



# OONA INSULAR INSURANCE CORPORATION

(Formerly Mapfre Insular Insurance Corporation)

**FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

With Independent Auditors' Report



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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**Oona Insular Insurance Corporation**  
MAPFRE Insular Corporate Center  
Acacia Avenue, Madrigal Business Park  
Ayala Alabang, Muntinlupa City

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Oona Insular Insurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of profit or loss and other comprehensive income, changes in equity and 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### *Basis for Opinion*

We conducted our audit 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.

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)



### *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 audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 39 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**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 9563847

Issued January 3, 2023 at Makati City

April 28, 2023

Makati City, Metro Manila



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## SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Stockholders  
**Oona Insular Insurance Corporation**  
MAPFRE Insular Corporate Center  
Acacia Avenue, Madrigal Business Park  
Ayala Alabang, Muntinlupa City

We have audited the accompanying financial statements of Oona Insular Insurance Corporation (the Company) as at and for the year ended December 31, 2022, on which we have rendered our report dated April 28, 2023.

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 each.

### R.G. MANABAT & CO.

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financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

**OONA INSULAR INSURANCE CORPORATION**  
**(Formerly Mapfre Insular Insurance Corporation)**  
**STATEMENTS OF FINANCIAL POSITION**

December 31

|  | <i>Note</i> | 2022                  | 2021           |
|--|-------------|-----------------------|----------------|
| <b>ASSETS</b>  |             |                       |                |
| Cash and cash equivalents                                  | 4, 37       | <b>P186,270,590</b>   | P239,517,272   |
| Short-term investments                                     | 5, 37       | <b>103,630,438</b>    | 5,363,784      |
| Insurance receivables - net                                | 6, 37       | <b>900,006,338</b>    | 749,882,829    |
| Available-for-sale financial assets                        | 7, 37       | <b>1,187,756,463</b>  | 1,224,812,881  |
| Held-to-maturity investments                               | 8, 37       | <b>319,773,024</b>    | 221,451,590    |
| Loans and receivables - net                                | 9, 37       | <b>130,346,433</b>    | 131,004,210    |
| Accrued income   | 10, 37      | <b>18,391,293</b>     | 14,690,277     |
| Reinsurance assets   | 11, 19      | <b>1,578,916,360</b>  | 1,318,224,238  |
| Deferred acquisition costs                                 | 12          | <b>120,219,646</b>    | 113,647,864    |
| Property and equipment - net                               | 13          | <b>83,853,198</b>     | 87,847,826     |
| Investment properties - net                                | 14          | <b>13,107,115</b>     | 13,541,961     |
| Intangible assets - net                                    | 15          | <b>70,211,727</b>     | 85,939,185     |
| Right of use assets  | 16          | <b>11,379,931</b>     | 18,200,086     |
| Goodwill   | 17          | <b>33,794,284</b>     | 33,794,284     |
| Net pension asset  | 22          | -                     | 9,048,535      |
| Deferred tax assets - net                                  | 30          | <b>10,942,012</b>     | 4,311,502      |
| Other assets   | 18          | <b>226,339,656</b>    | 185,755,422    |
|  |             | <b>P4,994,938,508</b> | P4,457,033,746 |
| <b>LIABILITIES AND EQUITY</b>                              |             |                       |                |
| <b>Liabilities</b>   |             |                       |                |
| Insurance contract liabilities                             | 19          | <b>P2,170,717,503</b> | P1,921,377,093 |
| Insurance payables   | 20, 37      | <b>648,238,486</b>    | 505,998,422    |
| Trade and other liabilities                                | 21, 37      | <b>384,496,036</b>    | 343,876,104    |
| Lease liabilities  | 16, 37      | <b>12,644,012</b>     | 19,436,568     |
| Deferred reinsurance commission                            | 12          | <b>52,473,686</b>     | 42,075,587     |
| Pension liability  | 22          | <b>18,995,655</b>     | -              |
|  |             | <b>3,287,565,378</b>  | 2,832,763,774  |
| <b>Equity</b>  |             |                       |                |
| Capital stock  | 32          | <b>500,000,000</b>    | 500,000,000    |
| Additional paid-in capital                                 | 32          | <b>200,446,070</b>    | 200,446,070    |
| Contributed surplus  | 32          | <b>100,000,000</b>    | 100,000,000    |
| Contingency surplus  | 32          | <b>800,000,000</b>    | 500,000,000    |
| Retirement benefit reserve                                 | 22          | <b>(8,324,988)</b>    | 6,807,959      |
| Revaluation reserve on available-for-sale financial assets | 7           | <b>(22,265,230)</b>   | 640,641        |
| Revaluation reserve on held-to-maturity investments        | 8           | <b>(8,457,815)</b>    | (5,773,200)    |
| Retained earnings  |             | <b>145,975,093</b>    | 322,148,502    |
|  |             | <b>1,707,373,130</b>  | 1,624,269,972  |
|  |             | <b>P4,994,938,508</b> | P4,457,033,746 |

See Notes to the Financial Statements.

**OONA INSULAR INSURANCE CORPORATION**  
**(Formerly Mapfre Insular Insurance Corporation)**

**STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

Years Ended December 31

|   | <i>Note</i> | 2022                  | 2021           |
|---|-------------|-----------------------|----------------|
| <b>UNDERWRITING INCOME</b>  |             |                       |                |
| Gross premiums written  |             | <b>P1,543,177,340</b> | P1,411,392,659 |
| Reinsurance premiums assumed  |             | <b>44,681,671</b>     | 36,038,617     |
| Gross premiums on insurance contracts                                     | 19, 23      | <b>1,587,859,011</b>  | 1,447,431,276  |
| Reinsurance premiums ceded  | 19, 23      | <b>(927,551,379)</b>  | (761,316,258)  |
| Premium retained  |             | <b>660,307,632</b>    | 686,115,018    |
| Net change in reserve for unearned premiums                               | 23          | <b>(4,506,351)</b>    | 25,867,648     |
| Net premiums earned   | 19, 23      | <b>655,801,281</b>    | 711,982,666    |
| Commission income   | 12          | <b>91,950,423</b>     | 68,483,340     |
| Other underwriting income   | 24          | <b>10,171,175</b>     | 70,162,977     |
| <b>GROSS UNDERWRITING INCOME</b>  |             | <b>757,922,879</b>    | 850,628,983    |
| <b>UNDERWRITING EXPENSES</b>  |             |                       |                |
| Gross insurance contract benefits and claims paid                         | 19, 25      | <b>502,070,079</b>    | 472,222,812    |
| Reinsurer's share on of gross insurance contract benefits and claims paid | 19, 25      | <b>(229,782,705)</b>  | (190,741,235)  |
| Gross change in insurance contract liabilities                            | 25          | <b>131,416,793</b>    | (202,260,973)  |
| Reinsurer's share of gross change in insurance contract liabilities       | 25          | <b>(147,274,856)</b>  | 111,398,189    |
| Net insurance benefits and claims   |             | <b>256,429,311</b>    | 190,618,793    |
| Commission expense  | 12          | <b>254,576,985</b>    | 260,170,151    |
| <b>TOTAL UNDERWRITING EXPENSES</b>  |             | <b>511,006,296</b>    | 450,788,944    |
| <b>NET UNDERWRITING INCOME</b>  |             | <b>246,916,583</b>    | 399,840,039    |
| <b>OTHER INCOME - Net</b>   |             |                       |                |
| Investment income   | 26          | <b>32,922,282</b>     | 75,910,189     |
| Foreign exchange gain - net   |             | <b>5,754,573</b>      | 2,944,913      |
| Gain on sale of property and equipment                                    | 13          | <b>361,622</b>        | 600,000        |
| Other expenses - net  | 27          | <b>(16,507,400)</b>   | (4,720,360)    |
|   |             | <b>22,531,077</b>     | 74,734,742     |
| <b>NET UNDERWRITING AND OTHER INCOME</b>                                  |             | <b>269,447,660</b>    | 474,574,781    |
| <b>OTHER OPERATING EXPENSES</b>   |             |                       |                |
| General and administrative expenses - net                                 | 28          | <b>422,195,465</b>    | 406,165,904    |
| Service fees  | 29          | <b>12,937,312</b>     | 13,840,764     |
|   |             | <b>435,132,777</b>    | 420,006,668    |
| <b>INCOME BEFORE TAXES</b>  |             | <b>(165,685,117)</b>  | 54,568,113     |

Forward



|  |             | <b>Years Ended December 31</b> |              |
|--|-------------|--------------------------------|--------------|
|  | <b>Note</b> | <b>2022</b>                    | <b>2021</b>  |
| <b>TAXES</b>   |             |                                |              |
| Current tax expense  |             | P -                            | P -          |
| Deferred tax expense (benefit)   |             | <b>(1,391,703)</b>             | 7,108,928    |
| Final tax  |             | <b>11,879,995</b>              | 13,314,388   |
|  | 30          | <b>10,488,292</b>              | 20,423,316   |
| <b>NET (LOSS) INCOME</b>   |             | <b>(176,173,409)</b>           | 34,144,797   |
| <b>OTHER COMPREHENSIVE (LOSS) INCOME</b>   |             |                                |              |
| <i>Items to be reclassified to profit or loss in subsequent periods</i>  |             |                                |              |
| Net change in fair value to available-for-sale financial assets  | 7           | <b>(50,260,359)</b>            | (40,625,310) |
| Other comprehensive loss reclassified to profit or loss upon impairment of available-for-sale financial assets | 7           | <b>28,438,586</b>              | -            |
| Net change in fair value to available-for-sale financial assets reclassified to profit or loss                 | 7           | <b>(1,084,098)</b>             | (9,058,368)  |
| Amortization of held-to-maturity reserve   | 8           | <b>(2,684,615)</b>             | 1,221,074    |
| Income tax effect  |             | -                              | -            |
|  |             | <b>(25,590,486)</b>            | (48,462,604) |
| <i>Items not to be reclassified to profit or loss in subsequent periods</i>                                    |             |                                |              |
| Remeasurement of the net pension obligation  | 22          | <b>(20,177,263)</b>            | 21,013,487   |
| Income tax effect  | 22, 30      | <b>5,044,316</b>               | (5,253,372)  |
|  |             | <b>(15,132,947)</b>            | 15,760,115   |
|  |             | <b>(40,723,433)</b>            | (32,702,489) |
| <b>TOTAL COMPREHENSIVE (LOSS) INCOME</b>   |             | <b>(P216,896,842)</b>          | P1,442,308   |

See Notes to the Financial Statements.

**OONA INSULAR INSURANCE CORPORATION**  
**(Formerly Mapfre Insular Insurance Corporation)**  
**STATEMENTS OF CHANGES IN EQUITY**

Years Ended December 31

|   | Capital Stock<br>(Note 32) | Additional<br>Paid-in Capital<br>(Note 32) | Contributed<br>Surplus<br>(Note 32) | Contingency<br>Surplus<br>(Note 32) | Retirement<br>Benefit<br>Reserves<br>(Note 22) | Revaluation<br>Reserves on<br>Available-for-<br>Sale Financial<br>Assets<br>(Note 7) | Revaluation<br>Reserves on<br>Held-to-Maturity<br>Investments<br>(Note 8) | Retained<br>Earnings | Total                 |
|---|----------------------------|--|-------------------------------------|-------------------------------------|--|--|---|----------------------|-----------------------|
| <b>Balance at January 1, 2022</b>                     | <b>P500,000,000</b>        | <b>P200,446,070</b>                        | <b>P100,000,000</b>                 | <b>P500,000,000</b>                 | <b>P6,807,959</b>                              | <b>P640,641</b>  | <b>(P5,773,200)</b>   | <b>P322,148,502</b>  | <b>P1,624,269,972</b> |
| <b>Total Comprehensive Income for the year</b>        |                            |  |                                     |                                     |  |  |   |                      |                       |
| Net loss for the year                                 | -                          | -  | -                                   | -                                   | -  | -  | -   | (176,173,409)        | (176,173,409)         |
| Other comprehensive loss - net of tax effect          | -                          | -  | -                                   | -                                   | (15,132,947)                                   | (22,905,871)   | (2,684,615)   | -                    | (40,723,433)          |
|   | -                          | -  | -                                   | -                                   | (15,132,947)                                   | (22,905,871)   | (2,684,615)   | (176,173,409)        | (216,896,842)         |
| <b>Transaction with Owners of the Company</b>         |                            |  |                                     |                                     |  |  |   |                      |                       |
| Contingency surplus                                   | -                          | -  | -                                   | 300,000,000                         | -  | -  | -   | -                    | 300,000,000           |
| <b>Balance at December 31, 2022</b>                   | <b>P500,000,000</b>        | <b>P200,446,070</b>                        | <b>P100,000,000</b>                 | <b>P800,000,000</b>                 | <b>(P8,324,988)</b>                            | <b>(P22,265,230)</b>   | <b>(P8,457,815)</b>   | <b>P145,975,093</b>  | <b>P1,707,373,130</b> |
| Balance at January 1, 2021                            | P500,000,000               | P200,446,070                               | P100,000,000                        | P500,000,000                        | (P8,952,156)                                   | P50,324,319  | (P6,994,274)  | P288,003,705         | P1,622,827,664        |
| <b>Total Comprehensive Income for the year</b>        |                            |  |                                     |                                     |  |  |   |                      |                       |
| Net income for the year                               | -                          | -  | -                                   | -                                   | -  | -  | -   | 34,144,797           | 34,144,797            |
| Other comprehensive income (loss) - net of tax effect | -                          | -  | -                                   | -                                   | 15,760,115                                     | (49,683,678)   | 1,221,074   | -                    | (32,702,489)          |
|   | -                          | -  | -                                   | -                                   | 15,760,115                                     | (49,683,678)   | 1,221,074   | 34,144,797           | 1,442,308             |
| Balance at December 31, 2021                          | P500,000,000               | P200,446,070                               | P100,000,000                        | P500,000,000                        | P6,807,959                                     | P640,641   | (P5,773,200)  | P322,148,502         | P1,624,269,972        |

See Notes to the Financial Statements.

**OONA INSULAR INSURANCE CORPORATION**  
**(Formerly Mapfre Insular Insurance Corporation)**  
**STATEMENTS OF CASH FLOWS**

|   | <b>Years Ended December 31</b> |                       |               |
|---|--------------------------------|-----------------------|---------------|
|   | <i>Note</i>                    | <b>2022</b>           | <b>2021</b>   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                                |                       |               |
| (Loss) income before taxes  |                                | <b>(P165,685,117)</b> | P54,568,113   |
| Adjustments for:  |                                |                       |               |
| Interest income   | 26                             | <b>(59,455,740)</b>   | (66,202,738)  |
| Depreciation and amortization                                       | 13, 14, 15, 16, 28             | <b>46,829,480</b>     | 53,203,799    |
| Change in:  |                                |                       |               |
| Reserve for unearned premiums - net of reinsurance premiums reserve | 23                             | <b>4,506,351</b>      | (25,867,648)  |
| Deferred reinsurance commissions                                    |                                | <b>10,398,099</b>     | 14,894,713    |
| Deferred acquisition costs  |                                | <b>(6,571,782)</b>    | (785,042)     |
| Retirement benefits expense   | 22, 28                         | <b>7,866,927</b>      | 10,716,474    |
| Impairment loss on available-for-sale financial assets              | 7, 26                          | <b>28,438,586</b>     | -             |
| Gain on sale of available-for-sale financial assets                 |                                | <b>(1,084,098)</b>    | (9,058,368)   |
| Foreign exchange gain - net   |                                | <b>(5,754,574)</b>    | (2,944,913)   |
| Interest expense on lease liabilities                               | 16, 28                         | <b>762,087</b>        | 1,192,013     |
| Provision for impairment losses                                     | 27                             | <b>11,397,017</b>     | 712,367       |
| Dividend income   | 7, 26                          | <b>(821,030)</b>      | (649,083)     |
| Gain on sale of property and equipment                              | 13                             | <b>(361,622)</b>      | (600,000)     |
| Operating (loss) income before changes in working capital           |                                | <b>(129,535,416)</b>  | 29,179,687    |
| Changes in:   |                                |                       |               |
| Insurance receivables   |                                | <b>(151,209,310)</b>  | 219,972,049   |
| Insurance payables.   |                                | <b>142,240,064</b>    | (215,674,873) |
| Insurance contract liabilities                                      |                                | <b>131,416,794</b>    | (202,260,971) |
| Reinsurance assets  |                                | <b>(147,274,856)</b>  | 111,398,189   |
| Loans and receivables   |                                | <b>(9,653,439)</b>    | 4,322,257     |
| Accounts payable and other liabilities                              |                                | <b>40,619,933</b>     | 2,710,331     |
| Other assets  |                                | <b>(40,778,726)</b>   | 1,981,822     |
| Net cash used in operations   |                                | <b>(164,174,956)</b>  | (48,371,509)  |
| Income tax paid   |                                | <b>(12,149,996)</b>   | (13,314,388)  |
| Interest paid on lease liabilities                                  | 16                             | <b>(762,087)</b>      | (1,192,013)   |
| Net cash used in operating activities                               |                                | <b>(177,087,039)</b>  | (62,877,910)  |

Forward

|   |             | <b>Years Ended December 31</b> |                |
|---|-------------|--------------------------------|----------------|
|   | <b>Note</b> | <b>2022</b>                    | <b>2021</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |             |                                |                |
| Acquisitions of:  |             |                                |                |
| Available-for-sale financial assets                       | 7           | <b>(P436,501,877)</b>          | (P210,655,359) |
| Property and equipment                                    | 13          | <b>(14,476,726)</b>            | (15,566,511)   |
| Intangible assets   | 15          | <b>(5,834,079)</b>             | (6,252,784)    |
| Short-term investments                                    |             | <b>(132,773,234)</b>           | (5,728,919)    |
| Proceeds from sale/maturities of:                         |             |                                |                |
| Available-for-sale financial assets                       |             | <b>321,481,183</b>             | 152,290,225    |
| Short-term investments                                    |             | <b>34,506,580</b>              | 4,231,965      |
| Property and equipment                                    |             | <b>1,090,034</b>               | 1,981,853      |
| Interest received   |             | <b>56,565,428</b>              | 62,736,862     |
| Dividends received  |             | <b>821,030</b>                 | 649,083        |
| Net cash used in investing activities                     |             | <b>(175,121,661)</b>           | (16,313,585)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |             |                                |                |
| Payments of lease liabilities                             | 16          | <b>(6,792,556)</b>             | (10,534,624)   |
| Receipt of contingency surplus                            | 32          | <b>300,000,000</b>             | -              |
| Net cash provided by (used in) financing activities       |             | <b>293,207,444</b>             | (10,534,624)   |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>          |             | <b>(59,001,256)</b>            | (89,726,119)   |
| <b>EFFECT OF MOVEMENTS IN EXCHANGE RATES ON CASH HELD</b> |             | <b>5,754,574</b>               | 2,944,913      |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>     | 4           | <b>239,517,272</b>             | 326,298,478    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>           | 4           | <b>P186,270,590</b>            | P239,517,272   |

See Notes to the Financial Statements.

**OONA INSULAR INSURANCE CORPORATION**  
**(Formerly Mapfre Insular Insurance Corporation)**

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**NOTES TO THE FINANCIAL STATEMENTS**

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**1. Reporting Entity**

Oona Insular Insurance Corporation (formerly known as MAPFRE Insular Insurance Corporation) (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 1, 1934.

The Company is engaged in the business of motor car, fire, marine, fidelity and surety insurance, and on all other forms of nonlife insurance authorized by law.

On December 21, 2021, Certificate of Authority was granted to the Company by the Insurance Commission (IC) effective January 1, 2022 to December 31, 2024.

Under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, the Company has a perpetual corporate life.

On June 3, 2022, MAPFRE Internacional SA (MAPFRE Internacional), the former majority shareholder, entered into a Share Purchase Agreement (SPA) with Aseana Insurance Philippines Pte. Ltd., which was subsequently novated to Oona Philippines Holdings Corporation (Oona Philippines), and Insular Life Assurance Company, Ltd. (Insular Life) for the sale of its entire shares of capital stock in the Company. MAPFRE Internacional owned 74.94% while Insular Life owned 25.00% of the Company prior to the sale. October 28, 2022, the transactions contemplated under the SPA were completed and resulted in Oona Philippines and Insular Life owning 59.95% and 39.99%, respectively, of the total issued shares of the Company. Both Oona Philippines and Insular Life are incorporated and domiciled in the Philippines. This transaction was approved by the IC on September 22, 2022.

The Company operates as a joint venture between Oona Philippines and Insular Life. Oona Philippines is an indirectly wholly owned subsidiary of Oona Insurance Holdings Investments Pte. Ltd., an entity incorporated and domiciled in Singapore.

The Company's Board of Directors (BOD), in its meeting on December 19, 2022, approved to change the Company's name from MAPFRE Insular Insurance Corporation to Oona Insular Insurance Corporation (doing business under the name and style of Oona and Oona Insurance). The Securities and Exchange Commission approved the change in name on January 18, 2023.

The Company's registered office is at MAPFRE Insular Corporate Center, Acacia Avenue, Madrigal Business Park, Ayala Alabang, Muntinlupa City.

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**2. Basis of Preparation**

Statement of Compliance

These financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). These financial statements were authorized for issue by the Company's Board of Directors (BOD) on March 27, 2023.

Details in the Company's significant accounting policies are included in Note 36.

#### Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

| <u>Items</u>                              | <u>Measurement Bases</u>   |
|---|--|
| Available-for-sale (AFS) financial assets | Fair value   |
| Net pension assets                        | Fair value of plan assets (FVPA) less Present Value (PV) of the defined benefit obligation (DBO) |

#### Functional and Presentation Currency

These financial statements are presented in Philippine peso (PHP), which is the Company's functional currency. All amounts have been rounded to the nearest peso, unless otherwise indicated.

#### Presentation of Financial Statements

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within twelve (12) months after the reporting date (current) and more than 12 months after the reporting date (noncurrent) is presented in Note 35.

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

In preparing these financial statements, management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognized prospectively.

#### Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

*(a) Classifying Financial Instruments*

The Company exercises judgment in classifying a financial instrument, or its components, on initial recognition either as a financial asset, financial liability or an equity 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 statement of financial position.

*(b) Determining Functional Currency*

Based on the economic substance of the underlying circumstance relevant to the Company, the functional currency of the Company has been determined to be the PHP. The PHP is the currency of the primary economic environment in which the Company operates. It is also the currency that mainly influences the income and costs arising from the Company's operations.

(c) *Impairment of AFS Financial Assets*

The Company considers that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price and the future cash flows and the discount factors for unlisted equity securities. The Company generally regards fair value decline as being significant when its decline exceeds 20% of the original cost of the investment and prolonged when it persists for six (6) months. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Estimates and Assumptions

Information about assumptions and estimation uncertainties at December 31, 2022 and 2021 that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is as follows:

(a) *Estimating Incremental Borrowing Rate (IBR)*

The Company uses its IBR as the discount rate in measuring its lease liability. It is the rate of interest that the Company would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use (ROU) asset in a similar economic environment. The Company estimates its IBR based on its credit rating affected by history of borrowing and payment of debts due, length of its credit history, evidence of default, its current ability to repay debts and its future economic outlook. The Company obtained the interest rate available to it based on its credit standing from banking entities and derived the IBR based on several factors provided that it should not be lower than the risk-free rate on treasury bills. The IBR is also impacted by the value of the leased asset and the duration of the lease, which could result in a different IBR for each lease. The carrying amounts of ROU assets and lease liabilities are disclosed in Notes 16.

(b) *Valuation of Insurance Contract Liabilities*

Estimates have to be made for the expected ultimate costs of claims reported and incurred but not yet reported (IBNR) at the end of the reporting period. It can take a significant period of time before the ultimate costs of claims can be established with certainty.

