2023
AUDITED FINANCIAL STATEMENTS

FORTUNE GENERAL INSURANCE CORPORATION
December 31, 2023 and 2022

R. R. TAN AND ASSOCIATES
Certified Public Accountants

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

FOR FINANCIAL STATEMENTS

The management of **FORTUNE GENERAL INSURANCE CORPORATION** (the "Company"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R. R. Tan and Associates, CPAs the independent auditors appointed by the stockholders as of December 31, 2023, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

MANUEL M. MALOLES
President & CEO

DOMINIC ALFRED A. CABANGON
Treasurer

JESUS ANTONIO A. CABANGON, JR.
Chairman of the Board

SUBSCRIBED AND SWORN TO before me this APR 17 2024 day of April 2024 at Pasig City, affiants exhibiting to me the following:

Name	TIN
Jesus Antonio A. Cabangon, Jr.	112-826-118
Manuel M. Maloles	110-154-463
Dominic Alfred A. Cabangon	112-826-100

Doc. No. 50
Page No. 11
Book No. 14
Series of 2024

ATTY. CLARITO E. DE ALDAY
Notary Public for Pasig, San Juan, Pateros
Until Dec. 31, 2024
Appointmnet No. 31 (2023-2024)
4th Floor Citystate Centre
709 Shaw Blvd., Pasig City
Roll No. 52308
IBP No. 328241 / Dec. 14, 2023 / RSM
PTR No. 8442877 / Jan 3, 2024 / Pasay
MCLE Compliance No. VII-0008340; Jan. 16, 2022

Notary Public

R. R. TAN & ASSOCIATES, CPAs

Unit 1705, Antel Global Corporate Center
Doña Julia Vargas Avenue, Ortigas Center
Pasig City, Philippines 1605
Tel.: (632) 8638-3430 to 32; Fax: (632) 8638-3430
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PRC-BOA Reg. No. 0132, valid until August 13, 2024
BIR Accreditation No. 07-100510-002-2022, valid until September 14, 2025
IC Accreditation No. 0132-IC, valid until November 17, 2024

Report of Independent Public Accountants

The Board of Directors and Stockholders
FORTUNE GENERAL INSURANCE CORPORATION
4/F Citystate Centre, 709 Shaw Blvd.
Pasig City

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of **FORTUNE GENERAL INSURANCE CORPORATION** (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standardss (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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations (RR) 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 disclosed in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R. R. TAN AND ASSOCIATES, CPAs

By: CHESTER NIMITZ F. SALVADOR
Partner
CPA Certificate No. 129556
Tax Identification No. 307-838-154
PTR No. 173935, January 5, 2024, Pasig City
BIR Accreditation No. 07-100488-001-2022, valid until May 30, 2025
IC Accreditation No. 129556-IC, valid until March 1, 2025

April 17, 2024
Pasig City

R. R. TAN & ASSOCIATES, CPAs

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Pasig City, Philippines 1605
Tel.: (632) 8638-3430 to 32; Fax: (632) 8638-3430
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IC Accreditation No. 0132-IC, valid until November 17, 2024

Report of Independent Public Accountants to Accompany Financial Statements for filing with Securities and Exchange Commission

The Board of Directors and Stockholders
FORTUNE GENERAL INSURANCE CORPORATION
4/F Citystate Centre, 709 Shaw Blvd.
Pasig City

We have audited the financial statements of **FORTUNE GENERAL INSURANCE CORPORATION** as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 17, 2024.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said company has a total number of twenty-nine (29) stockholders owning one hundred (100) or more shares each.

R. R. TAN AND ASSOCIATES, CPAs

By: **CHESTER NIMITZ F. SALVADOR**
Partner
CPA Certificate No. 129556
Tax Identification No. 307-838-154
PTR No. 173935, January 5, 2024, Pasig City
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April 17, 2024
Pasig City

FORTUNE GENERAL INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS	***Notes***		**2023**		2022
Cash and Cash Equivalents	*8*	**P**	**285,975,292**	P	437,855,651
Short-term Investments	*9*		**2,529,759**		2,515,902
Financial Assets	*5,10*				
Available-for-Sale (AFS)			**206,554,937**		120,434,292
Held-to-Maturity (HTM)			**1,113,812,200**		784,967,336
Loans and Receivables			**20,000,000**		-
Subscription Receivable	*22*		**-**		175,000,000
Insurance Balance Receivables	*11*		**269,191,091**		234,258,751
Reinsurance Assets	*12*		**256,881,777**		307,456,583
Deferred Acquisition Costs	*15*		**84,934,027**		90,670,111
Investment Properties	*13*		**108,705,500**		132,111,500
Property and Equipment - Net	*14*		**247,653,592**		166,693,524
Accrued Investment Income	*16*		**7,628,253**		4,576,835
Other Assets	*17*		**21,307,434**		17,020,856
TOTAL ASSETS		**P**	**2,625,173,862**	P	2,473,561,341

LIABILITIES AND EQUITY					
Reserve for Unearned Premiums	*18*	**P**	**501,538,284**	P	485,093,940
Insurance Claims Payable	*19*		**392,593,838**		402,367,193
Accounts Payable and Accrued Expenses	*20*		**171,921,559**		119,033,741
Reinsurance Liabilities	*21*		**72,135,039**		76,512,037
Deferred Reinsurance Commissions	*15*		**5,018,808**		11,783,700
Deferred Tax Liabilities - Net	*30*		**25,592,251**		19,044,864
Defined Benefit Obligation	*29*		**32,172,769**		14,182,630
Total Liabilities			**1,200,972,548**		1,128,018,105
EQUITY					
Share Capital	*22*		**654,391,500**		654,391,500
Share Premium	*22*		**179,024,774**		179,024,774
Contingency Surplus	*22*		**11,142,587**		11,142,587
Revaluation Reserve on:					
Property and Equipment - Net			**75,649,877**		44,969,627
Available-for-Sale Financial Assets	*10*		**(25,092,593)**		(17,836,954)
Remeasurement Loss on Defined Benefit Obligation - Net	*29*		**(28,559,893)**		(13,418,300)
Retained Earnings - December 31			**557,645,062**		487,270,002
Total Equity			**1,424,201,314**		1,345,543,236
TOTAL LIABILITIES AND EQUITY		**P**	**2,625,173,862**	P	2,473,561,341

See Accompanying Notes to Financial Statements

FORTUNE GENERAL INSURANCE CORPORATION
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Notes		2023		2022
REVENUES					
Gross Premiums Earned	*24*	**P**	**959,949,306**	P	854,182,783
Reinsurance Premium Ceded	*24*		**133,637,606**		141,406,116
Net Insurance Revenue			**826,311,700**		712,776,667
Commission Income	*27*		**19,094,846**		20,565,475
Interest Income	*25*		**49,352,262**		29,281,972
Unrealized Gain in Fair Value of Investment Properties	*6 & 13*		**10,194,000**		4,009,800
Other Investment Income - Net	*25*		**7,867,540**		7,344,321
Unrealized Gain on Foreign Exchange			**-**		3,519,587
Gain on Sale of Shares of Stock - Traded	*10*		**3,556,795**		16,862,405
			916,377,143		794,360,227
CLAIMS, LOSSES AND ADJUSTMENT EXPENSES					
Insurance Claims, Losses and Adjustment Expenses Paid - Net of Salvages and Recoveries	*19,26*		**363,704,140**		352,237,114
Paid Insurance Claims, Losses and Adjustment Expenses Recovered from Reinsurers	*19,26*		**(39,011,305)**		(64,280,200)
Changes in Insurance Claims Payable			**(9,773,355)**		(37,654,206)
Changes in Reinsurers' Share of Claims, Losses and Adjustment Expenses			**39,036,573**		59,333,017
Other Underwriting Expenses			**2,358,739**		515,143
			356,314,792		310,150,868
COSTS AND EXPENSES					
Commission Expense	*27*		**179,861,198**		164,401,576
Unrealized Loss on Foreign Exchange			**2,180,905**		-
General and Administrative Expenses	*28*		**279,455,974**		236,192,707
			461,498,077		400,594,283
INCOME BEFORE INCOME TAX EXPENSE			**98,564,274**		83,615,075
INCOME TAX EXPENSE	*30*		**16,695,258**		12,253,843
PROFIT FOR THE YEAR		**P**	**81,869,016**	P	71,361,232

See Accompanying Notes to Financial Statements

FORTUNE GENERAL INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Note		2023		2022
PROFIT FOR THE YEAR		**P**	**81,869,016**	P	71,361,232
OTHER COMPREHENSIVE INCOME					
Amount to be Reclassified to Profit or Loss in Subsequent Periods:					
Fair Value Changes in AFS Investments	*10*		**(7,255,639)**		(18,725,148)
Amount not to be Reclassified to Profit or Loss in Subsequent Periods:					
Revaluation of Property and Equipment - Net of Tax			**30,680,250**		4,397,550
Remeasurement Gain (Loss) on Defined Benefit Obligation - Net of Tax			**(15,141,593)**		1,834,698
TOTAL COMPREHENSIVE INCOME		**P**	**90,152,034**	P	58,868,332

