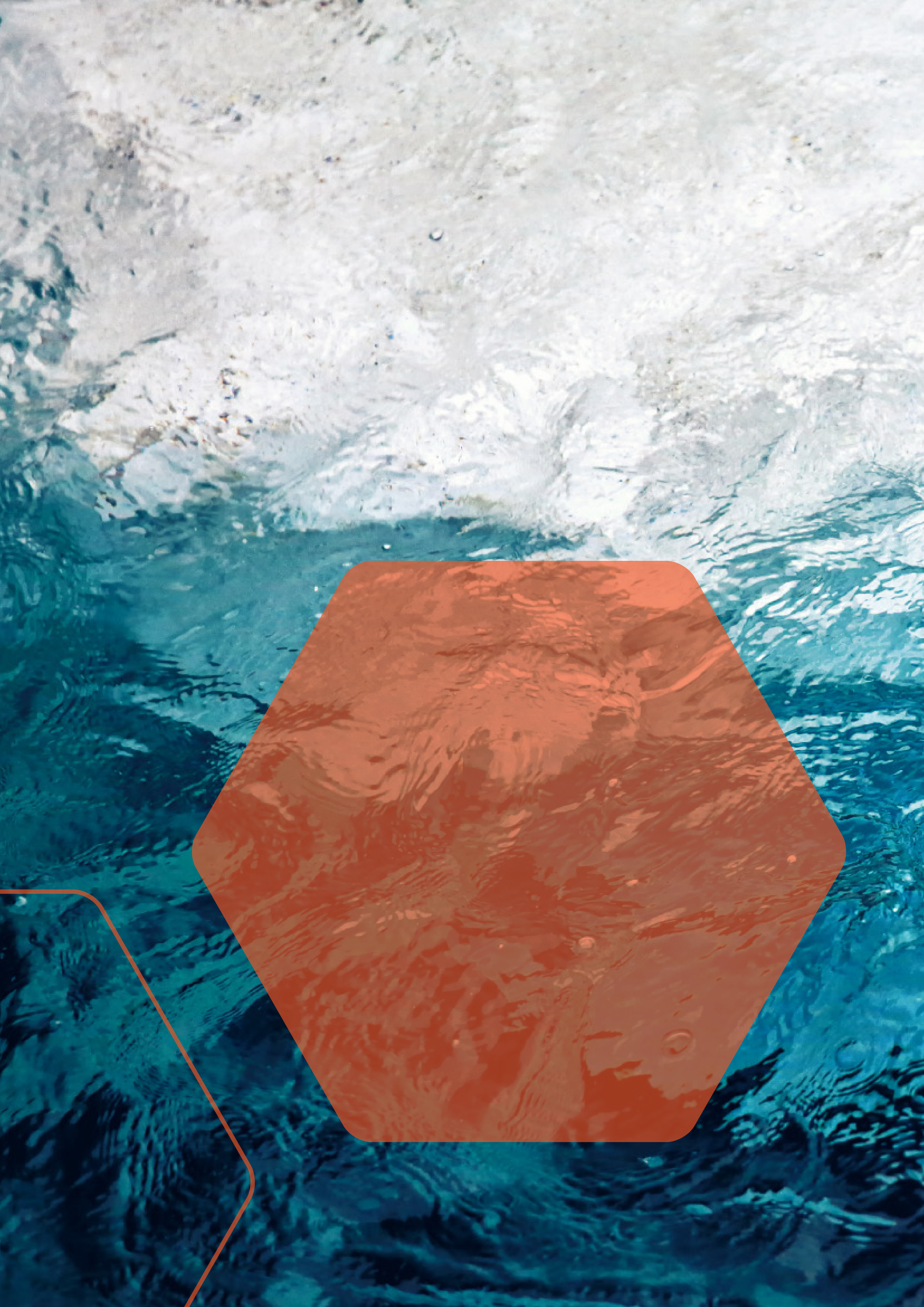
FPG insurance

ANNUAL REPORT 2020



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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

Amid the current challenges, FPG Insurance remains steadfast in its commitment of providing protection and peace of mind to our clients and business partners. We began 2020 by turning a new leaf with a new management team, and ended the year on a promising note of having fixed the basics and putting the fundamentals in place to position us for a profitable and sustainable business moving forward.

DAVID ZUELLIG
Chairman of the Board
and Regional Managing Director

Together with the entire Board, I send my thanks and appreciation to our FPG employees for their dedication and hard work as we all braved the threats of the global pandemic while still bringing continuous service to our clients during this great time of need.

Throughout 2020, our company, just like other industries, experienced the impact of COVID-19 and we made the appropriate measures to ensure that we continue to be of service to our customers without compromising the health and safety of our employees by enabling work-from-home arrangements right at the onset of the quarantine lockdown.

Amidst a challenging year, we embarked on a journey to transform our business to become more sustainable. We thank our valued business partners for their trust and support as we continue to move forward throughout this extraordinary business landscape.

Lastly, I want to thank the rest of the Board of Directors for your collective expertise and sound business acumen.

The 2020 FPG Insurance Annual Report is the fruit of our mutual efforts and commitment to our mission, and we are excited to share another year with you all.

The President's Report

The events of the past year brought about challenges both internally and externally.

Internally, 2020 was a reset year where the main focus was to understand why the business was not performing since 2018, what the fundamental gaps were, and what we need to do to build a profitable and sustainable business.

Externally, 2020 was an unprecedented year as the COVID-19 pandemic redefined our lives and businesses, and how we did things. We had to adapt to the changing needs of our customers and take advantage of the accelerated shift to digitalization.

In summary, it was an extremely challenging year as we had to quickly fix our business and position it for sustainable growth amidst an uncertain, complex, and ambiguous environment.

We started the year with defining our 3-year corporate goal to express our direction and WHY we were redefining the business.

GIGI PIO DE RODA
President and CEO

3-Year Corporate Goal

To be among the Top 5 Most Profitable and Most Innovative Non-Life Insurance Company with the Best Customer Service.

To enable us to achieve this goal, we defined the following Key Initiatives for 2020:

- Build an Effective Organizational Structure with the Right Talent
- Develop Stronger and Profitable Distribution Channels
- Create Ease of Doing Business and Identify Areas of Strategic Cost Management
- Drive Data and Digital Transformation
- Strengthen Product Innovation
- Foster Brand Pride and Prestige
- Champion People Engagement

Overarching these key initiatives are more robust controls, risk monitoring, and governance.

We wish to share the highlights of what we have achieved, thus far, for each key initiative:

Build an Effective Organizational Structure with the Right Talent

Our Management Team has launched a revised Target Operating Model in April 2020, centralizing the underwriting function across all lines of business under the Chief Underwriting Officer.

We have also consolidated policy issuance, claims service, and treasury functions across the branches centrally into the Head Office.

The right people were identified and key roles were filled in: Chief Finance Officer, Audit, Head of Risk and Compliance, Chief Underwriting Officer, and Head of Human Resources.

Develop Stronger and Profitable Distribution Channels

The company has rebalanced its portfolio, previously coming from a 60% concentration on motor, and drive other profitable lines of business. By the end of 2020, motor accounted to 36% of gross revenue and property at 44%. Motor still remains to be the largest line accounting for 79% of total premiums earned on a net basis.

Underwriting guidelines were reviewed and new parameters were established to ensure profitability across the distribution channels. Claims from previous years were also revisited and cleaned up backlogs to scrutinize areas of losses.

A new Head of Retail and Agency Management was also appointed to focus on growing the agency distribution channel, and harness the strength of our trusted business partners.

Create Ease of Doing Business and Identify Areas of Strategic Cost Management

We looked into the rationalization of branches across the country and identified those with limited growth potential. As a result, we have reduced our branch footprint from 21 to 15 which translated to annual savings of Php 16-million the following year. We remain committed to our goal for all branches to be profitable within 2021.

Internal processes were automated, streamlined, and digitalized in areas of policy issuance, billing and collections, and claims and customer support to drive productivity and efficiency gains. We underwent capacity planning and right-sized operational units for some of our business groups. We ended at 461 full-time employees, a 25% reduction from the budgeted FTE number of 613, mainly coming from outsourced staff and employees in the branches following the rationalization exercise.

As a discipline, a cost-benefit analysis is always conducted for any new initiative pertaining to products, channels, and systems development.

Operational dashboards for claims, credit and collections, and policy issuance were also created to gain visibility in terms of service delivery to customer and business partners.

Drive Data and Digital Transformation

We saw the need to drive digital channels and we started with enhancing the FPG Agent App which have been named SIMONE. The mobile application enables agents to view and manage their portfolio, provide insurance quotations, and renew policies for their clients for motor and residential insurance products. Much still remains to be done as we prepare the groundwork to soon enable claim filing by the third quarter of 2021.

The corporate website also poses an opportunity to capitalize on the digital demand of doing business. Further enhancements are planned to enable policy renewal, premium payment, and also claim filing all within 2021.

Strengthen Product Innovation

Personal accident and residential fire products were launched as consumer insights point to a very good market appetite. The events that occurred earlier this year precipitated the appreciation of the general public in preparing for the unforeseen.

Foster Brand Pride and Prestige

Customer service is at the core of the company's 3-year goal and we have launched "Customer First," a campaign to foster a customer-centric mindset among employees.

The year also marked the perfect opportunity to standardize and adopt a consistent branding across all insurance products. Since the company's rebranding in 2015, it is only this year that the products are revitalized and christened with new names and a new look.

Champion People Engagement

Amidst the pandemic we found alternative ways of constantly communicating and recognizing our employees. We held quarterly virtual town halls that kept everyone abreast with the company's direction, launched reward recognition programs and employee engagement activities, and rolled out the first Employee Pulse Survey that resulted in a 4.17 rating out of a possible 5.0.

2020 is just the beginning. There is a lot to do to bring our business back to its full potential. We owe our success to the commitment of our shared vision across the management team, all our staff, and our key partners. We are also grateful for the support and guidance of our Board, and trust and confidence of our key stakeholders.

We thank you for your continued support and we look forward to a more successful 2021.

Industry Ranking

Over the past five years, FPG Insurance has consistently ranked among the *Top 10 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

9th
Net Premiums Written

7th
Premiums Earned

**Based on 2020 Submitted Unaudited Quarterly Reports on Selected Financial Statistics (QRSFS) from the Insurance Commission*

The FPG Insurance Commitment

Our continued commitment to customers and the delivery of the highest level of service standards, value, and quality means 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.v

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, our regional teams, and our partners, the general insurance provider we have become today.

Digital Transformation

FPG Insurance is committed to deliver up-to-date information on products, services, and innovative insurance solutions.

In 2020, the global pandemic has accelerated the need for most industries to pivot towards digital. FPG Insurance harnessed the opportunity of capitalizing on its existing digital platforms, as well as in-house developed business solutions, which would enable the company to cater to changing business needs and emerging consumer trends.

Today, continued business services is something FPG Insurance can deliver whether in the branches or from remote locations. This transformed the company's insurance gameplay when it comes to providing customers uninterrupted services. FPG Insurance Customer Care is available across multiple touchpoints through the website, hotlines, e-mail, and on social media platforms.

FPG Insurance also enabled e-commerce for digital-savvy customers who prefer to purchase and transact from the comfort and safety of their own homes. The website easily provides insurance quotations, issue policies, and enable premium payment with a touch of a button. Simply log on to www.fpgins.com/ph to learn more about the latest products and services.

Lastly, the company recognizes the strength of the agency channel and developed a mobile app that aims to increase productivity and efficiency among accredited agents. Aptly named SIMONE, which stands for 'SIMultaneous agent tasks in ONE app,' this latest solution is the perfect business companion of FPG Insurance agents who are always on-the-go.

FPG Insurance remains to be one of the major players in the general insurance industry, and a trusted name in non-life insurance solutions. FPG Insurance has 15 branches nationwide in the Philippines, and also has operations in Indonesia and Thailand.

1912

1958

1978

The Zuellig Group was established and became synonymous with reliability and astute management practices.

Federal Insurance Company was incorporated by the Zuellig Group to underwrite non-life insurance business.

Phoenix Assurance acquired a minority share in the company, which reached 40% by 1985. Following this significant change in ownership structure with 60% belonging to the Zuellig Group and 40% to Royal Insurance and Sun Alliance of UK, the company's name was changed to Federal Phoenix Assurance Co., Inc.

since

1958

Corporate History

1996

2004

2015

Royal Insurance merged with Sun Alliance and a new company named Royal & Sun Alliance was formed.

