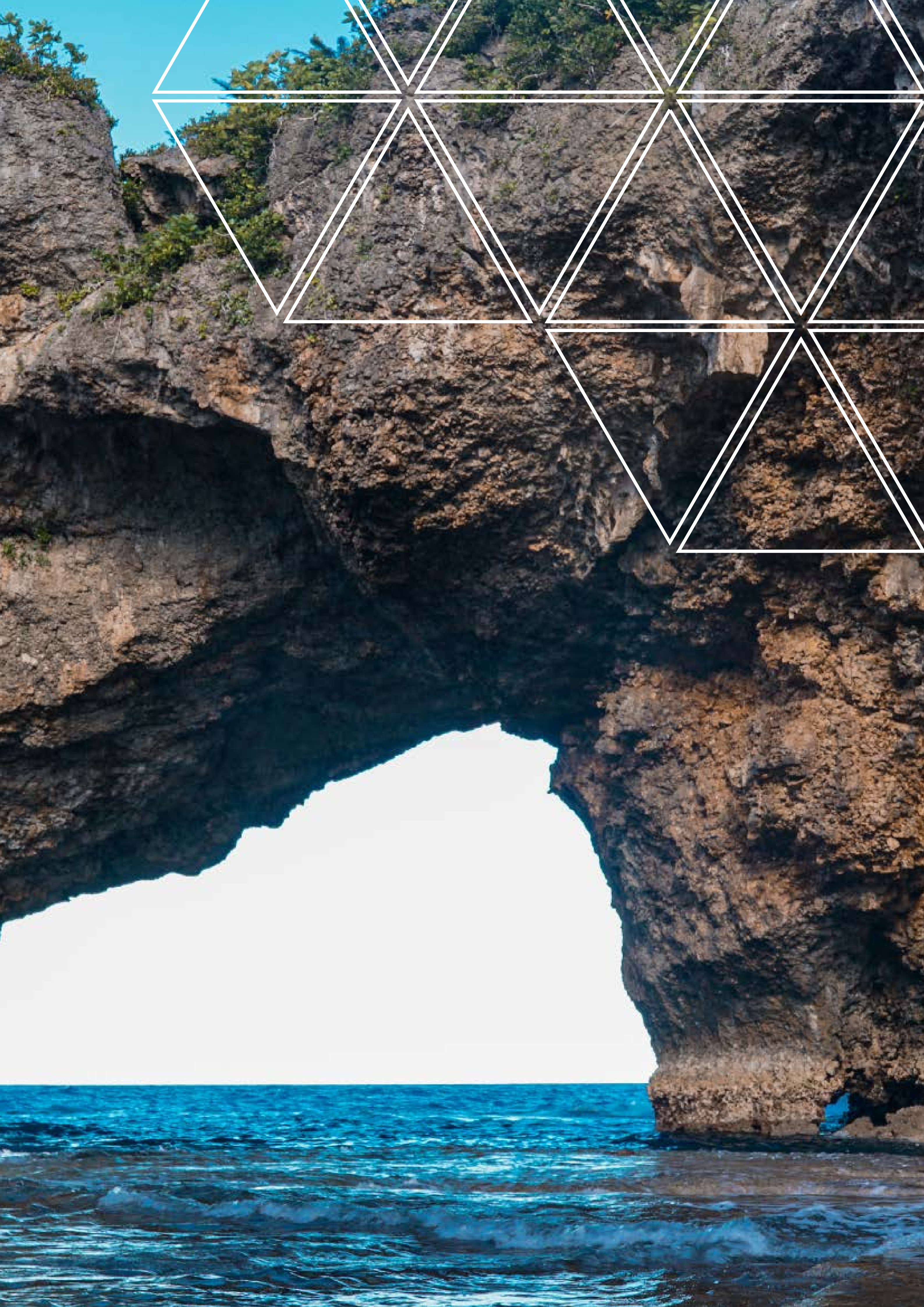
ANNUAL REPORT 2021

FPG insurance

Table of Contents



At FPG Insurance, our vision, mission, and core values shape the way the management maps the direction of the company.

VISION

Be the trusted insurer of choice focused on bringing a positive and digitally-enabled client experience.

MISSION

Our commitment is to bring insurance protection and peace of mind to our clients.

CORE VALUES

- Integrity
- Respect
- Accountability
- Courage
- Results-Driven

MESSAGE FROM THE CHAIRMAN

2021 proved to be a challenging year for many economies. Even the Philippine business environment was somewhat affected.

David Zuellig

Chairman of the Board
and Regional Managing Director

For FPG Insurance however, the last financial year proved to be one that blessed the company with success.

FPG Insurance ranks number 5 in the market for Gross Premiums Written. More importantly, in 2021, the company and its CEO, Gigi Pio de Roda were honoured with various awards and recognitions. With these milestones, FPG Insurance strives to work for all the clients and always keeping in mind its purpose.

We, the FPG family, want to thank you for your loyalty. Our relationship with you is deeply appreciated.

Last but certainly not least, my thanks go out to the management and all employees for the dedication to FPG Insurance and all the hard work that was necessary to provide the company a strong and solid position in the industry.

PRESIDENT'S REPORT

Gigi Pio De Roda

President and CEO

We have worked hard to get to where we are today and with great passion. When we think about what the past year's events were, we can't help but be proud, hopeful, and even more determined to strive harder to achieve our goal to be one of the **Top 10 Most Profitable and Most Innovative Non-Life Insurance Company with the Best Customer Service.**

We managed to keep GPW at previous year's levels at PHP4 Billion, despite the continued adverse effects of the pandemic. However, Net Underwriting Income grew 31% to PHP559 Million and Net Income from Operations showed a 61% improvement year-on-year. Net Income after Tax amounted to PHP59 Million, a significant turnaround from the previous year's PHP175 Million loss. Combined ratio for 2021 stood at 103.6%, a 3.1pts improvement from last year. The improvement in our financial results were driven mainly by lower losses incurred, partly due to the recognition of prior year's BAU adjustments in dormant claims.

As a result of the above, our Industry Ranking in terms of profitability significantly improved to 23rd from last year's 2nd from the bottom (48th last year), whilst maintaining our Top 5 ranking in terms of GPW.

Last year, we listened intently to the calls of our agents. That is why we have successfully launched SIMONE, a new business tool for all our insurance agents that automates and organizes insurance agent tasks to achieve maximum efficiency and productivity at the palm of our hands anywhere. **This is an example of the data driven digital transformation that we seek to accomplish**. With no doubt, with the right talent and the right tools, our agents have become one of the best at what they do.

We have also made sure that insurance is available and accessible to all. We have partnered with GCash under GInsure so that Filipinos may purchase insurance coverage for Compulsory Third-Party Liability (CTPL) insurance and personal accident protection. This partnership is made in our pursuit to **develop stronger and profitable distribution channels** for our agents and clients alike so that no Filipino will be left behind.

Because of our steadfast commitment in the pursuit of excellence, **we have built an effective organizational structure that benefits all and with the right talents to implement them**. Because of this, I am very proud to share that we emerged as the Insurtech Initiative of the Year awardee for the Philippines at the prestigious 2021 Insurance Asia Awards for our organic and in-house Software Defined Wide-Area Network. **Implementing this innovative feat was a challenge but we are more than willing to do it for the pride and prestige of all of us in FPG Insurance.**

INDUSTRY RANKING

Over the past five years, FPG Insurance has consistently ranked among the Top Non-Life Insurance Companies in the following key industry indicators namely, Gross Premiums Written (GPW), Net Premiums Written, and Premiums Earned.

This is a testament of our commitment to provide safety and peace of mind to our customers.

5th

Gross Premiums Written

11th

Net Premiums Written

10th

Premiums Earned

23rd

Net Income

THE FPG INSURANCE COMMITMENT

Our continued commitment to customers and the delivery of the highest level of service standards, value, and quality means that we continue to strive to ensure that our customers and partners will always receive the most innovative and technically-advanced products and insurance solutions.

Our expertise, leadership, and an unparalleled emphasis on customer satisfaction sustains our reputation within and across the Asia-Pacific Region. We are focused on delivering bespoke insurance solutions that work for our customers, whether small or large businesses, and even individuals.

Our financial stability and commitment to growth and sustainability is evident from our heritage and ethos, as well as our long-standing customer relationships and partnerships.

It is what makes FPG Insurance and our partners, the general insurance provider we have become today.

DIGITAL TRANSFORMATION

FPG Insurance is committed to deliver innovative business solutions, technology-transforming programs, and digital tools. From concept to implementation, we work to develop strategies that optimize our performance, drive the company's efficiency and enhance service quality.

The Company's thrust is to constantly think of ways to improve Customer Service and Customer Experience through technological innovation creating digital solutions to provide ease & convenience to all our customers.

The Website improvement, which was launched in 2020, has expanded the platform's purpose and functionality to connect, transact and serve customers effectively and efficiently. By adding the capability to provide real-time customer assistance through the website chatbot, automating product quotations, and providing different options to pay premiums through the different payment channels by simply using the Web Payment Facility.

To ensure a streamlined claims service touchpoint for customers, Claims Hotline was launched dedicated solely to claim-related concerns. The hotline is powered by a Voice over Internet Protocol (VoIP), a technology that allows voice calls using a broadband Internet connection instead of regular analog phone lines.

In support of the paperless transaction policy, FPG Insurance shifted towards digital brochures as a new way of disseminating information about the company's products and services. The website was redesigned to improve its performance, attract more web visitors, and encourage longer website sessions and has since increased new website users by 111% by year-end.

The company is also the first non-life insurance company to partner with fintech giant, GCash, thus enabling insurance coverage accessibility to over 55-million of its subscribers nationwide. Through the app, you can easily get motor and personal accident insurance with just a few clicks away!

1912

1958

1978

2004

2015

COMPANY HISTORY

Federal Insurance was established by the Zuellig Group in 1958. The company's mandate is to provide guarantee to the public through underwriting non-life insurance.

In 1978, minority shares were acquired by Phoenix Insurance thus changing the name to the more commonly known former business name of Federal Phoenix Assurance Co., Inc. (FPAC).

By 1987, the ownership composition of the company changed to 60% ownership by the Zuellig Group and its remaining 40% owned by Royal Insurance and Sun Alliance of United Kingdom.

As the business performed well, the Zuellig Group gained sole ownership of FPAC buying out Royal Insurance and Sun Alliance of United Kingdom entirely.

As the company became more established, Federal Phoenix Assurance Co., Inc. became an industry name for trusted general insurance needs. By the turn of the time in 2015, the company renamed to a modern branding of FPG Insurance Co., Inc. that we know of today.

since

1958


MAKE IT
MAKATI

THE BOARD

The FPG Insurance Co. Inc, Board is composed of industry experts with over 100 years of combined experience, leading the company's growth in the industry and sector:

DAVID ZUELLIG

The Chairman of FPG Insurance Co., Inc. He began his career in insurance in 1989 as Chairman of Accette Insurance Brokers, Inc. He served as such until 2011. Currently, he holds various positions in the Board's of several industry leading businesses in the Asia-Pacific Region in the following sectors: insurance, healthcare distribution solution, and pharmacy services.

GIGI PIO DE RODA

The President and CEO of FPG Insurance Co., Inc. She has over 20 years of comprehensive achievements across Banking and Insurance disciplines, specifically in Strategic Business Transformation, Operations Management, Risk Management, Retail Banking and Wealth Management, and Corporate and Institutional Banking. She is also the former Chief Operations Officer of Philam Life. She has a degree in Management of Financial Institutions from the De La Salle University and is a Fellow of the Institute of Corporate Directors (ICD Ph).

ATTY. AVELINO M. SEBASTIAN, JR.

An independent director of FPG Insurance Co., Inc. He is a professor, author, lecturer, and a Partner of Sebastian Liganor Olaño & Acejo Law Office, a full-service law firm with key practice areas in corporate law, banking, litigation, government procurement projects, and infrastructure. Atty. Sebastian is also currently the Chairman of the Civil Law Department of the De La Salle University College of Law.

ATTY. RICARDO J. ROMULO

Currently a non-executive director of FPG Insurance Co., Inc. He is a Senior Partner at Romulo, Mabanta, Buenaventura, Sayoc & De Los Angeles Law Office with Corporate Law as practice area. He was the Chairman of the Board of FPG Insurance Co., Inc. from 1993 to 2019. Atty. Romulo has an undergraduate degree from Georgetown University, cum laude, in 1955 and he received his Bachelor of Laws degree from Harvard Law School in 1958. He was admitted to the Philippine Bar in 1960.

KASIGOD V. JAMIAS

He is a non-executive director of FPG Insurance Co., Inc. He has a vast experience in corporate governance as he holds various positions as a director in health care & insurance industries. He has a degree in Business Administration from the University of the Philippines and a Master in Business Administration degree from the Asian Institute of Management.

LIST OF EXECUTIVES

President & Chief Executive Officer
Gigi Pio de Roda

Chief Administrative Officer – Office of the President
Lorilaine Eligio

Chief Finance Officer and Head of Business Services Group
Jean Israel

Chief Information Officer and
Head of Information Technology Group
Gabriel Mohan

Chief Underwriting Officer and Head of Underwriting Group
Sharon Marjorie Navarro

Head of Corporate Business Group and VisMin Region
Maria Luisa Alagde

Head of Agency Sales & Development Group
Noel de Guzman

Head of Alternative Channels Sales Group
Vinelle Trinidad Haber

Head of Communications and CRM Group
Lane Matthew Utitco

Head of Claims Group
Atty. Noel Salvador

Head of Human Resources
Renee Valdez

Head of Internal Audit
Marlon Ladesma

Head of Risk and Compliance
Atty. Mary Jane Aristoteles

Head of Corporate Business Excellence
Hector Thomas Javier

From left to right

Vinelle Trinidad Haber, Lane Matthew Utitco, Sharon Marjorie Navarro, Noel de Guzman, Maria Luisa Alagde, Gabriel Mohan s/o Manoharan, Gigi Pio de Roda, Marlon Ladesma, Renee Valdez, Hector Thomas Javier, Jean Israel, and Atty. Mary Jane Aristoteles

RISK MANAGEMENT

The Board considers all principal risks facing the company thus, identification and proper management of risk within the company is an important priority of the Board and its Management.

The Board has the ultimate responsibility for ensuring that the Company's risk management systems are adequate, effectively designed, in place, and are operating effectively. The Company has a Risk Management Team composed of individuals from different fields and departments to ensure that risk management and internal controls are set and consistently followed across different risks (e.g. insurance risk, financial risk, etc) which the Company is exposed.

The Company also has an Internal Auditor, with oversight from the Audit Committee, who ensures that effective and efficient controls are implemented and operating effectively. External Auditors are also hired by the Company who help ensure that financial and regulatory risks are properly addressed.

The Board believes that through its Risk Management Team, Audit Committee, Internal and External Auditors, there is adequate oversight on the Company's risk management and internal controls.

COMPANY POLICIES

Whistle Blowing Policy

The Company has a Whistle Blowing Policy that ensures all employees act with integrity in all situations by reporting illegal or non-compliant conduct.

- Employees shall report any practices or actions believed to be inappropriate under the Code or illegal to their either Line Managers, Head of HR or Head of Compliance
- If appropriate, in view of the nature of the reported matter, reports of violations may be made directly to higher levels including the Group's Chief Executive Officer
- Complaints may be made on a confidential basis or through Employee Hotlines (if available), which shall be properly investigated

FPG Insurance prohibits retaliation against any employee for reports made in good faith, while it also protects the rights of the incriminated person.

Policies on Gift and Gratuities

Guided by a firm, unequivocal commitment to Integrity as one of its Core Values, the COMPANY prohibits its employees from accepting and/or offering inappropriate gifts and gratuities that may impair or appear to impair the recipient's objectivity and may affect their ability to properly perform their job and responsibilities. If an employee faces a situation that may involve receiving and/offering of inappropriate gifts and gratuities, the employee is required to disclose such information and seek appropriate guidance.

Supplier Selection Criteria

As the Company is committed to strict adherence to laws and regulations, unyielding ethical standards and providing excellent services to its customers, the Company expects the same from our suppliers. The Company believes that having mutually observed values and maintaining professional contacts with its suppliers result in quality products/services and success to both sides.

It is important that the supplier selection process must be objective and transparent. Hence, the selection is subject to the following criteria:

- Quality of the product/service
- Professional and technical competence
- Competitive pricing
- Established delivery timeframe
- Customer service

AWARDS & RECOGNITIONS

2021 INSURANCE ASIA AWARDS
INSURTECH INITIATIVE OF THE YEAR: SD-WAN

FPG Insurance bagged the Insurtech Initiative of the Year award for the Philippines at the 2021 Insurance Asia Awards for its organic and in-house Software-Defined Wide-Area Network or SD-WAN. The event was held virtually via digital presentations throughout the month of August.

Organized by Insurance Asia and the Charlton Media Group, the event recognizes the most outstanding insurance companies all over the region. The Insurance Asia Awards has since awarded over 130 companies from 24 countries from its foundation in 2016 and has received the most number of nominations this year since its inception.

SD-WAN is an IT architecture that provides enhanced connectivity, higher bandwidth capacity, centralized network management, and better security and encryption. It also allows businesses and organizations to utilize more affordable connection types other than the traditional Multiprotocol Label Switching or MPLS.

FPG Insurance's SD-WAN was implemented in-house which now serves as the backbone for the company's ongoing digital transformation initiatives.

LINKEDIN TALENT AWARDS
RISING STAR FINALIST

FPG Insurance has been chosen as a Rising Star Finalist in the 2021 LinkedIn Talent Awards. The company was shortlisted for in-house talent efforts and initiatives spearheaded by the Human Resource Department.

INDUSTRY MEMBERSHIP ASSOCIATIONS

FPG Insurance is a member of the Philippine Insurers and Reinsurers Association, Inc. (PIRA). As a member, President and CEO Gigi Pio de Roda sits in the Board of Trustees.

FPG Insurance is also a member of the Management Association of the Philippines (MAP) and the Makati Business Club (MBC).

FPG Insurance is regulated by the Insurance Commission.

PIRA Philippine Insurers and Reinsurers Association

MAP Management Association of the Philippines

MBC MAKATI BUSINESS CLUB THE FORUM FOR CONSTRUCTIVE IDEAS

CORPORATE GOVERNANCE

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board of Directors exercises all the powers of the corporation specifically stated by the Corporation Code of the Philippines, the Company's By-laws, the 2021 Manual of Corporate Governance, and all other relevant laws, rules, regulations, and documents.