The main assumption underlying the estimation of the insurance claims provision is that a Company's past claims development experience can be used to project future claims development and hence, ultimate costs of claims. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually addressed separately, either by being reserved at the face value of loss per adjuster estimates or projected separately in order to reflect their future development.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (i.e., to reflect one-off occurrences, changes in external or market factors such as public's attitude to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate costs of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The primary technique adopted by management in estimating the ultimate loss is using the incurred chain-ladder method, expected loss ratio and Bornhuetter-Ferguson method excluding one-off and large claims to predict the future claims settlement. Both actuarial projection techniques are acceptable as per IC Circular Letter (CL) No. 2018-18, *Valuation Standards for Nonlife Insurance Policy Reserves*.

At each reporting date, prior year claim estimates are assessed for adequacy and changes made are charged to provision for claims reported and IBNR claims. Insurance contract liabilities are not discounted for the time value of money.

As at December 31, 2022 and 2021, the Company's total provision for claims reported and IBNR claims amounted to P1.16 billion and P1.03 billion, respectively (see Note 19).

(c) *Liability Adequacy Test*

At each reporting period, management performs liability adequacy test to determine if there is a need to set aside expected claims and expenses which could arise during the unexpired coverage period of the policies after the reporting date which is over and above the reserve for unearned premiums. The Company calculated the best estimate of future claims and expenses for each line of business using actuarial valuation techniques. Expected future claims include policy maintenance and claims handling expenses.

As at December 31, 2022 and 2021, the carrying amount of the reserve for unearned premium, net of deferred acquisition cost amounting to P888.01 million and P776.65 million, respectively, are adequate in light of the latest current estimates and taking into the provisions of PFRS 4, *Insurance Contracts* (see Notes 12 and 19).

(d) *Estimating Allowance for Impairment Losses on Receivables*

The Company maintains the allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of percentage of collectability of the accounts.

Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

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

As at December 31, 2022 and 2021, the carrying amount of insurance receivables and loans and receivables amounted to P1.03 billion and P0.88 billion, respectively. The Company recognized provision for impairment losses on receivables amounting to P11.40 million and P0.71 million in 2022 and 2021, respectively (see Notes 6, 9 and 27).



(e) *Estimating Allowance for Impairment Losses on AFS Financial Assets*

The Company carries AFS financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates and interest rates. However, the amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of AFS financial assets would affect other comprehensive income (OCI).

In 2022 and 2021, the Company has recognized impairment for its AFS financial assets amounting to P28.44 million and nil, respectively (see Notes 7 and 26).

As at December 31, 2022 and 2021, the total carrying amount of AFS financial assets amounted to P1.19 billion and P1.22 billion, respectively (see Note 7).

(f) *Fair Value of Financial Assets and Liabilities*

The fair values of financial instruments traded in active markets (such as the AFS financial assets) are based on quoted market prices or quoted prices for similar assets or liabilities at the reporting date. If the financial instrument is not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use observable data only, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

As at December 31, 2022 and 2021, the Company's financial instruments carried at fair value are classified as Level 1 and Level 2 in the fair value hierarchy.

(g) *Impairment of Nonfinancial Assets*

The Company assesses impairment on property and equipment, investment properties, intangible assets, ROU assets and goodwill whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit (CGU) to which the asset belongs.

In the case of goodwill, at a minimum, such asset is subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows.

In 2022 and 2021, no impairment loss was recognized for the Company's nonfinancial assets. The table below shows the carrying amounts of the Company's nonfinancial assets.

|                              | <b>Note</b> | <b>2022</b>         | 2021         |
|------------------------------|-------------|---------------------|--------------|
| Property and equipment - net | 13          | <b>P83,853,198</b>  | P87,847,826  |
| Intangible assets - net      | 15          | <b>70,211,727</b>   | 85,939,185   |
| Goodwill                     | 17          | <b>33,794,284</b>   | 33,794,284   |
| Investment properties - net  | 14          | <b>13,107,115</b>   | 13,541,961   |
| ROU assets - net             | 16          | <b>11,379,931</b>   | 18,200,086   |
|                              |             | <b>P212,346,255</b> | P239,323,342 |

(h) *Recoverability of Deferred Tax Assets*

Deferred tax assets are recognized for all temporary future tax benefits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Deferred tax assets are periodically reviewed to determine the amount of deferred tax assets that can be recognized. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings which can be utilized to increase the likelihood that deferred tax assets will be realized.

Deferred tax assets - net amounted to P10.94 million and P4.31 million as at December 31, 2022 and 2021, respectively. However, unrecognized deferred tax assets relating to net operating loss carry over (NOLCO) and excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) amounted to P62.91 million and P11.95 million as at December 31, 2022 and 2021, respectively (see Note 30).

(i) *Present Value of DBO*

The determination of DBO is dependent on the selection of certain assumptions used in calculating such amounts and is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a DBO is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the DBO.

As at December 31, 2022 and 2021, the Company's net pension liabilities amounted to P19.00 million and net pension assets amounted to P9.05 million, respectively (see Note 22).

(j) *Contingencies*

The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of claims have been developed through consultation and aid of legal counsels handling the Company's defense in these matters and based upon an analysis of potential results. Management does not believe that the outcome of these proceedings will have a material adverse effect on the Company's financial position. Management has determined that the present obligations with respect to contingent liabilities and claims with respect to contingent assets do not meet the recognition criteria, and therefore has not recorded any such amounts. It is probable, however, that the future results of operations could be materially affected by changes in or in the effectiveness of the strategies relating to these proceedings.

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#### 4. Cash and Cash Equivalents

This account consists of:

|                       | <i>Note</i> | <b>2022</b>         | 2021         |
|-----------------------|-------------|---------------------|--------------|
| Cash on hand          |             | <b>P229,452</b>     | P224,452     |
| Cash in banks         | 37          | <b>184,322,480</b>  | 202,988,306  |
| Short-term placements | 37          | <b>1,718,658</b>    | 36,304,514   |
|                       | 37          | <b>P186,270,590</b> | P239,517,272 |

Cash in banks consist of peso and foreign currency-denominated deposits which earn interest at the prevailing bank deposit rates. Short-term placements consist of peso time deposits which are made for varying periods up to three (3) months depending on the immediate cash requirement of the Company, and earn annual interest ranging from 1.75% to 3.25% in 2022 and from 0.475% to 1.25% in 2021.

Interest income earned on cash in banks and short-term placements amounted to P0.28 million and P0.29 million in 2022 and 2021, respectively (see Note 26).

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#### 5. Short-term Investments

Short-term investments amounting to P103.63 million and P5.36 million as at December 31, 2022 and 2021, respectively, represent certificates of deposit with local banks with maturities of more than three (3) months but less than one (1) year and earn annual interest ranging from 1.25% - 5.25% in 2022 and from 0.63% to 2.25% in 2021 (see Note 37).

Interest income on short-term investments amounted to P0.63 million and P0.09 million in 2022 and 2021, respectively, and is presented as part of "Investment income" in the profit or loss (see Note 26).

## 6. Insurance Receivables

This account consists of:

|   | <i>Note</i> | <b>2022</b>         | 2021         |
|---|-------------|---------------------|--------------|
| Premiums receivable:                    |             |                     |              |
| Third parties                           |             | <b>P766,218,679</b> | P717,956,260 |
| Related parties                         | 33          | -                   | 1,260,562    |
| Due from brokers                        |             | <b>107,624,679</b>  | 52,372,575   |
| Due from ceding companies               |             | <b>50,288,317</b>   | 21,772,817   |
| Reinsurance recoverable on paid losses: |             |                     |              |
| Third parties                           |             | <b>26,714,316</b>   | 5,653,155    |
| Related parties                         | 33          | -                   | 621,312      |
|   |             | <b>950,845,991</b>  | 799,636,681  |
| Allowance for impairment losses         |             | <b>(50,839,653)</b> | (49,753,852) |
|   | 37          | <b>P900,006,338</b> | P749,882,829 |

Premiums receivable and due from brokers pertain to unpaid premiums from agents and brokers, respectively. Normal credit term of these receivables is 30-90 days.

Due from ceding companies are receivables from facultative and treaty reinsurance assumed by the Company from other insurance and reinsurance companies.

Reinsurance recoverable on paid losses are amounts recoverable from the reinsurers in respect of claims already paid by the Company.

As at December 31, 2022 and 2021, the aging of insurance receivables are as follows:

|  | 2022                |                    |                    |                    |                    |                     |                     | Total |
|--|---------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|-------|
|  | < 30 Days           | 31 to<br>60 Days   | 61 to<br>90 Days   | 91 to<br>180 Days  | 181 to<br>360 Days | Over<br>360 Days    |                     |       |
| Premiums receivable                    | P556,780,201        | P41652,894         | P43,487,137        | P32,642,211        | P19,750,413        | P71,905,823         | P766,218,679        |       |
| Due from brokers                       | 20,461,462          | 10,524,581         | 8,798,715          | 39,464,470         | 9,367,100          | 19,008,351          | 107,624,679         |       |
| Due from ceding companies              | 1,959,649           | 2,293,206          | 2,725,334          | 7,840,524          | 19,794,985         | 15,674,619          | 50,288,317          |       |
| Reinsurance recoverable on paid losses | 11,365,515          | 43,832             | 494,467            | 9,067,145          | 226,452            | 5,516,905           | 26,714,316          |       |
|  | <b>P590,566,827</b> | <b>P54,514,513</b> | <b>P55,505,653</b> | <b>P89,014,350</b> | <b>P49,138,950</b> | <b>P112,105,698</b> | <b>P950,845,991</b> |       |

  

|  | 2021                |                    |                    |                    |                    |                     |                     | Total |
|--|---------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|-------|
|  | < 30 Days           | 31 to<br>60 Days   | 61 to<br>90 Days   | 91 to<br>180 Days  | 181 to<br>360 Days | Over<br>360 Days    |                     |       |
| Premiums receivable                    | P528,292,672        | P16,817,684        | P18,605,700        | P40,643,644        | P23,168,368        | P91,688,754         | P719,216,822        |       |
| Due from brokers                       | 14,832,011          | 1,494,301          | 3,934,379          | 6,771,409          | 4,824,040          | 20,516,435          | 52,372,575          |       |
| Due from ceding companies              | 157,045             | 536,402            | 1,745,421          | 5,120,224          | 8,332,682          | 5,881,043           | 21,772,817          |       |
| Reinsurance recoverable on paid losses | 434,848             | -                  | 101,743            | 132,826            | 186,752            | 5,418,298           | 6,274,467           |       |
|  | <b>P543,716,576</b> | <b>P18,848,387</b> | <b>P24,387,243</b> | <b>P52,668,103</b> | <b>P36,511,842</b> | <b>P123,504,530</b> | <b>P799,636,681</b> |       |

The reconciliation of allowance for impairment losses on insurance receivables is as follows:

|  |      | 2022                   |                     |                                 |  |                    |
|--|------|------------------------|---------------------|---------------------------------|--|--------------------|
|  | Note | Premiums<br>Receivable | Due from<br>Brokers | Due from<br>Ceding<br>Companies | Reinsurance<br>Recoverable<br>on Paid Losses | Total              |
| January 1, 2022  |      | P42,361,689            | P5,314,005          | P1,303,841                      | P774,317                                     | P49,753,852        |
| Provision for (reversal of)<br>impairment losses for<br>the year | 27   | (1,155,588)            | 408,795             | 1,832,594                       | -  | 1,085,801          |
| <b>December 31, 2022</b>   | 37   | <b>P41,206,101</b>     | <b>P5,722,800</b>   | <b>P3,136,435</b>               | <b>P774,317</b>                              | <b>P50,839,653</b> |
| Individually impaired  |      | P19,645,072            | P2,531,641          | P3,136,435                      | P774,317                                     | P26,087,465        |
| Collectively impaired  |      | 21,561,029             | 3,191,159           | -                               | -  | 24,752,188         |
|  | 37   | <b>P41,206,101</b>     | <b>P5,722,800</b>   | <b>P3,136,435</b>               | <b>P774,317</b>                              | <b>P50,839,653</b> |

  

|  |      | 2021                   |                     |                                 |  |                    |
|--|------|------------------------|---------------------|---------------------------------|--|--------------------|
|  | Note | Premiums<br>Receivable | Due from<br>Brokers | Due from<br>Ceding<br>Companies | Reinsurance<br>Recoverable<br>on Paid Losses | Total              |
| January 1, 2021  |      | P40,372,050            | P6,591,277          | P2,250,157                      | P11,753,316                                  | P60,966,800        |
| Provision for (reversal of)<br>impairment losses for<br>the year | 27   | 1,989,639              | (1,277,272)         | -                               | -  | 712,367            |
| Write off during the year  |      | -                      | -                   | (946,316)                       | (10,978,999)                                 | (11,925,315)       |
| <b>December 31, 2021</b>   | 37   | <b>P42,361,689</b>     | <b>P5,314,005</b>   | <b>P1,303,841</b>               | <b>P774,317</b>                              | <b>P49,753,852</b> |
| Individually impaired  |      | P21,700,518            | P1,435,052          | P1,303,841                      | P 774,317                                    | P25,213,728        |
| Collectively impaired  |      | 20,661,171             | 3,878,953           | -                               | -  | 24,540,124         |
|  | 37   | <b>P42,361,689</b>     | <b>P5,314,005</b>   | <b>P1,303,841</b>               | <b>P774,317</b>                              | <b>P49,753,852</b> |

## 7. Available-for-Sale Financial Assets

This account consists of:

|                                 | Note | 2022                  | 2021           |
|---------------------------------|------|-----------------------|----------------|
| <b>Securities at Fair Value</b> |      |                       |                |
| Equity securities:              |      |                       |                |
| Listed                          |      | <b>P107,903,239</b>   | P101,313,630   |
| Unlisted                        |      | <b>3,247,000</b>      | 2,922,000      |
|                                 |      | <b>111,150,239</b>    | 104,235,630    |
| Government debt securities      |      | <b>768,854,781</b>    | 582,385,364    |
| Corporate debt securities       |      | <b>307,751,443</b>    | 538,191,887    |
|                                 | 37   | <b>1,076,606,224</b>  | 1,120,577,251  |
|                                 |      | <b>P1,187,756,463</b> | P1,224,812,881 |

The breakdown of investments in debt securities by contractual maturity dates as at December 31, 2022 and 2021, classified under AFS financial assets is as follows:

|                            |  | 2022                   |                        |                       |
|----------------------------|--|------------------------|------------------------|-----------------------|
|                            |  | Due Within<br>One Year | Due Beyond<br>One Year | Total                 |
| Government debt securities |  | <b>P215,441,557</b>    | <b>P553,413,224</b>    | <b>P768,854,781</b>   |
| Corporate debt securities  |  | <b>163,188,685</b>     | <b>144,562,758</b>     | <b>307,751,443</b>    |
|                            |  | <b>P378,630,242</b>    | <b>P697,975,982</b>    | <b>P1,076,606,224</b> |

|                            | 2021                   |                        | Total                 |
|----------------------------|------------------------|------------------------|-----------------------|
|                            | Due Within<br>One Year | Due Beyond<br>One Year |                       |
| Government debt securities | P40,231,738            | P542,153,626           | P582,385,364          |
| Corporate debt securities  | 273,483,213            | 264,708,674            | 538,191,887           |
|                            | <b>P313,714,951</b>    | <b>P806,862,300</b>    | <b>P1,120,577,251</b> |

In 2022 and 2021, the Company recognized interest income amounting to P47.75 million and P55.97 million, respectively, with annual interest rates ranging from 3.5% to 11.25% per annum (see Note 26).

In 2022 and 2021, the reconciliation of AFS financial assets is as follows:

|  | Note | 2022                  | 2021           |
|--|------|-----------------------|----------------|
| Balance at beginning of year             |      | <b>P1,224,812,881</b> | P1,207,073,057 |
| Additions                                |      | <b>436,501,877</b>    | 210,655,359    |
| Disposals, amortization and maturities   |      | <b>(422,213,838)</b>  | (143,231,857)  |
| Net change in fair value:                |      |                       |                |
| Recognized in OCI                        |      | <b>(50,260,359)</b>   | (40,625,310)   |
| Net gain on sale of AFS financial assets | 26   | <b>(1,084,098)</b>    | (9,058,368)    |
| Balance at end of year                   | 3    | <b>P1,187,756,463</b> | P1,224,812,881 |

The rollforward of revaluation reserves on AFS financial assets is as follows:

|  | Note | 2022                 | 2021         |
|--|------|----------------------|--------------|
| Balance at beginning of year   |      | <b>P640,641</b>      | P50,324,319  |
| Impairment loss on AFS financial assets recognized in profit or loss | 26   | <b>28,438,586</b>    | -            |
| Net change in fair value recognized in OCI                           |      | <b>(50,260,359)</b>  | (40,625,310) |
| Reclassified net change in fair value to profit or loss:             |      |                      |              |
| Net gain on sale of AFS financial assets                             | 26   | <b>(1,084,098)</b>   | (9,058,368)  |
| Balance at end of year   | 37   | <b>(P22,265,230)</b> | P640,641     |

The effect on actual earnings of changes in fair value of equity securities will depend on the market prices of these investments at the time of sale. In 2022 and 2021, the Company's realized gain on sale of equity securities amounted to P1.08 million and P9.06 million, respectively (see Note 26).

The Company recognized impairment loss on AFS securities in 2022 and 2021 amounting to P28.44 million and nil, respectively (see Note 26).

Dividend income earned from these equity securities amounted to P0.82 million and P0.65 million in 2022 and 2021, respectively (see Note 26).

## 8. Held-to-Maturity Investments

Held-to-Maturity (HTM) Investments amounting to P319.77 million and P221.45 million as at December 31, 2022 and 2021, respectively, represent long-term government bonds earmarked as security for the benefit of all policyholders and creditors of the Company in accordance with the provisions of the Republic Act No. 10607, The Insurance Code. As such, the Company's intention is to hold these investments until maturity.

As at December 31, 2022 and 2021, the reconciliation of HTM investments is as follows:

|   | <i>Note</i> | <b>2022</b>         | 2021         |
|---|-------------|---------------------|--------------|
| Balance at the beginning of the year                                    |             | <b>P221,451,590</b> | P220,179,939 |
| Effect of reclassification from AFS financial assets to HTM investments |             | <b>101,006,049</b>  | -            |
| Amortization of premiums and discounts recognized in profit or loss     |             | -                   | 50,577       |
| Amortization of OCI recognized in profit or loss                        |             | <b>(2,684,615)</b>  | 1,221,074    |
| Balance at the end of the year  | 37          | <b>P319,773,024</b> | P221,451,590 |

The rollforward of revaluation reserves on HTM investments is as follows:

|  | <i>Note</i> | <b>2022</b>         | 2021         |
|--|-------------|---------------------|--------------|
| Balance at beginning of year                     |             | <b>(P5,773,200)</b> | (P6,994,274) |
| Amortization of OCI recognized in profit or loss |             | <b>(2,684,615)</b>  | -            |
| Net change in fair value recognized in OCI       |             | -                   | 1,221,074    |
|  | 37          | <b>(P8,457,815)</b> | (P5,773,200) |

The breakdown of HTM investments by contractual maturity dates as at December 31, 2022 and 2021 is as follows:

|                     | <b>2022</b>         | 2021         |
|---------------------|---------------------|--------------|
| Due within one year | <b>P -</b>          | P -          |
| Due beyond one year | <b>P319,773,024</b> | 221,451,590  |
|                     | <b>P319,773,024</b> | P221,451,590 |

In 2022 and 2021, interest income from HTM investments amounting to P10.04 million and P9.03 million, respectively (see Note 26).

## 9. Loans and Receivables

This account consists of:

|                                 | <b>Note</b> | <b>2022</b>         | 2021         |
|---------------------------------|-------------|---------------------|--------------|
| Accounts receivable:            |             |                     |              |
| Third parties                   |             | <b>P81,266,509</b>  | P70,999,810  |
| Related parties                 | 33          | <b>73,139,740</b>   | 73,139,740   |
| Car financing loans             |             | <b>833,590</b>      | 1,446,850    |
|                                 |             | <b>155,239,839</b>  | 145,586,400  |
| Allowance for impairment losses | 37          | <b>(24,893,406)</b> | (14,582,190) |
|                                 | 37          | <b>P130,346,433</b> | P131,004,210 |

Accounts receivables are noninterest-bearing and due within one year. The Company does not require collateral in respect of its accounts receivable.

Car financing and mortgage loans earn interest at rates ranging from 1.00% to 9.00% per annum and with maturities of two (2) to fifteen (15) years. Loans granted are subject to retention of title clauses, so that in the event of nonpayment, the Company may have a secured claim.

The reconciliation of allowance for impairment losses on loans and receivables is as follows:

|                                  | <b>Note</b> | <b>2022</b>        | 2021        |
|----------------------------------|-------------|--------------------|-------------|
| Balance at beginning of the year |             | <b>P14,582,190</b> | P14,582,190 |
| Provision for impairment         | 27          | <b>10,311,216</b>  | -           |
| Balance at end of the year       | 37          | <b>P24,893,406</b> | P14,582,190 |

The breakdown of loans and receivables by contractual maturity dates as at December 31, 2022 and 2021 is as follows:

|                     | <b>2022</b>         |                 |             |              | <b>Total</b>        |
|---------------------|---------------------|-----------------|-------------|--------------|---------------------|
|                     | Up to a Year        | 1 - 3 Years     | 3 - 5 Years | Over 5 Years |                     |
| Accounts receivable | P154,406,249        | P -             | P -         | P -          | P154,406,249        |
| Car financing loans | 75,961              | 757,629         | -           | -            | 833,590             |
|                     | <b>P154,482,210</b> | <b>P757,629</b> | <b>P -</b>  | <b>P -</b>   | <b>P155,239,839</b> |

  

|                     | <b>2021</b>  |             |             |              | <b>Total</b> |
|---------------------|--------------|-------------|-------------|--------------|--------------|
|                     | Up to a Year | 1 - 3 Years | 3 - 5 Years | Over 5 Years |              |
| Accounts receivable | P144,139,550 | P -         | P -         | P -          | P144,139,550 |
| Car financing loans | 527,285      | 919,565     | -           | -            | 1,446,850    |
|                     | P144,666,835 | P919,565    | P -         | P -          | P145,586,400 |

Interest income earned from loans and receivables amounted to P0.42 million and P0.62 million in 2022 and 2021, respectively (see Note 26).

## 10. Accrued Interest Income

Accrued interest income amounted amounting to P18.39 million and P14.69 million as at December 31, 2022 and 2021, respectively, pertains to the interest accrued on short-term investments and debt securities classified as AFS financial assets and HTM investments (see Note 37).



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## 11. Reinsurance Assets

This account consists of:

|  | <i>Note</i> | <b>2022</b>           | 2021           |
|--|-------------|-----------------------|----------------|
| Reinsurance recoverable on unpaid losses |             | <b>P941,393,475</b>   | P794,118,619   |
| Reinsurance premiums reserve             |             | <b>637,522,885</b>    | 524,105,619    |
|  | <b>19</b>   | <b>P1,578,916,360</b> | P1,318,224,238 |

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Reinsurance recoverable on unpaid losses pertains to amount recoverable from reinsurers under treaty and facultative agreements as their share in unpaid losses and loss adjustment expenses net of salvage or recoveries. This also includes reinsurers' share on claims in respect of claim events that have occurred but have not been reported to the Company as of the valuation date.

Reinsurance premiums reserve represents the unearned portion of premiums ceded to reinsurers from policies in force as at report date.