The Royal & Sun Alliance shares were purchased by Federal Phoenix and this resulted in the Zuellig Group regaining sole ownership.

Chubb Insurance Public Company Limited in Thailand and PT Asuransi Indrapura in Indonesia were both acquired and rebranded as FPG Insurance (Thailand) Public Company Limited and Pt Asuransi FPG Indonesia respectively. Meanwhile, FPG Management Services in Singapore leads the regional collaboration of the Zuellig-owned insurance group.

Federal Phoenix Assurance Co., Inc. launched the re-branding of the company as FPG Insurance Co., Inc.

Board Profile

FPG Insurance Co., Inc. is composed of the following individuals who possess the knowledge, experience, and expertise that are relevant to the company's 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 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 30 years of proven financial services expertise, having previously also served HSBC Philippines in various executive positions. 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 SEBASTIAN, JR.

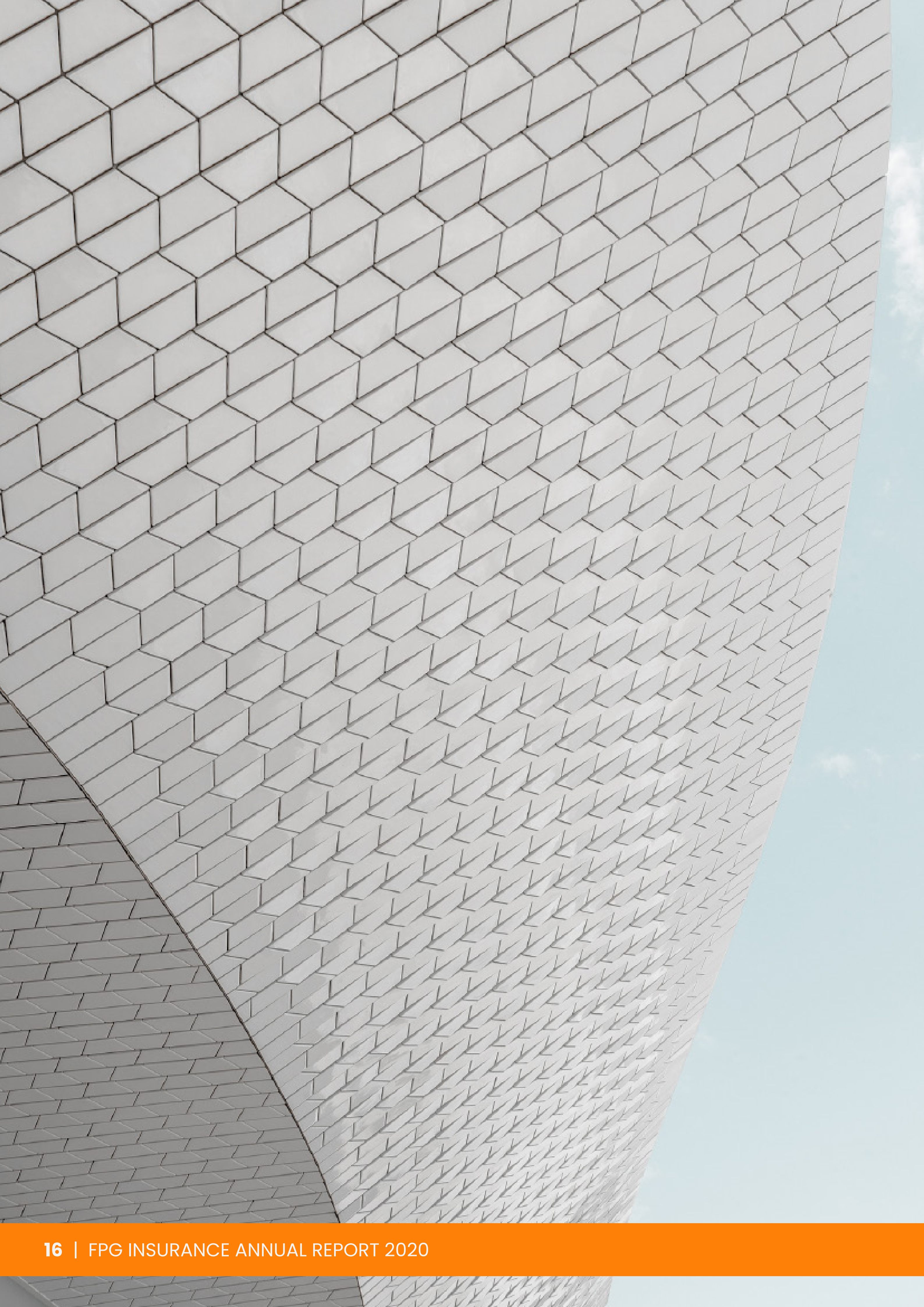
An independent director of FPG Insurance Co., Inc. He is a professor, author, lecturer, and a Partner of Sebastian Liganor Olaño & Acejo Law Office, a full-service law firm with key practice areas in corporate law, banking, litigation, government procurement projects, and infrastructure. Atty. Sebastian 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.



Risk Management

Risk is inevitable especially in the Insurance Industry. Thus, the 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) with 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.

Board Diversity

The Company seeks to create a pool of highly qualified directors from diverse backgrounds who have the technical expertise for each and every aspect of the Company's operations thereby developing better corporate governance. The Nomination Committee is highly encouraged to identify and recommend potential candidates to the Board:

a. Who are highly qualified based on their technical expertise, experience, personal skills, and qualities;
b. With consideration on diversity criteria including gender, age, ethnicity and geographical location, cultural and religious background; and
c. To engage independent third-party professionals to conduct a search for candidates that meet the board's qualifications and diversity criteria to help achieve its diversity aspirations.

Board Succession

The Board is the supreme authority in matters of governance and managing the regular and ordinary business of the Company.

The Board acts to foster the long-term success of the Company and to secure its sustained competitiveness and profitability in a manner consistent with its corporate objectives, which the Board exercises in the best interest of the Company, its shareholders and other stakeholders.

The Nomination Committee regularly reviews the structure, size, and composition of the Board, the Audit Committee, the Executive Committee and the Remuneration and Compensation Committee, and makes recommendations to the Board with regard to any adjustments that are deemed necessary.

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

CORPORATE SOCIAL RESPONSIBILITY

FPG Insurance is a company that believes in providing aid and support during times of need and distress. Being one of the leaders in the insurance industry, The Company recognizes the need to provide tangible aid to those who are in need.

Last December 2020, FPG Insurance has partnered with Young Focus for Education and Development Foundation, Inc., a non-stock, non-profit corporation in the Philippines for The Company's corporate social responsibility initiative.

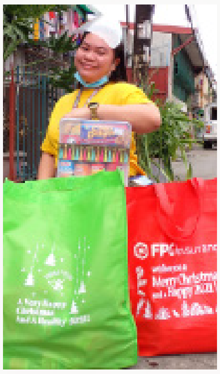
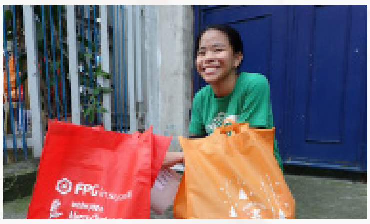
The Company has donated a total amount of Php 500,000.00 to provide aid to typhoon-stricken beneficiaries of the partner organization.

FPG Insurance is delighted to be involved in extending aid and joy to less-fortunate students and their families in time for Christmas, and will continue to identify similar initiatives in the future.







2020 AUDITED FINANCIAL STATEMENTS

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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.

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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, includingany significant deficiencies in internal control that we identify during our audit.

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 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of 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.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-AR-1 (Group A),
April 3, 2019, valid until April 2, 2022
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534220, January 4, 2021, Makati City

April 5, 2021

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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 financial statements of FPG Insurance Co., Inc. (the Company) for the year ended December 31, 2020 on which we have rendered the attached report dated April 5, 2021.

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 each.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-AR-1 (Group A),
April 3, 2019, valid until April 2, 2022
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January 28, 2019, valid until January 27, 2022
PTR No. 8534220, January 4, 2021, Makati City

April 5, 2021

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Cash and Cash Equivalents (Note 4)	**₱1,490,524,724**	₱1,029,009,847
Short-term Investments (Note 4)	**572,914,215**	4,165,263
Insurance Receivables (Note 5)	**1,585,498,901**	1,500,950,040
Financial Assets		
Fair Value Through Profit or Loss (Note 6)	**466,096,372**	591,305,184
Fair Value Through Other Comprehensive Income (Note 6)	**790,838,347**	459,617,192
Amortized Cost (Note 6)	**747,127,127**	944,154,168
Loans and Receivables (Note 7)	**114,025,579**	113,078,582
Reinsurance Assets (Notes 2, 8 and 14)	**2,171,128,436**	1,931,793,956
Accrued Interest Income (Note 9)	**13,083,604**	12,172,811
Deferred Acquisition Costs (Note 10)	**265,680,472**	345,878,956
Investment Properties (Note 11)	**2,745**	2,745
Property and Equipment (Note 12)	**49,961,931**	54,987,229
Right of Use Assets (Note 28)	**53,370,285**	93,765,151
Deferred Tax Assets (Note 24)	**48,256,446**	47,694,201
Other Assets (Note 13)	**363,593,117**	329,265,422
	₱8,732,102,301	₱7,457,840,747

LIABILITIES AND EQUITY		
LIABILITIES		
Insurance Contract Liabilities (Notes 2 and 14)	**₱4,426,495,364**	₱4,505,837,430
Insurance Payables (Note 15)	**1,605,838,653**	1,402,174,479
Accounts Payable and Accrued Expenses (Note 16)	**1,139,085,573**	874,058,882
Deferred Reinsurance Commissions (Note 10)	**68,850,381**	73,241,198
Lease Liabilities (Note 28)	**56,874,743**	93,487,372
Net Pension Liability (Note 23)	**65,058,811**	27,265,721
Deposit for Future Stock Subscription (Note 17)	–	23,000,000
	7,362,203,525	6,999,065,082
EQUITY		
Capital Stock (Note 17)	**373,000,000**	350,000,000
Contingency Surplus (Note 17)	**1,049,000,000**	–
Net Unrealized Gains on Financial Assets at FVOCI (Note 6)	**108,761,346**	65,738,711
Remeasurement Losses on Defined Benefit Obligation (Note 23)	**(47,465,745)**	(19,097,207)
Retained Earnings (Deficit)		
Unappropriated (Note 2)	**(125,901,940)**	49,629,046
Appropriated (Note 17)	**12,505,115**	12,505,115
	1,369,898,776	458,775,665
	₱8,732,102,301	₱7,457,840,747

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

	Years Ended December 31	
	2020	2019
Gross earned premiums on insurance contracts (Notes 14 and 18)	**₱4,566,779,560**	₱5,336,257,026
Reinsurers' share of gross earned premiums on insurance contracts (Notes 14 and 18)	**2,441,750,938**	2,233,945,104
NET INSURANCE EARNED PREMIUMS	**2,125,028,622**	3,102,311,922
Commission income (Note 10)	**231,851,922**	290,511,846
Gain (loss) on sale of financial assets at FVTPL (Note 6)	**(63,008,880)**	19,629,801
Investment income (Note 19)	**87,638,078**	96,303,790
Foreign exchange gain (loss) – net	**(22,088,322)**	(8,855,653)
Gain on sale of financial assets at FVOCI (Note 6)	**2,691,878**	5,579,762
Miscellaneous (Note 12)	**573,583**	302,070
OTHER INCOME	**237,658,259**	403,471,616
TOTAL INCOME	**2,362,686,881**	3,505,783,538
Gross insurance contract benefits and claims paid (Notes 14 and 20)	**1,422,283,441**	2,201,072,516
Reinsurers' share of gross insurance contract benefits and claims paid (Notes 14 and 20)	**(320,354,858)**	(314,667,944)
Gross change in insurance contract liabilities (Notes 2, 14 and 20)	**339,640,517**	740,829,818
Reinsurers' share of gross change in insurance contract liabilities (Notes 2, 14 and 20)	**(228,055,576)**	(373,954,223)
NET INSURANCE BENEFITS AND CLAIMS	**1,213,513,524**	2,253,280,167
EXPENSES		
Commission expense (Note 10)	**718,395,794**	804,502,811
Operating expenses (Note 21)	**566,732,347**	631,907,603
Interest expense (Notes 15 and 28)	**6,832,086**	9,143,143
TOTAL EXPENSES	**1,291,960,227**	1,445,553,557
TOTAL BENEFITS, CLAIMS AND OTHER EXPENSES	**2,505,473,751**	3,698,833,724
LOSS BEFORE INCOME TAX	**(142,786,870)**	(193,050,186)
PROVISION FOR INCOME TAX (Note 24)	**32,744,116**	30,642,033
NET LOSS	**(₱175,530,986)**	(₱223,692,219)

