face value of government debt securities deposited with IC amounted to ₱225,750,000 and ₱225,500,000 in 2021 and 2020, respectively. The carrying value of these investments amounted to ₱254,078,974 and ₱255,046,726 as of December 31, 2021 and 2021, respectively.

Loans and receivables
This account consists of:

	2021	2020
Receivable from related parties (Note 23)	**₱26,000,827**	₱19,122,113
Receivable from employees	**691,728**	976,254
Other receivables	**2,906,979**	–
	₱29,599,534	₱20,098,367

Other receivables pertain to collectibles from stock brokers as at reporting date.

Interest income from loans and receivables amounted to ₱99,822 and ₱136,049 in 2021 and 2020, respectively (see Note 18).

There is no ECL recognized for loans and receivables based on the Company's assessment of the risks related to these financial assets (see Note 26).

The carrying values of financial assets (excluding loans and receivables) have been determined as follows:

	2021			
	Financial assets at FVTPL	**Financial assets at FVOCI**	**Investment securities at amortized cost**	**Total**
At January 1	**₱16,915,649**	**₱265,326,863**	**₱255,046,726**	**₱537,289,238**
Acquisitions	**250,369,670**	**–**	**13,496,214**	**263,865,884**
Fair value movements	**1,549,433**	**10,269,518**	**–**	**11,818,951**
Disposals/maturities	**(239,809,128)**	**–**	**(11,750,000)**	**(251,559,128)**
Net premium amortization	**–**	**–**	**(2,713,966)**	**(2,713,966)**
At December 31	**₱29,025,624**	**₱275,596,381**	**₱254,078,974**	**₱558,700,979**

	2020			
	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost	Total
At January 1	₱33,469,519	₱270,845,505	₱257,647,917	₱561,962,941
Acquisitions	50,003,596	–	–	50,003,596
Fair value movements	192,633	(5,518,642)	–	(6,579,034)
Disposals/maturities	(66,750,099)	–	–	(65,497,074)
Net premium amortization	–	–	(2,601,191)	(2,601,191)
At December 31	₱16,915,649	₱265,326,863	₱255,046,726	₱537,289,238

7. Investment in an Associate

On May 28, 2019, the BOD of PTC at its regular meeting has resolved that Pioneer Group, consisting of the Company, Pioneer Life Inc. ("PLI") and PISC, having an aggregate ownership of 9.86% of the total outstanding capital stock of PTC, was allowed to have two (2) representatives in the BOD of PTC which is equivalent to 16.67% of the voting power effective October 4, 2019. On September 18, 2019, the Pioneer Group signed a memorandum of agreement stating that Pioneer Group shall jointly vote as one in all matters affecting its rights as stockholders of PTC and that the Pioneer Group's representatives to the BOD shall decide and vote jointly for every corporate act and purpose during meetings of PTC for and in behalf of the Pioneer Group. As a result, the Company together with other entities within the Pioneer Group, gained significant influence over PTC effective October 4, 2019.

Prior to October 4, 2019, the Company classified its investments in PTC as financial assets at FVOCI. The Company used the fair value as of reclassification date as the deemed cost of the investment in an associate. Accordingly, the Company reclassified the investments in PTC from financial assets at FVOCI amounting to ₱747,083,400 to investment in an associate. The unrealized fair value gain amounting to ₱552,899,262 under "Reserve for fluctuation in value of financial assets at FVOCI" were not recycled to profit or loss but transferred within equity under "Fluctuation reserves on reclassified financial assets" account.

The Company, PISC and PLI are subject to statutory regulations on capital requirement of the IC. The Company, PISC and PLI submit annual reports to the IC to determine adequacy of its investment. IC classifies assets according to admitted and non-admitted assets for purposes of calculating financial ratios that the Company, PISC and PLI are required to maintain. These, among others, may pose restrictions as to the use or transfer of assets, as well as the settlement of liabilities as of December 31, 2021 and 2020.

Financial information of associate follows:

	2021	2020
Financial position		
Financial assets	**₱166,824,411,000**	₱163,008,626,000
Bank's premises, furniture, fixtures and Equipment	**2,960,414,000**	2,900,675,000
Investment properties	**1,661,528,000**	1,659,589,000
Deferred tax assets	**579,019,000**	697,983,000
Other assets	**253,705,000**	202,961,000
Accrued taxes, interest and other expenses	**(156,061,000)**	(229,235,000)
Manager's checks	**(328,803,000)**	(94,165,000)
Deposit liabilities	**(145,314,679,000)**	(140,827,581,000)
Deferred credit and other liabilities	**(233,635,000)**	(225,626,000)
Lease liability	**(180,508,000)**	(183,170,000)
Retirement liability	**(2,418,000)**	(947,000)
Equity	**₱26,062,973,000**	₱26,909,110,000
Financial performance		
Net interest income	**₱2,467,966,000**	₱2,075,421,000
Income before tax	**1,381,730,000**	1,948,856,000
Net income for the year	**826,338,000**	948,538,000

The carrying values of investment in an associate have been determined as follows:

	2021	2020
At January 1	**₱747,116,956**	₱747,083,400
Acquisitions	–	33,556
At December 31	**₱747,116,956**	₱747,116,956

8. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The rollforward analyses of deferred acquisition costs follow:

	2021	2020
At January 1	**₱15,096,157**	₱12,145,182
Cost deferred during the year	**52,116,771**	59,224,386
Cost incurred during the year (Note 20)	**(51,311,949)**	(56,273,411)
At December 31	**₱15,900,979**	₱15,096,157

Deferred acquisition costs refer to the portion of commission expense that relates to the unexpired periods of the policies as of the reporting date using the 24th method.

The rollforward analyses of deferred reinsurance commissions follow:

	2021	2020
At January 1	**₱28,718,629**	₱20,906,316
Income deferred during the year	**49,341,939**	47,860,020
Income earned during the year	**(63,437,026)**	(40,047,707)
At December 31	**₱14,623,542**	₱28,718,629

Deferred reinsurance commissions refer to the portion of commission income that relates to the unexpired periods of the policies as of the reporting date using the 24th method.

9. Reinsurance Assets

This account consists of:

	2021	2020
Reinsurance recoverable on unpaid losses (Note 13)	**₱117,262,579**	₱81,340,562
Deferred reinsurance premiums (Note 13)	**59,227,357**	40,989,937
	₱176,489,936	₱122,330,499

Reinsurance recoverable on unpaid losses is the reinsurer's share on the losses or claims that is yet to be settled by the Company.

Deferred reinsurance premiums are portions of the ceded premiums that relate to the unexpired periods of the policies as of the reporting date using the 24th method.

10. Property and Equipment - net

As of December 31, 2021 and 2020, cost of fully depreciated assets which are still actively used in operations amounted ₱2,057,739. Details of these fully depreciated assets are as follows:

	Transportatio n Equipment	Office and Computer Equipment	Furniture, Fixtures and Equipment	Total
Cost / Accumulated depreciation as of December 31, 2021 and 2020	**₱1,630,000**	**₱367,089**	**₱60,650**	**₱2,057,739**

11. Net Pension Asset

The Company has a noncontributory defined benefit plan covering all regular employees and which requires contributions to be made to a separately administered retirement fund. Benefits are based on the employee's years of service and final plan salary. The Board of Trustees of the plan is responsible for setting investment strategies.

The retirement plan is considered a "reasonable private benefit plan" within the contemplation of Republic Act No. 4917.

