CPMI

ANNUAL REPORT 2022

SAMA-SAMANG PAGSULONG

PAGPUPUGAY NG MGA PUSONG NAGDIRIWANG AT NAGPAPASALAMAT

CONTENTS

ABOUT THE COVER

In the past two years, we braved every challenge with a humble heart and a resilient mindset. While the recent global health crisis drove us into isolation — demanding us to change the way we normally do things — we took it as an opportunity to rediscover and reflect on our purpose of being. Like a seed buried into the deep earth, we found strength in the challenge to break out into the ground.

This 2022, we embarked on a journey towards recovery. We are again in full bloom.

Sama-samang pagsulong: Pagpupugay ng mga pusong nagdiriwang at nagpapasalamat (Moving forward together: A tribute from reverent and grateful hearts), this annual report's theme, captures our sentiment for all institutions and people, both clients and staff, who helped us achieve the many successes for every Filipino family. We take every step forward as a cause for celebration, a reason to be grateful.

The petals on the cover represent the stories of how we bounced back. The festive colors and lines signify each of our member-institutions, connecting at a certain point, ensuring that we continue to remain as institutions that mutually support and reinforce one another. Moreover, throughout the pages of the report, the products of CARD MRI clients are featured — from food items to souvenir products, to clothing — as we pay homage to their strength and dedication, their artistries, and their stories.

CARD MRI keeps a grateful heart that never falters to serve and empower people as we achieve a poverty-free Philippines.

VISION

We provide value to our stakeholders.

Our customers are consistently happy with our services, and recommend our Microinsurance programs to their family, friends and communities.

Our employees passionately work for a purpose in a culture of appreciation and continuous professional growth.

Our partners prefer to work with us and recognize the added value of our programs to their core business.

Our organization recognizes us for driving new and better ways of insuring more Filipinos.

MISSION

We are the benchmark in Microinsurance.

We transform our employees to be the drivers of positive change.

We influence our partners to be the instruments of economic inclusion and sustainable development.

We support our organization to unlock and achieve new possibilities in insuring more Filipinos.

We inspire Filipinos to live better lives and pursue bigger dreams.

A TRIBUTE TO OUR TRIUMPHS

DR. JAIME ARISTOTLE B. ALIP
CARD MRI FOUNDER AND CHAIRMAN EMERITUS

Grateful. If there was a single word I can use to summarize what the year 2022 was for CARD Pioneer Microinsurance Inc. (CPMI) then that would be grateful. Since 2020, CPMI has encountered numerous challenges, such as the COVID-19 pandemic, that had the potential to adversely affect and hinder our services to the millions of our clients and communities throughout the Philippines. In response to these uncertainties, CPMI made great strides to quickly strengthen and adapt in the new normal to continue providing our microinsurance services, especially to the families who needed help during those trying times. Now, after two years, I am proud to say that we have successfully overcome these challenges and have gained quite substantial accomplishments in turn, thanks in large part to the collective dedication of our institutions, staff, and clients.

I am thankful that our collective efforts to achieve our goal of poverty eradication continue to prosper. During the span of two years under a pandemic, our microinsurance institution took the risk of providing our microinsurance products and services to our existing clients as well as to the new communities we expanded in. It is invigorating to know that this risk-taking bore fruit and now more Filipino families have access to CPMI's microinsurance products. We remained committed to developing and providing accessible insurance products and services fit for times we are currently in.

Our accomplishments in the year 2022 are a testament to the strong and collective spirit we have built with our clients and communities. Had it not been for the relationship and trust we fostered throughout the years, I believe we would not have been able to achieve as much as we have during this pandemic. This bond is best exemplified by our staff whose loyalty and dedication is simply a humbling and inspiring sight to behold. Thanks to their support and passion, our clients did not lose hope and thus made great efforts themselves to build back their lives. I am truly humbled to know how CPMI's core values guided our staff in their duties, and made a positive effect with how our clients faced adversities as well. I am also grateful to witness how much of an impact we have made in the lives of our clients and I hope we continue to inspire and help more Filipinos to strive for a better life.

Moving forward, I hope our connection with our communities continues to blossom as CPMI expands throughout the Philippines. Staying true to our course is crucial in our line of work, and knowing who we do all this for is the key to that. Rest assured, I will do everything in my capacity to guide CPMI's strategic direction and management. As our time in the pandemic hopefully draws to a close, I'm enthusiastic to imagine what more we can build and achieve in the years to come, now that a triumphant and united CPMI has emerged, ready and eager to serve the Filipino people.

THE KEY TO SUCCESS

We at CARD Pioneer Microinsurance Inc. (CPMI) end the year 2022 with celebration and thanksgiving. After overcoming the challenges we have faced since the start of 2020, we have emerged triumphant and jubilant with our successful recovery from the pandemic, and our numerous achievements these past two years. Thanks to our collective effort, CPMI's duty to provide our integrated microinsurance and social development services to our clients and communities was unimpeded, and our consistent objective to expand and widen our reach to more underserved areas in the Philippines vigorously continued.

ARISTEO A. DEQUITO
CARD MRI MANAGING DIRECTOR

Being united in a common goal was our key to success, and the great results from all our work this year are a testament to that. CPMI is very proud of what we were able to achieve and now we once again would like to humbly share some of our accomplishments this 2022.

Building upon Foundations

In the midst of the challenges faced by Filipinos, especially those in the vulnerable sector, CPMI is always here to support and make them resilient after unforeseen events. CPMI also remained consistent with fine tuning and introducing new products and services to best fit the various needs of our clients and communities.

CPMI has further strengthened and enhanced the health coverage of our insurance products to be a pillar of support for our clients. At CPMI, we constantly adapt to changes and the evolving needs of our clients. We introduced ProteKITA to ensure the security of small business owners from the impacts of natural disasters. To also assist our konek2CARD agents who became victims of fraud and theft, we launched the Konek2Protek insurance product. Additionally, we have IponProtek to safeguard their savings.

In the years to come, CPMI will endeavor to improve and adapt our products and services while still holding value to our traditions and previous ways when we were just a fledgling microinsurance company.

Braving another Tomorrow

As CPMI prepares to face another year this 2023, we are once again thankful for how far we have come after nine years of our work in microinsurance and development. Throughout all those years, we have gained many valuable lessons, most recently from the pandemic, and we shall strive to continue to learn from all our experiences in the many years to come. One constant insight though seems to still ring true for us; the importance of our connection with our clients and communities. Being one with the people we serve was our key to success, and now that another door of opportunities has opened before us, rest assured CPMI shall bravely enter it, knowing that we have our clients and communities closely by our side.

OUR COLLECTIVE SUCCESS

Over the past two years, a string of turbulent and unforeseeable events has left its mark in our country. From the pandemic that gripped us all to the calamities that struck communities, the challenges seemed unending.

Nevertheless, we succeeded. Known for our resilience, the Filipinos refused to let these adversities rob us of our hope. With unwavering determination, together, we have overcome these obstacles. Our MSME clients have resumed their businesses. More families have stabilized their finances.

From our end, we are gratified to know that more individuals learn the significance of insurance and our commitment to safeguarding their future. Having first-hand experience with the calamities that passed, individuals gained a sense of urgency to insure their families. We witnessed an increase in insurance awareness among the public. With this understanding of the importance of having a safety net, more people accepted the value of insurance products.

In turn, we saw a rise in our sales. We have seen a 20% increase in our sales premium. Our sales skyrocketed by a staggering 58% compared to our lowest in 2020 when the pandemic hit our country. Most importantly, we have gained the people's trust. CPMI has established itself in the micro market. It has become one of the most trusted players in the microinsurance industry.

JOCELYN D. DEQUITO
CHAIRPERSON

All these achievements we had over the past years would not be possible without the concerted efforts of everyone in CARD MRI. We owe this success to the unwavering support of our top management and the tireless efforts of our staff, including our microinsurance coordinators and microinsurance supervisors.

With the overwhelming support of CARD management, we were able to create development-oriented products. Our fellow CARD institutions also assisted us in implementing our services. Working closely with CaMIA, we continuously generate ideas and develop products that address the needs of the changing times. In times of calamities and natural disasters, we, together with CARD MBA, are among the first responders on the ground to assist our affected clients. Thanks to the entire CARD MRI team, we accomplished all these tasks.

Furthermore, we acknowledge our staff, microinsurance coordinators, and microinsurance supervisors. They serve as our direct line of communication with our clients. Without their hard work, we would not have been able to reach out to the communities.

To reciprocate the efforts of our operations team, we provide our team with programs and services designed to promote their continuous learning and development. They are given training opportunities and engagement activities that deepen their understanding of microinsurance. We also extend cash and incentive programs to acknowledge their contributions and show our appreciation. We hope that by doing so, we inspire them to persevere in working with CPMI towards our goal of providing a safety net to communities.

Most importantly, CPMI extends its gratitude to our clients who have remained with us throughout the years. Our institution owes its existence to them. Without our clients continuous patronage, CPMI would not be where it is today. As a way of giving back, CPMI vows to fulfill its mandate of uplifting the communities. We will listen intently to their concerns, adapt to their evolving needs, and respond proactively with inclusive products and services. Our dedication to serving our clients remains steadfast. We will tirelessly work towards achieving our shared vision of creating a safer and more secure future for all.

We are filled with immense joy and a sense of fulfillment in serving the communities most in need. And we are determined to continue doing so. Together with CARD MRI institutions, our staff, and our partner clients who have been instrumental in bringing our services closer to the communities, CPMI will persevere in fulfilling our mission. With this renewed commitment, we look forward to a year, to more decades of serving the communities. We will strive to provide access to financial services, microinsurance, and social development programs. In this way, we hope to make a meaningful contribution to CARD MRI's fight against poverty.

RESPONDING TO THE CHALLENGES OF TIMES

For the past two years, we saw how the global health crisis affected our country. Public health was put at risk. Some microenterprises saw a decrease in their revenues. In the worst cases, small businesses were forced to close.

Apart from the pandemic, the inevitable natural calamities also struck some parts of the country. There goes the earthquake that shook northern Luzon. There go the tropical storms that struck the country.

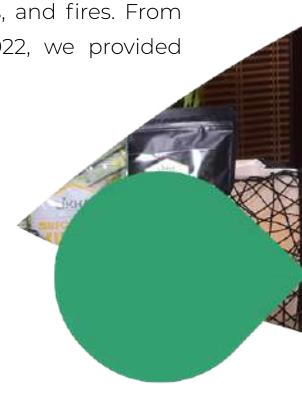
In the face of these adversities, CARD Pioneer Microinsurance, Inc. strived to deliver services to socio-economically challenged women and families. With the help of our staff, microinsurance agents, and clients, we surpassed the challenges we had. Most especially, we were able to reach significant accomplishments in 2022.

Meeting the demands

The pandemic may have been the most formidable obstacle CPMI has faced in recent years. Still, it did not stop us from delivering our services. Instead, it fueled our commitment to reach more communities – and we succeeded. We earned the people's trust. We have encouraged more individuals to insure themselves and their families. Through our products and services, we were able to meet the demands of our clients.

In response to the ongoing health crisis, CPMI continuously provides products that primarily focus on our clients' and members' health. Among these is CARD Care Plus, an affordable insurance product that includes Personal Accident Benefits and Daily Hospital Income benefits for members afflicted by illnesses. With the continued threat of COVID-19 in our communities, we increased the benefits for our insured members. Our members now receive an increased benefit of PHP10,000 for Personal Accident Benefit and PHP500 per day for Daily Hospital Income, up from the previous amounts of PHP5,000 and PHP250, respectively. In 2022, we provided hospitalization benefits amounting to a total of PHP74,033,150 to 849,273 individuals.

In addition to responding to the health crisis, CPMI has assisted our members affected by disasters and natural calamities. Through our Sagip Plan and Kabuklod Plan, we provided cash assistance to our members affected by personal accidents, sudden deaths, calamities, and fires. From January to December 2022, we provided



PHP165,475,406 claims benefits to 818,896 Sagip Plan policyholders. We also disbursed PHP93,940,000 claims benefits to 582,655 Kabuklod Plan policyholders.

Aside from strengthening our existing life and non-life insurance products, CPMI has been developing products to meet the growing demands of our client-members.
We introduced the ProteKITA to support microbusinesses affected by natural calamities. The product gives cash assistance to our client-members whose physical stores have been damaged by natural calamities and fire. Aside from properties, personal accident is also covered by the insurance policy. In 2022, we provided financial assistance to 613 affected MSME clients.

"We also recognize the importance of maintaining our presence in the communities we serve. CPMI is not only a microinsurance company, but we are a development-oriented institution. Therefore, it is crucial that we integrate the human touch into all of our initiatives. "

MELINDA GRACE M. LABAO
OIC FOR MICROINSURANCE

CPMI prioritizes not only the welfare of our MSME clients, but also that of CARD's partner clients. As part of this commitment, we have created Konek2Protek, an optional insurance program for our konek2CARD agents. This product provides security to our konek2CARD agents should they fall victim to fraud and robbery. Although the product is still in its infancy, CARD PIONEER has already insured 13,672 konek2CARD agents, with a total of PhP149,108 in claims benefits released.

We also launched IponProtek, an insurance program specifically made for CARD savers. This policy adds a layer of security to their savings accounts, in case of unexpected demise of the policyholder. As of 2022, about 3,107 depositors have insured their savings accounts.