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
NET LOSS	**(₱175,530,986)**	(₱223,692,219)
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)	**44,838,491**	60,971,751
Transfers to profit and loss	**(1,815,856)**	691,834
	43,022,635	61,663,585
Items that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement losses on defined benefit obligation (Note 23)	**(40,526,483)**	(14,249,914)
Tax effect	**12,157,945**	4,274,974
	(28,368,538)	(9,974,940)
	14,654,097	51,688,645
TOTAL COMPREHENSIVE LOSS	**(₱160,876,889)**	(₱172,003,574)

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	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, 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
As of January 1, 2019	₱350,000,000	₱–	₱4,075,126	(₱9,122,267)	₱274,038,559	₱12,505,115	₱631,496,533
Effect of the adoption of Philippine Financial Reporting Standards (PFRS) 16, *Leases* (Note 2)	–	–	–	–	(717,294)	–	(717,294)
As of January 1, 2019, as restated	350,000,000	–	4,075,126	(9,122,267)	273,321,265	12,505,115	630,779,239
Net loss for the year					(223,692,219)		(223,692,219)
Other comprehensive income (loss)	–	–	61,663,585	(9,974,940)	–	–	51,688,645
Total comprehensive loss for the year	–	–	61,663,585	(9,974,940)	(223,692,219)	–	(172,003,574)
As of December 31, 2019	₱350,000,000	–	₱65,738,711	(₱19,097,207)	₱49,629,046	₱12,505,115	₱458,775,665

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱142,786,870)**	(₱193,050,186)
Adjustments for:		
Loss (gain) on sale of investments at FVTPL (Note 6)	**63,008,880**	(19,629,801)
Interest income (Note 19)	**(80,734,787)**	(89,690,885)
Depreciation and amortization (Notes 12 and 28)	**75,369,554**	82,731,444
Retirement expense (Note 23)	**16,585,387**	13,064,924
Interest expense (Notes 15 and 28)	**6,832,086**	9,143,143
Provisions for (reversals of) expected credit losses (Note 21)	**(12,064,989)**	(8,989,133)
Dividend income (Note 19)	**(6,903,291)**	(6,612,905)
Gain on sale of investments at FVOCI (Note 6)	**(2,691,878)**	(5,579,762)
Gain on sale of property and equipment (Note 12)	**(573,583)**	(302,070)
Operating loss before working capital changes	**(83,959,491)**	(218,915,231)
Changes in operating assets and liabilities		
Decrease (increase) in:		
Insurance receivables	**(75,296,705)**	373,844,225
Short-term investments	**(568,748,952)**	(2,828,863)
Loans and receivables	**(839,471)**	(2,745,324)
Reinsurance assets	**(239,334,480)**	(312,613,682)
Deferred acquisition costs	**80,198,484**	4,211,885
Other assets	**(34,342,266)**	(41,757,262)
Increase (decrease) in:		
Insurance contract liabilities	**(190,982,363)**	513,921,322
Insurance payables	**203,664,174**	(61,406,070)
Deferred reinsurance commissions	**(4,390,817)**	(1,371,938)
Accounts payable and accrued expenses	**266,251,374**	80,048,797
Net cash generated from (used in) operations	**(647,780,513)**	**330,387,859**
Acquisition of investments in financial assets at FVTPL (Note 6)	**(434,356,063)**	(499,687,292)
Proceeds from sale of investments in financial assets at FVTPL (Note 6)	**493,303,812**	354,488,101
Income tax paid	**(21,148,416)**	(27,528,021)
Interest paid (Notes 15 and 28)	**(6,832,086)**	(9,143,143)
Contributions to retirement fund (Note 23)	**(19,318,780)**	(7,946,941)
Benefits paid out of Company's operating fund (Note 23)	**–**	(49,117)
Net cash provided by (used in) operating activities	**(636,132,046)**	140,521,446
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Investments in financial assets at FVOCI (Note 6)	**194,280,804**	232,569,303
Property and equipment (Note 12)	**3,482,644**	849,399
Proceeds from maturity of financial asset at amortized cost (Note 6)	**177,163,196**	80,682,119
Interest received	**79,823,994**	90,676,138
Dividends received (Note 19)	**6,903,291**	6,612,905

(Forward)

	Years Ended December 31	
	2020	2019
Acquisitions of:		
Investments in financial assets at FVOCI (Note 6)	**(₱321,199,273)**	(₱251,496,879)
Investments in financial assets at amortized cost (Note 6)	**(22,000,000)**	(44,690,151)
Property and equipment (Note 12)	**(33,001,646)**	(22,501,049)
Net cash provided by investing activities	**85,453,010**	92,701,785
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of deposit for future stock subscription (Note 17)	–	23,000,000
Receipt of additional contributions from stockholders (Note 17)	**1,049,000,000**	–
Payment of the principal portion of lease liability (Notes 28 and 30)	**(36,806,087)**	(35,953,428)
Net cash provided by (used in) financing activities	**1,012,193,913**	(12,953,428)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**461,514,877**	220,269,803
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,029,009,847**	808,740,044
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,490,524,724**	₱1,029,009,847

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 eleven (11) branches located in Makati Head Office, Angeles, Dagupan, Alabang, Binondo, Davao, Cagayan de Oro, Quezon City, Cebu, Ortigas and Makati Business Lounge and four (4) satellite offices located in Laguna, General Santos, Tarlac, and Iloilo City.

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.

Continuing COVID-19 pandemic
In a move to control the Coronavirus Disease 2019 (COVID-19), the Office of the President of the Philippines issued a directive imposing a stringent social distancing measures in the National Capital Region effective March 15, 2020. Presidential Proclamation No. 929 was also issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020 which was subsequently extended to May 15, 2020. Afterwards, the Philippine government imposed modified enhanced community quarantine (MECQ) over NCR and other high-risk areas effective until
May 31, 2020. These measures have caused disruptions to businesses and economic activities.

The pandemic and the measures implemented by the Philippine government impacted the Company's onsite operations. On March 17, 2020, the business continuity program of the Company was implemented to comply with the government advisories on stringent social distancing measures. The Company has committed to provide continuous customer service and conduct business as usual to meet the needs of clients and partners through its work from home capability. When quarantine measures were relaxed under MECQ, the Company shifted to a blend of remote working and skeleton team arrangement. To protect its employees and clients, the Company employed health, safety and security measures, such as observance of social distancing, face mask wearing and frequent, regular sanitizing of workstations. The Company adheres to all measures, policies and guidelines issued by government agencies. In this regard, the Company's financial position and condition for the period were not significantly affected by the COVID-19 pandemic. However, considering the evolving nature of the pandemic, the Company will continue to monitor the situation.

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

Except for the following new and amended standards and interpretations which were adopted as of January 1, 2020, the accounting policies and methods of computation adopted in the preparation of the financial statements are consistent with those followed in the previous financial year. The adoption of the following accounting pronouncements did not have any impact on the financial statements unless otherwise indicated.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations

- Amendments to PFRS 7, Financial Instruments: *Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*
  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument

- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users

- Conceptual Framework for Financial Reporting issued on March 29, 2018
  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
  The amendments provide 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, 2021; 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.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

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 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 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 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 solely payments of principal and interest 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.

In 2020 and 2019, 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', 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 solely payments of principal and interest 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.

In 2020 and 2019, 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 2020 and 2019, the Company has not classified any of its equity investments to be measured at fair value through OCI.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss 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 fair value through profit or loss 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).

PFRS 9 also allows the use of the loss rate approach in estimating ECL in cases where no complex portfolio is present for an entity. As a result, the Company applies the simplified approach wherein ECL allowances will be measured at an amount equal to lifetime ECL. The assessment of SICR that is solely based on the change in the risk of default is not applied under the loss rate approach and the loss rate based on historical trend is adjusted for current conditions and expectations over the future using the overlay.

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.

Staging assessment

For non-credit-impaired financial instruments:

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

- **Stage 2** is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Company recognizes a lifetime ECL for Stage 2 financial instruments

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments

Significant increase in credit risk (SICR)
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if the security's credit rating, by any international or local rating agencies has deteriorated. In such event, lifetime ECL of the security involved will be measured.

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.

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:

	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. If these CWTs are claimed as a refund, these will be recorded as a receivable under "loans and receivables" account.

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.

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 Claims Reported and Incurred But Not Reported (IBNR) Losses

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.

Liability Adequacy Test

At each reporting date, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities. Any inadequacy is immediately charged against the statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

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:

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.

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.

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.

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.

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.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

Events After the Reporting Period

Any post year-end event that provides additional information about the Company's position at the reporting date (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements, when material.

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, 2021

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

Effective beginning on or after January 1, 2022

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current
- PFRS 17, Insurance Contracts

Deferred effectivity

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

3. Significant Accounting Judgments and Estimates

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 in December 31, 2020 and 2019 amounted to Php 1,692,606 and Php 6,241,947, 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 19,999,922 and Php 29,252,077 as of December 31, 2020 and 2019, respectively (see Note 5).

Allowance for impairment losses for investments in financial assets at amortized cost amounted to Php 747,193 and Php 2,883,348 as of December 31, 2020 and 2019, respectively (see Note 6).

The Company recognized a reversal of ECL for financial assets amounting to Php 569,152 in 2020 and provision for ECL of financial assets at FVOCI amounting to Php 909,117 in 2019 (see Note 6).

Allowance for expected credit losses for loans and receivables amounted to Php 52,021,511 and Php 52,129,038 as of December 31, 2020 and 2019, respectively (see Note 7).

c. 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 values of provision for outstanding claims and IBNR amounted to Php 2,936,493,597 and Php 2,596,853,080 as of December 31, 2020 and 2019, respectively (see Note 14).

d. 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, 2020 and 2019, the total fair value of financial assets at FVTPL and FVOCI amounted to Php 1,256,934,719 and Php 1,050,922,376 (see Note 6).

e. 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 65,058,811 and Php 27,265,721 as of December 31, 2020 and 2019, respectively (see Note 23).

a. 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, 2020 and 2019 amounted to Php 48,256,446 and Php 47,694,201, respectively (see Note 24).

4. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	Php 136,800	Php 164,300
Cash in banks	1,476,172,551	1,476,172,551
Cash equivalents	14,215,373	14,215,373
	Php 1,490,524,724	Php 1,029,009,847

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 2020 and 2019.

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 2020 and 2019.

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 2020 and 2019.

Interest income earned from cash and cash equivalents and short-term investments amounted to Php 3,816,752 and Php 10,335,177 in 2020 and 2019, respectively (see Note 19).

5. Insurance Receivables

This account consists of:

	2020	2019
Due from:		
Brokers and agents	**Php 1,242,338,339**	Php 1,121,892,249
Ceding companies and reinsurers	**283,306,570**	285,964,085
Reinsurance recoverable on paid losses	**79,853,914**	122,345,783
	1,605,498,823	1,530,202,117
Less: Allowance for expected credit losses	**19,999,922**	29,252,077
	Php 1,585,498,901	Php 1,500,950,040

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 for policies where claims payment was made from facultative and treaty reinsurers.