The Board is likewise responsible for overseeing the development of and approval of the company's business objectives and strategy, and monitoring their implementation, in order to sustain the company's competitiveness and strength.

BOARD PROCESS

Regular Meetings may be held at such time and places, and upon such notice as the Board of Directors by resolution may prescribed.

Special Meetings may be called by the President or upon written request of at least two (2) directors, upon at least one day's notice as to the time and place of the holding of the meetings.

Minutes of meetings of the Board and all committees are kept by the Corporate Secretary.

The said minutes are open for inspection by the Board and Stockholders upon request.

BOARD SUCCESSION AND NOMINATION

To be nominated as board members, it is necessary that the individual should have the required experience, skill, time, and commitment that can be devoted to the Company.

The following characteristics are necessary for new candidates being considered for nomination as well as existing Directors:

a. a reputation for integrity and ethical behavior;
b. a demonstrated ability to exercise judgment and communicate effectively;
c. financially knowledgeable;
d. prominence in the individual's area of expertise; and
e. sufficient time to dedicate to Board and Committee work

DIRECTORS' TRAININGS

The members of Board are required to attend, at least once a year, a program on corporate governance and conducted by accredited training providers.

The following are the training attended by the members of the Board:

	DIRECTORS' TRAININGS	DATE
David Zuellig	Corporate Governance Orientation Program	December 6-7, 2021
Gigi Pio de Roda	Distinguished Corporate Governance Speaker Series	September 17, 2021
Avelino Sebastian Jr.	Corporate Governance Orientation Program	December 6-7, 2021
Ricardo Romulo	Corporate Governance Orientation Program	September 28-29, 2021
Kasigod V. Jamias	Corporate Governance Orientation Program	December 6-7, 2021

LIST OF STOCKHOLDERS AS OF DECEMBER 31, 2021

		SUBSCRIBED SHARES					
NAME	CITIZENSHIP	CLASS A	CLASS B	TOTAL	AMOUNT	UNPAID SUBSCRIPTION	% OF SHARES HELD
Golden Eight Group Limited	British Virgin Islands	34,800,000	8,699,992	43,499,992	434,999,920.00	6,200,000.00	100%
David Zuellig	Filipino	0	2	2	20.00	0	NIL
Kasigod V. Jamias	Filipino	0	2	2	20.00	0	NIL
Ricardo J. Romulo	Filipino	0	2	2	20.00	0	NIL
Generosa Pio de Roda Reyes	Filipino	0	1	1	10.00	0	NIL
Avelino M. Sebastian, Jr.	Filipino	0	1	1	10.00	0	NIL
TOTAL		34,800,000	8,700,000.00	43,500,000	435,000,000.00	6,200,000.00	100%

RIGHTS OF THE STOCKHOLDERS

The Board shall respect the following rights of the stockholders in accordance with the Company Code:

- Right to vote on all matters that require their consent and approval
- Right to inspect corporate books and records
- Right to information
- Right to dividends
- Appraisal right

BOARD COMMITTEES:

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (the "Committee") shall assist the Board of Directors by providing recommendations and oversight, policy setting, information gathering and communication regarding the relevant risks, risk management system and infrastructure of the Company. It also has the oversight role with respect to financial information and audit functions by providing an independent review of the effectiveness of the financial reporting process and internal control system. The Committee will also performs the oversight of the related party transactions.

2021 AUDIT AND RISK COMMITTEE	
Kasigod V. Jamias	Chairman
David Zuellig	Member
Avelino Sebastian Jr.	Member

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee (the "Committee") shall assist the board in ensuring compliance with and proper observance of corporate governance principles and practices. The Committee will also serve as the Remuneration and Nomination Committee of the Company.

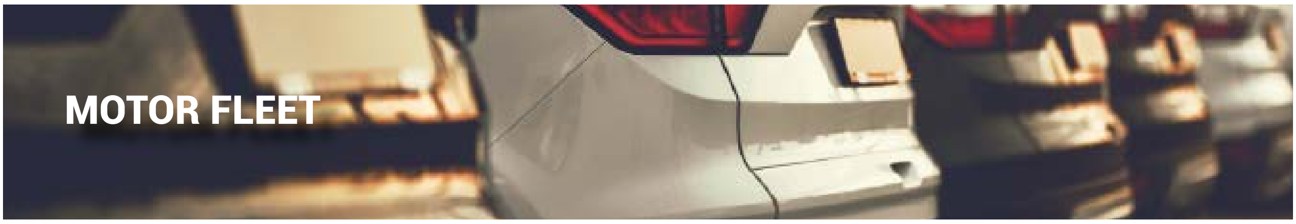
CORPORATE GOVERNANCE COMMITTEE	
Avelino M. Sebastian Jr.	Chairman
David Zuellig	Member
Generosa Pio de Roda	Member
Kasigod V. Jamias	Member

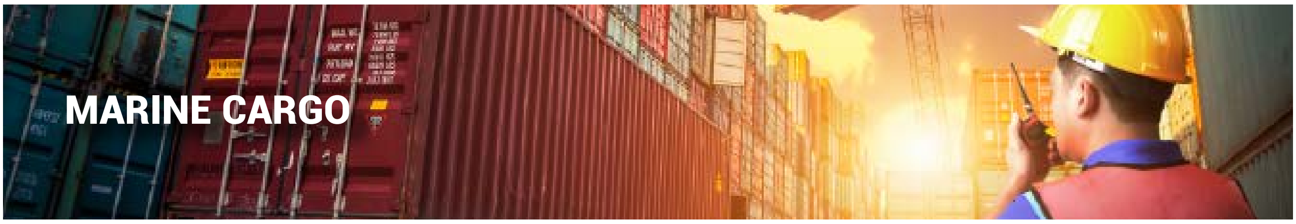
PRODUCT PORTFOLIO

FPG Insurance offers a variety of non-life insurance products that fit your requirements. Ranging from personal to corporate products and services, we offer flexible and comprehensive cover that will give you peace of mind.

CONSUMER PRODUCTS

CORPORATE PRODUCTS





Branches

MAKATI HEAD OFFICE
6th Floor Zuellig Building, Makati Avenue corner Paseo de Roxas, Makati City, Philippines
Tel. : (02) 8859 1200 (02) 8862 8600 | (02) 7944 1300
E-mail : phcustomercare@fpgins.com

ANGELES
No. 303 MacArthur Highway, Balibago,
Angeles City, Pampanga 2024, Philippines
Tel. : (045) 892 1264 / (045) 458 3866
Fax. : (045) 625 7975 / (045) 892 1264
E-mail : angeles@fpgins.com

BINONDO
Unit 602 G.A. Cu-Unjieng Centre, 208
Dasmariñas St., Binondo, Manila, Metro
Manila 1006, Philippines
Tel. : (02) 8242 4161 / (02) 8242 4609
Fax. : (02) 242 7218
E-mail : binondo@fpgins.com

CAGAYAN DE ORO
2nd Floor CFI Community Cooperative
Building, Tiano Bros. corner Mabini Street,
Cagayan de Oro City, Misamis Oriental
9000, Philippines
Tel. : (088) 850 1155
Fax. : (088) 850 1155
E-mail : cagayandeoro@fpgins.com

CEBU
Unit 207-209 The QC Pavillion, Gorordo
Avenue, Lahug, Cebu City, Philippines
Tel. : (032) 232 4715 / (032) 232 6861
Fax. : (032) 232 0455 / (032) 416 8879
E-mail : cebu@fpgins.com

DAGUPAN
G/F Unit D&E ARB Corporate Center,
Tapuac District, Dagupan City, Pangasinan
2400, Philippines
Tel. : (075) 522 1763
Fax. : (075) 522 1763
E-mail : dagupan@fpgins.com

DAVAO
2nd Floor Unit A205-206 Plaza de Luisa
Building, Ramon Magsaysay Avenue, Davao
City, Davao del Sur 8000, Philippines
Tel. : (082) 224 1289 / (082) 224 1290/
(082) 222 0013
Fax. : (082) 222 0012
E-mail : davao@fpgins.com

GENERAL SANTOS CITY
2nd Floor Unit 202 RDRDC Building, Santiago Boulevard, General Santos City, South Cotabato 9500, Philippines
Tel. : (083) 552 7959 Fax. : (083) 553 0593
E-mail : generalsantoscity@fpgins.com

ILOILO
2nd Floor Dolores O. Tan Building, Valeria St., Iloilo City, Iloilo 5000, Philippines
Tel. : (033) 335 4299 / (033) 859 1258
Fax. : (033) 509 0529
E-mail : iloilo@fpgins.com

LAGUNA (SOUTH LUZON)
G/F Unit 1AB ALX Building, National Highway, Brgy. Halang, Calamba City, Laguna 4027
Tel. : (049) 545 7578 Fax. : (049) 520 5372
E-mail : laguna@fpgins.com

ORTIGAS
10/F Unit 1007 One Corporate Center, Julia Vargas corner Meralco Avenue, Ortigas Center, Pasig City, Metro Manila 1605, Philippines
Tel. : (02) 8721 2321 / (02) 8859 1269
Fax. : (02) 8636 5339
E-mail : ortigas@fpgins.com

QUEZON CITY
6th Floor Unit 602/604 The Richwell Center, 102 Timog Avenue, Quezon City, Metro Manila 1103, Philippines
Tel. : (02) 7944 1300 / (02) 7944 1358 / (02) 8990 4240 / (02) 8990 4181
Fax. : (02) 8990 4255 / (02) 8236 3251
E-mail : quezoncity@fpgins.com

TARLAC
2nd Floor Unit 7 Intellect Building, MacArthur Highway, Brgy. San Sebastian, Tarlac City
Tel. : (045) 491 4378 Fax. : (045) 923 0721
E-mail : tarlac@fpgins.com

2021 AUDITED FINANCIAL STATEMENT

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
FPG Insurance Co., Inc.
6th Floor, Zuellig Building
Makati Avenue corner Paseo de Roxas
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FPG Insurance Co., Inc. (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 (PFRSs).

Basis for Opinion

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

SGVFS164493

SGV
Building a better working world

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 31 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 FPG Insurance Co., Inc. 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.

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
Tax Identification No. 178-486-666
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0926-AR-3 (Group A)
July 25, 2019, valid until July 24, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
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

SGVFS164493

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
FPG Insurance Co., Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FPG Insurance Co., Inc. (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of comprehensive loss, 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 (PFRSs).

Basis for Opinion

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

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

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

SGVFS164493

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

SGVFS164493

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 31 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 FPG Insurance Co., Inc. 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.

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
Tax Identification No. 178-486-666
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0926-AR-3 (Group A)
July 25, 2019, valid until July 24, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
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

SGVFS164493

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
FPG Insurance Co., Inc.
6th Floor, Zuellig Building
Makati Avenue corner Paseo de Roxas
Makati City

We have audited the accompanying financial statements of FPG Insurance Co., Inc. (the Company) for the year ended December 31, 2021 on which we have rendered the attached report dated April 8, 2022.

In compliance with Revised Securities Regulation Code Rule No. 68, we are stating that the Company has one (1) stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
Tax Identification No. 178-486-666
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0926-AR-3 (Group A)
July 25, 2019, valid until July 24, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
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

SGVFS164493

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Cash and Cash Equivalents (Note 4)	**₱1,661,899,395**	₱1,490,524,724
Short-term Investments (Note 4)	**1,346,497**	572,914,215
Insurance Receivables (Note 5)	**1,869,966,784**	1,810,787,375
Financial Assets		
Fair Value Through Profit or Loss (Note 6)	**419,386,815**	466,096,372
Fair Value Through Other Comprehensive Income (Note 6)	**876,717,754**	790,838,347
Amortized Cost (Note 6)	**702,815,271**	747,127,127
Loans and Receivables (Note 7)	**113,506,847**	114,025,579
Reinsurance Assets (Notes 8 and 14)	**2,615,422,994**	2,171,128,436
Accrued Interest Income (Note 9)	**12,813,988**	13,083,604
Deferred Acquisition Costs (Note 10)	**273,552,019**	265,680,472
Investment Properties (Note 11)	**2,745**	2,745
Property and Equipment (Note 12)	**41,631,678**	49,961,931
Right of Use Assets (Note 28)	**31,265,910**	53,370,285
Deferred Tax Assets (Note 24)	**44,508,432**	48,256,446
Other Assets (Note 13)	**336,013,287**	404,274,266
	₱9,000,850,416	₱8,998,071,924

LIABILITIES AND EQUITY		
LIABILITIES		
Insurance Contract Liabilities (Note 14)	**₱4,466,696,315**	₱4,426,495,363
Insurance Payables (Note 15)	**1,463,034,329**	1,605,838,653
Accounts Payable and Accrued Expenses (Note 16)	**1,544,935,151**	1,408,926,614
Deferred Reinsurance Commissions (Note 10)	**70,452,546**	68,850,381
Lease Liabilities (Note 28)	**28,690,523**	53,003,326
Net Pension Liability (Note 23)	**26,059,512**	65,058,811
Income Tax Payable (Note 17)	**3,608,170**	–
	7,603,476,546	7,628,173,148
EQUITY		
Capital Stock (Note 17)	**373,000,000**	373,000,000
Contingency Surplus (Note 17)	**1,049,000,000**	1,049,000,000
Net Unrealized Gains on Financial Assets at FVOCI (Note 6)	**56,440,534**	108,761,346
Remeasurement Losses on Defined Benefit Obligation (Note 23)	**(26,283,547)**	(47,465,745)
Retained Earnings (Deficit)		
Unappropriated (Note 2)	**(67,288,232)**	(125,901,940)
Appropriated (Note 17)	**12,505,115**	12,505,115
	1,397,373,870	1,369,898,776
	₱9,000,850,416	₱8,998,071,924

See accompanying Notes to Financial Statements.

SGVFS164493

STATEMENTS OF INCOME

	Years Ended December 31	
	2021	2020
Gross earned premiums on insurance contracts (Notes 14 and 18)	**₱4,076,871,388**	₱4,566,779,560
Reinsurers' share of gross earned premiums on insurance contracts (Notes 14 and 18)	**2,511,202,394**	2,441,750,938
NET INSURANCE EARNED PREMIUMS	**1,565,668,994**	2,125,028,622
Commission income (Note 10)	**231,474,067**	231,851,922
Fair value gains (losses) on financial assets at FVTPL (Note 6)	**3,555,047**	(63,008,880)
Investment income (Note 19)	**87,689,488**	87,638,078
Foreign exchange gain (loss) – net	**33,948,648**	(22,088,322)
Gain on sale of financial assets at FVOCI (Note 6)	**3,383,166**	2,691,878
Gain on sale of property and equipment (Note 12)	**1,773,706**	573,583
OTHER INCOME	**361,824,122**	237,658,259
TOTAL INCOME	**1,927,493,116**	2,362,686,881
Gross insurance contract benefits and claims paid (Notes 14 and 20)	**1,460,711,586**	1,422,283,441
Reinsurers' share of gross insurance contract benefits and claims paid (Notes 14 and 20)	**(474,751,983)**	(320,354,858)
Gross change in insurance contract liabilities (Notes 14 and 20)	**67,363,844**	339,640,517
Reinsurers' share of gross change in insurance contract liabilities (Notes 14 and 20)	**(341,967,532)**	(228,055,576)
NET INSURANCE BENEFITS AND CLAIMS	**711,355,915**	1,213,513,524
EXPENSES		
Operating expenses (Note 21)	**621,921,703**	566,732,347
Commission expense (Note 10)	**519,698,879**	718,395,794
Interest expense (Notes 15 and 28)	**3,686,180**	6,832,086
TOTAL EXPENSES	**1,145,306,762**	1,291,960,227
TOTAL BENEFITS, CLAIMS AND OTHER EXPENSES	**1,856,662,677**	2,505,473,751
INCOME (LOSS) BEFORE INCOME TAX	**70,830,439**	(142,786,870)
PROVISION FOR INCOME TAX (Note 24)	**12,216,731**	32,744,116
NET INCOME (LOSS)	**₱58,613,708**	(₱175,530,986)

See accompanying Notes to Financial Statements.

SGVFS164493

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
NET INCOME (LOSS)	**₱58,613,708**	(₱175,530,986)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods:		
Unrealized fair value gains (losses) on financial assets at FVOCI (Note 6)	**(49,510,556)**	46,283,665
Transfers to profit and loss	**(2,810,256)**	(3,261,030)
	(52,320,812)	43,022,635
Items that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gains (losses) on defined benefit obligation (Note 23)	**32,763,477**	(40,526,483)
Tax effect	**(11,581,279)**	12,157,945
	21,182,198	(28,368,538)
	(31,138,614)	14,654,097
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱27,475,094**	(₱160,876,889)

See accompanying Notes to Financial Statements.