Changes in net pension asset are as follows:

	2021									
		Net benefit cost in statement of income			**Remeasurements in other comprehensive income**					
	At January 1	**Current service cost**	**Net interest (Note 18)**	**Subtotal**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes rising from changes in financial assumptions**	**Actuarial changes rising from experience adjustment**	**Actuarial changes arising from demographic assumptions**	**Subtotal**	**At December 31**
Present value of defined benefit obligation	**₱3,850,891**	**₱409,066**	**₱151,327**	**₱560,393**	**₱–**	**(₱621,319)**	**(₱102,903)**	**₱–**	**(₱724,222)**	**₱3,687,062**
Fair value of plan assets	**(20,831,163)**	**–**	**(822,048)**	**(822,048)**	**(80,348)**	**–**	**–**	**–**	**(80,348)**	**(21,733,559)**
	(₱16,980,272)	**₱409,066**	**(₱670,721)**	**(₱261,655)**	**(₱80,348)**	**(₱621,319)**	**(₱102,903)**	**₱–**	**(₱804,570)**	**(₱18,046,497)**

	2020									
		Net benefit cost in statement of income			Remeasurements in other comprehensive income					
	At January 1	Current service cost	Net interest (Note 18)	Subtotal	Return on plan assets (excluding amount included in net interest)	Actuarial changes rising from changes in financial assumptions	Actuarial changes rising from experience adjustment	Actuarial changes arising from demographic assumptions	Subtotal	At December 31
Present value of defined benefit obligation	₱2,891,342	₱336,363	₱144,242	₱480,605	₱–	₱537,638	(₱58,694)	₱–	₱478,944	₱3,850,891
Fair value of plan assets	(20,311,339)	–	(1,018,726)	(1,018,726)	498,902	–	–	–	498,902	(20,831,163)
	(₱17,419,997)	₱336,363	(₱874,484)	(₱538,121)	₱498,902	₱537,638	(₱58,694)	₱–	₱977,846	(₱16,980,272)

The distribution of the plan assets as at December 31 follows:

	2021	2020
Cash and cash equivalents	**₱4,225,597**	₱8,498,352
Equity financial assets	**4,540,851**	10,130,485
Investment property at fair value	**12,894,082**	2,132,126
Receivables	**73,029**	70,200
	₱21,733,559	₱20,831,163

The carrying value of retirement plan assets approximates its fair value as of December 31, 2021 and 2020. All equity financial assets held have quoted prices in active markets. Also, the plan assets have diverse investments and do not have any concentration risk.

The Company expects to contribute nil to the retirement fund in 2022.

The principal assumptions used in determining pensions for the Company's plan as of January 1 are shown below:

	2021	2020
Discount rate	**5.13%**	3.95%
Rate of salary increase	**6.00%**	6.00%
Average future working lives in years	**13**	13
Mortality rate	**2017 PICM**	2017 PICM
Disability rate	**1952 Disability Study Period 2, Benefit 5**	1952 Disability Study Period 2, Benefit 5
Turnover rate	**A scale ranging from 7% at age 18 to 0% at age 60**	A scale ranging from 7% at age 18 to 0% at age 60

The latest actuarial valuation report of the Company is as of December 31, 2021.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2021 and 2020, assuming all other assumptions were held constant:

	Increase (decrease)	Impact on present value of defined benefit obligation Increase (decrease) **2021**	2020
Discount rates	+1%	**(₱433,879)**	(₱503,946)
	-1%	**514,062**	605,382
Future salary increases	+1%	**523,051**	606,294
	-1%	**(448,900)**	(514,297)

The maturity analysis of the undiscounted benefit payments follow:

	2021	2020
Less than one year	**₱43,859**	₱39,664
More than one year to five years	**647,776**	575,821
More than five years to 10 years	**862,527**	610,638
More than 10 years to 15 years	**6,331,918**	6,515,981
More than 15 years to 20 years	**2,829,756**	929,318
More than 20 years	**11,251,208**	13,932,220

Salaries, allowances and benefits consist of (see Note 20):

	2021	2020
Salaries and wages	**₱4,380,646**	₱4,325,017
Bonuses	**826,670**	812,702
Current service cost on pension benefits	**409,066**	336,363
Other employee benefits	**737,034**	607,953
	₱6,353,416	₱6,082,035

12. **Other Assets**

Other assets consist of:

	2021	2020
Claim fund	**₱6,761,125**	₱5,800,000
Creditable withholding taxes (CWTs)	**4,283,847**	5,671,845
Deferred input VAT	**2,005,079**	3,048,375
Prepayments and others	**210,162**	210,162
Security fund	**62,229**	3,677,199
	13,322,442	18,407,581
Allowance for impairment (Note 20)	**4,116,458**	4,116,458
	₱9,205,984	₱14,291,123

Claims and security fund pertains to the fund which will be used for payment of allowed claims against insolvent insurance companies as required under the Company’s treaty contracts.

CWTs pertain to withholding taxes from prior years and current year transactions.

Deferred input VAT relates to input VAT from unpaid commission.

Prepayments and others pertain to rental deposit and prepaid documentary stamp taxes.

Allowance for impairment pertains to unsupported creditable withholding taxes (CWTs).

13. Insurance Contract Liabilities and Reinsurance Assets

The analyses of insurance contract liabilities and reinsurance assets follow:

	2021			2020		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 9)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 9)	Net
Provision for claims reported (Note 26)	**₱304,920,868**	**₱74,318,107**	**₱230,602,761**	₱212,743,560	₱39,916,900	₱172,826,660
Provision for claims IBNR and MfAD (Note 26)	**120,901,888**	**42,944,472**	**77,957,416**	94,411,510	41,423,662	52,987,848
Provision for unearned premiums	**94,454,925**	**59,227,357**	**35,227,568**	83,675,065	40,989,937	42,685,128
	₱520,277,681	**₱176,489,936**	**₱343,787,745**	₱390,830,135	₱122,330,499	₱268,499,636

The analyses of provision for claims reported and claims IBNR follow:

	2021			2020		
	Provision for Claims Reported and Claims IBNR	**Reinsurers' Share of Liabilities** (Note 9)	**Net**	Provision for Claims Reported and Claims IBNR	Reinsurers' Share of Liabilities (Note 9)	Net
At January 1	**₱307,155,070**	**₱81,340,562**	**₱225,814,508**	₱202,618,854	₱41,120,813	₱161,498,041
Claims incurred	**139,170,791**	**51,167,217**	**88,003,574**	119,658,491	38,074,648	81,583,843
Claims paid (Note 19)	**(46,993,483)**	**(16,766,010)**	**(30,227,473)**	(60,698,979)	(26,153,397)	(34,545,582)
Increase in claims IBNR (Note 19)	**26,490,378**	**1,520,810**	**24,969,568**	45,576,704	28,298,498	17,278,206
At December 31	**₱425,822,756**	**₱117,262,579**	**₱308,560,177**	₱307,155,070	₱81,340,562	₱225,814,508

The analyses of provision for unearned premiums follow:

	2021			2020		
	Provision for Unearned Premiums	**Reinsurers' Share of Liabilities** (Note 9)	**Net**	Provision for Unearned Premiums	Reinsurers' Share of Liabilities (Note 9)	Net
At January 1	**₱83,675,065**	**₱40,989,937**	**₱42,685,128**	₱79,293,734	₱27,635,877	₱51,657,857
New policies written (Note 17)	**309,693,716**	**191,947,838**	**117,745,878**	321,562,472	182,763,435	138,799,037
Premiums earned (Note 17)	**(298,913,856)**	**(173,710,418)**	**(125,203,438)**	(317,181,141)	(169,409,375)	(147,771,766)
At December 31	**₱94,454,925**	**₱59,227,357**	**₱35,227,568**	₱83,675,065	₱40,989,937	₱42,685,128