The following table shows aging information of insurance receivables balances:

	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 842,713,382**	**Php 26,992,743**	**Php 36,040,102**	**Php 104,423,636**	**Php 232,168,476**	**Php 1,242,338,339**
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 859,629,142	**Php 28,619,004**	**Php 40,810,957**	**Php 115,230,784**	**Php 561,208,936**	**Php 1,605,498,823**

	2019					
	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 1,003,191,057	Php 24,076,272	Php 12,027,658	Php 59,405,518	Php 23,191,744	Php 1,121,892,249
Due from ceding companies and reinsurers	1,646,794	7,848,639	2,496,876	9,294,505	264,677,271	285,964,085
Reinsurance recoverable on paid losses	31,869,075	1,515,713	28,442,976	5,321,031	55,196,988	122,345,783
	Php 1,036,706,926	Php 33,440,624	Php 42,967,510	Php 74,021,054	Php 343,066,003	Php 1,530,202,117

As of December 31, 2020 and 2019, allowance for expected credit losses on insurance receivables as follows:

	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**

	2019			
	Due from brokers and agents	Due from ceding companies and reinsurers	Reinsurance recoverable on paid losses	Total
Balance at beginning of year	Php 19,559,223	Php 8,127,489	Php 13,364,705	Php 41,051,417
Provision for (reversals) of expected credit losses during the period (Note 21)	(3,980,031)	(2,222,177)	(5,597,132)	(11,799,340)
Balance at end of year	Php 15,579,192	Php 5,905,312	Php 7,767,573	Php 29,252,077

6. Investments in Financial Assets

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

	2020	2019
Investments in securities		
Financial assets at FVTPL	**Php 466,096,372**	Php 591,305,184
Financial assets at FVOCI	**790,838,347**	459,617,192
Financial assets at amortized cost	**747,127,127**	944,154,168
	Php 2,004,061,846	Php 1,995,076,544

As of December 31, 2020 and 2019, investments in securities included in each of the categories above are detailed as follows:

2020

	FVTPL	FVOCI	Amortized cost
Equity securities			
Listed common shares	**Php 366,903,367**	**-**	**Php 366,903,367**
Club shares	**26,500,000**	**-**	**26,500,000**
Unit Investment Fund	**72,673,005**	**-**	**72,673,005**
Unlisted share	**20,000**	**-**	**20,000**
Debt securities			
Government treasury bonds/bills	**-**	**790,838,347**	**662,544,169**
Corporate bonds	**-**	**-**	**85,330,151**
	466,096,372	**790,838,347**	**747,874,320**
Less: Allowance for expected credit losses	**-**	**-**	**747,193**
	Php 466,096,372	**Php 790,838,347**	**Php 747,127,127**

2019

	FVTPL	FVOCI	Amortized cost
Equity securities			
Listed common shares	Php 514,909,266	-	-
Club shares	28,100,000	-	-
Unit Investment Fund	48,275,918	-	-
Unlisted share	20,000	-	-
Debt securities			
Government treasury bonds/bills	-	459,617,192	850,854,404
Corporate bonds	-	-	96,183,112
	591,305,184	459,617,192	947,037,516
Less: Allowance for expected credit losses	-	-	2,883,348
	Php 591,305,184	Php 459,617,192	Php 944,154,168

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

	2020	2019
Balance at beginning of year	Php 1,995,076,544	Php 1,775,315,248
Additions	777,555,336	795,874,322
Disposals	(813,948,481)	(524,296,770)
Net amortization of bond premium	(2,887,857)	(1,170,756)
Market valuation losses on financial assets at FVTPL	(224,585,658)	(114,096,382)
Unrealized fair value gains on financial assets at FVOCI	273,599,155	66,334,230
	2,004,061,846	1,995,076,544
Less: Allowance for expected credit losses	747,193	2,883,348
Balance at end of year	Php 2,004,061,846	Php 1,995,076,544

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

	2020	2019
Equity securities		
Listed common shares	**Php 348,609,228**	Php 511,591,720
Club shares	**28,020,000**	28,400,000
Unit Investment Fund	**72,660,000**	48,180,000
Unlisted shares	**20,000**	20,000
Debt securities		
Government treasury bonds/bills	**1,345,365,134**	1,246,046,000
Corporate bonds	**85,330,151**	96,183,112
	1,880,004,513	1,930,420,832
Less: Allowance for expected credit losses	**747,193**	2,883,348
	Php 1,879,257,320	Php 1,927,537,484

A reconciliation of the fair value measurement of investments in financial assets at FVOCI is shown below:

	2020	2019
Balance at beginning of the year	**Php 65,738,711**	Php 4,075,126
Unrealized fair value gain	**46,283,665**	66,334,230
Transferred to profit or loss		
Gain on sale	**(2,691,878)**	(5,579,762)
Impairment loss (reversal)	**(569,152)**	909,117
	1,880,004,513	1,930,420,832
Less: Allowance for expected credit losses	**747,193**	2,883,348
Balance at end of year	**Php 108,761,346**	Php 65,738,711

The Company recognized a reversal of ECL for financial assets amounting to Php 569,152 in 2020 and provision for ECL of financial assets at FVOCI amounting to Php 909,117 in 2019 (Note 21).

As of December 31, 2020, allowance for impairment losses on financial assets at amortized cost follows:

	2020	2019
Balance at beginning of the year	Php 2,883,348	Php 1,072,602
Provision for (reversal of) expected credit losses during the period (Note 21)	(2,136,155)	1,810,746
Balance at end of year	Php 747,193	Php 2,883,348

As of December 31, 2020 and 2019, government securities (recorded under "financial assets at amortized cost") deposited with the IC in accordance with the provision of the Insurance Code (the Code) amounted to Php 117,000,000 and Php 145,000,000, respectively. These deposited government securities serve as security for the benefit of policyholders and creditors of the Company. In relation to the increase in the minimum net worth requirements, the amount of government securities deposited with the IC as of December 31, 2020 and 2019 should be Php 225,000,000 which is 25% of the required minimum net worth. The Company increased its government securities deposited with the IC to Php 240,500,000 on February 9, 2021 to comply with the above requirement. However, the Company was granted an extension of until April 15, 2020 to comply with the minimum net worth requirements as discussed in Note 25.

Sale of financial assets at FVTPL resulted to a loss of Php 63,008,880 in 2020 and a gain of Php 19,629,801 in 2019.

Gain on sale of financial assets of financial assets at FVOCI amounted to Php 2,691,878 and Php 5,579,762 in 2020 and 2019, respectively.

Interest income earned from financial assets at FVOCI and amortized cost amounted to Php 76,918,035 and Php 79,355,708 in 2020 and 2019, respectively (see Note 19).

Dividend income from financial assets at FVTPL amounted to Php 6,903,291 and Php 6,612,905 in 2020 and 2019, respectively (see Note 19).

7. Loans and Receivables

This account consists of:

	2020	2019
Accounts receivable	Php 160,984,680	Php 157,542,895
Employee receivables	5,062,410	7,664,725
	166,047,090	165,207,620
Less: Allowance for expected credit losses	52,021,511	52,129,038
	Php 114,025,579	Php 113,078,582

Accounts receivable includes receivable from Mercator Holdings and Management Corporation amounting to Php 147,199,164 and Php 147,130,776 as of December 31, 2020 and 2019, respectively, arising from sale on account of investment property in prior years.

The following table shows aging information of loans and receivables:

	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**

	2019					
	1 to 30 days	31 to 60 days	61 to 120 days	121 to 180 days	>180 days	Total
Accounts receivable	Php 1,678,378	Php 400,078	Php 2,504,270	Php 1,719,635	Php 151,240,534	Php 157,542,895
Employee receivables	1,963,655	528,203	361,296	2,102,053	2,709,518	7,664,725
	Php 3,642,033	Php 928,281	Php 2,865,566	Php 3,821,688	Php 153,950,052	Php 165,207,620

8. Reinsurance Assets

This account consists of:

	2020	2019
Reinsurance recoverable on unpaid losses (Note 14)	**Php 1,540,827,901**	Php 1,312,772,325
Deferred reinsurance premiums (Note 14)	**630,300,535**	619,021,631
	Php 2,171,128,436	Php 1,931,793,956

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

9. Accrued Interest Income

This account consists of:

	2020	2019
Accrued interest income from:		
Financial assets at FVOCI (Note 6)	**Php 12,571,384**	Php 7,094,897
Financial assets at amortized cost (Note 6)	**371,460**	4,969,972
Cash and cash equivalents and short-term investments (Note 4)	**140,760**	107,942
	Php 13,083,604	Php 12,172,811

10. Deferred Acquisition Costs and Deferred Reinsurance Commissions

Deferred Acquisition Costs

The rollforward analysis of this account follows:

	2020	2019
At January 1	**Php 345,878,956**	Php 350,090,841
Costs deferred during the year	**638,197,310**	800,290,926
Amortization during the year	**(718,395,794)**	(804,502,811)
At December 31	**Php 265,680,472**	Php 345,878,956

Deferred acquisition cost pertains 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:

	2020	2019
At January 1	**Php 73,241,198**	Php 74,613,136
Income deferred during the year	**227,461,105**	289,139,908
Amortization during the year	**(231,851,922)**	(290,511,846)
At December 31	**Php 68,850,381**	Php 73,241,198

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, 2020 and 2019, the estimated fair values of the remaining properties in Bulacan amounted to Php 1,176,414. 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 2020 and 2019 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	-20% to 0%
		Size	-18% to 20%
		Algebraic sum of internal factor	0% to 18%

As of December 31, 2020 and 2019, the carrying value of investment property amounted to Php 2,745.

12. Property and Equipment

The rollforward analyses of this account follows:

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	42,795,683	937,499	116,380,666
Accumulated depreciation and amortization					
At January 1, 2020	55,911,673	7,987,396	20,406,871	1,677,762	85,983,702
Depreciation and amortization 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	66,418,735
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

	Computer Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost					
At January 1, 2019	Php 84,279,634	Php 11,555,577	Php 35,838,178	Php 5,059,901	Php 136,733,290
Additions	12,822,812	2,184,312	7,225,553	268,372	22,501,049
Disposals	–	–	(2,115,707)	–	(2,115,707)
Retirements	(7,927,975)	(3,395,010)	(2,128,777)	(2,695,939)	(16,147,701)
At December 31, 2019	89,174,471	10,344,879	38,819,247	2,632,334	140,970,931
Accumulated depreciation and amortization					
At January 1, 2019	34,318,897	5,153,429	18,457,081	2,922,511	60,851,918
Transition adjustment (Note 2)	–	717,294	–	–	717,294
At January 1, 2019, as restated	34,318,897	5,870,723	18,457,081	2,922,51	61,569,212
Depreciation and amortization during the year (Note 21)	29,520,751	5,511,683	5,646,945	1,451,190	42,130,569
Disposals	–	–	(1,568,378)	–	(1,568,378)
Retirements	(7,927,975)	(3,395,010)	(2,128,777)	(2,695,939)	(16,147,701)
At December 31, 2019	55,911,673	7,987,396	20,406,871	1,677,762	85,983,702
Net book value as of					
December 31, 2019	Php 33,262,798	Php 2,357,483	Php 18,412,376	Php 954,572	Php 54,987,229

In 2020 and 2019, the Company disposed of certain assets which resulted in gain on sale of property and equipment amounting to Php 573,583 and Php 302,070, respectively, recorded as miscellaneous income in the statements of income.

13. Other Assets

This account consists of:

	2020	2019
Creditable withholding tax	**Php 309,315,535**	Php 280,343,977
Security deposits	**35,753,783**	35,789,017
Prepaid expenses	**18,468,639**	13,077,268
Security fund	**55,160**	55,160
	Php 63,593,117	Php 329,265,422

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.

Security deposits are payments made by the Company in leasing building and parking space, and these amounts are set aside by the lessor to be used on the last period of the lease term.

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

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 2020	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2019
Provision for claims reported and loss adjustment expenses	**Php 2,195,556,803**	**Php 1,247,094,238**	**Php 948,462,565**	Php 1,677,375,800	Php 930,658,444	Php 746,717,356
Provision for IBNR	**1,247,094,238**	**293,733,663**	**447,203,131**	919,477,280	382,113,881	537,363,399
Total claims reported and IBNR						
Provision for unearned premiums	**1,490,001,767**	**630,300,535**	**859,701,232**	1,908,984,350	619,021,631	1,289,962,719
Total Insurance Contract Liabilities	**Php 4,426,495,364**	**Php 2,171,128,436**	**Php 2,255,366,928**	**Php 4,505,837,430**	**Php 1,931,793,956**	**Php 2,574,043,474**

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

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2020	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2019
At January 1	**Php 2,596,853,080**	**Php 1,312,772,325**	**Php 1,284,080,755**	Php 1,856,023,262	Php 938,818,102	Php 917,205,160
Claims incurred during the year	**1,940,464,444**	**636,790,652**	**1,303,673,792**	2,734,504,349	610,187,520	2,124,316,829
Increase (decrease) in IBNR (Note 20)	**(178,540,486)**	**(88,380,218)**	**(90,160,268)**	207,397,985	78,434,647	128,963,338
Claims paid during the year (Note 20)	**(1,422,283,441)**	**(320,354,858)**	**(1,101,928,583)**	(2,201,072,516)	(314,667,944)	(1,886,404,572)
At December 31	**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**

Provisions for unearned premiums may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2020	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2019
At January 1	**Php 1,908,984,350**	**Php 619,021,631**	**Php 1,289,962,719**	Php 2,135,892,846	Php 680,362,172	Php 1,455,530,674
New policies written during the year (Note 18)	**4,147,796,977**	**2,453,029,842**	**1,694,767,135**	5,109,348,530	2,172,604,563	2,936,743,967
Premiums earned during the year (Note 18)	**(4,566,779,560)**	**(2,441,750,938)**	**(2,125,028,622)**	(5,336,257,026)	(2,233,945,104)	(3,102,311,922)
At December 31	**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**

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.