See Accompanying Notes to Financial Statements

FORTUNE GENERAL INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Share Capital					Revaluation Reserves				
2023	**Common Shares**	**Preferred Shares**	**Share Premium**	**Total paid-up Capital**	**Contingency Surplus**	**Property and Equipment *- Net of Tax***	**Available-for-Sale Financial Assets**	**Remeasurement Loss on Defined Benefit Obligation**	**Retained Earnings**	**Total**
Balances, January 1, 2023	**P 652,641,500**	**P 1,750,000**	**P 179,024,774**	**P 833,416,274**	**P 11,142,587**	**P 44,969,627**	**P (17,836,954)**	**P (13,418,300)**	**P 487,270,002**	**P 1,345,543,236**
Revaluation Increment Recognized During the Year	-	-	-	-	-	**30,680,250**	-	-	-	**30,680,250**
Remeasurement Loss During the Year	-	-	-	-	-	-	**(7,255,639)**	**(15,141,593)**	-	**(22,397,232)**
Declaration of dividend	-	-	-	-	-	-	-	-	**(11,493,956)**	**(11,493,956)**
Profit for the Year	-	-	-	-	-	-	-	-	**81,869,016**	**81,869,016**
Balances, December 31, 2023	**P 652,641,500**	**P 1,750,000**	**P 179,024,774**	**P 833,416,274**	**P 11,142,587**	**P 75,649,877**	**P (25,092,593)**	**P (28,559,893)**	**P 557,645,062**	**P 1,424,201,314**
2022										
Balances, January 1, 2022	P 619,041,500	P -	P 5,774,774	P 624,816,274	P 11,142,587	P 40,572,077	P 888,194	P (15,252,998)	P 415,908,770	P 1,078,074,904
Issuance During the Year	33,600,000	-	-	33,600,000	-	-	-	-	-	33,600,000
Subscription During the Year	-	1,750,000	173,250,000	175,000,000	-	-	-	-	-	175,000,000
Revaluation Increment Recognized During the Year	-	-	-	-	-	4,397,550	-	-	-	4,397,550
Changes in Fair Values	-	-	-	-	-	-	(18,725,148)	-	-	(18,725,148)
Remeasurement Gain During the Year	-	-	-	-	-	-	-	1,834,698	-	1,834,698
Profit for the Year	-	-	-	-	-	-	-	-	71,361,232	71,361,232
Balances, December 31, 2022	P 652,641,500	P 1,750,000	P 179,024,774	P 833,416,274	P 11,142,587	P 44,969,627	P (17,836,954)	P (13,418,300)	P 487,270,002	P 1,345,543,236

FORTUNE GENERAL INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Notes		2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Income Before Income Tax Expense		**P**	**98,564,274**	P	83,615,075
Adjustments for:					
Provisions for:					
Reserve for unearned premiums			**31,580,914**		53,308,050
Depreciation	*14*		**5,583,704**		5,709,138
IBNR - net			**44,867,239**		53,551,292
Pension expense	*29*		**4,912,646**		5,449,200
Amortization of Discount (Premium) on HTM Investments	*10*		**(2,277,689)**		129,018
Amortization of Deferred Acquisition Cost - Net	*15*		**(1,028,808)**		(9,601,535)
Unrealized Gain in Fair Value of Investment Properties	*13*		**(10,194,000)**		(4,009,800)
Unrealized (Gain) Loss on Foreign Exchange			**132,825**		(3,519,587)
Gain on Sale of AFS Investments	*10*		**(3,556,795)**		(16,862,405)
Interest Income	*25*		**(49,352,262)**		(29,281,972)
Dividend Income	*25*		**(2,442,616)**		(1,818,097)
Operating Income Before Working Capital Changes			**116,789,432**		136,668,377
Increase in Operating Assets:					
Insurance Balance Receivables			**(34,932,340)**		(2,075,301)
Reinsurance Assets			**(3,598,336)**		(6,559,642)
Other Assets			**(4,286,578)**		(4,231,339)
Increase (Decrease) in Operating Liabilities:					
Accounts Payable and Accrued Expenses			**50,612,329**		(2,559,378)
Reinsurance Liabilities			**(4,376,998)**		33,170,288
Insurance Claims Payable			**(15,604,023)**		(31,872,481)
Cash Provided by Operations			**104,603,486**		122,540,524
Income Taxes Paid			**(13,051,934)**		(13,896,035)
Contributions to the Retirement Benefit Fund	*29*		**(7,111,297)**		(7,111,297)
Net Cash Provided by Operating Activities			**84,440,255**		101,533,192
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale/Maturities of:					
Financial Assets:					
Short-term Investments			**2,515,902**		2,505,828
Available-for-Sale			**45,904,644**		286,701,562
Held-to-Maturity			**36,400,000**		26,000,000
Acquisitions of:					
Financial Assets:					
Loans and receivable			**(20,000,000)**		-
Short-term Investments	*9*		**(2,529,759)**		(2,515,902)
Available-for-Sale	*10*		**(135,724,133)**		(213,457,205)
Held-to-Maturity	*10*		**(363,100,000)**		(208,770,000)
Property and Equipment	*14*		**(12,036,772)**		(7,984,143)
Investment Property			**-**		(33,600,000)
Interest and Dividend Received			**48,743,460**		30,225,965
Net Cash Used in Investing Activities			**(399,826,658)**		(120,893,895)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	*22*		**(11,493,956)**		-
Collection of subscription receivable	*22*		**175,000,000**		-
Proceeds from Issuance of Share Capital	*22*		**-**		33,600,000
Net Cash Provided by Financing Activities			**163,506,044**		33,600,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			**(151,880,359)**		14,239,297
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			**-**		1,878,767
CASH AND CASH EQUIVALENTS, JANUARY 1			**437,855,651**		421,737,587
CASH AND CASH EQUIVALENTS, DECEMBER 31		**P**	**285,975,292**	P	437,855,651

See Accompanying Notes to Financial Statements

FORTUNE GENERAL INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. Corporate Information

FORTUNE GENERAL INSURANCE CORPORATION (Company) was registered with the Securities and Exchange Commission (SEC) on June 13, 1955 under SEC Registration No. 9934. It was incorporated primarily to carry on and engage in the business of general insurance and reinsurance.

On the 10th of July 2003, The Securities and Exchange Commission (SEC) approved the merger of FORTUNE GUARANTEE AND INSURANCE CORPORATION (FGIC) and CITYSTATE INSURANCE CORPORATION (CIC), another non-life insurance company, with FGIC as the surviving entity.

The Company changed its name to **FORTUNE GENERAL INSURANCE CORPORATION** through the amendment of its Articles of Incorporation on May 25, 2004, which was approved by the SEC on June 30, 2004.

The registered office of the Company is on the 4th Floor of Citystate Centre, 709 Shaw Boulevard, Pasig City, Metro Manila, Philippines. The Company has seventeen (17) branches nationwide.

Authorization for Issuance of the Financial Statements

On April 17, 2024, the Audit Committee approved the issuance of the audited financial statements of the Company as of and for the period ended December 31, 2023 (including the comparative figures as of December 31, 2022). The Board of Directors delegated the authority for the issuance of the financial statements to the Audit Committee in a meeting held on April 17, 2024.

2. Basis of Preparation and Presentation

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted standards by the Philippine Financial Reporting and Sustainability Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board (IASB). It also includes pronouncements issued by SEC.

Basis of Financial Statement Preparation and Presentation
The accompanying financial statements have been prepared on a historical cost basis except for the following which are measured at fair values:

- Available-for-Sale Financial Assets
- Investment Properties
- All properties occupied or used in the course of its business included under Property and Equipment

The financial statements are presented in Philippine Peso and all values represent absolute amounts except as otherwise indicated.

The Company presents its statements of financial position broadly following the order of its liquidity. An analysis regarding recovery or settlement of assets and liabilities within twelve months after the end of the reporting period (current) is presented in Note 32.

3. Changes in Accounting Policies and Disclosures

New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2023

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to PAS 12*, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments do not have a material impact on the Company.

Amendments to PAS 8*, Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments do not have a material impact on the Company.

Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The amendments have had an impact on the Company’s disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the financial statements. The application of these amendments is reflected in the Company’s financial statements under Note 4.

Amendments to PAS 12, International Tax Reform – *Pillar Two Model Rules*
The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively. Management assessed that the application of such amendments had no significant impact on the Company's financial statements.

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2023
The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2023 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

Effective beginning on or after January 1, 2024

Amendments to PAS 1, Presentation of Financial Statements – *Classification of Liabilities as Current or Non-current*
The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice.

Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback*
The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements of PFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of lease. Any gain or loss to the partial of full termination of the lease does not relate to the right of use retained but to the right of use terminated.

Amendments to PAS 7 and PFRS 7, *Supplier Finance Arrangements*
The amendments added disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

The amendments are effective for annual periods beginning on or after January 1, 2024 with earlier adoption permitted. The amendments are not expected to have an impact on the Company's financial statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Early application is permitted. The amendments are not expected to have a material impact on the Company's financial statements.