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## 12. Deferred Acquisition Costs and Deferred Reinsurance Commissions

As at December 31, 2022 and 2021, the reconciliation of deferred acquisition costs is as follows:

|                                      | <i>Note</i> | <b>2022</b>          | 2021          |
|--------------------------------------|-------------|----------------------|---------------|
| Balance at beginning of year         |             | <b>P113,647,864</b>  | P112,862,822  |
| Commission deferred during the year  |             | <b>261,148,767</b>   | 260,955,193   |
| Commission amortized during the year |             | <b>(254,576,985)</b> | (260,170,151) |
| Balance at end of year               | <b>3</b>    | <b>P120,219,646</b>  | P113,647,864  |

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As at December 31, 2022 and 2021, the reconciliation of deferred reinsurance commissions is as follows:

|  |  | <b>2022</b>         | 2021         |
|--|--|---------------------|--------------|
| Balance at beginning of year                     |  | <b>P42,075,587</b>  | P27,180,874  |
| Reinsurance commissions deferred during the year |  | <b>102,348,522</b>  | 83,378,053   |
| Reinsurance commissions earned for the year      |  | <b>(91,950,423)</b> | (68,483,340) |
| Balance at end of year                           |  | <b>P52,473,686</b>  | P42,075,587  |

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### 13. Property and Equipment

The movements in this account are as follows:

| For the Year Ended December 31, 2022 |                                    |                                |                          |                        |                          |                    |
|--------------------------------------|------------------------------------|--------------------------------|--------------------------|------------------------|--------------------------|--------------------|
| Note                                 | Building and Building Improvements | Office Furniture and Equipment | Transportation Equipment | Leasehold Improvements | Construction in Progress | Total              |
| <b>Cost</b>                          |                                    |                                |                          |                        |                          |                    |
|                                      | P97,434,488                        | P136,269,050                   | P37,878,705              | P79,089,687            | P227,679                 | P350,899,609       |
|                                      | 389,130                            | 11,659,525                     | 1,740,715                | 687,356                | -                        | 14,476,726         |
|                                      | -                                  | (152,991)                      | (2,974,777)              | -                      | -                        | (3,127,768)        |
|                                      | <b>97,823,618</b>                  | <b>147,775,584</b>             | <b>36,644,643</b>        | <b>79,777,043</b>      | <b>227,679</b>           | <b>362,248,567</b> |
| <b>Accumulated Depreciation</b>      |                                    |                                |                          |                        |                          |                    |
|                                      | 51,327,746                         | 119,563,826                    | 31,422,867               | 60,737,344             | -                        | 263,051,783        |
| 28                                   | 1,717,343                          | 7,779,502                      | 2,504,651                | 6,011,446              | -                        | 18,012,942         |
|                                      | -                                  | (51,874)                       | (2,617,482)              | -                      | -                        | (2,669,356)        |
|                                      | <b>53,045,089</b>                  | <b>127,291,454</b>             | <b>31,310,036</b>        | <b>66,748,790</b>      | <b>-</b>                 | <b>278,395,369</b> |
|                                      | <b>P44,778,529</b>                 | <b>P20,484,130</b>             | <b>P5,334,607</b>        | <b>P13,028,253</b>     | <b>P227,679</b>          | <b>P83,853,198</b> |

| For the Year Ended December 31, 2021 |                                    |                                |                          |                        |                          |                    |
|--------------------------------------|------------------------------------|--------------------------------|--------------------------|------------------------|--------------------------|--------------------|
| Note                                 | Building and Building Improvements | Office Furniture and Equipment | Transportation Equipment | Leasehold Improvements | Construction in Progress | Total              |
| <b>Cost</b>                          |                                    |                                |                          |                        |                          |                    |
|                                      | P97,372,691                        | P127,695,523                   | P39,091,955              | P68,724,021            | P5,725,158               | P338,609,348       |
|                                      | 61,797                             | 8,573,527                      | 2,063,000                | 2,101,089              | 2,767,098                | 15,566,511         |
|                                      | -                                  | -                              | (3,276,250)              | -                      | -                        | (3,276,250)        |
|                                      | -                                  | -                              | -                        | 8,264,577              | (8,264,577)              | -                  |
|                                      | <b>97,434,488</b>                  | <b>136,269,050</b>             | <b>37,878,705</b>        | <b>79,089,687</b>      | <b>227,679</b>           | <b>350,899,609</b> |
| <b>Accumulated Depreciation</b>      |                                    |                                |                          |                        |                          |                    |
|                                      | 49,582,804                         | 111,398,847                    | 29,505,465               | 55,278,862             | -                        | 245,765,978        |
| 28                                   | 1,744,942                          | 8,164,979                      | 3,811,799                | 5,458,482              | -                        | 19,180,202         |
|                                      | -                                  | -                              | (1,894,397)              | -                      | -                        | (1,894,397)        |
|                                      | <b>51,327,746</b>                  | <b>119,563,826</b>             | <b>31,422,867</b>        | <b>60,737,344</b>      | <b>-</b>                 | <b>263,051,783</b> |
|                                      | <b>P46,106,742</b>                 | <b>P16,705,224</b>             | <b>P6,455,838</b>        | <b>P18,352,343</b>     | <b>P227,679</b>          | <b>P87,847,826</b> |

In 2022 and 2021, the Company disposed property and equipment with carrying amount of P0.46 million and P1.38 million, respectively, which resulted to a gain of P0.36 million and P0.60 million, respectively.

There were no property and equipment that are pledged as collateral as at December 31, 2022 and 2021.

### 14. Investment Properties

The movements in this account are as follows:

|                                 | Note | 2022               | 2021               |
|---------------------------------|------|--------------------|--------------------|
| <b>Cost</b>                     |      | <b>P21,742,307</b> | <b>P21,742,307</b> |
| <b>Accumulated Depreciation</b> |      |                    |                    |
| Balance at beginning of year    |      | <b>8,200,346</b>   | 7,765,500          |
| Depreciation for the year       | 28   | <b>434,846</b>     | 434,846            |
| <b>Balance at end of year</b>   |      | <b>8,635,192</b>   | <b>8,200,346</b>   |
| <b>Carrying Amount</b>          |      | <b>P13,107,115</b> | <b>P13,541,961</b> |

The Company holds the investment properties for capital appreciation. The fair value of investment properties amounted to P30.87 million and P27.91 million in 2022 and 2021, based on the appraisal report determined by an independent qualified appraiser dated October 11, 2022 and November 27, 2020 (see Note 38).

The fair value of the properties was arrived at using the market approach. In this approach, the value of the properties was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by establishing the differences between the subject property and those actual sales and listings regarded as comparable.

The properties used as bases of comparison are situated within the immediate vicinity of the subject properties. The comparison was premised on the factors of time, unit area or size, building age, unit improvements, building location, building features or amenities, bargaining allowance and others.

Real property taxes incurred and paid on investment properties amounted to P0.28 million and P0.31 million in 2022 and 2021, respectively. This is presented as part of taxes and licenses under the "General and administrative expenses" account in the profit or loss (see Note 28).

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## 15. Intangible Assets

The movements in this account are as follows:

|                                 | <i>Note</i> | <b>2022</b>         | 2021         |
|---------------------------------|-------------|---------------------|--------------|
| <b>Cost</b>                     |             |                     |              |
| Balance at beginning of year    |             | <b>P225,260,169</b> | P219,007,386 |
| Additions                       |             | <b>5,834,079</b>    | 6,252,784    |
| <b>Balance at end of year</b>   |             | <b>231,094,248</b>  | 225,260,170  |
| <b>Accumulated Amortization</b> |             |                     |              |
| Balance at beginning of year    |             | <b>139,320,984</b>  | 116,701,273  |
| Amortization                    | 28          | <b>21,561,537</b>   | 22,619,712   |
| <b>Balance at end of year</b>   |             | <b>160,882,521</b>  | 139,320,985  |
| <b>Carrying Amount</b>          |             | <b>P70,211,727</b>  | P85,939,185  |

Intangible assets pertain to "The Real-time Operating System Nucleus" Web, a new core insurance production system acquired by the Company and other software.

There was no disposal of intangible assets in 2022 and 2021.

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## 16. Leases

### As a Lessee

The Company leases office spaces for several of its sales offices and a warehouse with terms of two (2) to five (5) years. The lease agreements include escalation clauses that allow a reasonable increase in rates. The leases are renewable under the certain terms and conditions and requires mutual agreement of the Company and the lessors. The leases are combined leases of land and buildings.

Information about the leases for which the Company is a lessee is presented below:

*ROU Assets*

The movements in this account are as follows:

|                                 | <b>Note</b> | <b>2022</b>        | 2021        |
|---------------------------------|-------------|--------------------|-------------|
| <b>Cost</b>                     |             |                    |             |
| Balance at beginning of year    |             | <b>P45,531,753</b> | P34,654,657 |
| Additions                       |             | -                  | 10,877,096  |
| <b>Balance at end of year</b>   |             | <b>45,531,753</b>  | 45,531,753  |
| <b>Accumulated Depreciation</b> |             |                    |             |
| Balance at beginning of year    |             | <b>27,331,667</b>  | 16,362,628  |
| Depreciation                    | 28          | <b>6,820,155</b>   | 10,969,039  |
| <b>Balance at end of year</b>   |             | <b>34,151,822</b>  | 27,331,667  |
| <b>Carrying Amount</b>          |             | <b>P11,379,931</b> | P18,200,086 |

*Lease Liabilities*

The movements in this account are as follows:

|  | <b>Note</b> | <b>2022</b>        | 2021         |
|--|-------------|--------------------|--------------|
| Balance at beginning of year                 |             | <b>P19,436,568</b> | P19,338,986  |
| Additional lease liabilities during the year |             | -                  | 10,632,206   |
| Amortization of interest                     | 28          | <b>762,087</b>     | 1,192,013    |
| Lease payments                               |             | <b>(7,554,643)</b> | (11,726,637) |
| <b>Balance at end of year</b>                | 37          | <b>P12,644,012</b> | P19,436,568  |

The following sets out the maturity analysis of lease liabilities, showing the undiscounted lease payments after December 31, 2022 and 2021:

|                             | <b>Note</b> | <b>2022</b>        | 2021        |
|-----------------------------|-------------|--------------------|-------------|
| Less than 1 year            |             | <b>P -</b>         | P476,666    |
| 1 to 2 years                |             | <b>7,369,150</b>   | 7,085,654   |
| 2 to 3 years                |             | <b>3,586,322</b>   | 7,461,464   |
| 3 to 4 years                |             | <b>2,313,601</b>   | 3,586,322   |
| 4 to 5 years                |             | -                  | 2,213,610   |
| Undiscounted lease payments |             | <b>13,269,073</b>  | 20,823,716  |
| Unamortized interest        |             | <b>(625,061)</b>   | (1,387,148) |
|                             | 37          | <b>P12,644,012</b> | P19,436,568 |

Total cash outflows for the leases are as follows:

|  | <b>Note</b> | <b>2022</b>        | 2021        |
|--|-------------|--------------------|-------------|
| Principal lease payments                             |             | <b>P6,792,556</b>  | P10,534,624 |
| Short-term leases applying the recognition exemption | 28          | <b>6,883,110</b>   | 1,711,454   |
| Interest paid on lease liabilities                   | 28          | <b>762,087</b>     | 1,192,013   |
|  |             | <b>P14,437,753</b> | P13,438,091 |

In 2022 and 2021, the Company recognized rent expenses relating to short-term leases amounting to P6.88 million and P1.71 million, respectively (see Note 28).

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## 17. Goodwill

The goodwill arose from the merger of the Company with Insular General Insurance Co., Inc. (Insular General) in 2005. The recoverable amount of goodwill has been determined using the value in use approach. Value in use was based on the cash flow projections on the most recent financial forecasts approved by senior management which are management's best estimate of the ranges of economic conditions covering a five (5)-year period.

As at December 31, 2022 and 2021, the carrying amount of goodwill amounted to P33.79 million.

The recoverable amount is higher than the carrying amount of the CGU (Insular General). As such, no impairment loss is recognized in 2022 and 2021.

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## 18. Other Assets

This account consists of:

|                                    | <b>Note</b> | <b>2022</b>         | <b>2021</b>  |
|------------------------------------|-------------|---------------------|--------------|
| Creditable withholding taxes (CWT) |             | <b>P94,972,111</b>  | P79,975,078  |
| Documentary stamp taxes (DST)      |             | <b>41,339,577</b>   | 15,733,121   |
| Input value-added tax (VAT)        |             | <b>40,337,267</b>   | 45,740,643   |
| Prepaid assets                     |             | <b>26,402,733</b>   | 26,576,839   |
| Refundable security deposits       | 37          | <b>12,339,418</b>   | 11,966,190   |
| Others                             |             | <b>10,948,550</b>   | 5,763,551    |
|                                    |             | <b>P226,339,656</b> | P185,755,422 |

CWT represents the taxes withheld at source by the counterparty which can be applied against future income tax liability.

DST pertains to advanced payment of DST on premiums which is realizable as premiums are written.

Input VAT is applied against output VAT. The remaining balance is recoverable in the future periods.

Prepaid assets pertain to advanced rentals and advanced payments to various suppliers and service providers.

Refundable security deposits represent the amount deposited to the lessor for its lease contracts and will be refunded to the Company within 30 to 60 days upon termination of the corresponding lease contracts.

## 19. Insurance Contract Liabilities

As at December 31, 2022 and 2021, insurance contract liabilities may be analyzed as follows:

|   | Note   | 2022                           |  |                     | 2021                           |  |                     |
|---|--------|--------------------------------|--|---------------------|--------------------------------|--|---------------------|
|   |        | Insurance Contract Liabilities | Reinsurers' Share of Liabilities (Note 11) | Net                 | Insurance Contract Liabilities | Reinsurers' Share of Liabilities (Note 11) | Net                 |
| Provision for claims reported                 | 35     | P1,136,558,715                 | P933,413,225                               | P203,145,490        | P988,698,009                   | P779,017,431                               | P209,680,578        |
| Provision for IBNR claims                     |        | 25,932,499                     | 7,980,250                                  | 17,952,249          | 42,376,412                     | 15,101,188                                 | 27,275,224          |
| Provision for claims reported and IBNR claims | 35, 37 | 1,162,491,214                  | 941,393,475                                | 221,097,739         | 1,031,074,421                  | 794,118,619                                | 236,955,802         |
| Reserve for unearned premiums                 |        | 1,008,226,289                  | 637,522,885                                | 370,703,404         | 890,302,672                    | 524,105,619                                | 366,197,053         |
|   |        | <b>P2,170,717,503</b>          | <b>P1,578,916,360</b>                      | <b>P591,801,143</b> | <b>P1,921,377,093</b>          | <b>P1,318,224,238</b>                      | <b>P603,152,855</b> |

Provision for claims reported pertains to estimated amount of reported claims and the expenses necessary to settle these outstanding claims at the end of each reporting period.

The movements of provisions for claims reported and IBNR claims are as follows:

|                                 | Note | 2022                           |  |                     | 2021                           |  |                     |
|---------------------------------|------|--------------------------------|--|---------------------|--------------------------------|--|---------------------|
|                                 |      | Insurance Contract Liabilities | Reinsurers' Share of Liabilities (Note 11) | Net                 | Insurance Contract Liabilities | Reinsurers' Share of Liabilities (Note 11) | Net                 |
| Balance at beginning of year    |      | P1,031,074,421                 | P794,118,619                               | P236,955,802        | P1,233,335,394                 | P905,516,808                               | P327,818,586        |
| Claims incurred during the year |      | 649,930,785                    | 384,178,499                                | 265,752,286         | 251,939,044                    | 72,387,722                                 | 179,551,322         |
| Claims paid - net of recoveries | 25   | (502,070,079)                  | (229,782,705)                              | (272,287,374)       | (472,222,812)                  | (190,741,235)                              | (281,481,577)       |
| Increase (decrease) in IBNR     | 25   | (16,443,913)                   | (7,120,938)                                | (9,322,975)         | 18,022,795                     | 6,955,324                                  | 11,067,471          |
| Balance at end of year          | 35   | <b>P1,162,491,214</b>          | <b>P941,393,475</b>                        | <b>P221,097,739</b> | <b>P1,031,074,421</b>          | <b>P794,118,619</b>                        | <b>P236,955,802</b> |

As at December 31, 2022 and 2021, reserve for unearned premiums may be analyzed as follows:

|                                      | Note | 2022                           |  |                     | 2021                           |  |                     |
|--------------------------------------|------|--------------------------------|--|---------------------|--------------------------------|--|---------------------|
|                                      |      | Insurance Contract Liabilities | Reinsurers' Share of Liabilities (Note 11) | Net                 | Insurance Contract Liabilities | Reinsurers' Share of Liabilities (Note 11) | Net                 |
| Balance at beginning of year         |      | P890,302,672                   | P524,105,619                               | P366,197,053        | P854,705,126                   | P462,640,425                               | P392,064,701        |
| New policies written during the year | 23   | 1,587,859,011                  | 927,551,379                                | 660,307,632         | 1,447,431,276                  | 761,316,258                                | 686,115,018         |
| Premiums earned during the year      | 23   | (1,469,935,394)                | (814,134,113)                              | (655,801,281)       | (1,411,833,730)                | (699,851,064)                              | (711,982,666)       |
| Balance at end of year               |      | <b>P1,008,226,289</b>          | <b>P637,522,885</b>                        | <b>P370,703,404</b> | <b>P890,302,672</b>            | <b>P524,105,619</b>                        | <b>P366,197,053</b> |

## 20. Insurance Payables

This account consists of:

|                            | Note      | 2022                | 2021                |
|----------------------------|-----------|---------------------|---------------------|
| Due to reinsurers:         |           |                     |                     |
| Third parties              |           | <b>P501,399,147</b> | P18,679,301         |
| Related parties            | 33        | -                   | 386,577,099         |
| Funds held for reinsurers: |           |                     |                     |
| Third parties              |           | <b>146,839,339</b>  | -                   |
| Related parties            | 33        | -                   | 100,742,022         |
|                            | <b>37</b> | <b>P648,238,486</b> | <b>P505,998,422</b> |

Due to reinsurers pertains to reinsurance premiums payable by the Company to all its treaty and facultative reinsurers which is expected to be settled within one year or less. The amount due to related parties is net of inward commissions.

Funds held for reinsurers pertains to a portion of reinsurance premium ceded to reinsurers withheld by the Company in accordance with the treaty agreements.

The movements in this account are as follows:

|                              | <b>2022</b>          |                                 |                      |
|------------------------------|----------------------|---------------------------------|----------------------|
|                              | Due to<br>Reinsurers | Funds<br>Held for<br>Reinsurers | Total                |
| Balance at beginning of year | <b>P405,256,400</b>  | <b>P100,742,022</b>             | <b>P505,998,422</b>  |
| Arising during the year      | <b>812,921,032</b>   | <b>145,677,648</b>              | <b>958,598,680</b>   |
| Utilized                     | <b>(716,778,285)</b> | <b>(99,580,331)</b>             | <b>(816,358,616)</b> |
| Balance at end of year       | <b>P501,399,147</b>  | <b>P146,839,339</b>             | <b>P648,238,486</b>  |

  

|                              | <b>2021</b>          |                                 |               |
|------------------------------|----------------------|---------------------------------|---------------|
|                              | Due to<br>Reinsurers | Funds<br>Held for<br>Reinsurers | Total         |
| Balance at beginning of year | P646,594,505         | P75,078,790                     | P721,673,295  |
| Arising during the year      | 584,736,537          | 100,280,804                     | 685,017,341   |
| Utilized                     | (826,074,642)        | (74,617,572)                    | (900,692,214) |
| Balance at end of year       | P405,256,400         | P100,742,022                    | P505,998,422  |

In 2022 and 2021, interest expenses on funds held for the reinsurers amounted to P1.96 million and P1.39 million, respectively, and is included as part of interest and bank charges account under "General and administrative expenses" in profit or loss (see Note 28).

## **21. Accounts Payable and Other Liabilities**

This account consists of:

|                                 | <b>Note</b> | <b>2022</b>         | 2021         |
|---------------------------------|-------------|---------------------|--------------|
| Accounts payable:               |             |                     |              |
| Third parties                   | 37          | <b>P13,543,999</b>  | P41,520,734  |
| Related parties                 | 33, 37      | <b>6,393,161</b>    | 7,544,277    |
| Commission payable              | 37          | <b>121,715,270</b>  | 127,157,804  |
| Payable to regulatory agencies: |             |                     |              |
| Other taxes payable             |             | <b>112,250,293</b>  | 72,914,155   |
| Output VAT                      |             | <b>52,436,923</b>   | 37,043,282   |
| Contributions                   |             | -                   | 959,420      |
| Deferred output VAT             |             | <b>271,492</b>      | 259,958      |
| Accrued expenses                | 37          | <b>77,400,822</b>   | 55,992,398   |
| Dividends payable               | 32, 37      | <b>484,076</b>      | 484,076      |
|                                 |             | <b>P384,496,036</b> | P343,876,104 |

Accounts payable consists of collateral bonds from policyholders, rental deposits and unpaid utility bills and fees.

Commission payable are unpaid commission on the Company's direct and assumed business payable to agents and brokers upon full collection of the related premium receivables.

Payable to regulatory agencies pertain to other taxes payable which consists primarily of DST, expanded withholding tax and local government tax, output and accrued VAT and contributions to Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund.

Accrued expenses mainly include accrued employee benefits, rentals and professional fees.

All liabilities are expected to be settled within 12 months after the reporting date.

## 22. Retirement Benefits

The Company has a funded, noncontributory, defined benefit retirement plan covering all of its permanent employees (the Retirement Plan). The Retirement Plan of the Company payout benefit is based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is as at December 31, 2022. Valuation is obtained on an annual basis.

The Retirement Plan is registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under Republic Act No. 4917, As Amended. The Company's plan assets are managed by a trustee bank.