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)**

2019

	Change in Assumptions	Impact on insurance contract liabilities - net of reinsurance assets	Impact on profit before tax	Impact on equity
Average claim costs	-15.00%	(Php 399,334,663)	Php 399,334,663	Php 279,534,264
Average number of claims	21.00%	470,871,335	(470,871,335)	(329,609,935)

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.

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 2,106,668,062	Php 2,106,668,062
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**	**2,106,668,062**	**25,012,701,130**
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	**Php 25,323,336**	**–**	**–**	**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 1,724,741,653**	**Php 2,936,493,597**

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 1,311,731,064	Php 1,311,731,064
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**	**1,311,731,064**	**13,036,281,675**
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**	**13,017,969**	**Php 71,680,167**	**Php 333,254,010**	**Php 953,631,335**	**Php 1,395,665,696**

2019

Accident Year	2009 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2029	Total
Estimate of ultimate claims costs:												
At the end of accident year	Php 5,973,453,883	Php 448,731,836	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 2,286,209,308
One year later	5,576,073,759	445,692,289	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	–	4,076,327,995
Two years later	5,410,502,115	429,887,967	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	–	–	2,373,270,997
Three years later	5,375,909,571	429,515,482	1,095,623,582	962,574,524	2,040,162,012	2,086,915,609	1,135,162,520	1,429,131,852	–	–	–	1,429,131,852
Four years later	5,409,144,296	428,598,504	1,027,443,377	963,342,761	2,029,137,437	2,086,174,393	1,142,256,537	–	–	–	–	1,142,256,537
Five years later	5,375,359,774	427,544,062	1,028,684,643	961,122,827	2,028,126,454	2,123,387,258	–	–	–	–	–	2,123,387,258
Six years later	5,368,704,433	426,148,191	1,028,570,576	961,232,322	2,020,199,255	–	–	–	–	–	–	2,020,199,255
Seven years later	5,372,163,294	425,199,404	1,028,627,742	965,753,042	–	–	–	–	–	–	–	965,753,042
Eight years later	5,369,007,521	425,220,681	1,028,627,515	–	–	–	–	–	–	–	–	1,028,627,515
Nine years later	5,355,511,889	425,193,468	–	–	–	–	–	–	–	–	–	425,193,468
Ten years later	5,354,985,416	–	–	–	–	–	–	–	–	–	–	5,354,985,416
Current estimate of cumulative claims	**5,354,985,416**	**425,193,468**	**1,028,627,515**	**965,753,042**	**2,020,199,255**	**2,123,387,258**	**1,142,256,537**	**1,429,131,852**	**2,373,270,997**	**4,076,327,995**	**2,286,209,308**	**23,225,342,643**
Cumulative payments to date	**(5,329,307,414)**	**(425,193,468)**	**(1,028,619,728)**	**(965,444,782)**	**(2,015,942,736)**	**(2,122,334,581)**	**(1,102,975,817)**	**(1,389,285,663)**	**(2,256,713,268)**	**(3,320,937,336)**	**(671,734,770)**	**(20,628,489,563)**
Total gross insurance liabilities included in the statement of financial position	**Php 25,678,002**	**–**	**Php 7,787**	**Php 308,260**	**Php 4,256,519**	**Php 1,052,677**	**Php 39,280,720**	**Php 39,846,189**	**Php 116,557,729**	**Php 755,390,659**	**Php 1,614,474,538**	**Php 2,596,853,080**

Accident Year	2009 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2029	Total
Estimate of ultimate claims costs:												
At the end of accident year	Php 6,973,034,633	Php 455,381,798	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 1,389,380,613
One year later	2,852,183,083	510,266,101	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	–	1,577,833,019
Two years later	2,824,956,027	500,926,019	441,880,364	632,788,511	862,053,239	797,001,416	861,919,892	1,122,402,975	833,297,968	–	–	833,297,968
Three years later	2,819,880,869	500,845,717	440,212,273	635,303,605	880,301,549	795,920,071	851,937,907	1,123,877,598	–	–	–	1,123,877,598
Four years later	2,825,578,762	500,570,163	433,074,793	637,014,103	874,058,551	795,241,303	851,921,907	–	–	–	–	851,921,907
Five years later	2,827,971,725	499,602,537	433,425,639	634,789,366	874,079,828	795,279,885	–	–	–	–	–	795,279,885
Six years later	2,836,793,829	498,091,070	433,088,612	634,892,164	874,380,528	–	–	–	–	–	–	874,380,528
Seven years later	2,835,477,331	497,142,394	433,145,778	634,892,164	–	–	–	–	–	–	–	634,892,164
Eight years later	2,835,717,022	497,163,671	433,145,778	–	–	–	–	–	–	–	–	433,145,778
Nine years later	2,825,895,330	497,163,671	–	–	–	–	–	–	–	–	–	497,163,671
Ten years later	2,826,171,846	–	–	–	–	–	–	–	–	–	–	2,826,171,846
Current estimate of cumulative claims	**2,826,171,846**	**497,163,671**	**433,145,778**	**634,892,164**	**874,380,528**	**795,279,885**	**851,921,907**	**1,123,877,598**	**833,297,968**	**1,577,833,019**	**1,389,380,613**	**11,837,344,977**
Cumulative payments to date	**(2,820,450,662)**	**(497,163,671)**	**(433,137,991)**	**(634,891,686)**	**(873,404,026)**	**(794,476,099)**	**(839,804,423)**	**(1,111,157,343)**	**(807,178,806)**	**(1,466,556,528)**	**(275,042,987)**	**(10,553,264,222)**
Total gross insurance liabilities included in the statement of financial position	**Php 5,721,184**	**–**	**Php 7,787**	**Php 478**	**Php 976,502**	**Php 803,786**	**Php 12,117,484**	**Php 12,720,255**	**Php 26,119,162**	**Php 111,276,491**	**1,114,337,626**	**Php 1,284,080,755**

15. Insurance Payables

This account consists of:

	2020	2019
Due to reinsurers and ceding companies	Php 1,271,493,994	Php 1,164,470,398
Funds held for reinsurers	334,344,659	237,704,081
	1,605,838,653	Php 1,402,174,479

The rollforward analysis of insurance balances payable follows:

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	2,201,061,536	503,211,876	2,704,273,412
Utilized	(2,094,037,940)	(406,571,298)	(2,500,609,238)
December 31, 2020	Php 1,271,493,994	Php 334,344,659	Php 1,605,838,653

	Due to Reinsurers and Ceding Companies	Funds Held for Reinsurers	Total
January 1, 2020	Php 1,237,036,897	Php 226,543,652	Php 1,463,580,549
Arising during the year	1,872,359,173	492,413,987	2,364,773,160
Utilized	(1,944,925,672)	(481,253,558)	(2,426,179,230)
December 31, 2020	Php 1,164,470,398	Php 237,704,081	Php 1,402,174,479

Interest expense on funds held for reinsurers amounted to Php 1,491,987 and Php 1,250,462 in 2020 and 2019, respectively.

16. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Commissions payable	**Php 404,539,418**	Php 333,661,734
Accounts payable	**347,197,839**	313,731,140
Other taxes payable	**184,309,675**	1,076,677
Deferred output VAT	**115,141,454**	115,442,831
Accrued expenses	**45,386,930**	44,310,687
VAT payable	**23,146,671**	37,619,318
Premium deposit	**17,338,085**	25,770,639
Others	**2,025,501**	2,445,856
	Php 1,139,085,573	Php 874,058,882

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

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.

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.

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

17. Equity

Capital Stock
The Company's authorized capital stock

The details of this account follows:

	2020	2019
Authorized capital stock	**Php 700,000,000**	Php 350,000,000
Number of authorized shares		
Class A (nonvoting), Php 10 par value:	**56,000,000**	28,000,000
Class B (voting), Php 10 par value:	**14,000,000**	7,000,000
	70,000,000	35,000,000
Issued and outstanding shares		
Class A (nonvoting), Php 10 par value:	**Php 298,400,000**	Php 280,000,000
Class B (voting), Php 10 par value:	**74,600,000**	70,000,000
	Php 373,000,000	Php 350,000,000

The movements of the Company's capital stock follows:

	2020	2019
January 1	**Php 350,000,000**	Php 350,000,000
Issuance of shares	**23,000,000**	-
December 31	**Php 373,000,000**	Php 350,000,000

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 360,000,000 to Php 700,000,000, or an increase of Php 340,000,000. After the amendment, the capital stock of the Company will be divided into 56,000,000 Class "A" stock and 14,000,000 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 for the 25% of the subscribed capital amounting to Php 23,000,000, 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 1,840,000 of Class A shares and 460,000 of Class B shares at par value to the Parent Company.

Contingency Surplus

On August 14, 2020, the Company received additional paid up capital from Golden Eight Group Limited amounting to $21.40 million (with peso equivalent of Php 1,049,000,000) 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 12,505,115 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:

	2020	2019
Gross premiums on insurance contracts:		
Direct insurance	**Php 4,013,807,623**	Php 4,980,180,378
Assumed reinsurance	**133,989,354**	129,168,152
Total gross premiums on insurance contracts (Note 14)	**4,147,796,977**	5,109,348,530
Gross change in provision for unearned premiums	**418,982,583**	226,908,496
Total gross earned premiums on insurance contracts (Note 14)	**4,566,779,560**	5,336,257,026
Reinsurers' share of insurance contracts premiums:		
Direct insurance	2,358,750,251	2,063,539,832
Assumed reinsurance	94,279,591	109,064,731
Total reinsurers' share of insurance contracts premiums (Note 14)	2,453,029,842	2,172,604,563
Reinsurers' share of gross change in provision for unearned premiums	(11,278,904)	61,340,541
Total reinsurers' share of gross earned premiums on insurance contracts (Note 14)	2,441,750,938	2,233,945,104
Net insurance earned premiums	Php 2,125,028,622	Php 3,102,311,922

19. Investment Income

This account consists of:

	2020	2019
Interest income on:		
Financial assets at FVOCI and amortized cost (Note 6)	**Php 76,918,035**	Php 79,355,708
Cash and cash equivalents and short-term investments (Note 4)	**3,816,752**	10,335,177
Dividend income (Note 6)	**6,903,291**	6,612,905
	Php 87,638,078	Php 96,303,790

20. Net Insurance Benefits and Claims

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

	2020	2019
Insurance contracts benefits and claims paid:		
Direct insurance	**Php 1,353,110,151**	Php 2,178,944,766
Assumed reinsurance	**69,173,290**	22,127,750
Total insurance contract benefits and claims paid (Note 14)	**Php 1,422,283,441**	Php 2,201,072,516

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

	2020	2019
Reinsurers' share of insurance contract benefits and claims paid:		
Direct insurance	**Php 280,726,464**	Php 307,233,662
Assumed reinsurance	**39,628,394**	7,434,282
Total reinsurers' share of insurance contract benefits and claims paid (Note 14)	**Php 320,354,858**	Php 314,667,944

Gross change in insurance contract liabilities:

	2020	2019
Change in insurance contract liabilities:		
Direct insurance	**Php 587,718,308**	Php 397,258,397
Assumed reinsurance	**(69,537,305)**	136,173,436
Change in provision for IBNR (Note 14)	**(178,540,486)**	207,397,985
Total gross change in insurance contract liabilities (Note 14)	**Php 339,640,517**	Php 740,829,818

Reinsurers' share of change in insurance contract liabilities:

	2020	2019
Reinsurers' share of change in insurance contract liabilities:		
Direct insurance	**Php 359,056,735**	Php 194,013,472
Assumed reinsurance	**(42,620,941)**	101,506,104
Change in provision for IBNR (Note 14)	**(88,380,218)**	78,434,647
Total gross change in insurance contract liabilities (Note 14)	**Php 228,055,576**	Php 373,954,223