SGVFS164493

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

	Capital stock (Note 17)	Contingency surplus (Note 17)	Net unrealized gain on financial assets at FVOCI (Note 6)	Remeasurement losses on defined benefit obligation (Note 23)	Retained earnings		Total
					Unappropriated	Appropriated (Note 17)	
As of January 1, 2021	**₱373,000,000**	**₱1,049,000,000**	**₱108,761,346**	**(₱47,465,745)**	**(₱125,901,940)**	**₱12,505,115**	**₱1,369,898,776**
Net income for the year	–	–	–	–	**58,613,708**	–	**58,613,708**
Other comprehensive income (loss)	–	–	**(52,320,812)**	**21,182,198**	–	–	**(31,138,614)**
Total comprehensive income (loss) for the year	–	–	**(52,320,812)**	**21,182,198**	**58,613,708**	–	**27,475,094**
As of December 31, 2021	**₱373,000,000**	**₱1,049,000,000**	**₱56,440,534**	**(₱26,283,547)**	**(₱67,288,232)**	**₱12,505,115**	**₱1,397,373,870**
As of January 1, 2020	₱350,000,000	₱–	₱65,738,711	(₱19,097,207)	₱49,629,046	₱12,505,115	₱458,775,665
Net loss for the year	–	–	–	–	(175,530,986)	–	(175,530,986)
Other comprehensive income (loss)	–	–	43,022,635	(28,368,538)	–	–	14,654,097
Total comprehensive loss for the year	–	–	43,022,635	(28,368,538)	(175,530,986)	–	(160,876,889)
Issuance of shares	23,000,000	–	–	–	–	–	23,000,000
Additional contribution	–	1,049,000,000	–	–	–	–	1,049,000,000
As of December 31, 2020	₱373,000,000	₱1,049,000,000	₱108,761,346	(₱47,465,745)	(₱125,901,940)	₱12,505,115	₱1,369,898,776

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱70,830,439**	(₱142,786,870)
Adjustments for:		
Provision (reversal of provision) for impairment (Note 21)		
Other assets	**115,146,942**	–
Insurance receivables	**7,528,139**	(9,252,155)
Financial assets	**691,992**	(2,705,307)
Depreciation (Notes 12 and 28)	**60,553,002**	75,369,554
Retirement expense (Note 23)	**19,002,748**	16,585,387
Interest expense (Notes 15 and 28)	**3,686,180**	6,832,086
Interest income (Note 19)	**(80,955,230)**	(80,734,787)
Foreign exchange loss (gain) – net	**(33,948,648)**	22,088,322
Dividend income (Note 19)	**(6,734,258)**	(6,903,291)
Fair value loss (gain) on financial assets at FVTPL (Note 6)	**(3,555,047)**	63,008,880
Gain on sale of investments at FVOCI (Note 6)	**(3,383,166)**	(2,691,878)
Gain on sale of property and equipment (Note 12)	**(1,773,706)**	(573,583)
Operating gain (loss) before working capital changes	**147,089,387**	(61,763,642)
Changes in operating assets and liabilities		
Decrease (increase) in:		
Short-term investments	**571,567,718**	(568,748,952)
Loans and receivables	**518,732**	2,273,004
Reinsurance assets	**(444,294,558)**	(239,334,480)
Other assets	**(46,885,963)**	(75,008,844)
Insurance receivables	**(19,526,772)**	(320,234,440)
Deferred acquisition costs	**(7,871,547)**	80,198,484
Increase (decrease) in:		
Accounts payable and accrued expenses	**136,008,538**	532,488,302
Insurance contract liabilities	**40,200,951**	(79,342,067)
Deferred reinsurance commissions	**1,602,165**	(4,390,817)
Insurance payables	**(142,804,324)**	202,172,187
Net cash generated from (used in) operations	**235,604,327**	(531,691,265)
Proceeds from sale of investments in financial assets at FVTPL (Note 6)	**431,662,424**	379,649,117
Acquisition of investments in financial assets at FVTPL (Note 6)	**(381,397,820)**	(317,449,185)
Income tax paid	**(16,441,826)**	(21,148,416)
Interest paid (Note 15)	**(798,897)**	(1,491,987)
Contributions to retirement fund (Note 23)	**(25,238,570)**	(19,318,780)
Net cash provided by (used in) operating activities	**243,389,638**	(511,450,516)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Investments in financial assets at FVOCI (Note 6)	**292,607,897**	194,280,804
Property and equipment (Note 12)	**9,427,889**	3,482,644

(Forward)

SGVFS164493

	Years Ended December 31	
	2021	2020
Proceeds from maturity of financial asset at amortized cost (Note 6)	**₱102,424,258**	₱215,391,991
Interest received	**81,939,697**	82,711,851
Dividends received	**6,734,258**	6,903,291
Acquisitions of:		
Investments in financial assets at FVOCI (Note 6)	**(427,997,860)**	(479,218,294)
Investments in financial assets at amortized cost (Note 6)	**(58,946,335)**	(22,000,000)
Property and equipment (Note 12)	**(22,504,440)**	(33,001,646)
Net cash used in investing activities	**(16,314,636)**	(31,449,359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of additional contributions from stockholders (Note 17)	**–**	1,049,000,000
Payment of the principal portion of lease liability (Note 28)	**(42,468,203)**	(42,146,186)
Net cash provided by (used in) financing activities	**(42,468,203)**	1,006,853,814
NET INCREASE IN CASH AND CASH EQUIVALENTS	**184,606,799**	463,953,939
EFFECT OF FOREIGN EXCHANGE LOSS	**(13,232,128)**	(2,439,062)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,490,524,724**	1,029,009,847
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,661,899,395**	₱1,490,524,724

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

FPG Insurance Co., Inc. (the Company) is a nonlife insurance company incorporated in the Philippines in 1958. The Company offers insurance coverages for fire and allied perils, motor, casualty, marine, medical, personal accident and engineering. The Company has seven (7) branches located in Angeles, Dagupan, Binondo, Davao, Cagayan de Oro, Quezon City, Cebu, Ortigas, and four (4) satellite offices located in Laguna, General Santos, Tarlac, and Iloilo City. It has a certificate of authority issued by the Insurance Commission (IC) to transact in non-life business until
December 31, 2021. The Company applied for renewal to the IC last January 7, 2022 and was then granted a certificate of authority to transact in non-life business until December 31, 2022.

In a special Board of Directors' (BOD) meeting on November 12, 2007, it was approved that the Articles of Incorporation will be amended to extend the existence of the Company to another fifty years from its original expiry date. The Philippine Securities and Exchange Commission (SEC) approved the Amended Articles of Incorporation on January 29, 2008.

In a special BOD meeting on November 19, 2014, it was approved that the Articles of Incorporation and By-laws will be amended to change the Company's name from Federal Phoenix Assurance Co., Inc. to FPG Insurance Co., Inc. On January 5, 2015 and February 3, 2015, the amendment of Articles of Incorporation and By-laws was approved by the Insurance Commission (IC) and SEC, respectively.

The Company's equity is being held by Golden Eight Group Limited (Parent Company), a holding company incorporated in the British Virgin Islands.

The registered office address of the Company is at 6th Floor, Zuellig Building, Makati Avenue corner Paseo de Roxas, Makati City.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) that have been measured at fair value.

The financial statements are presented in Philippine peso (PHP or P=) which is also the Company's functional currency. All amounts are rounded off to the nearest peso, unless otherwise indicated.

Statement of Compliance

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards that became effective in 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- **Amendment to PFRS 16, COVID-19-related Rent Concessions beyond 30 June 2021**

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

- **Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform – Phase 2**

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt these pronouncements when they become effective. Adoption of these pronouncements is not expected to have any significant impact on the financial statements of the Company unless otherwise indicated.

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

- **Amendment to PAS 12**, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- **Amendments to PAS 8**, *Definition of Accounting Estimates*
- **Amendments to PAS 1 and PFRS Practice Statement 2**, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- **Amendment to PAS 1**, *Clarification 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. Early application is permitted.

The Company is currently working on vendor selection for system design and knowledge support to help in the implementation of PFRS 17. Afterwards, the Company will proceed on building and testing the system. Further, the Company is closely coordinating with PIRA, Inc. to ensure alignment with the industry implementation.

Deferred Activity

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

Significant Accounting Policies

Foreign Currency Transactions and Translations
Transactions in foreign currencies are initially recorded at the foreign currency rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange prevailing at the reporting date. Non-monetary 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, except where it relates to equity securities at FVOCI where gains or losses are recognized directly in other comprehensive income.

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

Insurance contracts mainly transfer financial risk but can also transfer insignificant insurance risk.
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 has expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Fair Value Measurement
For measurement and disclosure purposes, the Company determines fair value of an asset or a liability at initial measurement date or at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer the 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 the market participants would use when pricing the asset or liability assuming the market participants act in their economic best interest.

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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- **Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Cash and Cash Equivalents
Cash comprises cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash a with original maturities of three months or less from the date of acquisition and are subject to insignificant risk of changes in value.

Short-term Investments
Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but less than one (1) year from dates of placement. These earn interests at the respective short-term investment rates.

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, using the effective interest rate method.

Insurance receivables are derecognized following the derecognition criteria of financial assets.

Financial Instruments

Date of recognition
Financial instruments within the scope of PFRS 9, Financial Instruments, are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using the settlement date accounting.

Initial measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

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 initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Insurance receivables are recognized on policy inception dates measured on initial recognition at the fair value of the consideration receivable for the period of coverage.

In order for a debt financial asset 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.

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments),
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments),
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As of December 31, 2021 and 2020, the Company's financial assets at amortized cost includes 'cash and cash equivalents', 'short-term investments', 'loans and receivables', 'financial assets at amortized cost', 'insurance receivables', 'accrued interest income', 'reinsurance recoverable on unpaid losses', and 'security deposits'.

Financial assets at fair value through OCI (debt instruments)
The Company measures financial assets at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2021 and 2020, the Company's financial assets at fair value through OCI includes investments in quoted debt instruments.

Financial assets at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of income when the right of payment has been 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 fair value through OCI are not subject to impairment assessment.

In 2021 and 2020, the Company has not classified any of its equity investments to be measured at fair value through OCI.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortized cost

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate 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 effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.
The Company's financial liabilities at amortized cost include 'accounts payable and accrued expenses', 'insurance contract liabilities', 'insurance payables' and 'lease liability'.

Other financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, 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 loans and borrowings and payables, net of directly attributable transaction costs.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. 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.

Impairment of Financial Assets

The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For insurance receivables and loans and 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.

For cash, short-term investments, and debt instruments at amortized cost and fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the financial assets. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) with each of the parameter independently modelled.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is based on issuers' external credit rating and apply forecasting techniques using historical data to estimate the average cumulative default rates at a given point in time and workout forward-looking PD curve per rating grade projected using economic forecasts.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For the Company's financial assets, EAD represents their carrying values.

LGD is the amount that may not be recovered in the event of default and is modelled based on issuers' external credit rating. For issuers without internal nor external credit rating, LGD estimation is modeled using benchmarking approach where comparable companies having the same industry and similar financial characteristics as that of the issuer are considered.

For insurance receivables and loans and 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. For related party transactions, the Company does not expect any significant credit risk and therefore, the probability of default and resulting ECL is minimal. Balances will be reviewed at least annually for recoverability and specific impairment will be made as necessary.

Economic overlays

The Company incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to the expected future macroeconomic atmosphere. A broad range of economic indicators were considered for the economic inputs. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Overlay factors are modeled using Regression Analysis (backward elimination method).

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed

an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

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 placements and are subject to an insignificant risk of changes in value.

Short-term Investments

Short-term investments pertain to time deposits with terms exceeding three months but not more than one year and earns interest at the respective short-term investment rates.

Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognized as revenue or 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 insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Insurance Receivables

Premium receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in statement of income.

Reinsurance Assets

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is charged against 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 for insurance contracts. 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. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

When the Company enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Company initially recognizes a liability at transaction price upon inception of the underlying contract. Subsequent to initial recognition, the portion of the amount initially recognized as a liability which is presented as 'insurance payables' in the liabilities section of the company statement of financial position will be withheld and recognized as 'funds held for reinsurers'. The amount of funds held by reinsurers is a percentage of the insurance payable, as required by the IC and also included as part of the insurance payables in the liabilities section of the company statement of financial position. The amount withheld is generally released after a year (assuming that the underlying agreement is due within a year) or when treaty agreement is terminated.

Deferred Acquisition Costs (DAC)

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

Subsequent to initial recognition, these costs are amortized using the 24th method. Amortization is charged against the statement of income. The unamortized acquisition costs are shown as "Deferred Acquisition Costs" in the assets section of the statement of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount and the impairment loss is charged against the statement of income. The deferred acquisition cost is also considered in the liability adequacy test for each end of the reporting period.

Investment Property

Land held for long term rental yields and/or for capital appreciation is classified as investment property. In the same way, land held for currently undetermined future use is an investment property.

Investment property is carried at cost net of any impairment in value.

Investment property is derecognized when it has either been disposed of or the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses from derecognition of an investment property are recognized in the statement of income in the year of derecognition.

Transfers are made to investment property when there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of income during the financial period in which they are incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets as follows:

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Years
Computer equipment	3
Transportation equipment	5
Office furniture, fixtures and equipment	3
Leasehold improvements	3 or remaining lease term, whichever is shorter

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization 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.

Impairment of Nonfinancial Assets

The Company assesses at each end of the reporting period 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 fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. 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 end of the reporting period 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 are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

Creditable Withholding Taxes (CWTs)

Creditable withholding pertains to the tax paid by the Company that is withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under "other assets" account. At each end of the tax reporting deadline, these CWTs may either be offset against future income tax payable or be claimed as a refund from the taxation authorities at the option of the Company.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

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 "accounts payable and accrued expenses" in the statement of financial position.

Insurance Contract Liabilities

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

Premium liabilities

Premium liabilities is equal to the provision for unearned premiums plus the difference between the provision for unexpired risk and the provision for unearned premiums, net of deferred acquisition costs, if the provision for unexpired risk is greater than the provision for unearned premiums net of deferred acquisition costs. Otherwise, it is equal to the provision for unearned premiums.

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. Premiums from insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as provision for unearned premiums as part of insurance contract liabilities and presented in the liabilities section of the statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for unexpired risk

Provision for unexpired risk (URR) is the best estimate that relates to expected future claim payments and related expenses to be incurred after the valuation date, arising from future events. This shall be calculated as the best estimate of future claims and expenses for all classes of business, with MfAD.

Provisions for claims reported, provision for claims Incurred But Not Reported (IBNR) losses, claims handling expense (CHE) and Margin for Adverse Deviation (MfAD)

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

The Company shall include an MFAD to allow for inherent uncertainty of the best estimate of the policy reserves which shall be determined at least on an annual basis based on standard projection techniques or combination of such techniques such as, but not limited to, the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the policy liabilities at the 75% level of sufficiency.

Provision for claims handling expense (CHE) is also calculated to cover estimated expenses of settling all claims, both reported and unreported, outstanding as of the reporting date.

Quarterly, an actuarial valuation is performed on the gross and net claims and premium liabilities to ensure that the reserves are in compliance with the Valuation Standards for Non-Life Insurance Policy Reserves as required by the IC guided by Sections 219 and 220 of the Amended Insurance Code (Republic Act (RA) No. 10607) along with Circular Letters No. 2018-18 and No. 2018-19. Additional reserves are set up if the result of the actuarial investigation shows that the existing balances are not in accordance with the mandate of IC.

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

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

Insurance Payables
Insurance payables are recognized when due and measured on initial recognition at the fair value of the consideration received less attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

Insurance payables are derecognized when the obligation under the liability is settled, cancelled or expired.

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

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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 expense or income in profit or loss.

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

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

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

Equity

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to additional paid-in capital account.

Additional paid-in capital includes any premiums received in excess of par value on the issuance of capital stock.

Share issuance costs incurred as necessary part of completing an equity transaction are accounted for as part of that transaction and are treated as a deduction from additional paid-in capital from previous share issuance. If the additional paid-in capital account is not sufficient, the excess is deducted from retained earnings.

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

Retained earnings include all the accumulated earnings of the Company, less any amount of dividends declared.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Other income

Income from other sources is recognized when earned.

The following revenue accounts are outside the scope of PFRS 15:

Premiums Revenue

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.
Premiums from insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at the end of the reporting period is accounted for as provision for unearned premiums and presented as part of "insurance contract liabilities" in the liabilities section of the statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums shown as part of reinsurance assets presented in the assets section of the statement of financial position. The net changes in these accounts between reporting dates are included in the determination of net insurance revenue.

Reinsurance Commissions

Commissions earned from insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as deferred reinsurance commissions and presented in the liabilities section of the statement of financial position.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Dividend income

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

Expenses

Expenses are recognized when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably. Operating expenses and interest expense, except for lease agreements, are recognized in the statement of income as they are incurred.

Benefits and Claims

Benefits and claims consist of benefits and claims paid to policyholders, which includes changes in the valuation of insurance contract liabilities, including IBNR. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Commission expense

Commissions are recognized as expense over the period of the contracts using the 24th method for polices with a term of exactly one year, otherwise, 365th method is used. The portion of the commissions that relates to the unexpired periods of the policies at reporting date is accounted for as "Deferred Acquisition Cost" and presented in the asset section of the statement of financial position.

General expenses

General expenses are recognized in the statement of income as they are incurred.

Leases

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognizes lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

The lessee has the option to elect the short-term lease and/or lease of low-value asset recognition exemptions. A lessee that makes this accounting policy election does not recognize a lease liability or right of use asset on its balance sheet. Instead, the lessee recognizes the lease payment associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The lessee applies another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

Right of use assets
The Company recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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. Right of use assets are subject to impairment.

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 machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., cost of leased assets below P=0.3 million). 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.

Income Tax
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 the amount are those that are enacted or substantially enacted at the end of the reporting period.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date 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, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, 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 MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets 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 at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period. Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the statement of other comprehensive income.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

3. Summary of Significant Accounting Policies

The preparation of the financial statements necessitates the use of judgments and estimates. These judgments and estimates affect the reported amounts of assets and liabilities and contingent liabilities at the reporting period date as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as at the reporting date, the actual outcome may differ from these estimates, possibly significantly.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments

a. Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

b. 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 5% more than the benefits payable if the insured event did not occur.

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

c. Determination of lease term of contracts with renewal and termination options – Company as a lessee

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Estimates

a. Leases - estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The present value of the lease payments is determined using the discount rate representing the rate of interest applicable for currency of the lease contract and for similar tenor, adjusted by credit spread of the Company, observed in the period when the lease contract commences or is modified. Lease liabilities recognized as of December 31, 2021 and 2020 amounted to
Php 28.69 million and Php 53.00 million, respectively (see Note 28).

b. Impairment of financial assets

The Company uses a provision matrix to calculate ECLs for financial assets for insurance receivables and loans and receivables. The provision matrix is initially based on the Company's historical observed default rates.

For investments classified and measured at amortized cost and FVOCI, the Company uses the available historical default rate based on the credit rating of the specific investments. The Company will adjust the historical default rates with forward-looking information, if any. For instance, if forecast economic conditions (i.e., inflation and gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industry, the historical default rates are adjusted. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical 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.

Allowance for expected credit losses for insurance receivables amounted to Php 27.53 million and
Php 20.00 million as of December 31, 2021 and 2020, respectively (see Note 5).

Allowance for impairment losses for investments in financial assets at amortized cost amounted to
Php 0.87 million and Php 0.75 million as of December 31, 2021 and 2020, respectively (see Note 6).

The Company recognized an impairment of financial assets at FVOCI amounting to
Php 0.57 million in 2021 and a reversal of impairment Php 0.57 million amounting to in 2020
(see Note 6).