The reconciliation of the net pension liabilities/assets and its components is as follows:

|   | PV OF DBO          |              | FVPA               |              | Net Pension Liabilities (Asset) |              |
|---|--------------------|--------------|--------------------|--------------|---------------------------------|--------------|
|   | 2022               | 2021         | 2022               | 2021         | 2022                            | 2021         |
| <b>Balance at beginning of year</b>                               | <b>P62,168,883</b> | P92,454,895  | <b>P71,217,418</b> | P91,206,417  | <b>(P9,048,535)</b>             | P1,248,478   |
| <b>Recognized in Profit or Loss</b>                               |                    |              |                    |              |                                 |              |
| Current service cost  | 8,337,451          | 10,667,783   | -                  | -            | 8,337,451                       | 10,667,783   |
| Interest expense  | 3,232,782          | 3,605,741    | -                  | -            | 3,232,782                       | 3,605,741    |
| Interest income   | -                  | -            | 3,703,306          | 3,557,050    | (3,703,306)                     | (3,557,050)  |
|   | 11,570,233         | 14,273,524   | 3,703,306          | 3,557,050    | 7,866,927                       | 10,716,474   |
| <b>Recognized in OCI</b>  |                    |              |                    |              |                                 |              |
| Remeasurements:   |                    |              |                    |              |                                 |              |
| Actuarial loss arising from:                                      |                    |              |                    |              |                                 |              |
| Changes in financial assumptions                                  | (15,228,870)       | (12,042,060) | -                  | -            | (15,228,870)                    | (12,042,060) |
| Experience adjustments  | 29,087,812         | (14,632,282) | -                  | -            | 29,087,812                      | (14,632,282) |
| Return on assets (excluding amount included in net interest cost) | -                  | -            | (6,318,321)        | (5,660,855)  | 6,318,321                       | 5,660,855    |
|   | 13,858,942         | (26,674,342) | (6,318,321)        | (5,660,855)  | 20,177,263                      | (21,013,487) |
| <b>Others</b>   |                    |              |                    |              |                                 |              |
| Contributions to the fund   | -                  | -            | -                  | -            | -                               | -            |
| Benefits paid from the fund                                       | -                  | (17,885,194) | -                  | (17,885,194) | -                               | -            |
| Benefits directly paid by the Company                             | (34,625,301)       | -            | (34,625,301)       | -            | -                               | -            |
|   | (34,625,301)       | (17,885,194) | (34,625,301)       | (17,885,194) | -                               | -            |
| <b>Balance at end of year</b>                                     | <b>P52,972,757</b> | P62,168,883  | <b>P33,977,102</b> | P71,217,418  | <b>P18,995,655</b>              | (P9,048,535) |



The rollforward of retirement benefits reserves is as follows:

|   | <b>Note</b> | <b>2022</b>         | 2021         |
|---|-------------|---------------------|--------------|
| Balance at beginning of year                                      |             | <b>P6,807,959</b>   | (P8,952,156) |
| Actuarial gain (loss) on DBO                                      |             | <b>(13,858,942)</b> | 26,674,342   |
| Return on assets (excluding amount included in net interest cost) |             | <b>(6,318,321)</b>  | (5,660,855)  |
| Income tax effect   | 30          | <b>5,044,316</b>    | (5,253,372)  |
| Balance at end of year  |             | <b>(P8,324,988)</b> | P6,807,959   |

The distribution of the plan assets as at December 31, 2022 and 2021 is as follows:

|                             | <b>2022</b>        | 2021        |
|-----------------------------|--------------------|-------------|
| <b>Assets</b>               |                    |             |
| Cash                        | <b>P5,642,196</b>  | P7,954      |
| Investments:                |                    |             |
| Government debt securities  | <b>53,427,754</b>  | 54,830,147  |
| Mutual Funds                | -                  | 11,759,227  |
| Unit Investment Trust Funds | -                  | 3,910,419   |
| Equity                      | <b>8,887,278</b>   | -           |
| Receivables                 | <b>720,058</b>     | 789,921     |
|                             | <b>68,677,286</b>  | 71,297,668  |
| <b>Liability</b>            |                    |             |
| Trust fee payable           | <b>74,883</b>      | 80,250      |
| Amounts due to the Company  | <b>34,625,301</b>  | -           |
|                             | <b>34,700,184</b>  | 80,250      |
|                             | <b>P33,977,102</b> | P71,217,418 |

In 2022, the Company paid P34.63 million retirement benefits directly to its entitled employees which will be subsequently billed to its Retirement Plan.

The carrying amounts disclosed above reasonably approximate the fair value.

The Retirement Plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

*Investment and Interest Rate Risks.* The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan assets falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Company to manage the plan efficiently.

*Longevity and Salary Risks.* The present value of the defined benefit retirement obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

|                         | <b>2022</b>  | 2021  |
|-------------------------|--------------|-------|
| Discount rate           | <b>7.30%</b> | 5.20% |
| Rate of salary increase | <b>3.50%</b> | 3.50% |

The discount rate was based on weighted average present value approach using bootstrapped derived zero rates from Bloomberg Valuation Reference Rates for government securities.

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables. Mortality table is based on 1985 Unisex Annuity Table and 1994 US Group Annuity Mortality Table for male and female for 2022 and 2021, respectively, while disability table is based on 1952 Disability Table of Society of Actuaries for both 2022 and 2021.

The Company has no specific matching strategy for the plan liabilities.

The weighted-average duration of the DBO at the end of the reporting period is 10 years.

The expected contribution to the Retirement Plan amounted to P6.30 million in 2023.

As at December 31, 2022 and 2021, the reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the amounts below.

|                      | <b>Change in Assumption</b> | <b>2022</b>       | 2021         |
|----------------------|-----------------------------|-------------------|--------------|
| Discount rate        | <b>+1.00%</b>               | <b>29,133,843</b> | (P7,417,160) |
|                      | <b>-1.00%</b>               | <b>41,158,042</b> | 8,982,611    |
| Salary increase rate | <b>+1.00%</b>               | <b>40,888,958</b> | 8,519,299    |
|                      | <b>-1.00%</b>               | <b>29,280,249</b> | (7,168,125)  |

#### *Maturity Profile*

Shown below is the maturity analysis of the undiscounted benefits payments as at December 31, 2022 and 2021:

|                                | <b>2022</b>         | 2021         |
|--------------------------------|---------------------|--------------|
| Less than 1 year               | <b>P -</b>          | P -          |
| More than 1 year to 5 years    | <b>22,872,006</b>   | 18,995,069   |
| More than 5 years to 10 years  | <b>31,269,308</b>   | 40,638,605   |
| More than 10 years to 15 years | <b>64,866,154</b>   | 47,286,443   |
| More than 15 years to 20 years | <b>420,469,577</b>  | 414,716,320  |
|                                | <b>P539,477,045</b> | P521,636,437 |

#### *Asset-Liability Matching (ALM)*

The Company does not perform any ALM study. The Company has no specific matching strategies between the plan assets against liabilities under the retirement obligation.

## 23. Net Premium Earned

Details of net earned premiums on insurance contracts are as follows:

|  | Note | 2022                  | 2021           |
|--|------|-----------------------|----------------|
| <b>Gross Premium on Insurance Contracts</b>                |      |                       |                |
| Insurance contract premiums revenue:                       |      |                       |                |
| Gross premium written                                      |      | <b>P1,543,177,340</b> | P1,411,392,659 |
| Reinsurance premium assumed                                |      | <b>44,681,671</b>     | 36,038,617     |
|  |      | <b>1,587,859,011</b>  | 1,447,431,276  |
| Gross change in reserve for unearned premiums              | 19   | <b>(117,923,617)</b>  | (35,597,546)   |
|  | 19   | <b>1,469,935,394</b>  | 1,411,833,730  |
| Reinsurers' Share of Gross Premiums on Insurance Contracts |      |                       |                |
| Reinsurers' share of:                                      |      |                       |                |
| Gross premium written                                      |      | <b>(898,976,019)</b>  | (741,961,446)  |
| Reinsurance premiums assumed                               |      | <b>(28,575,360)</b>   | (19,354,812)   |
|  | 19   | <b>(927,551,379)</b>  | (761,316,258)  |
| Gross change in reinsurance premiums reserves              |      | <b>113,417,266</b>    | 61,465,194     |
|  | 19   | <b>(814,134,113)</b>  | (699,851,064)  |
|  |      | <b>P655,801,281</b>   | P711,982,666   |

Details of net change in reserve for unearned premiums are as follows:

|   | 2022                  | 2021          |
|---|-----------------------|---------------|
| Gross change in reserve for unearned premiums | <b>(P117,923,617)</b> | (P35,597,546) |
| Gross change in reinsurance premiums reserves | <b>113,417,266</b>    | 61,465,194    |
|   | <b>(P4,506,351)</b>   | P25,867,648   |

## 24. Other Underwriting Income

This account consists of:

|  | 2022               | 2021        |
|--|--------------------|-------------|
| Profit commission on proportional treaties                               | <b>P5,141,672</b>  | P7,602,637  |
| Profit commission from compulsory insurance coverage for migrant workers | -                  | 9,000,000   |
| Others   | <b>5,029,503</b>   | 53,560,340  |
|  | <b>P10,171,175</b> | P70,162,977 |

Proportional treaty contracts with MAPFRE Re Compañía de Reaseguros, S.A. (MAPFRE Re), a related party under common control prior to the change in ownership as discussed in Note 1 to the financial statements, include provision on profit and sale commission calculated considering loss experience of the treaty contracts. In 2022 and 2021, profit commission confirmed by MAPFRE Re amounted to P5.14 million and P7.60 million, respectively.

The Company entered into a Memorandum of Agreement (MOA) with Insular Life for policies issued for migrant workers. Under the said MOA, at the end of each policy year, Insular Life and the Company shall compute for the share in net profit based on the separately-computed net profit or loss of each entity based on the formula provided in the MOA. The amount of share in the net profit shall be the amount which will be available to provide deficit recovery to the other company if necessary. If both parties are in a net profit or net loss position, no share in net profit will be computed. However, if one of the parties has incurred a loss and the other earned a profit, the entity who has a profit will be the one to reimburse the entity for its deficiency. The amount to be transferred shall not exceed the net profit of the entity who will reimburse the loss. Likewise, the amount that may be received by the negative account shall only be to the extent of such deficit that may be fully recovered. The Company records accrual of profit commission as part of accounts receivable under "Loans and receivables" account in the statement of financial position.

Others pertain to write-offs of long outstanding and unsubstantiated accounts such as Due to reinsurer and CWT.

## 25. Net Insurance Benefits and Claims

Gross insurance contract benefits and claims paid are as follows:

|  | <i>Note</i> | <b>2022</b>         | 2021         |
|--|-------------|---------------------|--------------|
| Direct insurance   |             | <b>P486,412,488</b> | P470,058,280 |
| Assumed reinsurance                                      |             | <b>15,657,591</b>   | 2,164,532    |
| <b>Total Insurance Contract Benefits and Claims Paid</b> | <b>19</b>   | <b>P502,070,079</b> | P472,222,812 |

Reinsurers' share of gross insurance contract benefits and claims paid are as follows:

|   | <i>Note</i> | <b>2022</b>           | 2021           |
|---|-------------|-----------------------|----------------|
| Direct insurance  |             | <b>(P219,702,023)</b> | (P190,814,671) |
| Assumed reinsurance   |             | <b>(10,080,682)</b>   | 73,436         |
| <b>Total Reinsurers' Share of Insurance Contract Benefits and Claims Paid</b> | <b>19</b>   | <b>(P229,782,705)</b> | (P190,741,235) |

Gross change in insurance contract liabilities are as follows:

|   | <i>Note</i> | <b>2022</b>         | 2021           |
|---|-------------|---------------------|----------------|
| Direct insurance  |             | <b>P108,000,289</b> | (P222,704,598) |
| Assumed reinsurance   |             | <b>39,860,417</b>   | 2,420,830      |
| Change in provision for IBNR claims                         | <b>19</b>   | <b>(16,443,913)</b> | 18,022,795     |
| <b>Total Gross Change in Insurance Contract Liabilities</b> |             | <b>P131,416,793</b> | (P202,260,973) |

Reinsurers' share of gross change in insurance contract liabilities are as follows:

|  | <i>Note</i> | <b>2022</b>         | 2021           |
|--|-------------|---------------------|----------------|
| Direct insurance   |             | <b>P131,336,926</b> | (P127,285,135) |
| Assumed reinsurance  |             | <b>23,058,868</b>   | 8,931,622      |
| Change in provision for IBNR claims  | 19          | <b>(7,120,938)</b>  | 6,955,324      |
| <b>Total Reinsurers' Share of Gross Change in Insurance Contract Liabilities</b> |             | <b>P147,274,856</b> | (P111,398,189) |

## 26. Investment Income - net

This account consists of:

|   | <i>Note</i> | <b>2022</b>         | 2021        |
|---|-------------|---------------------|-------------|
| Interest income on:                       |             |                     |             |
| AFS financial assets                      | 7           | <b>P47,747,201</b>  | P55,967,611 |
| HTM investments                           | 8           | <b>10,040,725</b>   | 9,027,606   |
| Loans and receivables                     | 9           | <b>422,037</b>      | 624,582     |
| Cash in banks and short-term placements   | 4           | <b>277,503</b>      | 287,848     |
| Funds held by ceding companies            |             | <b>333,563</b>      | 201,249     |
| Short-term investments                    | 5           | <b>634,711</b>      | 93,842      |
|   |             | <b>59,455,740</b>   | 66,202,738  |
| Net gain on sale of AFS financial assets  | 7           | <b>1,084,098</b>    | 9,058,368   |
| Dividend income                           | 7           | <b>821,030</b>      | 649,083     |
| Impairment losses on AFS financial assets | 7           | <b>(28,438,586)</b> | -           |
|   |             | <b>P32,922,282</b>  | P75,910,189 |

## 27. Other Expenses - net

This account consists of:

|                                      | <i>Note</i> | <b>2022</b>        | 2021       |
|--------------------------------------|-------------|--------------------|------------|
| Provisions for impairment losses on: |             |                    |            |
| Insurance receivables                | 6           | <b>P1,085,801</b>  | P712,367   |
| Loans and receivables                | 9           | <b>10,311,216</b>  | -          |
|                                      |             | <b>11,397,017</b>  | 712,367    |
| Miscellaneous expense - net          |             | <b>5,110,383</b>   | 4,007,993  |
|                                      |             | <b>P16,507,400</b> | P4,720,360 |

Miscellaneous expense - net includes service fees on purchase and sale of investments, transaction fees relating to collection of Company's insurance and accounts receivables, and regular clean-up of identified unsubstantiated balance sheet reconciling items.

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## 28. General and Administrative Expenses

This account consists of:

|   | <i>Note</i> | <b>2022</b>         | 2021         |
|---|-------------|---------------------|--------------|
| Salaries and benefits                   |             | <b>P206,880,805</b> | P222,790,158 |
| Professional and other fees             |             | <b>50,173,558</b>   | 39,324,330   |
| Depreciation and amortization:          |             |                     |              |
| Intangible assets                       | 15          | <b>21,561,537</b>   | 22,619,712   |
| Property and equipment                  | 13          | <b>18,012,942</b>   | 19,180,202   |
| ROU assets                              | 16          | <b>6,820,155</b>    | 10,969,039   |
| Investment properties                   | 14          | <b>434,846</b>      | 434,846      |
| Repairs and maintenance                 |             | <b>41,170,810</b>   | 36,141,783   |
| Communications                          |             | <b>20,110,333</b>   | 16,384,162   |
| Retirement benefits expense             | 22          | <b>7,866,927</b>    | 10,716,474   |
| Advertising and promotions              |             | <b>16,198,877</b>   | 8,178,736    |
| Rent                                    | 16          | <b>6,883,110</b>    | 1,711,454    |
| Transportation and travel               |             | <b>6,262,388</b>    | 4,428,738    |
| Light and water                         |             | <b>5,117,863</b>    | 2,447,920    |
| Stationery and supplies                 |             | <b>3,093,635</b>    | 2,206,375    |
| Scholarship and training                |             | <b>2,724,743</b>    | 983,023      |
| Interest and bank charges               |             | <b>2,723,654</b>    | 2,615,947    |
| Insurance                               |             | <b>2,492,297</b>    | 2,227,564    |
| Taxes and licenses                      |             | <b>2,286,153</b>    | 1,307,575    |
| Interest expense on lease liabilities   | 16          | <b>762,087</b>      | 1,192,013    |
| Entertainment, amusement and recreation |             | <b>618,745</b>      | 239,736      |
| Donations                               |             | -                   | 52,525       |
| Books and periodicals                   |             | -                   | 13,592       |
|   |             | <b>P422,195,465</b> | P406,165,904 |

Salaries and benefits consist of:

|                               | <b>2022</b>         | 2021         |
|-------------------------------|---------------------|--------------|
| Salaries and wages            | <b>P163,988,331</b> | P203,239,828 |
| Other benefits and allowances | <b>42,892,474</b>   | 19,550,330   |
|                               | <b>P206,880,805</b> | P222,790,158 |

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## 29. Service Fees

This account consists of:

|  | <i>Note</i> | <b>2022</b>        | 2021        |
|--|-------------|--------------------|-------------|
| Road assistance service fees             | 33          | <b>P3,724,087</b>  | P5,705,580  |
| Agent convention fees                    |             | <b>2,431,194</b>   | 1,755,504   |
| Certificate of cover authentication fees |             | <b>2,165,049</b>   | 3,387,650   |
| Others                                   |             | <b>4,616,982</b>   | 2,992,030   |
|  |             | <b>P12,937,312</b> | P13,840,764 |

Road assistance service fees are paid for vehicle assistance such as the towing service, fuel delivery, battery boosting/jumpstarting, locksmith service, tire replacement, minor on-site repairs and road emergency assistance rendered by a related party to the policyholders of the Company.

Agent convention fees are trip packages under sales drive granted to intermediaries who attained the target gross premium production.

Certificate of cover authentication fees are paid to Philippine Insurers and Reinsurers Association or CIS Bayad Center, Inc. for Comprehensive Third-party Liability policies.

Others includes sales incentive fees which are paid to intermediaries who achieved certain production target as agreed in the contract, referral fees paid to Company's employees who brings new client and sponsorship fees given to intermediaries during events.

### 30. Income Taxes

The components of the Company's tax expense are as follows:

|                                     | 2022               | 2021         |
|-------------------------------------|--------------------|--------------|
| <b>Recognized in profit or loss</b> |                    |              |
| Deferred tax expense                | (P1,391,703)       | P7,108,928   |
| Final tax                           | 11,879,995         | 13,314,388   |
|                                     | <b>P10,488,292</b> | P20,423,316  |
| <b>Recognized in OCI</b>            | <b>P5,044,316</b>  | (P5,253,372) |

The reconciliation of the income tax expense computed at statutory tax rate to the income tax shown in profit or loss is as follows:

|   | 2022               | 2021         |
|---|--------------------|--------------|
| Income before taxes   | (P165,685,117)     | P54,568,113  |
| Income tax at statutory rate of 25%   | (P41,421,279)      | P13,642,028  |
| Unrecognized NOLCO during the year  | 54,986,403         | -            |
| Income already subjected to final tax   | (14,675,035)       | (16,344,226) |
| Final tax   | 11,879,995         | 13,314,388   |
| Nontaxable income   | (476,283)          | (2,426,863)  |
| Unrecognized excess MCIT over RCIT during the year                                    | 194,491            | 2,558,132    |
| Expired excess MCIT over RCIT   | -                  | 10,680,625   |
| Applied unrecognized NOLCO  | -                  | (10,495,543) |
| Nondeductible expense   | -                  | 8,922,267    |
| Adjustments due to Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act | -                  | 572,508      |
| Income tax expense computed using effective income tax rate                           | <b>P10,488,292</b> | P20,423,316  |

The movements of deferred tax assets and deferred tax liabilities are as follows:

| December 31, 2022                                   | Note | Balance<br>January 1, 2022 | Recognized<br>in Profit or Loss | Recognized<br>in OCI | Balance<br>December 31,<br>2022 |
|---|------|----------------------------|---------------------------------|----------------------|---------------------------------|
| Deferred Tax Assets:                                |      |                            |                                 |                      |                                 |
| Allowance for impairment losses                     |      | P16,084,010                | P2,849,255                      | P -                  | P18,933,265                     |
| Deferred reinsurance commission                     |      | 10,518,897                 | 2,599,525                       | -                    | 13,118,422                      |
| Unamortized past service cost                       |      | 3,923,145                  | (1,064,644)                     | -                    | 2,858,501                       |
| Lease liabilities                                   | 35   | 4,859,142                  | (1,698,139)                     | -                    | 3,161,003                       |
| Provision for IBNR claims                           |      | 10,594,103                 | (4,110,978)                     | -                    | 6,483,125                       |
| Changes in fair value of AFS                        |      | 157,559                    | -                               | -                    | 157,559                         |
| Net pension obligation                              | 22   | (2,262,134)                | 1,966,732                       | 5,044,316            | 4,748,914                       |
|   |      | 43,874,722                 | 541,751                         | 5,044,316            | 49,460,789                      |
| Deferred tax liabilities:                           |      |                            |                                 |                      |                                 |
| Deferred acquisition costs                          |      | (28,411,966)               | (1,642,946)                     | -                    | (30,054,912)                    |
| ROU assets - net                                    |      | (4,550,022)                | 1,705,039                       | -                    | (2,844,983)                     |
| Reinsurer share on IBNR claims                      |      | (3,775,296)                | 1,780,235                       | -                    | (1,995,061)                     |
| Excess of unearned premiums per tax over book basis |      | (2,825,936)                | (797,885)                       | -                    | (3,623,821)                     |
|   |      | (39,563,220)               | 1,044,443                       | -                    | (38,518,777)                    |
| <b>Deferred Tax Assets - net</b>                    |      | <b>P4,311,502</b>          | <b>P1,586,194</b>               | <b>P5,044,316</b>    | <b>P10,942,012</b>              |

| December 31, 2021                                   | Note | Balance<br>January 1, 2021 | Recognized<br>in Profit or Loss | Recognized<br>in OCI | Balance<br>December 31,<br>2021 |
|---|------|----------------------------|---------------------------------|----------------------|---------------------------------|
| Deferred Tax Assets:                                |      |                            |                                 |                      |                                 |
| Allowance for impairment losses                     |      | P22,664,697                | (P6,580,687)                    | P -                  | P16,084,010                     |
| Excess MCIT over RCIT                               |      | 10,680,625                 | (10,680,625)                    | -                    | -                               |
| Deferred reinsurance commission                     |      | 8,154,262                  | 2,364,635                       | -                    | 10,518,897                      |
| Unamortized past service cost                       |      | 6,357,992                  | (2,434,847)                     | -                    | 3,923,145                       |
| Lease liabilities                                   | 35   | 5,801,696                  | (942,554)                       | -                    | 4,859,142                       |
| Provision for IBNR claims                           |      | 7,306,085                  | 3,288,018                       | -                    | 10,594,103                      |
| Changes in fair value of AFS                        |      | 189,071                    | (31,512)                        | -                    | 157,559                         |
|   |      | 61,154,428                 | (15,017,572)                    | -                    | 46,136,856                      |
| Deferred tax liabilities:                           |      |                            |                                 |                      |                                 |
| Deferred acquisition costs                          |      | (33,858,847)               | 5,446,881                       | -                    | (28,411,966)                    |
| Net pension assets - net                            | 22   | 374,543                    | 2,616,695                       | (5,253,372)          | (2,262,134)                     |
| ROU assets - net                                    |      | (5,487,609)                | 937,587                         | -                    | (4,550,022)                     |
| Reinsurer share on IBNR claims                      |      | (2,443,759)                | (1,331,537)                     | -                    | (3,775,296)                     |
| Excess of unearned premiums per tax over book basis |      | (5,623,086)                | 2,797,150                       | -                    | (2,825,936)                     |
|   |      | (47,038,758)               | 10,466,776                      | (5,253,372)          | (41,825,354)                    |
| <b>Deferred Tax Assets - net</b>                    |      | <b>P14,115,670</b>         | <b>(P4,550,796)</b>             | <b>(P5,253,372)</b>  | <b>P4,311,502</b>               |

The details of the Company's excess MCIT over RCIT available for offsetting against future current tax liabilities are as follows:

| Year Incurred | Year of Expiry | Amount      | Expired/<br>Applied | Excess MCIT<br>over RCIT |
|---------------|----------------|-------------|---------------------|--------------------------|
| 2019          | 2022           | P3,731,484  | (P3,731,484)        | P -                      |
| 2020          | 2023           | 5,167,878   | -                   | 5,167,878                |
| 2021          | 2024           | 2,558,132   | -                   | 2,558,132                |
| 2022          | 2025           | 194,491     | -                   | 194,491                  |
|               |                | P11,651,985 | (P3,731,484)        | P7,920,501               |

The carryforward benefits of NOLCO which are available for offsetting against future taxable income are as follows:

| Year Incurred | Year of Expiry | Amount       | Expired/Applied | NOLCO        |
|---------------|----------------|--------------|-----------------|--------------|
| 2019          | 2022           | P1,980,629   | (P1,980,629)    | P -          |
| 2022          | 2025           | 219,945,612  | -               | 219,945,612  |
|               |                | P221,926,241 | (P1,980,629)    | P219,945,612 |



Deferred tax assets have not been fully recognized because it is not probable that future net taxable profit will be available against which the Company can utilize the benefit therefrom. The unrecognized deferred tax assets are as follows:

| <b>Unrecognized DTAs</b> | <b>2022</b>        | 2021        |
|--------------------------|--------------------|-------------|
| NOLCO incurred in 2022   | <b>P54,986,403</b> | P -         |
| NOLCO incurred in 2019   | -                  | 495,157     |
| Excess MCIT over RCIT:   |                    |             |
| Incurred in 2022         | <b>194,491</b>     | -           |
| Incurred in 2021         | <b>2,558,132</b>   | 2,558,132   |
| Incurred in 2020         | <b>5,167,878</b>   | 5,167,878   |
| Incurred in 2019         | -                  | 3,731,484   |
|                          | <b>P62,906,904</b> | P11,952,651 |

On 26 March 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company.