Effective beginning on or after January 1, 2025

PFRS17, *Insurance Contracts*
PFRS 17 replaces PFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2025. The Company will apply PFRS 17 starting January 1, 2025 with full comparative figures for 2024. A transition team has been created for this purpose to ascertain the impact of transition.

Premium Allocation Approach
The measurement model to calculate the Liability for Remaining claims (LRC) will be the Premium Allocation Approach (PAA). This approach is most appropriate since most of the Company's coverage period is one year or less. For insurance contracts with coverage exceeding one year, PAA will be applied only if it can be demonstrated that using the PAA would produce a measurement that is a reasonable approximation of the general model. Acquisition cash flows will be expensed as incurred. Discounting and Risk adjustment will not be applied unless the group of contacts is onerous.

<u>Liability for Incurred Claims</u>
Liability for Incurred Claims (LIC) will comprise the present value of future cash flows and the risk adjustments that incorporates all of the available information about the fulfillment cash flows in a way that is consistent with observable market information.

<u>Level of aggregation</u>
PFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined first by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together and are established at initial recognition. No group may contain contracts issued more than one year apart. No group may contain contracts issued more than one year apart. The Company has defined groups of insurance and reinsurance contracts issued based on its product lines and underwriting year. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business.

<u>Onerous group of contracts</u>
The Company issues some contracts before the coverage period starts and the premium becomes due. The Company will determine whether any contracts issued from a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations

<u>Changes to presentation and disclosure</u>
For presentation purposes, the Company will aggregate insurance contracts issued and reinsurance contracts held based on portfolios and these will be presented separately in the statement of financial position. The presentation of the insurance revenue account and statement of other comprehensive income will require separate presentation of insurance revenue and service expenses, insurance finance income or expenses and income or expenses from reinsurance contracts held change. There will no longer be items such as gross, net or earned premiums or net claims incurred shown on the insurance revenue account. The Company will also provide disaggregated qualitative information about significant judgements, and changes in those judgements, when applying the standard.

As of December 31, 2023, the full impact of adopting PFRS 17 is not currently estimable.

The Company will apply PFRS 17 by on or after January 1, 2025.

Deferred effectivity

PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint* Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the financial statements.

4. Summary of Material Accounting Policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Cash and Cash Equivalents
Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less that are subject to insignificant risk of changes in value.

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

Financial Instruments

Date of Recognition
Financial assets and financial liabilities are recognized in the statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

Initial Recognition
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL "Fair Value through Profit & Loss", the initial measurement of these financial instruments includes transaction costs.

Determination of Fair Value
The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instruments or from the results based on a valuation technique, the Company recognizes the difference between the transaction price and the fair value in the statement of comprehensive income, unless it qualifies for recognition as some other type of asset.

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

Classification of Financial Instruments
The Company classifies financial assets into the following categories, (i) At FVPL, (ii) Available-for-Sale, (iii) Held-to-Maturity and (iv) Loans and Receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or the liabilities were incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition, and where allowed and appropriate, re-evaluates such designation at every reporting date.

- Financial Assets and Financial Liabilities at FVPL
  Financial Assets and Financial Liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition at FVPL. After initial recognition, Financial Assets and Financial Liabilities at FVPL are carried at fair value.

  A financial asset and financial liability is classified as held for trading if:

  - It has been acquired principally for the purpose of selling in the near future; or
  - It is part of an identified portfolio of financial instruments that the Company manages together and has recent actual pattern of short-term profit-taking; or
  - It is a derivative that is not designated and effective as a hedging instrument.

  A financial asset other than a financial asset held for trading may be designated as FVPL upon initial recognition if:

  - Such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or
  - The financial asset forms part of a group of financial assets that is managed and its performance is evaluated on a fair value basis; or
  - It forms part of a contract containing one or more embedded derivatives.

  As of December 31, 2023 and 2022, there are no financial assets under this category.

- Available-for-Sale (AFS)
  AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the statement of financial position. Changes in the fair value are recognized directly in the equity account as "*Revaluation Reserve on AFS Financial Assets*". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the equity is included in the profit or loss for the period.

  As at December 31, 2023 and 2022, financial assets under this category amounted to P206,554,937 and P120,434,292, respectively.

- Loans and Receivables
  Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company

provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, Loans and Receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

Included under this category are the company's Cash and Cash Equivalents, Loans Receivable, Insurance Balance Receivable, Reinsurance Assets, Other Receivable, deposits and security funds lodged under Other Assets.

- Held-to-Maturity (HTM)
  HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM assets are carried at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Any changes to the carrying amount of the investment are recognized in statements of income.

  As at December 31, 2023 and 2022, financial assets under this category amounted to P1,113,812,200 and P784,967,336, respectively, comprising of government securities and corporate bonds.

- Other Financial Liabilities
  Issued financial instruments or their components, which are not designated as FVPL 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 asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

  Included under this category are Accounts Payable and Accrued Expenses, Insurance Claims Payable and Reinsurance Liabilities.

Reclassification of Financial Assets
A financial asset is reclassified out of the FVPL category when the following conditions are met:

(i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near future; and
(ii) there is a rare situation

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Impairment of Financial Assets
The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on Loans and Receivables or Held-to-Maturity investments carried at amortized cost has been incurred, 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 financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

If, in a subsequent period, the amount of the impairment loss 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 an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

(ii) Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted 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 an unquoted equity instrument has been incurred, 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 financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-Sale Financial Assets
Available-for-Sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Derecognition of Financial Instruments

Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

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

Where 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 nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to: deliver cash or another financial asset to another entity; exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instruments as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Insurance Contract
Insurance contracts are defined as those contracts under which the Company (the “insurer”) accepts significant insurance risk from another party (the “policyholder”) by agreeing to compensate the policyholder if a specified uncertain future event (the “insured event”) adversely affects the policyholder. As a general guideline, the Company defines insurance risk as significant if the insured event could cause an insurer to pay significant additional benefits even if the insured event is extremely unlikely to happen.

Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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

Insurance Balance Receivables
These include amounts due from insurance contracts and due from ceding companies.

Insurance Balance Receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration received for the period or coverage. Subsequent to initial recognition, Insurance Balance Receivables are measured at amortized cost.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

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

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurance can be measured reliably. The impairment loss is charged to profit or loss.

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

The Company also assumes (Facultative) reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

Deferred Acquisition Costs
Commissions and other acquisition costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts are deferred and charged to expense in proportion to the premium revenue recognized. Subsequent to initial recognition, these costs are amortized using the 24th method over the life of the contract. Amortization is charged against the statement of income. The unamortized acquisition costs are shown in the assets section of the statement of financial position as “Deferred Acquisition Costs”. All other costs are recognized as incurred.

Investment Properties
Investment Properties consist of properties held for long term rental yields and/or for capital appreciation. Investment Properties are initially measured at cost, including transaction costs.

After initial recognition, Investment Properties is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The Company reviews these valuations annually.

Investment Properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn or sold and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Property and Equipment
The initial cost of Property and Equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of Property and Equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of Property and Equipment.

Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and impairment losses, if any.

When assets are sold, or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the Statement of Comprehensive Income of such period.

Depreciation and amortization are computed on the straight-line method based on the estimated useful lives of the assets as follows:

Items of Property and Equipment	Estimated Useful Life
Real Estate	50 years
Office Improvements	5 years
Furniture, Fixtures & Office Equipment	5 years
EDP Equipment	5 years
Transportation Equipment	5 years

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

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

Other Assets
Other Assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Impairment of Non-financial Assets
The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is considered impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can reliably be estimated.

For Loans and Receivables, impairment loss is provided when there is objective evidence that the company will not be able to collect fully all amounts due to it in accordance with the original contract or term of the loan/receivable. If there is objective evidence that a credit loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the Statement of Comprehensive Income.

Interest income of Loans and Receivables continue to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated credit loss decreases because of an event occurring after the credit loss is recognized, the previously recognized credit loss is reduced by adjusting the allowance account.

Reserve for Unearned Premiums
The portion of written premiums, gross of commissions payable and reinsurance, attributable to subsequent periods or to risks that have not yet expired is deferred and recognized in the Statement of Financial Position as Premium Liabilities as a separate line item in the liabilities section. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. In 2017, the Company fully adapted the 24th method across all its insurance lines.

Insurance Claims Payable
Liabilities for unpaid claim costs and claim adjustment expenses relating to insurance contracts are recognized when insured events occur.

The liabilities for unpaid claims including those Incurred But Not Reported (IBNR) are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserve are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period in which the estimates are changed or payments are made.

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

Liability Adequacy Test
At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance liabilities, net of related Deferred Acquisition Costs assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is charged to profit or loss by establishing an unexpired risk provision for losses arising from the liability adequacy tests.

Accounts Payable and Accrued Expenses
Accounts and other payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Accounts Payable are non-interest bearing and are stated at their nominal value.

Accounts payable are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals; however, the uncertainty is generally much less than for provisions.