14. Insurance Payables

This account consists of:

	2021	2020
Due to reinsurers	**₱110,024,148**	₱66,627,624
Funds held for reinsurers	**60,072,574**	37,022,480
	₱170,096,722	₱103,650,104

The rollforward analyses of insurance payables follow:

	2021			2020		
	Due to Reinsurers	**Funds Held for Reinsurers**	**Total**	Due to Reinsurers	Funds Held for Reinsurers	Total
At January 1	**₱66,627,624**	**₱37,022,480**	**₱103,650,104**	₱71,439,978	₱22,638,283	₱94,078,261
Arising during the year	**191,947,838**	**116,969,871**	**308,917,709**	182,763,435	74,292,543	207,307,630
Paid during the year	**(148,551,314)**	**(93,919,777)**	**(242,471,091)**	(187,575,789)	(59,908,346)	(197,735,787)
At December 31	**₱110,024,148**	**₱60,072,574**	**₱170,096,722**	₱66,627,624	₱37,022,480	₱103,650,104

Due to reinsurers represent premiums payable on treaty and facultative reinsurance contracts. These are noninterest-bearing and are generally settled within one year.

Funds held for reinsurers pertain to the retention of a certain percentage of the reinsurer's share of premium. This is to protect the Company from risks associated with collections of reinsurance recoverable on paid losses. These amounts are interest-bearing with annual rates ranging from 1.00% to 2.50% and 1.00% to 5.00% in 2021 and 2020, respectively. These are generally settled within one year after the reporting date.

Interest expense on funds held for reinsurers amounted to ₱675,138 and ₱1,193,703 in 2021 and 2020, respectively.

15. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Taxes payable	**₱18,451,030**	₱14,190,630
Accounts payable	**7,644,259**	6,131,354
Accrued expenses	**1,643,613**	2,663,795
Payable to related parties (Note 23)	**29,850**	546,925
Others	**18,972**	51,068
	₱27,787,724	₱23,583,772

Taxes payable consist of output taxes, withholding taxes, documentary stamps and municipal taxes. These are subsequently remitted within one month after the reporting date.

Accrued expenses include accruals for taxes, utilities, maintenance fees, other employee benefits and audit fees. Terms of settlement of these expenses is within one year after the reporting period.

Accounts payable consists of premium deposits and outstanding checks.

Payable to related parties include accommodations made by the Company's related parties as claim payments to the Company's policyholders (see Note 23).

16. Capital Stock

The Company's capital stock consists of 2,500,000 shares authorized, issued, and outstanding with ₱100 par value per share amounting to ₱250,000,000 as of December 31, 2021 and 2020.

17. Net Premiums Earned

The analyses of net premiums earned follow:

	2021	2020
Gross premiums written on insurance contracts		
Direct insurance	**₱217,358,731**	₱177,037,550
Assumed (Note 23)	**92,334,985**	144,524,922
Total gross premiums on insurance contracts (Note 13)	**309,693,716**	321,562,472
Gross change in provision for unearned premiums	**(10,779,860)**	(4,381,331)
Total gross premiums earned on insurance contracts (Note 13)	**298,913,856**	317,181,141
Reinsurers' share of insurance contract premiums:		
Direct insurance	**159,356,928**	79,645,045
Assumed (Note 23)	**32,590,910**	103,118,390
Total reinsurers' share of insurance contracts (Note 13)	**191,947,838**	182,763,435
Reinsurers' share of change in provision for unearned premiums	**(18,237,420)**	(13,354,060)
Total reinsurers' share of gross premiums earned on insurance contracts (Note 13)	**173,710,418**	169,409,375
	₱125,203,438	₱147,771,766

18. Investment Income

This account consists of:

	2021	2020
Interest income on:		
Investment securities at amortized cost (Note 6)	**₱15,458,126**	₱12,716,521
Pension asset (Note 11)	**670,721**	874,484
Cash and cash equivalents (Note 4)	**441,008**	840,375
Loans and receivables (Note 6)	**99,822**	136,049
	16,669,677	14,567,429
Fair value gains on financial assets at FVTPL (Note 6)	**1,549,433**	192,633
Dividend income (Note 6)	**595,772**	319,150
	₱18,814,882	₱15,079,212

19. Net Insurance benefits and claims

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

	2021	2020
Direct	**₱44,225,458**	₱51,364,552
Assumed	**2,768,025**	9,334,427
	₱46,993,483	₱60,698,979

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

	2021	2020
Direct	**₱16,766,010**	₱23,718,279
Assumed	–	2,435,118
	₱16,766,010	₱26,153,397

Gross change in insurance contract benefits and claims liabilities follow:

	2021	2020
Change in provision for claims reported and loss adjustment expenses (Note 13)		
Direct	**₱79,785,373**	₱18,582,119
Assumed	**12,391,935**	40,377,394
Change in provision for claims IBNR (Note 13)	**26,490,378**	45,576,704
	₱118,667,686	₱104,536,217

Reinsurers' share of change in insurance contract benefits and claims liabilities follow:

	2021	2020
Reinsurers' share of change in insurance provision for claims reported and loss adjustment expenses (Note 13)	**₱34,401,207**	₱11,921,252
Reinsurer's share of change in provision for claims IBNR (Note 13)	**1,520,810**	28,298,498
	₱35,922,017	₱40,219,750

20. Commission Expense and Other Underwriting Expenses and General Expenses

Commission expense and other underwriting expenses consist of:

	2021	2020
Commission expense (Note 8)	**₱51,311,949**	**₱56,273,411**
Other underwriting expenses	**13,871,427**	**6,373,510**
	₱65,183,376	**₱62,646,921**

General expenses consist of:

	2021	2020
Salaries, allowances, and benefits (Notes 11 and 23)	**₱6,353,416**	₱6,082,035
Provision for impairment losses (Note 6)	–	4,116,458
Professional fees	**2,420,468**	1,646,949
Agency-related expenses	**1,924,979**	1,711,464
Entertainment, amusement, recreation, and meeting expenses	**1,042,742**	1,241,256
Membership dues	**558,133**	419,528
Security, janitorial, and contractual services	**493,841**	447,760

(Forward)

	2021	2020
Taxes and licenses	**₱480,816**	₱295,365
Depreciation of right-of-use assets (Note 24)	**215,862**	216,328
Communication, light, and water	**52,122**	60,925
Donations and charitable contributions	**50,000**	50,000
Transportation and travel	**10,309**	9,515
Others	**43,494**	8,114
	₱13,646,182	₱16,305,697

21. Income Tax

Relevant tax updates

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

CREATE Law
The Corporate Recovery and Tax Incentives for Enterprise (CREATE) bill aims to reduce the corporate income tax rate from 30% to 25% starting July 2020 and to rationalize the current fiscal incentives.

On February 3, 2021, the Bicameral Conference Committee approved the reconciled version of the CREATE Bill of the House of Representatives and the Senate. On March 26, 2021, the bill was signed into law.