- a) RCIT rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5.00 million and with total assets not exceeding P100.00 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.
- b) MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

The measure is set to take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation. After which, the implementing rules and regulation will be issued by the tax authority.

On April 08, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

1. BIR Revenue Regulations (RR) No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;
2. BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended;
3. BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended; and

4. BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997.

Further, the BIR has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law.

### 31. Reconciliation of Net Income under PFRSs to Statutory Net Income (Loss)

The reconciliation of net (loss) income under PFRS to statutory net loss is as follows:

|   | 2022                  | 2021         |
|---|-----------------------|--------------|
| Net (loss) income under PFRSs   | <b>(P176,173,409)</b> | P34,144,797  |
| Add (deduct):   |                       |              |
| Provision for IBNR  | <b>(9,322,973)</b>    | 11,067,472   |
| Difference in change in reserve for unearned premiums - net of reinsurance premium reserves | <b>3,191,540</b>      | 7,439,878    |
| Tax effects of PFRSs differences  | <b>(37,640,770)</b>   | (31,093,290) |
|   | <b>(P219,945,612)</b> | P21,558,857  |

### 32. Equity

The details of this account are as follows:

|                                   | <i>Note</i> | 2022                  | 2021           |
|-----------------------------------|-------------|-----------------------|----------------|
| <b>Authorized</b>                 |             |                       |                |
| Par value per share               |             | <b>P50.00</b>         | P50.00         |
| Number of shares                  |             | <b>10,000,000</b>     | 10,000,000     |
| <b>Issued and Outstanding</b>     |             |                       |                |
| Number of shares                  |             | <b>10,000,000</b>     | 10,000,000     |
| Capital stock                     | 37          | <b>P500,000,000</b>   | P500,000,000   |
| Additional paid-in capital (APIC) | 37          | <b>200,446,070</b>    | 200,446,070    |
| Contingency surplus               | 33, 37      | <b>800,000,000</b>    | 500,000,000    |
| Contributed surplus               | 37          | <b>100,000,000</b>    | 100,000,000    |
|                                   |             | <b>P1,600,446,070</b> | P1,300,446,070 |

The Board of Directors and the stockholders have approved the amendments of the articles of incorporation by increasing the par value per share from P50.00 to P50,000.00 and decreasing the number of shares from 10,000,000 shares to 10,000 shares. The amendment is still pending approval from the SEC as at December 31, 2022.

In December 2022, Oona Philippines and Insular Life infused capital amounting to P180.00 million and P120.00 million, respectively, to meet the net worth requirements of the IC as at December 31, 2022. The total amount of P300.00 million was presented as “Contingency Surplus” in the statement of financial position (See Note 33).

Dividends payable as at December 31, 2022 and 2021 amounted to P0.48 million (see Note 21). No dividends have been declared in 2022 and 2021.

### 33. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control. Related parties may be individuals or corporate entities.

Affiliates are related entities of the Company by virtue of common ownership and representation to management where significant influence is apparent.

Significant related party transactions are summarized below:

- a. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including managers and executives of the Company.

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

|   | 2022                | 2021         |
|---|---------------------|--------------|
| Salaries and other short-term employee benefits | <b>P122,879,125</b> | P120,984,405 |
| Pension and other post-employment benefits      | <b>9,637,026</b>    | 9,761,154    |
|   | <b>P132,516,151</b> | P130,745,559 |

- b. Significant related party transactions consist mainly of the following activities:

| Category/Transaction  | Note | Year | Amount of the Transaction | Outstanding Balances     |                      | Terms                | Conditions    |
|---|------|------|---------------------------|--------------------------|----------------------|----------------------|---------------|
|   |      |      |                           | Due from a Related Party | Due to Related Party |                      |               |
| <b>MAPFRE Re Compañía de Reaseguros S.A.</b>                                  |      |      |                           |                          |                      |                      |               |
| <i>(Entity under Common Control)</i>  |      |      |                           |                          |                      |                      |               |
| Inward commissions  | 20   | 2022 | P -                       | P -                      | P -                  | Due and demandable;  | Unsecured;    |
|   |      | 2021 | 52,742,961                | -                        | -                    | noninterest-bearing  | no impairment |
| Reinsurance premium ceded   | 20   | 2022 | -                         | -                        | -                    | Due and demandable;  | Unsecured     |
|   |      | 2021 | 258,767,916               | -                        | 33,740,547           | noninterest-bearing  |               |
| RI Recoverable on paid losses   | 6    | 2022 | -                         | -                        | -                    | Due and demandable;  | Unsecured;    |
|   |      | 2021 | 153,220,222               | -                        | -                    | noninterest-bearing  | no impairment |
| Funds held for reinsurers   | 20   | 2022 | -                         | -                        | -                    | Due and demandable;  | Unsecured     |
|   |      | 2021 | -                         | -                        | 100,742,022          | noninterest-bearing  |               |
| <b>MAPFRE Global Risks S.A.</b>   |      |      |                           |                          |                      |                      |               |
| <i>(Entity under Common Control)</i>  |      |      |                           |                          |                      |                      |               |
| Reinsurance premium ceded   | 20   | 2022 | -                         | -                        | -                    | Due and demandable;  | Unsecured     |
|   |      | 2021 | 371,711,003               | -                        | 350,775,367          | noninterest-bearing  |               |
| Inward commissions  | 20   | 2022 | -                         | -                        | -                    | Due and demandable;  | Unsecured;    |
|   |      | 2021 | 6,341,948                 | -                        | -                    | noninterest-bearing  | no impairment |
| RI Recoverable on paid losses   | 6    | 2022 | -                         | -                        | -                    | Due and demandable;  | Unsecured;    |
|   |      | 2021 | -                         | 621,312                  | -                    | noninterest-bearing  | no impairment |
| <b>MAPFRE Asistencia Compañía Internacional de Seguros Y Reaseguros, S.A.</b> |      |      |                           |                          |                      |                      |               |
| <i>(Entity under Common Control)</i>  |      |      |                           |                          |                      |                      |               |
| RI Recoverable on paid losses   | 6    | 2022 | -                         | -                        | -                    | Due and demandable;  | Unsecured;    |
|   |      | 2021 | 4,261                     | -                        | -                    | noninterest-bearing  | no impairment |
| Reinsurance premium ceded   | 20   | 2022 | -                         | -                        | -                    |                      |               |
|   |      | 2021 | 1,639,077                 | -                        | 2,061,185            |                      |               |
| Inward commissions  | 20   | 2022 | -                         | -                        | -                    | Due and demandable;  | Unsecured;    |
|   |      | 2021 | 103,340                   | -                        | -                    | non-interest-bearing | no impairment |

Forward

| Category/Transaction                       | Note    | Year        | Amount of the Transaction | Outstanding Balances     |                      | Terms               | Conditions    |
|--|---------|-------------|---------------------------|--------------------------|----------------------|---------------------|---------------|
|  |         |             |                           | Due from a Related Party | Due to Related Party |                     |               |
| <b>Insular Life</b>                        |         |             |                           |                          |                      |                     |               |
| <i>(Entity with Significant Influence)</i> |         |             |                           |                          |                      |                     |               |
| Other underwriting income                  | 24      | 2022        | P -                       | P56,010,631              | P -                  | Due and demandable; | Unsecured;    |
|  |         | 2021        | 9,000,000                 | 56,010,631               | -                    | noninterest-bearing | no impairment |
| Accounts receivable                        | 9, 33a  | 2022        | -                         | 17,129,109               | -                    | Due and demandable; | Unsecured;    |
|  |         | 2021        | -                         | 17,129,109               | -                    | noninterest-bearing | no impairment |
| Premium receivable                         | 6       | 2022        | -                         | -                        | -                    | Due and demandable; | Unsecured;    |
|  |         | 2021        | (38,871)                  | 1,260,562                | -                    | noninterest-bearing | no impairment |
| Accounts payable                           | 21, 33b | 2022        | -                         | -                        | 4,423,316            | Due and demandable; | Unsecured     |
|  |         | 2021        | 5,819,733                 | -                        | 5,105,514            | noninterest-bearing |               |
| Contingency Surplus                        | 32      | 2022        | 120,000,000               | -                        | -                    |                     |               |
|  |         | 2021        | -                         | -                        | -                    |                     | Unconditional |
| <b>Ibero Asistencia, S.A.</b>              |         |             |                           |                          |                      |                     |               |
| <i>(Entity under Common Control)</i>       |         |             |                           |                          |                      |                     |               |
| Service fees                               | 29, 33c | 2022        | 3,724,087                 | -                        | 1,969,845            | Due and demandable; | Unsecured     |
|  |         | 2021        | 5,705,580                 | -                        | -                    | noninterest-bearing |               |
| <b>MAPFRE Tech, S.A</b>                    |         |             |                           |                          |                      |                     |               |
| <i>(Entity under Common Control)</i>       |         |             |                           |                          |                      |                     |               |
| Accounts payable                           | 21, 33d | 2022        | -                         | -                        | -                    | Due and demandable; | Unsecured     |
|  |         | 2021        | 10,977,476                | -                        | 2,438,763            | noninterest-bearing |               |
| <b>MAPFRE, S.A.</b>                        |         |             |                           |                          |                      |                     |               |
| <i>(Entity under Common Control)</i>       |         |             |                           |                          |                      |                     |               |
| Accounts payable                           | 21      | 2022        | -                         | -                        | -                    | Due and demandable; | Unsecured     |
|  |         | 2021        | 10,297,831                | -                        | -                    | noninterest-bearing |               |
| <b>Oona Philippines</b>                    |         |             |                           |                          |                      |                     |               |
| <i>(Parent Company)</i>                    |         |             |                           |                          |                      |                     |               |
| Contingency Surplus                        | 32      | 2022        | 180,000,000               | -                        | -                    |                     | Unconditional |
|  |         | 2021        | -                         | -                        | -                    |                     |               |
| <b>Total</b>                               |         | <b>2022</b> | <b>P303,724,087</b>       | <b>P73,139,740</b>       | <b>P6,393,161</b>    |                     |               |
| <b>Total</b>                               |         | <b>2021</b> | <b>P886,292,477</b>       | <b>P75,021,614</b>       | <b>P494,863,398</b>  |                     |               |

The following are the nature of the related party transactions:

33a. This pertains to the amount reimbursable from Insular Life arising from the claims and commissions paid by the Company for the life insurance coverage portion of the issued policies to migrant workers.

33b. This pertains to the amount of premiums collected by the Company for life policies issued to migrant workers which is to be remitted to Insular Life in accordance with the terms of the MOA.

33c. Under a service agreement with Ibero Asistencia, S.A., the latter shall make arrangements for the repatriations of the insured OFW's remain and render any necessary travel assistance. In return, the Company will pay Ibero Asistencia the actual cost of this repatriation including travel expenses. As at December 31, 2022 and 2021, the total amount payable to Ibero Asistencia is P1.97 million and nil, respectively.

33d. This amount pertains to the development cost for the enhancement, customization and purchase of support system for the insurance monitoring system of the Company which are provided by and acquired from MAPFRE Tech, S.A. in 2018. As at December 31, 2022 and 2021, the amount outstanding and due to MAPFRE Tech is nil and P2.44 million, respectively.

As a result of the change in ownership, the below entities previously under a common control are no longer classified as related parties as at December 31, 2022. Summarized in the table below are the amount of the transactions and outstanding balances as at and for the year ended December 31, 2022.

| Category/Transaction  | Note    | Year        | Amount of the Transaction | Outstanding Balances     |                      | Terms                                    | Conditions               |
|---|---------|-------------|---------------------------|--------------------------|----------------------|--|--------------------------|
|   |         |             |                           | Due from a Related Party | Due to Related Party |  |                          |
| <b>MAPFRE Re Compañía de Reaseguros S.A.</b>                                  |         |             |                           |                          |                      |  |                          |
| <i>(Entity under Common Control)</i>  |         |             |                           |                          |                      |  |                          |
| Inward commissions  | 20      | 2022        | P65,536,081               | P -                      | P -                  | Due and demandable; noninterest-bearing  | Unsecured; no impairment |
| Reinsurance premium ceded   | 20      | 2022        | 295,383,022               | -                        | 60,534,383           | Due and demandable; noninterest-bearing  | Unsecured                |
| RI Recoverable on paid losses   | 6       | 2022        | -                         | 4,094,135                | -                    | Due and demandable; noninterest-bearing  | Unsecured; no impairment |
| Funds held for reinsurers   | 20      | 2022        | -                         | -                        | 146,839,339          | Due and demandable; noninterest-bearing  | Unsecured                |
| <b>MAPFRE Global Risks S.A.</b>   |         |             |                           |                          |                      |  |                          |
| <i>(Entity under Common Control)</i>  |         |             |                           |                          |                      |  |                          |
| Reinsurance premium ceded   | 20      | 2022        | 435,937,628               | -                        | 422,221,739          | Due and demandable; noninterest-bearing  | Unsecured                |
| Inward commissions  | 20      | 2022        | 7,545,449.51              | -                        | -                    | Due and demandable; noninterest-bearing  | Unsecured; no impairment |
| RI Recoverable on paid losses   | 6       | 2022        | -                         | 605,810                  | -                    | Due and demandable; noninterest-bearing  | Unsecured; no impairment |
| <b>MAPFRE Asistencia Compañía Internacional de Seguros Y Reaseguros, S.A.</b> |         |             |                           |                          |                      |  |                          |
| <i>(Entity under Common Control)</i>  |         |             |                           |                          |                      |  |                          |
| Reinsurance premium ceded   | 20      | 2022        | 7,759,236.63              | -                        | 3,548,156            |  |                          |
| Inward commissions  | 20      | 2022        | 1,149,289.29              | -                        | -                    | Due and demandable; non-interest-bearing | Unsecured; no impairment |
| <b>MAPFRE Tech, S.A</b>   |         |             |                           |                          |                      |  |                          |
| <i>(Entity under Common Control)</i>  |         |             |                           |                          |                      |  |                          |
| Accounts payable  | 21, 33d | 2022        | -                         | -                        | 2,456,992            | Due and demandable; noninterest-bearing  | Unsecured                |
| <b>MAPFRE, S.A.</b>   |         |             |                           |                          |                      |  |                          |
| <i>(Entity under Common Control)</i>  |         |             |                           |                          |                      |  |                          |
| Accounts payable  | 21      | 2022        | -                         | -                        | 3,312,290            | Due and demandable; noninterest-bearing  | Unsecured                |
| <b>Total</b>  |         | <b>2022</b> | <b>P813,310,706</b>       | <b>P4,699,945</b>        | <b>P638,912,899</b>  |  |                          |

All related party balances will be settled through cash.

### 34. Contingencies

The Company is a defendant in several lawsuits arising from the normal course of carrying out its insurance business. Provisions have been recognized in the financial statements to cover liabilities that may arise as a result of adverse decisions that may be rendered by the courts. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the ground that it can be expected to prejudice the Company's position with regard to the outcome of these claims.

### 35. Current and Noncurrent Classification

The following summarizes the assets and liabilities of the Company which are expected to be recovered or settled within 12 months and beyond 12 months after December 31, 2022 and 2021:

|  | Note | December 31, 2022     |                       | December 31, 2021     |                       |
|--|------|-----------------------|-----------------------|-----------------------|-----------------------|
|  |      | Within 12 Months      | Beyond 12 Months      | Within 12 Months      | Beyond 12 Months      |
| <b>Assets</b>                          |      |                       |                       |                       |                       |
| Cash and cash equivalents              | 4    | P186,270,590          | P -                   | P239,517,272          | P -                   |
| Short-term investments                 | 5    | 103,630,438           | -                     | 5,363,784             | -                     |
| Insurance receivables - net            | 6    | 900,006,338           | -                     | 749,882,829           | -                     |
| AFS financial assets                   | 7    | 240,705,002           | 947,051,461           | 313,714,952           | 911,097,929           |
| HTM investments                        | 8    | -                     | 319,773,024           | -                     | 221,451,590           |
| Loans and receivables - net            | 9    | 129,588,804           | 757,629               | 130,084,644           | 919,566               |
| Accrued interest income                | 10   | 18,391,293            | -                     | 14,690,277            | -                     |
| Reinsurance assets                     | 11   | 1,563,498,505         | 15,417,855            | 1,275,552,694         | 42,671,544            |
| Deferred acquisition costs             | 12   | 118,019,347           | 2,200,299             | 106,082,134           | 7,565,730             |
| Property and equipment - net           | 13   | -                     | 83,853,198            | -                     | 87,847,826            |
| Investment properties - net            | 14   | -                     | 13,107,115            | -                     | 13,541,961            |
| Intangible assets - net                | 15   | -                     | 70,211,727            | -                     | 85,939,185            |
| Right-of-use assets - net              | 16   | -                     | 11,379,931            | -                     | 18,200,086            |
| Goodwill                               | 17   | -                     | 33,794,284            | -                     | 33,794,284            |
| Net pension assets - net               | 22   | -                     | -                     | -                     | 9,048,535             |
| Deferred tax assets - net              | 30   | -                     | 10,942,012            | (6,201,757)           | 10,513,259            |
| Other assets                           | 18   | 81,676,844            | 144,662,812           | 61,473,764            | 124,281,658           |
|  |      | <b>P3,341,787,161</b> | <b>P1,653,151,347</b> | <b>P2,890,160,593</b> | <b>P1,566,873,153</b> |
| <b>Liabilities</b>                     |      |                       |                       |                       |                       |
| Insurance contract liabilities         | 19   | P2,170,717,503        | P -                   | P1,921,377,093        | P -                   |
| Insurance payables                     | 20   | 646,609,103           | 1,629,383             | 504,835,161           | 1,163,261             |
| Accounts payable and other liabilities | 21   | 384,496,036           | -                     | 343,876,104           | -                     |
| Lease liabilities                      | 16   | -                     | 12,644,012            | 598,943               | 18,837,625            |
| Deferred reinsurance commission        | 12   | 50,963,221            | 1,510,465             | 37,846,776            | 4,228,811             |
| Net pension liabilities                | 22   | -                     | 18,995,655            | -                     | -                     |
|  |      | <b>P3,252,785,863</b> | <b>P34,779,515</b>    | <b>P2,808,534,077</b> | <b>P24,229,697</b>    |

The Company is unable to predict with certainty when the insurance contract liabilities related to the IBNR claims and claims reserves are to be settled since the estimation uses probability to determine the amounts of IBNR claims and claims reserve. The amounts and maturities in respect of insurance contract liabilities are based on management's best estimate.

### 36. Significant Accounting Policies

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

#### Adoption of Amended Standards and Framework

The Company has adopted the following amended standards and framework starting January 1, 2022 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 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, permitting lessees 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 April 1, 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.

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*)

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2 Inventories.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- 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 standards, of which two standards are 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.
  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, *Leases*). 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.
- Reference to the Conceptual Framework (Amendment to PAS 3, *Business Combinations*). The amendments:
  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
  - added a requirement that, for transactions and other events within the scope of PAS 37 *Provision, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

#### Insurance Contract

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 as significant insurance risk 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.



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

Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

#### *Gross Premium on Insurance Contracts*

Gross premium on insurance contracts comprise the total premiums for the whole coverage period provided in the insurance contracts entered during the accounting period and are recognized on the inception date of the policy. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

#### *Commission Expense and Deferred Acquisition Costs*

Commissions are recognized as expense over the period of the contracts using the 24<sup>th</sup> method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition costs" in the statement of financial position. The net changes in deferred acquisition costs at the end of each reporting period is recognized as "Commission expense" account in profit or loss.

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

An impairment review is performed at the end of each reporting periods or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss.

Deferred acquisition costs are derecognized when the related contracts are settled or disposed of.

#### Reinsurance

The Company cedes insurance risk in the normal course of business. Ceded insurance arrangements do not relieve the Company from its obligation to the policyholders. Premiums payable for reinsurance contracts are recognized as a contra-income account upon recognition of related premiums which are presented under "Reinsurance premium ceded" account in profit or loss.

The related reinsurance premium ceded that pertains to the unexpired periods at end of the reporting period are accounted for as reinsurance premiums reserve shown as part of "Reinsurance assets" account in the statement of financial position. The net changes in reinsurance premiums reserve between each end of reporting period are recognized using the 24<sup>th</sup> method and are presented as part of "Net change in reserve for unearned premium" account in profit or loss.

Reinsurance assets represent balances due from reinsurance companies for its share on the unpaid losses incurred by the Company. Recoverable amounts are estimated in the manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance recoverable on paid losses are included as part of "Insurance receivable - net" in the statement of financial position.

The benefits unpaid recoverable to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance recoverable on unpaid losses classified under "Reinsurance assets" account in the statement of financial position. Reinsurance recoverable on unpaid losses are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contracts.

When the Company enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Company recognizes due to reinsurers under "Insurance payables" account in the statement of financial position at transaction price. Reinsurance premium ceded out will be withheld at 25% for marine and 40% for nonmarine policies and recognized as funds held for reinsurers under "Insurance payables" account in the statement of financial position. The amount withheld is generally released after a year.

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized in profit or loss as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the assumed business. Insurance payables represent balances due to reinsurers and funds held for reinsurers. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsurance contract.

Gains and losses on buying reinsurance, if any, are recognized in profit or loss immediately at the date of purchase and are not amortized.

Premiums and claims are presented on a gross basis for ceded reinsurance. Reinsurance premiums are presented as "Reinsurance premium assumed". The reinsurers' share in claims paid by the Company and unpaid including IBNR claims are presented as "Reinsurers' share of gross insurance contract benefits and claims paid" and "Reinsurers' share of gross change in insurance contract liabilities", respectively, in profit or loss.

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

#### *Impairment of Reinsurance Assets*

The Company assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognize that impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using specific assessment. The Company identifies individually which accounts should be provided with impairment loss.

#### *Commission Income and Deferred Reinsurance Commissions*

Commissions earned from reinsurance contracts are recognized as revenue over the period of the contracts using the 24<sup>th</sup> method. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as "Deferred reinsurance commissions" in the statement of financial position. The net changes in deferred reinsurance commissions between each end of reporting period are recognized as "Commission income" in the profit or loss.

### Insurance Contract Liabilities

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

#### *Provision for Claims Reported and IBNR Claims*

These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant 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. Insurance liabilities are composed of provisions for claims reported and IBNR claims.

Provisions for claims reported refers to those claims that are known to the Company as of reporting date. Claims that are subsequently paid are presented as part of "Gross insurance contract benefits and claims paid" in profit or loss.

IBNR claims are based on the estimated cost of all claims incurred but not reported at the end of the reporting period. The IBNR claims shall be calculated based on the standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain-ladder method, expected loss ratio approach and Bornhuetter-Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are charged to "Gross change in insurance contract liabilities" in profit or loss.

#### *Reserve for Unearned Premiums*

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired, is deferred as reserve for unearned premiums as part of "Insurance contract liabilities" account in the statement of financial position. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24<sup>th</sup> method. "Net change in the reserve for unearned premiums" account is taken to profit or loss in order that revenue is recognized over the period of risk.

#### *Liability Adequacy Test*

At the end of each reporting period, liability adequacy test is performed to ensure the adequacy of insurance contract liabilities, net of the related deferred acquisition cost. 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 (URR). URR is an estimate of future claims and expenses, at a designated level of confidence, in respect of the risk during the unexpired period after the valuation date of the policies written prior to that date including maintenance and claims handling expense. If the URR 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. The estimation of URR is made for each class of business line.

