C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 6 0 4 8 0 1

COMPANY NAME

P E T R O G E N   I N S U R A N C E   C O R P O R A T I O N

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

San Miguel Properties Centre
7 St. Francis Street
Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
NA	8886-3888	NA

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	2nd Tuesday of March	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Josephine T. Trivino	jtrivino@sanmiguel.com.ph	8886 - 3888	NA

CONTACT PERSON's ADDRESS

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

PETROGEN INSURANCE CORPORATION

FINANCIAL STATEMENTS
December 31, 2021 and 2020

With Independent Auditors’ Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Petrogen Insurance Corporation
San Miguel Properties Centre,
7 St. Francis Street, Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Petrogen Insurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

The supplementary information required for purposes of filing with the Bureau of Internal Revenue is presented by the management of the Company in a separate schedule. Such supplementary information is not a required part of the basic financial statements. Our opinion on the basic financial statements is not affected by the presentation of the supplementary information on a separate schedule.

R.G. MANABAT & CO.

FLORIZZA C. SIMANGAN
Partner
CPA License No. 0147917
IC Accreditation No. 147917-IC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
SEC Accreditation No. 147917-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 429-267-284
BIR Accreditation No. 08-001987-150-2022
Issued January 27, 2022; valid until January 26, 2025
PTR No. MKT 8854083
Issued January 3, 2022 at Makati City

May 23, 2022
Makati City, Metro Manila

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Stockholders
Petrogen Insurance Corporation
SMC Head Office Complex
40 San Miguel Avenue, Mandaluyong City

We have audited the accompanying financial statements of Petrogen Insurance Corporation (the Company) as at and for the year ended December 31, 2021, on which we have rendered our report dated May 23, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has two (2) stockholders owning one hundred (100) or more shares.

R.G. MANABAT & CO.

FLORIZZA C. SIMANGAN
Partner
CPA License No. 0147917
IC Accreditation No. 147917-IC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
SEC Accreditation No. 147917-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 429-267-284
BIR Accreditation No. 08-001987-150-2022
Issued January 27, 2022; valid until January 26, 2025
PTR No. MKT 8854083
Issued January 3, 2022 at Makati City

May 23, 2022
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

PETROGEN INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2021**	2020
ASSETS			
Cash and cash equivalents	*5, 6, 25*	**P4,433,211,163**	P639,138,672
Insurance receivables	*5, 7, 22, 25*	**1,820,737,412**	568,830,374
Financial instruments at FVOCI	*5, 8, 25*	**45,589,138**	125,804,949
Financial instruments carried at amortized	*5, 8, 25*	**577,085,608**	254,926,315
Deferred reinsurance premiums	*9, 25*	**730,027,913**	121,720,865
Property and equipment	*10, 25*	**12,936,624**	-
Deferred tax assets	*21, 25*	**13,132,351**	3,237,120
Other assets	*5, 11, 25*	**95,593,734**	25,471,761
		P7,728,313,943	P1,739,130,056
LIABILITIES AND EQUITY			
Liabilities			
Insurance liabilities	*5, 12, 25*	**P2,153,442,101**	P612,740,234
Due to reinsurers - net	*5, 13, 25*	**1,402,348,723**	86,320,390
Accrued expenses and other liabilities	*5, 14, 25*	**132,706,769**	28,666,251
Deferred reinsurance commission	*15, 25*	**1,850,043**	4,890,521
		3,690,347,636	732,617,396
Equity			
Capital stock	*16*	**1,994,974,000**	475,001,000
Additional paid in capital	*16*	**1,490,077,270**	-
Contributed surplus	*16*	**25,000,000**	25,000,000
Remeasurement of investments in debt securities - net of deferred tax	*8*	**580,136**	2,986,286
Retained earnings	*16*	**527,334,901**	503,525,374
		4,037,966,307	1,006,512,660
		P7,728,313,943	P1,739,130,056

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
STATEMENTS OF INCOME

		Years Ended December 31	
	Note	**2021**	2020
UNDERWRITING INCOME			
Gross premiums written	*12, 17*	**P1,749,356,553**	P906,811,779
Premiums ceded	*9, 17*	**(1,442,827,193)**	(923,708,108)
Net premiums retained (ceded)		**306,529,360**	(16,896,329)
(Increase) Decrease in reserve for unearned premiums - net of change in deferred reinsurance premiums	*17*	**(80,581,507)**	28,770,715
Net premiums earned	*17*	**225,947,853**	11,874,386
Reinsurance commission	*15*	**9,223,309**	12,879,140
Other underwriting income		**6,461,081**	-
GROSS UNDERWRITING INCOME		**241,632,243**	24,753,526
UNDERWRITING INCOME (EXPENSE) - Net	*12*	**(203,380,868)**	3,721,772
NET UNDERWRITING INCOME		**38,251,375**	28,475,298
INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD	*18*	**42,885,968**	27,542,910
OTHER INCOME - Net	*19*	**15,402,568**	27,558,276
INCOME AFTER INTEREST AND OTHER INCOME		**96,539,911**	83,576,484
GENERAL AND ADMINISTRATIVE EXPENSES	*20*	**(38,219,088)**	(14,085,735)
INCOME BEFORE INCOME TAX		**58,320,823**	69,490,749
INCOME TAX EXPENSE	*21*	**(9,261,296)**	(14,586,546)
NET INCOME		**P49,059,527**	P54,904,203

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2021**	2020
NET INCOME		**P49,059,527**	P54,904,203
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of investments in debt securities - net of deferred tax	*8*	**(1,379,538)**	419,633
Net change in fair value of investments in debt securities reclassified to profit or loss - net of deferred tax	*8*	**(1,026,612)**	465,259
		(2,406,150)	884,892
TOTAL COMPREHENSIVE INCOME		**P46,653,377**	P55,789,095

See Notes to the Financial Statements.

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

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Contributed Surplus (Note 16)	Remeasurement of Investments in Debt Securities - net of deferred tax (Note 8)	Retained Earnings (Note 16)	Total Equity
Balance at January 1, 2021	**P475,001,000**	**P -**	**P25,000,000**	**P2,986,286**	**P503,525,374**	**P1,006,512,660**
Total Comprehensive Income						
Net income	**-**	**-**	**-**	**-**	**49,059,527**	**49,059,527**
Other comprehensive loss	**-**	**-**	**-**	**(2,406,150)**	**-**	**(2,406,150)**
	-	**-**	**-**	**(2,406,150)**	**49,059,527**	**46,653,377**
Transactions with owner of the Company						
Issuance of stocks	**1,494,973,000**	**-**	**-**	**-**	**-**	**1,494,973,000**
Increase in Additional paid-in capital	**-**	**1,505,027,000**	**-**	**-**	**-**	**1,505,027,000**
Stock dividends	**25,000,000**	**-**	**-**	**-**	**(25,000,000)**	**-**
Documentary stamp tax (DST) on issuance of shares	**-**	**(14,949,730)**	**-**	**-**	**(250,000)**	**(15,199,730)**
	1,519,973,000	**1,490,077,270**	**-**	**-**	**(25,250,000)**	**2,984,800,270**
Balance at December 31, 2021	**P1,994,974,000**	**P1,490,077,270**	**P25,000,000**	**P580,136**	**P527,334,901**	**P4,037,966,307**
Balance at January 1, 2020	P475,001,000	P -	P25,000,000	P2,101,394	P448,621,171	P950,723,565
Total Comprehensive Income						
Net income	-	-	-	-	54,904,203	54,904,203
Other comprehensive income	-	-	-	884,892	-	884,892
	-	-	-	884,892	54,904,203	55,789,095
Balance at December 31, 2020	P475,001,000	P -	P25,000,000	P2,986,286	P503,525,374	P1,006,512,660

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P58,320,823**	P69,490,749
Adjustments for:			
Increase (decrease) in reserve for unearned premiums - net of change in deferred reinsurance premiums	*17*	**80,581,507**	(28,770,715)
Interest income	*18*	**(42,885,968)**	(27,542,910)
Unrealized foreign exchange loss - net	*19*	**26,699,196**	3,809,097
(Decrease) increase in deferred reinsurance commission	*15*	**(3,040,478)**	3,746,629
Depreciation	*10, 20*	**173,188**	20,170
Operating income before working capital changes		**119,848,268**	20,753,020
Changes in operating assets and liabilities			
Decrease (increase) in:			
Insurance receivables		**(1,220,055,781)**	1,196,719,304
Other assets		**(70,081,365)**	(14,279,734)
Increase (decrease) in:			
Claims and losses payable		**819,911,993**	(1,202,524,360)
Due to reinsurers - net		**1,283,933,911**	(6,191,665)
Accrued expenses and other liabilities		**104,040,518**	(322,114)
Cash generated from (used in) operations		**1,037,597,544**	(5,845,549)
Income taxes paid		**(19,156,526)**	(13,543,399)
Net cash provided by (used in) operating activities		**1,018,441,018**	(19,388,948)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments in debt securities at amortized cost	*8*	**(601,094,333)**	(70,000,000)
Proceeds from maturity of investments in debt securities at amortized cost	*8*	**279,338,431**	70,910,000
Proceeds from maturity of investments in debt securities at FVOCI	*8*	**77,809,661**	37,450,000
Interest received		**42,441,969**	29,852,757
Acquisition of property and equipment	*10*	**(13,109,812)**	-
Net cash (used in) provided by investing activities		**(214,614,084)**	68,212,757
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of capital stock	*16*	**3,000,000,000**	-
Payment of Documentary Stamp Tax (DST) on issuance of capital stock	*16*	**(15,199,730)**	-
Net cash provided by financing activities		**2,984,800,270**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,788,627,204**	48,823,809
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**5,445,287**	(4,735,270)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**639,138,672**	595,050,133
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P4,433,211,163**	P639,138,672

See Notes to the Financial Statements.