Lastly, we worked with BotiCARD and CARD MRI Insurance Agency (CaMIA) to develop BotiCARD Healthcare Plus (BHP). It is an annual subscription which provides our clients and members with packs of medicine in times of need. This includes vitamins, maintenance medicine, as well as emergency drugs.

To summarize, CARD PIONEER has insured 10,772,128 lives in the year 2022. We have disbursed a total amount of PhP436,450,015 in claims benefits to individuals affected by accidents, deaths, calamities, and natural disasters. We owe this milestone to the unwavering support of our top management and the tireless efforts of our staff, including our microinsurance coordinators and microinsurance supervisors.

Extending our reach

In all our endeavors, we ensure that our work aligns with CARD MRI's 10-20-80 strategic direction. In 10 years, we have provided financial services to 20 million individuals and insured 80 million lives. CPMI is committed to achieving our part in this mission. We will work toward improving the lives of millions of people by providing them with the tools and resources they need to achieve financial security and stability. We are committed to working with communities and other stakeholders to increase awareness and access to insurance products.

To achieve this goal, we recognize the need to extend our reach beyond the CARD MRI network. CPMI is committed to reaching out to more communities. We will provide them with our existing products. Furthermore, we will continue to develop products that will respond to specific demands.

We will improve our Sagip Plan by extending its coverage to our elderly members. With the new Sagip Platinum, members aged

80 and above will receive life and non-life insurance benefits.

In addition, we will look into enhancing our CARD Care Plus program. We will provide insurance coverage to our clients' dependents as well. Our client's spouse, children, and grandchildren will receive personal accident benefits and cash assistance should they be hospitalized due to an accident or illness.

Also, we are exploring the possibility of making our Kabuklod Plan available to individuals. Previously, our insurance product was only available to groups with at least three members. With the enhanced policy, an individual group member will now be allowed to purchase our plan.

Lastly, we will continuously create promotional offers and insurance bundles for our clients. In this way, our clients are provided insurance coverage at a much more affordable price.

Adapting a high-tech and high-touch approach

As the world becomes increasingly digital, we recognize the need to adapt and keep up with the times. With this in mind, CPMI is committed to continuing our digitalization processes. This means using technology to enhance our services and improve customer experience.

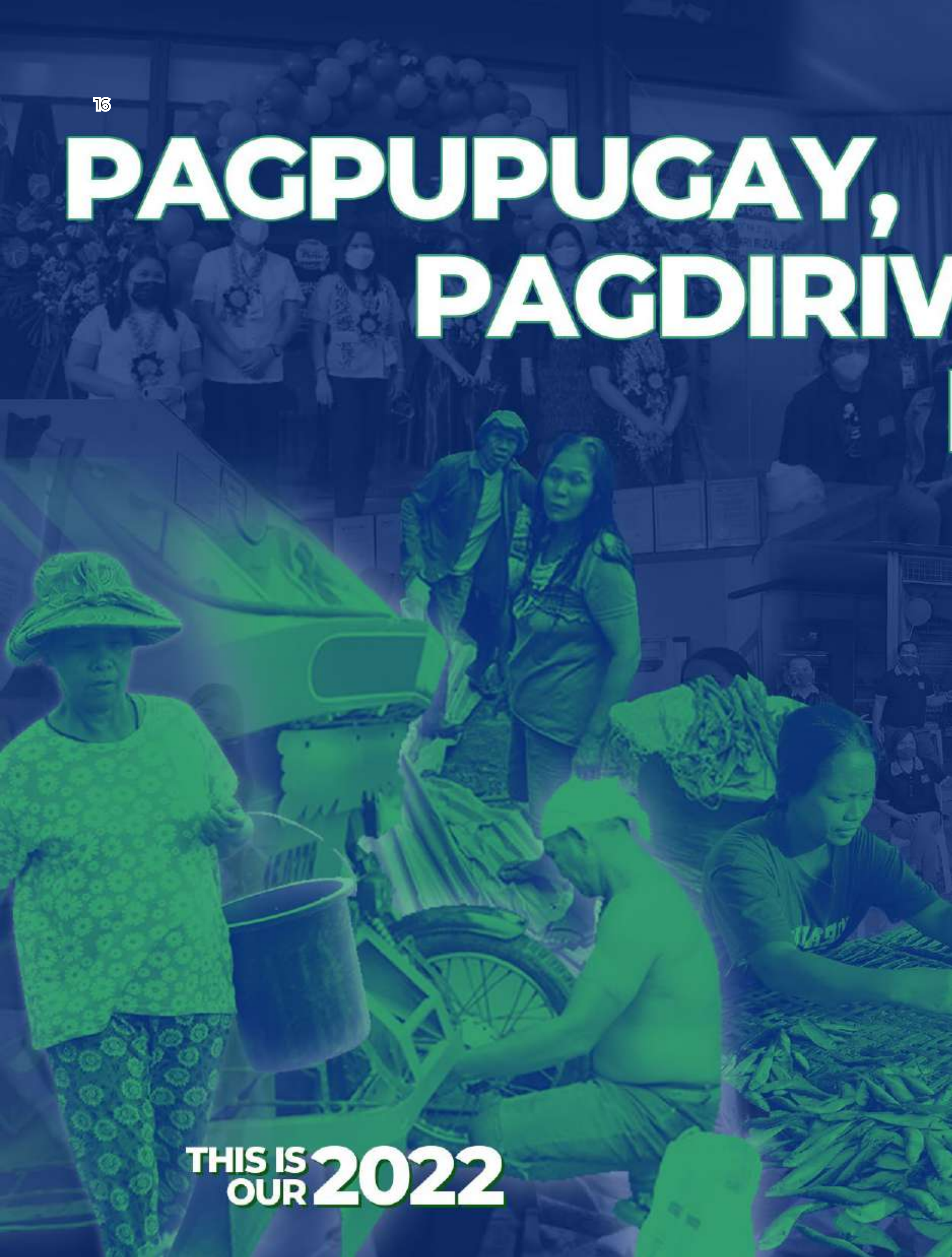
However, we also recognize the importance of maintaining our presence in the communities we serve. CPMI is not only a microinsurance company. We are a development-oriented institution. Therefore, it is crucial that we integrate the human touch into all of our initiatives. We have to make CPMI visible and actively present in the community. The more our clients see us, the more trust they have in our institution.

Moving towards our mission

The previous years indeed, have been challenging for CPMI. Despite this, we have succeeded. Thanks to the collective effort of everyone in CARD MRI, from our team to the communities we serve, we overcome these challenges and emerged stronger.

As we enter a new year, CPMI reflects on our accomplishments for the past decade since our inception. We are grateful to everyone who has helped us reach where we are today, and we vow to strive harder. We will continue to provide access to microinsurance products and financial services. Together with CARD MRI institutions, we will bring development-oriented programs to communities. We will persevere to provide a safety net for all until we achieve our ultimate goal: a nation free from poverty.

PAGPUPUGAY, PAGDIRIV



WANG, at PASASALAMAT

Emelita
Thank you po CPMI... 💖
malungkot nga po sa ngaun dahil ang partner ko ay namaalam na...kahit masakit para sa katulad ko namawalan ng katuwang sa buhay...sa panahonng yun di po ako nahirapan sa gagastusin kasi po nandyan po so CPMI ....kaya buong pamilya ko malaki ang tiwala at Panatag ang bukas.... 💖💖💖

Riza
Maraming salamat CPMI ❤️ proud member of SAGIP Plan holder. Panahon Ng Lindol 2013 maraming members natolongan Bagyong ODETTE maraming members nakatanggap Ng mga Benefits sa CPMI .maraming salamat po Ang Pamilyang Segurado PROTEKTADO.

Jane
Ilang members na ang nakapag claim sa calamity at tunay na maaasahan ang ating mga insurance pagdating sa mga trahedya na hnd ntn inaasahan.Maraming salamat CARD PIONEER MICRO INSURANCE PRODUCTS ❤️

Rosita
Maraming salamat CPMI, katuwang sa buhay namin ang tulong nang mga microinsurance na inihandog galing sa iyo para po sa aming mga membro..

Jennie
Thank you CPMI ❤️❤️❤️maaasahan ka oras ng kgipitan especially sa mga claims, hospitization,calamity aids,and burial benefits mlki Ang naitutulong ng CPMI products sa mga members ng Card MRI.❤️❤️❤️

2022 YEAR-END REVIEW

SAGIP PLAN
No. of Insured Individuals
818,896
Total Premium
PHP 453,446,186

KABUKLOD
No. of Insured Individuals
582,655
Total Premium
PHP 119,321,083

CARD CARE PLUS
No. of Insured Individuals
849,273
Total Premium
PHP 338,846,638

MEDICASH
No. of Insured Individuals
22,030
Total Premium
PHP 3,491,796

NEGOSURE
No. of Insured Individuals
34
Total Premium
PHP 33,390

BINHI
No. of Insured Individuals
6,680
Total Premium
PHP 4,726,239

ER CARE
No. of Insured Individuals
11,488
Total Premium
PHP 21,305,086

PROTEKITA
No. of Insured Individuals
613
Total Premium
PHP 856,036

IPONPROTEK
No. of Insured Individuals
3,107
Total Premium
PHP 29,201

KONEK2PROTEK
No. of Insured Individuals
13,672
Total Premium
PHP 13,425,636

VITALIANO N. NAÑAGAS II
Independent Director

JOCELYN D. DEQUITO
Chairperson

LORENZO O. CHAN JR.
Director

BOARD OF DIRECTORS

DAVID C. COYUKIAT
Director

ATTY. JOMER H. AQUINO
Independent Director

VENER S. ABELLER
Director

MANAGEMENT COMMITTEE

Ms. Melinda Grace Labao
Officer-in-Charge

Mr. Aristopher Punzalan
Chief Operating Officer

Ms. Anna Danife Chan-Manese
Microinsurance Admin Head

Ms. Rosita Abanto
Microinsurance Sales Head

Ms. Ma. Cristina De Guzman
Accounting Head

Mr. Romeo Casta
Microinsurance Claims Head

Ms. Sherrie Mae Arellano
Microinsurance Training Head

Mr. Cedric Josue
Accounting-Financial Reports

OUR PARTNERS

- Alalay Sa Kaunlaran Microfinance Social Development, Inc.
- Aragon Security and Investigation Agency, Inc.
- Assistance and Cooperation for Community Resilience and Development, Inc.
- Ating Kooperatiba Multi-Purpose Cooperative
- Cantilan Bank, Inc.
- Caridad Ilaya Multi-Purpose Cooperative
- Cooperative Alliance for Responsive Endeavor Mutual Benefit Association (CARE MBA), Inc.
- FSG Technology Ventures, Inc.
- Jewel of the North Lending Investor, Inc.
- Kaalalay Foundation, Inc.
- Kasagana-Ka Development Center, Inc.
- Katipunan Banking Corporation “A Rural Bank”
- Kazama Grameen Microfinance Inc.
- Larfarm Workers Association
- Libra Finance & Investment Corporation
- Natcco Mutual Benefits Association Inc.
- Ozamis City Peoples Multi-Purpose Cooperative
- Paglaum Multi-Purpose Cooperative
- Peoples Alternative Livelihood Microfinance Foundation of Sorsogon, Inc.
- People’s Microfinance Cooperative
- Phinma Education Network (Araullo University)
- Phinma Education Network (Cagayan De Oro College)
- Phinma Education Network (Saint Jude College)
- Phinma Education Network (University of Iloilo)
- Primoris Manpower Services Company
- Republican College
- Rimansi Mutual Solutions Inc.
- St. Jude Multi-Purpose Cooperative
- Taytay Sa Kauswagan Inc.
- The Commoner Masa Foundation Inc.
- University of Pangasinan-Main
- University of Pangasinan-Urdaneta

OUR PHYSICAL PRESENCE

MAKATI CITY, METRO MANILA

Head Office

LUZON

A
- Albay
- Apayao
- Aurora

B
- Bataan
- Batanes
- Batangas
- Benguet
- Bulacan

C
- Cagayan
- Camanava
- Camarines Norte
- Camarines Sur
- Catanduanes
- Cavite
- Coron
- Cuyo

I
- Ifugao
- Ilocos Norte
- Ilocos Sur
- Isabela

K
- Kalinga

L
- La Union
- Laguna

M
- Masbate
- Mindoro
- Mindoro
- Mt. Province

N
- NCR
- Nueva Ecija
- Nueva Vizcaya

P
- Palawan
- Pampanga
- Pangasinan
- Pangasinan

Q
- Quezon
- Quirino

R
- Rizal
- Romblon

T
- Tarlac

VISAYAS

A
- Aklan
- Aklan
- Antique

B
- Biliran
- Bohol

C
- Capiz
- Cebu North
- Cebu South

E
- Eastern Samar

I
- Iloilo

L
- Leyte

N
- Negros Occidental
- Negros Oriental
- Northern Samar

S
- Samar
- Siquijor
- Southern Leyte

MINDANAO

A
- Agusan del Norte
- Agusan del Sur

B
- Basilan
- Bukidnon

C
- Coatabato

D
- Davao de Oro
- Davao del Norte
- Davao Del Sur
- Davao Oriental
- Dinagat

L
- Lanao del Norte
- Lanao del Sur

M
- Maguindanao
- Misamir Oriental
- Misamis Occidental

N
- North Cotabato

S
- Sarangani
- Siargao
- South Cotabato
- Sultan Kudarat
- Sulu
- Surigo del Norte
- Surigo del Sur