The impact of CREATE in measuring tax assets and liabilities as reflected in 2021 financial statements is summarized below:

	As reported as of December 31, 2020	Impact of Tax Rate Reduction to 25% as Reflected in 2021
Income tax payable	4,415,591	(367,966)
Deferred tax assets through profit or loss	15,013,699	2,502,283
	19,429,290	2,134,317
Deferred tax liabilities through OCI	26,975,990	(271,845)

In 2021, the impact of the tax rate reduction resulted to a net increase in current provision for income tax by ₱2,134,317 and a decrease in OCI by ₱271,845.

Current tax
The provision for (benefit from) income tax consists of:

	2021	2020
Current	**₱4,954,471**	₱4,415,591
Final taxes	**4,498,872**	3,214,396
Deferred	**(2,789,399)**	760,340
	₱6,663,944	₱8,390,327

The reconciliation of income tax computed at statutory income tax rate to the provision for income tax reported in the statements of income follows:

	2021	2020
Provision for (benefit from) income tax at statutory income tax rate	**₱4,542,097**	₱7,260,455
Add (deduct) the tax effects of:		
Nondeductible expenses	**(387,616)**	2,454,198
Income subjected to final tax	**524,089**	(852,673)
Income exempt from income tax	**(148,943)**	(471,653)
Impact of CREATE Bill	**2,134,317**	–
Effective income tax (income tax benefit)	**₱6,663,944**	₱8,390,327

Deferred tax

The Company's net deferred tax liabilities relate to the tax effects of the following:

	2021	2020
Through profit or loss		
Deferred tax assets:		
Provision for claims IBNR	**₱19,489,354**	**₱15,896,354**
Allowance for impairment and credit losses	**1,074,981**	**2,115,897**
Provision for employee benefits, service award liability and other expenses	**242,158**	**282,014**
Unrealized foreign currency exchange loss	**–**	**113,505**
Lease liabilities, net of ROU asset	**57,451**	**68,941**
	20,863,944	**18,476,711**
Deferred tax liabilities:		
Net pension asset	**(2,951,258)**	**(3,463,012)**
Unrealized foreign currency exchange gain	**(109,588)**	–
	17,803,098	**15,013,699**
Through OCI		
Deferred tax liabilities:		
Fair value gains of unquoted securities	**(39,331,906)**	**(25,344,921)**
Net pension asset	**(1,560,367)**	**(1,631,069)**
	(40,892,273)	**(26,975,990)**
	(₱23,089,175)	**(₱11,962,291)**

Deferred tax assets are recognized only to the extent that realization of the related tax benefit is probable. There are no unrecognized deferred tax assets as of December 31, 2021 and 2020.

In 2020, the Company utilized deferred tax asset pertaining to the future taxable benefit from NOLCO incurred in 2019 amounting to ₱5,228,550.

22. **Contingencies**

The Company has various contingent liabilities arising in the ordinary conduct of business, which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these claims, if any, will not have a material or adverse effect on the Company's operations.

23. **Related Party Transactions**

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

Transactions with related parties are based on terms agreed to by the parties. Outstanding balances as of the end of the period are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2021 and 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

	Amount/Volume		**Outstanding balance**			
	2021	2020	**2021**	2020	**Terms**	**Conditions**
Parent Company						
PISC						
Due from ceding company	**₱12,405,984**	₱56,441,853	**₱121,962,783**	₱109,556,799	Noninterest-bearing, due and demandable	Unsecured, No impairment
Accounts receivable	**6,878,714**	6,685,415	**26,000,827**	19,122,113	Noninterest-bearing, due and demandable	Unsecured, No impairment
Due to reinsurer	**605,047**	(7,358,572)	**(1,024,587)**	(419,540)	Noninterest-bearing, due and demandable	Unsecured
Accounts Payable	**–**	(1,923,806)	**–**	–	Noninterest-bearing, due and demandable	Unsecured
Lease Payments (Note 24)	**225,187**	225,186	**–**	–	–	–
Reinsurance recoverable on unpaid losses	**(1,760,136)**	1,102,836	**100,814**	1,860,950	Noninterest-bearing, due and demandable	Unsecured
Reinsurance recoverable on paid losses	**1,655,022**	1,558,141	**3,213,163**	1,558,141	Noninterest-bearing, due and demandable	Unsecured
Funds held by ceding companies	**(101,433)**	(19,833,300)	**468,321**	569,754	Interest bearing, not yet due and demandable	Unsecured
Provision for claims reported	**24,121,419**	34,895,913	**(113,785,155)**	(89,663,736)	Noninterest-bearing, due and demandable	Unsecured
Entities under Common Control						
CARD Pioneer Microinsurance Inc.						
Due to reinsurers	**1,649,546**	558,058	**(1,649,546)**	–	Noninterest-bearing, due and demandable	Unsecured
Due from reinsurers	**(103,351)**	103,351	**–**	103,351		
Reinsurance recoverable on unpaid losses	**1,890,355**	387,954	**2,684,007**	793,652	Noninterest-bearing, due and demandable	Unsecured
PLI						
Accounts payable	**(517,075)**	(1,337,358)	**(29,850)**	(546,925)	Noninterest-bearing, due and demandable	Unsecured
Provision for claims reported	**1,604,104**	1,512,399	**(1,604,104)**	–	Noninterest-bearing, due and demandable	Unsecured
M Pioneer Insurance Inc.						
Due from ceding companies	**(714,096)**	1,541,999	**6,556,167**	7,270,263	Noninterest-bearing, due and demandable	Unsecured
Reinsurance recoverable on unpaid losses	**1,262,711**	1,044,705	**2,787,406**	1,524,695	Noninterest-bearing, due and demandable	Unsecured
Reinsurance recoverable on paid losses	**1,472,795**	1,518,199	**2,990,994**	1,518,199	Noninterest-bearing, due and demandable	Unsecured
Due to reinsurers	**331,995**	1,198,269	**(2,505,342)**	(2,173,347)	Noninterest-bearing, due and demandable	Unsecured
Insurance payables	**1,341,243**	1,020,883	**(3,442,000)**	(2,100,757)	Noninterest-bearing, due and demandable	Unsecured
Provision for claims reported	**386,287**	(1,086,064)	**(14,174,236)**	(13,787,949)	Noninterest-bearing, due and demandable	Unsecured
Associate						
PTC						
Time deposits	**39,080,424**	464,317,963	**102,228,359**	63,147,935	Interest bearing, not yet due and demandable	Unsecured

The Company's related party transactions pertain to the following:

a. In the ordinary course of business, the Company accepts and cedes insurance business under various reinsurance contracts with PISC, its Parent Company. Amounts due to and due from PISC are the outstanding insurance balances related to these acceptances and cessions.

b. The Company has a payable to PISC consisting mainly of share in common overhead expenses.

c. The Company has a lease contract with PISC on the lease of its office space, for a term of two (2) years.

d. The Company has a payable to PLI consisting of payments of claims to beneficiaries for the Company's account.

e. The Company has time deposits from the PTC which earns interest at annual interest rates ranging from 1.25% to 1.50% and 1.25% to 3.25% in 2021 and 2020, respectively.

f. Key management personnel of the Company include all personnel having a position of Assistant Vice President and above. Compensation of key management personnel, which consists of salaries and other employee benefits, amounted to ₱1,463,330 in 2021 and ₱1,442,435 in 2020.

g. As of December 31, 2021 and 2020, the Company does not have any transactions, either directly or indirectly, with the retirement benefit fund.

24. Leases

Company as a lessee
The Company has a lease contract for its office space with PISC for a term of two (2) years. The Company's obligation under its lease is secured by the lessor's title to the leased asset. The Company is restricted from assigning and subleasing the leased asset.