1. Reporting Entity

Petrogen Insurance Corporation (the Company) was incorporated in the Philippines on August 23, 1996. The Company is presently engaged in the business and operation of all kinds of insurance and reinsurance, on sea as well as on land, of properties, goods and merchandise, of transportation or conveyance, against fire, earthquake, marine perils, accidents and all other forms and lines of insurance authorized by law, except life insurance.

The Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines, the Company shall have a perpetual corporate life.

The Company was a formerly wholly-owned subsidiary of Petron. However, on December 3, 2020, the Board of Directors (BOD) of the Company approved the increase its authorized capital stock from 750,000 common shares to 2,250,000 common shares, both at par value of P1,000. Of the increase, 1,494,973 common shares were subscribed by SMC at a subscription price of P3.00 billion. The application with the Securities and Exchange Commission (SEC) was approved on February 4, 2021. After such date and as at December 31, 2021, the Company is 74.94% and 25.04% owned by San Miguel Corporation (SMC) and Petron Corporation (Petron), both incorporated and domiciled in the Philippines and whose shares are listed in the Philippine Stock Exchange.

The Company's ultimate parent is Top Frontier Investments Holdings, Inc.

The Company has Certificate of Authority No. 2022/65-R issued by the Insurance Commission (IC) to transact in a non-life insurance business until December 31, 2024.

The Company's new principal and registered office address is at San Miguel Properties Centre 7 St. Francis Street, Mandaluyong City.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRS consists of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The accompanying financial statements of the Company as at and for the year ended December 31, 2021 were authorized for issue by the BOD on March 21, 2022.

Basis of Measurement

The financial statements of the Company have been prepared on a historical cost basis, except for financial assets classified as investments in debt securities at fair value through other comprehensive income (FVOCI), which is stated at fair value.

Functional and Presentation Currency
The financial statements are presented in Philippine peso (P), which is the Company's functional currency. All financial information is rounded off to the nearest peso, except when otherwise indicated.

Presentation of Financial Statements
The Company presents its statements of financial position in a manner that the presentation provides information that is reliable and relevant. An analysis regarding recovery or settlement within 12 months after reporting date (current) and more than 12 months after reporting date (non-current) is presented in Note 25.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in the financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards
The Company has adopted the following amendments to standards starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's financial statements.

- COVID-19 Related Rent Concessions (Amendment to PFRS 16, *Leases*). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

  - the revised consideration is substantially the same or less than the original consideration;

  - the reduction in lease payments relates to payments due on or before June 30, 2021; and

  - no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

  The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

Amended Standards Issued But Not Yet Adopted
A number of amended standards are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing these financial statements. Unless otherwise indicated, none of these are expected to have a significant effect on the Company's financial statements.

The Company will adopt the following amended standards on the respective effective dates:

Effective April 1, 2021

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 *Leases*).The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19,permittinglessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

  The amendments to the PFRS 16 had no significant impact on the financial statements.

Effective January 1, 2022

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRSs 2018-2020. This cycle of improvements contains amendments to four (4) standards, however, only two of (2) which is applicable to the Company:

  - Fees in the ’10 per cent’ Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the ’10 per cent’ test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

  In November 2021, the IASB issued the Exposure Draft, *Non-Current Liabilities with Covenants*, after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend International Accounting Standards 1 as follows:

  - Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.

  - Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

  - Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

  The effective date of the amendments will be deferred to no earlier than January 1, 2024.

  Comments on the Exposure Draft was due on March 21, 2022.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgements*). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2025

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

    - combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;

    - presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and

    - requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

    Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

    Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

    PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

    PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

    The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

Financial Assets and Financial Liabilities

Date of Recognition

Financial instruments are recognized in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments

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

C*lassification and Subsequent Measurement*

Financial Assets

The Company classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at FVOCI and financial assets at FVPL. The classification depends on the business model of the Company for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to initial recognition, unless the Company changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future salary activity.

Cash Flow Characteristics - Solely Payments of Principal and Interest
For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basis lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet these conditions. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI with or without recycling of cumulative gains and losses and financial assets at FVPL.

As at December 31, 2021 and 2020, the Company has financial assets classified at amortized cost and FVOCI.

Financial Assets at Amortized Cost. The Company measures financial assets at amortized cost if both of the following conditions are met:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate (EIR). Gains and losses are recognized in profit or loss when the financial asset is derecognized, modified or impaired.

Included in this category are: (a) cash in banks and cash equivalents; (b) insurance receivables, which arise primarily from premiums receivable and reinsurance recoverable on paid losses; (c) investments in debt securities at amortized cost; (d) interest receivables, due from related party, and security deposit under “Other assets” account; and (e) due from reinsurers, net of allowance for impairment losses, under “Due to reinsurers - net” account (Notes 6, 7, 8, 11 and 13).

Financial Assets at FVOCI. Investment in debt securities is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the fair value in OCI. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are reported as remeasurement of investment in debt securities as part of OCI. Cumulative net change in the fair value of debt securities measured at FVOCI is presented as “Remeasurement of investments in debt securities - net of deferred tax” under equity section of the statements of financial position. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt securities are recognized in profit or loss. When investment in debt securities at FVOCI is derecognized the related accumulated gains or losses previously reported in the statements of changes in equity are transferred to and recognized in profit or loss.

The Company’s investments in debt securities at FVOCI are classified under this category (Note 8).

Equity instruments that are irrevocably designated at FVOCI are initially measured at fair value. Changes in the fair value of such equity instruments are recognized in equity section of the statements of financial position. Gains and losses are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends earned on holding an investment in equity instrument are recognized as dividend income when the right to receive the payment has been established. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the statements of changes in equity are never reclassified to profit or loss.

As at December 31, 2021 and 2020, the Company has no equity instruments at FVOCI.

Impairment of Financial Assets
The Company recognizes allowance for impairment losses on its financial assets at amortized cost and investments in debt securities at FVOCI.

Expected credit losses (ECLs) are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the EIR of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Company recognizes an allowance for impairment based on either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company recognizes lifetime ECL for receivables that do not contain significant financing component. The Company uses provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Company on terms that the Company would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Financial assets are written off when identified to be worthless after exhausting all collection efforts.

Financial Liabilities

The Company classifies its financial liabilities at initial recognition into the following categories: financial liabilities at FVPL and other liabilities. The Company determines the classification of its financial liabilities at initial recognition, and were allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

As at December 31, 2021 and 2020, the Company has no financial liabilities at FVPL.

Other Financial Liabilities

This category pertains to financial liabilities that are not designated or classified at FVPL.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered integral part of the EIR of the liability.

Included in this category are: (1) claims and losses payable presented as part of “Insurance liabilities” account; (2) due to reinsurers (gross of due from reinsurers); and (3) accrued expenses and other liabilities (excluding payable to regulatory agencies and deferred credits) (Notes 12, 13 and 14).

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

- the contractual rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

- the Company has transferred its right to receive cash flows from the asset and either has:

  (a) transferred substantially all the risks and rewards of the asset; or

  (b) neither transferred nor retained substantially the risks and rewards of the financial asset but has transferred the control of the financial asset.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Whereas 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 as exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Classification of Financial Instruments between Debt and Equity
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, 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 instruments classified as equity are changed directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- 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.

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.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

<u>Fair Value Measurement</u>

Determination of Fair Values

The fair values of financial instruments traded in active markets at reporting date are based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

When current bid and ask 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 values are determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flows method, price comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

<u>'Day 1' Difference</u>

Where the transaction price in a non-active market is different from the fair value of 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' difference) in the statement of profit or loss and other comprehensive income under profit or loss, unless it qualifies for recognition as some other type of asset. In cases where no observable data is used, the difference between the transaction price and model value is only recognized in the statement of profit or loss and other comprehensive income under profit or loss, 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' difference amount.

Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statements 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 realize the financial asset and settle the financial liability simultaneously. This is not generally the case with master netting agreements, and the related financial assets and financial liabilities are presented gross in the statements of financial position.

Property and Equipment
Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the cost of day-to-day servicing.

The initial cost of property and equipment comprises of its construction cost or purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period these costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Office equipment	10
Electronic data processing (EDP) equipment	3

The remaining useful lives, residual values and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of the property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

Impairment of Non-financial Assets
The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units (CGU) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment loss is recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation 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.

As at December 31, 2021 and 2020, no impairment loss has been recognized on the Company's property and equipment (Note 10).

Insurance Contracts
Insurance contract is an agreement whereby one party called the insurer undertakes, for a consideration paid by the other party called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Classification of Insurance and Investment Contracts
The Company issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event. The Company may also transfer insurance risk in insurance contracts through its reinsurance arrangements to hedge a greater possibility of claims occurring than expected. 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 10.00% more than the benefits payable if the insured event did not occur. Insurance contracts can also expose the insurer to financial risks. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

In 2021 and 2020, the Company did not issue any investment contracts.

Insurance Contract Receivables and Payables
Insurance contract receivables and payables are recognized when contracts are entered into and premiums are charged. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes that impairment loss in profit or loss.

Claims and Losses Payable
Liabilities for unpaid claims and losses and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The liability is derecognized when the contract is discharged or cancelled.

The liabilities for claims are based on the estimated ultimate cost of settling the claims. The method of determining the expected ultimate cost of claims reported at reporting date are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and difference between estimates and payments for claims are recognized as income or expense in the period in which the estimates are changed or payments are made.

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverable. Recoveries on claims are recognized in profit or loss in the period the recoveries are determined. Recoverable amounts from reinsurers are presented as part of “Insurance receivables” account in the statements of financial position.