Allowance for expected credit losses for loans and receivables amounted to both Php 52.02 million as of December 31, 2021 and 2020 (see Note 7).

c. Evaluation of impairment of property and equipment, right of use assets, and other assets

The Company assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

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

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

As of December 31, 2021 and 2020, the Company recognized impairment losses amounting to Php 115.15 million and nil, respectively, on its creditable withholding taxes (see Note 13).

d. Claims liability arising from insurance contracts

For nonlife insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at reporting date and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision. The IBNR provision of the Company has been calculated using standard actuarial projection techniques using past development patterns to determine the expected future development and project the claim amounts for each accident year to its ultimate value. A number of different valuation methodologies have been adopted, each with their own strengths and blended them together which include: (a) paid chain ladder method (with and without Bornhuetter-Ferguson (BF) adjustments); (b) reported chain ladder method (with and without BF adjustments); and (c) expected loss ratio method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

The main assumptions underlying the estimation of the claims provision is that a Company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. Historical claims development is mainly analyzed by accident years, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

The carrying value of provision for outstanding claims and IBNR amounted to Php 3.00 billion and Php 2.94 billion as of December 31, 2021 and 2020, respectively (see Note 14).

e. Fair values of financial assets

The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets and liabilities are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

As of December 31, 2021 and 2020, the total fair value of financial assets at FVTPL and FVOCI amounted to Php 1.30 billion and Php 1.26 billion, respectively (see Note 6).

f. Pension liability

The determination of pension obligation and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, future salary increase rates, mortality rates, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date. Refer to Note 23 for the details of assumptions used in the calculation.

In accordance with PAS 19, actual results that differ from the Company's assumptions are recognized immediately under other comprehensive income in the statements of comprehensive income. 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 obligation.

The Company's net pension obligation amounted to Php 26.06 million and Php 65.06 million as of December 31, 2021 and 2020, respectively (see Note 23).

g. Recognition of deferred tax assets

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible 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 deferred tax assets recognized as of December 31, 2021 and 2020 amounted to Php 45.14 million and Php 48.26 million, respectively (see Note 24).

h. Estimation of useful lives of property and equipment

The Company reviews annually the estimated useful lives of property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

4. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	Php 108,280	Php 136,800
Cash in banks	1,630,520,776	1,476,179,618
Cash equivalents	31,277,406	14,215,373
	Php 1,661,906,462	Php 1,490,531,791
Less: Allowance for expected credit losses	(7,067)	(7,067)
	Php 1,661,899,395	Php 1,490,524,724v

Cash on hand pertains to administrative petty cash, commission fund, and revolving fund used for payment of operating expenses, commissions, and claims payment for the branches and satellite offices.

Cash in banks earns interest at the respective bank's deposit rates. It earns interest ranging from 0.10% to 0.50% in both 2021 and 2020.

Cash equivalents are made for varying periods of up to three months or less depending on the immediate cash requirements of the Company and earn interest ranging from 0.50% to 4.50% in both 2021 and 2020.

Short-term Investments

Short-term investments pertain to time deposits with terms of more than 90 days but less than 360 days and earn interest at 1.25% in both 2021 and 2020.

Interest income earned from cash and cash equivalents and short-term investments amounted to Php 0.35 million and Php 3.82 million in 2021 and 2020, respectively (see Note 19). Interest accrued on cash and cash equivalents and short-term investments amounted to Php 0.10 million and Php 0.14 million as of December 31, 2021 and December 31, 2020, respectively (see Note 9).

5. Insurance Receivable

This account consists of:

	2021	2020
Due from:		
Brokers and agents	Php 1,448,437,792	Php 1,467,626,813
Ceding companies and reinsurers	298,311,695	283,306,570
Reinsurance recoverable on paid losses	150,745,358	79,853,914
	1,897,494,845	1,830,787,297
Less: Allowance for expected credit losses	27,528,061	19,999,922
	Php 1,869,966,784	Php 1,810,787,375

Due from brokers and agents are premiums collected by the brokers from policyholders. Due from ceding companies and reinsurers are premium-related balances due from insurance companies seeking reinsurance from the Company.

Reinsurance recoverable on paid losses pertains to recoveries of the Company from facultative and treaty reinsurers for policies where claims payments to the insured were already made.

The following table shows aging information of insurance receivables balances:

	2021					
	1 to 90 days	91 to 120 days	121 to 150 days	151 to 210 days	211 to 360 days	Total
Due from brokers and agents	Php 798,037,874	Php 71,348,208	Php 62,946,156	Php 40,250,513	Php 475,855,041	Php 1,448,437,792
Due from ceding companies and reinsurers	246,400,615	9,946,220	1,473,925	2,767,785	37,723,148	298,311,693
Reinsurance recoverable on paid losses	4,591,256	4,265,321	1,561,446	2,145,297	138,182,040	150,745,360
	Php 1,049,029,745	Php 85,559,749	Php 65,981,527	Php 45,163,595	Php 651,760,229	Php 1,897,494,845

	2020					
	1 to 90 days	**91 to 120 days**	**121 to 150 days**	**151 to 210 days**	**211 to 360 days**	**Total**
Due from brokers and agents	Php 900,189,438	Php 43,945,038	Php 48,020,441	Php 71,300,432	Php 404,171,464	Php 1,467,626,813
Due from ceding companies and reinsurers	773,004	-	58,118	31,712	282,443,736	283,306,570
Reinsurance recoverable on paid losses	16,142,756	1,626,261	4,712,737	10,775,436	46,596,724	79,853,914
	Php 917,105,198	Php 45,571,299	Php 52,791,296	Php 82,107,580	Php 343,066,003	Php 1,530,202,117

As of December 31, 2021 and 2020, allowance for expected credit losses on insurance receivables follows:

	2021			
	Due from brokers and agents	Due from ceding companies and reinsurers	Reinsurance recoverable on paid losses	Total
Balance at beginning of year	Php 18,633,613	Php 520,640	Php 845,669	Php 19,999,922
Provision for (reversals) of expected credit losses during the period (Note 21)	7,528,139	-	-	7,528,139
Balance at end of year	Php 26,161,752	Php 520,640	Php 845,669	Php 27,528,061

	2020			
	Due from brokers and agents	**Due from ceding companies and reinsurers**	**Reinsurance recoverable on paid losses**	**Total**
Balance at beginning of year	Php 15,579,192	Php 5,905,312	Php 7,767,573	Php 29,252,077
Provision for (reversals) of expected credit losses during the period (Note 21)	3,054,421	(5,384,672)	(6,921,904)	(9,252,155)
Balance at end of year	Php 18,633,613	Php 520,640	Php 845,669	Php 19,999,922

6. Financial Assets

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

	2021	**2020**
Financial assets at FVTPL	Php 419,386,815	Php 466,096,372
Financial assets at FVOCI	876,717,754	790,838,347
Financial assets at amortized cost	702,815,271	747,127,127
	Php 1,998,919,840	Php 2,004,061,846

As of December 31, 2021 and 2020, investments in securities included in each of the categories above are detailed as follows:

(a) Financial assets at FVTPL

	2021	2020
Listed common shares	Php 379,191,448	Php 366,903,367
Club shares	27,900,000	26,500,000
Unit investment trust fund	12,275,367	72,673,005
Unlisted shares	20,000	20,000
	Php 419,386,815	Php 466,096,372

The movements in financial assets at FVTPL follows:

	2021	2020
At January 1	Php 466,096,372	Php 591,305,184
Additions	381,397,820	317,449,185
Disposals	(431,662,424)	(379,649,117)
Fair value gains (losses) on financial assets at FVTPL	3,555,047	(63,008,880)
At December 31	Php 419,386,815	Php 466,096,372

Dividend income from financial assets at FVTPL amounted to Php 6.73 million and Php 6.90 million in 2021 and 2020, respectively (see Note 19).

(b) Financial assets at fair value through OCI

All of Company's financial assets at FVOCI are invested in government debt securities (treasury bonds/ bills).

The movements in financial assets at FVOCI follow:

	2021	2020
At January 1	Php 790,838,347	Php 459,617,192
Additions	427,997,860	479,218,294
Disposals	(292,607,897)	(194,280,804)
Fair value gains (losses) on financial assets at FVTPL	(49,510,556)	46,283,665
	Php 876,717,754	Php 790,838,347

The rollforward of the net unrealized gains on financial assets at FVOCI is shown below:

	2021	2020
Balance at beginning of the year	Php 108,761,346	Php 65,738,711
Fair value gains (losses) recognized in OCI	(49,510,556)	46,283,665
Transferred to profit or loss		
Gain on sale	(3,383,166)	(2,691,878)
Impairment loss (reversal) – Note 21	572,910	(569,152)
	Php 56,440,534	Php 108,761,346

The Company recognized an impairment loss for financial assets at FVOCI amounting to Php 0.57 million in 2021 and a reversal of impairment amounting to Php 0.56 million in 2020 (Note 21).

Gain on sale of financial assets of financial assets at FVOCI amounted to Php 3.38 million and Php 2.69 million in 2021 and 2020, respectively.

(c) Financial assets at amortized cost

	2021	2020
Government debt securities	Php 618,351,395	Php 662,544,169
Corporate debt securities	85,330,151	85,330,151
	Php 703,681,546	Php 747,874,320
Less: allowance for expected credit losses	866,275	747,193
	Php 702,815,271	Php 747,193

The movements in financial assets at amortized cost before impairment follow:

	2021	2020
At January 1	Php 747,874,320	Php 944,154,168
Additions	427,997,860	22,000,000
Maturities	(292,607,897)	(215,391,991)
Amortization of premium	(714,851)	(2,887,857)
	Php 703,681,546	Php 747,874,320

The costs or amortized cost of investment in securities are as follows:

	2021	2020
Debt securities		
Government treasury bonds/bills	1,439,945,489	1,345,365,134
Corporate bonds	85,330,151	85,330,151
	1,525,275,640	1,430,695,285
Less: allowance for expected credit losses	866,275	747,193
	Php 1,524,409,365	Php 1,429,948,092

As of December 31, 2021 and 2020, allowance for expected credit losses on financial assets at amortized cost follows:

	2021	2020
Balance at beginning of the year	Php 108,761,346	Php 65,738,711
Provision for (reversal of) expected credit losses during the year (Note 21)	119,082	(2,136,155)
Balance at end of year	Php 866,275	Php 747,193

Interest income earned from financial assets at FVOCI and amortized cost amounted to Php 80.61 million and Php 76.92 million in 2021 and 2020, respectively (see Note 19). Interest accrued from financial assets at FVOCI and amortized cost amounted to Php 12.71 million and Php 12.94 million as of December 31, 2021 and 2020, respectively (see Note 9).

7. Loans and Receivables

This account consists of:

	2021	2020
Accounts receivable	Php 162,980,629	Php 160,984,680
Employee receivables	2,547,729	5,062,410
	165,528,358	166,047,090
Less: allowance for expected credit losses	52,021,511	52,021,511
	Php 113,506,847	Php 114,025,579

Accounts receivable include a receivable from Mercator Holdings and Management Corporation amounting to Php 147.30 million and Php 147.20 million as of December 31, 2021 and 2020, respectively, arising from sale on account of an investment property in prior years.

The following table shows aging information of loans and receivables:

	2021					
	1 to 30 days	31 to 60 days	61 to 120 days	121 to 180 days	>180 days	Total
Accounts receivable	Php 143,228	Php 912,555	Php 15,087	Php 418,846	Php 161,490,913	Php 162,980,629
Employee receivables	2,547,729	–	–	–	–	2,547,729
	Php 2,690,957	Php 912,555	Php 15,087	Php 418,846	Php 161,490,913	Php 165,528,358

	2020					
	1 to 30 days	31 to 60 days	61 to 120 days	121 to 180 days	>180 days	Total
Accounts receivable	Php 2,525,282	Php 2,298,850	Php 2,106,849	Php 2,597,458	Php 151,456,241	Php 160,984,680
Employee receivables	1,137,619	729,001	794,036	507,283	1,894,471	5,062,410
	Php 3,662,901	Php 3,027,851	Php 2,900,885	Php 3,104,741	Php 153,350,712	Php 166,047,090

Movements in the allowance for expected credit losses on Accounts receivables as of December 31, 2021 and 2020 follows:

	2021	2020
Balance at beginning of the year Reversal of expected credit losses during the year (Note 21)	Php 52,021,511 -	Php 52,129,038 (107,527)
Balance at end of year	Php 52,021,511	Php 52,021,511

8. Reinsurance Assets

This account consists of:

	2021	2020
Reinsurance recoverable on unpaid losses (Note 14)	Php 1,882,795,433	Php 1,540,827,901
Deferred reinsurance premiums (Note 14)	732,627,561	630,300,535
	Php 2,615,422,994	Php 2,171,128,436

Reinsurance recoverable on unpaid losses pertains to recoveries of the Company from reinsurers for policies where claims have been incurred but not yet paid.

Deferred reinsurance premiums are reinsurance premiums ceded that pertain to the unexpired periods at reporting date

9. Accrued Interest Income

This account consists of:

	2021	2020
Accrued interest income from:		
Financial assets at FVOCI and amortized cost(Note 6)	Php 12,301,767	Php 12,571,384
Financial assets at amortized cost (Note 6)	409,962	371,460
Cash and cash equivalents and short-term investments (Note 4)	102,259	371,460
	Php 12,813,988	Php 13,083,604

10. Deferred Acquisition Costs and Deferred Reinsurance Commissions

Deferred Acquisition Costs

The rollforward analysis of this account follows:

	2021	2020
At January 1	Php 265,680,472	Php 345,878,956
Costs deferred during the year	527,570,426	638,197,310
Amortization during the year	(519,698,879)	(718,395,794)
At December 31	Php 273,552,019	Php 265,680,472

Deferred acquisition costs pertain to the portion of the commission expense that relates to the unexpired periods of policies at reporting date.

Deferred Reinsurance Commissions

The rollforward analysis of this account follows:

	2021	2020
At January 1	Php 68,850,381	Php 73,241,198
Income deferred during the year	233,076,232	227,461,105
Amortization during the year	(231,474,067)	(231,851,922)
At December 31	Php 70,452,546	Php 68,850,381

Deferred reinsurance commissions pertain to the portion of commission income that relates to the unexpired periods of the policies at reporting date.

11. Investment Properties

This account consists of real estate properties foreclosed from former insurance agents of the Company located in Bulacan. The fair values of the properties were estimated using the Sales Comparison Approach. This is a comparative approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered.

As of December 31, 2021 and 2020, the estimated fair value of the remaining property in Bulacan amounted to Php 1.18 million. The valuation was performed by an independent appraiser on March 15, 2017. Description of the valuation technique used and key inputs to the valuation on investment properties in 2021 and 2020 follows:

Location	Valuation techniques	Quoted prices in active markets	Range (weighted average)
San Miguel, Bulacan	Sales Comparison Approach	Estimated Computed Value per sqm	Php 106 to Php 225 (Php191)
		Net price (Php/sq. m)	Php 90 to Php 225
		Internal factor Location Size Algebraic sum of internal factor	 -20% to 0% -18% to 20% 0% to 18%

As of December 31, 2021 and 2020, the carrying value of investment property amounted to Php 2,745.

12. Property and Equipment

The rollforward analyses of this account follows:

2021

	Computer Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost					
At January 1, 2021	Php 70,023,351	Php 2,624,133	Php 42,795,683	Php 937,499	Php 116,380,666
Additions	8,769,623	938,666	12,395,471	400,680	22,504,440
Disposals	–	–	(11,193,760)	–	(11,193,760)
Retirements	–	–	(5,736,173)	(10,595)	(5,746,768)
At December 31, 2021	78,792,974	3,562,799	38,261,221	1,327,584	121,944,578
Accumulated depreciation					
At January 1, 2021	44,626,831	2,197,979	18,914,526	679,399	66,418,735
Depreciation during the year (Note 21)	16,519,926	647,908	5,716,316	296,360	23,180,510
Disposals	–	–	(3,539,577)	–	(3,539,577)
Retirements	–	–	(5,736,173)	(10,595)	(5,746,768)
At December 31, 2020	61,146,757	2,845,887	15,355,092	965,164	80,312,900
Net book value as of December 31, 2021	Php 17,646,217	Php 716,912	Php 22,906,129	Php 362,420	Php 41,631,678

2020

	Computer Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost					
At January 1, 2020	Php 89,174,471	Php 10,344,879	Php 38,819,247	Php 2,632,334	Php 140,970,931
Additions	17,123,831	–	15,797,715	80,100	33,001,646
Disposals	–	–	(3,890,529)	–	(3,890,529)
Retirements	(36,274,951)	(7,720,746)	(7,930,750)	(1,774,935)	(53,701,382)
At December 31, 2020	70,023,351	2,624,133	2,624,133	937,499	116,380,666
Accumulated depreciation					
At January 1, 2020	55,911,673	7,987,396	20,406,871	1,677,762	85,983,702
Depreciation during the year (Note 21)	24,990,109	1,931,329	7,419,873	776,572	35,117,883
Disposals	–	–	(981,468)	–	(981,468)
Retirements	(36,274,951)	(7,720,746)	(7,930,750)	(1,774,935)	(53,701,382)
At December 31, 2020	44,626,831	2,197,979	18,914,526	679,399	80,312,900
Net book value as of December 31, 2020	Php 25,396,520	Php 426,154	Php 23,881,157	Php 258,100	Php 49,961,931

In 2021 and 2020, the Company disposed of certain assets which resulted in gain on sale of property and equipment amounting to Php 1.77 million and Php 0.57 million, respectively, recorded in the statements of income.

The cost of fully depreciated property and equipment still in use amounted to nil as of December 31, 2021 and 2020 respectively.

13. Other Assets

This account consists of:

	2021	**2020**
Creditable withholding tax	Php 356,546,197	Php 309,315,535
Deferred input VAT	43,390,298	40,681,149
Security deposits	37,329,585	35,753,783
Prepaid expenses	13,838,989	18,468,639
Security fund	55,160	55,160
	451,160,229	404,274,266
Less: Allowance for impairment losses	(115,146,942)	-
	Php 336,013,287	Php 404,274,266

Creditable withholding taxes pertain to the Company's taxes withheld at source by its customers and is creditable against the income tax liability of the Company.

Deferred input VAT arises from purchases of goods and services from VAT registered suppliers which were not yet paid as of reporting date.

Security deposits are payments made by the Company in its leases of building and parking space which are refundable at the end of the lease contract.

Prepaid expenses pertain to office supplies, rental advances, insurance of employees, and membership and association dues.

Security fund pertains to investment/placement deposited to the IC as requirement under the Insurance Code.