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 uses the definition of a lease in PFRS 16.

As a Lessee
At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

- Fixed payments, including in-substance fixed payments;
- Variable lease payment that depends on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

The Company used a number of practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17. In particular, the Company:

- Did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months from the date of initial application;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

Short-term Leases and Leases of Low-value Assets
The Company has elected not to recognize right-of-use assets and lease liabilities for the leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a Lessor
When the Company acts as a lessor, it determines at the inception of the lease whether each lease is a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease is a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Leases where the Company does not transfer substantially all of the risks and rewards of ownership of the asset are classified as operating leases. Rental income is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>*Reinsurance Liabilities*</u>
This corresponds to liabilities arising from reinsurance agreements with re-insurers, which the Company utilizes to minimize its exposure to large losses in all aspects of its insurance business. Reinsurance liabilities and reinsurance receivable are reported separately in the financial statements.

<u>*Equity*</u>

Share Capital
Share Capital is determined using the par value of shares that have been subscribed (or issued and paid-up).

Share Premium
Share Premium includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from share premium, net of any related income tax benefits.

Contingency Surplus
Contingency surplus represents the contributions of the shareholders in order to comply with the capital requirement as required under the Insurance Code and can be withdrawn only upon the approval of the Insurance Commission.

Retained Earnings
Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income, net of dividends declared.

Revaluation Reserve on AFS Financial Assets
This represents gains or losses arising from fair value changes of Available-for-Sale financial assets.

Revaluation Reserve – Property and Equipment
This represents the appraisal increment on real estate, which are presented at appraised values in the financial statements net of deferred income tax.

Revenue Recognition
Revenue is recognized only when the Company satisfies a performance obligation by transferring control of the promised services to the customer. Revenue is measured at the transaction price which the entity expects to be entitled in exchange for a good or service. The following specific revenue recognition criteria must also be met before revenue is recognized.

Premiums
Premiums from short duration insurance contracts are recognized as revenue over the period of the contracts using the 24^{th} method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting periods are accounted for as "*Reserve for Unearned Premiums"* and presented in the liability section of the statement of financial position. The reinsurance premiums ceded that pertains to the unexpired period as at reporting dates are accounted for as "*Reserve for Reinsurance Premiums*" and lodge under "*Reinsurance Assets*" account in the statements of financial position. The net changes in these accounts between reporting dates are credited or charged against income for the year.

Reinsurance Commission
Reinsurance Commissions are recognized as revenue over the period of the contracts. The portion of commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as "*Deferred Commission Income*" in the liabilities section of the statement of financial position.

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

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

Dividend Income
Dividend Income is recognized when the right to receive dividends is established.

Rental Income
Rental Income is recognized on a straight-line basis over the term of the lease.

Realized Gains and Losses
Realized Gains and Losses on the sale of AFS financial assets are calculated as the difference between net sales proceeds and the original cost net of accumulated impairment losses. Realized gains and losses are recognized in profit or loss when the sale transaction occurred.

Cost and Expense Recognition

Claims
This account consists of claims paid to policyholders, which includes changes in the valuation of insurance contract liabilities, including IBNR. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

Share in recoveries of claim are evaluated in terms of the estimated realizable values of the salvage or recoveries. Recoveries on settled claims are recognized in profit or loss in the period the recoveries are determined. Recoveries on the unsettled claims are recorded as reinsurance recoverable on losses shown as part of reinsurance assets.

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs.

Commission Expense
Commissions paid to cedants are deferred and are included in deferred acquisition cost, subject to the same amortization method.

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

Income Taxes
Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred Tax Assets and Liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of Deferred Tax Assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of Deferred Tax Liabilities and Assets reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for Investment Properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in Deferred Tax Assets or Liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred Tax Assets and Deferred Tax Liabilities are offset if the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

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

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

Defined benefit cost comprises the following:

(a) Service cost;
(b) Net interest on the net defined benefit obligation or asset; and
(c) Re-measurements of net defined benefit obligation or asset

Service cost which includes current service cost, past service cost and gains or losses on non-routine settlements is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit obligation or asset. Net interest on the net defined benefit obligation or asset is recognized as expense or income in profit or loss.

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

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

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

Foreign Currency Transactions and Translations
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (*the functional currency).* The financial statements are presented in Philippine Peso, the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Related Party Transactions
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Parties are also considered to be related if they are subject to common control or common significant influence.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

In the conduct of its regular course of business, the Company engages with related parties.

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

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the date of the Statement of Financial Position, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent Assets and Liabilities
Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

Events After End of the Reporting Period
Any event after the financial reporting date that provides additional information about the Company's position at the financial reporting date (adjusting event) are reflected in the financial statements. Any event after the financial reporting date that is not an adjusting event is disclosed in the notes to the financial statements when material.

5. Significant Accounting Judgments and Estimates

The preparation of the Company's financial statements in conformity with Philippine Financial Reporting Standard requires Management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may actually differ from such estimates.

Judgments

In the process of applying the Company's accounting policies, Management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Classification of Investments

In classifying its investments, the Company evaluates its intention, marketability of the instrument and its ability to hold the investments until maturity.

The classifications of investments as at December 31, 2023 and 2022 are as follows:

	2023	2022
Available-for-sale	**P 206,554,937**	P 120,434,292
Held-to-maturity	**1,113,812,200**	784,967,336
Loans receivable	**20,000,000**	-

Classification and Valuation of Investment Properties and Owner-Occupied Properties

The Company reclassifies its revenue generating properties to Investment Properties, leaving owner-occupied properties under Property and Equipment, both carried at their respective Market Values, and the corresponding recognition of the resulting increase in fair value in the Profit and Loss for Investment Properties and Revaluation Reserve for owner-occupied properties.

Investment Properties amounted to P108,705,500 in 2023 and P132,111,500 in 2022.

Owner-occupied properties, carried at market value amounted to P169,730,000 and P149,670,700 in 2023 and 2022, respectively.

Rental Income amounted to P3,610,125 in 2023 and 2022. *(See Note 25)*

Estimates

In the application of the Company's accounting policies, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Determination of Fair Value of Financial Assets and Liabilities

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

Estimating Allowance for Impairment of Financial Assets

The Company assesses whether objective evidence of impairment exist for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

Estimating Useful Lives of Property and Equipment
The Company estimated the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of the property and equipment based on expected asset utilization.

Property and Equipment, net of accumulated depreciation and impairment losses, amounted to P247,653,592 and P166,693,524 as at December 31, 2023 and 2022, respectively. *(See Note 14)*

Recoverability of Deferred Tax Asset
The Company reviews the carrying amounts of deferred tax asset at each reporting date and reduces the deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Impairment of Non-Financial Asset
The Company assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

As of December 31, 2023 and 2022, there were no impairment losses recognized in the statements of income.

Valuation of Insurance Claims Payable
Estimates have to be made at the reporting date for both the expected ultimate cost of both claims reported and claims IBNR. It can take a significant period of time before the ultimate claim cost can be established with certainty and for some types of policies, IBNR claims form the majority of the claims provision. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques such as Chain Ladder method and Bornhuetter-Ferguson method based on paid and reported claims information.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Insurance claims payable as at December 31, 2023 and 2022 amounted to P392,593,838 and P402,367,193, respectively. *(See Note 19)*

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

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date. Refer to Note 29 for the details of assumptions used in the calculation.

In accordance with PAS 19, actual results that differ from the Company's assumptions are recognized immediately under other comprehensive income in the statements of comprehensive income. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation.

The Company's Defined Benefit Obligation amounted to P32,172,769 and P14,182,630 as at December 31, 2023 and 2022, respectively. *(See Note 29)*

6. Fair Value Measurement

(i) Financial Instruments

The fair value of financial instruments and their carrying amounts is as follows:

	2023		2022	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Category of Financial Instruments				
AFS	**P 206,554,937**	**P 206,554,937**	P 120,434,292	P 120,434,292
HTM	**1,113,812,200**	**1,115,504,650**	784,967,336	788,937,475
Loans and Receivable				
Cash and Cash Equivalents*	**282,231,906**	**282,231,906**	434,918,685	434,918,685
Loans receivable	**20,000,000**	**20,000,000**	-	-
Short-term Investments	**2,529,759**	**2,529,759**	2,515,902	2,515,902
Insurance and Reinsurance Balance Receivables	**465,871,884**	**465,871,884**	466,377,779	466,377,779
Accrued Investment Income	**7,628,253**	**7,628,253**	4,576,835	4,576,835
Other Receivables	**17,260,315**	**17,260,315**	15,712,452	15,712,452
Other Financial Liabilities				
Insurance Claims Payable	**392,593,838**	**392,593,838**	402,367,193	402,367,193
Accounts Payable and Accrued Expenses	**138,901,793**	**138,901,793**	79,080,217	79,080,217
Reinsurance Liabilities	**72,135,039**	**72,135,039**	76,512,037	76,512,037

**Excludes Cash on Hand of P3,743,386 in 2023 and P2,936,966 in 2022*

The fair value hierarchy of the Company's financial instruments are summarized in the tables below.