Incurred but Not Yet Reported (IBNR) Claims
IBNR is based on the estimated ultimate cost of all claims incurred but not reported at the end of the reporting period. 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 end of the reporting period. This liability is discounted for the time value of money. The liability is derecognized when the contract is discharged, cancelled or has expired.

Liability Adequacy Test
At each reporting date, liability adequacy test (LAT) is performed to ensure the adequacy of the insurance liabilities. The test considers current best estimates of future cash flows, claims handling cost and policy administrative expenses. 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 arising from the test is immediately charged to profit or loss by establishing an unexpired risk provision for losses.

The Company's insurance contract liabilities are composed of premium liabilities and claims liabilities. Premium liabilities are calculated as the higher of reserve for unearned premiums and the unexpired risk reserve for each line of business. Unexpired risk reserve is an estimate of total liability including expenses, at a designated level of confidence, in respect of the risk after the valuation date of the policies written prior to that date including expenses for policy management and claims settlement costs. If the unexpired risk reserve is higher than the reserve for unearned premiums, the excess is set up as an additional insurance reserves on top of reserve for unearned premiums.

While claims liabilities are composed of claims and losses payable and IBNR, significant accounting policies are disclosed in the preceding section of the notes to the financial statements.

Reinsurance
The Company cedes insurance risk in the normal course of business. Reinsurance assets primarily include balances due from reinsurance companies. Amounts due from reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contracts.

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

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

Reinsurance assets and liabilities are derecognized when the contractual right is extinguished or expired or when the contract is transferred to another part.

<u>Equity</u>
Capital Stock
Capital stock is composed of common shares, determined using the nominal value of shares that have been issued.

Additional Paid-in Capital
When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Contributed Surplus
Contributed surplus represents contributions of the stockholders to the Company in compliance with the requirements of the Insurance Code.

Retained Earnings
Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Retained earnings may also include effect of changes in accounting policy as may be required by the transitional provision of the standards. Any transaction costs associated with the issuance of shares are deducted from retained earnings.

Dividend distribution to the Company's shareholders is recognized pursuant to the stock dividend declaration by the BOD, upon receipt of the Insurance Commission's approval. The Company intends to declare dividends subject to availability of retained earnings and operational and regulatory requirements.

<u>Revenue Recognition</u>
The Company recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The Company's revenue streams arising from insurance contracts falls under PFRS 4 while interest income falls under PFRS 9 and other income under PFRS 15, *Revenue from Contracts with Customers*. The following specific criteria must also be met before revenue is recognized:

Premium Income
Gross premiums written comprise the total premiums for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. Premiums payable for reinsurance contracts are recognized as a contra-income account upon recognition of related premiums and presented as "Premiums ceded" in profit or loss.

Premiums from insurance contracts are recognized as revenue over the period of the contracts using the 24^{th} method. The portion of the premiums written that relates to the unexpired periods of the policies at the reporting date is accounted for as "Reserve for unearned premiums" account and presented under "Insurance liabilities" in the statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at each reporting date is accounted for as "Deferred reinsurance premiums" and shown in the assets section of the statements of financial position. The net changes in these accounts between reporting dates are credited to or charged against income as "Increase or decrease in reserve for unearned premium - net of change in deferred reinsurance premiums" account in the profit or loss.

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Reinsurance Commissions
Reinsurance commissions earned from reinsurance contracts are recognized as revenue over the period of the contracts using the 24^{th} method. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as "Deferred reinsurance commission" and presented in the liabilities section of the statements of financial position.

Interest Income Calculated Using the Effective Interest Method
Interest income for all interest-bearing financial instruments is recognized in profit or loss using the effective interest method. Interest income is recognized at gross amount of the tax withheld.

Other Underwriting Income
Other underwriting income is recognized in the period when benefits are earned.

Service Fees
Service fees pertain to services provided by the Company other than underwriting services. Service fees are recognized over a period of time as the Company delivers services to the customer(s).

No Claim Bonus and Profit Commission
No claim bonus and profit commission are the amounts received from reinsurers in the event of no claims made throughout the coverage period. No claim bonus and profit commission is recognized at a point in time when there is a reasonable degree of certainty that the incidental economic benefit will flow to the Company that can be measured reliably.

Cost and Expense Recognition
Cost and expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized when incurred.

Underwriting Expenses
Underwriting expenses consist of benefits and claims incurred during the year and loss adjustments. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether throughout the period of use:

- the Company has the right to obtain substantially all the economic benefits from use of the identified asset; and

- the Company has the right to direct the use of the identified asset.

As a Lessee
The Company recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company's lease agreement did not contain a specified asset thus, not considered as a lease contract under the provisions of PFRS 16. Consequently, the Company did not recognize right-of-use assets and lease liabilities on such lease contract. Accordingly, the Company recognized lease payments 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 the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless the 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 specific 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 gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

Operating Lease

Company as Lessee

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over lease term.

Foreign Currency Transactions and Translation

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates at reporting date; income and expenses are translated using the average rate for the year. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of financial assets at FVOCI, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in OCI.

Taxes

Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - excess of Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of excess of MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date, and reflects uncertainty related to income taxes, if there is any.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

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.

Final Tax
Interest income from cash in banks, cash equivalents and debt securities at amortize cost and FVOCI, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are included in ‘Income tax expense” account in the profit or loss.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

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

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

Related Parties
Related party relationships exist when one party has the ability to control or influence the other party, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Provisions
Provisions are recognized when: a) the Company has a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Company’s financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, actual results may differ from such judgments and estimates.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments, estimates and assumptions are revised and in any future period affected.

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

Operating Lease Commitments - Company as Lessee. The Company had determined that all the significant risks and rewards for leased property are retained by the lessor.

Rent expense recognized in the statements of income amounted to P0.86 million and P0.45 million in 2021 and 2020, respectively (Notes 20 and 24).

Classification of Financial Instruments
The Company exercises judgment in classifying financial instruments in accordance with PFRS 9. The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The classification and fair values of financial assets and financial liabilities are presented in Note 5.

The Company uses its judgment in determining the classification of financial assets based on its business model (Note 3) in which assets are managed and their cash flow characteristics.

The Company determines that the business model for financial assets at amortized cost is held to collect contractual cash flows and meets the solely principal and interest criterion as of December 31, 2021 and 2020. Other financial assets are classified as financial assets at FVOCI based on the characteristics of the contractual cash flows of the instruments.

Determination of Fair Values of Financial Instruments
Where the fair values of financial assets and liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models.

The Company uses judgment to select from a variety of valuation models and makes assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

Determining whether the Company is Acting as Principal or an Agent
The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

(a) the Company have the primary responsibility to provide specified goods to the end consumers; and

(b) the Company have discretion to establish prices for specified goods.

If the Company has determined it is acting as a principal, it recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of general and administrative expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Company assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

<u>Estimates and Assumptions</u>
Estimation of Allowance for Impairment of Financial Assets
The Company measures allowance for impairment losses on financial assets at FVOCI and at amortized cost based on the assumptions about risk of default and expected credit loss rates. When estimating the expected credit loss, the Company uses judgments in making these assumptions based on the Company's past experience and historical data, existing market conditions as well as forward looking estimates. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease assets.

As at December 31, 2021 and 2020, the Company assessed that there are no impairment indicators for its financial assets at FVOCI and financial assets at amortized cost (Note 8).

Valuation of Claims and Losses Payable and IBNR
The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimation of the ultimate cost of claims is a complex process and can be evaluated with the aid of the adjuster's estimates.

The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the ultimate liability arising from claims made under insurance contracts as the major uncertainties may differ significantly. With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected including reserve for outstanding losses and related insurance balances.

In estimating the ultimate cost of IBNR, the Company adopted the Incurred Chain Ladder Method, the Paid Chain Ladder Method, the Bornhuetter-Ferguson Incurred Approach and the Bornhuetter-Ferguson Paid Approach, in weighted averages, to predict the future claims settlement.

At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to claims and losses payable and IBNR claims.

As at December 31, 2021 and 2020, claims and losses payable and IBNR claims amounted to P1.34 billion and P485.82 million, respectively (Note 12).

Reasonableness of Insurance Policy Reserves
The LATs are performed to ensure the adequacy of the insurance contract liabilities using the current best estimates of the future contractual cash flows and claims handling and administration expenses.

As at December 31, 2021 and 2020, the Company's reserve for unearned premiums amounting to P815.81 million and P126.92 million, respectively, and IBNR of P4.75 million and P10.04 million in 2021 and 2020, respectively, are adequate in using the best estimates assumptions (Note 12).

Realizability of Deferred Tax Assets
The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount 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. The Company's assessment on the recognition of deferred tax assets is based on the projected taxable income in the following periods.

As at December 31, 2021 and 2020, deferred tax assets amounted to P13.13 million and P3.24 million, respectively (Note 21).

5. Insurance and Financial Risks Management Objectives and Policies

Objectives and Policies
The primary objective of the Company's insurance and financial risk management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the financial performance objectives, including failing to exploit opportunities.

Governance
Key management recognizes the critical importance of having efficient and effective risk management system.

The Company's risk management involves the close cooperation of the Company's BOD in developing objectives, policies and processes on insurance, liquidity, credit and market risks and the Company's management of capital.

Regulatory Framework
Regulators are interested in protecting the rights of the policyholders and maintain close observation to ensure that the Company is satisfactorily managing its affairs for the benefit of policyholders. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency position to meet liabilities arising from claims and that the risks are at acceptable levels.

The risks and the way the Company manages insurance and financial risks are set out below:

Insurance Risk
The major classes of general insurance written by the Company include fire, marine, casualty and motor. Risks under these policies usually cover a twelve-month duration.

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

- *Occurrence Risk* - the possibility that the number of insured events reported in a particular period will differ from those expected.

- *Severity Risk* - the possibility that the cost of the events will differ from those expected.