The rollforward analyses of this account for right-of-use as of December 31, 2021 and 2020 follow:

	2021	2020
Cost		
At beginning of year	**₱432,066**	₱432,066
Additions	**432,066**	–
Disposals	**(432,066)**	–
At end of year	**432,066**	432,066
Accumulated Depreciation and Amortization		
At beginning of year	**306,760**	90,432
Depreciation	**215,862**	216,328
Disposals	**(432,066)**	
At end of year	**90,556**	306,760
Net Book Values	**₱341,510**	₱125,306

The rollforward analyses of lease liabilities as of December 31, 2021 and 2020 follow:

	2021	2020
As at January 1	**₱129,922**	₱345,094
Additions	**432,066**	–
Interest expense	**8,293**	10,014
Payments	**(225,187)**	(225,186)
As at December 31	**₱345,094**	₱129,922

The following are the amounts recognized in statements of income:

	2021	2020
Depreciation expense of right-of-use assets (Note 20)	**₱215,862**	₱216,328
Interest expense on lease liabilities	**8,293**	10,014
Total amount recognized in statement of income	**₱224,155**	₱226,342

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
1 year	**₱225,186**	₱131,359
more than 1 year to 2 years	**131,359**	–
	₱356,545	₱131,359

25. **Capital Management**

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-Based Capital (RBC) Model.

To ensure compliance with these externally imposed capital requirements, it is the Company's policy to monitor paid-up capital, net worth, and RBC requirements on a quarterly basis as part of the Company's internal financial reporting process.

As of December 31, 2021 and 2020, the Company fully complied with the externally-imposed capital requirements during the reported financial periods. These are the fixed capitalization requirement and RBC requirements.

<u>Fixed Capitalization Requirements</u>
On January 13, 2015, the IC issued CL No. 2015-02-A clarifying the minimum capitalization and networth requirements of new and existing insurance companies in the Philippines. Based on the said circular letter, all domestic life and nonlife insurance companies duly licensed by the IC must have a networth of at least ₱1,200,000,000 by December 31, 2022.

The minimum networth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum Networth	**Compliance Date**
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

The Company has ₱1,106,951,917 and ₱938,773,931 net worth as of December 31, 2021 and 2020, respectively, and has complied with the minimum statutory net worth and paid-up capital requirements as at the end of each reporting period.

RBC Requirements

For purposes of the December 31, 2021 and 2020 financial reporting, the Company determined its compliance with the RBC requirements of the IC based on the provisions of CL No. 2016-68. This circular provides RBC frameworks for nonlife insurance companies in order to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every nonlife insurance company is annually required to maintain a minimum required RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the nonlife insurance company to the corresponding regulatory intervention which has been defined at various levels.

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

	2021 (Estimated)	2020 (Actual)
Total available capital	**₱1,151,607,372**	₱1,128,608,351
RBC2 requirement	**300,428,202**	290,558,968
RBC2 ratio	**383%**	388%

The Company was able to comply with the minimum RBC2 requirement. The final amount of the RBC ratio can only be determined after the accounts of the Company have been examined by the IC.

The total available capital shall be the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. This capital is considered to be the highest quality capital available to the insurer. Tier 2 Capital does not have the same high quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer. Tier 2 capital shall not exceed 50% of Tier 1 Capital.

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

Financial Reporting Framework

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

IC CL No. 2018-18, *Valuation Standards for Nonlife Insurance Policy Reserves*, prescribes valuation methodology for the nonlife insurance companies. 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 claims reserves are 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 adverse deviation is computed at least on an annual basis based on standard projections techniques, such as but not limited to the Mack method, Bootstrapping method, Stochastic Chain Ladder method to bring the actuarial estimate of Policy Liabilities at the 75th percentile level of sufficiency and shall be incorporated on both premiums and claims liability valuation. Discount rates to be used shall be based on the latest BVAL and the Bloomberg IYC Curve for PhP and USD-denominated policies, respectively.

Unexpired Risk Reserves (URR) refers to the amount of reserve required to cover future claims, commission and expenses at a designated level of confidence, that are expected to emerge from an unexpired period of cover. Starting 2018, the premiums liabilities shall be determined in accordance with the valuation standards prescribed under IC CL No. 2018-18, which is the higher between the UPR and URR.

On March 9, 2018 the IC issued Circular Letter No. 2018-19, *Amendment to Circular Letter No.2016-69 "Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-based Capital (RBC2) Framework",* which provides that item *3c Margin for Adverse Deviation* (MfAD) of said circular is hereby amended such that companies shall be allowed to set the MfAD as follows:

Period Covered	Percentage (%) of company-specific MfAD
2017	0%
2018	50%
2019 onwards	100%

Based on the actuarial valuation report, the Company complied with the aforementioned regulation and reflected MfAD of ₱46,857,416 and ₱37,644,848 in 2021 and 2020, respectively, within 'Insurance contract liabilitites'. The Company used 100% in 2021 and 2020 of the company-specific MfAD.

26. Management of Insurance and Financial Risk

Insurance Risk

The risk under an insurance contract is the possibility of occurrence of insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, and actual benefits paid that are greater than originally estimated.

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

The majority of reinsurance business ceded is placed on a quota share and excess of loss basis with retention limits. 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 agreements, it is not relieved of its direct obligations to its policyholders, and thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurers 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 any single reinsurance contract.

For the year ended December 31, 2021 and 2020, the Company issued general accident insurance contracts.

The table below sets out the concentration of the claims liabilities as of December 31, 2020 and 2019 by type of contract (see Note 13).

	2021			2020		
Line	**Gross Claims Liabilities**	**Reinsurers' Share of Claims Liabilities**	**Net**	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net
General accident	**₱425,822,756**	**₱117,262,579**	**₱308,560,177**	**₱307,155,070**	**₱81,340,562**	**₱225,814,508**

Key assumptions
The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variations in interest and delays in settlement.

Sensitivities
The insurance claims provision is sensitive to the above key assumptions. Because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provision is not known with certainty at the reporting dates.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and income before income tax.

	2021			
	Change in Assumption	**Impact on Gross Insurance Contract Liabilities**	**Impact on Net Insurance Contract Liabilities**	**Impact on Income Before Income Tax**
Average claim costs	**5%**	**₱22,864,752**	**₱16,383,311**	**(₱16,465,227)**
Average number of claims	**5%**	**18,778,517**	**13,445,396**	**(13,522,673)**

	2020			
	Change in Assumption	Impact on Gross Insurance Contract Liabilities	Impact on Net Insurance Contract Liabilities	Impact on Income Before Income Tax
Average claim costs	5%	₱14,984,640	₱10,605,843	(₱10,658,872)
Average number of claims	5%	15,945,328	11,285,800	(11,342,229)

Average claim costs and number of claims used for valuation are selected with consideration for statutory requirements, as specified in the Code.

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table
The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident years. In order to maintain strong reserves, the Company transfers much of this release to current accident year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

The following tables reflect the cumulative incurred claims, including both claims notified and claim IBNR for each successive accident year at each statement of financial position date, together with cumulative payments to date.