Based on management's assessment, the Company's creditable withholding taxes that were previously applied for refund from the BIR amounting to Php 115.15 million as of December 31, 2021 are considered impaired. The rollforward analysis of allowance for impairment losses follow:

	2021
At January 1	-
Provision (Note 21)	115,146,942
At December 31	Php 115,146,942

14. Insurance Contract Liabilities and Reinsurance Assets

Insurance contract liabilities may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2021	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2020
Provision for claims reported and loss adjustment expenses	Php 2,022,412,589	Php 1,367,167,355	Php 655,245,234	Php 2,195,556,802	Php 1,247,094,238	Php 948,462,564
Provision for IBNR	981,444,851	515,628,078	465,816,773	740,936,794	293,733,663	447,203,131
Total claims reported and IBNR	3,003,857,440	1,882,795,433	1,121,062,007	2,936,493,596	1,540,827,901	1,395,665,695
Provision for unearned premiums	1,462,838,875	732,627,561	730,211,314	1,490,001,767	630,300,535	859,701,232
Total Insurance Contract Liabilities	Php 4,466,696,315	Php 2,615,422,994	Php 1,851,273,321	Php 4,505,837,430	Php 2,171,128,436	Php 2,255,366,927

Provisions for claims reported by policyholders and IBNR may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2021	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2020
At January 1	Php 2,936,493,597	Php 1,540,827,901	Php 1,395,665,696	Php 2,596,853,080	Php 1,312,772,325	Php 1,284,080,755
Claims incurred during the year	1,287,567,372	594,825,100	692,742,272	1,940,464,443	636,790,652	1,303,673,791
Increase (decrease) in IBNR (Note 20)	240,508,057	221,894,415	18,613,642	(178,540,486)	(88,380,218)	(90,160,268)
Claims paid during the year (Note 20)	(1,460,711,586)	(474,751,983)	(985,959,603)	(1,422,283,441)	(320,354,858)	(1,101,928,583)
At December 31	Php 3,003,857,440	Php 1,882,795,433	Php 1,121,062,007	Php 2,936,493,596	Php 1,540,827,901	Php 1,395,665,695

Provisions for unearned premiums may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2021	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2020
At January 1	Php 1,490,001,767	Php 630,300,535	Php 859,701,232	Php 1,908,984,350	Php 619,021,631	Php 1,289,962,719
New policies written during the year (Note 18)	4,049,708,496	2,613,529,420	1,436,179,076	4,147,796,977	2,453,029,842	1,694,767,135
Premiums earned during the year (Note 18)	(4,076,871,388)	(2,511,202,394)	(1,565,668,994)	(4,566,779,560)	(2,441,750,938)	(2,125,028,622)
At December 31	Php 1,462,838,875	Php 732,627,561	Php 730,211,314	Php 2,936,493,596	Php 630,300,535	Php 859,701,232

Terms and Conditions

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

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

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

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

In insurance, as a rule, there may be claims filed in the current year that would attach policies issued in the previous years. This in effect makes claims provision highly sensitive. Other unpredictable circumstances, like legislative uncertainties, make it impossible to quantify claims. Also, due to delays arising between occurrence of claims and their subsequent reporting to and settlement by the Company, the outstanding claim provisions cannot be ascertained with confidence at the end of the reporting period. Consequently, the ultimate liabilities will vary as a result of subsequent developments.

Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent years' financial statements.

Assumptions

The principal assumption underlying the estimates is the Company's past claims developments 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.

Sensitivities

The table below shows the impact of changes in certain important assumptions in general insurance business. The interrelation of these assumptions will have an important impact in the computation of the final liabilities.

2021

	Change in Assumptions	Impact on insurance contract liabilities - net of reinsurance assets	Impact on profit before tax	Impact on equity
Average claim costs	1.56%	Php 767,272,126	(Php 767,272,126)	(Php 575,454,094)
Average number of claims	5.16%	810,882,231	(810,882,231)	(608,161,674)

2020

	Change in Assumptions	Impact on insurance contract liabilities - net of reinsurance assets	Impact on profit before tax	Impact on equity
Average claim costs	-15.13%	(Php 359,452,478)	Php 359,452,478	Php 251,616,734
Average number of claims	39.13%	463,977,676	(463,977,676)	(324,784,373)

Loss Development Triangle

The tables that follow present the development of the estimated ultimate claims costs on a gross and net reinsurance basis. The tables show the cumulative amounts of the estimated ultimate claims costs during successive years related to each accident year. The increase from the original estimate is due to the combination of a number of factors, including claims being settled for larger amounts than originally expected. The original estimate will also increase or decrease, as more information becomes known about the individual claims and overall claim frequency and severity.

2021

Accident Year	2011 and prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of ultimate claims costs:												
At the end of accident year	Php 7,442,154,425	Php 925,722,497	Php 2,028,516,617	Php 2,291,517,062	Php 1,064,534,155	Php 1,072,674,346	Php 1,830,487,601	Php 2,312,703,114	Php 2,286,209,308	Php 2,106,668,062	Php 2,045,108,024	Php 2,045,108,024
One year later	7,132,686,700	1,140,893,162	2,132,963,083	2,305,310,938	1,162,326,099	1,397,491,163	1,970,932,199	4,076,327,995	2,278,100,400	1,571,101,654	-	1,571,101,654
Two years later	6,939,522,182	1,118,179,517	2,160,388,700	2,097,875,280	1,148,835,349	1,390,885,152	2,373,270,997	3,814,872,607	2,435,169,328	-	-	2,435,169,328
Three years later	6,901,048,635	962,574,524	2,040,162,012	2,086,915,609	1,135,162,520	1,429,131,852	2,305,061,182	3,632,586,048	-	-	-	3,632,586,048
Four years later	6,865,186,177	963,342,761	2,029,137,437	2,086,174,393	1,142,256,537	1,470,479,734	2,312,348,987	-	-	-	-	2,312,348,987
Five years later	6,831,588,479	961,122,827	2,028,126,454	2,123,387,258	1,122,289,704	1,487,405,364	-	-	-	-	-	1,487,405,364
Six years later	6,823,423,200	961,232,322	2,020,199,255	2,123,681,686	1,129,900,900	-	-	-	-	-	-	1,129,900,900
Seven years later	6,825,990,440	965,753,042	2,017,429,320	2,124,154,174	-	-	-	-	-	-	-	2,124,154,174
Eight years later	6,822,855,717	965,506,691	2,017,891,099	-	-	-	-	-	-	-	-	2,017,891,099
Nine years later	6,809,415,135	965,256,691	-	-	-	-	-	-	-	-	-	965,256,691
Ten years later	6,819,854,289	-	-	-	-	-	-	-	-	-	-	6,819,854,289
Current estimate of cumulative claims	6,819,854,289	965,256,691	2,017,891,099	2,124,154,174	1,129,900,900	1,487,405,364	2,312,348,987	3,632,586,048	2,435,169,328	1,571,101,654	2,045,108,024	26,540,776,558
Cumulative payments to date	(6,784,530,223)	(965,256,691)	(2,017,245,705)	(2,123,954,173)	(1,128,129,324)	(1,480,093,044)	(2,295,710,433)	(3,590,427,853)	(1,716,733,108)	(1,013,429,776)	(421,408,788)	(23,536,919,118)
Total gross insurance liabilities included in the statement of financial position	**Php 35,324,066**	**-**	**Php 645,394**	**Php 200,001**	**Php 1,771,576**	**Php 7,312,320**	**Php 16,638,554**	**Php 42,158,195**	**Php 718,436,220**	**Php 557,671,878**	**Php 1,623,699,236**	**Php 3,003,857,440**

Accident Year	2011 and prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of ultimate claims costs:												
At the end of accident year	Php 7,854,295,629	Php 593,124,559	Php 857,102,734	Php 740,577,740	Php 794,720,561	Php 942,741,897	Php 1,076,670,806	Php 1,516,585,974	Php 1,389,380,613	Php 1,311,731,064	Php 1,186,806,315	Php 1,186,806,315
One year later	3,807,428,291	648,594,005	905,759,169	803,801,205	868,615,343	1,111,305,378	826,645,841	1,577,833,019	1,266,626,502	965,145,706	-	965,145,706
Two years later	3,767,762,410	632,788,511	862,053,239	797,001,416	861,919,892	1,122,402,975	833,297,968	1,593,076,903	1,223,144,926	-	-	1,223,144,926
Three years later	3,760,938,859	635,303,605	880,301,549	795,920,071	851,937,907	1,123,877,598	832,443,405	1,567,864,060	-	-	-	1,567,864,060
Four years later	3,759,223,718	637,014,103	874,058,551	795,241,303	851,921,907	1,127,693,748	836,115,710	-	-	-	-	836,115,710
Five years later	3,760,999,901	634,789,366	874,079,828	795,279,885	843,401,320	1,128,112,323	-	-	-	-	-	1,128,112,323
Six years later	3,767,973,511	634,892,164	874,380,528	795,823,203	845,615,859	-	-	-	-	-	-	845,615,859
Seven years later	3,765,765,503	634,892,164	873,909,145	796,295,690	-	-	-	-	-	-	-	796,295,690
Eight years later	3,766,026,471	634,953,595	874,194,516	-	-	-	-	-	-	-	-	874,194,516
Nine years later	3,756,054,042	634,953,595	-	-	-	-	-	-	-	-	-	634,953,595
Ten years later	3,758,721,810	-	-	-	-	-	-	-	-	-	-	3,758,721,810
Current estimate of cumulative claims	3,758,721,810	634,953,595	874,194,516	796,295,690	845,615,859	1,128,112,323	836,115,710	1,567,864,060	1,223,144,926	965,145,706	1,186,806,315	13,816,970,510
Cumulative payments to date	(3,751,727,937)	(634,953,595)	(873,689,922)	(796,095,690)	(845,329,208)	(1,124,901,015)	(825,777,664)	(1,543,938,391)	(1,073,592,017)	(826,848,792)	(399,054,272)	(12,695,908,503)
Total gross insurance liabilities included in the statement of financial position	**Php 6,993,873**	**-**	**Php 504,594**	**Php 200,000**	**Php 286,651**	**Php 3,211,308**	**Php 10,338,046**	**Php 23,925,669**	**Php 149,552,909**	**Php 138,296,914**	**Php 787,752,043**	**Php 1,121,062,007**

2020

Accident Year	2010 and prior	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims costs:												
At the end of accident year	Php 6,422,185,719	Php 1,019,968,706	Php 925,722,497	Php 2,028,516,617	Php 2,291,517,062	Php 1,064,534,155	Php 1,072,674,346	Php 1,830,487,601	Php 2,312,703,114	Php 2,286,209,308	Php 2,106,668,061	Php 2,106,668,061
One year later	6,021,766,048	1,110,920,652	1,140,893,162	2,132,963,083	2,305,310,938	1,162,326,099	1,397,491,163	1,970,932,199	4,076,327,995	2,278,100,400	-	2,278,100,400
Two years later	5,840,390,082	1,099,132,100	1,118,179,517	2,160,388,700	2,097,875,280	1,148,835,349	1,390,885,152	2,373,270,997	3,814,872,607	-	-	3,814,872,607
Three years later	5,805,425,053	1,095,623,582	962,574,524	2,040,162,012	2,086,915,609	1,135,162,520	1,429,131,852	2,305,061,182	-	-	-	2,305,061,182
Four years later	5,837,742,800	1,027,443,377	963,342,761	2,029,137,437	2,086,174,393	1,142,256,537	1,470,479,734	-	-	-	-	1,470,479,734
Five years later	5,802,903,836	1,028,684,643	961,122,827	2,028,126,454	2,123,387,258	1,122,289,704	-	-	-	-	-	1,122,289,704
Six years later	5,794,852,624	1,028,570,576	961,232,322	2,020,199,255	2,123,681,686	-	-	-	-	-	-	2,123,681,686
Seven years later	5,797,362,698	1,028,627,742	965,753,042	2,017,429,320	-	-	-	-	-	-	-	2,017,429,320
Eight years later	5,794,228,202	1,028,627,515	965,506,691	-	-	-	-	-	-	-	-	965,506,691
Nine years later	5,780,705,357	1,028,709,778	-	-	-	-	-	-	-	-	-	1,028,709,778
Ten years later	5,779,901,966	-	-	-	-	-	-	-	-	-	-	5,779,901,966
Current estimate of cumulative claims	5,779,901,966	1,028,709,778	965,506,691	2,017,429,320	2,123,681,686	1,122,289,704	1,470,479,734	2,305,061,182	3,814,872,607	2,278,100,400	2,106,668,061	25,012,701,129
Cumulative payments to date	(5,754,578,630)	(1,028,709,778)	(965,506,691)	(2,016,261,734)	(2,122,926,942)	(1,109,537,589)	(1,394,219,443)	(2,284,802,392)	(3,563,551,908)	(1,454,186,017)	(381,926,409)	(22,076,207,533)
Total gross insurance liabilities included in the statement of financial position	**Php25,323,336**	**-**	**-**	**Php 1,167,586**	**Php 754,744**	**Php 12,752,115**	**Php 76,260,291**	**Php 20,258,790**	**Php 251,320,699**	**Php 823,914,383**	**Php 1,724,741,652**	**Php 2,936,493,596**

Accident Year	2010 and prior	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims costs:												
At the end of accident year	Php 7,428,416,431	Php 425,879,198	Php 593,124,559	Php 857,102,734	Php 740,577,740	Php 794,720,561	Php 942,741,897	Php 1,076,670,806	Php 1,516,585,974	Php 1,389,380,613	Php 1,311,731,063	Php 1,311,731,063
One year later	3,362,449,184	444,979,107	648,594,005	905,759,169	803,801,205	868,615,343	1,111,305,378	826,645,841	1,577,833,019	1,266,626,502	-	1,266,626,502
Two years later	3,325,882,046	441,880,364	632,788,511	862,053,239	797,001,416	861,919,892	1,122,402,975	833,297,968	1,593,076,903	-	-	1,593,076,903
Three years later	3,320,726,586	440,212,273	635,303,605	880,301,549	795,920,071	851,937,907	1,123,877,598	832,443,405	-	-	-	832,443,405
Four years later	3,326,148,925	433,074,793	637,014,103	874,058,551	795,241,303	851,921,907	1,127,693,748	-	-	-	-	1,127,693,748
Five years later	3,327,574,262	433,425,639	634,789,366	874,079,828	795,279,885	843,401,320	-	-	-	-	-	843,401,320
Six years later	3,334,884,899	433,088,612	634,892,164	874,380,528	795,823,203	-	-	-	-	-	-	795,823,203
Seven years later	3,332,619,725	433,145,778	634,892,164	873,909,145	-	-	-	-	-	-	-	873,909,145
Eight years later	3,332,880,693	433,145,778	634,953,595	-	-	-	-	-	-	-	-	634,953,595
Nine years later	3,323,059,001	432,995,041	-	-	-	-	-	-	-	-	-	432,995,041
Ten years later	3,323,627,749	-	-	-	-	-	-	-	-	-	-	3,323,627,749
Current estimate of cumulative claims	3,323,627,749	432,995,041	634,953,595	873,909,145	795,823,203	843,401,320	1,127,693,748	832,443,405	1,593,076,903	1,266,626,502	1,311,731,063	13,036,281,674
Cumulative payments to date	(3,317,491,081)	(432,995,041)	(634,953,595)	(873,605,544)	(795,068,459)	(840,089,209)	(1,114,118,657)	(819,425,436)	(1,521,396,736)	(933,372,492)	(358,099,729)	(11,640,615,979)
Total gross insurance liabilities included in the statement of financial position	**Php 6,136,668**	**-**	**-**	**Php 303,601**	**Php 754,744**	**Php 3,312,111**	**Php 13,575,091**	**Php 13,017,969**	**Php 71,680,167**	**Php 333,254,010**	**Php 953,631,334**	**Php 1,395,665,695**

15. Insurance Payables

This account consists of:

	2021	2020
Due to reinsurers and ceding companies	Php 1,140,124,652	Php 1,271,493,994
Funds held for reinsurer	322,909,677	334,344,659
	1,463,034,329	1,605,838,653

The rollforward analysis of insurance balances payable follows:

2021

	Due to Reinsurers and Ceding Companies	Funds Held for Reinsurers	Total
January 1, 2021	Php1,271,493,994	Php 334,344,659	Php 1,605,838,653
Arising during the year (Note 18)	2,177,319,277	436,210,143	2,613,529,420
Paid/utilized	(2,308,688,619)	(447,645,125)	(2,756,333,744)
December 31, 2021	Php 1,140,124,652	Php 322,909,677	Php 1,463,034,329

2020

	Due to Reinsurers and Ceding Companies	Funds Held for Reinsurers	Total
January 1, 2020	Php 1,164,470,398	Php 237,704,081	Php 1,402,174,479
Arising during the year (Note 18)	1,949,817,966	503,211,876	2,453,029,842
Paid/utilized	(1,842,794,370)	(406,571,298)	(2,249,365,668)
December 31, 2020	Php 1,271,493,994	Php 334,344,659	Php 1,605,838,653

Interest expense on insurance payable (funds held for reinsurers) amounted to Php 0.80 million and Php 1.49 million in 2021 and 2020, respectively.

16. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Commissions payable	Php 580,204,490	Php 629,827,892
Accounts payable	419,323,172	189,363,477
Other taxes payable	361,889,627	347,197,839
Deferred output VAT	128,589,717	155,822,604
Accrued expenses	21,359,161	12,284,283
VAT payable	20,693,019	23,146,671
Premium deposit	9,391,958	45,386,930
Others	3,484,007	5,896,918
	Php 1,544,935,151	Php 1,408,926,614

Commission payable pertains to amounts payable to agents in the form of commission.

Premium deposit are payments collected in advance by the Company. In some instances, the Company credits premium deposit when there are overpayments and/or unidentified payments.

Accounts payable includes purchases and other obligations not yet paid by the Company. It also includes cost already incurred but not yet paid.

Deferred output VAT are VAT incurred by the Company in a sale of insurance policies but not yet collected.

Other taxes payable pertain to withholding, premiums, fire service, and documentary stamp taxes not yet paid by the Company.

VAT payable pertains to excess output VAT over the input VAT recorded by the Company.

Accrued expenses pertain to services already incurred but not yet paid. These also include services already incurred but awaiting billings from service providers and other intermediaries.