While claims liabilities are composed of provision for claims reported and IBNR. The related significant accounting policies are disclosed in the preceding section of the notes to the financial statements.

## Financial Instruments

### *Date of Recognition*

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The purchase or sale of a non-derivative financial asset that will be delivered within the timeframe generally established by regulation or convention in the market concerned, except for equity securities, are recognized on the date on which the instrument is actually transferred (the settlement date).

### *Initial Recognition*

On initial recognition, a financial asset or financial liability is measured at fair value plus directly attributable transaction costs, unless the instrument is classified at fair value through profit or loss (FVTPL). Normally, the fair value on initial recognition is the transaction price - i.e., the fair value of the consideration given (in case of an asset) or received (in case of a liability) for the financial instrument.

### *Classification*

The Company classifies its financial assets in the following categories: financial assets at FVTPL, AFS financial assets, HTM investments and loans and receivables. The Company classifies its financial liabilities as either financial liabilities at FVTPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

The Company has no financial instruments at FVTPL as at December 31, 2022 and 2021.

Financial instruments issued by the Company are classified as a financial liability or equity in accordance with the substance of the contractual arrangement. Any interest, dividends, and realized and unrealized gains and losses from financial instruments or component considered as a financial liability are recognized in profit or loss for the period. On the other hand, distributions to holders of financial instruments classified as equity are treated as owner-related and thus charged directly to equity.

As at December 31, 2022 and 2021, financial instruments issued by the Company are classified as equity.

### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVTPL, AFS financial assets or HTM investments.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees that are integral part of the EIR. Loans and receivables that are perpetual and that have either a fixed or a market-based variable rate of interest are measured at cost.

Any interest earned on loans and receivables is recognized in profit or loss on an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Included in this category are cash in banks, cash equivalents, short-term investments; insurance receivables, loans and receivables, accrued interest income and security deposits presented under "Other assets" account in the statement of financial position.

Cash includes cash on hand and in banks which are stated at face amount. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and are subject to an insignificant risk of changes in value.

#### *AFS Financial Assets*

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. These financial assets are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include debt and equity securities.

Subsequent to initial recognition, AFS financial assets are measured at fair value. Fair value changes are recognized in OCI. Cumulative change in the fair value is presented as "Revaluation reserve on AFS financial assets". Impairment losses and foreign exchange gains and losses on AFS debt instruments are recognized in profit or loss as they arise.

When the relevant asset is derecognized, on sale or other disposal, or is impaired, the cumulative fair value changes recognized in OCI are reclassified from equity to profit or loss. For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in OCI is reclassified from equity to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

The Company's government and corporate debt securities and quoted and unlisted equity securities are classified under this category.

#### *HTM Investments*

HTM investments are non-derivative financial assets with fixed and determinable payments and a fixed maturity that the Company has the positive intention and ability to hold to maturity other than those that (1) the Company designates on initial recognition as at FVTPL, (2) the Company designates as AFS financial assets and (3) those financial assets that meet the definition of loans and receivables. HTM investments are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment in value. The amortization of premiums and discounts and any impairment losses during the year are recognized in profit or loss.

#### *Other Financial Liabilities*

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

Subsequent to initial measurement, these financial liabilities are carried at amortized cost using the effective interest method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees and costs that are an integral part of the EIR of the liability. The amortization is recognized in profit or loss.

Included in this category are provision for claims reported under “Insurance contract liabilities”, insurance payables, accounts payable and other liabilities excluding payable to government agencies and lease liabilities.

#### *Reclassification of Financial Instruments*

Financial instruments are reclassified at its fair value on the date of reclassification. For financial assets at FVTPL, any gain or loss already recognized in profit or loss shall not be reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable. For debt instruments reclassified out of the AFS financial assets category, the gain or loss shall be amortized to profit or loss over the remaining life of instruments using the effective interest method. Any difference between the new amortized cost and maturity amount shall also be amortized over the remaining life of the financial asset using the effective interest method, similar to the amortization of a premium and a discount. As for equity instruments reclassified out of the AFS financial assets category, the gain or loss shall be recognized in profit or loss when the financial asset is sold or otherwise disposed.

#### *OCI on HTM Investments*

OCI on HTM investments arises due to the reclassification out of AFS to HTM investments. On the date of reclassification, the accumulated gain or loss from changes in the fair value of reclassified AFS financial assets, presented as OCI on AFS financial assets, are also reclassified to OCI on HTM investments. The new EIR is calculated based on the new amortized cost of the asset at the reclassification date and based on the remaining term until maturity. The fair value of the reclassified AFS financial assets will be the new amortized cost of the HTM investments at the reclassification date. The OCI on HTM investments will be amortized using the effective interest method to profit or loss throughout the remaining period of the investments.

#### Fair Value Measurements

##### *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.

##### *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.

#### *“Day 1” Profit*

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” profit) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where data used as inputs in a valuation model are not observable, the difference between the transaction price and model value is only recognized in 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” profit.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously. This is not generally the case with master netting agreements, thus the related financial assets and financial liabilities are presented on a gross basis in the statement of financial position.

#### Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets may be impaired. A financial asset or a group of financial assets is impaired and impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

#### *AFS financial Assets Carried at Fair Value*

In case of equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is objective evidence of impairment, the cumulative loss lodged under equity, measured as the difference between the acquisition cost and the current fair value, less any impairment previously recognized in OCI, is transferred to profit or loss.

In the case of AFS debt securities, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the EIR on the reduced carrying amount of the asset and is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss to the extent that the resulting carrying amount of the security does not exceed its carrying amount had no impairment loss been recognized.

For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in OCI is reclassified from equity to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

Gains (losses) on sale of AFS financial assets and impairment losses are reclassified from accumulated OCI to Net gains (losses) on AFS financial assets.

#### *AFS financial Assets Carried at Cost*

If there is an objective evidence of an impairment loss on an unlisted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unlisted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar security.

#### *Loans and Receivables and HTM Investments*

For financial assets carried at amortized cost such as loans and receivables and HTM investments, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Company includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that a borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If an asset has a variable rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. For collective impairment purposes, impairment losses are computed based on their respective default and historical loss experience.



The carrying amounts of the loans and receivables and HTM investments shall be reduced either directly or through the use of an allowance account. The impairment losses for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of impairment losses is recognized in profit or loss, to the extent that the carrying amounts of the loans and receivables and HTM investments do not exceed their amortized cost at the reversal date.

Where loans and receivables have been ascertained to be worthless, the related amount is written-off against the corresponding allowance for impairment.

#### 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 acquired to pay.

##### *Financial Liabilities*

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

#### Property and Equipment

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.

Subsequent to initial measurement, property and equipment are measured at cost less accumulated depreciation and any 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. 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.

Construction in progress (CIP) represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. CIP is not depreciated until such time that the relevant assets are ready for use.

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

|                                    | Number of Years                         |
|------------------------------------|---|
| Building and building improvements | 50                                      |
| Office furniture and equipment     | 5                                       |
| Transportation equipment           | 5                                       |
| Leasehold improvements             | 5 or lease term<br>whichever is shorter |

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.

#### Investment Properties

Properties held for long-term rental yields and/or capital appreciation are classified as investment properties.

These properties are initially measured at cost, which includes transaction cost, but excludes day-to-day service cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Replacement cost is capitalized if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Subsequent to the initial measurement, investment properties are measured at cost less accumulated depreciation (except for land) and impairment in value, if any.

Depreciation is computed using the straight-line method over the estimated useful life of fifty (50) years.

The estimated useful life and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic activity.

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

Investment properties are derecognized when it has either been disposed of or the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss arising from the retirement and disposal of an item of investment properties (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.

Rental income from investment properties is in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total rental income.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any impairment in value.

The Company's intangible assets comprise of computer software. Amortization is computed using the straight-line method over the estimated useful life of five to ten (5 - 10) years.

Intangible assets with definite useful lives are amortized on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at reporting date. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets are derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of intangible assets (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.

#### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. A previously recorded impairment loss for goodwill can never be reversed.

#### Determination of Fair Value of Nonfinancial Assets

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

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

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

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

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

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

External appraisers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

#### Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial 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 CGU are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. 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 and amortization, 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 and amortization charges are 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, 2022 and 2021, no impairment loss has been recognized on the Company's property and equipment, investment properties, intangible assets, goodwill and ROU assets.

### Equity

#### *Capital Stock*

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

#### *APIC*

APIC represents any premiums received in excess of par value on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC. In the event that the APIC balance is exhausted as a result of redemption, the retained earnings account is reduced by redemptions in excess of par value.

#### *Contributed Surplus*

Contributed surplus represents the original contribution of the stockholders of the Parent Company, in addition to the APIC, in order to comply with the pre-licensing requirements as provided under the Amended Insurance Code which is carried at cost.

#### *Contingency Surplus*

Contingency surplus represents contributions of the stockholders to cover any impairment in net worth as required under the Amended Insurance Code.

#### *Retained Earnings*

Retained earnings includes the accumulated results of the Company's operation, as reported in profit or loss less any amount of dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the transitional provision of the standards.

Dividends distribution to the Company's shareholders is recognized in the year in which the dividends are approved by the Company's BOD. The Company intends to declare dividends subject to availability of retained earnings and operational requirements.

### Revenue Recognition

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 fall under PFRS 4 while, investment-related income falls under PAS 39.

#### *Other Income*

Other income is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgment.

#### Revenue Out of Scope of PFRS 15, Revenue from Contracts with Customers

##### *Other Underwriting Income*

This pertains to the Company's share in net income on its MOA with Insular Life related to the migrant workers insurance policies issued and profit commission on proportional treaties. Other underwriting income is recognized in the period when benefits are earned.

##### *Investment Income*

##### *Interest Income*

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

##### *Dividend Income*

Dividend income is recognized when the Company's right to receive the payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity shares.

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:

- whether the Company has primary responsibility for providing the services;
- whether the Company has discretion in establishing prices; and
- whether the Company bears the credit risk.

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

The Company has determined that it is acting as principal in its revenue from direct business arrangements.

#### Expense Recognition

##### *General and Administrative Expenses*

General and administrative expenses, except for lease agreements qualified for recognition under PFRS 16, are recognized as expense as they are incurred.

##### *Service Fees*

Service fees are recognized when incurred.

## Employee Benefits

### *Short-term Employee Benefits*

Short-term employee benefits are those expected to be settled wholly before 12 months after the end of the annual reporting period during which employee services are rendered, excluding termination benefits. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### *Retirement Benefits*

The Company's net pension asset is the FVPA at the end of the reporting period, adjusted for any effect of limiting a net defined benefit retirement asset to the asset ceiling less the aggregate of the present value of the DBO. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The calculation of the net pension asset is performed annually by a qualified actuary using the projected unit credit method.

Retirement costs comprise of current service cost, net interest cost and remeasurements of the net pension obligation.

Net interest cost on the net pension obligation is determined by applying the discount rate based on the government bonds at the beginning of the annual period to the net pension obligation, taking into account any changes in the net pension obligation during the period as a result of contributions and benefit payments. Net interest cost is recognized in profit or loss.

Remeasurements of the net pension obligation, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods but are closed in equity every reporting period. The cumulative amount of remeasurement of the net pension obligation is recognized in "Retirement benefit reserves" in the statement of financial position.

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

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

The Company recognizes gains and losses on the settlement of a DBO when the settlement occurs.

## 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, the Company assesses whether:

- the contract involves the use of an identified asset-this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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.

## Company as a Lessee

### *ROU Asset*

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset.

Subsequently, ROU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any re-measurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term ranging from 1-5 years with depreciation expense recognized under "General and administrative expense" account in profit or loss. The Company applies PAS 36 to determine whether the ROU assets is impaired.

### *Lease Liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the Company's IBR. Any options to extend or terminate a lease that the Company is reasonably certain to exercise are included in the lease term.



In calculating the present value of lease payments, the Company uses the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest charged as interest expense under the "General and administrative expense" account in profit or loss and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *Short-term Leases and Low-value Lease Assets*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases that are considered of low value (i.e., P250,000 or below). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### *Company as a Lessor*

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rent income. Contingent rents are recognized as revenue in the period in which they are earned.

If the leases transfer substantially all the risk and benefits of ownership of the assets, then the leases are classified as finance leases. As part of the assessment, the Company considers certain indicators such as whether the lease for the major part of the economic life of the assets.

If an arrangement contains lease and non-lease components, the Company applies PFRS 15, to allocate the consideration in the contract.

#### Foreign Currency Transactions and Translations

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 retranslated using the closing exchange rates at the 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.

Nonmonetary 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. Nonmonetary 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 AFS financial assets, 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

### *Income Tax*

Current 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.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under PAS 37.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at each reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carryforward tax benefits of the NOLCO and excess of MCIT over RCIT. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at each reporting date.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

### *Final Tax*

Interest income from cash in banks, debt securities, funds held by ceding companies and dividend income, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are recognized as final tax under "Taxes" account in profit or loss.

### *CWT*

CWT pertains to the indirect tax paid by the Company that is withheld by its counterparty from the payment of its expenses and other purchases. CWT is initially recorded at cost under "Other assets" account in the statement of financial position.

At each end of the tax reporting deadline, CWT may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Company. If CWT is claimed as a refund, these will be recorded in the statement of financial position.

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

## 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 statement 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

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

## 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.

### New and Amendments to Standards Issued but Not Yet Adopted

A number of new and amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Company has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements.

#### *Effective January 1, 2023*

- *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 remain 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, 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.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements 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 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.

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

*Effective January 1, 2024*

- *Classification of Liabilities as Current or Non-current - 2020 Amendments and Non-Current Liabilities with Covenants - 2022 Amendments (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 only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; 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, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

*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:
  - a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
  - b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
  - c) 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* Financial Instruments on or before the date of initial application of *PFRS 17*.

- *PFRS 9 (2014) Financial Instruments* replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The Company availed the temporary exemption in the implementation of PFRS 9 as allowed by PFRS 4 below as the Company has not previously applied any version of PFRS 9 and its activities are predominantly connected with insurance.

The Parent Company drives the implementation of the new insurance contract standard and have started with preparatory activities in early 2019 to transition most of its entities, including the Company. From then, the corporate project team has been very rigorous in carrying out global activities and in monitoring the progress of local units. Series of workshops and trainings were conducted to equip each local unit project team with technical knowledge on the new standard. Further, comprehensive technical guidelines were crafted and released by the corporate project team. At global level, technological solutions were acquired and configured, and necessary tests were carried out in maximum detail. Meanwhile, the Company project team prepared and enhanced local operating systems to integrate to the global technological infrastructure, analyzes existing data and contracts, and reviewed and commented on the group technical guidelines prior to its final release.

The Company will commence its transition activities in 2023 as driven by the Oona Group. Local activities will be focused data and system gap assessments, user training and learning sessions, development of technical accounting and actuarial papers, measurement model, expense study and allocation design, development of the business requirement document, development of the target operating model, dry run, and parallel testing. Management is yet to quantify the expected impact on the transition date.

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## **37. Management of Capital, Insurance and Financial Risk**

### Governance Framework

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities. The Company recognizes the importance of having efficient and effective risk management system in place.

The Company has established risk management function with clear terms of reference for the BOD, its committees and the associated executive management committees. Further, a clear organization structure with documented delegated authorities and responsibilities from the BOD to executive management committees and senior managers has been developed. Lastly, a Company policy framework which sets out the risk appetite of the Company's operations has been put in place. Each committee has a member of senior management which is charged with overseeing compliance with the policy throughout the Company.

The BOD has approved the Company's risk management policies and meets regularly to approve any commercial, regulatory and own organizational requirements in such policies. The policies define the Company's identification of risks and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

#### Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Company is satisfactorily managing its affairs for their benefit. 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 acceptable levels of risk.

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions such as net worth requirements and risk-based capital 2 (RBC2) requirements. Such restrictive provisions minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as they arise.

#### *Net Worth Requirements*

Under Section 194 of 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, 2022 and 2021, 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 Amended Insurance Code.

#### *RBC2 Requirements*

IC CL No. 2016-68, *Amended RBC2 Framework*, provides for the RBC2 framework for the nonlife 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. Every nonlife insurance company is annually 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.

As at December 31, 2022 and 2021, the Company has complied with RBC2 requirements based on internal calculations.



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

#### Capital Management Framework

The primary objective of the Company's capital management is to ensure that it complies with the IC requirements.

The Company regularly assesses and changes its level of capital to ensure sufficient solvency margins and to adequately protect the policyholders in accordance with the regulations set by IC. The BOD, through its Executive Committee, promptly adjusts and considers strategies in order for the Company to maintain the net worth requirements.

The BOD also sees to it that the Company complies with the RBC2. The Company reports its capital and compliance with IC requirements to the Executive Committee on a monthly basis and to the BOD on a quarterly basis.

The Company regards the following as the capital it manages as at December 31, 2022 and 2021:

|   | <i>Note</i> | <b>2022</b>           | 2021           |
|---|-------------|-----------------------|----------------|
| Capital stock                               | 32          | <b>P500,000,000</b>   | P500,000,000   |
| Contingency surplus                         | 32          | <b>800,000,000</b>    | 500,000,000    |
| APIC  | 32          | <b>200,446,070</b>    | 200,446,070    |
| Contributed surplus                         | 32          | <b>100,000,000</b>    | 100,000,000    |
| Retirement benefit reserve                  | 22          | <b>(8,324,988)</b>    | 6,807,959      |
| Revaluation reserve on AFS financial assets | 7           | <b>(22,265,230)</b>   | 640,641        |
| Revaluation reserve on HTM investments      | 8           | <b>(8,457,815)</b>    | (5,773,200)    |
| Retained earnings                           |             | <b>145,975,093</b>    | 322,148,502    |
|   |             | <b>P1,707,373,130</b> | P1,624,269,972 |

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

#### Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, when actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

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

|             | <b>2022</b>                                      |  |                                   |
|-------------|--|--|-----------------------------------|
|             | <b>Gross Claims<br/>Liabilities</b><br>(Note 19) | <b>Reinsurers'<br/>Share of Claims<br/>Liabilities</b> | <b>Net Claims<br/>Liabilities</b> |
| Fire        | <b>P952,005,275</b>                              | <b>P901,353,108</b>                                    | <b>P50,652,167</b>                |
| Motorcar    | <b>142,583,258</b>                               | <b>7,599,163</b>                                       | <b>134,984,095</b>                |
| Surety      | <b>10,738,055</b>                                | <b>1,385,151</b>                                       | <b>9,352,904</b>                  |
| Casualty    | <b>30,828,857</b>                                | <b>19,476,587</b>                                      | <b>11,352,270</b>                 |
| Engineering | <b>14,044,206</b>                                | <b>8,381,710</b>                                       | <b>5,662,496</b>                  |
| Accident    | <b>8,166,546</b>                                 | <b>96,420</b>  | <b>8,070,126</b>                  |
| Marine      | <b>4,125,017</b>                                 | <b>3,101,336</b>                                       | <b>1,023,681</b>                  |
|             | <b>P1,162,491,214</b>                            | <b>P941,393,475</b>                                    | <b>P221,097,739</b>               |

  

|             | <b>2021</b>                                      |  |                                   |
|-------------|--|--|-----------------------------------|
|             | <b>Gross Claims<br/>Liabilities</b><br>(Note 19) | <b>Reinsurers'<br/>Share of Claims<br/>Liabilities</b> | <b>Net Claims<br/>Liabilities</b> |
| Fire        | P725,305,921                                     | P668,513,706   | P56,792,215                       |
| Motorcar    | 135,242,432                                      | 568,601  | 134,673,831                       |
| Surety      | 137,494,455                                      | 105,757,250  | 31,737,205                        |
| Casualty    | 5,541,089  | 2,064,836  | 3,476,253                         |
| Engineering | 17,092,821                                       | 16,496,322   | 596,499                           |
| Accident    | 10,490,028                                       | 924,942  | 9,565,086                         |
| Marine      | (92,325)   | (207,038)  | 114,713                           |
|             | P1,031,074,421                                   | P794,118,619   | P236,955,802                      |

For general insurance contracts, the most significant risks arise from climate changes and natural disasters. These risks vary significantly in relation to the location of the risk insured by the Company and types of risks insured.

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 changes in any subset of the portfolio.

The variability of risks is also improved by careful selection and implementation of underwriting strategies, strict claims review policies to assess all new and ongoing claims, as well as the investigation of possible fraudulent claims. The Company also enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Company's premium retained.

The majority of reinsurance business ceded is placed on a surplus basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although 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 the reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

#### *Terms and Conditions*

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

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

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled, and further claims are reported.

The measurement process primarily includes projections of future claims through use of actual experience data. Claims provisions are separately analyzed by geographical area and class of business. In addition, claims are usually assessed by loss adjusters.

#### *Assumptions*

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

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

#### *Sensitivities*

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain variables such as legislative change and uncertainty in the estimation process is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement the outstanding claim provisions are not known with certainty at the reporting date.

Consequently, the ultimate costs of claims will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate costs of claims are recognized in subsequent financial statements.

The table below indicates the impact of changes in certain key assumptions in respect of general insurance business while other assumptions remain unchanged.

|                          | <b>2022</b>                 |   |   |
|--------------------------|-----------------------------|---|---|
|                          | <b>Change in Assumption</b> | <b>Impact on Insurance Contract Liabilities (Net of Reinsurance Assets)</b> | <b>Impact on Income before Income Tax</b> |
| Average claim costs      | <b>14.91%</b>               | <b>P30,297,138</b>  | <b>(P30,297,138)</b>                      |
| Average number of claims | <b>-15.82%</b>              | <b>(32,139,338)</b>   | <b>32,139,338</b>                         |
| Period of settlement     | <b>Within 12 months</b>     | <b>-</b>  | <b>-</b>                                  |

|                          | 2021                 |  |                                    |
|--------------------------|----------------------|--|------------------------------------|
|                          | Change in Assumption | Impact on Insurance Contract Liabilities (Net of Reinsurance Assets) | Impact on Income before Income Tax |
| Average claim costs      | 14.80%               | P31,023,186  | (P31,023,186)                      |
| Average number of claims | 19.00%               | 39,843,805   | (39,843,805)                       |
| Period of settlement     | Within 12 months     | -  | -                                  |

The Company determines that the above assumptions will best represent the movement of general insurance claims provision.