	Gross Insurance Contract Liabilities for 2021					
Accident year	2017	2018	2019	2020	2021	Total
Estimate of ultimate claim costs						
At the end of accident year	₱48,907,734	₱72,685,991	₱120,397,125	₱87,792,873	₱213,814,822	₱213,814,822
One year later	46,650,906	73,902,478	119,217,094	170,549,228	–	170,549,228
Two years later	46,462,533	97,324,031	132,678,437	–	–	132,678,437
Three years later	55,290,270	68,793,065	–	–	–	68,793,065
Four years later	40,643,271	–	–	–	–	40,643,271
Current estimate of cumulative claims	40,643,271	68,793,065	132,678,437	170,549,228	213,814,822	626,478,823
Cumulative payments to date	38,534,766	44,249,943	43,716,210	68,016,161	6,138,987	200,656,067
Liability recognized in the statement of financial position	₱2,108,505	₱24,543,122	₱88,962,227	₱102,533,067	₱207,675,835	₱425,822,756

	Net Insurance Contract Liabilities for 2021					
Accident year	2017	2018	2019	2020	2021	Total
Estimate of ultimate claim costs						
At the end of accident year	₱34,468,138	₱56,968,996	₱101,243,610	₱66,275,560	₱141,251,796	₱141,251,796
One year later	32,034,217	55,998,777	103,146,264	113,222,364	–	113,222,364
Two years later	31,060,811	67,402,669	106,787,390	–	–	106,787,390
Three years later	32,802,278	54,140,118	–	–	–	54,140,118
Four years later	26,241,550	–	–	–	–	26,241,550
Current estimate of cumulative claims	26,241,550	54,140,118	106,787,390	113,222,364	141,251,796	441,643,218
Cumulative payments to date	24,170,691	34,740,065	32,597,714	36,209,589	5,364,982	133,083,041
Liability recognized in the statement of financial position	₱2,070,859	₱19,400,053	₱74,189,676	₱77,012,775	₱135,886,814	₱308,560,177

Governance Framework
The Company has established a risk management function with clear terms of reference and with the responsibility for developing group wide policies on credit, liquidity and market risk. It also supports the effective implementation of policies at the overall group and the individual business unit levels.

The policies define the Company's identification of risk and its interpretation, its limit structure to ensure the appropriate quality and diversification of assets, the alignment of underwriting and reinsurance strategy to the corporate goals and the specification of reporting requirements.

Fair Value of Financial Instruments
Due to short-term nature of cash and cash equivalents, insurance receivables, loans and receivables, interest receivable, insurance payables, and accounts payable, accrued expenses, and commissions payable, the carrying values reasonably approximate fair values as of the end of the reporting date.

The fair values of financial assets at FVTPL and listed financial assets at FVOCI were determined using quoted market prices at the reporting date. For unquoted equity securities with no reliably estimable fair values, the said financial assets at FVOCI were carried at cost less allowance for impairment losses.

The Company has investment in a holding company's, a microinsurance company's and other company's common shares which are not quoted in the market as of December 31, 2021 and 2020. The estimated fair market values, categorized as Level 3, are presented in the table below.

	2021	2020
Investment in a holding company	**₱102,722,808**	₱116,515,337
Investment in a microinsurance company	**75,851,983**	57,789,936
Other company	**1,521,590**	1,521,590
Total	**₱180,096,381**	₱175,826,863

In 2021 and 2020, the following procedures were performed to determine the fair value of investment in a holding company using the adjusted net asset method:

- The assets and liabilities of the investee company were stated in fair values. Majority of the assets of the holding company is its investment in a subsidiary, which is a life insurance company. The fair value of investment in life insurance company was determined using DCF method.
- The fair values of liabilities were deducted against fair value of the assets to determine the net asset of the Company.
- The net asset were multiplied to the percentage ownership of the Company to arrive the fair value of the investment.

In 2021 and 2020, the following assumptions were used to determine the fair value of investment in a microinsurance company and the fair value of life insurance company wholly-owned by the holding company above using the DCF method:

- Weighted average cost of capital (WACC) of the microinsurance company was used in determining the present value of free cash flows (FCF);
- The terminal value was calculated using the FCF from the last year of the five-year projection period capitalized into perpetuity using the Gordon growth model based on a growth rate of 4.0% for both microinsurace company and life insurance company;
- Normalization adjustments were made in the FCF of the last year of the projection period for purposes of computing the terminal value; and
- A marketability factor of 20% was used considering that the investment in microinsurance company is not liquid.

The following table shows the reconciliation of the beginning and ending balances of Level 3 FVOCI financial assets which are recorded at fair value:

	2021	2020
At January 1	**₱175,826,863**	**₱179,845,505**
Fair value gains (losses)	**4,269,518**	**(4,018,642)**
At December 31	**₱180,096,381**	**₱175,826,863**

The analysis of the fair market value of the investment in a microinsurance company and investment in a holding company owning a life insurance company below is performed for the reasonably possible movements in unobservable inputs, with all other variables held constant, showing the impact on other comprehensive income:

	2021			
	Investment in a microinsurance company		**Investment in a holding company**	
Significant unobservable input	**Level at year-end**	**Sensitivity of the input to fair value**	**Level at year-end**	**Sensitivity of the input to fair value**
WACC	**12.43%**	**0.25% increase (decrease) in the WACC would result in the (decrease) increase in fair value by (₱1,565,456) and ₱1,660,507, respectively.**	**13.07%**	**0.25% increase (decrease) in the WACC would result in the (decrease) increase in fair value by (₱2,165,544) and ₱2,291,479, respectively.**
FCF perpetuity growth model	**4.00%**	**0.25% increase (decrease) in the perpetuity growth rate would result in the increase (decrease) in fair value by ₱1,478,642 and (₱1,393,458), respectively.**	**4.00%**	**0.25% increase (decrease) in the perpetuity growth rate would result in the increase (decrease) in fair value by ₱1,451,714 and (₱1,373,813), respectively.**
Marketability discount factor	**20%**	**0.25% increase (decrease) in the market discount factor would result in (decrease) increase in fair value by (₱237,037) and ₱237,037, respectively.**	**20%**	**0.25% increase (decrease) in the market discount factor would result in (decrease) increase in fair value by (₱321,009) and ₱321,009, respectively.**

	2020			
	Investment in a microinsurance company		Investment in a holding company	
Significant unobservable input	Level at year-end	Sensitivity of the input to fair value	Level at year-end	Sensitivity of the input to fair value
WACC	12.45%	0.25% increase (decrease) in the WACC would result in the (decrease) increase in fair value by (₱1,653,376) and ₱1,753,422, respectively.	13.60%	0.25% increase (decrease) in the WACC would result in the (decrease) increase in fair value by (₱2,045,823) and ₱2,154,060, respectively.
FCF perpetuity growth model	4.00%	0.25% increase (decrease) in the perpetuity growth rate would result in the increase (decrease) in fair value by ₱1,612,009 and (₱1,519,340), respectively.	4.00%	0.25% increase (decrease) in the perpetuity growth rate would result in the increase (decrease) in fair value by ₱1,176,764 and (₱1,117,060), respectively.
Marketability discount factor	20%	0.25% increase (decrease) in the market discount factor would result in (decrease) increase in fair value by (₱180,594) and ₱180,594, respectively.	20%	0.25% increase (decrease) in the market discount factor would result in (decrease) increase in fair value by (₱364,110) and ₱364,110, respectively.

Due to the long-term nature of the investments in debt financial assets at amortized cost, its carrying value differs from its fair value. The fair value of investments in debt financial assets at amortized cost, categorized as Level 1, is based on the quoted market prices at the end of the reporting date. The fair values of the investment securities in amortized cost amounted to ₱254,078,974 and ₱255,046,726 as of December 31, 2021 and 2020, respectively.