T
- Tawi-tawi

Z
- Zamboanga del Norte
- Zamboanga del Sur
- Zamboanga Sibugay

AUDITED FINANCIAL STATEMENTS

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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Tel: (632) 8891 0307
Fax: (632) 8819 0872
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
CARD Pioneer Microinsurance Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CARD Pioneer Microinsurance Inc., (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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 28 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 CARD Pioneer Microinsurance Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
Tax Identification No. 178-486-666
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 91096-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-081-2021, February 1, 2021, valid until January 31, 2024
PTR No. 9564685, January 3, 2023, Makati City

April 5, 2023

CARD PIONEER MICROINSURANCE INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Cash and cash equivalents (Notes 4 and 26)	**₱690,710,410**	₱1,328,395,023
Insurance receivables - net (Notes 5 and 26)	**72,092,530**	52,045,469
Financial assets (Notes 6 and 26)		
Financial assets at fair value through profit or loss (FVTPL)	**56,945,720**	40,027,986
Investment securities at amortized cost	**2,117,514,897**	1,074,994,835
Interest receivable (Notes 7 and 26)	**21,243,542**	15,251,931
Deferred acquisition costs (Note 8)	**22,308,539**	18,209,435
Reinsurance assets (Notes 9, 13 and 26)	**97,666,972**	69,173,935
Investment property - net (Note 10)	**10**	10
Property and equipment - net (Note 11)	**731,096**	2,394,602
Deferred tax assets - net (Note 22)	**7,465,768**	6,009,753
Net pension asset (Note 15)	**8,050,607**	3,378,728
Right-of-use assets (Note 24)	**3,969,767**	688,864
Other assets (Note 12)	**16,766,973**	78,019,081
TOTAL ASSETS	**₱3,115,466,831**	₱2,688,589,652
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 13 and 26)	**₱592,437,008**	₱471,331,543
Insurance payables (Notes 14 and 26)	**40,657,550**	56,316,467
Accounts payable and accrued expenses (Notes 16 and 26)	**167,806,510**	113,526,348
Deferred reinsurance commissions (Note 8)	**5,904**	176,175
Income tax payable	**51,251,225**	21,871,790
Lease liabilities (Note 24)	**4,154,012**	742,797
Total Liabilities	**856,312,209**	663,965,120
Equity		
Capital stock (Notes 17 and 25)	**625,000,000**	625,000,000
Contributed surplus	**89,019,631**	89,019,631
Retained earnings	**1,543,450,399**	1,309,736,399
Net remeasurement gain on defined benefit obligation (Note 15)	**1,684,592**	868,502
Total Equity	**2,259,154,622**	2,024,624,532
TOTAL LIABILITIES AND EQUITY	**₱3,115,466,831**	₱2,688,589,652

See accompanying Notes to Financial Statements.

CARD PIONEER MICROINSURANCE INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
REVENUES		
Gross earned premiums on insurance contracts (Note 18)	**₱1,026,477,066**	₱802,902,957
Reinsurers' share of gross earned premiums on insurance contracts (Note 18)	**(77,747,010)**	(133,819,197)
Net earned premiums	**948,730,056**	669,083,760
Investment income - net (Note 19)	**83,431,687**	58,161,934
Commission income (Note 8)	**268,665**	7,838,305
Foreign currency exchange gains - net	**23,687,227**	15,189,971
Total Revenues	**1,056,117,635**	750,273,970
BENEFITS, CLAIMS AND EXPENSES		
Gross insurance contract benefits and claims paid (Notes 13 and 20)	**325,878,629**	238,135,964
Reinsurers' share of gross insurance contract benefits and claims paid (Notes 13 and 20)	**(50,680,275)**	(71,171,711)
Gross change in insurance contract liabilities (Notes 13 and 20)	**41,020,916**	(52,805,185)
Reinsurers' share of gross change in insurance contract liabilities (Notes 13 and 20)	**(35,726,463)**	50,525,007
Net insurance benefits and claims (Notes 13 and 20)	**280,492,807**	164,684,075
General expenses (Note 21)	**300,852,532**	207,889,247
Commission expense (Note 8)	**56,476,123**	48,842,124
Total Benefits Claims and Expenses	**637,821,462**	421,415,446
INCOME BEFORE INCOME TAX	**418,296,173**	328,858,524
PROVISION FOR INCOME TAX (Note 22)	**105,977,528**	76,087,290
NET INCOME	**₱312,318,645**	₱252,771,234

See accompanying Notes to Financial Statements.

CARD PIONEER MICROINSURANCE INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
NET INCOME	**₱312,318,645**	₱252,771,234
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be recycled to profit or loss		
Remeasurement gain on defined benefit obligation (Note 15)	**1,088,120**	1,283,470
Income tax effect (Note 22)	**(272,030)**	(320,868)
	816,090	962,602
TOTAL COMPREHENSIVE INCOME	**₱313,134,735**	₱253,733,836

See accompanying Notes to Financial Statements.

CARD PIONEER MICROINSURANCE INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock (Notes 17 and 25)	**Contributed Surplus** (Notes 25)	**Net Remeasurement Gain (Loss) on Defined Benefit Obligation** (Note 15)	**Retained Earnings**	**Total**
As at January 1, 2022	**₱625,000,000**	**₱89,019,631**	**₱868,502**	**₱1,309,736,399**	**₱2,024,624,532**
Net income	**–**	**–**	**–**	**312,318,645**	**312,318,645**
Other comprehensive income	**–**	**–**	**816,090**	**–**	**816,090**
Cash dividends	**–**	**–**	**–**	**(78,604,645)**	**(78,604,645)**
Total comprehensive income	**–**	**–**	**816,090**	**233,714,000**	**234,530,090**
As at December 31, 2022	**₱625,000,000**	**₱89,019,631**	**₱1,684,592**	**₱1,543,450,399**	**₱2,259,154,622**
As at January 1, 2021	₱500,000,000	₱89,019,631	(₱94,100)	₱1,181,965,165	₱1,770,890,694
Net income	–	–	–	252,771,234	252,771,234
Other comprehensive income	–	–	962,602	–	962,604
Stock dividends	125,000,000	–	–	(125,000,000)	–
Total comprehensive income	125,000,000	–	962,602	127,771,234	253,733,838
As at December 31, 2021	₱625,000,000	₱89,019,631	₱868,502	₱1,309,736,399	₱2,024,624,532

See accompanying Notes to Financial Statements.

CARD PIONEER MICROINSURANCE INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱418,296,173**	₱328,858,524
Adjustments for:		
Interest income (Note 19)	**(87,968,953)**	(59,281,997)
Unrealized foreign exchange gain	**(23,687,227)**	(15,189,971)
Depreciation and amortization (Notes 11, 21 and 24)	**2,956,083**	3,353,223
Retirement benefit expense (Note 15)	**426,241**	1,723,048
Contributions to the pension fund (Note 15)	**(4,010,000)**	(4,000,000)
Fair value loss on financial assets through FVTPL (Note 19)	**3,074,280**	1,112,129
Loss from maturities of financial assets through FVTPL (Note 19)	**1,462,986**	–
Actuarial gain on service award liability	**(119,484)**	(57,385)
Interest expense on lease liability (Note 24)	**97,594**	38,906
Miscellaneous expense (Note 19)	**–**	7,934
Operating income before changes in working capital	**310,527,693**	256,564,411
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Insurance receivables	**(20,047,061)**	81,446,017
Deferred acquisition costs	**(4,099,104)**	(2,835,872)
Reinsurance assets	**(28,493,037)**	82,021,357
Other assets	**61,653,973**	(57,008,586)
Increase (decrease) in:		
Insurance contract liabilities	**121,105,466**	62,197,717
Insurance payables	**(15,658,917)**	(22,170,927)
Accounts payable and accrued expenses	**53,997,780**	(67,912,956)
Deferred reinsurance commissions	**(170,271)**	(4,811,225)
Net cash generated from operations	**478,816,522**	327,489,936
Income tax paid	**(78,326,138)**	(77,296,093)
Net cash provided by operating activities	**400,490,384**	250,193,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**91,094,250**	69,611,837
Acquisitions of:		
Investment securities at amortized cost (Note 6)	**(1,113,936,971)**	(69,438,761)
Financial assets through FVTPL (Note 6)	**(60,000,000)**	–
Property and equipment (Note 11)	**(184,648)**	(649,769)
Proceeds from maturities of:		
Investment securities at amortized cost (Note 6)	**62,300,000**	18,000,000
Financial assets through FVTPL (Note 6)	**38,545,000**	–
Net cash generated from (used in) investing activities	**(982,182,369)**	17,523,307
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends	**(78,604,645)**	–
Principal portion of lease liabilities	**(977,616)**	(391,817)
Interest expense on lease liabilities (Note 24)	**(97,594)**	(38,906)
Cash used in financing activities	**(79,679,855)**	(430,723)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**23,687,227**	15,189,971
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(637,684,613)**	282,476,398
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,328,395,023**	1,045,918,625
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱690,710,410**	₱1,328,395,023

See accompanying Notes to Financial Statements.

CARD PIONEER MICROINSURANCE INC.
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

CARD Pioneer Microinsurance Inc. (the "Company"), was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 1963. On June 26, 2012, the Company renewed its registration with SEC to extend its corporate life for another 50 years.

The Company is engaged in the business of nonlife insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events and to guarantee liabilities and obligations of any person, firm or corporation, and to act as agent of other insurance or surety companies, in any of its branches, including life insurance.

The Company is 47.88% owned by Pioneer Insurance & Surety Corporation (PISC), 46.08% by Center for Agriculture and Rural Development Mutual Benefit Association, Inc. (CARD MBA), 2.92% by Card MRI Insurance Agency Inc. (CaMIA), 1.48% by Pioneer Intercontinental Insurance Corporation (PIIC), 1.42% by Pioneer Life Inc. (PLI) and 0.21% by Pioneer Life Holdings, Inc. (PLHI).

The registered office address of the Company is Pioneer House, 108 Paseo de Roxas, Legaspi Village, Makati City.

The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on April 5, 2023.

2. Summary of Significant Accounting Policies

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

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

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, 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*

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

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

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

The Company has substantially completed its financial and operational impact assessment of adoption of PFRS 17. It is currently exploring its options on the changes needed to its data, systems and processes to meet the PFRS 17 requirements. The Company has also performed an initial quantification of the impact of PFRS 17 on its current lines of business, and expect the more significant impact to be on its 1) lines of business determined to be measured using the General Measurement Model; and 2) its contracts where settlement period exceeds more than a year.

Deferred effectivity

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

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2020 on the Company's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

<u>Translation of Foreign Currency-Denominated Transactions</u>

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

<u>Product Classification</u>

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

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

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

<u>Cash and Cash Equivalents</u>

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

Insurance Receivables
Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration. 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 the carrying amount may not be recoverable, with impairment loss recorded in the statement of income. Insurance receivables are derecognized following the derecognition criteria of financial assets.

Financial Instruments – Initial Recognition
Date of recognition
Financial instruments are recognized on the date 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 on the trade date.

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

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

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

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

Financial assets
The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

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

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

During the reporting period ended December 31, 2022 and 2021, there were no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement.

Day 1 difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 profit or loss amount.

Financial Instruments – Classification and Subsequent Measurement
The Company classifies its financial assets in the following categories: financial assets at FVTPL, financial assets at FVOCI and financial assets measured at amortized cost, while financial liabilities are classified as financial liabilities at amortized cost.

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

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

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

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

As of December 31, 2022 and 2021, the Company's financial assets comprise of financial assets at FVTPL and investment securities at amortized cost (see Notes 6 and 26).

As of December 31, 2022 and 2021, the Company's financial liabilities comprise of financial liabilities at amortized cost (see Note 26).

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, 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 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 FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

This category includes listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as ‘Dividends’ under ‘Investment and other income-net’ in the statement of income when the right of payment has been established.

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 rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company’s financial assets at amortized cost include Cash and cash equivalents, Interest receivable, Insurance receivables, and Investment securities at amortized cost.

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

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

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

Impairment of Financial Assets
PFRS 9 requires the Company to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

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

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

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

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

Staging assessment
For non-credit-impaired financial instruments:

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

For credit-impaired financial instruments:

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

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

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

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

Write-offs
Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. Any subsequent recoveries are credited to ‘Provision for credit losses’ under ‘General expense’ in the statement of income.

<u>Classification of Financial Instruments Between Debt and Equity</u>
A financial instrument is classified as debt, if it has a contractual obligation to:

- deliver cash or another financial asset to another entity, or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

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.

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

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

Financial liabilities

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

Offsetting of Financial Instruments

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

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurers. The impairment loss is recorded in the statement of income.

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

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

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

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

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

Deferred Acquisition Costs (DAC) and Deferred Reinsurance Commissions (DRC)
Costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts are deferred and charged against income using the 24th method. The unamortized acquisition costs are shown in the assets section of the statement of financial position as "Deferred acquisition costs." Reinsurance commissions are deferred and shown in the liabilities section of the statement of financial position as "Deferred reinsurance commissions," subject to the same amortization method as the related acquisition costs.