	2023			
	Fair value	Level 1	Level 2	Level 3
Financial Instruments Measured at Fair Value				
AFS				
Listed Equity Securities	P 184,965,837	P 184,965,837	P -	P -
Mutual Fund	7,469,100	-	7,469,100	-
Unlisted Equity Securities	120,000	-	-	120,000
Time Deposits	14,000,000	-	14,000,000	-
Financial Instruments for which Fair Value is Disclosed				
HTM				
Government Securities	666,310,650	666,310,650	-	-
Corporate Securities	449,194,000	449,194,000	-	-
Loans Receivable				
Cash and Cash Equivalents	282,231,906	-	-	282,231,906
Loans receivable	20,000,000	-	-	20,000,000
Short-term Investments	2,529,759	-	-	2,529,759
Balances Receivable	465,871,884	-	-	465,871,884
Accrued Investment Income	7,628,253	-	-	7,628,253
Other Receivables	17,260,315	-	-	17,260,315
Other Financial Liabilities				
Insurance Claims Payable	392,593,838	-	-	392,593,838
Accounts Payable and Accrued Expenses	138,901,793	-	-	138,901,793
Reinsurance Liabilities	72,135,039	-	-	72,135,039

	2022			
	Fair value	Level 1	Level 2	Level 3
Financial Instruments Measured at Fair Value				
AFS				
Listed Equity Securities	P 98,796,214	P 98,796,214	P -	P -
Mutual Fund	7,518,078	-	7,518,078	-
Unlisted Equity Securities	120,000	-	-	120,000
Time Deposits	14,000,000	-	14,000,000	-
Financial Instruments for which Fair Value is Disclosed				
HTM				
Government Securities	452,219,400	452,219,400	-	-
Corporate Securities	336,718,075	336,718,075	-	-
Loans Receivable				
Cash and Cash Equivalents	434,918,685	-	-	434,918,685
Short-term Investments	2,515,902	-	-	2,515,902
Insurance and Reinsurance Balances Receivable	466,377,779	-	-	466,377,779
Accrued Investment Income	4,576,835	-	-	4,576,835
Other Receivables	15,712,452	-	-	15,712,452
Other Financial Liabilities				
Insurance Claims Payable	402,367,193	-	-	402,367,193
Accounts Payable and Accrued Expenses	79,080,217	-	-	79,080,217
Reinsurance Liabilities	76,512,037	-	-	76,512,037

The company measures fair value of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1
  Inputs are quoted in active market for identical assets or liabilities that the entity can access at the measurement date.

  Included in Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market.

  A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Level 2
  Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

Fair values were determined as follows:

- *Cash and Cash Equivalents, Short-term Investments* – the fair values are approximately the carrying amounts due to short-term nature.

- *Quoted Debt Securities (Government and Corporate)* – the fair values were determined from the published references from Philippine Dealing System or third-party information.

- *Listed Equity Securities* - the fair values were determined from the published prices from Philippine Stock Exchange.

- *Unlisted Equity Securities* - Where valuation technique is not representative of fair values, the acquisition cost is used as fair value.

- *Mutual Fund* – The fair value was determined via Net Asset Value per share/units. These are calculated by dividing the fair value of net assets over the total number of shares/units issued.

- *Receivables, Deposits and Other Financial Assets/Liabilities* - Due to their short duration, the carrying amounts of Receivables, deposits and other financial liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

(ii) Non-Financial Assets

Investment Properties
The Company's Investment Properties as at the end of 2023 and 2022 were appraised by an independent appraiser firm. The appraisal resulted to the recognition of unrealized gain on fair value adjustment of Investment Properties of P10,194,000 in 2023 and P4,009,800 in 2022. Fair value is determined using the Market approach under the level 3 of the fair value hierarchy. The highest and best use of these properties is commercial, its current use.

The description of valuation techniques and inputs used in determining the fair value of Investment Properties are as follows:

Property Location	**Property Description**			**2023**		2022
CityState Center, Pasig City	Condominium Units	Fair Value	**P**	**60,368,000**	P	86,961,000
		Adjustment Factors:				
		Unit Area/Size		**-5%**		-5%
		Unit Location		**-3% to -5%**		-3% to +5%
		Time Element		**0%**		0%
		Parking Slot		**+3%**		-5%
Cebu City	Condominium Units	Fair Value	**P**	**23,283,000**	P	21,423,000
		Adjustment Factors:				
		Unit Improvements		**-**		-
		Unit Area/Size		**-5% to +2%**		-10%
		Unit Location		**0%**		0%
		Unit Condition		**-5%**		-8%
Gen. Santos City	Land	Fair Value	**P**	**16,654,500**	P	15,627,500
		Adjustment Factors:				
		Area/Size		**-1% to +8%**		-5% to +4%
		Location		**-10% to -15%**		-10% to -15%
Cauayan City, Isabela	Land	Fair Value	**P**	**8,400,000**	P	8,100,000
		Adjustment Factors:				
		Area/Size		**-2% to -3%**		-5% to +15%
		Location		**5%**		0%
		Neighborhood		**0%**		0%
		Shape/Utility		**0%**		-20%

Real Estate Property *(included under Property and Equipment)*
The Company's Real Estate Property as at the end of 2023 and 2022 were appraised by an independent appraiser firm. The appraisal resulted to the recognition of Revaluation Reserve on Property and Equipment of P40,907,000 in 2023 and of P5,863,400 in 2022.

Fair value is determined using the Market approach under the level 3 of the fair value hierarchy. The highest and best use of these properties is commercial, its current use.

The description of valuation techniques and inputs used in determining the fair value of Real Estate property is as follows:

Property Location	**Property Description**		**2023**	2022
CityState Center, Pasig City	Condominium Units	Fair Value	**P 190,577,700**	P 149,670,700
		Adjustment Factors:		
		Internal	**-10%**	-5%
		External	**-1%**	-5%

The assigned value for Real Estate Property was estimated using the Market Approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as locations, size and shape of the properties.

7. Management of Insurance Risk, Financial Risk and Capital

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

a) Occurrence risk – the possibility that the number of insured events will differ from those expected.
b) Severity risk – the possibility that the cost of the events will differ from those expected.
c) Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

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

The business of the Company comprises short-term non-life insurance contracts. For general insurance contracts, claims are often affected by natural disasters, calamities, etc.

The Company manages insurance risk through the following mechanisms:

- The use and maintenance of management information systems that provide up to date and reliable data on risk exposure at any point in time.
- Guidelines are issued for concluding insurance contracts and assuming insurance risks.
- Pro-active claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.

The business of the Company mainly comprises of short-term non-life insurance contract.

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

The concentration of insurance claims as at December 31, 2023 and 2022 is as follows:

	2023			2022		
	Gross	Share of Reinsurer	Net Liability	Gross	Share of Reinsurer	Net Liability
Fire	P 127,482,416	P 52,568,644	P 74,913,772	P 126,351,400	P 93,352,826	P 32,998,574
Motor Car	125,657,442	1,287,545	124,369,897	123,712,214	6,753,594	116,958,620
Personal Accident	14,268,648	29,750	14,238,898	17,577,974	2,685,676	14,892,298
Marine	4,105,834	2,181,964	1,923,870	3,360,007	2,210,852	1,149,155
Bonds	108,735,137	53,206,232	55,528,905	109,222,781	35,274,776	73,948,005
Engineering	11,053,473	562,353	10,491,120	3,917,475	1,266,004	2,651,471
Other Lines	1,290,888	63,290	1,227,598	18,225,342	7,392,621	10,832,721
	P 392,593,838	P 109,899,778	P 282,694,060	P 402,367,193	P 148,936,349	P 253,430,844

Valuation Standards for Non-life Insurance Companies

On December 28, 2016, IC issued Circular Letter 2016-67 pertinent to valuation standards for non-life insurance policy reserves. The valuation reserve is premised on the following basic assumptions:

- The valuation of policy reserves shall be based on the Company's actual historical experience and/or industry data. The projection of future claims shall be based on the loss development triangles as well as the information gathered from the underwriting and claims department;
- The valuation is to be conducted by an IC-accredited actuary;
- The reserves shall be composed of premiums and claims liabilities both determined using the best estimate assumption, with an appropriate Margin for Adverse Deviation (MfAD) for expected future experience;
- Premium liabilities for each class of business shall be determined as the higher of Unearned Premium Reserve (UPR), calculated using the 24th method and Unexpired Risk Reserve (URR). URR refers to the amount of reserve required to cover future claims, commission and expenses, at a designated level of confidence, that are expected to emerge from an unexpired period cover;
- Claims liabilities shall be calculated as the sum of outstanding claims reserve, claims handling expense and Incurred But Not Reported (IBNR), with MfAD.

Financial Risk

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of these financial risks are credit risk, liquidity risk and market risk.