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI:				
Listed equity securities	**₱95,500,000**	**₱–**	**₱–**	**₱95,500,000**
Unquoted equity securities	**–**	**–**	**180,096,381**	**180,096,381**
Financial assets at FVTPL:				
Listed equity securities	**29,025,624**	**–**	**–**	**29,025,624**
	₱124,525,624	**₱–**	**₱180,096,381**	**₱304,622,005**

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI:				
Listed equity securities	₱89,500,000	₱–	₱–	₱89,500,000
Unquoted equity securities	–	–	175,826,863	175,826,863
Financial assets at FVTPL:				
Listed equity securities	16,915,649	–	–	16,915,649
	₱106,415,649	₱–	₱175,826,863	₱282,242,512

Financial Risk

The Company is exposed to financial risk through its financial assets and financial liabilities, particularly, credit risk, liquidity risk and market risk (currency, interest rate, and equity price risks). The BOD reviews and amends policies for managing each of these risks. The Company's risk management policies and practices are documented in the subsequent paragraphs.

Credit risk

Credit risk is the risk that the Company will incur loss arising from its counterparties that fail to discharge their contractual obligations.

Prior to extending credit, the Company manages its credit risk by assessing the credit quality of its counterparty. The Company has a credit policy group that reviews all information about the counterparty which may include its statements of financial position, statements of income, statements of comprehensive income and other market information, and implements the internal rating system of the Company. The nature of the obligation is likewise considered. Based on this analysis, the credit analyst assigns the counterparty a credit rating to determine whether or not credit may be provided.

Credit risk limit is also used to manage credit exposure which specifies credit limit for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience. The Company did not have any significant concentration of risk with a single counterparty or group of counterparties, geographical and industry segments as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the carrying values of the Company's financial instruments represent maximum exposure to credit risk as reporting date. The Company does not enter into collateral or credit enhancements.

The following table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to external (debt instruments, cash and cash equivalents) and internal (insurance receivables except reinsurance assets) credit ratings of the counterparties.

	2021				
	Neither Past Due nor Impaired				
	Investment/ High Grade	**Below Investment Grade**	**Subtotal**	**Past Due or Impaired**	**Total**
Cash and cash equivalents*	**₱190,862,492**	**₱–**	**₱190,862,492**	**₱–**	**₱190,862,492**
Insurance receivables**:					
Premiums receivable	**29,276,707**	**–**	**29,276,707**	**9,374,569**	**38,651,276**
Due from ceding companies	**26,593,996**	**–**	**26,593,996**	**104,720,902**	**131,314,898**
Funds held by ceding companies - treaty	**3,064,771**	**–**	**3,064,771**	**–**	**3,064,771**
Reinsurance recoverable on paid losses	**192,779**	**–**	**192,779**	**6,011,378**	**6,204,157**
Loans and receivables	**29,599,534**	**–**	**29,599,534**	**–**	**29,599,534**
Government debt securities (investments in debt financial assets at amortized cost)	**254,078,974**	**–**	**254,078,974**	**–**	**254,078,974**
Interest receivable	**5,136,080**	**–**	**5,136,080**	**–**	**5,136,080**
	₱538,805,333	**₱–**	**₱538,805,333**	**₱120,106,849**	**₱658,912,182**

** Cash and cash equivalents exclude cash on hand.*
*** High grade based on internal rating*

	2020				
	Neither Past Due nor Impaired				
	Investment/ High Grade	Below Investment Grade	Subtotal	Past Due or Impaired	Total
Cash and cash equivalents*	₱82,972,457	₱–	₱82,972,457	₱–	₱82,972,457
Insurance receivables**:					
Premiums receivable	13,733,067	–	13,733,067	22,406,759	36,139,826
Due from ceding companies	66,448,152	–	66,448,152	54,477,014	120,925,166
Funds held by ceding companies - treaty	665,534	–	665,534	2,493,313	3,158,847
Reinsurance recoverable on paid losses	2,906,697	–	2,906,697	169,644	3,076,341
Loans and receivables	20,098,367	–	20,098,367	–	20,098,367
Government debt securities (HTM investments)	255,046,726	–	255,046,726	–	255,046,726
Interest receivable	3,435,121	–	3,435,121	–	3,435,121
	₱445,306,121	₱–	₱445,306,121	₱79,546,730	₱524,852,851

** Cash and cash equivalents exclude cash on hand.*
*** High grade based on internal rating*

Impairment Assessment

Investment grade financial assets are assets which have strong capacity to meet the Company's financial commitments and are unsusceptible to adverse effects of changes in economic conditions.

Below investment grade financial assets are assets which are vulnerable to impairment due to the assets' significant speculative characteristics. Adverse economic conditions will likely impair below investment grade financial assets.

Cash and cash equivalents and investments in debt financial assets at amortized cost

The credit risk for cash and cash equivalents is considered negligible or the probability of default from these reputable banks is remote since there has been no history of default from these counterparties and because of their high quality external credit ratings.

Cash in banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of ₱0.5 million per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, Amendment to Charter of PDIC.

For investments in government securities classified as investment securities at amortized cost, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly-available and are considered to be low credit risk investments. It is the Company's policy to measure ECL on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Insurance receivables
The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for receivables from clients.

The expected loss rates on these receivables are determined based on the history of credit-impaired agent, broker and direct accounts. The Company analyzes insurance receivables based on the number of days the receivables have been outstanding. Insurance receivables that are past due for at least three (3) months or ninety (90) days are assessed for credit impairment.

The historical loss rates, which are expressed as the relationship between the credit-impaired accounts and the related recognized insurance receivables are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

As of December 31, 2021 and 2020, the Company has allowance for ECL on receivables amounting to ₱183,467 and ₱2,936,533, respectively.

The credit quality of the financial assets was determined as follows:

a. *Cash and cash equivalents and interest receivable*
These are classified as investment grade. These are deposited, placed or invested in local banks belonging to the top banks in the Philippines in terms of resources and profitability.

b. *Insurance receivables and loans and receivables*
The Company uses a credit rating concept based on the borrowers overall credit worthiness. Investment grade is given to borrowers and counterparties having good standing in terms of credit and paying habits and their outstanding account balance does not exceed 30% of their total production. Below investment grade is given to borrowers and counterparties having low standing in terms of credit and paying habits and their outstanding balance exceeds 50% of their total production.

c. *Debt securities*
These are classified as investment grade. The government debt securities are issued by the Philippine government authority and are considered as risk-free debt securities.

Set out below is the information about the credit risk exposure on the Company's premiums receivable using a provision matrix.

December 31, 2021

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	₱–	29,276,707	9,374,569	38,651,276
ECL	–	55,193	128,274	183,467

December 31, 2020

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	₱–	₱13,733,067	22,406,759	36,139,826
ECL	–	–	2,936,533	2,936,533

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

An institution may suffer from a liquidity problem when its credit rating falls. The Company is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity. The major liquidity risk confronting the Company is the potential daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Company manages liquidity through a liquidity risk policy which determines what constitutes liquidity risk for the Company, specifies minimum proportion of funds to meet emergency calls, sets up policies on contingency funding plans, specifies the sources of funding and the events that would trigger the plan as wells as concentration of funding sources, requires reporting of liquidity risk exposures and breaches to the monitoring authority, and calls for monitoring of compliance with liquidity risk policy and review of liquidity risk policy.

The table below analyzes financial assets and liabilities, including insurance contract liabilities, of the Company into their relevant maturity groups, based on the remaining period, to their contractual maturities or expected repayment dates. For financials assets at FVTPL and FVOCI, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the expected date the assets will be realized.