Others are employee related payments to government institutions such as SSS, Philhealth, and HDMF.

17. Equity

Capital Stock

The Company's authorized capital stock

The details of this account for both 2021 and 2020 follows:

Authorized capital stock	Php 700,000,000
Number of authorized shares	
Class A (nonvoting), Php 10 par value:	56,000,000
Class B (voting), Php 10 par value:	14,000,000
	70,000,000

Issued and outstanding shares	
Class A (nonvoting), Php 10 par value:	Php 298,400,000
Class B (voting), Php 10 par value:	74,600,000
	Php 373,000,000

The movements of the Company's capital stock follow:

	2021	**2020**
January 1	Php 373,000,000	Php 350,000,000
Issuance of shares	-	23,000,000
December 31	Php 373,000,000	Php 373,000,000

Increase in authorized capital stock

On December 10, 2019, the Board of Directors unanimously approved Management's recommendation to amend the Corporation's Articles of Incorporation to increase the Company's authorized capital stock from Php 360.00 million to Php 700.00 million, or an increase of Php 340.00 million. After the amendment, the capital stock of the Company was divided into 56.00 million Class "A" stock and 14.00 million Class "B" stock, with par value of 10.00 each. The shares of Class "A" stock and Class "B" stock shall be entitled, in all respects, to equal rights and privileges provided, however, that Class "A" shall have no voting rights except in those cases expressly provided by laws.

On the same date of the Board of Director's meeting, the Parent Company signified its intention to subscribe to the Company's additional capital. The rest of the stockholders waived their pre-emptive rights to the said increase in capital.

On December 18, 2019, the Company received the payment from the Parent Company of 25% of the subscribed capital amounting to Php 23.00 million, which was reflected as deposit for future stock subscription as of December 31, 2019.

The Company submitted the application for increase in authorized capital stock to the IC on December 23, 2019. The IC endorsed to SEC the Company's proposal to increase its authorized capital stock through an endorsement letter signed by the Deputy Insurance Commissioner, dated January 2, 2020. The increase in authorized capital stock was approved by the SEC on October 29, 2020.

Subsequent to the SEC approval, the Company converted its deposit for future stock subscription to capital by issuing 1.84 million of Class A shares and 0.46 million of Class B shares at par value to the Parent Company.

Contingency Surplus

On August 14, 2020, the Company received additional capital from Golden Eight Group Limited amounting to $21.40 million (with peso equivalent of Php 1.05 billion) using the prevailing exchange rate at the date of receipt. The amount received is reflected as contingency surplus in the statement of financial position.

Retained Earnings

The Company had appropriated Php 12.51 million of its retained earnings for future catastrophic losses.

18. Net Insurance Earned Premiums

Gross earned premiums and reinsurers' share in gross earned premiums on insurance contracts follow:

	2021	2020
Gross premiums on insurance contracts:		
Direct insurance	Php 3,943,587,912	Php 4,013,807,623
Assumed reinsurance	106,120,584	133,989,354
Total gross premiums on insurance contracts (Note 14)	4,049,708,496	4,147,796,977
Gross change in provision for unearned premiums	27,162,892	418,982,583
Total gross earned premiums on insurance contracts (Note 14)	4,076,871,388	4,566,779,560
Reinsurers' share of insurance contracts premiums:		
Direct insurance	2,540,785,834	2,358,750,251
Assumed reinsurance	72,743,586	94,279,591
Total reinsurers' share of insurance contracts premiums (Note 14)	2,613,529,420	2,453,029,842
Reinsurers' share of gross change in provision for unearned premiums	(102,327,026)	(11,278,904)
Total reinsurers' share of gross earned premiums on insurance contracts (Note 14)	2,511,202,394	2,441,750,938
Net insurance earned premiums	Php 1,565,668,994	Php 2,125,028,622

19. Investment Income

This account consists of:

	2021	**2020**
Interest income on:		
Financial assets at FVOCI and mortized cost (Note 6)	Php 80,607,143 322,909,677	Php 76,918,035 334,344,659
Cash and cash equivalents and short-term investments (Note 4)	348,087	3,816,752
Dividend income (Note 6)	6,734,258	6,903,291
	Php 87,689,488	Php 87,638,078

20. Net Insurance Benefits and Claims

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

	2021	**2020**
Insurance contracts benefits and claims paid:		
Direct insurance	Php 1,413,239,039	Php 1,353,110,151
Assumed reinsurance	47,472,547	69,173,290
Total insurance contract benefits and claims paid (Note 14)	Php 1,460,711,586	Php 1,422,283,441

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

	2021	**2020**
Reinsurers' share of insurance contract benefits and claims paid:		
Direct insurance	Php 446,112,381	Php 280,726,464
Assumed reinsurance	28,639,602	39,628,394
Total reinsurers' share of insurance contract benefits and claims paid (Note 14)	Php 474,751,983	Php 320,354,858

Gross change in insurance contract liabilities:

	2021	**2020**
Change in insurance contract liabilities:		
Direct insurance	(Php 154,786,863)	Php 587,718,308
Assumed reinsurance	(18,357,350)	(69,537,305)
Change in provision for IBNR (Note 14)	240,508,057	(178,540,486)
Total gross change in insurance contract liabilities (Note 14)	Php 67,363,844	Php 339,640,517

Reinsurers' share of change in insurance contract liabilities:

	2021	2020
Reinsurers' share of change in insurance contract liabilities:		
Direct insurance	Php 131,998,723	Php 359,056,735
Assumed reinsurance	(11,925,606)	(42,620,941)
Change in provision for IBNR (Note 14)	221,894,415	(88,380,218)
Total reinsurers' share of change in insurance contract liabilities (Note 14)	Php 341,967,532	Php 228,055,576

21. Operating Expenses

This account consists of:

	2021	2020
Personnel expenses (Note 22)	Php 308,790,954	Php 313,767,920
Provision (reversal of provision) for impairment losses on:		
Other assets (Note 13)	115,146,942	–
Insurance receivables (Note 5)	7,528,139	(9,252,155)
Financial assets (Note 6)	691,992	(2,705,307)
Loans and receivables (Note 7)	–	(107,527)
Depreciation and amortization (Notes 12 and 28)	60,553,002	75,369,554
Professional fees	33,497,456	62,985,806
Advertising and promotions	28,795,790	36,368,149
Information technology, communication and supplies	22,250,893	24,561,564
Electricity and maintenance	21,767,091	31,447,478
Transportation and travel	6,481,511	7,685,296
Taxes and licenses	3,145,854	9,754,839
Entertainment, amusement and recreation	2,405,531	4,314,620
Rent (Note 28)	2,417,614	3,882,402
Others	8,448,934	8,659,708
	Php 621,921,703	Php 566,732,347

Depreciation and amortization consist of:

	2021	2020
Property and equipment	Php 23,180,510	Php 35,117,883
Right of use assets	37,372,492	40,251,671
	Php 60,553,002	Php 75,369,554

22. Personnel Expenses

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

	2021	2020
Salaries and wages	Php 255,710,423	Php 254,579,526
Net benefit expense (Note 23)	19,002,748	16,585,387
SSS, Pag-ibig fund and other contributions	11,226,654	10,750,848
Service fee	10,169,496	21,831,083
Employee welfare costs	1,546,682	475,478
Others	11,134,951	9,545,598
	Php 308,790,954	**Php 313,767,920**

Service fee pertains to fees paid for general services outsourced from manpower agencies.

Others pertain to other employee benefits such as medical and hospital allowances.

23. Pension Benefits

Pension plan

The Company has a defined benefit pension plan, covering substantially all of its employees, which requires contribution to be made to administered funds. The plan is administered by a local bank as trustee.

The following tables summarize the components of net benefit expense recognized in the statements of income and the funded status and amounts recognized in the statements of financial position for the plan:

2021

	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
Balance at beginning of year	Php 154,580,833	(Php 95,437,657)	Php 27,265,721
Net Benefit Cost in Statement of Income			
Current service cost	17,240,779	–	17,240,779
Net interest cost	3,793,063	(2,031,094)	1,761,969
Sub-total	**21,033,842**	**(2,031,094)**	**19,002,748**
Remeasurement in OCI			
Return on plan asset (excluding amount included in net interest)	–	1,473,760	1,473,760
Actuarial changes arising from			
Experience adjustments	(Php 25,053,655)	–	(Php 25,053,655)
Financial assumptions	(9,183,582)	–	(9,183,582)
Sub-total	**(34,237,237)**	**1,473,760**	**(32,763,477)**
Benefit paid	(30,733,664)	30,733,664	–
Actual contribution	–	(25,238,570)	(25,238,570)
Balance at end of year	Php 110,643,774	(Php 84,584,262)	Php 26,059,512

2020

	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
Balance at beginning of year	Php 122,703,378	(Php 95,437,657)	Php 27,265,721
Net Benefit Cost in Statement of Income			
Current service cost	15,721,549	–	17,240,779
Net interest cost	5,749,762	(2,031,094)	1,761,969
Sub-total	21,471,311	(2,031,094)	19,002,748
Remeasurement in OCI			
Return on plan asset (excluding amount included in net interest)	–	(22,267,499)	(22,267,499)
Actuarial changes arising from			
Experience adjustments	63,199,134	–	63,199,134
Financial assumptions	13,179,879	–	13,179,879
Demographic assumptions	(13,585,031)	–	(13,585,031)
Sub-total	**(34,237,237)**	**1,473,760**	**(32,763,477)**
Benefit paid	(52,387,838)	52,387,838	–
Actual contribution	–	(19,318,780)	(19,318,780)
Balance at end of year	Php 154,580,833	(Php 89,522,022)	Php 65,058,811

Details of accumulated remeasurement loss on defined benefit plan as of December 31 follows:

	2021	**2020**
Balance at beginning of year	(Php 47,465,745)	(Php 19,097,207)
Remeasurement gains (losses) recognized in other comprehensive income during the year	32,763,477	(40,526,483)
	(Php 26,283,547)	(Php 47,465,745)

The principal assumptions used in determining pension obligation for the Company's plan are shown below:

	2021	**2020**
Discount rate	**4.83%**	3.36%
Rate of salary increase	**6.00%**	6.00%

The Company's retirement fund is included in a multi-employer retirement fund registered in the name of Zuellig Group of Companies (the Group) and administered by a local bank as trustee. As of December 31, 2021 and 2020, the FV of the Company's equity in the fund amounted to Php 84.58 million and Php 89.52 million, respectively; representing 100.00% for both years, of the market value of the entire plan assets under trust.

The following is the distribution of the Company's plan assets stated at fair value:

	2021	2020
Cash in bank	**Php 14,122**	Php 2,763,820
Investments		
Bonds and government securities	**42,710,940**	44,587,940
Marketable equity securities	**24,719,277**	25,537,412
Common trust fund	**4,151,213**	1,793,175
Other securities and debt instruments	**12,657,140**	11,112,782
Other receivables	**447,971**	6,609,033
Liabilities	**(106,507)**	(132,442)
Total plan assets	**Php 84,584,262**	**Php 89,522,022**

Based on the latest actuarial valuation report, estimated contribution to the retirement fund in 2022 is Php 18.37 million. This amount is subject to subsequent validation and may change based on available facts and circumstances.

Sensitivities

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant

	2021		2020	
	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)
Discount rate	+1.00%	(Php 5,444,952)	+1.00%	(Php 6,774,856)
	−1.00%	6,079,992	−1.00%	7,599,963
Salary increase rate	+1.00%	6,444,395	+1.00%	7,943,214
	−1.00%	(5,881,708)	−1.00%	(7,231,503)

The average duration of the defined benefit obligation as of December 31, 2021 and 2020 is 10.16 years and 9.64 years, respectively.

Maturity profile of the undiscounted benefit payments are as follows:

	Normal Retirement	Other than Normal Retirement	Total
Less than one year	Php 7,550,535	Php 20,195,027	Php 27,745,562
More than one year to five years	13,917,243	48,364,841	62,282,084
More than five years to 10 years	22,582,764	51,795,729	74,378,493
More than 10 years to 15 years	16,237,477	35,422,321	51,659,798
More than 15 years to 20 years	28,415,917	21,159,096	49,575,013
More than 20 years	18,703,117	14,345,986	33,049,103

24. Income Tax

The provision for income tax consists of:

	2021	2020
Final	**Php 16,441,827**	Php 17,467,596
Current	**3,608,170**	3,680,820
Deferred	**(7,833,266)**	11,595,700
	Php 12,216,731	Php 32,744,116

Implementation of CREATE Act

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act was signed into law to attract more investments and maintain fiscal prudence and stability in the Philippines. RA No. 11534 or the CREATE Act introduced reforms to the corporate income tax and incentives systems.

The law has a retroactive effective to reduce RCIT rate from 30% to 20% or 25%, as applicable, for domestic corporations effective July 1, 2020. Further, MCIT rate has been reduced to 1% for the period July 1, 2020 to June 30, 2023. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered as a substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 was considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e. 30% RCIT) for financial reporting purposes. On the other hand, the income tax paid and filed in the 2020 annual income tax return was recomputed based on the CREATE rules.

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

	As reported as of December 31, 2020	Impact of Tax Rate Reduction to 25% as Reflected in 2021
Deferred tax asset	Php 48,256,446	Php 8,042,741

Net deferred tax assets consist of the tax effects of the following:

	2021	2020
Deferred tax assets through profit or loss:	Php 4,653,411	Php 22,808,336
Provision for IBNR losses - net	11,795,194	–
Unrealized foreign exchange loss	6,882,015	–
Allowance for expected credit losses	6,538,272	–
Unamortized past service cost	Php 48,256,446	Php 8,042,741
Pension obligation	6,514,878	5,105,648
Deferred tax assets through OCI:	6,882,015	–
Remeasurement losses on defined benefit obligation	8,761,182	20,342,462
Deferred tax assets	45,144,952	48,256,446
Deferred tax liability through profit or loss: ROU Asset	636,520	–
Deferred tax liability	636,520	–
Net deferred tax assets	Php 44,508,432	Php 48,256,446

The table below shows the temporary differences for which no deferred tax assets have been recognized as the Company is not certain whether sufficient future taxable profit will be available against which the benefit from these can be utilized.

	2021	2020
NOLCO	Php 142,155,622	Php 273,347,224
Allowance for expected credit losses	72,768,626	72,768,626
MCIT	15,937,614	17,815,439
Accrued expenses	9,391,958	45,386,930
Provision for IBNR losses – net	–	371,175,344
Foreign exchange loss	–	19,649,259

The table below shows the movements of the Company's NOLCO during the year:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Date
2018	Php 107,426,309	Php 107,426,309	Php 20,647,548	-	December 31, 2021
2020	165,920,915	23,765,292	–	142,155,622	December 31, 2025**
	Php 273,347,224	Php 131,191,601	-	Php 142,155,622	

*** Pursuant to RR No. 25-2020*

The Philippine Government and Bureau of Internal Revenue has extended to five years the carry-over period for net operating losses incurred for taxable years 2020 and 2021. This is pursuant to the provision to the Section 4 of the Republic Act 11494 or the Bayanihan To Recover As One or Bayanihan Act and implementation of Revenue Regulation 25-2020.

As of December 31, 2021, the unexpired excess of MCIT over normal tax, which can be claimed as a deduction against income tax due, are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Date
2018	Php 5,485,995	-	Php5,485,995	-	December 31, 2021
2019	8,648,624	–	–	8,648,624	December 31, 2022
2020	3,680,820	–	–	3,680,820	December 31, 2023
2021	3,608,170	–	–	3,608,170	December 31, 2024
	Php 21,423,609	-	Php 5,485,995	Php 15,937,614	

A reconciliation of the statutory income tax rate to effective income tax rate follows:

	2021	2020
Statutory income tax rate	25.00%	30.00%
Tax effects of:		
Gain on sale on financial assets	(2.45)	33.38
Interest income already subjected to final tax	(28.57)	16.96
Changes in unrecognized deferred tax assets	(59.67)	(31.59)
Dividend income	(2.85)	1.45
Nondeductible expenses	85.79	(73.14)
Effective income tax rate	17.25%	(22.94%)

25. Management of Capital, Insurance and Financial Risks

Governance Framework

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

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

Capital Management Framework

The primary objectives of the Company's capital management framework are to provide shareholders with a satisfactory return on their investments, financial security to policyholders, prompt payment of obligations and compliance with the regulatory requirements of the IC.

The IC capital requirements are Fixed Capitalization Requirements and Risk-Based Capital (RBC).

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 higher than the minimum capital requirements set by the regulators and the amount computed under the RBC Model.

The premiums received by the Company from policyholders are properly invested not only to provide for policy obligations but also to serve as capital or surplus to provide margin of safety which will attract insurance buyers.

The funds invested shall produce an investment income that will be needed to pay stockholders a fair return. While part of this income is due to favorable loss experience and sound cost management, a major portion of additional profits must be earned by managing the investment portfolio to produce a higher return on investment. While there may be a wide range of investment opportunities, the investment portfolio must always reflect the safety of the funds.

Since these funds are held in fiduciary capacity, the Code contains investment provisions that the Company should observe to protect the interest of the policyholders and of the stockholders.

The three (3) general classifications of investment requirements are:

1. Capital Investments - The Company must invest at least 25% of its minimum paid-up capital in bonds or other evidences of debt of the Government of the Philippines or its political subdivisions or in government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas.

Furthermore, investments shall at all times be maintained free from any lien or encumbrance and shall be deposited and held by the Commissioner of the IC for the benefit and security of the policyholders.

2. Reserve Investment - The Company must invest 100% of the Reserve for unearned premiums and Reserve funds withheld for authorized reinsurer in common or preferred stocks and government or private bonds, real estate and real estate loans, collateral loans, adequately secured obligations and other securities as may be approved by the Commissioner.

3. **Surplus Investment** - After complying with the capital and reserve investment requirements, the Company may invest any portion of its funds, representing earned surplus in stocks, bonds, real estate, equities of other financial institutions, engaged in the buying and selling of short term debt instruments, securities issued by registered enterprises under R.A. 5186, otherwise known as the Investment Incentives Act.

To meet its capital management objectives, the Company formed an Investment Management Committee primarily tasked to establish investment strategies consistent with the management objectives and the IC requirements. The Committee had likewise set up limits and control procedures and adequate contingency plans for the Company to withstand both temporary and long-term disruption in its ability to fund activities in a timely manner at a reasonable cost.

No changes were made to its capital base, objectives, policies and processes in the current year.