- *Development Risk* - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

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

The business of the Company comprises short-term nonlife insurance contracts. For general insurance contracts, claims are often affected by natural disasters, calamities, etc. These risks currently do not vary significantly in relation to the location of the risk insured by the Company while undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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

- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security; and

- Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented as part of "Insurance receivables" in the statements of financial position.

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Amounts of estimates at the accident year are based from adjusters' report. Other estimates are based on reasonable approximation after an evaluation of reported claims. Adjustment to the loss reserves is made on the year the ultimate cost of claim becomes more certain. Reserves are either decreased or increased depending on the estimates.

The Company's exposure to insurance risk as at December 31, 2021 and 2020 is as follows:

	Note	**2021**	2020
Claims and losses payable and IBNR	*12*	**P1,337,631,696**	P485,818,384
Less: reinsurance recoverable on unpaid losses and IBNR	*7, 12*	**1,077,617,587**	478,820,692
		P260,014,109	P6,997,692

The concentration of claims and losses by type of contract is as follows:

	2021		
	Claims and Losses Payable and IBNR (Note 12)	**Reinsurance Recoverable on Unpaid Losses and IBNR** (Notes 7,12)	**Net**
Engineering	**P1,167,044,910**	**P1,073,205,341**	**P93,839,569**
Marine	**73,562,117**	**3,629,159**	**69,932,958**
Fire	**56,135,495**	**470,880**	**55,664,615**
Motor	**6,247,877**	**-**	**6,247,877**
Accident	**211,250**	**72,500**	**138,750**
Others	**34,430,047**	**239,707**	**34,190,340**
	P1,337,631,696	**P1,077,617,587**	**P260,014,109**

	2020		
	Claims and Losses Payable and IBNR (Note 12)	Reinsurance Recoverable on Unpaid Losses and IBNR (Notes 7,12)	Net
Engineering	P477,167,155	P473,295,468	P3,871,687
Motor	7,406,301	-	7,406,301
Marine	1,076,705	1,029,403	47,302
Accident	96,494	69,486	27,008
Fire	(523,469)	3,831,137	(4,354,606)
Others	595,198	595,198	-
	P485,818,384	P478,820,692	P6,997,692

Key Assumptions

The principal assumptions underlying the estimates made by the Company depends on the past claims experience and industry levels. This includes assumptions in respect to average claims costs, inflation factor and handling cost. Judgment is used to assess the extent to which external factors such as judicial decision and government legislation affect the estimates.

Sensitivity Analysis

The Company's claims provision is sensitive to the previous key assumptions. The sensitivity of certain assumptions such as legislative change, uncertainty in the estimation process, among others is not possible to quantify.

In accordance with the claims development methodology, claims and losses over a period of time on a gross and net reinsurance basis were developed as follows:

	2021						
Accident Year	**2015 and Prior Years**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Incremental claims settlements:							
At the end of accident year	**P318,279,343**	**P61,536,550**	**P24,772,901**	**P2,389,278,893**	**P4,738,960**	**P1,148,515,450**	**P1,148,515,450**
One year later	**341,616,282**	**62,280,491**	**25,571,353**	**1,267,044,854**	**4,949,296**	**-**	**4,949,296**
Two years later	**346,138,286**	**62,297,843**	**25,596,404**	**1,360,422,742**	**-**	**-**	**1,360,422,742**
Three years later	**346,443,233**	**77,517,096**	**25,690,909**	**-**	**-**	**-**	**25,690,909**
Four years later	**348,223,402**	**78,275,340**	**-**	**-**	**-**	**-**	**78,275,340**
Five to ten years later	**347,455,158**	**-**	**-**	**-**	**-**	**-**	**347,455,158**
Cumulative claims incurred including IBNR	**347,455,158**	**78,275,340**	**25,690,909**	**1,360,422,742**	**4,949,296**	**1,148,515,450**	**2,965,308,895**
Cumulative claims and losses paid	**347,282,193**	**13,980,070**	**7,336,231**	**1,254,488,003**	**3,645,944**	**944,758**	**1,627,677,199**
Claims and losses payable and IBNR	**172,965**	**64,295,270**	**18,354,678**	**105,934,739**	**1,303,352**	**1,147,570,692**	**1,337,631,696**
Reinsurance recoverable on unpaid losses	**-**	**1,054,255**	**-**	**102,729,593**	**93,843**	**973,739,896**	**1,077,617,587**
Net exposure	**P172,965**	**P63,241,015**	**P18,354,678**	**P3,205,146**	**P1,209,509**	**P173,830,796**	**P260,014,109**

	2020						
Accident Year	2015 and Prior Years	2016	2017	2018	2019	2020	Total
Incremental claims settlements:							
At the end of accident year	P249,331,220	P68,948,123	P61,536,550	P24,772,901	P2,389,278,893	P4,738,960	P4,738,960
One year later	255,808,355	85,807,927	62,280,491	25,571,353	1,267,044,854	-	1,267,044,854
Two years later	260,330,359	85,807,927	62,297,843	25,596,404	-	-	25,596,404
Three years later	260,635,306	85,807,927	77,517,096	-	-	-	77,517,096
Four years later	262,415,475	85,807,927	-	-	-	-	85,807,927
Five to ten years later	262,415,475	-	-	-	-	-	262,415,475
Cumulative claims incurred including IBNR	262,415,475	85,807,927	77,517,096	25,596,404	1,267,044,854	4,738,960	1,723,120,716
Cumulative claims and losses paid	262,086,133	85,196,060	13,980,070	7,311,479	865,379,213	3,349,377	1,237,302,332
Claims and losses payable and IBNR	329,342	611,867	63,537,026	18,284,925	401,665,641	1,389,583	485,818,384
Reinsurance recoverable on unpaid losses	329,342	611,867	62,608,285	18,021,551	395,880,079	1,369,568	478,820,692
Net exposure	P -	P -	P928,741	P263,374	P5,785,562	P20,015	P6,997,692

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

Financial Risk

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

There has been no change to the Company's exposure to financial risks or the manner in which it manages and measures the risks since the last financial year.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Company regulates and extends credit only to qualified and credit-worthy related entities and other counterparties, and continuously monitors defaults of its counterparties, identified either individually or by group, and incorporate this information into its credit risk controls.

As at December 31, 2021 and 2020, the Company's concentration of credit risk arises from its cash and cash equivalents (except cash on hand) and investments in debt securities amounting to P5.06 billion and P1.02 billion, respectively, which represent 86.47% in 2021 and 89.25% in 2020 of the Company's financial assets (Notes 6 and 8).

The maximum credit risk exposure of the Company's financial assets is as summarized below:

	Note	2021	2020
Cash and cash equivalents[1]	*6, 25*	**P4,433,176,402**	P639,092,981
Insurance receivables [2]	*7, 22, 25*	**743,119,825**	90,009,682
Investments in debt securities	*8, 25*	**622,674,746**	380,731,264
Interest receivable [3]	*11, 25*	**2,553,648**	2,594,256
Security deposit [3]	*11, 25*	**287,213**	180,733
Due from reinsurers [4]	*13, 25*	**36,378,604**	30,033,556
		P5,838,190,438	P1,142,642,472

1 Excluding cash on hand amounting to P34,761 in 2021 and P45,691 in 2020
2 Excluding reinsurance recoverable on unpaid losses, reinsurers' share on IBNR and gross of allowance for impairment loss
3 Included under "Other assets" account
4 Included under "Due to reinsurers - net" account and gross of allowance for impairment loss

The credit risk for cash and cash equivalents and investments in debt securities at FVOCI is considered negligible, since the counterparties are reputable entities which are considered low risk. The credit quality of these financial assets is therefore considered as high grade. For the determination of credit risk, cash and cash equivalents does not include cash on hand amounting to P34,761 and P45,691 as at December 31, 2021 and 2020, respectively.

The Company uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

Investment High Grade - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through the public markets and/or credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage. Financial assets classified as investment high grade are either current or past due, and not impaired.

Non-investment Grade - Satisfactory - This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations, for individuals into business or for corporate entities. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

The table below presents the Company's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2021				
	Financial Assets at Amortized Cost				
	12-Month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVOCI**	**Total**
Cash and cash equivalents [1]	**P4,433,176,402**	**P -**	**P -**	**P -**	**P4,433,176,402**
Insurance receivables [2]	**743,119,825**	**-**	**-**	**-**	**743,119,825**
Investments in debt securities	**547,085,608**	**30,000,000**	**-**	**45,589,138**	**622,674,746**
Interest receivable [3]	**2,553,648**	**-**	**-**	**-**	**2,553,648**
Security deposit [3]	**287,213**	**-**	**-**	**-**	**287,213**
Due from reinsurers [4]	**36,378,604**	**-**	**-**	**-**	**36,378,604**
	P5,762,601,300	**P30,000,000**	**P -**	**P45,589,138**	**P5,838,190,438**

1 Excluding cash on hand amounting to P34,761.
2 Excluding reinsurance recoverable on unpaid losses and IBNR share and gross of allowance for impairment loss
3 Included under "Other assets" account
4 Included under "Due to reinsurers - net" account and gross of allowance for impairment loss

	2020				
	Financial Assets at Amortized Cost				
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVOCI	Total
Cash and cash equivalents [1]	P639,092,981	P -	P -	P -	P639,092,981
Insurance receivables [2]	90,009,682	-	-	-	90,009,682
Investments in debt securities	104,647,868	150,278,447	-	125,804,949	380,731,264
Interest receivable [3]	2,594,256	-	-	-	2,594,256
Security deposit [3]	-	180,733	-	-	180,733
Due from reinsurers [4]	30,033,556	-	-	-	30,033,556
	P866,378,343	P150,459,180	P -	P125,804,949	P1,142,642,472

1 Excluding Cash on hand amounting to P45,691
2 Excluding reinsurance recoverable on unpaid losses and IBNR share and gross of allowance for impairment loss
3 Included under "Other assets" account
4 Included under "Due to reinsurers - net" account and gross of allowance for impairment loss

The aging of insurance receivables (excluding reinsurance recoverable on unpaid losses) is as follows:

	Note	**2021**	2020
Premiums Receivables			
Current		**P412,992,306**	P21,853,869
Past due but not impaired:			
31 - 60 days		**19,118,815**	3,429,316
61 - 90 days		**179,898,464**	95,871
More than 90 days		**71,708,279**	10,707,726
	7	**P683,717,864**	P36,086,782

The reinsurance recoverable on paid losses amounted to P59.40 million and P53.92 million in 2021 and 2020, respectively (Note 7) is more than 90 days past due and is unimpaired.