Credit Quality
The credit quality of group of financial assets are as follows:

(i) Cash-in-bank, cash equivalents and short-term investments
Substantial portion of the Company's Cash-in-banks, Cash equivalents and Short-term investments are maintained in universal and commercial banks thereby limiting the credit risk. Limits are placed on thrift and lower-tiered banks. This is consistent with Company's internal policy on deposit maintenance. Cash-in-bank, cash equivalents and short-term investments classified by type of banks are as follows:

	2023	2022
Universal banks	**P 246,119,904**	P 375,354,980
Commercial banks	**7,592,796**	8,146,364
Thrift and rural banks	**28,519,206**	51,417,341
	P 282,231,906	P 434,918,685

(ii) Available-for-sale and Held-to-maturity Investments
The credit risk on investments represents the risk of actual default of the issuer. This risk is managed through limits which takes into account the type of credit exposure, credit quality and, where needed, maturity, and through regular monitoring and early warning systems. Investment exposures and limits are monitored on a regular basis.

The limits are defined by the following categories:

- Limits on government securities is guided by the existing circulars issued by the Insurance Commission;

- Limits on corporate bonds are based on certain criteria such as total corporate bonds exposure as a percentage of the portfolio, limits by sector based on the credit ratings; currency and monitoring of concentrated exposure;

The credit rating applied by the Company is based on the best available rating from Moody's, Fitch and Standard & Poor's. For specific exposure types, other rating agencies can be used such as AM Best for reinsurance counterparties.

The table below provides information on the credit quality of investments.

	December 31, 2023					
	Rated					
	AAA to AA-	**A+ to A-**	**BBB+ to BBB-**	**BB+ to BB-**	**Unrated**	**Total**
Debt securities						
Fixed-rated treasury bonds	**P -**	**P -**	**P -**	**P -**	**P 392,820,289**	**P 392,820,289**
Retail treasury bonds	**-**	**-**	**-**	**-**	**203,702,625**	**203,702,625**
Corporate bonds	**448,896,704**	**-**	**-**	**-**	-	**448,896,704**
Foreign currency bonds						
ROP bonds	**-**	**-**	**-**	**-**	**8,005,615**	**8,005,615**
Corporate bonds	**60,386,967**	**-**	**-**	**-**	**-**	**60,386,967**
Equity securities	**-**	**-**	**-**	**-**	**206,554,937**	**206,554,937**
	P 509,283,671	**P -**	**P -**	**P -**	**P 811,083,466**	**P 1,320,367,137**

	December 31, 2022					
	Rated					
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	Unrated	Total
Debt securities						
Fixed-rated treasury bonds	P -	P -	P -	P -	P 289,702,490	P 289,702,490
Retail treasury bonds	-	-	-	-	150,849,916	150,849,916
Corporate bonds	325,205,340	-	-	-	-	325,205,340
Foreign currency bonds						
ROP bonds	-	-	-	-	8,111,515	8,111,515
Corporate bonds	11,098,075	-	-	-		11,098,075
Equity securities	-	-	-	-	120,434,292	120,434,292
	P 336,303,415	P -	P -	P -	P 569,098,213	P 905,401,628

(i) *Insurance, reinsurance and other receivables*

Credit risk on Insurance, reinsurance and other receivables reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors. The scope of credit risk alleviation includes risk-mitigating contracts on reinsurance arrangements and setting up maximum credit terms with agents.

Credit risk can arise also due to the purchase of reinsurance or other risk mitigation contracts. The Company minimizes this risk through policies on counterparty selection, collateral requirements and diversification. This risk is mitigated through close monitoring of outstanding counterparty default positions. Diversification and avoidance of low rated exposures are key elements in the mitigation of this risk.

The Company also limits its exposure to credit losses from its reinsurance business by entering into master netting arrangements with counterparties. Master netting arrangements do not generally result in an offset of assets and liabilities in the Statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts (asset position) is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are settled on a net basis. The Company maintains a normal credit term of 90 days for insurance balances receivable. Past due are those accounts which are outstanding beyond 90 days.

Exposure to credit risk on other receivable is low considering that these receivables is collected through salary deduction or deducted from the commissions due to them, as the case maybe. These counterparties have a good credit standing with no history of default. Credit risk on Security deposits is minimal since a significant portion of which can be applied to cover rentals due.

Impairment for specific credit risk is established if there is objective evidence that Company will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment is the difference between the carrying amount and the recoverable amount. Conditions for write-off may be that the debtor’s bankruptcy proceedings have been reached and and/or guarantors are insolvent, all normal recovery efforts have been exhausted, or the economic loss period (i.e., the period within which all expenses will exceed the recoverable amount) has been reached.

The aging analysis of Receivables, reinsurance and other receivables are as follows:

	2023					
	No. of days past due					
	30 days	**60 days**	**90 days**	**180 days**	**over 180 days**	**Total**
Due from agents and brokers	**P 190,011,152**	**P 45,144,367**	**P 25,789,546**	**P 5,616,598**	**P -**	**P 266,561,663**
Due from ceding companies	**489,238**	**343,985**	**1,796,205**	**-**	**-**	**2,629,428**
Reinsurance recoverable on paid losses	**5,635**	**3,939,345**	**82,836,035**	**-**	**-**	**86,781,015**
Other receivable	**14,318,386**	**-**	**-**	**-**	**-**	**14,318,386**
	P 204,824,411	**P 49,427,697**	**P 110,421,786**	**P 5,616,598**	**P -**	**P 370,290,492**

	2022					
	No. of days past due					
	30 days	60 days	90 days	180 days	over 180 days	Total
Due from agents and brokers	P 156,532,998	P 43,845,583	P 21,880,150	P 10,283,193	P -	P 232,541,924
Due from ceding companies	293,644	23	-	1,423,160	-	1,716,827
Reinsurance recoverable on paid losses	5,401	3,775,781	79,401,497	-	-	83,182,679
Other receivable	11,460,347	-	-	-	-	11,460,347
	P 168,292,390	P 47,621,388	P 101,281,647	P 11,706,353	P -	P 328,901,777

The table below provides information on the concentration of credit risk as of December 31 by type of financial assets:

	December 31, 2023					
	Cash & cash equivalents	**Short-term investments**	**Available-for-sale**	**Held-to maturity**	**Receivables**	**Total**
Insurance	**P -**	**P -**		**P -**	**P 465,871,884**	**P 465,871,884**
Financial institutions	**282,231,906**	**2,529,759**	**71,269,584**	**-**	**-**	**356,031,249**
Government	**-**	**-**		**664,915,495**	**-**	**664,915,495**
Holding companies	**-**	**-**	**24,858,735**	**181,472,705**	**-**	**206,331,440**
Property	**-**	**-**	**37,377,965**	**243,424,000**	**-**	**280,801,965**
Oil, power and energy	**-**	**-**	**5,570,100**	**24,000,000**	**-**	**29,570,100**
ICT	**-**	**-**	**8,600,000**	**-**	**-**	**8,600,000**
Food and beverage	**-**	**-**	**4,184,550**	**-**	**-**	**4,184,550**
Construction	**-**	**-**	**2,986,791**	**-**	**-**	**2,986,791**
Manufacturing	**-**	**-**	**239,999**	**-**	**-**	**239,999**
Services and others	**-**	**-**	**51,467,213**	**-**	**-**	**51,467,213**
	P 282,231,906	**P 2,529,759**	**P 206,554,937**	**P 1,113,812,200**	**P 465,871,884**	**P 2,071,000,686**

	December 31, 2022					
	Cash & cash equivalents	Short-term investments	Available-for-sale	Held-to maturity	Receivables	Total
Insurance	P -	P -	P 20,000	P -	P 466,377,779	P 466,397,779
Financial institutions	434,918,685	2,515,902	70,977,390	-	-	508,411,977
Government	-	-	-	448,663,922	-	448,663,922
Holding companies	-	-	8,396,570	155,948,075	-	164,344,645
Property	-	-	15,080,920	141,355,339	-	156,436,259
Oil, power and energy	-	-	9,684,666	39,000,000	-	48,684,666
ICT	-	-	10,404,300	-	-	10,404,300
Food and beverage	-	-	3,931,207	-	-	3,931,207
Construction	-	-	1,594,253	-	-	1,594,253
Mining	-	-	-	-	-	-
Manufacturing	-	-	206,511	-	-	206,511
Services and others	-	-	138,475	-	-	138,475
	P 434,918,685	P 2,515,902	P 120,434,292	P 784,967,336	P 466,377,779	P 1,809,213,994

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counter party failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Company manages liquidity through a liquidity risk policy which determines what constitutes liquidity risk for the Company; specifies minimum proportion of funds to meet emergency calls; setting up contingency funding plans; specify the sources of funding and the vents that would trigger the plan; concentration of funding sources; reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

The Company maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

Contractual maturities of financial assets and liabilities as at December 31, 2023 and 2022 are presented below:

	Contractual Maturities			
2023 (in thousand)	**< 1 year**	**> 1 year < 5 years**	**>5 years**	**Total**
Financial Assets that are :				
Cash and Cash Equivalents	**P 282,232**	**P -**	**P -**	**P 282,232**
Short-term Investments	**2,530**	**-**	**-**	**2,530**
AFS (excluding Equity Securities)	**-**	**-**	**14,000**	**14,000**
HTM	**357,700**	**455,520**	**302,285**	**1,115,505**
Insurance Balance Receivables	**269,191**	**-**	**-**	**269,191**
Reinsurance assets	**196,681**	**-**	**-**	**196,681**
Accrued Investment Income	**7,628**	**-**	**-**	**7,628**
Due from Related Parties	**28**	**-**	**-**	**28**
Advances to Employees	**3,759**	**-**	**-**	**3,759**
Loans Receivable	**20,000**	**-**	**-**	**20,000**
Deposits	**-**	**8,066**	**-**	**8,066**
Car Loan Receivable	**840**	**2,456**	**-**	**3,295**
Other Receivables	**2,112**	**-**	**-**	**2,112**
Financial Liabilities:				
Insurance Claims Payable	**392,594**	**-**	**-**	**392,594**
Accounts Payable and Accrued Expenses	**134,525**	**-**	**-**	**134,525**
Reinsurance Liabilities	**72,135**	**-**	**-**	**72,135**

	Contractual Maturities			
2022 (in thousand)	< 1 year	> 1 year < 5 years	>5 years	Total
Financial Assets that are :				
Cash and Cash Equivalents	P 434,919	P -	P -	P 434,919
Short-term Investments	2,516	-	-	2,516
AFS (excluding Equity Securities)	-	-	14,000	14,000
HTM	41,068	339,340	408,529	788,937
Insurance Balance Receivables	234,259	-	-	234,259
Reinsurance assets	232,119	-	-	232,119
Accrued Investment Income	4,577	-	-	4,577
Due from Related Parties	28	-	-	28
Advances to Employees	3,382	-	-	3,382
Deposits	-	7,452	-	7,452
Car Loan Receivable	508	1,328	-	1,836
Other Receivables	3,015	-	-	3,015
Financial Liabilities:				
Insurance Claims Payable	402,367	-	-	402,367
Accounts Payable and Accrued Expenses	79,080	-	-	79,080
Reinsurance Liabilities	76,512	-	-	76,512

It is unusual for a Company primarily transacting insurance business to predict the requirements of funding with absolute certainty as the theory of probability is applied in insurance contracts to ascertain the likely provision and time period when such liabilities will require settlement. The amount and maturities in respect of insurance liabilities are thus based on management's best estimate and on statistical techniques and past experience.

Market Risk

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

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

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

The Company structures the levels of market risk it accepts through a sound market risk policy based on specific guidelines. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation reporting and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures to the IC, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

Sensitivity analysis of market risk exposures follows:

i. Currency Risk
Foreign currency risk pertains to US$ denominated cash, special savings accounts and AFS investments. No foreign currency forward contracts are outstanding as at December 31, 2023 and 2022 to hedge the foreign currency accounts.

The carrying values of financial assets exposed to currency risk at the end of reporting period are as follows:

		2023				2022		
		Phil. Peso		**US $**		Phil. Peso		US $
Cash and Cash Equivalents	**P**	**7,574,788**	**$**	**136,318**	P	43,864,298	$	786,733
HTM Investments		**19,170,615**		**345,000**		19,235,475		345,000
Accrued Investment Income		**306,119**		**5,509**		224,079		4,019
	P	**27,051,522**	**$**	**486,827**	P	63,323,852	$	1,135,752

**The exchange rate used was P55.567 in 2023 and P55.755 in 2022 to US$ 1.00*

The following table demonstrates the sensitivity to a reasonable change in the US$ exchange rate, with all other variables held constant, of the Company's income before tax and equity:

		2023				2022		
Effect on		**Net income**		**Equity**		Net income		Equity
5% appreciation	**P**	**1,312,305**	**P**	**1,704,343**	P	1,794,907	P	2,035,290
5% depreciation		**(1,312,305)**		**(1,704,343)**		(1,794,907)		(2,035,290)

ii. Interest Rate Risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile of the security. Exposures to interest rate risk comprise the following:

		As of December 31, 2023				
		Due in				
	Interest Rate	**< 1 year**		**> 1 year but <5 years**		**> 5 years**
Financial Assets that are:						
Cash and Cash Equivalents	**.0001% - 6.20%**	**P 282,231,906**	**P**	**-**	**P**	**-**
Short-term Investments	**.375% - 1.15%**	**2,529,759**		**-**		**-**
HTM	**3.383% - 11.105%**	**357,699,790**		**455,520,000**		**302,284,860**

		As of December 31, 2022				
		Due in				
	Interest Rate	< 1 year		> 1 year but <5 years		> 5 years
Financial Assets that are:						
Cash and Cash Equivalents	.0001% - 4.15%	P 434,918,685	P	-	P	-
Short-term Investments	.375% - .625%	2,515,902		-		-
HTM	3.382% - 8.125%	41,068,075		339,340,000		408,529,400

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate investments). There is no other impact on the Company's equity other than those already affecting the profit and loss.

	Increase/ Decrease in Basis Points	Effect on Income Before Income Tax	
2023	**+ 100**	**P**	**3,585,753**
	- 100		**(3,585,753)**
2022	+ 100	P	4,657,825
	- 100		(4,657,825)

iii. Price Risk
The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of equity price on a monthly basis by assessing the expected changes in the different portfolio due to parallel movements of a 10% increase or decrease in the Philippine stock exchange index (PSEi).

With all other variables held constant, a 10% movement in the stock exchange would result in an impact on equity of P3.41 million in 2023 and P1.88 million in 2022. This does not affect income since changes in fair value of AFS investments are taken to equity.

iv. Operational Risk
Operational risk is the risk of loss from system failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risk but initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage risk. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes. Business risk such as changes in environment, technology and industry are monitored through the Company's strategic planning and budgeting processes.

Capital Management and Net Worth Requirement
The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Company are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic balance sheet and revenue account, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

The company regards the following as the capital it manages as at December 31, 2023 and 2022.

		2023		2022
Share Capital	**P**	**654,391,500**	P	654,391,500
Share Premium		**179,024,774**		179,024,774
Contingency Surplus		**11,142,587**		11,142,587
Retained Earnings		**557,645,062**		487,270,002
	P	**1,402,203,923**	P	1,331,828,863

Externally imposed capital requirements are set and regulated by the Insurance Commission (IC). The requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders value.

Pursuant to IC Circular No. 2015-02-A, dated January 13, 2015 issued on the basis of Republic Act 10607 known as the Revised Insurance code, domestic insurance companies under the supervision of IC must have a net worth of at least P250 million by December 31, 2013. The minimum net worth of a particular company shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum Networth		Compliance Date
P	550,000,000	December 31, 2016
	900,000,000	December 31, 2019
	1,300,000,000	December 31, 2022

In the IC's official synopsis for 2022, the Company's net worth is at P1,131,387,675. The net worth deficiency of P168,612,325 was deemed covered-up in full after considering the cash infusion of P33,600,000 and collection of subscription receivable of P175,000,000. *(See Note 22)*

As at December 31, 2023, the Company is in compliance with the required minimum paid-up capital. The statutory net worth is based on Regulatory Accounting Policies and may be determined only after the IC has examined the accounts of the Company.

Risk-Based Capital Requirement

The IC has adopted a three (3) pillar risk-based approach to solvency which comprise the following:

- Quantitative requirements in relation to the calculation of capital requirements and recogition of eligible capital;
- Governance and risk management requirement that consists of supervisory review process which may include a supervisory adjustment to capital; and
- Disclosure requirement designed to encourage market discipline.

The minimum RBC ratio is set at 100% which are requried to be maintained at all times. Failure to meet the minimum RBC ratio shall subject the Company to the corresponding regulatory intervention which has been defined at various levels as follows:

- Company Action Event – the RBC is less than 100% but not below 75%, the Company is required to identify the conditions that contributed to the event and will provide corrective actions that company intend to take including future projections of financial position and analysis of operations.
- Regulatory Action Event – the RBC is less than 75% but not below 50%, the Company is required to submit an RBC plan and IC will perform an examination of the Company including its RBC plan.
- Authorized and Mandatory Control Event – the RBC is less than 50. The Company is placed under the regulatory control of IC.

The RBC ratio is calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC shall include the (i) paid-up capital, (ii) other capital surplus and (iii) Special surplus funds to the extent authorized by IC.

Internal calculations of Net Worth and RBC Ratio as at December 31, 2023 in comparison to actual figures as confirmed in the IC Synopsis for 2023 revealed the following:

	2023	2022
Networth	**P 1,342,332,296**	P 1,131,387,675
RBC Requirement	**514,533,345**	456,204,708
RBC Ratio	**261%**	248%

In the IC's financial synopsis for the calendar year ending December 31, 2022, the Company's RBC ratio was 248%.

The computation of RBC is based on the regulatory accounting policy in accordance the Philippine Insurance Code. The RBC can be determined only after the accounts of the Company have been examined by the IC.

8. Cash and Cash Equivalents

This account consists of:

		2023		2022
Cash on Hand	**P**	**3,743,386**	P	2,936,966
Cash in Banks		**137,418,396**		277,102,941
Cash Equivalents		**144,813,510**		157,815,744
	P	**285,975,292**	P	437,855,651

Cash on Hand represents deposit in transit, petty cash fund, commission fund and various branch operating funds while Cash in banks represent cash deposited in various reputable local banks that earn interests at the respective banks' deposit rates.