21. Operating Expenses

This account consists of:

	2020	2019
Personnel expenses (Note 22)	**Php 313,767,920**	Php 2,178,944,766
Depreciation and amortization (Notes 12 and 28)	**75,369,554**	82,731,444
Professional fees	**62,985,806**	79,678,895
Advertising and promotions	**36,368,149**	61,341,260
Electricity and maintenance	**31,447,478**	37,152,506
Information technology, communication and supplies	**31,447,478**	40,854,989
Net reversals of expected credit losses (Notes 5, 6 and 7)	**(12,064,989)**	(8,989,133)
Taxes and licenses	**9,754,839**	3,241,530
Transportation and travel	**7,685,296**	17,225,273
Entertainment, amusement and recreation	**4,314,620**	12,058,652
Rent (Note 28)	**3,882,402**	4,685,879
Others	**8,659,708**	10,662,229
	Php 566,732,347	Php 631,907,603

Depreciation and amortization consist of:

	2020	2019
Property and equipment	**Php 35,117,883**	Php 42,130,569
Right of use assets	**40,251,671**	40,600,875
	Php 75,369,554	Php 82,731,444

The details of provisions for (reversals of) expected credit losses are as follows:

	2020	2019
Insurance receivables	**(Php 9,252,155)**	(Php 11,799,340)
Financial assets at amortized cost	**(2,136,155)**	1,810,746
Financial assets at FVOCI	**(569,152)**	909,117
Loans and receivables	**(107,527)**	90,344
	(Php 12,064,989)	(Php 8,989,133)

22. Personnel Expenses

This account consists of:

	2020	2019
Salaries and wages	**Php 254,579,526**	Php 222,412,882
Service fee	**21,831,083**	27,098,557
Net benefit expense (Note 23)	**16,585,387**	13,064,924
SSS, Pag-ibig fund and other contributions	**10,750,848**	10,420,033
Employee welfare costs	**475,478**	1,551,846
Others	**9,545,598**	16,715,837
	Php 313,767,920	Php 291,264,079

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

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:

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	–	15,721,549
Net interest cost	5,749,762	(4,885,924)	863,838
Sub-total	**21,471,311**	**(4,885,924)**	**16,585,387**
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	**62,793,982**	**(22,267,499)**	**40,526,483**
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**

2019

	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
Balance at beginning of year	Php 123,873,502	(Php 115,926,561)	Php 7,946,941
Net Benefit Cost in Statement of Income			
Current service cost	13,273,859	–	13,273,859
Net interest cost	7,790,868	(7,999,803)	(208,935)
Sub-total	**21,064,727**	**(7,999,803)**	**13,064,924**
Remeasurement in OCI			
Return on plan asset (excluding amount included in net interest)	–	(2,364,121)	(2,364,121)
Actuarial changes arising from			
Experience adjustments	753,128	–	753,128
Financial assumptions	16,692,990	–	16,692,990
Demographic assumptions	(832,083)	–	(832,083)
Sub-total	**16,614,035**	**(2,364,121)**	**14,249,914**
Benefit paid	(38,848,886)	38,799,769	(49,117)
Actual contribution	–	(7,946,941)	(7,946,941)
Balance at end of year	**Php 122,703,378**	**(Php 95,437,657)**	**Php27,265,721**

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

	2020	2019
Discount rate	**3.36%**	4.88%
Rate of salary increase	**6.00%**	5.50%

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, 2020 and 2019, the FV of the Company's equity in the fund amounted to Php 89,522,022 and Php 95,437,657, respectively; representing 100.00% and 79.40% respectively, of the market value of the entire plan assets under trust.

	2020	2019
Cash in bank	**Php 14,122**	Php 2,763,820
Investments		
Bonds and government securities	**44,587,940**	55,630,178
Marketable equity securities	**25,537,412**	28,068,838
Common trust fund	**1,793,175**	690,952
Other securities and debt instruments	**11,112,782**	7,857,551
Other receivables	**6,609,033**	544,110
Liabilities	**(132,442)**	(117,792)
Total plan assets	**Php 89,522,022**	Php 95,437,657

Based on the latest actuarial valuation report, estimated contribution to the retirement fund in 2021 is Php 25,238,569. 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:

	2020		2019	
	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 6,774,856)	+1.00%	(Php 9,252,614)
	−1.00%	7,599,963	−1.00%	10,729,616
Salary increase rate	+1.00%	7,943,214	+1.00%	11,129,545
	−1.00%	(7,231,503)	−1.00%	(9,779,265)

The average duration of the defined benefit obligation as of December 31, 2020 and 2019 is 9.64 years and 16.92 years, respectively.

Maturity profile of the undiscounted benefit payments are as follows:

	Normal Retirement	**Other than Normal Retirement**	**Total**
Less than one year	Php 10,130,478	Php 43,469,586	Php 53,600,064
More than one year to five years	20,378,920	52,855,826	73,234,746
More than five years to 10 years	19,778,822	53,129,365	72,908,187
More than 10 years to 15 years	16,861,896	36,871,547	53,733,443
More than 15 years to 20 years	24,004,659	22,519,293	46,523,952
More than 20 years	18,412,072	15,285,675	33,697,747

24. Income Tax

Income taxes include the corporate income tax, discussed below, and final tax paid at the rate of 20.00%, which represents final withholding tax on gross interest income from deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of comprehensive income.

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2018 and took effect January 1, 2019, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

Current tax regulations provide that the RCIT rate shall be 30.00%. Interest expense allowed as a deduction against taxable income shall be reduced by 33.00% of interest income subjected to final tax.

The regulations also provide for MCIT of 2.00% on modified gross income. 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. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception.

In November 2020, the Philippine Senate approved Senate Bill (SB) No. 1357 and forwarded the same to the House of Representative in December 2020. SB No. 1357 also known as the Corporate Recovery and Tax Incentive Act (CREATE Bill) which will reduce the corporate income tax is still not passed into law as of the date completion of the Company's financial statements. The version of the bill approved by the Philippine Senate is still subject to change and will be reconciled to the version of the House of Representative.

Based on the Philippine Senate version, the bill will lower the corporate income tax from 30% to 25% effective July 2020 except for domestic corporations with net taxable income not exceeding
Php 5,000,000 and with total assets not exceeding Php 100,000,000 (excluding land on which the particular business entity's office, plant, and equipment are situated) which will be taxed at 20%. The bill also provides that effective July 1, 2020 to June 30, 2023, the MCIT will be lowered to 1%.

The Company did not consider the provisions of the bill yet in the income tax computation as reported in the financial statement given that the law was only signed by the President of the Philippines on March 26, 2021 and the implementing rules and regulations are still to be issued.

The provision for income tax consists of:

	2020	2019
Final	**Php 17,467,596**	Php 18,879,398
Current	**3,680,820**	8,648,624
Deferred	**11,595,700**	3,114,011
	Php 32,744,116	Php 30,642,033

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

	2020	2019
Deferred tax assets through profit or loss:		
Provision for IBNR losses - net	**Php 22,808,336**	Php 22,808,336
Pension obligation	**5,105,648**	7,248,780
Allowance for expected credit losses	**-**	9,679,341
	27,913,984	39,736,457
Deferred tax liability through profit or loss:		
Foreign exchange gain	**–**	226,773
	27,913,984	39,509,684
Deferred tax assets through OCI:		
Remeasurement losses on defined benefit obligation	**20,342,462**	8,184,517
	Php 48,256,446	Php 47,694,201

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.

	2020	2019
NOLCO	**Php 273,347,224**	Php 128,073,857
Provision for IBNR losses – net	**371,175,344**	461,335,613
Allowance for expected credit losses	**72,768,626**	52,000,000
Accrued expenses	**45,386,930**	50,586,415
Foreign exchange loss	**19,649,259**	–
MCIT	**17,815,439**	20,894,410
Lease liabilities, net of right of use assets	**3,504,458**	277,779

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

Year Incurred	Amount	Applied	Expired	Balance	Expiry Date
2017	Php 37,130,770	Php 16,483,222*	Php 20,647,548	-	December 31, 2020
2018	107,426,309	-	-	107,426,309	December 31, 2021
2020	165,920,915	-	-	165,920,915	December 31, 2025**
	Php 310,477,994	Php 16,483,222	Php 20,647,548	Php 273,347,224	

**Applied to2019 taxable income*
*** 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. The NOLCO incurred for taxable year 2020 is Php 165,920,915.

As of December 31, 2020, 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
2017	Php 6,759,791	-	Php 6,759,791	-	December 31, 2020
2018	5,485,995	-	-	5,485,995	December 31, 2021
2019	8,648,624	-	-	8,648,624	December 31, 2022
2020	3,680,820	-	-	3,680,820	December 31, 2023
	Php 24,575,230	-	Php 6,759,791	Php 17,815,439	

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

	2020	2019
Statutory income tax rate	**30.00%**	30.00%
Tax effects of:		
Gain on sale on financial assets	**33.38**	26.11
Interest income already subjected to final tax	**16.96**	11.21
Unrecognized deferred tax assets	**(31.59)**	(45.82)
Dividend income	**1.45**	1.24
Nondeductible expenses	**(73.14)**	(38.61)
Effective income tax rate	**(22.94%)**	(15.87%)

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.

Fixed Capitalization Requirements

Department of Finance Order (DO) No. 27-06 provides for the capitalization requirements for life, nonlife and reinsurance companies on a staggered basis for the years ended December 31, 2006 up to 2011. Depending on the level of the foreign ownership in the insurance company, the minimum statutory net worth and minimum paid-up capital requirements vary. The statutory net worth shall include the company's paid-up capital, capital in excess of par value, contingency surplus, retained earnings and revaluation increments as may be approved by the IC. The minimum paid-up capital is pegged at 50% of the minimum statutory net worth.

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

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

Net worth	Compliance Date
Php 250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

On January 13, 2015, the IC issued Circular Letter No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. All domestic life and nonlife insurance companies duly licensed by the IC must have a net worth of at least Php 250.00 million by December 31, 2013.

The said circular supersedes the Department Order Nos. 27-06, Capitalization Requirements for Life, Non-life and Reinsurance Companies and 15-2012, Minimum Paid-Up Capital Requirements and CL Nos. 22-2008, Unimpaired Capital Requirements and 26-2008, Implementation of Department Order No. 27-06.

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. Otherwise, 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.

The IC also granted extensions for the Company to complete the required capital infusion to comply with the minimum net worth and minimum capital investment requirements after December 31, 2019.

On July 23, 2020, the BOD approved the cash infusion to be made by the Company's stockholders to comply with the Php 900,000,000 minimum net worth requirement of the IC. On August 14, 2020, the Company received the additional capital infusion from the shareholders amounting to Php 1,049,000,000 (US$21,400,000). Relative to this, on September 1, 2020, the Company wrote a letter to the IC requesting for confirmation that the said capital infusion will be recognized as contingency surplus in equity consistent with the guidelines of IC Circular Letter No. 2015-02-A.

As of December 31, 2020, the Company's estimated statutory net worth amounted to Php 906,753,338. The final amount of net worth can be determined only after the accounts of the Company have been examined by the IC.

The Company's estimated non-admitted assets as of December 31, 2020 amounted to Php 463,145,441.

Unimpaired capital requirement

IC CL No. 2015-02-A says that all domestic life and non-life insurance companies duly licensed by the Insurance Commission must have a net worth of at least two hundred and fifty million pesos (Php 250,000,000) by December 31, 2013 and the minimum net worth of these companies shall remain unimpaired at all times. As of December 31, 2020 and 2019, pursuant to the above, the Company has complied with the unimpaired capital requirement.

Risk-based Capital Requirements

In 2006, the IC issued Memorandum Circular (IMC) No. 7-2006 adopting a risk-based capital framework to establish the required amounts of capital to be maintained by nonlife insurance companies in relation to their investment and insurance risks. The RBC ratio of a company shall be calculated as Net worth divided by the RBC requirement. Net worth shall include the Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the Insurance Commissioner.

Under Section D of IMC No. 7-2006, Mandatory Control Event shall occur if the RBC ratio of the Company is less than 35%. Should this event occur, the Commissioner is required to place the Company under regulatory control under Sec.247 (Title 13, Suspension or Revocation of Authority) of the Code. The Mandatory Control Event shall be deemed sufficient grounds for the Commissioner to take action under Sec. 247 of the Insurance Code.