The Company provides allowance for impairment based on either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. The allowance is evaluated by management on the basis of reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company has rebutted the presumption that default does not occur later than when a financial asset is 90 days past due, based on the reasonable and supportable information. Therefore, financial assets aging more than 90 days are not considered impaired.

At each reporting date, the Company assesses whether these financial assets at amortized cost and investments in debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Company on terms that the Company would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

Liquidity Risk

Liquidity risk pertains to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Company manages its liquidity needs by carefully monitoring scheduled debt serving payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and 1-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits or short-term marketable securities.

Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2021 and 2020, the contractual maturities of the Company are all due in one year or less.

	Note	**2021**	2020
Financial Liabilities			
Claims and losses payable	*12, 25*	**P1,332,883,366**	P475,779,627
Due to reinsurers [1]	*13, 25*	**1,438,727,327**	116,353,946
Accrued expenses and other liabilities [2]	*14, 25*	**10,350,837**	4,938,175
		P2,781,961,530	P597,071,748

1 Gross of due from reinsurer included under "Due to reinsurers - net" account
2 Excluding payable to regulatory agencies and deferred credits

The above contractual maturities reflect the gross cash flows, which is the same as the carrying values of the liabilities at reporting dates.

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

Foreign Currency Risk
Most of the Company's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise from the Company's cessions to Overseas Ventures Insurance Corporation Ltd. (OVINCOR) and collection on fire and marine insurance premiums from Petron, which are primarily denominated in US dollar.

The Company also holds US dollar-denominated cash and cash equivalents.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets and liabilities, translated into Philippine peso at the closing rate are as follows:

	2021		2020	
	US Dollar	**Peso Equivalent[1]**	US Dollar	Peso Equivalent[1]
Financial assets	**$7,312,176**	**P372,913,664**	$10,872,076	P522,109,705
Financial liabilities	**(2,763,906)**	**(140,956,442)**	(9,804,848)	(470,858,234)
Net exposure	**$4,548,270**	**P231,957,222**	$1,067,228	P51,251,471

[1] Difference may arise due to rounding off

The Company reported net foreign exchange gains/(losses) of P13.49 million and (P0.45 million) in 2021 and 2020, respectively (Note 19), with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar. The Company used the Banker's Association of the Philippines' closing rates of US dollar to peso of P50.99 and P48.02 as at December 29, 2021 and December 28, 2020, respectively.

The management of foreign currency risk is also supplemented by monitoring the sensitivity of financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity through the retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to income before tax and equity as at December 31:

	Change in US Dollar Exchange Rate	Effect on Income before Income Tax	Effect on Equity
2021	**+0.56%**	**P1,298,960**	**P974,220**
	-0.56%	**(1,298,960)**	**(974,220)**
2020	+0.07%	P35,876	P25,113
	-0.07%	(35,876)	(25,113)

In 2021, the peso volatility, as measured by the coefficient of variation of peso's daily closing rates, increased to 0.56% from 0.07% in 2020. The Company determined that this will best represent the movement of foreign exchange rate until the next reporting date.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

Interest Rate Risk
The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile of the financial instruments.

The Company's exposure to such instruments is not significant as most of the investments have fixed interest rates and maturities.

Price Risk
Price risk is the risk that future cash flows will fluctuate because of changes in market prices of individual stocks and the changes in the level of Philippine Stock Exchange index (PSEi).

As at December 31, 2021 and 2020, the Company does not have an exposure to price risk as it does not have investments in equity securities.

Fair Value of Financial Instruments
The fair value of cash in banks and cash equivalents, insurance receivables, investment in debt securities, interest receivables, security deposits, claims and losses payable, due from/to reinsurers, and accrued expenses and other liabilities (excluding amounts payable to government agencies and deferred credits), approximate their carrying amounts due to relatively short-term nature.

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

As at December 31, investments in debt securities at FVOCI is the only financial asset measured at fair value in the statements of financial position. The fair value hierarchy of the Company's investments in debt securities is as follows:

	2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Investments in debt securities	**P45,589,138**	**P -**	**P45,589,138**	**P -**	**P45,589,138**

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Investments in debt securities	P125,804,949	P -	P125,804,949	P -	P125,804,949

Fair value of other debt securities is estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. The market price reference in determining the market values is derived from Bloomberg Valuation in 2021 and 2020.

As at December 31, 2021 and 2020 the Company has no financial instruments measured at fair value which are considered as Level 1 and Level 3. During the year, there were no transfers into and out of Level 1 and Level 3 fair value measurements.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2021**	2020
Cash on hand and in banks		**P603,885,071**	P83,619,225
Short-term placements		**3,829,326,092**	555,519,447
	5, 25	**P4,433,211,163**	P639,138,672

Cash in banks generally earns interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company, and earn annual interest ranging from 0.13% to 4.00% in 2021 and 0.25% to 6.10% in 2020.

Interest earned on cash in banks and short-term placements amounted to P29.51 million and P9.32 million in 2021 and 2020, respectively (Note 18). Accrued interest on cash and cash equivalents amounted to P0.26 million and P0.12 million in 2021 and 2020, respectively (Note 11).

7. Insurance Receivables

Insurance receivables consist of:

	Note	**2021**	2020
Premium receivables:			
Related party	*22*	**P683,717,864**	P35,572,840
Third parties		**-**	513,942
	5, 25	**683,717,864**	36,086,782
Reinsurance recoverable on paid losses:			
Related party	*22*	**726,702**	8,767,828
Third parties		**58,675,259**	45,155,072
	5, 25	**59,401,961**	53,922,900
Reinsurance recoverable on unpaid losses:			
Related party	*22*	**963,424,235**	235,072
Third parties		**111,890,015**	470,946,161
		1,075,314,250	471,181,233
Reinsurers' share on IBNR	*12*	**2,303,337**	7,639,459
		1,137,019,548	532,743,592
		P1,820,737,412	P568,830,374

All of the Company's insurance receivables have been reviewed for indicators of impairment. As at December 31, 2021 and 2020, none of these receivables were found to be impaired.

8. Investments in Debt Securities

This account consists of:

	Note	**2021**	2020
Government securities		**P577,085,608**	P224,926,315
Other debt securities		**45,589,138**	155,804,949
	5, 25	**P622,674,746**	P380,731,264

This account is comprised of investments in government and private securities. Government securities consist of bonds or other instruments of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of Government-owned and controlled corporations, including the Bangko Sentral ng Pilipinas, which are lodged with the Bureau of Treasury, in accordance with the provisions of the Insurance Code for the benefit and security of policyholders and creditors of the Company.

This account bears fixed interest rates ranging from 1.78% to 7.02% and 4.25% to 7.02% in 2021 and 2020, respectively. In 2021 and 2020, interest income on these investments amounted to P13.67 million and P18.22 million, respectively (Note 18). As at December 31, 2021 and 2020, accrued interest on these investments amounted to P2.29 million and P2.47 million, respectively (Note 11).

The maturity profile of this account is as follows:

	Note	2021	2020
Due in one year or less	*25*	**P592,674,746**	P183,837,067
Due after one year through five years	*25*	**30,000,000**	196,894,197
	5, 25	**P622,674,746**	P380,731,264

The breakdown of investments by classification and measurement as of December 31 follows:

	Note	2021	2020
Financial assets at amortized cost		**P577,085,608**	P254,926,315
Financial assets at FVOCI	*5*	**45,589,138**	125,804,949
	5, 25	**P622,674,746**	P380,731,264

The reconciliation of the carrying amount of investments in debt securities as at December 31 is as follows:

	2021	2020
Financial Assets at Amortized Cost		
Balance at beginning of year	**P254,926,315**	P256,607,037
Additions	**601,094,333**	70,000,000
Maturity	**(279,338,431)**	(70,910,000)
Amortization of discount (premium)	**403,391**	(770,722)
Balance at end of year	**P577,085,608**	P254,926,315

	Note	2021	2020
Financial Assets at FVOCI			
Balance at beginning of year		**P125,804,949**	P162,935,468
Maturity		**(79,866,826)**	(37,450,000)
Fair value (loss) gain		**(348,985)**	784,740
Amortization of premium		**-**	(465,259)
Balance at end of year	*5*	**P45,589,138**	P125,804,949

The reconciliation of remeasurement of investments in debt securities at FVOCI is as follows:

	2021	2020
Balance at beginning of year	**P2,986,286**	P2,101,394
Net change in fair value of investments in debt securities	**(1,379,538)**	419,633
Net change in fair value of investments in debt securities transferred to profit or loss	**(1,026,612)**	465,259
Balance at end of year	**P580,136**	P2,986,286

9. Deferred Reinsurance Premiums

Deferred reinsurance premiums pertain to the portion of insurance premiums ceded out and that relates to the unexpired period of the policies at reporting dates.