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

	Years
Computer and electronic equipment	3
Furniture, fixtures, and equipment	5
Transportation Equipment	5

Leasehold improvements are amortized over the term of the lease or estimated useful life of two (2) years, whichever is shorter.

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

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

Right-of-Use Assets
The Company recognizes right-of-use (ROU) assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term of one (1) to five (5) years.

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

Investment Property
Investment properties are properties that are held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are carried at cost less accumulated depreciation and any impairment in value. Depreciation is computed using the straight-line method over the estimated useful life of 10 years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

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

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

As of December 31, 2022 and 2021, the Company classified its investment property under Level 3 of fair value hierarchy.

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

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

Other Assets
Other assets are comprised of cash advances, claims fund, creditable withholding taxes, security fund, prepayments, input vat, various deposits and other receivable balances.

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

Claims provision
Outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with related claims handling costs, reduction for the expected value of salvage and other recoveries and MfAD. Delays can be experienced in the notification and settlement of certain types of claims; therefore, the ultimate cost of which cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money and includes provision for claims reported, IBNR, claims handling expense and MfAD. The provision for claims liability is based on the independent adjusters' report on the individual claims. The IBNR was estimated using Chain Ladder method based on both claims paid and claims incurred, Bornhuetter-Ferguson method based on both claims paid and claims incurred, and Expected Loss Ratio. The claims handling expense are the direct and indirect expenses incurred and paid during the processing and settlement of individual claims. The MfAD was estimated using the Stochastic Chain Ladder method to bring the actuarial estimate of the claims liabilities at 75% percentile level of sufficiency. No provision for equalization or catastrophic reserves is recognized. The liabilities are derecognized when the contract is discharged, cancelled or has expired.

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

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

December 31, 2022, the gross and net unearned premiums reserves remain sufficient to cover the estimated unexpired risk reserves at 75% confidence level.

Lease Liabilities

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

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

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual term, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Company as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of income on a straight-line basis over the lease term. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

<u>Revenue Recognition</u>
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company concluded that it is acting as a principal in all of its revenue arrangements.

<u>Revenue outside the scope of PFRS 15</u>
Premiums
Premiums from short-duration 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 reporting date are accounted for as provision for unearned premiums and is presented under "Insurance contract liabilities" in the liabilities section of the statement of financial position. The net changes in this account between reporting dates is charged against or credited to income for the year.

Commission income
Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method.

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

Other income
All other income items are recognized in the statement of income when earned.

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

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

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

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

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

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

Contributed surplus
Contributed surplus represents contribution of shareholders to the Company in compliance with the requirement of the IC.

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

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

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

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

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

Current tax and deferred tax relating to items recognized directly in the statement of comprehensive income are likewise recognized in the statement of comprehensive income.

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 substantially enacted as of end of the reporting period.

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

Movements in the deferred tax assets and liabilities arising from changes in the rates are charged against or credited to operations for the period.

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

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

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

Pension Cost
The Company has an unfunded, non-contributory retirement plan, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit actuarial cost method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement costs comprise the following:

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

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit and 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 (OCI) under "Net remeasurement gain or loss on defined benefit obligation" in the period in which they arise. Remeasurements are not recycled to profit and loss in subsequent periods.

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

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

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

3. Significant Accounting Judgments and Estimates

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

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

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

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

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

Classification of financial instruments
The Company classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Company performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

Estimates and Assumptions

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

Valuation of insurance contract liabilities

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

The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends. The amount of IBNR claims is calculated using Chain Ladder method based on both claims paid and claims incurred, Bornhuetter-Ferguson method based on both claims paid and claims incurred, and expected loss ratio. At each reporting date, prior year claims estimates are assessed for adequacy and any changes made are charged to provision for claims reported and claims IBNR. MfAD is estimated using the Stochastic Chain Ladder method to bring the actuarial estimate of the claims liabilities at 75% percentile level of sufficiency. Liability adequacy tests are also performed to get the URR wherein current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in the expected claims that have occurred, but which have not been settled are reflected by adjusting the liability for claims and future benefits and any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision for losses. Insurance claims liabilities are not discounted for the time value of money.

The carrying value of total claims payable and IBNR included in the insurance contract liabilities amounted to ₱99,994,777 and ₱58,973,860 as of December 31, 2022 and 2021, respectively (see Note 13).

Impairment of financial assets

The Company uses a provision matrix to calculate ECLs for insurance receivables. The provision rates are based on days past due per policy.

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

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease the assets' carrying values.

As of December 31, 2022 and 2021, the carrying value of insurance receivables amounted to ₱72,092,530 and ₱52,045,469, respectively (see Note 5). The Company's allowance for impairment losses on insurance receivables amounted to ₱41,157 as of December 31, 2022 and 2021, respectively (see Note 5).

As of December 31, 2022 and 2021, the carrying value of reinsurance assets amounted to ₱97,666,972 and ₱69,173,935, respectively (see note 9). The Company's allowance for impairment losses on reinsurance assets amounted to ₱11,814 as of December 31, 2022 and 2021, respectively (see Note 9).

Pension and other employee benefits
The cost of defined benefit plan and the present value of the pension obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

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. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected term of the defined benefit obligation as of reporting date. The mortality rate is based on publicly available mortality tables in the Philippines. Future salary increases are based on expected future inflation rates. The net pension asset amounted to ₱8,050,607 and ₱3,378,728 as of December 31, 2022 and 2021, respectively (see Note 15). Retirement benefit expense amounted to ₱426,241 and ₱1,723,048 for the year 2022 and 2021, respectively (see Note 15).

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

The carrying value of recognized deferred tax assets amounted to ₱14,652,046 and ₱10,300,330 as of December 31, 2022 and 2021, respectively (see Note 22).

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external and internal legal counsels and based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position as of reporting date.

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**₱523,500**	₱493,000
Cash in banks	**47,693,257**	93,864,100
Cash equivalents	**642,493,653**	1,234,037,923
	₱690,710,410	₱1,328,395,023

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earned interest at the short-term deposit rates ranging from 1.25% to 5.75% in 2022 and 1.13% to 1.75% in 2021.

Interest income from cash and cash equivalents amounted to ₱18.37 million and ₱15.58 million in 2022 and 2021, respectively (see Note 19).

5. Insurance Receivables - net

This account consists of:

	2022	2021
Due from ceding companies (Note 23)	**₱25,482,433**	₱20,037,360
Reinsurance recoverable on paid losses (Note 23)	**19,553,252**	7,249,352
Funds held by ceding companies (Note 23)	**19,226,072**	15,243,091
Premiums receivable	**7,871,930**	9,556,823
	72,133,687	52,086,626
Less allowance for impairment losses	**41,157**	41,157
	₱72,092,530	₱52,045,469

Due from ceding companies pertains to premiums collectible resulting from treaty and facultative acceptances from ceding companies.

Reinsurance recoverable on paid losses pertains to the Company's receivables from the reinsurers for their share on the losses paid by the Company. These amounts are due and demandable.

Funds held by ceding companies represent portion of the premiums withheld by ceding companies in accordance with reinsurance contracts. These amounts are generally collected within one year after the reporting date. Interest income from funds held by ceding companies amounted to ₱111,011 and ₱71,794 in 2022 and 2021, respectively (see Note 19).

Premiums receivable represent premiums on written policies that are collectible within ninety (90) days.

The aging analyses of insurance receivables follow:

	2022						
	0 to 60 days	**61 to 90 days**	**91 to 120 days**	**121 to 180 days**	**More than 180 days**	**Impaired**	**Total**
Due from ceding companies	**₱6,966,216**	**₱288,007**	**₱7,273,989**	**₱959,725**	**₱9,994,496**	**₱-**	**₱25,482,433**
Reinsurance recoverable on paid losses	**16,565,550**	**-**	**-**	**-**	**2,946,545**	**41,157**	**19,553,252**
Funds held by ceding companies	**228,854**	**-**	**1,446,973**	**-**	**17,550,245**	**-**	**19,226,072**
Premiums receivable	**4,059,158**	**328,139**	**830,095**	**724,462**	**1,930,076**	**-**	**7,871,930**
	₱27,819,778	**₱616,146**	**₱9,551,057**	**₱1,684,187**	**₱32,421,362**	**₱41,157**	**₱72,133,687**

	2021						
	0 to 60 days	61 to 90 days	91 to 120 days	121 to 180 days	More than 180 days	Impaired	Total
Due from ceding companies	₱13,124,417	₱1,053,489	₱2,363,624	₱615,126	₱2,880,704	₱–	₱20,037,360
Funds held by ceding companies	3,651,922	–	8,239,877	–	3,351,292	–	15,243,091
Premiums receivable	4,169,304	325,530	1,513,174	446,401	3,102,414	–	9,556,823
Reinsurance recoverable on paid losses	4,261,650	–	–	355,289	2,591,256	41,157	7,249,352
	₱25,207,293	₱1,379,019	₱12,116,675	₱1,416,816	₱11,925,666	₱41,157	₱52,086,626

The rollforward analysis of allowance for impairment losses on reinsurance recoverable on paid losses follow:

	2022	2021
At January 1	**₱41,157**	₱58,505
Write-off	–	(17,348)
At December 31	**₱41,157**	₱41,157

6. Financial Assets

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

	2022	2021
Financial assets at FVTPL	**₱56,945,720**	₱40,027,986
Investment securities at amortized cost	**2,117,514,897**	1,074,994,835
	₱2,174,460,617	₱1,115,022,821

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

Financial assets at FVTPL
The Company's financial assets at FVTPL represent corporate debt instruments issued locally. Interest income from financial assets at FVTPL amounted to ₱3.38 million and ₱2.63 million in 2022 and 2021, respectively (see Note 19).

Investment securities at amortized cost
This account represents debt instruments issued by the Philippine government amounting to ₱2,117,514,897 and ₱1,074,994,835 as of December 31, 2022 and 2021, respectively. The terms of the issues range from 1 to 20 years and earned coupon rates of 2.63% to 9.25% and 2.63% to 8.00% in 2022 and 2021, respectively.

Interest income from investment securities at amortized cost in 2022 and 2021 amounted to ₱66.02 million and ₱40.89 million, respectively (see Note 19).

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

	2022		
	Financial assets at FVTPL	**Investment securities at amortized cost**	**Total**
At January 1	**₱40,027,986**	**₱1,074,994,835**	**₱1,115,022,821**
Acquisitions	**60,000,000**	**1,113,936,971**	**1,173,936,971**
Fair value loss (Note 19)	**(3,074,280)**	–	**(3,074,280)**
Maturities	**(38,545,000)**	**(62,300,000)**	**(100,845,000)**
Loss from maturities (Note 19)	**(1,462,986)**	–	**(1,462,986)**
Premium amortization	–	**(9,116,909)**	**(9,116,909)**
At December 31	**₱56,945,720**	**₱2,117,514,897**	**₱2,174,460,617**

	2021		
	Financial assets at FVTPL	Investment securities at amortized cost	Total
At January 1	₱41,140,115	₱1,034,110,464	₱1,075,250,579
Acquisitions	–	69,438,761	69,438,761
Fair value loss (Note 19)	(1,112,129)	–	(1,112,129)
Maturities	–	(18,000,000)	(18,000,000)
Premium amortization	–	(10,554,390)	(10,554,390)
At December 31	₱40,027,986	₱1,074,994,835	₱1,115,022,821

7. Interest Receivable

This account consists of interest receivable on:

	2022	2021
Investment securities at amortized cost	**₱19,714,278**	₱14,471,453
Cash and cash equivalents	**1,131,424**	397,546
Financial assets at FVTPL	**397,840**	382,932
	₱21,243,542	₱15,251,931

8. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The rollforward analysis of deferred acquisition costs follows:

	2022	2021
At January 1	**₱18,209,435**	₱15,373,563
Cost deferred during the year	**60,575,227**	51,677,996
Cost incurred during the year	**(56,476,123)**	(48,842,124)
At December 31	**₱22,308,539**	₱18,209,435

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

The rollforward analysis of deferred reinsurance commissions follows:

	2022	2021
At January 1	**₱176,175**	₱4,987,400
Income deferred during the year	**98,394**	3,027,080
Income earned during the year	**(268,665)**	(7,838,305)
At December 31	**₱5,904**	₱176,175

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

9. Reinsurance Assets

This account consists of:

	2022	2021
Deferred reinsurance premiums (Note 13)	**₱49,306,491**	₱56,539,917
Reinsurance recoverable on unpaid losses (Note 13)	**48,372,295**	12,645,832
	97,678,786	69,185,749
Less allowance for impairment losses	**11,814**	11,814
	₱97,666,972	₱69,173,935

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

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

10. Investment Property

The Company's investment property pertains to a condominium unit located at the 7th floor of A&T Building, Binondo, Manila with an acquisition cost of ₱11,966,201 and a net book value of ₱10.

The appraised value of the investment property as of December 31, 2022 and 2021 amounted to ₱25,314,000 and ₱20,847,000, respectively. The fair value of the property is based on valuations performed by Cuervo Appraisers, Inc. (CAI), an accredited independent valuer. CAI is a specialist in valuing these types of investment properties. There was no change in the valuation technique used.