Minimum Statutory Networth

On August 15, 2013, the President of the Philippines approved the Republic Act No. 10607 to be known as the "New Insurance Code" (Amended Code) which provides the new capitalization requirements of all existing insurance companies based on net worth on a staggered basis starting June 30, 2015 up to December 31, 2022.

On January 13, 2015, the IC issued CL No. 02-2015 which provide clarifications on the minimum capitalization requirements under Sections 194, 197, 200 and 289 of the Amended Code. It also supersedes Department of Finance Order (DO) No. 15-2012, DO No. 27-2006, CL No. 22-2008 and CL No. 26-2008. According to the CL, the minimum net worth requirement would be 250.00 million by December 31, 2013. The minimum net worth shall be unimpaired at all times and shall increase to the amounts as follows:

Minimum Net worth	Compliance Date
Php 550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

On February 11, 2020, the IC issued Advisory No. 2-A-2020 to require all life and nonlife insurance companies to comply with the minimum net worth and minimum capital investment requirements until February 28, 2020. vOtherwise, a show cause order shall be served to direct any company failing to meet these requirements, to make good any such deficient by cash within 15 days from the receipt of the letter, and to order such company not to take any new risk of any kind or character unless and until it makes good any such deficiency pursuant to Section 200 of the Amended Insurance Code.

On March 24, 2020, the IC issued Circular Letter No, 2020-21 stating that all show cause order related to Advisory No. 2-A-2020 shall be put on hold until further notice. This is in line with Presidential Proclamation No. 922, declaring a State of Public Health Emergency in throughout the Philippines due to Corona Virus Disease 2020 (COVID-19) which impede both the operations of IC and insurance companies by the implementation of travel restrictions and the temporary suspension of business activities.

As of December 31, 2021 and 2020, the Company's estimated statutory net worth amounted to Php 953.98 million and Php 906.75 million, respectively, which are still both ongoing examination by the IC. The final amount of net worth can be determined only after the accounts of the Company have been examined by the IC.

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

The RBC ratio shall be calculated as networth divided by the RBC requirement. Networth shall include the Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of networth only to the extent authorized by IC.

In 2016, the IC issued Circular Letter No. 2016-68, Amended Risk-Based Capital (RBC2) Framework, pursuant to Section 437 of the Amended Insurance Code. The RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC is the aggregate of Tier I and Tier 2 Capital minus deductions, subject to applicable limits and determinations. Tier I Capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis (e.g. Capital Stock, Statutory Deposit, Capital Stock Subscribed, Contributed Surplus, etc.). Tier 2 Capital does not have the same high-quality characteristics of Tier I Capital but can provide an additional buffer to the insurer (e.g. Reserve for Appraisal Increment-Property and Equipment, Remeasurement Gains (Losses) on Retirement Pension Asset (Obligation), etc.). Tier 2 Capital shall not exceed 50% of Tier I Capital.

The following table shows how the RBC ratio as of December 31, based on RBC2 components, was determined by the Company based on its internal calculations:

	2021	2020
TAC	**Php 1,188,125,697**	Php 1,090,020,623
RBC requirement	**803,965,337**	928,486,795
RBC Ratio	**148%**	117%

The final amount of the RBC ratio for 2021 can be determined only after the accounts of the Company have been examined by the Insurance Commission specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code. The RBC ratio for 2020 is still based on the estimated calculation of the Company as the examination and verification of the Insurance Commission is ongoing.

Solvency requirements
Under the revised Insurance Code (RA 10607), a non-life insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital, and net worth requirements as prescribed by the Commissioner. Such solvency requirements shall be based on internationally accepted solvency frameworks and accepted only after due consultation with the insurance industry association.

The Excess Solvency shall be the excess of the value of its admitted assets (as defined under the same Code), over the amount of its liabilities and the required minimum capital/net worth.

If an insurance company failed to meet the minimum required capital, the Insurance Commission is authorized to suspend or revoke all certificates of authority granted to such companies, its officers and agents, and no new business shall be done by and for such company until its authority is restored by the Insurance Commission.

New Regulatory Framework

Pursuant to the powers vested in the Insurance Commissioner by Sections 189, 200, 437 and 438 of Republic Act (RA) No. 10607, otherwise known as the Insurance Code, as amended, the following regulatory requirements and actions for the new regulatory framework are hereby adopted and promulgated:

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

Circular Letter 2016-67, **Valuation Standards for Non-life Insurance Policy Reserves**, prescribes the new valuation methodology for the non-life insurance companies. This circular letter superseded Circular Letter No. 2015-32. Non-life insurance companies will be changing the basis of valuation of their non-life insurance reserves. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The incurred but not reported (IBNR) reserves will now be computed using actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and Bornheutter-Ferguson method. A margin for adverse deviation is estimated based on standard projection techniques or combination of such techniques, such as but not limited to the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the Policy Liabilities at the 75th percentile level of sufficiency. Discount rates to be used shall be current risk-free rates. The rates shall exactly match the duration of the policy and the currency of the cash flows and shall be prescribed by the Insurance Commission.

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

Circular Letter 2018-18, **New Standards for Non-Life Insurance Policy Reserves**, superseded Circular Letters 2016-06 and 2016-67. Under this methodology of determining the ultimate premium liability, the concept of deferred acquisition cost is introduced. The premium liability to be recognized is the higher of the unearned premium reserve net of deferred acquisition cost or the unearned risks reserve.

Circular Letter 2018-19, Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk Based Capital (RBC2) framework prescribes that the Margin of Adversed Deviation (MFAD) should be company specific as computed by IC-accredited actuary.

Insurance Risk

The risk under insurance contracts is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claims. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

- **Occurrence Risk** - the possibility that the number of insured events will differ from those expected.
- **Severity Risk** - the possibility that the cost of the events will differ from those expected.
- **Development Risk** - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

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 a 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 business of the Company comprises short-term nonlife insurance contracts. For general insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

These risks currently do not vary significantly in relation to the location of the risk insured by the Company whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company has an objective to control and minimize insurance risk, to reduce volatility of operating profits. The Company manages insurance risk through the following mechanisms:

- The use and maintenance of management information systems that provide up-to-date, accurate and reliable data on risk exposure at any point in time;
- Guidelines are issued for concluding insurance contracts and assuming insurance risks;
- Pro-active claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims;
- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security; and
- Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Reinsurance

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on a quota-share basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Even though the Company may have reinsurance arrangements, 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 reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any reinsurance contract.

The following table sets out the concentration of the claims liabilities by type of contract:

	2021			2020		
	Gross Liabilities	**Reinsurers' Share of Liabilities**	**Net Liabilities**	**Gross Liabilities**	**Reinsurers' Share of Liabilities**	**Net Liabilities**
Motor car	**730,690,012**	**18,440,578**	**712,249,434**	Php 1,150,252,284	Php 35,437,695	Php 1,114,814,589
Fire	**1,384,353,912**	**1,107,510,934**	**276,842,978**	1,316,631,389	1,129,134,677	187,496,712
Engineering	**680,492,684**	**623,898,590**	**56,594,094**	111,026,362	74,828,916	36,197,446
Casualty	**95,996,426**	**53,372,899**	**42,623,527**	84,409,438	68,526,112	15,883,326
Bonds	**11,403,221**	**2,782,164**	**8,621,057**	41,352,264	25,817,568	15,534,696
Accident	**15,064,972**	**38,833**	**15,026,139**	15,577,219	202,092	15,375,127
Marine	**84,036,014**	**76,751,057**	**7,284,957**	217,094,593	206,880,841	10,213,752
Medical	**1,820,199**	**378**	**1,819,821**	150,047	–	150,047
	3,003,857,440	**1,882,795,433**	**1,121,062,007**	Php 2,936,493,596	Php 1,540,827,901	Php 1,395,665,695

Financial Instruments

Due to the short-term nature of cash and cash equivalents, short-term investments, insurance receivables, loans and receivables, accrued income, insurance payables, and accounts payable and accrued expenses, their carrying values reasonably approximate fair values at year-end.

The fair value of financial assets at FVTPL that are actively traded in organized financial markets is determined by reference to quoted market within the bid-offer price range, at the close of business on the reporting date or last trading day as applicable.

The fair value of unquoted equity shares where the fair value is not reasonably determinable due to the unpredictable nature of cash flows and the lack of suitable method at arriving at are liable fair value are carried at cost.

Fair Value Measurement

The Company classifies its financial assets at fair value as follows:

2021

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at FVTPL				
Listed equity securities	Php 379,191,448	–	–	Php 379,191,448
Golf club shares	–	27,900,000	–	27,900,000
Unit investment fund	–	12,275,367	–	12,275,367
Unlisted equity securities	–	–	20,000	20,000
	379,191,448	40,175,367	20,000	419,386,815
Financial assets at FVOCI				
Government debt securities				
Local currency	876,717,754	–	–	876,717,754
	1,255,909,202	40,175,367	20,000	1,296,104,569
Assets for which fair values are disclosed:				
Financial asset at amortized cost Government debt securities				
Local currency	613,024,697	–	–	613,024,697
Corporate bonds	88,253,993	–	–	88,253,993
Loans and receivables				
Accounts receivables	–	–	110,959,118	110,959,118
Employee receivables	–	–	2,547,729	2,547,729
Investment properties	–	–	1,176,414	1,176,414
	701,278,690	–	114,683,261	815,961,951
	Php 1,957,187,892	Php 40,175,367	Php 114,703,261	Php 2,112,066,520

2020

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at FVTPL				
Listed equity securities	**Php 366,903,367**	**–**	**–**	**Php 366,903,367**
Golf club shares	**–**	**26,500,000**	**–**	**26,500,000**
Unit investment fund	**–**	**72,673,005**	**–**	**72,673,005**
Unlisted equity securities	**–**	**–**	**20,000**	**20,000**
	366,903,367	**99,173,005**	**20,000**	**466,096,372**
Financial assets at FVOCI				
Government debt securities				
Local currency	**395,332,789**	**395,505,558**	**–**	**790,838,347**
	762,236,156	**494,678,563**	**20,000**	**1,256,934,719**
Assets for which fair values are disclosed:				
Financial asset at amortized cost Government debt securities				
Local currency	**703,573,999**	**–**	**–**	**703,573,999**
Corporate bonds	**88,623,779**	**–**	**–**	**88,623,779**
Loans and receivables				
Accounts receivables	**–**	**–**	**108,963,169**	**108,963,169**
Employee receivables	**–**	**–**	**5,062,410**	**5,062,410**
Investment properties	**–**	**–**	**1,176,414**	**1,176,414**
	792,197,778	**–**	**115,201,993**	**907,399,771**
	Php 1,554,433,934	**Php 494,678,563**	**Php 115,221,993**	**Php 2,164,334,490**

Fair values of investment in securities classified as financial assets at FVTPL and FVOCI were determined using Level 1. The fair values of financial instruments classified as financial assets at FVTPL and at FVOCI that are actively traded in an organized exchange or active markets are determined by reference to quoted market or broker bid prices at the close of business as of reporting dates.

The fair values of accounts receivables and employee receivables are determined by computing the present value of the expected future cash flows of the loans using the predetermined market rate for similar instrument as of reporting date as discount rate.

Fair value of investment properties are derived using the sales comparison approach.

In 2021 and 2020, there were no transfers between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 fair value measurement.

Accounts with fair value measured under Level 3 have no effect of measurements in profit or loss or in other comprehensive income for both 2021 and 2020.

Financial Risk

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

The Company's objectives in managing exposure to financial risks include providing financial security to policyholders, ensure prompt payment of its obligations and to provide owners with a satisfactory return on their investments.

To ensure that these objectives are met, the Company's policies and procedures require monitoring of financial risks by the Chief Financial Officer and regularly reviewed by the BOD.

Credit Risk

Credit risk arises from the possibility of asset impairment occurring because counterparties cannot meet their obligations in transactions involving financial instruments.

Management has established a Credit Control Policy, which provides for terms of business and credit reference criteria. The policy requires that financial references are obtained for each agent and broker when credit is given. Credit terms are set for the counterparty, but these are withdrawn or restricted when these are breached. Any deviation from the policy requires justification subject to approval by the Management. The Policy is regularly reviewed by the Management and amended as necessary.

The Company's procedures provide for the monitoring of the counterparty's ability to meet its obligations through regular review of each account. Statements of accounts with covering letter are regularly sent to agents and brokers reminding them of their outstanding balances and to follow up payment. Reconciliation of accounts is also done on a regular basis.

For cash and cash equivalents and investments, the Company considers the safety of the investment, yield or income, liquidity, diversification, capital growth and appreciation.

The following are the acceptable instruments set up by the Investment Committee in order of priority:

1. Government Securities
2. Special Savings Accounts/ Bank Promissory Notes
3. Commercial papers with credit rating of 2 for short term and B for long term
4. Preferred and Common stocks (Blue Chip stocks only)

The table below shows the maximum exposure to credit risk for the components of its statement of financial position.

	2021	2020
Cash and cash equivalents* (Note 4)	**Php 1,661,798,182**	Php 1,490,394,991
Insurance receivables (Note 5)	**1,897,494,845**	1,830,787,297
Short-term investments (Note 4)	**1,346,497**	572,914,215
Financial assets:		
Financial assets at FVTPL (Note 6)	**419,386,815**	466,096,372
Financial assets at FVOCI (Note 6)	**876,717,754**	790,838,347
Financial assets at amortized cost (Note 6)	**702,815,271**	747,127,127
Loans and receivables (Note 7)	**165,528,358**	166,047,090
Accrued income (Note 9)	**12,813,988**	13,083,604
	Php 5,737,901,710	Php 6,077,289,043

**Excluding cash on hand amounting to Php 108,281 and Php 136,800 as of December 31, 2021 and 2020, respectively.*

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

2021

	Investment Grade	Satisfactory	Past Due or Credit-Impaired	Total
Cash and cash equivalents*	Php 1,661,798,182	–	–	Php 1,661,798,182
Short-term investments	1,346,497	–	–	1,346,497
Insurance receivables:				
Due from brokers and agents	–	798,037,874	650,399,918	1,448,437,792
Due from ceding companies and reinsurers	–	246,400,615	51,911,078	298,311,693
Reinsurance recoverable on paid losses	–	4,591,256	146,154,104	150,745,360
Financial assets:				
Financial assets at FVTPL				
Listed equity securities	292,661,115	–	86,530,333	379,191,448
Club shares	27,900,000	–	–	27,900,000
Unit investment fund	12,275,367	–	–	12,275,367
Unlisted equity securities	20,000	–	–	20,000
Financial assets at FVOCI				
Government debt securities	876,717,754	–	–	876,717,754
Financial assets at amortized cost				
Government debt securities	617,485,120	–	–	617,485,120
Corporate bonds	85,330,151	–	–	85,330,151
Loans and receivables:				
Accounts receivable	–	15,683,053	147,297,576	162,980,629
Employee receivables	–	2,547,729	–	2,547,729
Accrued income	12,813,988	–	–	12,813,988
Total	**Php 3,588,348,174**	**Php 1,067,260,527**	**Php 1,082,293,009**	**Php 5,737,901,710**

*Excluding cash on hand amounting to Php 108,281 as of December 31, 2021.

2020

	Investment Grade	Satisfactory	Past Due or Credit-Impaired	Total
Cash and cash equivalents*	Php 1,490,394,991	–	–	Php 1,490,394,991
Short-term investments	572,914,215	–	–	572,914,215
Insurance receivables:				
Due from brokers and agents	–	900,189,438	567,437,375	1,467,626,813
Due from ceding companies and reinsurers	–	773,004	282,533,566	283,306,570
Reinsurance recoverable on paid losses	–	16,142,756	63,711,158	79,853,914
Financial assets:				
Financial assets at FVTPL				
Listed equity securities	336,938,529	–	29,964,838	366,903,367
Club shares	26,500,000	–	–	26,500,000
Unit investment fund	72,673,005	–	–	72,673,005
Unlisted equity securities	20,000	–	–	20,000
Financial assets at FVOCI				
Government debt securities	790,838,347	–	–	790,838,347
Financial assets at amortized cost				
Government debt securities	662,544,169	–	–	662,544,169
Corporate bonds	85,330,151	–	–	85,330,151
Loans and receivables:				
Accounts receivable	–	13,785,516	147,199,164	160,984,680
Employee receivables	–	5,062,410	–	5,062,410
Accrued income	13,083,604	–	–	13,083,604
Total	**Php 4,051,237,011**	**Php 935,953,124**	**Php 1,090,846,101**	**Php 6,078,036,236**

*Excluding cash on hand amounting to Php 136,800 as of December 31, 2020.

The Company uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness, as follows:

Investment Grade - This rating class is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations. These financial assets have the smallest degree of financial risk.

Satisfactory - This rating class is given to borrowers and counterparties who possess above average capacity to meet its obligations.

Liquidity Risk

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

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

It is the Company's objective to develop a plan that will provide a well-balanced cash flow to ensure that enough cash is available to meet its obligations and to fund its operational requirements. A well-managed cash flow statement will yield positive cash balance in compliance to the requirement of the IC.

To meet these objectives, the Company prepares a Cash Flow Plan which entails forecasting and tabulating all significant cash inflows relating to premiums paid by policyholders, interest received from investments and others, and analyzing in detail the timing of expected payments relating to supplies, wages, other expenses, capital expenditure, dividends, tax, and others. Excess funds resulting from positive cash flows are invested in short term placements and high yielding government securities.

The table below summarizes the maturity profile of the financial assets and liabilities of the Company using undiscounted contractual amounts based on remaining contractual maturity, or for the insurance contract liabilities, based on the estimated timing of net cash outflows.