The movement of this account for the years ended December 31 is as follows:

	Note	**2021**	2020
Balance at beginning of year		**P121,720,865**	P41,139,133
Premiums ceded		**1,442,827,193**	923,708,108
Premiums ceded related to expired periods	*17*	**(834,520,145)**	(843,126,376)
		608,307,048	80,581,732
Balance at end of year	*25*	**P730,027,913**	P121,720,865

10. Property and Equipment

The movement of this account is as follows:

		2021		
	Note	**Office Equipment**	**EDP Equipment**	**Total**
Cost				
January 1, 2021		**P3,016,326**	**P1,770,118**	**P4,786,444**
Additions		**-**	**13,109,812**	**13,109,812**
	25	**3,016,326**	**14,879,930**	**17,896,256**
Accumulated Depreciation				
January 1, 2021		**3,016,326**	**1,770,118**	**4,786,444**
Depreciation	*20*	**-**	**173,188**	**173,188**
	25	**3,016,326**	**1,943,306**	**4,959,632**
Carrying Amount December 31, 2021		**P -**	**P12,936,624**	**P12,936,624**

		2020		
	Note	Office Equipment	EDP Equipment	Total
Cost				
January 1, 2020		P3,016,326	P1,770,118	P4,786,444
	25	3,016,326	1,770,118	4,786,444
Accumulated Depreciation				
January 1, 2020		3,016,326	1,749,948	4,766,274
Depreciation	*20*	-	20,170	20,170
	25	3,016,326	1,770,118	4,786,444
Carrying Amount December 31, 2020		P -	P -	P -

The cost of the fully depreciated property and equipment still in use as at December 31, 2021 and 2020 amounted to P4.79 million.

11. Other Assets

Other assets consist of:

	Note	2021	2020
Creditable withholding tax (CWT)		**P38,065,758**	P14,632,178
Prepaid expenses		**25,427,728**	4,858,238
Due from related party		**25,395,188**	-
Deferred input VAT		**3,834,100**	3,179,333
Interest receivable	*5, 6, 8*	**2,553,648**	2,594,256
Security deposit	*5*	**287,213**	180,733
Others		**30,099**	27,023
	25	**P95,593,734**	P25,471,761

CWT pertains to the indirect tax paid by the Company that is withheld by its counterparty for the payment of its expenses and other purchases.

Prepaid expenses pertain to excess amounts of taxes paid to the tax regulators and other prepaid expenses.

Due from related party pertains receivable from related party in connection with the service agreement executed between the parties.

Security deposit was made with the IC in compliance with Section 378 of the Amended Insurance Code (R.A. No. 10607), to be used for payment of claims against insolvent insurance companies. As at December 31, 2021 and 2020, the balance of the deposit amounting to P0.18 million represents the Company's contribution to the deposit and it earns interest at rates determined by the IC annually. No interest income was earned from security deposit for the years ended December 31, 2021 and 2020.

12. Insurance Liabilities

Insurance liabilities consist of:

	Note	2021	2020
Claims and losses payable:			
Related party	*22*	**P58,520,887**	P414,126,341
Third parties		**1,274,362,479**	61,653,286
	5, 25	**1,332,883,366**	475,779,627
IBNR claims		**4,748,330**	10,038,757
	5	**1,337,631,696**	485,818,384
Reserve for unearned premiums		**815,810,405**	126,921,850
		P2,153,442,101	P612,740,234

In 2018, the Company adopted certain provisions in Circular Letter (CL) No. 2018-18 *Valuation Standards for Non-life Insurance Reserves* issued by the IC specifically the recognition of margin for adverse deviation (MfAD) on its IBNR. This brought the IBNR claims to 75% percentile level of sufficiency. The Company recognized 100% of the Company specific MfAD in 2021 and 2020, in accordance with the provision of IC 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".*

The movement in claims and losses payable and IBNR and reinsurance recoverable on unpaid losses are accounted for as follows:

	2021			2020		
	Claims and Losses Payable and IBNR	**Reinsurance Recoverable on Unpaid Losses and IBNR** (Note 7)	**Net**	Claims and Losses Payable and IBNR	Reinsurance Recoverable on Unpaid Losses and IBNR (Note 7)	Net
Balance at beginning of year	**P485,818,384**	**P478,820,692**	**P6,997,692**	P1,686,629,274	P1,645,025,690	P41,603,584
Claims and losses incurred during the year	**1,247,478,606**	**992,419,457**	**255,059,149**	(1,104,143,282)	(1,100,336,049)	(3,807,233)
Claims and losses paid - net of recoveries	**(390,374,867)**	**(388,286,440)**	**(2,088,427)**	(98,560,115)	(67,684,653)	(30,875,462)
Increase (decrease) in IBNR	**(5,290,427)**	**(5,336,122)**	**45,695**	1,892,507	1,815,704	76,803
Balance at end of year	**P1,337,631,696**	**P1,077,617,587**	**P260,014,109**	P485,818,384	P478,820,692	P6,997,692

A reconciliation of reserve for unearned premiums is as follows:

	Note	2021	2020
Balance at beginning of year		**P126,921,850**	P75,110,833
Gross premiums written	17	**1,749,356,553**	906,811,779
Gross earned premiums	17	**(1,060,467,998)**	(855,000,762)
	17	**688,888,555**	51,811,017
Balance at end of year		**815,810,405**	P126,921,850

Underwriting expenses consists of:

	Note	2021	2020
Claims and losses incurred during the year including IBNR		**P1,242,188,179**	(P1,102,250,775)
Reinsurers' share on IBNR	7	**5,336,122**	(1,815,704)
Reinsurance recoverable on claims and losses during the year		**(992,419,457)**	1,100,336,049
Reinsurance recoverable on paid losses		**(54,006,457)**	-
Others		**2,282,481**	8,658
Underwriting (income) expenses		**P203,380,868**	(P3,721,772)

In 2020, there is a decrease in the estimated fire claims based on the latest valuation of the adjuster due to the adjustment made on the loss value of both property damage and business interruption claims. The adjustment is presented as part of "Claims and losses incurred" account and "Reinsurance recoverable on claims and losses" account.

The claims and losses incurred by the Company for its related parties amounted to P13.53 million and P2.26 billion in 2021 and 2020, respectively (Note 22).

13. Due to Reinsurers - net

Due to reinsurers - net consists of:

	Note	**2021**	2020
Due to reinsurers:			
Related party	*22*	**P1,081,096,985**	P56,730,453
Third parties		**357,630,342**	59,623,493
	5, 25	**1,438,727,327**	116,353,946
Due from reinsurers:			
Related party	*22*	**866,527**	385,418
Third parties		**35,512,077**	29,648,138
	5, 25	**36,378,604**	30,033,556
		P1,402,348,723	P86,320,390

Due to reinsurers pertain to the premiums payable to the reinsurers while due from reinsurers pertain to the Company's reinsurance commissions receivable.

All of the Company's receivables from reinsurers have been reviewed for indicators of impairment. No receivables were found to be impaired in both years.

14. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of:

	Note	**2021**	2020
Payable to regulatory agencies:			
National		**P113,761,012**	P15,693,604
Local		**8,563,834**	5,440,912
		122,324,846	21,134,516
Unclaimed check	*5*	**5,008,043**	2,850,740
Accounts payable	*5*	**2,956,197**	510,662
Accrued expenses	*5*	**2,248,185**	511,126
Due to related party	*5, 22*	**138,412**	1,065,647
Deferred credits		**31,086**	2,593,560
	25	**P132,706,769**	P28,666,251

Unclaimed checks pertain to checks prepared by the Company but are left unclaimed by the payees and are not stale as at reporting period while deferred credits pertain to the unearned portion of service fee received from Petron Corporation.

15. Deferred Reinsurance Commission

The reconciliation of deferred reinsurance commission is as follows:

	Note	**2021**	2020
Balance at beginning of year		**P4,890,521**	P1,143,892
Reinsurance commissions for the year		**6,182,831**	16,625,769
Reinsurance commissions earned for the year		**(9,223,309)**	(12,879,140)
		(3,040,478)	3,746,629
Balance at end of year	*25*	**P1,850,043**	P4,890,521

16. Equity

As at December 31, capital stock consists of:

	2021	2020
Authorized		
Par value per share	**1,000**	1,000
Number of shares	**2,250,000**	750,000
Issued and Outstanding		
Number of shares	**1,994,974**	475,001
Capital stock	**1,994,974,000**	475,001,000
Add: Additional paid in capital	**1,505,027,000**	-
Less: Documentary stamp tax on issuance of shares	**(14,949,730)**	-
Capital stock and additional paid in capital	**P3,485,051,270**	P475,001,000

On October 21, 2020, the BOD and the stockholders of the Company approved the declaration of stock dividends in the total amount of P25.00 million equal to 25,000 shares with par value of P1,000 per share in favor of its stockholder of record, Petron Corporation, to be issued out of the unissued capital stock of the Company by December 31, 2020, subject to the approval of the IC. The application of the stock dividend declaration filed by the Company with the IC was approved on January 4, 2021.

In the Special BOD and Stockholders meeting held on December 3, 2020, it was approved that the Company will increase its authorized capital stock from P750.00 million divided into 750,000 common shares to P2.25 billion divided into 2,250,000 shares, both at par value of P1,000. Of the increase, P1.49 billion was subscribed by SMC in exchange of 1,494,973 common shares at a subscription price of about P2,007 per share for the total subscription amount of P3.00 billion. The application with SEC was approved on February 4, 2021.

As at December 31, 2021 and 2020, the Company's unappropriated retained earnings amounted to P527.33 million and P503.53 million, respectively. The Company is required under insurance regulations to maintain prescribed amount of capital including reserves such as contributed surplus and retained earnings.

The Company has contributed surplus of P25.00 million as at December 31, 2021 and 2020.