The following table shows the valuation technique used and key inputs to valuation on the investment property:

Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average) 2022	2021
Sales Comparison Approach	Asking price per square meter	**₱78,930 - ₱135,040**	₱79,365 - ₱100,000
	Location	**-5.00%**	0.00%
	Size	**-8.00% to -10.00%**	-8.00% to -10.00%
	Time Element	**0.00%**	0.00%

The appraised value of the condominium unit was determined using 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. The properties used as basis for comparison are situated within the subject building or in other comparable condominium buildings nearby. Comparison would be premised on the factors such as floor level location, interior finishes, parking slot allocation and facilities offered and the time element.

The Company determined that condominium units at the measurement date are valued in terms of its highest and best use which is categorized under Level 3 of the fair value hierarchy. For strategic reasons, the properties are not being used in this manner.

As at December 31, 2022 and 2021, the property has not been pledged as collateral or security for any of the Company's liabilities and the Company has no restrictions on the realizability of its condominium unit and no contractual obligation to purchase, construct or develop such property or for repairs, maintenance and enhancements. The property is fully depreciated and currently not in use.

11. Property and Equipment - net

As of December 31, 2022 and 2021, the movements of this account follow:

	2022				
	Computer and Electronic Equipment	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost					
Balance at beginning of year	**₱11,737,271**	**₱1,739,285**	**₱89,270**	**₱3,158,719**	**₱16,724,545**
Additions	**-**	**-**	**-**	**184,648**	**184,648**
Retirement	**(641,266)**	**-**	**-**	**-**	**(641,266)**
Balance at end of year	**₱11,096,005**	**₱1,739,285**	**₱89,270**	**₱3,343,367**	**₱16,267,927**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**₱10,460,481**	**₱1,362,440**	**₱59,977**	**₱2,447,045**	**₱14,329,943**
Depreciation and amortization (Note 21)	**957,127**	**347,857**	**12,554**	**530,616**	**1,848,154**
Retirement	**(641,266)**	**-**	**-**	**-**	**(641,266)**
Balance at end of year	**10,776,342**	**1,710,297**	**72,531**	**2,977,661**	**15,536,831**
Net Book Value	**₱319,663**	**₱28,988**	**₱16,739**	**₱365,706**	**₱731,096**

	2021				
	Computer and Electronic Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	₱11,737,271	₱1,739,285	₱89,270	₱2,508,950	₱16,074,776
Additions	–	–	–	649,769	649,769
Balance at end of year	11,737,271	1,739,285	89,270	3,158,719	16,724,545
Accumulated Depreciation and Amortization					
Balance at beginning of year	8,289,395	1,014,583	46,743	2,026,900	11,377,621
Depreciation and amortization (Note 21)	2,171,086	347,857	13,234	420,145	2,952,322
Balance at end of year	10,460,481	1,362,440	59,977	2,447,045	14,329,943
Net Book Value	₱1,276,790	₱376,845	₱29,293	₱711,673	₱2,394,602

As of December 31, 2022, and 2021, fully depreciated property and equipment that are still in use by the Company amounted to ₱12,792,881 and ₱8,709,016, respectively.

12. Other Assets

This account consists of:

	2022	2021
Accountable cash advances	**₱6,264,614**	₱2,271,434
Claims fund	**5,157,985**	5,705,814
Due from related party (Note 23)	**1,408,083**	67,845,881
Chattel mortgage loans	**1,361,500**	1,151,214
Prepayments	**1,226,848**	644,897
Deferred input VAT	**1,143,960**	475,260
Creditable withholding taxes (CWTs)	**350,324**	70,922
Security fund	**48,439**	48,439
	16,961,753	78,213,861
Less allowance for impairment losses	**194,780**	194,780
	₱16,766,973	₱78,019,081

Accountable cash advances of employees are collected through payroll deduction or expense liquidation.

Claims fund pertains to advances and deposits made for payment of possible future claims.

Chattel mortgage loans consist mainly of loans extended to employees. These earn interest at 6% per annum with maturity of 7 years. Interest income from chattel mortgage loans amounted to ₱80,435 and ₱105,555 in 2022 and 2021, respectively (see Note 19). These are collected through payroll deduction.

Prepayments include refundable security deposits on lease agreements and advance payments for real property tax and community tax certificates.

Deferred input VAT relates to input VAT from unpaid commissions.

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

Security fund pertains to contribution to a fund as required by the IC on all insurance companies authorized to do business in the Philippines.

13. Insurance Contract Liabilities and Reinsurance Assets

The analysis of insurance contract liabilities, net of reinsurers' share of liabilities follows:

	2022			2021		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (Note 9)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 9)	Net
Provision for claims reported	**₱19,911,655**	**₱5,424,100**	**₱14,487,555**	₱29,039,444	₱6,032,974	₱23,006,470
Provision for claims IBNR	**80,083,121**	**42,948,195**	**37,134,926**	29,934,416	6,612,858	23,321,558
	99,994,776	**48,372,295**	**51,622,481**	58,973,860	12,645,832	46,328,028
Provision for unearned premiums	**492,442,232**	**49,306,491**	**443,135,741**	412,357,683	56,539,917	355,817,766
	₱592,437,008	**₱97,678,786**	**₱494,758,222**	₱471,331,543	₱69,185,749	₱402,145,794

The analysis of total provision for claims reported follows:

	2022			2021		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (Note 9)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 9)	Net
At January 1	**₱58,973,860**	**₱12,645,832**	**₱46,328,028**	₱111,779,045	₱63,187,575	₱48,591,470
Claims incurred during the year	**316,750,840**	**50,071,401**	**266,679,439**	194,733,099	26,584,500	168,148,599
Claims paid during the year (Note 20)	**(325,878,629)**	**(50,680,275)**	**(275,198,354)**	(238,135,964)	(71,171,711)	(166,964,253)
Increase in claims IBNR	**50,148,706**	**36,335,337**	**13,813,369**	(9,402,320)	(5,954,532)	(3,447,788)
At December 31	**₱99,994,777**	**₱48,372,295**	**₱51,622,482**	₱58,973,860	₱12,645,832	₱46,328,028

The provision for unearned premiums may be analyzed as follows:

	2022			2021		
	Provision for Unearned Premiums	**Reinsurers' Share of Liabilities (Note 9)**	**Net**	Provision for Unearned Premiums	Reinsurers' Share of Liabilities (Note 9)	Net
At January 1	**₱412,357,683**	**₱56,539,917**	**₱355,817,766**	₱297,354,781	₱88,036,267	₱209,318,514
New policies written during the year (Note 18)	**1,106,561,615**	**70,513,584**	**1,036,048,031**	917,905,859	102,322,847	815,583,012
Premiums earned during the year (Note 18)	**(1,026,477,066)**	**(77,747,010)**	**(948,730,056)**	(802,902,957)	(133,819,197)	(669,083,760)
At December 31	**₱492,442,232**	**₱49,306,491**	**₱443,135,741**	₱412,357,683	₱56,539,917	₱355,817,766

14. Insurance Payables

This account consists of:

	2022	2021
Due to reinsurers	**₱40,657,550**	₱55,155,210
Funds held for reinsurers	**-**	1,161,257
	₱40,657,550	₱56,316,467

The rollforward analysis of insurance payables follows:

	Due to Reinsurers	Funds Held for Reinsurers	Total
At January 1, 2021	₱50,965,361	₱27,522,033	₱78,487,394
Arising during the year	102,322,847	14,752,794	124,050,148
Paid during the year	(98,132,998)	(41,113,570)	(146,221,075)
At December 31, 2021	**₱55,155,210**	**₱1,161,257**	**₱56,316,467**
Arising during the year	**70,513,584**	**-**	**70,513,584**
Paid during the year	**(85,011,244)**	**(1,161,257)**	**(86,172,501)**
At December 31, 2022	**₱40,657,550**	**₱-**	**₱40,657,550**

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

Funds held for reinsurers pertain to the retention of a certain percentage of the reinsurer's share of premium. This is to protect the Company from risks associated with collections of reinsurance recoverable on paid losses. The Company ceased to renew its contract with the reinsurer in 2021. The balance of funds held was released accordingly in 2022.

15. Net Pension Asset

The Company has a non-contributory defined benefit plan covering all regular employees and which requires contributions to be made to a separately administered retirement fund. Benefits are based on the employee's years of service and final plan salary. The Board of Trustees of the plan is responsible for setting investment strategies. The Retirement Plan is considered a "reasonable private benefit plan" within the contemplation of Republic Act No. 4917.

The retirement plan of the Company is being administered by CARD Pioneer Microinsurance Inc. Staff Retirement Benefit Plan which was established on March 9, 2020.

The retirement benefit expense recognized in profit or loss is as follows (see Note 21):

	2022	2021
Current service cost	**₱1,654,375**	₱1,715,417
Interest cost	**(293,146)**	7,631
Net transferred obligation	**(934,988)**	–
	₱426,241	₱1,723,048

In 2022, the Company transferred twenty-two employees to Pioneer Life Inc. The affiliated companies agreed that there will be no break in service due to the transfer and that the liabilities pertaining to these employees will be transferred with no corresponding asset transfers. The net transferred obligation is reflected as a reduction from the retirement expense.

The amounts recognized in the statements of financial position are as follows:

	2022	2021
Present value of defined benefit obligation	**₱7,382,698**	₱7,707,117
Fair value of plan assets	**(15,433,305)**	(11,085,845)
Net pension asset	**(₱8,050,607)**	(₱3,378,728)

Changes in the present value of the defined benefit obligation are as follows:

	2022	2021
At January 1	**₱7,707,117**	₱7,188,501
Current service cost	**1,654,375**	1,715,417
Interest cost	**398,305**	299,356
Actuarial gain	**(1,442,311)**	(1,496,157)
Net transferred obligation	**(934,988)**	–
At December 31	**₱7,382,698**	₱7,707,117

Changes in fair value of the plan assets are as follow:

	2022	2021
At January 1	**₱11,085,845**	₱7,006,807
Contributions	**4,010,000**	4,000,000
Interest income	**691,651**	291,725
Loss on return on plan assets	**(354,191)**	(212,687)
At December 31	**₱15,433,305**	₱11,085,845

The movements in the net pension asset recognized in the statements of financial position are as follows:

	2022	2021
At January 1	**(₱3,378,728)**	₱181,694
Pension expense	**426,241**	1,723,048
Contributions	**(4,010,000)**	(4,000,000)
Amount to be recognized in OCI	**(1,088,120)**	(1,283,470)
At December 31	**(₱8,050,607)**	(₱3,378,728)

The remeasurements recognized in other comprehensive income are as follows:

	2022	2021
Actuarial gain (loss) due to:		
Change in financial assumptions	**₱1,069,176**	₱1,912,671
Experience adjustments	**373,135**	(416,514)
Change in demographic assumptions	**-**	–
Losses on return on plan assets	**(354,191)**	(212,687)
	₱1,088,120	₱1,283,470

The rollforward analysis of other comprehensive income follows:

	2022	2021
At January 1, net of tax effect	**₱868,502**	(₱94,100)
Experience adjustments	**373,135**	(416,514)
Change in financial assumptions	**1,069,176**	1,912,671
Change in demographic assumptions	**-**	–
Losses on return on plan assets	**(354,191)**	(212,687)
At December 31, gross of consequential income tax impact	**1,956,622**	1,189,370
Income tax effect	**(272,030)**	(320,868)
Balance at the end of year	**₱1,684,592**	₱868,502

Plan assets consist of:

	2022	2021
Cash and cash equivalents	**₱15,435,963**	₱11,110,412
Accrued interest receivable	**42,342**	20,433
Accounts payable	**(45,000)**	(45,000)
Total plan assets	**₱15,433,305**	₱11,085,845

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

	2022	2021
Discount rate	**7.40%**	5.22%
Expected return on plan assets*	**2.14%**	1.25%
Rate of salary increase	**7.50%**	6.00%
Average future working lives (in years)	**11**	11
Mortality rate	**2017 Philippine Intercompany Mortality Table**	2017 Philippine Intercompany Mortality Table
Disability rate	**1952 Disability Study, Period 2, Benefit 5**	1952 Disability Study, Period 2, Benefit 5

The discount rate as of December 31, 2022 is 7.40%. The latest actuarial valuation report of the Company is as of December 31, 2022.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2022 and 2021, assuming all other assumptions were held constant. The impacts on present value of defined benefit obligation follow:

		Increase (decrease)	
	Rate	2022	2021
Discount rates	+1%	**(₱1,336,033)**	(₱1,448,373)
	-1%	**1,697,659**	1,854,929
Future salary increases	+1%	**1,721,623**	1,867,003
	-1%	**(1,375,019)**	(1,482,017)

The maturity analysis of the undiscounted benefit payments follows:

	2022	2021
Less than 1 year	**₱152,545**	₱145,828
1 year to less than 5 years	**651,249**	600,626
5 years to less than 10 years	**1,060,641**	916,326
10 years to less than 15 years	**3,479,547**	2,543,679
15 years to less than 20 years	**12,343,815**	6,905,532
More than 20 years	**238,919,931**	151,640,151

16. **Accounts Payable and Accrued Expenses**

This account consists of:

	2022	2021
Accounts payable	**₱129,279,255**	₱91,725,510
Accrued expenses	**12,170,530**	6,297,445
Taxes payable	**11,584,706**	11,307,529
Due to related parties (Note 23)	**9,436,131**	10,312
Commissions payable	**5,211,383**	4,102,202
Others	**124,505**	83,350
	₱167,806,510	₱113,526,348

Accounts payable consist mostly of advance payments from clients.