2021

	Up to a year	1 to 3 years	3 to 5 years	Over 5 years	No term	Total
Cash and cash equivalents*	Php 1,661,814,543	–	–	–	–	Php 1,661,814,543
Short-term investments	1,428,304	–	–	–	–	1,428,304
Insurance receivables	1,897,494,845	–	–	–	–	1,897,494,845
Financial assets						
Financial assets at FVTPL	12,275,367	–	–	–	407,111,448	419,386,815
Financial assets at FVOCI*	–	293,738,760	30,064,679	565,216,083	–	889,019,522
Financial assets at amortized cost*	151,253,270	149,701,995	35,660,789	366,609,179	–	703,225,233
Loans and receivables	113,506,847	–	–	–	–	113,506,847
Accrued income	12,813,988	–	–	–	–	12,813,988
Total financial assets	**3,850,587,164**	**443,440,755**	**65,725,468**	**931,825,262**	**407,111,448**	**5,698,690,097**
Insurance contract liabilities	Php 3,003,857,440	–	–	–	–	Php 3,003,857,440
Insurance payables	1,463,034,329	–	–	–	–	1,463,034,329
Accounts payable and accrued expenses	1,374,293,254	–	–	–	–	1,374,293,254
Lease liability*	23,078,816	7,209,622	–	–	–	30,288,438
Total financial liabilities	**Php 5,864,263,839**	**Php 7,209,622**	**Php 521,504**	**–**	**–**	**Php 5,871,473,461**

**amount includes future interest*

2020

	Up to a year	1 to 3 years	3 to 5 years	Over 5 years	No term	Total
Cash and cash equivalents*	Php 1,490,417,513	–	–	–	–	Php 1,490,417,513
Short-term investments	573,026,823	–	–	–	–	573,026,823
Insurance receivables	1,830,787,297	–	–	–	–	1,830,787,297
Financial assets						
Financial assets at FVTPL	72,673,005	–	–	–	393,423,367	466,096,372
Financial assets at FVOCI*	41,199,386	101,260,766	146,067,815	514,881,765	–	803,409,732
Financial assets at amortized cost*	75,028,207	260,118,127	43,661,697	368,690,555	–	747,498,586
Loans and receivables	114,025,579	–	–	–	–	114,025,579
Accrued income	13,083,604	–	–	–	–	13,083,604
Total financial assets	**4,210,241,414**	**361,378,893**	**189,729,512**	**883,572,320**	**393,423,367**	**6,038,345,506**
Insurance contract liabilities	Php 2,936,493,596	–	–	–	–	Php 2,936,493,596
Insurance payables	1,605,838,653	–	–	–	–	1,605,838,653
Accounts payable and accrued expenses	1,217,673,056	–	–	–	–	1,217,673,056
Lease liability*	43,881,126	11,734,999	551,192	–	–	56,167,317
Total financial liabilities	**Php 5,803,886,431**	**Php 11,734,999**	**Php 551,192**	**–**	**–**	**Php 5,816,172,622**

**amount includes future interest*

Market Risk

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

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

The Company manages market risk by evenly distributing capital among investment instruments.

The Company structures the levels of market risk it accepts through a sound market risk policy based on specific guidelines set by the Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation and portfolio limit structure.

Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

Foreign Currency Risk

The Company's principal transactions are carried out in Philippine peso and its exposure to foreign exchange risk arises primarily with respect to the US Dollar, as it deals with foreign reinsurers in its settlement of its obligations and receipt of any claim reimbursements.

The Company's financial assets are denominated in the same currencies as its insurance liabilities which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled.

The following table summarizes the Company's exposure to foreign currency exchange risk as of December 31, 2021 and 2020:

	2021		2020	
	US$	PHP	US$	PHP
Assets				
Cash and cash equivalents	$ 27,242,216	Php 1,389,325,774	$ 23,600,559	Php 1,142,848,104
Insurance receivables	214,296	10,928,882	4,411,117	213,606,665
	$ 27,456,512	Php 1,400,254,656	$ 28,011,676	Php 1,356,454,769
Liabilities				
Other insurance payables	$ 21,644,783	Php 1,103,862,288	$ 10,423,868	Php 504,771,848

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of currency sensitive monetary assets and liabilities).

	2021		2020	
Currency	**Change in Rate**	**Impact on income before tax**	Change in Rate	Impact on income before tax
USD	+1.02%	Php 3,029,848	+1.32%	Php 11,232,101
USD	-1.02%	(3,029,848)	-1.32%	(11,232,101)

There is no impact on the Company's equity other than those already affecting the net income.

Interest Rate Risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk. The Company's fixed rate investments in particular are exposed to fair value interest rate risk.

The Company's market risk policy requires it to manage interest rate risk by investing in fixed rate instruments.

The following table shows the information relating to the Company's financial instruments that are exposed to fair value interest rate risk presented by maturity profile.

	Maturity					
	Interest Rates	**Within 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Financial assets at FVOCI						
2021	**2.38%-8.75%**	**-**	**Php 272,346,916**	**Php 111,390,318**	**Php 492,980,520**	**Php 876,717,754**
2020	2.38%-8.00%	40,554,717	99,676,284	143,782,213	506,825,133	790,838,347

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (that reflects adjustments on revaluing fixed rate financial assets at FVOCI).

		2021	**2020**
	Change in variables	**Impact on equity Increase (Decrease)**	
Peso	+100 basis points	(Php 41,745,210)	(Php 39,637,930)
	−100 basis points	41,745,210	39,637,930

Equity Price Risk

The Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investments in equity securities.

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 investment, diversification plan and limits on investments.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (that reflects changes in fair value of financial assets at FVTPL).

		2021		2020
	Change in variables	**Impact on equity Increase (Decrease)**	**Change in Variable**	**Impact on equity Increase (Decrease)**
Market Index 1	**+32.29%**	**Php 5,683,753**	+32.29%	Php 112,553,177
	-2.28%	**(5,683,753)**	-32.29%	(112,553,177)

26. Maturity Profile of Assets and Liabilities

The table below presents the assets and liabilities of the Company as of December 31, 2021 and 2020 analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2021			2020		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	**Php 1,661,906,462**	**-**	**Php 1,661,906,462**	Php 1,490,531,791	-	Php 1,490,531,791
Short-term investments	**1,346,497**	**-**	**1,346,497**	572,914,215	-	572,914,215
Insurance receivables	**1,897,494,845**	**-**	**1,897,494,845**	1,830,787,297	-	1,830,787,297
Financial assets at FVTPL						
Listed common shares	**-**	**379,191,448**	**379,191,448**	-	366,903,367	366,903,367
Club shares	**-**	**27,900,000**	**27,900,000**	-	26,500,000	26,500,000
Unit Investment Fund	**12,275,367**	**-**	**12,275,367**	72,673,005	-	72,673,005
Unlisted shares	**-**	**20,000**	**20,000**	-	20,000	20,000
Financial assets at FVOCI						
Government treasury bonds/bills	**-**	**876,717,754**	**876,717,754**	40,554,717	750,283,630	790,838,347
Financial assets at amortized cost						
Government treasury bonds/bills	**141,165,093**	**477,186,302**	**618,351,395**	74,990,923	587,553,246	662,544,169
Corporate bonds	**-**	**85,330,151**	**85,330,151**	-	85,330,151	85,330,151
Loans and receivables	**113,506,847**	**52,021,511**	**165,528,358**	114,025,579	52,021,511	166,047,090
Accrued income	**12,813,988**	**-**	**12,813,988**	13,083,604	-	13,083,604
	3,840,509,099	**1,898,367,166**	**5,738,876,265**	**4,209,561,131**	**1,868,611,905**	**6,078,173,036**
Nonfinancial Assets						
Reinsurance assets	**-**	**2,615,422,994**	**2,615,422,994**	-	2,171,128,436	2,171,128,436
Deferred Acquisition Costs	**-**	**273,552,019**	**273,552,019**	-	265,680,472	265,680,472
Investment Properties – net	**-**	**2,745**	**2,745**	-	2,745	2,745
Property and Equipment – net	**-**	**121,944,578**	**121,944,578**	-	116,380,666	116,380,666
Right of Use Assets	**-**	**118,201,803**	**118,201,803**	-	123,690,623	123,690,623
Deferred Tax Assets – net	**-**	**44,508,432**	**44,508,432**	-	48,256,446	48,256,446
Other Assets	**57,229,287**	**393,930,942**	**451,160,229**	59,149,788		404,274,266
	57,229,287	**3,567,563,513**	**3,624,792,800**	59,149,788	3,070,263,866	3,129,413,654
	Php 3,897,738,386	**Php 5,465,930,679**	**Php 9,363,669,065**	Php 4,268,710,919	Php 4,938,875,771	Php 9,207,586,690
Less: Allowance for credit losses			**Php 195,569,856**			Php 72,775,693
Accumulated depreciation			**167,248,793**			136,739,073
			Php 9,000,850,416			Php 8,998,071,924
Financial Liabilities						
Insurance contract liabilities	**Php 4,466,696,315**	**-**	**Php 4,466,696,315**	Php 4,426,495,363	-	Php 4,426,495,363
Insurance payables	**1,463,034,329**	**-**	**1,463,034,329**	1,605,838,653	-	1,605,838,653
Accounts payable and accrued expenses	**1,544,935,151**	**-**	**1,544,935,151**	1,408,926,614	-	1,408,926,614
Lease liability	**21,830,433**	**6,860,090**	**28,690,523**	41,385,776	11,617,550	53,003,326
	7,496,496,228	**6,860,090**	**7,503,356,318**	7,503,356,318	11,617,550	7,494,263,956
Nonfinancial Liabilities						
Deferred reinsurance commissions	**-**	**Php 68,850,381**	**Php 68,850,381**	-	Php 73,241,198	Php 73,241,198
Net pension liability	**-**	**26,059,512**	**26,059,512**	-	65,058,811	65,058,811
	-	**96,512,058**	**96,512,058**	-	133,909,192	133,909,192
	Php 7,496,496,228	**Php 103,372,148**	**Php 7,599,868,376**	Php 7,503,356,318	Php 145,526,742	Php 7,628,173,148

27. 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. Related parties may be individuals or corporate entities. Related parties include affiliates, which are entities that have common shareholders with the Parent Company.

The Company, in its regular conduct of business, has entered into transactions with related parties principally consisting of the following:

a. Compensation of key management personnel

Key management personnel of the Company include all management staff.

The summary of compensation of key management personnel is as follows:

	2021	2020
Salaries and wages	**Php 121,770,689**	Php 111,323,321
Other employee benefits	**1,732,820**	1,241,360

b. Transactions with related parties consist mainly of the following activities:

	2021		
Category	**Volume/Amount**	**Outstanding Balance**	**Nature, Terms and Conditions**
Companies under common control			
Service fee			
FPG Management Services Pte., Ltd.	**Php 14,351,908**	**Php 1,076,993**	The fee is billed monthly, payable on the following month.

	2020		
Category	**Volume/Amount**	**Outstanding Balance**	**Nature, Terms and Conditions**
Companies under common control			
Service fee			
FPG Management Services Pte., Ltd.	Php 40,129,924	Php 2,336,878	The fee is billed monthly, payable on the following month.

Transactions with related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

28. Leases Commitments

Company as a Lessee

The Company entered into the following lease agreements:

a. Five-year lease for its main office premises effective October 15, 2017 until October 14, 2022 with stipulated monthly rent of Php 2,650,022 and parking lease with stipulated monthly rent of Php 183,706, shall have an escalation rate of 20% on the second year and 5% in succeeding years. It also has a three-year storage lease effective December 17, 2018 to December 16, 2021 with stipulated monthly rent of Php 49,488.

b. Five-year lease of an office space for its Angeles branch effective February 1, 2017 to January 31, 2022. The stipulated monthly rent of Php 93,120 shall have an escalation rate of 8.0% annually.

c. Five-year lease of an office space for its Dagupan branch effective January 1, 2018 to December 31, 2022 with a stipulated monthly rent of Php 61,641 shall have an escalation rate of 5.0% annually.

d. Two-year lease of an office space for its Alabang branch effective November 24, 2020 to November 23, 2021 with stipulated monthly rent of Php 79,432 and a parking lease of Php 7,942 monthly. The lease was terminated in November 2021 concurrent with the closure of the branch.

e. Annual lease of an office and parking space for its Binondo satellite office effective November 21,2020 to October 21, 2021 with stipulated monthly rent of Php 40,679 and a parking lease of Php 3,039 monthly, shall have an escalation rate of 5% annually.

f. Three-year lease of an office space for its Davao branch effective July 1,2020 to June 30, 2023. The lease contract was renewed effective July 1, 2020 to June 30, 2023. The stipulated monthly rent is Php 36,955 shall have an escalation rate of 5.0% annually.

g. Annual lease of an office space for its Cagayan de Oro branch effective April 1, 2021 to March 31, 2022. The stipulated monthly rent of Php 43,095 shall have an annual escalation rate of 5.0% annually.

h. Lease of an office space for its Quezon City branch as follows:

Unit	Period	Monthly Rent	Escalation rate
Unit 602	Annual rent renewable upon mutual agreement	Php 98,210	5% annually
Unit 604	Annual rent renewable upon mutual agreement	23,191	5% annually
Unit 601-A	January 1, 2021 to December 31, 2023	74,144	5% annually
Unit 601-B	Annual rent renewable upon mutual agreement	38,031	5% annually
Unit 605	Annual rent renewable upon mutual agreement	17,885	5% annually
Unit 12-01	Annual rent renewable upon mutual agreement	65,466	5% annually
Storage Area	July 1, 2012 to June 5, 2021	2,014	-

i. Annual lease for an office space for its Cebu branch effective May 16, 2021 until May 15, 2022. The stipulated monthly rent of Php 109,616 shall have an escalation rate of 10.0% annually.
j. Annual lease of an office space for its Ortigas branch effective April 16, 2021 to April 15, 2022 with stipulated monthly rent of Php 119,667, shall have an escalation rate of 5% annually.

k. Three-year lease of an office space for FPAC Business Lounge effective December 16, 2018 to December 15, 2021. The stipulated monthly rent of Php 308,832 shall have an escalation rate of 8% annually. One-year parking lease with stipulated monthly rent of Php 1,000. The lease was terminated in December 2021 concurrent to the closure of the branch.

l. Five-year lease of an office space for its Laguna branch office effective February 21, 2021 to January 31, 2026 with stipulated monthly rent of Php 70,000 and shall have an escalation rate of 5% annually.

m. Annual lease of an office space for its General Santos satellite office effective May 1, 2021 to April 30, 2022 with stipulated monthly rent of Php 22,840.

n. Annual lease of an office space for its Tarlac satellite office effective April 1, 2021 to March 31, 2022 with stipulated monthly rent of Php 15,500.

o. Annual lease of an office space for its Iloilo satellite office with stipulated monthly rent of Php 12,000 effective March 01, 2021 to February 28, 2022.

The Company applies the 'short-term lease' recognition exemptions for annual leases.
The rollforward analysis of right of use assets follows:

	2021	2020
Cost		
As at January 1	**Php 123,690,623**	Php 141,012,208
New leases during the year	**15,268,117**	1,692,606
Pre- terminated leases	**(20,756,937)**	(19,014,191)
As at December 31	**118,201,803**	123,690,623
Accumulated Depreciation		
As at January 1	**70,320,338**	47,247,057
Depreciation expense	**37,372,492**	40,251,671
Pre-terminated leases	**(20,756,937)**	(17,178,390)
As at December 31	**86,935,893**	70,320,338
	Php 31,265,910	Php 53,370,285

The rollforward analysis of lease liabilities follows:

	2020	2019
As at January 1	**Php 53,003,326**	Php 89,615,955
New leases during the year	**15,268,117**	1,692,606
Terminated leases	**–**	(1,499,148)
Accretion of interest	**2,887,283**	5,340,099
Payments	**(42,468,203)**	(42,146,186)
	Php 28,690,523	Php 53,003,326

Non-current portion of the lease liabilities is disclosed in the maturity analysis in Note 26.

The following are the amounts recognized in the statements of income:

	2021	2020
Depreciation expense of right-of-use asset	Php 37,372,492	Php 40,251,671
Expense relating to short-term lease (Note 21)	2,417,614	3,882,402
Interest expense on lease liability	2,887,283	5,340,099
Total	Php 42,677,389	Php 49,474,172

29. Contingent Liabilities

Various legal actions and claims are pending or may be assessed in the future against the Company from litigations and claims incident to the ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, management believes that no material liabilities are likely to result.

30. Approval of the Release of the Financial Statements

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

31. Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by RR15-2010 hereunder are the information on taxes and license fees paid or accrued during the taxable year:

Output VAT

The Company is a VAT-registered entity with VAT output tax declarations for premiums, commissions and other miscellaneous collections as follows:

	Amount	Output VAT
VATable sales	Php 3,709,151,323	Php 445,098,159
Zero-rated sales	780,175,049	–
	Php 4,489,326,372	Php 445,098,159

Zero-rated sales consist mainly of those earned from persons or entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

Input VAT

The amount of VAT Input taxes claimed are broken down as follows:

At January 1, 2021	Php 17,218,045
Current year's domestic purchases/payments for:	
Purchase of goods	3,214,598
Payment for services	142,510,566
December 31	Php 373,000,000
	162,943,209
Application of input VAT against output VAT	(162,943,209)
At December 31, 2021	-

The amount of VAT payable as of December 31, 2021 consists of the following:

Output VAT Input VAT Tax credits/payments	Php 445,098,159 (162,943,209) (261,461,841)
VAT payable	**Php 20,693,109**

<u>Documentary Stamp Tax (DST)</u>

The DST paid on the following transactions are:

Transaction	DST
Policies of insurance upon property	Php 484,169,261
Accident and health	430,939
Compulsory third-party liability (CTPL)	3,319

<u>Other Taxes and Licenses</u>

Details of other taxes, local and national, including real estate taxes, license and permit fees follow:

Local	
License and permit fees	Php 484,169,261
National	
Fringe benefit taxes	688,470
Licenses of agents	647,005
Fees paid to the Insurance Commission	619,290
LTO car registration fees	402,593
Tax on sale on sale and purchase of stocks	134,826
BIR annual registration	8,100
Penalty fee	25,000
DST on customized cheque/license of agents	600
Others	98,378
Total	Php 3,145,854

Other national taxes and licenses refer to tax clearance renewal, certification fee for closed branches for the year.

Other taxes paid are:

Local government tax	Php 10,199,293
Fire service tax	13,682,815
Premium tax	1,526,834
	25,408,942

Withholding Taxes

The amount of withholding taxes paid/accrued in 2021 amounted to:

Expanded withholding taxes	Php 96,715,124
Withholding taxes on compensation and benefits	39,855,691
Final withholding taxes	1,898,197
	Php 138,469,012

Tax Contingencies

The Company is currently under preliminary tax audit with the BIR for taxable years 2012 to 2017. The Company has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

FPG Insurance Co., Inc.
6/F Zuellig Building, Makati Avenue corner
Paseo de Roxas, Makati City, 1225 Philippines
t (+632) 8859 1200 / (+632) 8862 8600
(+632) 7944 1300
e phcustomercare@fpgins.com
www.fpgins.com/ph