17. Net Premiums Earned

The reconciliation of movement in net premiums earned is as follows:

	Note	**2021**	2020
Gross Earned Premiums			
Gross premiums written		**P1,749,356,553**	P906,811,779
Increase in reserve for unearned premiums		**(688,888,555)**	(51,811,017)
	12	**1,060,467,998**	855,000,762
Reinsurers' Share of Gross Earned Premiums			
Reinsurers' share of gross premiums		**1,442,827,193**	923,708,108
Increase in deferred reinsurance premiums		**(608,307,048)**	(80,581,732)
	9	**834,520,145**	843,126,376
		P225,947,853	P11,874,386

18. Interest Income Calculated Using the Effective Interest Method

Interest income calculated using the effective interest method consists of:

	Note	**2021**	2020
Cash and cash equivalents	*6*	**P29,512,909**	P9,323,740
Investments in debt securities at amortized cost	*8*	**9,583,504**	11,153,938
Investments in debt securities at FVOCI	*8*	**3,789,555**	7,065,232
		P42,885,968	P27,542,910

19. Other Income - net

Other income - net consists of:

	Note	**2021**	2020
Service fees	*22*	**P28,560,750**	P29,256,245
Realized foreign exchange gain (loss) - net		**13,493,156**	(446,820)
Unrealized foreign exchange loss - net		**(26,699,196)**	(3,809,097)
Profit commission		**-**	2,243,709
Other income - net		**47,858**	314,239
		P15,402,568	P27,558,276

Service fees pertain to services provided by the Company to Petron other than underwriting services which are permitted as per Company's Amended Articles of Incorporation.

20. General and Administrative Expenses

General and administrative expenses consist of:

	Note	**2021**	2020
Outside services		**P14,137,496**	P11,784,888
Taxes and licenses		**10,434,260**	700,225
Salaries and Wages		**9,097,172**	-
Fringe Benefit		**1,187,538**	-
Professional fees		**1,170,000**	605,600
Rent	*22.dd, 24*	**860,462**	450,770
Others		**1,332,160**	544,252
		P38,219,088	P14,085,735

Outside services represent the fees billed by Petron to the Company for the services rendered by the former to the latter under their Service Agreement.

21. Income Taxes

Income tax expense consists of:

	2021	2020
Current income tax	**P10,675,323**	P7,916,087
Deferred income tax	**(9,895,231)**	1,043,147
Final tax	**8,481,204**	5,627,312
	P9,261,296	P14,586,546

On March 26, 2021, Republic Act (RA) No. 11534, also known as "Corporate Recovery and Tax Incentive for Enterprises Act" or "CREATE" Act was passed into law which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time bound, targeted and performance based.

Among other, the Act includes the following significant revisions:

- Effective July 1, 2020, domestic corporations with total assets not exceeding P100.00 million and net taxable income of P5.00 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% income tax rate;
- Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% from July 1, 2020 to June 30, 2023;
- Percentage tax for non-VAT taxpayers is reduced from 3% to 1% from July 1, 2020 to June 30, 2023; and
- Repeal of the improperly accumulated earnings tax.

The reconciliation between income tax computed at statutory income tax rate of 25 % in 2021 and 30.00% in 2020. The Company's income tax expense is as follows:

	2021	2020
Income before income tax	**P58,320,823**	P69,490,749
Income tax computed at statutory income tax rate of 25% (30% in 2020)	**P14,580,206**	P20,847,225
(Decrease) increase in income tax resulting from tax effects of:		
Effect of CREATE Act	**539,520**	-
Excess of OSD over itemized deductions	**(2,958,468)**	(3,625,118)
Interest income subjected to final tax	**(2,899,962)**	(2,635,561)
Income tax expense	**P9,261,296**	P14,586,546

Deferred tax assets arise from the following:

	Note	**2021**	2020
Amount Charged to Profit or Loss			
Deferred reinsurance commissions		**P462,511**	P1,467,156
Unrealized foreign exchange loss		**6,674,799**	1,142,729
Provision for (Reversal of) loss adjustments		**2,721,130**	(829,053)
Provision for loss reserves		**2,662,663**	736,499
IBNR claims		**611,248**	719,789
	25	**13,132,351**	P3,237,120

The movements of deferred tax assets are accounted for as follows:

	2021	2020
Amount charged to profit or loss	**(P9,895,231)**	P1,043,147
Amount charged to OCI	**-**	(100,152)
	(P9,895,231)	P942,995

Optional Standard Deduction

Effective July 2008, Republic Act (RA) No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or OSD equivalent to 40.00% of gross income. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made.

The Company opted to use OSD for its annual income tax return in 2021 and 2020.

22. Related Party Transactions

The Company's related parties include its Parent Company and entities under common control as described below. Amounts due from or due to related parties are collectible or to be settled in cash. Details of related party transactions in 2021 and 2020 are as follows:

Category/Transaction	Note	Year	Amount of the Transaction	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
Stockholders							
Premiums written	*7, 22.a*	**2021**	**P416,456,386**	**P13,345,274**	**P -**	On-demand;	Unsecured;
		2020	905,708,169	35,572,840	-	non-interest bearing	no impairment
Service fees	*19, 22.c*	**2021**	**28,560,750**	**25,395,188**	**-**	On-demand;	Unsecured;
		2020	29,256,245	-	-	non-interest bearing	no impairment
Claims	*12, 22.a*	**2021**	**-**	**-**	**113,550,486**	On-demand;	Unsecured
	12, 22.b	2020	13,528,654	-	414,126,341	non-interest bearing	
Management fee	*14, 22.d*	**2021**	**10,410,852**	**-**	**603,088**	On-demand;	Unsecured
		2020	11,861,467	-	1,065,647	non-interest bearing	
Other expenses	*14*	**2021**	**190,480**	**-**	**120,868**	On-demand;	Unsecured
		2020	-	-	-	non-interest bearing	
Entities under Common Control							
Premiums written	*7, 22.b*	**2021**	**1,332,900,165**	**698,432,601**	**-**	On-demand;	Unsecured;
		2020	-	-	-	non-interest bearing	no impairment
Claims	*12, 22.b*	**2021**	**1,146,787,256**	**-**	**1,145,152,242**	On-demand;	Unsecured
		2020	-	-	-	non-interest bearing	
Premiums ceded	*13, 22.a*	**2021**	**1,442,827,193**	**-**	**1,061,074,566**	On-demand;	Unsecured
		2020	101,403,943	-	56,730,453	non-interest bearing	
Commissions earned	*13*	**2021**	**4,747,394**	**866,527**	**-**	On-demand;	Unsecured;
		2020	583,076	385,418	-	non-interest bearing	no impairment
Reinsurance recoverable on paid losses	*7*	**2021**	**-**	**726,702**	**-**	On-demand;	Unsecured;
		2020	-	8,767,828	-	non-interest bearing	no impairment
Reinsurance recoverable on unpaid losses	*7*	**2021**	**-**	**963,424,235**	**-**	On-demand;	Unsecured;
		2020	-	235,072	-	non-interest bearing	no impairment
Other expenses	*14*	**2021**	**730,057**	**-**	**17,544**	On-demand;	Unsecured
		2020	-	-	-	non-interest bearing	
TOTAL		**2021**		**P1,702,190,527**	**P2,320,518,794**		
TOTAL		2020		P44,961,158	P471,922,441		

22.a In 2021, the Company provides insurance cover to San Miguel Corporation (SMC). The Company earned a total of P48.39 million in premium written from SMC in 2021. As at December 31, 2021, outstanding insurance receivables from and claims payable to SMC amounted to P13.35 million and P113.55 million, respectively.

22.b In the normal course of business, the Company provides insurance cover to its affiliated Company, Petron, and obtains certain reinsurance coverage from OVINCOR, a wholly-owned subsidiary of Petron and incorporated under the laws of Bermuda.

The Company earned a total of P402.19 million and P905.71 million in premiums written and incurred P1.15 billion and P13.53 million in claims from Petron in 2021 and 2020, respectively. As at December 31, 2021, outstanding insurance receivables from and claims payable to Petron amounted to P698.43 million (2020: P35.57 million) and P50.00 million (2020: P414.13 million), respectively.

The Company ceded premiums amounting to P149.19 million and P101.40 million to OVINCOR for the years ended December 31, 2021 and 2020, respectively. Outstanding balance owed to OVINCOR as at December 31, 2021 and 2020 amounted to P83.98 million and P56.73 million, respectively.

22.c The Company provides services to Petron other than underwriting services which are permitted under its Amended Articles of Incorporation. As a result, the Company recognized service fees amounting to P28.56 million and P29.26 million in 2021 and 2020, respectively.

22.d The Company entered into a management agreement with Petron for the latter to provide necessary manpower and office space facilities to support its operations for a period of four years. This agreement is effective from January 1, 2013 until either Petron or the Company provides a written notice of termination of the management agreement.

Total expenses charged to operations from this management agreement are as follows:

	Note	**2021**	2020
Outside services		**P10,922,695**	P11,404,335
Rent	*20, 24*	**860,462**	450,770
Office supplies		**231,142**	3,088
Transportation and travel		**2,478**	3,274
		P12,016,777	P11,861,467

Outstanding balance owed to Petron amounted to P0.60 million and P1.07 million as at December 31, 2021 and 2020, respectively.

Key Management Compensation

The compensation of the Company's key management personnel (KMP) amounted to P4.32 million in 2021. There is no compensation for KMP in 2020 since the key management roles are held by employees of Petron.

23. Capital Management and Regulatory Requirements

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and

- to provide an adequate return to shareholders by complying with the capital requirements and limitation enforced by the IC and aligning the Company's operation strategy to its corporate goals.

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 IC and the amount computed under the risk-based capital model.

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact of surplus of new business, profitability of in-force business and other major corporate initiatives that will affect capitalization levels.

The IC is interested in protecting the rights of the policyholders and maintaining close vigil to ensure that the Company is satisfactorily managing the affairs for policyholders' benefits.