Taxes payable consist of documentary stamps tax, business tax, fire service tax, VAT and withholding taxes. These are subsequently remitted within one month after the reporting date.

Accrued expenses include professional fees of auditors and productivity incentives granted to the Company's employees except those under contractual employment, and other expenses accrued as of reporting date. Productivity incentives are due on the 15th of May every year.

Commissions payable represent unpaid commissions to agents arising from policy issuances. These are non-interest bearing and are generally payable within thirty (30) days. Commission rates vary depending on the product line and coverage of the policy.

Other payables pertain to amounts due to government agencies for loans availed by employees.

17. **Equity**

Capital Stock
This account consists of:

	2022		2021	
	Shares	**Amount**	Shares	Amount
Common shares - ₱100 par value Authorized, issued and outstanding	**6,250,000**	**₱625,000,000**	5,000,000	₱625,000,000

On July 19, 2019, the Board of Directors (BOD) approved the increase in the Company's authorized capital stock from ₱500,000,000, divided into 5,000,000 common shares at the par value of ₱100 per share to ₱1,000,000,000, divided into 10,000,000 common shares at the par value of ₱100 per share. The Securities and Exchange Commission (SEC) approved this on September 20, 2021.

On February 7, 2020, the BOD approved the declaration of stock dividends amounting to ₱125,000,000 or ₱25 per share to stockholders of record as of December 31, 2019. This was approved by the stockholders on April 30, 2020. The Insurance Commission (IC) approved this on May 17, 2021. Certificates of stock dividends were released to stockholders after the Company secured approval from the SEC on the increase in authorized capital stock.

On April 7, 2022, the BOD approved the declaration of cash dividends amounting to P78,604,645 or P12.57674 per share out of the unappropriated retained earnings of the Company in favor to stockholders of record as of December 31, 2021. The Company fully paid the said dividends on April 28, 2022.

18. Net Earned Premiums

Net earned premiums on insurance contracts are as follows:

	2022	2021
Gross premiums written:		
Direct	**₱982,289,611**	₱803,580,578
Assumed	**124,272,004**	114,325,281
Total gross premiums written (Note 13)	**1,106,561,615**	917,905,859
Gross change in provision for unearned premiums (Note 13)	**(80,084,549)**	(115,002,902)
Total gross earned premiums	**1,026,477,066**	802,902,957
Reinsurers' share of gross premiums on direct insurance (Note 13)	**70,513,584**	102,322,847
Reinsurers' share of change in provision for unearned premiums (Note 13)	**7,233,426**	31,496,350
Total reinsurers' share of gross earned premiums	**77,747,010**	133,819,197
	₱948,730,056	₱669,083,760

19. Investment Income - net

This account consists of:

	2022	2021
Interest income on:		
Cash and cash equivalents (Note 4)	**₱18,373,480**	₱15,579,660
Investment securities at amortized cost (Note 6)	**66,024,342**	40,890,988
Financial assets at FVTPL (Note 6)	**3,379,685**	2,634,000
Chattel mortgage loans (Note 12)	**80,435**	105,555
Funds held by ceding companies (Note 5)	**111,011**	71,794
Fair value gain loss on financial assets at FVTPL	**(3,074,280)**	(1,112,129)
Loss from maturities of financial asset assets at FVTPL	**(1,462,986)**	-
Miscellaneous expense	**-**	(7,934)
	₱83,431,687	₱58,161,934

20. Net Insurance Benefits and Claims

Gross insurance contract benefits and claims paid follow:

	2022	2021
Direct	**₱258,402,100**	₱199,339,448
Assumed	**67,476,529**	38,796,516
	₱325,878,629	₱238,135,964

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

	2022	2021
Reinsurers' share of insurance contract benefits and claims paid (Note 13):		
Direct	**₱50,680,275**	₱71,171,711

Gross change in insurance contract benefits and claims liabilities follow:

	2022	2021
Change in provision for claims reported and loss adjustment expenses (Note 13)		
Direct	**(₱20,116,535)**	₱33,313,737
Assumed	**10,988,745**	10,089,128
Change in provision for claims IBNR (Note 13)	**50,148,706**	9,402,320
	₱41,020,916	₱52,805,185

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

	2022	2021
Reinsurers' share of change in insurance provision for claims reported and loss adjustment expenses (Note 13)	**(₱608,874)**	₱44,570,475
Reinsurer's share of change in provision for claims IBNR (Note 13)	**36,335,337**	5,954,532
	₱35,726,463	₱50,525,007

21. General Expenses

This account consists of:

	2022	2021
Business development	**₱114,273,111**	₱83,443,397
Salaries, allowances and benefits	**82,950,215**	63,676,210
Donation and charitable contributions	**12,244,898**	-
Transportation and travel	**12,038,773**	5,529,223
Office supplies, printing and stationery	**11,546,973**	4,978,290
Service fees	**11,507,665**	8,934,507

(Forward)

	2022	2021
Other tax expense	**₱10,231,105**	₱9,726,838
Underwriting expense	**9,078,978**	8,719,755
Rent expense (Note 24)	**5,183,647**	3,800,950
Communication, light and water	**3,514,949**	2,204,908
Depreciation and amortization (Notes 11 and 24)	**2,956,083**	3,353,223
Meetings and conferences	**2,604,804**	1,009,900
Advertising	**2,421,437**	3,223,943
Repairs and maintenance	**2,082,424**	100,901
Professional fees	**1,412,763**	1,471,750
Association dues	**1,115,965**	975,742
Janitorial and contractual services	**755,438**	473,521
Representation and entertainment	**692,828**	145,262
Taxes and licenses	**667,432**	3,367,340
Training	**497,610**	374,957
Retirement benefit expense (Note 15)	**426,241**	1,723,048
Director's fees	**220,000**	200,000
Interest expense on lease liabilities (Note 24)	**97,594**	38,906
Miscellaneous expenses	**12,331,599**	416,676
	₱300,852,532	₱207,889,247

22. Income Tax

Relevant tax updates

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

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

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

In 2021, the impact of change in tax rate due to CREATE is ₱7,674,122 as tax credit carried over and ₱2,439,115 in the beginning balance of net DTA.

Current tax
The provision for income tax consists of:

	2022	2021
RCIT	**₱87,111,648**	₱53,799,453
Final	**20,593,924**	13,984,752
Deferred	**(1,728,044)**	8,303,085
	₱105,977,528	₱76,087,290

Deferred tax
The components of recognized deferred tax assets and deferred tax liabilities follow:

	2022	2021
Deferred tax assets:		
Affecting profit and loss:		
Provision for IBNR	**₱9,283,732**	₱5,830,389
Unamortized past service cost	**1,364,463**	1,478,243
Accrued and other expenses	**2,841,354**	1,465,198
Pension liability	**62,056**	1,278,863
Lease liabilities	**1,038,503**	185,699
Allowance for impairment loss	**61,938**	61,938
	14,652,046	10,300,330
Deferred tax liability:		
Unrealized foreign currency exchange gain	**5,921,806**	3,797,493
Right of use assets	**992,442**	172,216
Affecting other comprehensive income:		
Remeasurement gain on defined benefit obligation	**272,030**	320,868
	₱7,465,768	₱6,009,753

The Company has no unrecognized deferred tax assets as of December 31, 2022 and 2021.

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

	2022	2021
Statutory income tax	**₱104,574,043**	₱82,214,631
Add (deduct) the tax effects of:		
Interest income subject to final tax	**(1,378,205)**	(809,358)
Fair value loss on financial asset at FVTPL	**768,570**	278,032
Non-deductible expenses	**2,013,120**	–
Unamortized past service cost	**-**	(361,008)
Impact of change in tax rate due to CREATE		
Tax credit carried over	**-**	(7,674,122)
Net DTA impact	**-**	2,439,115
Provision for income tax	**₱105,977,528**	₱76,087,290

23. Related Party Transactions

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

Transactions with related parties are made at normal market prices. Outstanding balances as of year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2022 and 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant related party transactions are summarized below:

		2022			
Category	**Note**	**Volume**	**Outstanding balance**	**Terms**	**Conditions**
PISC - Parent Company					
Due from ceding company (Note 5)	(a)	**₱70,517,760**	**₱20,956,345**	Non-interest-bearing, due and demandable	Unsecured, not impaired
Funds held by ceding company (Note 5)	(a)	**9,698,134**	**10,318,398**	Non-interest-bearing, due and demandable	Unsecured, not impaired
Reinsurance recoverable on paid losses (Note 5)	(a)	–	**1,011,030**	Non-interest-bearing, due and demandable	Unsecured, not impaired
Due to reinsurer (Note 14)	(a)	**1,669,436**	–	Non-interest-bearing, due and demandable	Unsecured
Claims payable (Note 13)	(a)	**59,884,284**	**7,614,624**	Non-interest-bearing, due and demandable	Unsecured
Due to related party (Note 16)	(d)	**192,742**	**192,742**	Non-interest-bearing, due and demandable	Unsecured
Rent expense (Note 24)	(b)	**1,374,012**	–		
Entities under common control					
PLI					
Due to related party (Note 16)	(a)	**194,743,757**	**9,243,389**	Non-interest-bearing, due and demandable	Unsecured
PIIC					
Due from ceding company (Note 5)	(a)	**4,405,367**	**1,431,269**	Non-interest-bearing, due and demandable	Unsecured, not impaired
Funds held by ceding company (Note 5)	(a)	**10,185,342**	**5,235,398**	Non-interest-bearing, due and demandable	Unsecured, not impaired
Claims payable (Note 13)	(a)	**3,888,594**	**6,872,931**	Non-interest-bearing, due and demandable	Unsecured
CAMIA					
Commission payable (Note 16)	(d)	**40,075,174**	**5,040,926**	Non-interest-bearing, due and demandable	Unsecured
Due from related party (Note 12)	(d)	**484,737**	**484,737**	Non-interest-bearing, due and demandable	Unsecured, not impaired
CARD MBA					
Due from related party (Note 12)	(d)	–	**923,346**	Non-interest-bearing, due and demandable	Unsecured, not impaired
MPII					
Due from ceding company (Note 5)	(a)	**4,359,837**	**1,217,878**	Non-interest-bearing, due and demandable	Unsecured, not impaired

Category	Note	2021 Volume	Outstanding balance	Terms	Conditions
PISC - Parent Company					
Due from ceding company (Note 5)	(a)	₱68,018,122	₱15,125,891	Non-interest-bearing, due and demandable	Unsecured, not impaired
Funds held by ceding company (Note 5)	(a)	12,075,732	8,678,658	Non-interest-bearing, due and demandable	Unsecured, not impaired
Reinsurance recoverable on paid losses (Note 5)	(a)	15,063,576	5,272,680	Non-interest-bearing, due and demandable	Unsecured, not impaired
Due to reinsurer (Note 14)	(a)	44,034,770	6,358,846	Non-interest-bearing, due and demandable	Unsecured
Funds held for reinsurer (Note 14)	(a)	3,916,496	1,161,257	Non-interest-bearing, due and demandable	Unsecured
Claims payable (Note 13)	(a)	31,283,288	5,938,573	Non-interest-bearing, due and demandable	Unsecured
Due to related party (Note 16)	(d)	10,312	10,312	Non-interest-bearing, due and demandable	Unsecured
Rent expense (Note 24)	(b)	874,692	–		
Entities under common control					
PLI					
Due from related party (Note 16)	(c)	37,157	10,135	Non-interest-bearing, due and demandable	Unsecured, not impaired
Funds held by ceding company (Note 5)	(a)	75,695	52,166	Non-interest-bearing, due and demandable	Unsecured, not impaired
Other assets (Note 12)	(c)	270,970,868	66,922,535	Non-interest-bearing, due and demandable	Unsecured, not impaired
PIIC					
Due from ceding company (Note 5)	(a)	1,519,728	1,649,546	Non-interest-bearing, due and demandable	Unsecured, not impaired
Funds held by ceding company (Note 5)	(a)	6,487,406	3,849,475	Non-interest-bearing, due and demandable	Unsecured, not impaired
Claims payable (Note 13)	(a)	2,984,337	2,984,337	Non-interest-bearing, due and demandable	Unsecured
CAMIA					
Commission payable (Note 16)	(d)	31,509,386	3,933,337	Non-interest-bearing, due and demandable	Unsecured
CARD MBA					
Due from related party (Note 2)	(d)	–	923,346	Non-interest-bearing, due and demandable	Unsecured, not impaired
MPII					
Due from ceding company (Note 5)	(a)	4,336,943	232,943	Non-interest-bearing, due and demandable	Unsecured, not impaired

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

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

b. The Company has a lease contract with PISC on the lease of its office space, which is renewable annually (see Note 24).

c. The Company has receivables from (payables to) PLI which represent share on the premium payment and accommodations for claim payments.

d. The Company has receivables from (payables to) CAMIA, CARD MBA and PLI which represent reimbursement of expenses.

e. Key management personnel of the Company include all personnel having a position of Assistant Vice President and above. The summary of compensation of key management personnel is shown below:

	2022	2021
Salaries and other short-term employee benefits	**₱1,766,547**	₱1,636,860
Post-employment and other long-term benefits	**82,949**	158,737
	₱1,849,496	₱1,795,597

24. **Lease**

Company as a lessee
The Company has lease contracts for various items office spaces used in its operations. Leases of office spaces generally have lease terms between 2 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of office spaces with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.