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 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis (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 1 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 1 Capital.

Pursuant to IC CL No. 2017-15, Regulatory Requirements and Actions for the New Regulatory Framework, effective January 1, 2017, nonlife insurance companies are required to maintain minimum RBC2 requirement as prescribed under IC CL No. 2016-68. Under the RBC2 Framework, the RBC ratio shall be calculated as total available capital divided by the RBC2 requirement.

The minimum RBC ratio is set at 100%. All insurance companies are required to maintain the minimum RBC ratio and not fail the Trend Test.

The following table shows how the RBC ratio as of December 31, 2020 and 2019 was determined by the Company:

	2020	2019
TAC	**Php 1,090,020,623**	(Php 92,360,190)
RBC requirement	**928,486,795**	694,790,884
RBC Ratio	**117%**	(13%)

The final RBC ratio can be determined only after the accounts of the Company have been examined by the IC.

On March 16, 2021, the Company received a letter from the IC stating that with the actions taken to address the regulatory requirements and documents submitted during their verification, the Company's deficiency in the RBC ratio as of December 31, 2019 is deemed subsequently complied with.

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 companies are allowed to use 50% of their computed MFAD for 2018 and 100% in 2019.

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:

	2020			2019		
	Gross Liabilities	Reinsurers' Share of Liabilities	Net Liabilities	Gross Liabilities	Reinsurers' Share of Liabilities	Net Liabilities
Motor car	**Php 1,150,252,285**	**Php 35,437,695**	**Php 1,114,814,590**	Php 45,227,150	Php 45,814,532	Php 899,412,618
Fire	**1,316,631,389**	**1,129,134,677**	**187,496,712**	1,302,997,996	1,021,059,305	281,938,691
Engineering	**111,026,362**	**74,828,916**	**36,197,446**	71,957,439	42,653,225	29,304,214
Casualty	**84,409,438**	**68,526,112**	**15,883,326**	108,081,150	82,033,627	26,047,523
Bonds	**41,352,264**	**25,817,568**	**15,534,696**	19,221,892	8,842,124	10,379,768
Accident	**15,577,219**	**202,092**	**15,375,127**	19,008,119	2,145,777	16,862,342
Marine	**217,094,593**	**206,880,841**	**10,213,752**	129,737,737	110,223,735	19,514,002
Medical	**150,047**	**–**	**150,047**	621,597	–	621,597
	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

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:

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	–	–	160,984,680	160,984,680
Employee receivables	–	–	5,062,410	5,062,410
Investment properties	–	–	1,176,414	1,176,414
	792,197,778	–	167,223,504	959,421,282
	Php 1,554,433,934	**Php 494,678,563**	**Php 167,243,504**	**Php 2,216,356,001**

2019

	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 514,909,266	-	-	Php 514,909,266
Golf club shares	–	28,100,000	–	28,100,000
Unit investment fund	–	48,275,918	–	48,275,918
Unlisted equity securities	–	–	20,000	20,000
	514,909,266	**76,375,918**	**20,000**	**591,305,184**
Financial assets at FVOCI				
Government debt securities				
Local currency	278,857,551	180,759,641	–	459,617,192
	793,766,817	**257,135,559**	**20,000**	**1,050,922,376**
Assets for which fair values are disclosed:				
Financial asset at amortized cost Government debt securities				
Local currency	879,642,231	–	–	879,642,231
Corporate bonds	98,164,277	–	–	98,164,277
Loans and receivables				
Accounts receivables	–	–	157,542,895	157,542,895
Employee receivables	–	–	7,664,725	7,664,725
Investment properties	1,176,414	–	–	1,176,414
	978,982,922	–	165,207,620	1,144,190,542
	Php 1,772,749,739	**Php 257,135,559**	**Php 165,227,620**	**Php 2,195,112,918**

Fair values of investment in securities classified as financial assets at FVTPL and FVOCI were determined using Level 1.

There have been no reclassifications from Level 1 to Level 2 category.

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.

	2020	2019
Cash and cash equivalents* (Note 4)	**Php 1,490,387,924**	Php 1,028,845,547
Insurance receivables (Note 5)	**1,605,498,823**	1,530,202,117
Short-term investments (Note 4)	**572,914,215**	4,165,263
Financial assets:		
Financial assets at FVTPL (Note 6)	**466,096,372**	591,305,184
Financial assets at FVOCI (Note 6)	**790,838,347**	459,617,192
Financial assets at amortized cost (Note 6)	**747,874,320**	947,037,516
Loans and receivables (Note 7)	**166,047,090**	165,207,620
Accrued income (Note 9)	**13,083,604**	12,172,811
	Php 5,852,740,695	Php 4,738,553,250

**Excluding cash on hand amounting to Php 136,800 and Php 164,300 as of December 31, 2020 and 2019, 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.

	Neither Past Due nor Impaired			
	Investment Grade	Satisfactory	Past Due or Impaired	Total
Cash and cash equivalents*	Php 1,490,387,924	–	–	Php 1,490,387,924
Short-term investments	572,914,215	–	–	572,914,215
Insurance receivables:				
Due from brokers and agents	–	–	399,624,957	20,000
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				
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 4,051,229,944**	**Php 878,477,068**	**Php 923,033,683**	**Php 5,852,740,695**

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

	Neither Past Due nor Impaired			
	Investment Grade	Satisfactory	Past Due or Impaired	Total
Cash and cash equivalents*	Php 1,028,845,547	-	-	Php 1,028,845,547
Short-term investments	4,165,263	–	–	4,165,263
Insurance receivables:				
Due from brokers and agents	–	1,003,191,057	118,701,192	1,121,892,249
Due from ceding companies and reinsurers	–	9,495,433	276,468,652	285,964,085
Reinsurance recoverable on paid losses	–	33,384,788	88,960,995	122,345,783
Financial assets:				
Financial assets at FVTPL				
Listed equity securities	303,574,010	–	211,335,256	514,909,266
Club shares	27,000,000	–	1,100,000	28,100,000
Unit investment fund	48,275,918	–	–	48,275,918
Unlisted equity securities	20,000	–	–	20,000
Financial assets at FVOCI				
Government debt securities	459,617,192	–	–	459,617,192
Financial assets at amortized cost				
Government debt securities	850,854,404	–	–	850,854,404
Corporate bonds	96,183,112	–	–	96,183,112
Loans and receivables:				
Accounts receivable	–	10,412,119	147,130,776	157,542,895
Employee receivables	–	7,664,725	–	7,664,725
Accrued income	12,172,811	–	–	12,172,811
Total	**Php 2,830,708,257**	**Php 1,064,148,122**	**Php 843,696,871**	**Php 4,738,553,250**

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.

2020

	Up to a year	1 to 3 years	3 to 5 years	Over 5 years	No term	Total
Cash and cash equivalents*	Php1,490,387,924	–	–	–	–	Php 1,490,387,924
Short-term investments	572,914,215	–	–	–	–	572,914,215
Insurance receivables	1,585,498,901	–	–	–	–	1,585,498,901
Financial assets						
Financial assets at FVTPL	72,673,005	–	–	–	393,423,367	466,096,372
Financial assets at FVOCI	40,554,717	99,676,284	143,782,213	506,825,133	–	790,838,347
Financial assets at amortized cost	74,990,923	259,988,865	43,640,000	368,507,339	–	747,127,127
Loans and receivables	114,025,579	–	–	–	–	114,025,579
Accrued income	13,083,604	–	–	–	–	13,083,604
Total financial assets	3,964,128,868	359,665,149	187,422,213	875,332,472	393,423,367	5,779,972,069
Insurance contract liabilities	Php 2,936,493,597	–	–	–	–	Php 2,936,493,597
Insurance payables	1,605,838,653	–	–	–	–	1,605,838,653
Accounts payable and accrued expenses	1,139,085,573	–	–	–	–	1,139,085,573
Lease liability**	41,385,776	18,163,292	521,504	–	–	60,070,572
Total financial liabilities	Php 5,722,803,599	Php 18,163,292	Php 521,504	–	–	Php 5,741,488,395

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

***Includes future interest amounting to Php 3,195,829.*

2019

	Up to a year	1 to 3 years	3 to 5 years	Over 5 years	No term	Total
Cash and cash equivalents*	Php 1,028,845,547	-	-	-	-	Php 1,028,845,547
Short-term investments	4,165,263	–	–	–	–	4,165,263
Insurance receivables	1,500,950,040	–	–	–	–	1,500,950,040
Financial assets at FVTPL	48,275,918	–	–	–	543,029,266	591,305,184
Financial assets at FVOCI	1,018,020	–	80,685,476	377,913,696	–	459,617,192
Financial assets at amortized cost	220,875,277	215,859,858	148,520,513	358,898,520	–	944,154,168
Loans and receivables	113,078,582	–	–	–	–	113,078,582
Accrued income	12,172,811	–	–	–	–	12,172,811
Total financial assets	Php 2,929,381,458	Php 215,859,858	Php 229,205,989	Php 736,812,216	Php 543,029,266	Php 4,654,288,787
Insurance contract liabilities	Php 2,596,853,080	–	–	–	–	Php 2,596,853,080
Insurance payables	1,402,174,479	–	–	–	–	1,402,174,479
Accounts payable and accrued expenses	874,058,882	–	–	–	–	874,058,882
Lease liability**	40,237,726	53,249,646	–	–	–	93,487,372
Total financial liabilities	**Php 4,913,324,167**	**Php 53,249,646**	**521,504**	**–**	**–**	**Php 4,966,573,813**

**Excluding cash on hand amounting to Php 164,300 as of December 31,2019.*

***Includes future interest amounting to Php 7,870,142*

Market risk

Market risk is the risk of change in fair value of financi al 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, 2020 and 2019:

	2020		2019	
	US$	PHP	US$	PHP
Assets				
Cash and cash equivalents	$ 23,600,559	Php 1,133,369,627	$ 1,885,110	4,165,263
Insurance receivables	4,411,117	213,606,665	4,326,342	221,184,977
	$ 28,011,676	Php 1,346,976,292	$ 6,211,452	Php 316,651,664
Liabilities				
Other insurance payables	$ 8,423,868	Php 404,539,418	$ 6,495,847	Php 333,767,823

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).

		2020	2019
	Change in variables	Impact on profit before tax Increase (Decrease)	
USD	+2	Php 39,175,615	(Php 568,790)
USD	-1	(19,587,807)	284,395

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.

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						
2020	2% -4%	Php 115,545,640	Php 359,665,149	Php 186,913,400	Php 876,588,478	Php 1,538,712,667
2019	3% -5%	221,893,297	215,859,858	229,205,989	739,695,564	1,406,654,708

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).

		2020	2019
	Change in variables	Impact on equity Increase (Decrease)	
Peso	+100 basis points	(Php 39,637,930)	(Php 28,537,951)
	–50 basis points	21,098,139	15,304,375

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).