**Loss Development Tables**

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net reinsurance basis:

|  |      | At Gross - 2022     |               |              |                    |                 |                |                 |                   |                   |                    |                    |                     |                     |                       |
|--|------|---------------------|---------------|--------------|--------------------|-----------------|----------------|-----------------|-------------------|-------------------|--------------------|--------------------|---------------------|---------------------|-----------------------|
| Accident Year  | Note | 2010<br>and Prior   | 2011          | 2012         | 2013               | 2014            | 2015           | 2016            | 2017              | 2018              | 2019               | 2020               | 2021                | 2022                | Total                 |
| <b>Estimate of Ultimate Costs of Claims</b>                          |      |                     |               |              |                    |                 |                |                 |                   |                   |                    |                    |                     |                     |                       |
| At the end of accident year  |      | P4,024,860,316      | P642,863,378  | P728,854,274 | P1,858,997,896     | P1,572,774,474  | P1,681,703,901 | P2,144,855,583  | P1,192,198,222    | P1,213,933,439    | P428,886,272       | P583,212,520       | P311,123,790        | P395,783,714        | P395,783,714          |
| One year later   |      | 4,691,930,862       | 1,239,747,137 | 752,809,387  | 3,304,397,744      | 744,751,907     | 1,157,498,415  | 820,607,752     | 740,828,631       | 1,052,654,612     | 466,607,190        | 523,589,459        | 550,197,337         | -                   | 550,197,337           |
| Two years later  |      | 5,588,833,053       | 1,205,732,582 | 670,064,893  | 5,065,549,445      | 712,666,312     | 1,505,763,834  | 758,675,623     | 712,690,172       | 883,717,226       | 465,665,759        | 500,641,126        | -                   | -                   | 500,641,126           |
| Three years later  |      | 5,602,616,221       | 1,208,426,445 | 659,219,208  | 5,374,844,574      | 690,815,130     | 1,492,865,197  | 762,328,476     | 693,919,779       | 883,601,397       | 461,426,238        | -                  | -                   | -                   | 461,426,238           |
| Four years later   |      | 5,595,753,626       | 1,208,954,539 | 658,129,426  | 5,371,057,929      | 685,039,213     | 1,496,947,431  | 760,518,421     | 694,947,752       | 885,060,719       | -                  | -                  | -                   | -                   | 885,060,719           |
| Five years later   |      | 5,173,609,025       | 1,210,105,176 | 655,598,498  | 5,423,429,484      | 687,317,652     | 1,494,608,715  | 762,141,126     | 693,513,093       | -                 | -                  | -                  | -                   | -                   | 693,513,093           |
| Six years later  |      | 5,588,727,695       | 1,209,776,694 | 654,897,779  | 5,410,993,700      | 687,327,558     | 1,495,686,297  | 762,395,453     | -                 | -                 | -                  | -                  | -                   | -                   | 762,395,453           |
| Seven years later  |      | 5,666,226,218       | 1,206,986,254 | 655,424,379  | 5,408,518,551      | 687,830,402     | 1,495,548,440  | -               | -                 | -                 | -                  | -                  | -                   | -                   | 1,495,548,440         |
| Eight years later  |      | 5,659,241,397       | 1,207,376,331 | 655,555,006  | 5,409,246,052      | 687,609,009     | -              | -               | -                 | -                 | -                  | -                  | -                   | -                   | 687,609,009           |
| Nine years later   |      | 5,720,745,301       | 1,207,405,542 | 655,582,126  | 5,409,561,095      | -               | -              | -               | -                 | -                 | -                  | -                  | -                   | -                   | 5,409,561,095         |
| Ten years later  |      | 5,718,870,386       | 1,207,405,738 | 655,591,734  | -                  | -               | -              | -               | -                 | -                 | -                  | -                  | -                   | -                   | 655,591,734           |
| Eleven years later   |      | 5,682,687,868       | 1,207,524,861 | -            | -                  | -               | -              | -               | -                 | -                 | -                  | -                  | -                   | -                   | 1,207,524,861         |
| Twelve years later   |      | 5,720,412,645       | -             | -            | -                  | -               | -              | -               | -                 | -                 | -                  | -                  | -                   | -                   | 5,720,412,645         |
| Current estimate of cumulative claims                                |      | 5,720,412,645       | 1,207,524,861 | 655,591,734  | 5,409,561,095      | 687,609,009     | 1,495,548,440  | 762,395,453     | 693,513,093       | 885,060,719       | 461,426,238        | 500,641,126        | 550,197,337         | 395,783,714         | 19,425,265,464        |
| Cumulative payments to date  |      | 5,152,881,621       | 1,207,524,861 | 655,591,734  | 5,367,729,825      | 687,060,041     | 1,495,451,820  | 761,766,120     | 691,864,374       | 883,439,107       | 450,961,207        | 484,635,819        | 287,212,434         | 136,655,287         | 18,262,774,250        |
| <b>Gross Claims Liability in the Statement of Financial Position</b> | 19   | <b>P567,531,024</b> | <b>P -</b>    | <b>P -</b>   | <b>P41,831,270</b> | <b>P548,968</b> | <b>P96,620</b> | <b>P629,333</b> | <b>P1,648,719</b> | <b>P1,621,612</b> | <b>P10,465,031</b> | <b>P16,005,307</b> | <b>P262,984,903</b> | <b>P259,128,427</b> | <b>P1,162,491,214</b> |

  

|  |      | At Gross - 2021     |                    |               |               |                    |                 |                 |                   |                   |                   |                    |                    |                     |                       |
|--|------|---------------------|--------------------|---------------|---------------|--------------------|-----------------|-----------------|-------------------|-------------------|-------------------|--------------------|--------------------|---------------------|-----------------------|
| Accident Year  | Note | 2009<br>and Prior   | 2010               | 2011          | 2012          | 2013               | 2014            | 2015            | 2016              | 2017              | 2018              | 2019               | 2020               | 2021                | Total                 |
| <b>Estimate of Ultimate Costs of Claims</b>                          |      |                     |                    |               |               |                    |                 |                 |                   |                   |                   |                    |                    |                     |                       |
| At the end of accident year  |      | P3,509,468,318      | P515,391,998       | P642,863,378  | P728,854,274  | P1,858,997,896     | P1,572,774,474  | P1,681,703,901  | P2,144,855,583    | P1,192,198,222    | P1,213,933,439    | P428,886,272       | P583,212,520       | P311,123,790        | P311,123,790          |
| One year later   |      | 3,799,096,920       | 892,833,942        | 1,239,747,137 | 752,809,387   | 3,304,397,744      | 744,751,907     | 1,157,498,415   | 820,607,752       | 740,828,631       | 1,052,654,612     | 466,607,190        | 523,589,459        | -                   | 523,589,459           |
| Two years later  |      | 3,786,135,771       | 1,802,697,282      | 1,205,732,582 | 670,064,893   | 5,065,549,445      | 712,666,312     | 1,505,763,834   | 758,675,623       | 712,690,172       | 883,717,226       | 465,665,759        | -                  | -                   | 465,665,759           |
| Three years later  |      | 3,801,665,165       | 1,800,951,056      | 1,208,426,445 | 659,219,208   | 5,374,844,574      | 690,815,130     | 1,492,865,197   | 762,328,476       | 693,919,779       | 883,601,397       | -                  | -                  | -                   | 883,601,397           |
| Four years later   |      | 3,798,166,336       | 1,797,587,290      | 1,208,954,539 | 658,129,426   | 5,371,057,929      | 685,039,213     | 1,496,947,431   | 760,518,421       | 694,947,752       | -                 | -                  | -                  | -                   | 694,947,752           |
| Five years later   |      | 3,379,046,303       | 1,794,562,722      | 1,210,105,176 | 655,598,498   | 5,423,429,484      | 687,317,652     | 1,494,608,715   | 762,141,126       | -                 | -                 | -                  | -                  | -                   | 762,141,126           |
| Six years later  |      | 3,787,053,628       | 1,801,674,067      | 1,209,776,694 | 654,897,779   | 5,410,993,700      | 687,327,558     | 1,495,686,297   | -                 | -                 | -                 | -                  | -                  | -                   | 1,495,686,297         |
| Seven years later  |      | 3,865,089,223       | 1,801,136,995      | 1,206,986,254 | 655,424,379   | 5,408,518,551      | 687,830,402     | -               | -                 | -                 | -                 | -                  | -                  | -                   | 687,830,402           |
| Eight years later  |      | 3,858,955,823       | 1,800,285,574      | 1,207,376,331 | 655,555,006   | 5,409,246,052      | -               | -               | -                 | -                 | -                 | -                  | -                  | -                   | 5,409,246,052         |
| Nine years later   |      | 3,920,331,652       | 1,800,413,650      | 1,207,405,542 | 655,582,126   | -                  | -               | -               | -                 | -                 | -                 | -                  | -                  | -                   | 655,582,126           |
| Ten years later  |      | 3,918,456,737       | 1,800,413,650      | 1,207,405,738 | -             | -                  | -               | -               | -                 | -                 | -                 | -                  | -                  | -                   | 1,207,405,738         |
| Eleven years later   |      | 3,882,274,219       | 1,800,413,650      | -             | -             | -                  | -               | -               | -                 | -                 | -                 | -                  | -                  | -                   | 1,800,413,650         |
| Twelve years later   |      | 3,894,545,044       | -                  | -             | -             | -                  | -               | -               | -                 | -                 | -                 | -                  | -                  | -                   | 3,894,545,044         |
| Current estimate of cumulative claims                                |      | 3,894,545,044       | 1,800,413,650      | 1,207,405,738 | 655,582,126   | 5,409,246,052      | 687,830,402     | 1,495,686,297   | 762,141,126       | 694,947,752       | 883,601,397       | 465,665,759        | 523,589,459        | 311,123,790         | 18,791,778,592        |
| Cumulative payments to date  |      | 3,298,710,397       | 1,753,591,273      | 1,207,405,542 | 655,582,276   | 5,367,165,462      | 687,053,287     | 1,494,815,410   | 760,517,383       | 687,172,102       | 881,906,211       | 438,698,372        | 428,999,266        | 99,087,190          | 17,760,704,171        |
| <b>Gross Claims Liability in the Statement of Financial Position</b> | 19   | <b>P595,834,647</b> | <b>P46,822,377</b> | <b>P196</b>   | <b>(P150)</b> | <b>P42,080,590</b> | <b>P777,115</b> | <b>P870,887</b> | <b>P1,623,743</b> | <b>P7,775,650</b> | <b>P1,695,186</b> | <b>P26,967,387</b> | <b>P94,590,193</b> | <b>P212,036,600</b> | <b>P1,031,074,421</b> |

| At Net - 2022  |      |                    |              |              |                   |                 |                |                 |                   |                   |                   |                   |                    |                     |                     |
|--|------|--------------------|--------------|--------------|-------------------|-----------------|----------------|-----------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|---------------------|
| Accident Year  | Note | 2010<br>and Prior  | 2011         | 2012         | 2013              | 2014            | 2015           | 2016            | 2017              | 2018              | 2019              | 2020              | 2021               | 2022                | Total               |
| <b>Estimate of Ultimate Costs of Claims</b>                        |      |                    |              |              |                   |                 |                |                 |                   |                   |                   |                   |                    |                     |                     |
| At the end of accident year  |      | P2,499,487,676     | P479,922,860 | P424,939,841 | P666,565,556      | P593,362,848    | P371,757,540   | P806,397,477    | P745,706,554      | P603,821,927      | P423,254,747      | P320,172,930      | P242,012,832       | P283,886,955        | P283,886,955        |
| One year later   |      | 2,459,741,986      | 997,538,801  | 478,751,084  | 594,595,312       | 797,871,472     | 296,520,006    | 728,529,684     | 626,592,794       | 542,824,149       | 379,075,333       | 273,951,431       | 231,421,695        | -                   | 231,421,695         |
| Two years later  |      | 2,491,866,035      | 990,902,331  | 440,452,474  | 627,522,762       | 778,560,811     | 260,287,975    | 673,223,690     | 596,358,220       | 502,631,228       | 377,456,286       | 261,824,281       | -                  | -                   | 261,824,281         |
| Three years later  |      | 2,509,306,938      | 995,202,360  | 443,533,927  | 631,721,673       | 765,416,972     | 252,404,065    | 678,386,640     | 595,459,077       | 502,633,892       | 377,182,685       | -                 | -                  | -                   | 377,182,685         |
| Four years later   |      | 2,507,418,696      | 996,346,727  | 436,967,035  | 629,886,528       | 761,469,239     | 255,729,385    | 677,160,901     | 596,593,337       | 504,020,717       | -                 | -                 | -                  | -                   | 504,020,717         |
| Five years later   |      | 2,489,250,941      | 998,421,922  | 434,701,601  | 633,304,826       | 763,485,622     | 255,143,772    | 678,629,005     | 595,165,873       | -                 | -                 | -                 | -                  | -                   | 595,165,873         |
| Six years later  |      | 2,496,926,579      | 998,837,559  | 434,500,191  | 632,348,690       | 763,531,638     | 255,959,017    | 678,860,609     | -                 | -                 | -                 | -                 | -                  | -                   | 678,860,609         |
| Seven years later  |      | 2,501,412,750      | 998,797,830  | 434,836,708  | 631,979,978       | 764,112,560     | 255,856,858    | -               | -                 | -                 | -                 | -                 | -                  | -                   | 255,856,858         |
| Eight years later  |      | 2,500,008,546      | 999,209,898  | 434,874,316  | 632,212,370       | 764,119,189     | -              | -               | -                 | -                 | -                 | -                 | -                  | -                   | 764,119,189         |
| Nine years later   |      | 2,490,795,763      | 999,238,960  | 434,901,286  | 632,456,188       | -               | -              | -               | -                 | -                 | -                 | -                 | -                  | -                   | 632,456,188         |
| Ten years later  |      | 2,489,602,845      | 999,239,124  | 434,910,894  | -                 | -               | -              | -               | -                 | -                 | -                 | -                 | -                  | -                   | 434,910,894         |
| Eleven years later   |      | 2,499,732,663      | 999,247,725  | -            | -                 | -               | -              | -               | -                 | -                 | -                 | -                 | -                  | -                   | 999,247,725         |
| Twelve years later   |      | 2,486,310,596      | -            | -            | -                 | -               | -              | -               | -                 | -                 | -                 | -                 | -                  | -                   | 2,486,310,596       |
| Current estimate of cumulative claims                              |      | 2,486,310,596      | 999,247,725  | 434,910,894  | 632,456,188       | 764,119,189     | 255,856,858    | 678,860,609     | 595,165,873       | 504,020,717       | 377,182,685       | 261,824,281       | 231,421,695        | 283,886,955         | 8,505,264,265       |
| Cumulative payments to date  |      | 2,469,339,433      | 999,247,725  | 434,910,894  | 630,542,246       | 763,570,221     | 255,760,238    | 678,231,276     | 593,517,154       | 502,418,368       | 375,406,115       | 254,168,254       | 211,044,446        | 116,010,156         | 8,284,166,526       |
| <b>Net Claims Liability in the Statement of Financial Position</b> | 19   | <b>P16,971,163</b> | <b>P -</b>   | <b>P -</b>   | <b>P1,913,942</b> | <b>P548,968</b> | <b>P96,620</b> | <b>P629,333</b> | <b>P1,648,719</b> | <b>P1,602,349</b> | <b>P1,776,570</b> | <b>P7,656,027</b> | <b>P20,377,249</b> | <b>P167,876,799</b> | <b>P221,097,739</b> |

| At Net - 2021  |      |                    |                   |              |               |                   |                 |                 |                   |                   |                   |                   |                    |                     |                     |
|--|------|--------------------|-------------------|--------------|---------------|-------------------|-----------------|-----------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|---------------------|
| Accident Year  | Note | 2009<br>and Prior  | 2010              | 2011         | 2012          | 2013              | 2014            | 2015            | 2016              | 2017              | 2018              | 2019              | 2020               | 2021                | Total               |
| <b>Estimate of Ultimate Costs of Claims</b>                        |      |                    |                   |              |               |                   |                 |                 |                   |                   |                   |                   |                    |                     |                     |
| At the end of accident year  |      | P2,127,297,302     | P372,190,374      | P479,922,860 | P424,939,841  | P666,565,556      | P593,362,848    | P371,757,540    | P806,397,477      | P745,706,554      | P603,821,927      | P423,254,747      | P320,172,930       | P242,012,832        | P242,012,832        |
| One year later   |      | 2,108,160,566      | 351,581,420       | 997,538,801  | 478,751,084   | 594,595,312       | 797,871,472     | 296,520,006     | 728,529,684       | 626,592,794       | 542,824,149       | 379,075,333       | 273,951,431        | -                   | 273,951,431         |
| Two years later  |      | 2,138,347,269      | 353,518,766       | 990,902,331  | 440,452,474   | 627,522,762       | 778,560,811     | 260,287,975     | 673,223,690       | 596,358,220       | 502,631,228       | 377,456,286       | -                  | -                   | 377,456,286         |
| Three years later  |      | 2,155,530,143      | 353,776,795       | 995,202,360  | 443,533,927   | 631,721,673       | 765,416,972     | 252,404,065     | 678,386,640       | 595,459,077       | 502,633,892       | -                 | -                  | -                   | 502,633,892         |
| Four years later   |      | 2,153,397,613      | 354,021,083       | 996,346,727  | 436,967,035   | 629,886,528       | 761,469,239     | 255,729,385     | 677,160,901       | 596,593,337       | -                 | -                 | -                  | -                   | 596,593,337         |
| Five years later   |      | 2,134,958,371      | 354,292,570       | 998,421,922  | 434,701,601   | 633,304,826       | 763,485,622     | 255,143,772     | 678,629,005       | -                 | -                 | -                 | -                  | -                   | 678,629,005         |
| Six years later  |      | 2,134,957,364      | 361,969,215       | 998,837,559  | 434,500,191   | 632,348,690       | 763,531,638     | 255,959,017     | -                 | -                 | -                 | -                 | -                  | -                   | 255,959,017         |
| Seven years later  |      | 2,139,415,177      | 361,997,573       | 998,797,830  | 434,836,708   | 631,979,978       | 764,112,560     | -               | -                 | -                 | -                 | -                 | -                  | -                   | 764,112,560         |
| Eight years later  |      | 2,138,856,442      | 361,152,105       | 999,209,898  | 434,874,316   | 632,212,370       | -               | -               | -                 | -                 | -                 | -                 | -                  | -                   | 632,212,370         |
| Nine years later   |      | 2,129,519,626      | 361,276,138       | 999,238,960  | 434,901,286   | -                 | -               | -               | -                 | -                 | -                 | -                 | -                  | -                   | 434,901,286         |
| Ten years later  |      | 2,128,326,706      | 361,276,138       | 999,239,124  | -             | -                 | -               | -               | -                 | -                 | -                 | -                 | -                  | -                   | 999,239,124         |
| Eleven years later   |      | 2,138,456,525      | 361,276,138       | -            | -             | -                 | -               | -               | -                 | -                 | -                 | -                 | -                  | -                   | 361,276,138         |
| Twelve years later   |      | 2,129,857,676      | -                 | -            | -             | -                 | -               | -               | -                 | -                 | -                 | -                 | -                  | -                   | 2,129,857,676       |
| Current estimate of cumulative claims                              |      | 2,129,857,676      | 361,276,138       | 999,239,124  | 434,901,286   | 632,212,370       | 764,112,560     | 255,959,017     | 678,629,005       | 596,593,337       | 502,633,892       | 377,456,286       | 273,951,431        | 242,012,832         | 8,248,834,954       |
| Cumulative payments to date  |      | 2,098,477,930      | 353,153,762       | 999,239,110  | 434,901,436   | 629,978,037       | 763,564,267     | 255,290,593     | 677,128,024       | 591,575,461       | 501,524,881       | 371,249,660       | 238,469,024        | 97,326,967          | 8,011,879,152       |
| <b>Net Claims Liability in the Statement of Financial Position</b> | 19   | <b>P31,379,746</b> | <b>P8,122,376</b> | <b>P14</b>   | <b>(P150)</b> | <b>P2,234,333</b> | <b>P548,293</b> | <b>P668,424</b> | <b>P1,500,981</b> | <b>P5,017,876</b> | <b>P1,109,011</b> | <b>P6,206,626</b> | <b>P35,482,407</b> | <b>P144,685,865</b> | <b>P236,955,802</b> |

### Financial Risk

The primary objective of the Company's risk management framework is to ensure the sustainable achievement of its financial performance goals and objectives.

The Company, through the quarterly BOD and the monthly Executive Committee meetings, reviews and assesses the different financial risks it is exposed to. It promptly aligns its management strategies to properly manage these risk exposures. These normally include identification of related risks and their interpretation and setting up of appropriate limit structures to ensure the suitable quality and diversification of assets.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk (consisting of foreign currency risk, interest rate risk, and price risk). The Chief Financial Officer is tasked to identify, monitor, analyze, control, and report financial risks.

There has been no change to the Company's exposure to financial risk or the manner in which it manages and measure risk since the prior financial year.

### *Credit Risk*

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to meet its contractual obligations. The Company is exposed to credit risk on its cash in banks, short-term placements, short-term investments, insurance receivables, investment in debt securities classified as AFS, HTM investments, loans and receivables, accrued interest income and security deposits.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to an annual review.

Guidelines on the level of credit risk are discussed and approved during weekly meetings of the Management Committee and/or monthly meetings of the Executive Committee.

With respect to investment securities, the Company ensures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer.

With regard to loans and receivables, the Company transacts only with recognized, accredited and creditworthy borrowers and counterparties. The Company's Credit and Collection Unit (CCU) manages credit exposure by ensuring that borrowers and counterparties undergo credit verification procedures and by setting standard business terms that are required to be met by all counterparties. CCU also monitors the loans and receivables on a regular basis to determine the Company's appropriate exposure to impairment losses.

The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long-term ratings.

### Maximum Credit Exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments. The maximum exposure is shown net of allowance for impairment losses, before deducting collaterals.

|                                 | Note | 2022                  | 2021           |
|---------------------------------|------|-----------------------|----------------|
| Cash and cash equivalents*      | 4    | <b>P186,041,138</b>   | P239,292,820   |
| Short-term investments          | 5    | <b>103,630,438</b>    | 5,363,784      |
| Insurance receivables - net     | 6    | <b>900,006,338</b>    | 749,882,829    |
| AFS financial assets**          | 7    | <b>1,076,606,224</b>  | 1,120,577,251  |
| HTM investments                 | 8    | <b>319,773,024</b>    | 221,451,590    |
| Loans and receivables - net     | 9    | <b>130,346,433</b>    | 131,004,210    |
| Accrued interest income         | 10   | <b>18,391,293</b>     | 14,690,277     |
| Refundable security deposits*** | 18   | <b>12,339,418</b>     | 11,966,190     |
|                                 |      | <b>P2,747,134,306</b> | P2,494,228,951 |

\* Excluding cash on hand

\*\* Excluding equity securities

\*\*\* Included under "Other assets" account

### Credit Quality of Financial Assets

The tables below provide information of the credit quality of the Company's financial assets that are neither past due nor impaired.

#### a) Cash and Cash Equivalents, Short-term Investments, AFS Financial Assets and HTM investments

The Company uses Philippine Rating Services Corporation credit rating to present credit quality of cash and cash equivalents and AFS financial assets that are neither past due nor impaired as at December 31, 2022 and 2021.

*PRS Aaa.* This rating has a smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is secured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

*PRS Ba.* This rating is judged to have speculative elements. The issuer's capability to pay for such issues cannot be considered as well as assured. Often, the protection of interest and principal payments may be very moderate and thereby not well safeguarded during good and bad times over the future.

*PRS B.* This rating generally lacks characteristics of a desirable investment. Assurance of interest and principal payments or maintenance of other terms of contract over any long period of time may be small.

|                            | Note | 2022         |                |            |              | Total          |
|----------------------------|------|--------------|----------------|------------|--------------|----------------|
|                            |      | PRS Aaa      | PRS Ba         | PRS B      | Not Rated    |                |
| Cash and cash equivalents: | 4    |              |                |            |              |                |
| Cash in banks              |      | P -          | P -            | P -        | P184,322,480 | P184,322,480   |
| Short-term deposits        |      | -            | -              | 633,595    | 1,085,063    | 1,718,658      |
| Short-term investments     | 5    | 102,137,037  | 1,493,401      | -          | -            | 103,630,438    |
| AFS financial assets:      | 7    |              |                |            |              |                |
| Government debt securities |      | -            | 768,854,781    | -          | -            | 768,854,781    |
| Corporate debt securities  |      | 257,866,932  | -              | 49,884,511 | -            | 307,751,443    |
| HTM investments            | 8    | -            | 319,773,024    | -          | -            | 319,773,024    |
| Total credit risk exposure |      | P360,003,969 | P1,090,121,206 | 50,518,106 | P185,407,543 | P1,686,050,824 |



The credit ratings are the equivalent to Moody's specific issue credit rating for the same debt securities as at December 31, 2021.

|                                   | Note | 2021                |                       |            |                     | Total                 |
|-----------------------------------|------|---------------------|-----------------------|------------|---------------------|-----------------------|
|                                   |      | PRS Aaa             | PRS Ba                | PRS B      | Not Rated           |                       |
| Cash and cash equivalents:        | 4    |                     |                       |            |                     |                       |
| Cash in banks                     |      | P -                 | P -                   | P -        | P202,988,306        | P202,988,306          |
| Short-term deposits               |      | 1,084,376           | 35,220,138            | -          | -                   | 36,304,514            |
| Short-term investments            | 5    | 3,876,437           | 1,487,347             | -          | -                   | 5,363,784             |
| AFS financial assets:             | 7    |                     |                       |            |                     |                       |
| Government debt securities        |      | -                   | 582,385,364           | -          | -                   | 582,385,364           |
| Corporate debt securities         |      | 364,760,774         | 173,431,113           | -          | -                   | 538,191,887           |
| HTM investments                   | 8    | -                   | 221,451,590           | -          | -                   | 221,451,590           |
| <b>Total credit risk exposure</b> |      | <b>P369,721,587</b> | <b>P1,013,975,552</b> | <b>P -</b> | <b>P202,988,306</b> | <b>P1,586,685,445</b> |

The Company's cash in banks, short-term placements and short-term investments are placed, invested, or deposited in foreign and local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability.