	2021				
	Up to a year	**1-3 years**	**Over 3 years**	**No Maturity Date**	**Total**
Assets at amortized cost					
Cash and cash equivalents*	**₱191,233,562**	**₱–**	**₱–**	**₱–**	**₱191,233,562**
Insurance receivables	**59,128,253**	**120,106,849**	**–**	**–**	**179,235,102**
Loans and receivables*	**29,692,165**	**–**	**–**	**–**	**29,692,165**
Interest receivable	**5,136,080**	**–**	**–**	**–**	**5,136,080**
Financial assets at FVOCI	**–**	**–**	**–**	**275,596,381**	**275,596,381**
Financial assets at FVTPL	**–**	**–**	**–**	**29,025,624**	**29,025,624**
Investment securities at amortized cost*	**36,531,761**	**2,200,718**	**307,653,682**	**–**	**346,386,161**
Total Financial Assets	**₱321,721,821**	**₱122,307,567**	**₱307,653,682**	**₱304,622,005**	**₱1,056,305,075**
Other financial liabilities					
Insurance contract liabilities	**₱520,277,681**	**₱–**	**₱–**	**₱–**	**₱520,277,681**
Insurance payables	**170,096,722**	**–**	**–**	**–**	**170,096,722**
Accounts payable, accrued expenses, and commissions payable**	**34,279,055**	**–**	**–**	**–**	**34,279,055**
Lease liabilities	**225,186**	**131,359**	**–**	**–**	**356,545**
Total Financial Liabilities	**₱724,878,644**	**₱131,359**	**₱–**	**₱–**	**₱725,010,003**

* *Includes future interest*
** *Accounts payable, accrued expenses and commissions payable exclude taxes payable.*

	2020				
	Up to a year	1-3 years	Over 3 years	No Maturity Date	Total
Assets at amortized cost					
Cash and cash equivalents*	₱83,312,709	₱–	₱–	₱–	₱83,312,709
Insurance receivables	160,363,647	–	–	–	160,363,647
Loans and receivables*	19,423,485	674,882	–	–	20,098,367
Interest receivable	3,397,869	–	–	–	3,397,869
Financial assets at FVOCI	–	–	–	285,086,742	285,086,742
Financial assets at FVTPL	16,915,649	–	–	–	16,915,649
Investment securities at amortized cost*	11,864,790	37,322,449	205,859,486	–	255,046,726
Total Financial Assets	₱295,278,149	₱37,997,332	₱205,859,486	₱285,086,742	₱824,221,709
Other financial liabilities					
Insurance contract liabilities	₱390,830,136	₱–	₱–	₱–	₱390,830,136
Insurance payables	103,650,104	–	–	–	103,650,104
Accounts payable, accrued expenses, and commissions payable**	34,788,845	–	–	–	34,788,845
Lease liabilities	131,359	–	–	–	131,359
Total Financial Liabilities	₱529,400,444	₱–	₱–	₱–	₱529,400,444

* *Includes future interest*
** *Accounts payable, accrued expenses and commissions payable exclude taxes payable.*

It is unusual for a company, primarily transacting in insurance business, to predict the requirements of funding with absolute certainty since the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are, thus, based on management's best estimated timing of net cash outflows.

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

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

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

Currency risk
Currency risk is the risk that the value of the financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk is minimal.

Interest rate risk
Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company has no debt instruments classified as FVPTL or FVOCI as of December 31, 2021 and 2020.

The following table sets out the Company's debt instruments subject to fixed interest rates by maturity.

		2021			
	Range of Interest Rate	**Up to a year**	**1 to 3 years**	**More than 3 years**	**Total**
Cash and cash equivalents*	**1.25% - 1.50%**	**₱190,862,492**	**₱–**	**₱–**	**₱190,862,492**
Loans and receivables	**12.00%**	**301,371**	**373,511**	**–**	**674,882**
Investments in debt financial assets	**4.625% - 8.00%**	**35,269,609**	**2,003,174**	**216,806,191**	**254,078,974**
Total interest-bearing financial assets		**₱226,433,472**	**₱2,376,685**	**₱216,806,191**	**₱445,616,348**
Funds held for reinsurers	**1.00%-5.00%**	**₱60,072,574**	**₱–**	**₱–**	**₱60,072,574**
Total interest-bearing financial liabilities		**₱60,072,574**	**₱–**	**₱–**	**₱60,072,574**

** Cash and cash equivalents exclude cash on hand.*

		2020			
	Range of Interest Rate	Up to a year	1 to 3 years	More than 3 years	Total
Cash and cash equivalents*	1.25% - 2.25%	₱82,972,457	₱–	₱–	₱82,972,457
Loans and receivables	12.00%	301,371	674,882	–	976,253
Investment in debt financial assets	4.625% - 8.00%	11,864,790	37,322,449	205,859,487	255,046,726
Total interest-bearing financial assets		₱95,138,618	₱37,997,331	₱205,859,487	₱338,995,436
Funds held for reinsurers	1.00%-5.00%	₱37,022,480	₱–	₱–	₱37,022,480
Total interest-bearing financial liabilities		₱37,022,480	₱–	₱–	₱37,022,480

** Cash and cash equivalents exclude cash on hand.*

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

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

The analysis is performed for reasonably possible movements in the Philippine Stock Exchange index (PSEi) with all other variables held constant, showing the impact on profit before tax (due to changes in the fair value of financial assets at FVTPL) and the impact on other comprehensive income (due to changes in the fair value of financial assets at FVOCI) on quoted equity securities.

	2021		
	Change in market price	**Impact on Profit Before Tax**	**Impact on Other Comprehensive Income**
PSEi	**+3%**	**₱620,192**	**₱–**
PSEi	**-3%**	**(620,192)**	**–**

	2020		
	Change in market price	Impact on Profit Before Tax	Impact on Other Comprehensive Income
PSEi	+5%	₱565,148	₱–
PSEi	-5%	(565,148)	–

The impact on other comprehensive income is arrived at using the reasonably possible change of PSEi and the specific adjusted beta of each stock the Company holds. The possible change of PSEi is determined by obtaining expected movement of PSEi based on a 3-year annual historical movement. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

27. Supplementary Tax Information Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the information on taxes and license fees paid or accrued during the taxable year.

Value-Added Tax (VAT)
The Company is a VAT-registered company with VAT output tax declaration of ₱25,995,648 for the year based on the amount reflected in the premiums earned of ₱216,630,402.

The amount of VAT input taxes claimed is broken down as follows:

At January 1	₱–
Current year's purchases	5,339,345
Applied against output VAT	5,339,345
At December 31	₱–

Documentary Stamp Tax (DST)
For the period ended December 31, 2021, the DST paid/accrued on policies amounted to ₱27,182,894.

Other Taxes and License Fees
This includes all other taxes, local and national, including licenses and permit fees. Details consist of the following:

Local	
Mayor's permit	₱16,340
Community tax	10,500
	26,840
National	
Supervision fee of Insurance Commission	176,750
Filing fee of annual statement	40,400
Application fee for new policy wording	199,500
Barangay clearance	2,570
Certification fee	100
BIR annual registration fee	500
Others	34,156
	453,976
	₱480,816

Withholding Taxes

The amount of withholding taxes paid and accrued for the year amounted to:

Expanded withholding taxes	₱5,553,236
Withholding taxes on compensation and benefits	485,872
Final withholding taxes	142,796
	₱6,181,904

Tax Assessments and Cases

The Company has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the Bureau of Internal Revenue as of December 31, 2021.