		2020		2019
	Change in variables	Impact on equity Increase (Decrease)	Change in Variable	Impact on equity Increase (Decrease)
Market Index 1	+32.29%	Php 112,553,177	+6%	Php 30,718,337
	-32.29%	(112,553,177)	–6%	(30,718,337)

26. Maturity Profile of Assets and Liabilities

The table below presents the assets and liabilities of the Company as of December 31, 2020 and 2019 analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2020			2019		
	Within One Year	**Beyond One Year**	**Total**	**Within One Year**	**Beyond One Year**	**Total**
Financial Assets						
Cash and cash equivalents	**Php 1,490,524,724**	**-**	**Php 1,490,524,724**	Php 1,029,009,847	-	Php 1,029,009,847
Short-term investments	**572,914,215**	**-**	**572,914,215**	4,165,263	-	4,165,263
Insurance receivables	**1,605,498,823**	**-**	**1,605,498,823**	1,530,202,117	-	1,530,202,117
Financial assets at FVTPL						
Listed common shares	**-**	**366,903,367**	**366,903,367**	-	514,909,266	514,909,266
Club shares	**-**	**26,500,000**	**26,500,000**	-	28,100,000	28,100,000
Unit Investment Fund	**72,673,005**	**-**	**72,673,005**	48,275,918	-	48,275,918
Unlisted shares		**20,000**	**20,000**	-	20,000	20,000
Financial assets at FVOCI						
Government treasury bonds/ bills	**40,554,717**	**750,283,630**	**790,838,347**	1,018,020	458,599,172	459,617,192
Financial assets at amortized cost						
Government treasury bonds/ bills	**74,990,923**	**587,553,246**	**662,544,169**	188,022,315	662,832,088	850,854,403
Corporate bonds	**-**	**85,330,151**	**85,330,151**	32,852,962	63,330,151	96,183,113
Loans and receivables	**166,047,090**	**-**	**166,047,090**	165,207,619	-	165,207,619
Accrued income	**13,083,604**	**-**	**13,083,604**	12,172,811	-	12,172,811
	4,036,287,101	**1,816,590,394**	**5,852,877,495**	3,010,926,872	1,727,790,677	4,738,717,549
Nonfinancial Assets						
Reinsurance assets	**-**	**2,171,128,436**	**2,171,128,436**	-	1,931,793,956	1,931,793,956
Deferred Acquisition Costs	**-**	**265,680,472**	**265,680,472**	-	345,878,956	345,878,956
Investment Properties – net	**-**	**2,745**	**2,745**	-	2,745	2,745
Property and Equipment – net	**-**	**116,380,666**	**116,380,666**	-	140,970,931	140,970,931
Right of Use Assets	**-**	**53,370,285**	**53,370,285**	-	93,765,151	93,765,151
Deferred Tax Assets – net	**-**	**48,256,446**	**48,256,446**	-	47,694,201	47,694,201
Other Assets	**363,593,117**	**-**	**363,593,117**	329,265,422		329,265,422
	363,593,117	**2,654,819,050**	**3,018,412,167**	329,265,422	2,560,105,940	2,889,371,362
	Php 4,399,880,218	**Php 4,471,409,444**	**Php 8,871,289,662**	Php 3,340,192,294	Php 4,287,896,617	Php 7,628,088,911
Less: Allowance for credit losses			**Php 72,768,626**			Php 84,264,462
Accumulated depreciation			**66,418,735**			85,983,702
			Php 8,732,102,301			Php 7,457,840,747
Financial Liabilities						
Insurance contract liabilities	**Php 4,426,495,364**	**-**	**Php 4,426,495,364**	Php 4,505,837,430	-	Php 4,505,837,430
Insurance payables	**1,605,838,653**	**-**	**1,605,838,653**	1,402,174,479	-	1,402,174,479
Accounts payable and accrued expenses	**1,139,085,573**	**-**	**1,139,085,573**	874,058,882	-	874,058,882
Lease liability	**41,385,776**	**15,488,967**	**56,874,743**	40,237,726	53,249,646	93,487,372
	7,212,805,366	**15,488,967**	**7,228,294,333**	6,822,308,517	53,249,646	6,875,558,163
Nonfinancial Liabilities						
Deferred reinsurance commissions	**-**	**Php 68,850,381**	**Php 68,850,381**	-	Php 73,241,198	Php 73,241,198
Net pension liability	**-**	**65,058,811**	**65,058,811**	-	27,265,721	27,265,721
Deposit for future stock subscription	**-**	**-**	**-**	23,000,000	-	23,000,000
		133,909,192	**133,909,192**	23,000,000	100,506,919	123,506,919
	Php 7,212,805,366	**Php 149,398,159**	**Php 7,362,203,525**	Php 6,845,308,517	Php 153,756,565	Php 6,999,065,082

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:

	2020	2019
Salaries and wages	Php 111,323,321	Php 70,445,637
Other employee benefits	1,241,360	1,025,115

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

	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.

	2019		
Category	**Volume/Amount**	**Outstanding Balance**	**Nature, Terms and Conditions**
Companies under common control			
Service fee			
FPG Management Services Pte., Ltd.	Php 67,931,597	Php 4,680,841	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 1,872,000 and parking lease with stipulated monthly rent of Php 174,000, shall have an escalation rate of 20% on the second year and 5% in succeeding year. 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 68,446 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 53,248 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 67,585, shall have an escalation rate of 6% on the second year and a parking lease of Php 6,691 monthly.

e. Annual lease of an office and parking space for its Binondo satellite office with stipulated monthly rent of Php 38,562 and a parking lease of Php 2,894 monthly, shall have an escalation rate of 5% annually.

f. Three-year lease of an office space for its Davao branch effective July 1,2017 to June 30, 2020. The lease contract was renewed effective July 1, 2020 to June 30, 2023. The stipulated monthly rent is Php 39,418 shall have an escalation rate of 5.0% annually.

g. Two-year lease of an office space for its Cagayan de Oro branch effective April 1, 2019 to March 31, 2021. The stipulated monthly rent of Php 27,000 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 73,205	5% annually
Unit 604	Annual rent renewable upon mutual agreement	18,222	5% annually
Unit 601-A	January 1, 2015 to December 31, 2020	55,341	5% annually
Unit 601-B	Annual rent renewable upon mutual agreement	29,882	5% annually
Unit 605	Annual rent renewable upon mutual agreement	14,053	5% annually
Unit 12-01	Annual rent renewable upon mutual agreement	87,043	5% annually
Storage Area	July 1, 2012 to June 5, 2021	2,014	-

i. Five-year lease for an office space for its Cebu branch effective May 16, 2016 until May 15, 2021. The stipulated monthly rent of PHP 99,651 shall have an escalation rate of 10.0% on the second year.

j. Two-year lease of an office space for its Ortigas branch effective April 16, 2019 to April 15, 2021 with stipulated monthly rent of Php 108,789, 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 256,200 shall have an escalation rate of 8% annually. One-year parking lease with stipulated monthly rent of Php 1,000.

l. One-year lease of an office space for its Laguna satellite office effective January 1, 2020 to December 31, 2020 with stipulated monthly rent of Php 16,831. The lease was terminated in September 2020 concurrent to the closure of the branch.

m. Two-year lease of an office space for its General Santos satellite office effective May 1, 2019 to April 30, 2021 with stipulated monthly rent of Php 22,840 and Php 24,553 for the 1st and 2nd year, respectively.

n. Two-year lease of an office space for its Tarlac satellite office effective April 1, 2018 to March 31, 2020 with stipulated monthly rent of Php 14,000. The lease was renewed in April 2020 for an annual rent renewable upon mutual agreement of the lessor and the lessee.

o. Annual lease of an office space for its Iloilo satellite office with stipulated monthly rent of Php 10,000.

p. Five-year lease of an office space for its Lipa branch effective January 1, 2016 to January 1, 2021. The stipulated monthly rent of Php 62,500 shall have an escalation rate of 5.0% annually. The lease was terminated in November 2020 concurrent to the closure of the branch.

q. Lease of an office space for its Bacolod branch effective December 1, 2019 to November 30, 2021 with stipulated monthly rent of Php 33,000. The lease was terminated in September 2020.

r. Three-year lease of an office space for its Commonwealth satellite office effective September 1, 2018 to August 31, 2021 with stipulated monthly rent of Php 41,022 and have an escalation rate of 5% annually. The lease was terminated in October 2020 concurrent to the closure of the branch.

s. Two-year lease of an office space for its Cavite satellite office effective April 1, 2018 to March 31, 2020 with stipulated monthly rent of Php 21,000 and have an escalation rate of 5% annually. The lease was renewed in April 2020 but subsequently terminated in October 2020 upon closure of the satellite office.

t. Two-year lease of an office space for its Palawan satellite office effective November 1, 2019 to October 31, 2021 with stipulated monthly rent of Php 30,250 and have an escalation rate of 10% annually. The lease was terminated in June 2020 upon closure of the branch.

u. Three-year lease of an office space for its Masinag satellite office effective July 1, 2018 to June 30, 2021 with stipulated monthly rent of Php 25,200 and shall have an escalation rate of 8% annually. The lease was terminated in July 2020 upon closure of the branch.

The Company applies the 'short-term lease' recognition exemptions for annual leases.

The rollforward analysis of right of use assets follows:

	2020	2019
Cost		
As at January 1	Php 134,366,026	Php 127,580,776
New leases during the year	1,692,606	6,785,250
Pre- terminated leases	(5,721,828)	–
As at December 31	130,336,804	134,366,026
Accumulated Depreciation		
As at January 1	40,600,875	–
Depreciation expense	40,251,671	40,600,875
Pre-terminated leases	(3,886,027)	–
As at December 31	76,966,519	40,600,875
	Php 53,370,285	Php 93,765,151

The rollforward analysis of lease liabilities follows:

	2020	2019
As at January 1	Php 93,487,372	Php 123,198,853
New leases during the year	1,692,606	6,241,947
Terminated leases	(1,499,148)	–
Accretion of interest	5,340,099	7,892,681
Payments	(42,146,186)	(43,846,109)
	Php 56,874,743	Php 93,487,372

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:

	2020	2019
Depreciation expense of right-of-use asset	Php 40,251,671	Php 40,600,875
Expense relating to short-term lease (Note 21)	3,882,402	4,685,879
Interest expense on lease liability	5,340,099	7,892,681
Total	Php 49,474,172	Php 53,179,435

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. Notes to the Statements of Cash Flows

The table below summarizes the changes in lease liabilities, including both changes arising from cash flows and non-cash changes.

	At January 1	Additions	Settlements	Other Adjustments	At December 31
2020	**Php 93,487,372**	**Php 1,692,606**	**(Php 36,806,087)**	**(Php 1,499,148)**	**Php 56,874,743**
2019	123,198,853	6,241,947	(35,953,428)	–	93,487,372

31. 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 5, 2021.

32. 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 company with output VAT declaration of Php 437,145,187 for the year based on the amount reflected in the Premium Income account of Php 3,642,876,564. The Company has zero-rated sales amounting to Php 392,350,859.

Input VAT

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

At January 1, 2020	Php 16,832,031
Current year's domestic purchases/payments for:	
Purchase of goods	3,244,798
Payment for services	158,992,240
	179,069,069
Total Input VAT claimed during the year	161,851,024
At December 31, 2020	Php 17,218,045

Documentary Stamp Tax (DST)

The DST paid on the following transactions are:

Transaction	DST
Policies of insurance upon property	Php 455,981,198
Accident and health	430,202
Compulsory third-party liability (CTPL)	10,143,979

Other Taxes and Licenses

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

Local	
License and permit fees	Php 946,126
National	
Payment of deficiency taxes	4,346,941
DST on foreign exchange and SEC	1,216,868
Licenses of agents	918,291
Fees paid to the Security and Exchange Commission	691,800
Fringe benefit taxes	562,451
Fees paid to the Insurance Commission	348,320
Tax on sale on sale and purchase of stocks	307,916
LTO car registration fees	154,541
BIR annual registration	11,000
DST on customized cheque/license of agents	1,500
Others	249,085
Total	**Php 9,754,839**

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 95,899,008
Fire service tax	34,761,914
Premium tax	2,233,443
	Php 132,894,365

Withholding Taxes

The amount of withholding taxes paid/accrued in 2020 amounted to:

Expanded withholding taxes	Php 23,784,224
Withholding taxes on compensation and benefits	17,977,221
Final withholding taxes	2,026,519
	Php 43,787,964

Tax Contingencies

The Company is currently under preliminary tax audit 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.

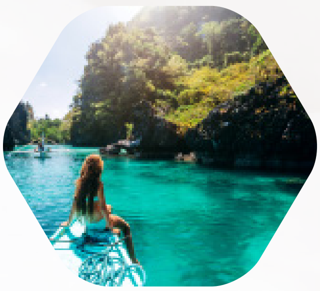
Product Portfolio

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

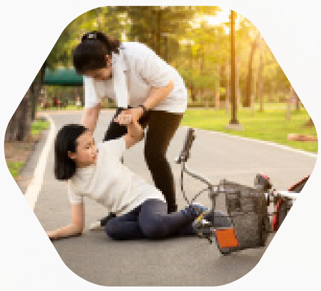
Individual Motor

Residential



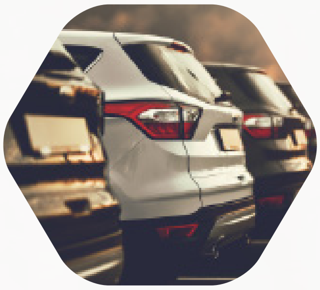
Travel

Medical



Personal Accident

Corporate Products



Motor Fleet

Surety Bonds

Financial Lines

Engineering

Marine Cargo

Casualty

Commercial and Industrial Property

Group Personal Accident

FPG Insurance Branches

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