The rollforward analysis of ROU assets as of December 31, 2022 and 2021 follows:

	2022	2021
Cost		
At January 1	**₱1,559,057**	₱1,381,461
Additions	**4,388,832**	177,596
At December 31	**5,947,889**	1,559,057
Accumulated Depreciation and Amortization		
At January 1	**870,193**	469,292
Depreciation	**1,107,929**	400,901
At December 31	**1,978,122**	870,193
Net Book Value	**₱3,969,767**	₱688,864

The rollforward analysis of lease liabilities as of December 31, 2022 and 2021 follows:

	2022	2021
As at January 1	**₱742,797**	₱948,887
Additions	**4,388,831**	185,727
Interest expense	**97,594**	38,906
Payments	**(1,075,210)**	(430,723)
As at December 31	**₱4,154,012**	₱742,797

The following are the amounts recognized in 2022 and 2021 statements of income:

	2022	2021
Rent expense related to short term leases	**₱5,183,647**	₱3,800,950
Depreciation expense of right-of-use assets	**1,107,929**	400,901
Interest expense on lease liabilities	**97,594**	38,906
Total amount recognized in statements of income (Note 21)	**₱6,389,170**	₱4,240,757

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

	2022	2021
1 year	**₱1,902,633**	₱321,890
more than 1 year to 2 years	**1,444,251**	278,704
more than 2 years to 3 years	**513,539**	170,630
more than 3 years to 4 years	**499,320**	14,219
more than 4 years to 5 years	**41,610**	–
	₱4,401,353	₱785,443

Future lease payments within one year for short-term leases amounts to ₱1,020,512.

25. Capital Management

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

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

As of December 31, 2022 and 2021, the Company fully complied with the externally imposed capital requirements during the reported financial periods. These are the fixed capitalization requirement and RBC requirement.

Fixed Capitalization Requirements
On January 13, 2015, the IC issued Circular Letter (CL) No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. Based on the said CL, all domestic life and non-life insurance companies duly licensed by the IC must have a net worth of at least ₱550,000,000 by December 31, 2016.

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

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

As of December 31, 2022 and 2021, the Company has an estimated net worth of ₱2,223,425,511 and actual net worth of ₱1,931,399,358 and it has complied with the minimum net worth requirement.

RBC Requirements

For purposes of the December 31, 2022 and 2021 financial reporting, the Company determined its compliance with the RBC requirements of the IC based on the provisions of CL No. 2016-68. This circular provides RBC frameworks for nonlife insurance companies in order to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every nonlife insurance company is annually required to maintain a minimum required RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the nonlife insurance company to the corresponding regulatory intervention which has been defined at various levels.

If the Company failed to meet the minimum required statutory net worth and RBC requirements, the IC is authorized to suspend or revoke all certificates of authority granted to the Company, its officers and agents, and no new business shall be borne by and for the Company until its authority is restored by the IC.

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 following table shows the estimated RBC ratio as of December 31, 2022 and actual RBC ratio as of December 31, 2021 as determined by the Company based on the RBC2 Framework:

	2022 (Estimate)	2021 (Actual)
Total available capital	₱2,244,887,925	₱2,016,220,167
RBC2 requirement	318,351,592	279,404,000
RBC2 ratio	705%	722%

Based on the 2021 result of IC examination, the Company was able to comply with the minimum RBC2 and net worth requirements. The final amount of the 2022 RBC ratio can only be determined after the accounts of the Company have been examined by the IC.

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

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

Financial Reporting Framework

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

IC CL No. 2018-18, *Valuation Standards for Nonlife Insurance Policy Reserves*, prescribes valuation methodology for the nonlife insurance companies. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The IBNR claims reserves are computed using actuarial projection techniques such as but not limited to the Chain ladder method, Expected loss ratio method and Bornheutter-Ferguson method. A margin for adverse deviation is computed at least on an annual basis based on standard projections techniques, such as but not limited to the Mack method, Bootstrapping method, Stochastic Chain Ladder method to bring the actuarial estimate of Policy Liabilities at the 75th percentile level of sufficiency and shall be incorporated on both premiums and claims liability valuation. Discount rates to be used shall be based on the latest PDST-R2 rates and the Bloomberg IYC Curve for PhP and USD-denominated policies, respectively.

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

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

Companies shall be allowed to set the MfAD as follows:

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

The Company complied with the aforementioned regulation and reflected ₱14,838,122 and ₱8,808,416 MfAD in the 2022 and 2021 statements of income, respectively. The Company used 100% in 2022 and 2021 of the company-specific MfAD.

26. Management of Insurance and Financial Risk

Insurance Risk

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

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

The majority of reinsurance business ceded is placed on a quota share basis with retention limits. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statements of financial position as reinsurance assets.

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

The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The business of the Company mainly comprises of short-term nonlife insurance contracts.

The Company principally issues the following types of general insurance contracts: fire, engineering, marine, motor car, personal accident and miscellaneous casualty.

The table below sets out the concentration of the claims liabilities by type of contract (see Note 13).

	2022		
	Gross Claims Liabilities	**Reinsurers' Share of Claims Liabilities**	**Net**
Accident	**₱69,334,333**	**₱46,554,854**	**₱22,779,479**
General accident	**19,591,239**	**946,712**	**4,650,866**
Fire	**4,901,100**	**250,235**	**18,644,527**
Engineering	**2,417,017**	**219,701**	**2,197,316**
Motor	**3,000,567**	**353,233**	**2,647,334**
Aviation	**285,360**	**–**	**417,600**
Marine cargo	**465,160**	**47,560**	**417,600**
	₱99,994,776	**₱48,372,295**	**₱51,622,481**

	2021		
	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net
Accident	₱42,704,417	₱12,402,976	₱30,301,441
General accident	9,739,357	118,370	9,620,987
Fire	3,869,895	84,668	3,785,227
Engineering	1,728,091	37,051	1,691,040
Motor	767,380	2,767	764,613
Aviation	164,720	–	164,720
Marine cargo	–	–	–
	₱58,973,860	₱12,645,832	₱46,328,028

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

Other key assumptions include variations in interest, delays in settlement and changes in foreign currency rates.

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

The analysis in the next page is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and income before income tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are nonlinear.

	2022			
	Change in Assumptions	**Impact on Gross Insurance Contract Liabilities**	**Impact on Net Insurance Contract Liabilities**	**Impact on Income Before Income Tax**
Average claim costs	**+ 10%**	**₱32,524,503**	**₱27,247,411**	**(₱27,247,411)**
Average number of claims	**+ 10%**	**32,529,611**	**29,764,942**	**(29,764,942)**

	2021			
	Change in Assumptions	Impact on Gross Insurance Contract Liabilities	Impact on Net Insurance Contract Liabilities	Impact on Income Before Income Tax
Average claim costs	**+ 10%**	**₱23,170,904**	**₱16,475,294**	**(₱16,475,294)**
Average number of claims	**+ 10%**	**40,127,897**	**28,532,288**	**(28,532,288)**

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

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

Claims development table

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

	Gross Insurance Contract Liabilities for 2022					
Accident year	2018 and Prior Years	2019	2020	2021	**2022**	**Total**
Estimate of ultimate claim costs						
At the end of accident year	₱640,704,660	₱302,527,723	₱251,930,534	₱185,330,778	**₱366,899,545**	**₱366,899,545**
One year later	640,704,660	302,527,723	251,930,534	185,330,778	**–**	**₱185,330,778**
Two years later	640,704,660	302,527,723	251,930,534	–	**–**	**251,930,534**
Three years later	640,704,660	302,527,723	–	–	**–**	**302,527,723**
Four years later	641,033,604	–	–	–	**–**	**641,033,604**
Current estimate of cumulative claims	641,033,604	302,527,723	251,930,534	185,330,778	**366,899,545**	**1,747,722,184**
Cumulative payments to date	514,894,914	230,266,771	338,551,130	238,135,964	**325,878,629**	**1,647,727,408**
Liability recognized in the statements of financial position	₱126,138,690	₱72,260,952	(₱86,620,596)	(₱52,805,186)	**₱41,020,916**	**₱99,994,776**

	Net Insurance Contract Liabilities for 2022					
Accident year	2018 and Prior Years	2019	2020	2021	**2022**	**Total**
Estimate of ultimate claim costs						
At the end of accident year	₱560,880,325	₱125,300,071	₱79,938,465	₱164,700,811	**₱280,492,807**	**₱280,492,807**
One year later	560,880,325	125,300,071	79,938,465	164,700,811	**–**	**164,700,811**
Two years later	560,880,325	125,300,071	79,938,465	–	**–**	**79,938,465**
Three years later	560,880,325	125,300,071	–	–	**–**	**125,300,071**
Four years later	561,110,831	–	–	–	**–**	**561,110,831**
Current estimate of cumulative claims	561,110,831	125,300,071	79,938,465	164,700,811	**280,492,807**	**1,211,542,985**
Cumulative payments to date	448,979,952	147,713,624	121,064,321	166,964,253	**275,198,354**	**1,159,920,504**
Liability recognized in the statements of financial position	₱112,130,879	(₱22,413,553)	(₱41,125,856)	(₱2,263,442)	**₱5,294,453**	**₱51,622,481**

Governance Framework

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

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

Fair Value of Financial Instruments

Due to short-term nature of cash and cash equivalents, insurance receivables, interest receivable, insurance payables, and trade and other payables, the carrying values reasonably approximate fair value as of the reporting date.

The fair values of financial assets at FVTPL, categorized as Level 1, were determined using quoted market prices. Unquoted equity securities carried previously at cost under PAS 39 are intended to be held for the foreseeable future. As such, the Company applied the option to classify as financial assets at FVTPL in 2022 and 2021.

Due to the long-term nature of the investment securities at amortized cost and HTM investments, their carrying value differs from fair value. The fair value of Investment securities at amortized cost and HTM investments, categorized as Level 1, are based on the quoted market prices at the end of the reporting date. The fair value of investment securities at amortized cost amounted to ₱1,997,320,253 and ₱1,107,789,614 as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the Company classifies all of its quoted financial assets under Level 1 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

Financial Risk
The Company is exposed to financial risk through its financial assets and financial liabilities, particularly, credit risk, liquidity risk and market risk (foreign exchange, interest rate, and equity price risks). The Company's risk management policies and practices are documented in the subsequent paragraphs.

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

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

Credit risk limit is also used to manage credit exposure, which specifies credit limit for each intermediary depending on the size of its portfolio, and its ability to meet its obligation based on past experience. The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as of December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the carrying values of the Company's financial instruments represent the maximum exposure to credit risk at reporting date.

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

	2022			
	Investment/High Grade	Below Investment Grade	Past Due or Impaired	Total
Cash and cash equivalents*	₱690,186,910	₱-	₱-	₱690,186,910
Insurance receivables**				
Premiums receivable	4,387,297	-	3,484,633	7,871,930
Due from ceding companies	15,487,937	-	9,994,496	25,482,433
Reinsurance recoverable on paid losses	16,565,550	-	2,987,702	19,553,252
Funds held by ceding companies	1,675,827	-	17,550,245	19,226,072
Financial assets at FVTPL				
Corporate debt securities	56,925,720	-	-	56,925,720
Investment securities at amortized cost				
Government debt securities	2,117,514,897	-	-	2,117,514,897
Interest receivable	21,243,542	-	-	21,243,542
	₱2,923,987,680	₱-	₱34,017,076	₱2,958,004,756

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

	2021			
	Investment/High Grade	Below Investment Grade	Past Due or Impaired	Total
Cash and cash equivalents*	₱1,327,902,023	₱–	₱–	₱1,327,902,023
Insurance receivables**				
Premiums receivable	4,494,834	–	5,061,989	9,556,823
Due from ceding companies	17,156,656	–	2,880,704	20,037,360
Reinsurance recoverable on paid losses	4,616,939	–	2,632,413	7,249,352
Funds held by ceding companies	11,891,799	–	3,351,292	15,243,091
Financial assets at FVTPL				
Corporate debt securities	40,027,986	–	–	40,027,986
Investment securities at amortized cost				
Government debt securities	1,074,994,835	–	–	1,074,994,835
Interest receivable	15,251,931	–	–	15,251,931
	₱2,496,337,003	₱–	₱13,926,398	₱2,510,243,401

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

Impairment assessment

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

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

Cash and cash equivalents and short-term investments

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

Cash in banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of ₱0.50 million per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, Amendment to Charter of PDIC.

As of December 31, 2022 and 2021, impairment allowance on those financial assets is not material. Hence, the Company did not provide an ECL on such foregoing balances.

Insurance Receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for insurance receivables (except reinsurance assets).

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

The historical loss rates, which are expressed as the relationship between the credit-impaired accounts and the related recognized insurance receivables are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company assessed that the expected loss rates for insurance receivables are a reasonable approximation of the loss rates for these financial assets.

The Company considers premiums receivable as past due when it is outstanding for more than 90 days. Funds held by ceding companies, due from ceding companies, and reinsurance recoverable on paid losses are treated as past due when outstanding for more than 180 days.