The Company considers capital stock, contributed surplus, remeasurement of investments in debt securities and retained earnings as capital it manages.

There were no changes made to its capital base, objectives, policies and processes from previous years.

Net Worth Requirements
Under the Amended Insurance Code (Republic Act 10607) which was approved on August 15, 2013, every insurance company doing business in the Philippines needs to comply with the following net worth requirements:

Net Worth	Compliance Date
P250,000,000	On or before June 30, 2013
550,000,000	On or before December 31, 2016
900,000,000	On or before December 31, 2019
1,300,000,000	On or before December 31, 2022

As at December 31, 2021 and 2020, the Company has complied with the net worth requirements, based on internal calculations. The final amount of net worth can be determined only after the accounts of the Company have been examined by the IC, especially as to the admitted and non-admitted assets as defined under the Insurance Code.

RBC2 Requirements
IC Circular No. 2016-68, *Amended RBC2 Framework,* provides for the RBC2 framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the insurance companies in relation to the risks an insurance company is exposed to. Annually, every non-life insurance company is required to maintain an RBC2 ratio of at least 100.00% and not to fail the trend test. Failure to meet the minimum RBC2 ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC2 ratio shall be calculated as total available capital (TAC) divided by the RBC2 requirement. TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits determined by IC. With Tier 1 Capital being the capital fully available to cover losses at all times on a going concern and winding up basis. And Tier 2 Capital as the capital that can also provide additional buffer to the insurance company, though it is not of the same high quality as Tier 1 Capital. RBC2 requirement shall be computed based on the formula provided in the Circular and shall include credit risk, insurance risk, market risk, operational risk, catastrophe risk, and surrender risk.

As at December 31, 2021 and 2020, the Company has complied with RBC2 requirements based on internal calculations.

The final RBC2 ratio can be determined only after the accounts of the Company have been examined by the IC, specifically as to admitted and non-admitted assets as defined under the Insurance Code.

24. Leases

The Company has determined that the significant risks and rewards for leased property from a related party are retained by the lessor.

On April 27, 2020, the Company has renewed its noncancelable operating lease agreement for office premises with terms of five (5) years which covered the periods from June 1, 2020 to May 31, 2025. The lease agreement includes escalation clauses that allow a reasonable increase in rates. The lease is renewable under certain terms and conditions. In 2021, the Company terminated this lease agreement.

As at December 31, future minimum rental payments under the lease agreement are as follows:

	2021	2020
Within one year	**P -**	P444,324
After one year but not more than five years	**-**	1,655,903
	P -	P2,100,227

Rent expense amounting to P0.86 million and P0.45 million in 2021 and 2020, respectively, is presented as rent under the “General and administrative expenses” account in profit or loss (Notes 20 and 22).

25. Maturity Analysis of Assets and Liabilities

The following table show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within 12 months and beyond 12 months from financial reporting date.

		December 31, 2021			December 31, 2020		
	Note	**Due Within 12 Months**	**Due Beyond 12 Months**	**Total**	Due Within 12 Months	Due Beyond 12 Months	Total
Financial Assets							
Cash and cash equivalents	*5, 6*	**P4,433,211,163**	**P -**	**P4,433,211,163**	P639,138,672	P -	P639,138,672
Insurance receivables [1]	*5, 7, 22*	**743,119,825**	**-**	**743,119,825**	90,009,682	-	90,009,682
Investment in debt securities	*5, 8*	**592,674,746**	**30,000,000**	**622,674,746**	183,837,067	196,894,197	380,731,264
Due from reinsurers [2]	*5, 13*	**36,378,604**	**-**	**36,378,604**	30,033,556	-	30,033,556
Other assets [3]	*5, 11*	**2,553,648**	**287,213**	**2,840,861**	2,594,256	180,733	2,774,989
		5,807,937,986	**30,287,213**	**5,838,225,199**	945,613,233	197,074,930	1,142,688,163
Non-financial Assets							
Insurance receivables [4]	*7*	**1,077,617,587**	**-**	**1,077,617,587**	478,820,692	-	478,820,692
Deferred reinsurance premiums	*9*	**730,027,913**	**-**	**730,027,913**	121,720,865	-	121,720,865
Property and equipment	*10*	**-**	**12,936,624**	**12,936,624**	-	4,786,444	4,786,444
Deferred tax assets	*21*	**-**	**13,132,351**	**13,132,351**	-	3,237,120	3,237,120
Other assets [5]	*11*	**92,752,873**	**-**	**92,752,873**	22,696,772	-	22,696,772
		P1,900,398,373	**P26,068,975**	**P1,926,467,348**	623,238,329	8,023,564	631,261,893
Less							
Allowance for impairment loss	*7, 20*	**-**	**-**	**-**	-	-	-
Accumulated depreciation	*10*	**-**	**4,959,632**	**4,959,632**	-	4,786,444	4,786,444
		-	**4,959,632**	**4,959,632**	-	4,786,444	4,786,444
		P7,708,336,359	**P51,396,556**	**P7,759,732,915**	P1,568,851,562	P200,312,050	P1,769,163,612
Financial Liabilities							
Claims and losses payable [6]	*5, 12*	**P1,332,883,366**	**P -**	**P1,332,883,366**	P475,779,627	P -	P475,779,627
Due to reinsurers	*5, 13*	**1,438,727,327**	**-**	**1,438,727,327**	116,353,946	-	116,353,946
Accrued expenses and other liabilities [7]	*5, 14*	**10,350,837**	**-**	**10,350,837**	4,938,175	-	4,938,175
		2,781,961,530	**-**	**2,781,961,530**	597,071,748	-	597,071,748
Nonfinancial Liabilities							
Insurance liabilities	*12*	**820,558,735**	**-**	**820,558,735**	136,960,607	-	136,960,607
Accrued expenses and other liabilities [8]	*14*	**122,355,932**	**-**	**122,355,932**	23,728,076	-	23,728,076
Deferred reinsurance commission	*15*	**1,850,043**	**-**	**1,850,043**	4,890,521	-	4,890,521
		944,764,710	**-**	**944,764,710**	165,579,204	-	165,579,204
		P3,726,726,240	**P -**	**P3,726,726,240**	P762,650,952	P -	P762,650,952

1 *Excluding Reinsurance recoverable on unpaid losses, Reinsures' share on IBNR and gross of Allowance for impairment loss*
2 *Included under "Due to reinsurers - net" account and gross of Allowance for impairment loss*
3 *Includes Interest receivable and Security deposit*
4 *Includes Reinsurance recoverable on unpaid losses and Reinsurers' share on IBNR*
5 *Includes Deferred input tax, Creditable withholding tax, Prepaid expense and Others account*
6 *Included under "Insurance liabilities" account*
7 *Includes Due to related party, Accounts payable, Accrued expenses and Unclaimed checks*
8 *Includes Payables to regulatory agencies (both National and Local) and Deferred credits*

26. Other Matters

Effects of COVID-19

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

The Philippine government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and an ECQ was imposed on the island of Luzon, including Metro Manila. Initially, the ECQ was set to end by April 12, 2020 but was subsequently extended for two-week periods until May 15, 2020 (the period from March 16, 2020 through May 15, 2020, the "ECQ period"). Under the ECQ guidelines, restrictions on movement outside of the residence were set in place (ranging from stay-at-home orders to total lockdowns), mass transport facilities were suspended, schools were closed and alternative work arrangements were implemented. The COVID-19 pandemic affected most daily activities and forced many businesses to suspend operations or shut down for the duration of the ECQ.

Only essential businesses such as plants involved in manufacturing and processing basic food products, medicine, medical devices/equipment and essential products such as hygiene products, and delivery services transporting food, medicine and essential goods, as well as essential sectors such as hospitals, power and water utilities were allowed to operate, subject to certain conditions and limitations on operating capacity.

After the ECQ was lifted in certain areas, a MECQ, general community quarantine ("GCQ") or modified general community quarantine ("MGCQ") was implemented. On June 1, 2020, Metro Manila was placed under GCQ which allowed certain sectors, including agriculture, food manufacturing and all supply chains, packaging and raw materials, supermarkets and logistics, among others, to resume full operations. The graduated lockdown schemes from ECQ, MECQ, GCQ, and MGCQ impose varying degrees of restrictions on travel and business operations. The Philippine government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. Following a surge of COVID-19 cases in Metro Manila and surrounding provinces, the region was again placed under ECQ from March 29, 2021 until April 11, 2021 and was eased to MECQ from April 12, 2021 until May 14, 2021. Thereafter, the Philippine government eased the community quarantine measures in Metro Manila and surrounding provinces to GCQ with heightened restrictions until June 15, 2021. Metro Manila was then placed under GCQ with some restrictions from June 16, 2021 to July 15, 2021, and thereafter to GCQ from July 16, 2021 until end of July 2021. Following the confirmation of the Department of Health on July 22, 2021 of the local transmission of the COVID-19 Delta variant, the Philippine government reimposed stricter quarantine restrictions in Metro Manila and other provinces, which are now under GCQ with heightened restrictions from July 23, 2021 to July 31, 2021. Under GCQ with heightened restrictions, only essential travel is allowed. Subsequently, and amid the threat of the more infectious COVID-19 Delta variant, Metro Manila was placed under ECQ from August 6, 2021 to August 20, 2021 which has been eased to MECQ starting August 21, 2021 until September 15, 2021. On August 26, 2021, the Philippines government announced that it will phase out the large-scale community quarantine measures and replace the same with granular lockdowns and implement an alert level system. As at report date, Metro Manila is under Alert Level 1.

27. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 of the Bureau of Internal Revenue (BIR)

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the financial statements. The Company presented the required supplementary tax information as a separate schedule and attachment to its annual income tax return.