Corporate debt securities that fall under the 'Not Rated column' includes long-term debt securities issued by local and multinational corporations belonging to the top fifty (50) corporations in the Philippines in terms of resources and profitability.

b) *Insurance Receivables, Loans and Receivables, Accrued Interest Income and Security Deposits*

The Company uses the following credit rating to provide information on the credit quality of insurance receivables, loans and receivables, accrued interest income and security deposits that are neither past due nor impaired as at December 31, 2022 and 2021 based on the borrowers and counterparties' overall creditworthiness as follows:

Grade A - This rating class is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations.

Grade B - This rating class is given to borrowers and counterparties who possess above average capacity to meet its obligations. These counterparties are somewhat susceptible to adverse changes in business and economic conditions.

Grade C - This rating class is given to borrowers and counterparties who possess average capacity to meet its obligations. These borrowers and counterparties are more likely to have a significant deterioration of its capacity during adverse business and economic conditions relative to Classes A and B.

The above credit ratings are determined by considering the borrower and counterparty's credit payment history and financial condition with strong consideration given to cash flows, working capital and net worth.

| Note                                   | 2022                          |                 |                     |                     |                       | Total              |                       |
|--|-------------------------------|-----------------|---------------------|---------------------|-----------------------|--------------------|-----------------------|
|  | Neither Past-Due nor Impaired |                 |                     | Total               | Past Due and Impaired |                    |                       |
|  | Grade A                       | Grade B         | Grade C             |                     |                       |                    |                       |
| Insurance receivables:                 | 6                             |                 |                     |                     |                       |                    |                       |
| Premiums receivable                    |                               | P -             | P -                 | P725,012,578        | P725,012,578          | P41,206,101        | P766,218,679          |
| Due from brokers                       |                               | -               | -                   | 101,901,879         | 101,901,879           | 5,722,800          | 107,624,679           |
| Due from ceding companies              |                               | -               | -                   | 47,151,882          | 47,151,882            | 3,136,435          | 50,288,317            |
| Reinsurance recoverable on paid losses |                               | -               | -                   | 25,939,999          | 25,939,999            | 774,317            | 26,714,316            |
| Loans and receivables:                 | 9                             |                 |                     |                     |                       |                    |                       |
| Accounts receivable                    |                               | -               | 129,512,843         | -                   | 129,512,843           | 24,893,406         | 154,406,249           |
| Car financing loans                    |                               | 833,590         | -                   | -                   | 833,590               | -                  | 833,590               |
| Accrued interest income                | 10                            | -               | 18,391,293          | -                   | 18,391,293            | -                  | 18,391,293            |
| Security deposits*                     | 18                            | -               | -                   | 12,339,418          | 12,339,418            | -                  | 12,339,418            |
|  |                               | <b>P833,590</b> | <b>P147,904,136</b> | <b>P912,345,756</b> | <b>P1,061,083,482</b> | <b>P75,733,059</b> | <b>P1,136,816,541</b> |

\*Presented under "Other assets" account

| Note                                   | 2021                          |            |              |              |              | Past Due and Impaired | Total        |
|--|-------------------------------|------------|--------------|--------------|--------------|-----------------------|--------------|
|  | Neither Past-Due nor Impaired |            |              | Total        |              |                       |              |
|  | Grade A                       | Grade B    | Grade C      |              |              |                       |              |
| Insurance receivables:                 | 6                             |            |              |              |              |                       |              |
| Premiums receivable                    |                               | P -        | P -          | P676,855,133 | P676,855,133 | P42,361,689           | P719,216,822 |
| Due from brokers                       |                               | -          | -            | 47,058,570   | 47,058,570   | 5,314,005             | 52,372,575   |
| Due from ceding companies              |                               | -          | -            | 20,468,976   | 20,468,976   | 1,303,841             | 21,772,817   |
| Reinsurance recoverable on paid losses |                               | -          | -            | 5,500,150    | 5,500,150    | 774,317               | 6,274,467    |
| Loans and receivables:                 | 9                             |            |              |              |              |                       |              |
| Accounts receivable                    |                               | -          | 129,557,360  | -            | 129,557,360  | 14,582,190            | 144,139,550  |
| Car financing loans                    |                               | 1,446,850  | -            | -            | 1,446,850    | -                     | 1,446,850    |
| Accrued interest income                | 10                            | -          | 14,690,277   | -            | 14,690,277   | -                     | 14,690,277   |
| Security deposits*                     | 18                            | -          | -            | 11,966,190   | 11,966,190   | -                     | 11,966,190   |
|  |                               | P1,446,850 | P144,247,637 | P761,849,019 | P907,543,506 | P64,336,042           | P971,879,548 |

\*Presented under "Other assets" account

The Company's concentration of credit risk arises from its insurance receivables and investments in debt securities classified as AFS financial assets and HTM investments since the said financial assets amounted to P2.41 billion (48.20%) and P2.20 billion (49.39%) of the Company's total financial assets as at December 31, 2022 and 2021, respectively (see Notes 6, 7 and 8).

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its contractual obligations and commitments. The major liquidity risk confronting the Company is the daily cash calls on its available cash resources with respect to claims arising from insurance contracts.

The Company monitors its cash position on a daily basis by preparing cash report wherein the disbursements and collections are monitored. This report also helps the Company in determining periods where it has excess cash or cash shortfall.

On June 22, 2022, the BOD authorized and approved the renewal of the Company's credit line facilities with the Bank of the Philippine Island as follows:

- Establishment of Foreign Exchange Line amounting to \$2,500,000;
- Renewal of Bills Purchase Line amounting to P50,000,000; and
- Renewal of Corporate Guarantee Line amounting P10,000,000

As at December 31, 2022 and 2021, the Company's financial assets and liabilities have contractual maturities which are presented below:

| Note  | 2022      |               |              |                   |              | Total          |
|---|-----------|---------------|--------------|-------------------|--------------|----------------|
|   | On Demand | 1 to 3 Years  | 4 to 5 Years | More than 5 Years |              |                |
| <b>Financial Assets</b>                                       |           |               |              |                   |              |                |
| Cash and cash equivalents                                     | 4         | P186,270,590  | P -          | P -               | P -          | P186,270,590   |
| Short-term investment   | 5         | 103,630,438   | -            | -                 | -            | 103,630,438    |
| Insurance receivables - net                                   | 6         | 900,006,338   | -            | -                 | -            | 900,006,338    |
| Reinsurance recoverable on unpaid losses from reported claims | 19        | 933,413,225   | -            | -                 | -            | 933,413,225    |
| AFS financial assets  | 7         | 129,554,763   | 532,550,596  | 248,488,106       | 166,012,759  | 1,076,606,224  |
| HTM investments   | 8         | -             | 279,271,978  | 40,501,046        | -            | 319,773,024    |
| Loans and receivables - net                                   | 9         | 129,588,804   | 757,629      | -                 | -            | 130,346,433    |
| Accrued income  | 10        | 18,391,293    | -            | -                 | -            | 18,391,293     |
| Security deposits*  | 18        | 12,339,418    | -            | -                 | -            | 12,339,418     |
|   |           | 2,413,194,869 | 812,580,203  | 288,989,152       | 166,012,759  | 3,680,776,983  |
| <b>Financial Liabilities</b>                                  |           |               |              |                   |              |                |
| Provision for claims reported                                 | 19        | 1,136,558,715 | -            | -                 | -            | 1,136,558,715  |
| Insurance payables  | 20        | 648,238,486   | -            | -                 | -            | 648,238,486    |
| Accounts payable and other liabilities**                      | 21        | 219,537,328   | -            | -                 | -            | 219,537,328    |
| Lease liabilities   | 16        | -             | 10,955,472   | 2,313,601         | -            | 13,269,073     |
|   |           | 2,004,334,529 | 10,955,472   | 2,313,601         | -            | 2,017,603,602  |
| <b>Net Liquidity</b>  |           | P408,860,340  | P801,624,731 | P286,675,551      | P166,012,759 | P1,663,173,381 |

\*Presented und "Presented under "Other assets" account

\*\*Excluding payable to regulatory agencies

|   | Note | 2021          |              |              |                   | Total          |
|---|------|---------------|--------------|--------------|-------------------|----------------|
|   |      | On Demand     | 1 to 3 Years | 4 to 5 Years | More than 5 Years |                |
| <b>Financial Assets</b>                                       |      |               |              |              |                   |                |
| Cash and cash equivalents                                     | 4    | P239,517,272  | P -          | P -          | P -               | P239,517,272   |
| Short-term investment   | 5    | 5,363,784     | -            | -            | -                 | 5,363,784      |
| Insurance receivables - net                                   | 6    | 749,882,829   | -            | -            | -                 | 749,882,829    |
| Reinsurance recoverable on unpaid losses from reported claims | 19   | 779,017,431   | -            | -            | -                 | 779,017,431    |
| AFS financial assets  | 7    | 247,720,775   | 499,065,308  | 190,355,730  | 183,435,438       | 1,120,577,251  |
| HTM investments   | 8    | -             | 60,367,132   | 161,084,458  | -                 | 221,451,590    |
| Loans and receivables - net                                   | 9    | 130,084,645   | 919,565      | -            | -                 | 131,004,210    |
| Accrued income  | 10   | 14,690,277    | -            | -            | -                 | 14,690,277     |
| Security deposits*  | 18   | 11,966,190    | -            | -            | -                 | 11,966,190     |
|   |      | 2,178,243,203 | 560,352,005  | 351,440,188  | 183,435,438       | 3,273,470,834  |
| <b>Financial Liabilities</b>                                  |      |               |              |              |                   |                |
| Provision for claims reported                                 | 19   | 988,698,009   | -            | -            | -                 | 988,698,009    |
| Insurance payables  | 20   | 505,998,422   | -            | -            | -                 | 505,998,422    |
| Accounts payable and other liabilities**                      | 21   | 232,699,289   | -            | -            | -                 | 232,699,289    |
| Lease liabilities   | 16   | 476,666       | 14,547,118   | 5,799,932    | -                 | 20,823,716     |
|   |      | 1,727,872,386 | 14,547,118   | 5,799,932    | -                 | 1,748,219,436  |
| Net Liquidity   |      | P450,370,817  | P545,804,887 | P345,640,256 | P183,435,438      | P1,525,251,398 |

\*Presented und \*\*Presented under \*\*\*Presented under "Other assets" account

\*\*Excluding payable to regulatory agencies

### 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 prices is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Increasing market fluctuations may result in significant impact on the Company's equity, cash flows and profit.

The Company manages market risk exposures by setting up limits structures and by promulgating specific investment guidelines and strategies (e.g., investing only in high grade securities and only with reputable foreign reinsurers). The Company only invests in financial institutions or corporate entities with acceptable ratings from domestic and international credit rating agencies or is at least within the top 10 rank in case of banks. The Company also ensures that its investments shall comply with the guidelines and requirements set out by the IC.

### Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in PHP and its exposure to foreign currency risk arise primarily with respect to the Company's dealings with foreign reinsurers in its settlement of obligations and receipt of any claim reimbursements, which is denominated in US Dollars (USD).

The table below summarizes the Company's exposure to currency risk on foreign currency denominated financial assets and financial liabilities and their PHP equivalents as follows:

|                               | 2022        |               |
|-------------------------------|-------------|---------------|
|                               | USD         | PHP           |
| Cash and cash equivalents     | \$186,143   | P10,446,326   |
| Insurance receivables - net   | 9,610,629   | 539,348,499   |
| Provision for claims reported | (143,743)   | (8,066,829)   |
| Accounts payable              | (7,309,653) | (410,217,726) |
|                               | \$2,343,376 | P131,510,270  |

|                               | 2021               |                    |
|-------------------------------|--------------------|--------------------|
|                               | USD                | PHP                |
| Cash and cash equivalents     | \$519,154          | P26,097,375        |
| Insurance receivables - net   | 7,614,366          | 382,766,540        |
| Provision for claims reported | (142,524)          | (7,164,559)        |
| Accounts payable              | (6,905,792)        | (347,147,242)      |
|                               | <b>\$1,085,204</b> | <b>P54,552,114</b> |

The table below lists down the exchange rates per P1.00 from Bangko Sentral ng Pilipinas in translating foreign currency-denominated financial assets into USD amounts as at December 31, 2022 and 2021, respectively.

|            | 2022         | 2021   |
|------------|--------------|--------|
| USD to PHP | <b>56.12</b> | P50.27 |

The following table shows the sensitivity to a reasonably possible change in US dollar exchange rate, with all other variables held constant of the Company's income before income tax.

|             | Change in USD<br>Exchange Rate | Effect on<br>Income Before<br>Income Tax | Effect on Equity   |
|-------------|--------------------------------|--|--------------------|
| <b>2022</b> | <b>+5.00%</b>                  | <b>6,575,514</b>                         | <b>4,931,636</b>   |
|             | <b>-5.00%</b>                  | <b>(6,575,514)</b>                       | <b>(4,931,636)</b> |
| 2021        | +5.00%                         | 2,727,606                                | 2,045,704          |
|             | -5.00%                         | (2,727,606)                              | (2,045,704)        |

The Company determined the reasonably possible change in foreign currency using the one-year volatility of the USD and PHP as this will best represent the movement in foreign exchange rate until the next reporting date.

There is no other impact on the Company's equity other than those already affecting profit or loss.

#### *Interest Rate Risk*

The Company's income and operating cash flows are substantially independent of changes in market interest rates since its interest bearing AFS debt securities and HTM investments have fixed interest rates.

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

The following table shows the information relating to the financial assets that are exposed to fair value interest rate risk presented by maturity profile:

|                            | Note | Range of<br>Interest Rates | 2022                |                     |                     | Total                 |
|----------------------------|------|----------------------------|---------------------|---------------------|---------------------|-----------------------|
|                            |      |                            | 1 - 3 Years         | 4 - 5 Years         | Over<br>5 Years     |                       |
| AFS Debt Securities        |      |                            |                     |                     |                     |                       |
| Government debt securities | 7    | 3.5% - 11.25%              | <b>P397,217,316</b> | <b>P248,488,106</b> | <b>P123,149,359</b> | <b>P768,854,781</b>   |
| Corporate debt securities  | 7    | 3.92% - 7.18%              | <b>264,888,043</b>  | -                   | <b>42,863,400</b>   | <b>307,751,443</b>    |
| HTM Investments            | 8    | 3.5% - 4.75%               | <b>279,271,978</b>  | <b>40,501,046</b>   | -                   | <b>319,773,024</b>    |
|                            |      |                            | <b>P941,377,337</b> | <b>P288,989,152</b> | <b>P166,012,759</b> | <b>P1,396,379,248</b> |

|                            | Note | Range of Interest Rates | 2021         |              |              | Total          |
|----------------------------|------|-------------------------|--------------|--------------|--------------|----------------|
|                            |      |                         | 1 - 3 Years  | 4 - 5 Years  | Over 5 Years |                |
| AFS Debt Securities        |      |                         |              |              |              |                |
| Government debt securities | 7    | 3.50% - 11.25%          | P303,167,246 | P139,979,780 | P139,238,338 | P582,385,364   |
| Corporate debt securities  | 7    | 3.92% - 7.18%           | 443,618,837  | 50,375,950   | 44,197,100   | 538,191,887    |
| HTM Investments            | 8    | 3.50% - 4.75%           | 60,367,131   | 161,084,459  | -            | 221,451,590    |
|                            |      |                         | P807,153,214 | P351,440,189 | P183,435,438 | P1,342,028,841 |

Any increase by 100 basis points (1%) in interest rates, with all other variables held constant, will increase income before income tax by P13.96 million and P13.42 million for the years ended December 31, 2022 and 2021, respectively. The decrease in same basis points will reduce the income before income tax by the same amount.

In 2022 and 2021, the Company determined the reasonably possible change in interest rate based on the historical change in weighted average yield rates of outstanding investments of the Company.

#### *Equity Price Risk*

Equity 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).

The Company's equity price risk exposure relates to quoted equity shares classified as AFS financial assets.

The table below shows the impact on equity of the reasonably possible change of PSEi as at December 31, 2022 and 2021.

|             | Change in Equity Prices | Effect in Equity   |
|-------------|-------------------------|--------------------|
| <b>2022</b> | <b>+5.00%</b>           | <b>P2,507,328</b>  |
|             | <b>-5.00%</b>           | <b>(2,507,328)</b> |
| 2021        | +5.00%                  | 2,057,808          |
|             | -5.00%                  | (2,057,808)        |

On the assumption that an increase of 5% on the price of the investments in 2022 and in 2021, equity would increase by P2.51 million and P2.06 million on the equity, respectively. A 5% decrease in price in 2022 and 2021, respectively, would have an equal but opposite effect. This assumes that all the variables are held constant and all the Company's equity instruments moved according to the historical correlation with the index. The movements in prices of equity securities have no effects on net income since the equity securities were classified as AFS financial assets.

### **38. Fair Value Measurement**

#### Financial Instruments

The carrying amount of the Company's financial instruments such as cash and cash equivalents (excluding cash on hand), short-term investments, insurance receivables, loans and receivables, accrued interest income, provision for claims reported (included under "Insurance contract liabilities" account), insurance payables and accounts payable and other liabilities (excluding government payables), approximate their fair values at each reporting date due to the relatively short-term maturities of these financial assets and financial liabilities.

The carrying amount of HTM investments and refundable security deposits (included under “Other assets” account) approximates fair value at year-end. Management believes that the effect of discounting and future cash flows of this instrument using the prevailing market rate is not significant.

AFS financial assets is measured at fair value. The fair values of quoted equity securities were determined by reference to quoted market prices published by Philippine Stock Exchange (PSE).

If the market prices are not readily available, fair values are 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 of the Company’s debt securities is derived from PHP Bloomberg Valuation Services (BVAL) in 2022 and 2021.

Investments in unlisted equity instruments for which no reliable basis for fair value measurement is available are carried at cost, net of any allowance for impairment losses.

#### Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statement 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.

#### *Financial Assets*

As at December 31, 2022 and 2021, AFS financial asset is the only financial asset measured at fair value in the statement of financial position. The fair value hierarchy of the Company’s AFS financial asset is as follows:

|                       | Note | 2022           |             |         | Total Fair Value |
|-----------------------|------|----------------|-------------|---------|------------------|
|                       |      | Level 1        | Level 2     | Level 3 |                  |
| AFS financial assets: |      |                |             |         |                  |
| Equity securities     |      | P107,903,239   | P3,247,000  | P -     | P111,150,239     |
| Debt securities       |      | 1,026,721,713  | 49,884,511  | -       | 1,076,606,224    |
|                       | 7    | P1,134,624,952 | P53,131,511 | P -     | P1,187,756,463   |

  

|                       | Note | 2021           |             |         | Total Fair Value |
|-----------------------|------|----------------|-------------|---------|------------------|
|                       |      | Level 1        | Level 2     | Level 3 |                  |
| AFS financial assets: |      |                |             |         |                  |
| Equity securities     |      | P101,313,630   | P2,922,000  | P -     | P104,235,630     |
| Debt securities       |      | 1,068,561,882  | 52,015,369  | -       | 1,120,577,251    |
|                       | 7    | P1,169,875,512 | P54,937,369 | P -     | P1,224,812,881   |

Unlisted equity investments amounted to P3.25 million and P2.92 million as at December 31, 2022 and 2021, respectively (see Note 7).

#### *Nonfinancial Assets*

As at December 31, 2022 and 2021, the fair value of the Company’s investment properties amounted to P30.87 million and P27.91 million, respectively, using level 2 inputs. The recurring fair value of nonfinancial assets under level 2 are determined using market data approach (see Note 14).

In 2022 and 2021, there were no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement of the Company’s financial and nonfinancial assets.

### 39. Supplementary Information Required under Revenue Regulation No. 15-2010 of the BIR

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

The following are the tax information/disclosures required for the taxable year ended December 31, 2022:

#### A. VAT

|                          |                       |
|--------------------------|-----------------------|
| 1. Output VAT            | <b>P132,977,459</b>   |
| Basis of the Output VAT: |                       |
| Sales subject to VAT     | <b>P1,108,145,488</b> |

The Company has premiums generated to entities that are registered in Philippine Economic Zone Authority which is subject to zero-rated and/or exempt output VAT amounting P382.46 million in 2022.

The amount of claimed is broken down as follows:

|   |                     |
|---|---------------------|
| 2. Input VAT  |                     |
| Balance at beginning of year                          | <b>P58,499,392</b>  |
| Current year's domestic purchases:                    |                     |
| a. Goods for resale/manufacture or further processing | -                   |
| b. Goods other than for resale or manufacture         | -                   |
| c. Capital goods subject to amortization              | <b>5,100,509</b>    |
| d. Capital goods not subject to amortization          | <b>14,264,376</b>   |
| e. Services lodged under cost of goods sold           | -                   |
| f. Services lodged under other accounts               | <b>39,516,424</b>   |
| Claims for tax credit/refund and other adjustments    | -                   |
| Balance at end of the year                            | <b>P117,380,701</b> |

#### B. Taxes on Importation

The Company does not have any customs duties or tariff fees in 2022 since it does not have any importation.

#### C. Excise Tax

The Company does not have any excise tax in 2022 since it does not have any transactions which are subject to excise tax.

#### D. Documentary Stamp Tax

The Company paid documentary stamp tax on premiums amounting to P183.49 million in 2022 which is part of "Other assets" account in the statement of financial position.

#### **E. Withholding Taxes**

The Company's withholding taxes during the year are as follows:

|  |                    |
|--|--------------------|
| Expanded withholding taxes                     | <b>P31,342,728</b> |
| Withholding taxes on compensation and benefits | <b>30,725,929</b>  |
| Final withholding taxes                        | <b>509,744</b>     |
|  | <b>P62,578,401</b> |

#### **F. Fringe Benefit Tax**

Fringe benefits tax paid by the Company in 2022 amounted to P0.50 million and is recorded in salaries and benefits under "General and administrative expenses" account in profit or loss.

#### **G. All Other Taxes and Licenses (Local and National)**

Other taxes and licenses paid during the year recorded in "Taxes and licenses" under the "General and administrative" account in profit or loss are as follows:

|                          |                   |
|--------------------------|-------------------|
| License and permit fees  | <b>P1,565,549</b> |
| Real property taxes      | <b>287,183</b>    |
| Documentary stamp taxes  | <b>124,241</b>    |
| Penalties and surcharges | <b>-</b>          |
| Others                   | <b>309,180</b>    |
|                          | <b>P2,286,153</b> |

#### **H. Tax Assessments and Deficiencies**

On November 16, 2021, the Company received Letter of Authority (LOA) No. #eLA201900047489 from BIR for the examination of the books of accounts and other accounting records for the taxable year of 2019. The examination is still ongoing as at December 31, 2022.