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

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

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

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

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Insurance Receivables				
High Grade	**₱–**	**₱28,435,923**	**₱9,680,687**	**₱38,116,610**
Noninvestment Grade	–	–	–	–
Past Due or Impaired	–	–	**34,017,077**	**34,017,077**
	₱–	**₱28,435,923**	**₱43,697,764**	**₱72,133,687**
Financial Assets at FVTPL				
High Grade	**₱56,945,720**	**₱–**	**₱–**	**₱56,945,720**
Investment Securities at Amortized Cost				
High Grade	**₱2,117,514,897**	**₱–**	**₱–**	**₱2,117,514,897**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Insurance Receivables				
High Grade	₱–	₱26,586,312	₱11,573,916	₱38,160,228
Noninvestment Grade	–	–		
Past Due or Impaired	–	–	13,926,398	13,926,398
	₱–	₱26,586,312	₱25,500,314	₱52,086,626
Financial Assets at FVTPL				
High Grade	₱40,027,986	₱–	₱–	₱40,027,986
Investment Securities at Amortized Cost				
High Grade	₱1,074,994,835	₱–	₱–	₱1,074,994,835

Movements of investment securities is as follows:

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Insurance Receivables				
Balance as of January 1, 2022	**₱–**	**₱26,586,312**	**₱25,500,314**	**₱52,086,626**
New assets originated	**–**	**1,256,906,166**	**–**	**1,256,906,166**
Assets derecognized or repaid	**–**	**(1,228,470,243)**	**(8,388,862)**	**(1,236,859,105)**
Transfers to Stage 3	**–**	**(26,586,312)**	**26,586,312**	**–**
Balance at December 31, 2022	**₱–**	**₱28,435,923**	**₱43,697,764**	**₱72,133,687**
Financial Assets at FVTPL				
Balance as of January 1, 2022	**₱40,027,986**	**₱–**	**₱–**	**₱40,027,986**
New assets originated	**60,000,000**	**–**	**–**	**60,000,000**
Assets derecognized or repaid	**(40,007,986)**	**–**	**–**	**(40,007,986)**
Foreign exchange adjustment	**(3,074,280)**	**–**	**–**	**(3,074,280)**
Balance at December 31, 2022	**₱56,945,720**	**₱–**	**₱–**	**₱56,945,720**
Investment Securities at Amortized Cost				
Balance as of January 1, 2022	**₱1,074,994,835**	**₱–**	**₱–**	**₱1,074,994,835**
New assets originated	**1,113,936,971**	**–**	**–**	**1,113,936,971**
Assets derecognized or repaid	**(62,300,000)**	**–**	**–**	**(62,300,000)**
Amortization	**(9,116,909)**	**–**	**–**	**(9,116,909)**
Balance at December 31, 2022	**₱2,117,514,897**	**₱–**	**₱–**	**₱2,117,514,897**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Insurance Receivables				
Balance as of January 1, 2021	₱–	₱101,755,180	₱31,794,811	₱133,549,991
New assets originated	–	1,066,810,579	–	1,066,810,579
Assets derecognized or repaid	–	(1,040,224,267)	(108,049,677)	(1,148,273,944)
Transfers to Stage 3	–	(101,755,180)	101,755,180	–
Balance at December 31, 2021	₱–	₱26,586,312	₱25,500,314	₱52,086,626
Financial Assets at FVTPL				
Balance as of January 1, 2021	₱41,140,115	₱–	₱–	₱41,140,115
New assets originated	–	–	–	–
Assets derecognized or repaid	–	–	–	–
Foreign exchange adjustment	(1,112,129)	–	–	(1,112,129)
Balance at December 31, 2021	₱40,027,986	₱–	₱–	₱40,027,986
Investment Securities at Amortized Cost				
Balance as of January 1, 2021	₱1,034,110,464	₱–	₱–	₱1,034,110,464
New assets originated	69,438,761	–	–	69,438,761
Assets derecognized or repaid	(18,000,000)	–	–	(18,000,000)
Amortization	(10,554,390)	–	–	(10,554,390)
Balance at December 31, 2021	₱1,074,994,835	₱–	₱–	₱1,074,994,835

As of December 31, 2022 and 2021, no allowance for impairment losses has been recognized for the investment securities.

Liquidity risk

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

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

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

The tables in the next page group the financial assets and liabilities, including reinsurance assets and insurance contract liabilities, of the Company as of December 31 into their relevant maturity groups based on the remaining period at the reporting date to their undiscounted contractual maturities or expected repayment dates. For financials assets at FVTPL, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the expected date the assets will be realized.

	2022				
	Up to a year	**1-3 years**	**More than 3 years**	**No Maturity Date**	**Total**
Cash and cash equivalents*	**₱697,256,253**	**₱-**	**₱-**	**₱-**	**₱697,256,253**
Insurance receivables	**72,092,530**	**-**	**-**	**-**	**72,092,530**
Interest receivable	**21,243,542**	**-**	**-**	**-**	**21,243,542**
Investment securities at amortized cost					
Government debt securities*	**141,065,625**	**848,407,813**	**1,625,586,719**	**-**	**2,615,060,157**
FVTPL financial assets					
Corporate debt securities*	**4,094,880**	**8,189,760**	**75,461,895**	**-**	**87,746,535**
Unquoted equity securities	**-**	**-**	**-**	**20,000**	**20,000**
Total financial assets	**₱935,752,830**	**₱856,597,573**	**₱1,701,048,614**	**₱20,000**	**₱3,493,419,017**
Other financial liabilities					
Insurance contract liabilities	**₱592,437,008**	**₱-**	**₱-**	**₱-**	**₱592,437,008**
Insurance payables	**40,657,550**	**-**	**-**	**-**	**40,657,550**
Accounts payable and accrued expenses**	**155,571,388**	**-**	**-**	**650,416**	**156,221,804**
Total financial liabilities	**₱788,665,946**	**₱-**	**₱-**	**₱650,416**	**₱789,316,362**

**Includes future interest*
***Accounts payable and accrued expenses exclude taxes payables*

	2021				
	Up to a year	1-3 years	More than 3 years	No Maturity Date	Total
Cash and cash equivalents*	₱1,332,357,589	₱–	₱–	₱–	₱1,332,357,589
Insurance receivables	52,045,469	–	–	–	52,045,469
Interest receivable	15,251,931	–	–	–	15,251,931
Investment securities at amortized cost					
Government debt securities*	113,982,688	98,568,750	1,110,499,219	–	1,323,050,657
FVTPL financial assets					
Corporate debt securities*	10,913,425	32,816,063	–	–	43,729,488
Unquoted equity securities	–	–	–	20,000	20,000
Total financial assets	₱1,524,551,102	₱131,384,813	₱1,110,499,219	₱20,000	₱2,766,455,134
Other financial liabilities					
Insurance contract liabilities	₱471,331,543	₱–	₱	₱–	₱471,331,543
Insurance payables	56,316,467	–	–	–	56,316,467
Accounts payable and accrued expenses**	101,438,771	–	–	780,048	102,218,819
Total financial liabilities	₱629,086,781	₱–	₱–	₱780.048	₱629,866,829

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

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

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

The Company structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by an Investment Committee. This policy sets certain limits on exposure to investments mostly with top-rated banks, which are selected on the basis of the banks' credit ratings, capitalization and quality servicing being rendered to the Company.

Currency risk
Currency risk is the risk that the value of the financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk is minimal.
Interest rate risk
Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table sets out the Company's financial instruments exposed to interest rate risk by maturity.

		2022			
	Range of Interest Rate	**Up to a year**	**1 to 3 years**	**More than 3 years**	**Total**
Cash and cash equivalents*	**1.25% - 5.75%**	**₱690,186,910**	**₱–**	**₱–**	**₱690,186,910**
Debt financial assets at FVTPL	**6.12% - 7.53%**	**–**	**–**	**56,925,720**	**56,925,720**
Investment securities at amortized cost	**2.63% - 9.25%**	**35,061,554**	**644,696,482**	**1,437,756,861**	**2,117,514,897**
Total interest-bearing financial assets		**₱725,248,464**	**₱644,696,482**	**₱1,494,682,581**	**₱2,864,627,527**

**Cash and cash equivalents exclude cash on hand*

		2021			
	Range of Interest Rate	Up to a year	1 to 3 years	More than 3 years	Total
Cash and cash equivalents*	1.13% - 1.75%	₱1,327,902,023	₱–	₱–	₱1,327,902,023
Debt financial assets at FVTPL	4.50% - 7.51%	8,542,876	31,465,110	–	40,007,986
Investment securities at amortized cost	2.63% - 8.00%	62,416,062	398,884,959	613,693,814	1,074,994,835
Total interest-bearing financial assets		₱1,398,860,961	₱430,350,069	₱613,693,814	₱2,442,904,844

**Cash and cash equivalents exclude cash on hand*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates of December 31, 2022 and 2021, with all variables held constant, through the impact on changes in fair value of quoted debt securities.

	Impact on profit before income tax	
Change in basis points:	**2022**	2021
+100 basis points	**(₱2,309,947)**	(₱1,886,621)
-100 basis points	**2,309,947**	1,886,621

As of December 31, 2022 and 2021, the Company's investments relate primarily to fixed-rate debt securities that are classified as investments securities at amortized cost and HTM investments carried at amortized cost, respectively.

27. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recorded and settled.

	2022			2021		
	Less than 12 months	**Over 12 Months**	**Total**	Less than 12 months	Over 12 Months	Total
ASSETS						
Cash and cash equivalents	**₱690,710,410**	**₱–**	**₱690,710,410**	₱1,328,395,023	₱–	₱1,328,395,023
Insurance receivables - net	**72,092,530**	**–**	**72,092,530**	52,045,469	–	52,045,469
Financial assets						
Financial assets at FVTPL	**–**	**56,945,720**	**56,945,720**	8,562,876	31,465,110	40,027,986
Investment securities at amortized cost	**35,061,554**	**2,082,453,343**	**2,117,514,897**	62,416,062	1,012,578,773	1,074,994,835
Interest receivable	**21,243,542**	**–**	**21,243,542**	15,251,931	–	15,251,931
Deferred acquisition costs	**22,308,539**	**–**	**22,308,539**	18,209,435	–	18,209,435
Reinsurance assets	**97,666,972**	**–**	**97,666,972**	69,173,935	–	69,173,935
Investment property	**–**	**10**	**10**	–	10	10
Property and equipment	**–**	**731,096**	**731,096**	–	2,394,602	2,394,602
Deferred tax asset - net	**–**	**7,465,768**	**7,465,768**	–	6,009,753	6,009,753
Net pension asset	**–**	**8,050,607**	**8,050,607**	–	3,378,728	3,378,728
Right-of-use assets	**–**	**3,969,767**	**3,969,767**	–	688,864	688,864
Other assets	**15,351,947**	**1,415,026**	**16,766,973**	77,272,142	746,939	78,019,081
	₱954,435,494	**₱2,161,031,337**	**₱3,115,466,831**	₱1,631,326,873	₱1,057,262,779	₱2,688,589,652
LIABILITIES						
Insurance contract liabilities	**₱592,437,008**	**₱–**	**₱592,437,008**	₱471,331,543	₱–	₱471,331,543
Insurance payables	**40,657,550**	**–**	**40,657,550**	56,316,467	–	56,316,467
Accounts payable and accrued expenses	**167,156,094**	**650,416**	**167,806,510**	112,746,300	780,048	113,526,348
Deferred reinsurance commissions	**5,904**	**–**	**5,904**	176,175	–	176,175
Pension liability	**–**	**–**	**–**	–	–	–
Lease liabilities	**–**	**4,154,012**	**4,154,012**	–	742,797	742,797
Income tax payable	**51,251,225**	**–**	**51,251,225**	21,871,790	–	21,871,790
	₱851,507,781	**₱4,804,428**	**₱856,312,209**	₱662,442,275	₱1,522,845	₱663,965,120

28. Supplementary Tax Information Required under Revenue Regulations (RR) No. 15-2010

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

Value-Added Tax (VAT)
The Company is a VAT-registered company with VAT output tax declaration of ₱2,681,006 for the year based on the amount reflected in the net insurance premiums of ₱22,341,716.

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

Balance at January 1, 2022	₱–
Current year's purchases:	
Services	9,824,833
Goods other than for resale	711,811
Deferred input VAT - capital goods	107,855
Capital goods not subject to amortization	–
	10,644,499
Input tax deferred for the succeeding quarters	(3,479)
Input VAT applied to output VAT	(409,915)
Input VAT allocable to exempt sales	(10,231,105)
	₱–

Other Taxes and Licenses
The taxes and licenses paid and claimed by the Company in 2022 is as follows:

Local	
Business permit	₱240,727
Real property tax	102,490
Community tax certificate	10,500
Others	19,450
	373,167
National	
Supervision fees paid to the IC	176,750
Fees and charges paid to the IC	53,530
Filing fee for 2021 annual statement	40,400
Filing and approval fees paid to IPO	9,696
Renewal of VAT registration	11,500
Others	2,389
	294,265
	₱667,432

The Company has taxes relating to nonlife insurance policies that has been shifted or passed on to the policy holders and are not recognized in the statement of income. Details are as follows:

Premium tax	₱19,115,162
Documentary stamps tax	4,371,196
Local government tax	3,605,001
Fire service tax	107,030
	₱27,198,389

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

Expanded withholding taxes	₱9,954,860
Withholding taxes on compensation and benefits	1,214,980
	₱11,169,840

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