Cash Equivalents are short-term placements with periods of not more three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term placements' rates.

Cash in Bank and Cash Equivalents earn interest at prevailing bank interest rates. Interest income earned on these deposits amounted to P732,638 in 2023 and P1,847,427 in 2022. *(See Note 25)*

9. Short-term Investments

This account consists of time deposit with maturity of more than three months but less than one year from the date acquired. As of December 31, 2023 and 2022, the balance of short-term investments amounted to P2,529,759 and P2,515,902 respectively.

Short-term investments earn interest at annual interest rates ranging from .375% to 1.15% in 2023 and 2022, respectively. Interest income earned on these investments amounted to P6,858 in 2023 and P10,075 in 2022. *(See Note 25)*

10. Financial Assets

The reconciliation of the carrying amounts of financial assets at the beginning and end of the year is provided below:

	December 31, 2023			
	AFS	**HTM**	**Loans and receivables**	**Total**
Balance, January 1	**P 120,434,292**	**P 784,967,336**	**P -**	**P 905,401,628**
Acquisitions/Additions	**135,724,133**	**363,100,000**	**20,000,000**	**518,824,133**
Sale/Maturity	**(42,347,849)**	**(36,400,000)**	**-**	**(78,747,849)**
Changes in Fair Value	**(7,255,639)**	**-**	**-**	**(7,255,639)**
Amortization of Premium/Discount	**-**	**2,277,689**	**-**	**2,277,689**
Changes in Foreign Exchange	**-**	**(132,825)**	**-**	**(132,825)**
Balance, December 31	**206,554,937**	**P 1,113,812,200**	**P 20,000,000**	**P 1,340,367,137**

	December 31, 2022		
	AFS	HTM	Total
Balance, January 1	P 195,541,392	P 600,685,534	P 796,226,926
Acquisitions	213,457,205	208,770,000	422,227,205
Sale/Maturity	(269,839,157)	(26,000,000)	(295,839,157)
Changes in Fair Value	(18,725,148)	-	(18,725,148)
Amortization of Premium/Discount	-	(129,018)	(129,018)
Changes in Foreign Exchange	-	1,640,820	1,640,820
Balance, December 31	P 120,434,292	P 784,967,336	P 905,401,628

Loans and receivables
On September 21, 2023, the Company granted a 9-month term loan to Robig Builders and Development Corporation amounting to P20,000,000 with interest of 11.33% per annum.

The loan was approved by the Insurance Commission as an allowable investment on August 31, 2023. Interest income earned during 2023 amounted to P533,333. *(see Note 25)*

Available-for-Sale Financial Assets
The breakdown of this account is as follows:

	2023	2022
Acquisition Cost:		
Listed Equity Securities	**P 207,527,531**	P 114,151,247
Mutual Funds	**10,000,000**	10,000,000
Time Deposits	**14,000,000**	14,000,000
Unlisted Equity Securities	**120,000**	120,000
	231,647,531	138,271,247
Changes in Fair Value:		
Equity Securities	**(22,561,694)**	(15,355,034)
Mutual Funds	**(2,530,900)**	(2,481,921)
	(25,092,594)	(17,836,955)
	P 206,554,937	P 120,434,292

Available-for-sale financial assets represent investment with banks and other private companies. The figure shown in the financial statements represents the market value of the available-for-sale financial assets as of financial reporting date.

Realized gains on these investments reported in the statements of income are as follows:

		2023		2022
Dividend Income	**P**	**2,442,616**	P	1,818,097
Gain on Sale of Equity Securities		**3,556,795**		16,862,405

The effect on actual earnings of any fluctuation in market value of investments in shares of stock will depend on the market prices of these investments at the time of sale.

The reconciliation of unrealized fair value gains (losses) are as follows:

		2023		2022
Balance at the beginning of the year	**P**	**(17,836,954)**	P	888,194
Fair value adjustments taken to:				
Other Comprehensive Income		**(7,255,639)**		(18,725,148)
Balance at the end of the year	**P**	**(25,092,593)**	P	(17,836,954)

Held-to-Maturity Financial Assets
The breakdown of this account is as follows:

		2023		2022
Government Securities				
Local Currency	**P**	**658,282,000**	P	444,082,000
Foreign Currency		**8,028,650**		8,137,400
Corporate Bonds				
Local Currency		**438,120,000**		325,620,000
Foreign Currency		**11,074,000**		11,098,075
		1,115,504,650		788,937,475
Unamortized Discounts, Net of Premium		**(1,692,450)**		(3,970,139)
	P	**1,113,812,200**	P	784,967,336

Government securities has a maximum term of 18 years with coupon rates ranging from 3.5000% to 8.125%. Government securities with face value of P329.06 million in 2023 and P339.06 million in 2022, are deposited with the Insurance Commission in accordance with the provision of the Insurance Code as security for the benefit of the policyholders and creditors of the Company.

Corporate bonds are issued by various private corporations for a period ranging from 5 years to 10 years and bears interest at the rate of 3.383% to 7.818% payable quarterly or semi-annually.

The net change in unamortized (premium)/discount is charged to interest (expense)/income amounting to P2,277,689 in 2023 and (P137,603) in 2022.

The contractual maturities of Held-to-Maturity investments are as follows:

		2023		2022
Due within 12 months	**P**	**357,699,790**	P	41,068,075
Due after 1 year but not less than 5 years		**455,520,000**		339,340,000
Due beyond 5 years		**302,284,860**		408,529,400
	P	**1,115,504,650**	P	788,937,475

11. Insurance Balance Receivables

The breakdown of this account is as follows:

		2023		2022
Due from Agents and Brokers	**P**	**266,561,663**	P	232,541,924
Due from Ceding Companies		**2,629,428**		1,716,827
	P	**269,191,091**	P	234,258,751

Insurance Balance Receivables are recognized when due and measured on initial recognition at the fair value of consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method. The carrying value of insurance balance receivables is the present value of estimated future cash flows discounted at the original effective interest rate.

12. Reinsurance Assets

This account consists of:

		2023		2022
Reserve for Reinsurance Premium *(see Note 18)*	**P**	**60,200,984**	P	75,337,555
Reinsurance Recoverable on:				
Paid Losses		**86,781,015**		83,182,679
Unpaid Losses *(see Note 19)*		**109,899,778**		148,936,349
	P	**256,881,777**	P	307,456,583

13. Investment Properties

As of December 31, this account consists of:

2023		**Real Estate Cost**		**Real Estate Fair Value Increase**		**Total**
Costs						
At January 1, 2023	**P**	**67,703,875**	**P**	**64,407,625**	**P**	**132,111,500**
Additions		**-**		**10,194,000**		**10,194,000**
Reclassification *(see Note 14)*		**(33,600,000)**		**-**		**(33,600,000)**
At December 31, 2023		**34,103,875**		**74,601,625**		**108,705,500**
Accumulated Depreciation and Impairment Losses						
At January 1, 2023		**-**		**-**		**-**
Provisions		**-**		**-**		**-**
At December 31, 2023		**-**		**-**		**-**
Net Carrying Value						
At December 31, 2023	**P**	**34,103,875**	**P**	**74,601,625**	**P**	**108,705,500**

	Real Estate		
2022	Cost	Fair Value Increase	Total
Costs			
At January 1, 2022	P 34,103,875	P 60,397,825	P 94,501,700
Additions	33,600,000	4,009,800	37,609,800
At December 31, 2022	67,703,875	64,407,625	132,111,500
Accumulated Depreciation and Impairment Losses			
At January 1, 2022	-	-	-
Provisions	-	-	-
At December 31, 2022	-	-	-
Net Carrying Value			
At December 31, 2022	P 67,703,875	P 64,407,625	P 132,111,500

The increase in carrying value of Investment Properties amounting to P10,194,000 in 2023 and P4,009,800 in 2022 arose from the appraisal conducted on these properties *(See Note 6)*.

The same is reported as *Unrealized Gain in Fair Value of Investment Properties* in the Statement of Income.

Details is as follows:

	2023	2022
Land		
Gen. Santos City	**P 16,654,500**	P 15,627,500
Cauayan, Isabela	**8,400,000**	8,100,000
Condominium units		
Pasig City	**60,368,000**	86,961,000
Cebu City	**23,283,000**	21,423,000
	P 108,705,500	P 132,111,500

Investment properties are leased out to third parties under terms and conditions mutually agreed upon by the Company and the tenants. Rental Income on these properties amounted to P3,610,125 in 2023 and 2022. Direct cost relating to the lease excluding depreciation expense amounted to P246,659 in 2023 and P122,780 in 2022.

14. Property and Equipment - Net

The breakdown of this account is as follows:

2023	Real Estate Cost	Real Estate Revaluation Increment	Office Improvements	Furniture, Fixtures & Office Equipment	EDP Equipment	Transportation Equipment	Total
Costs							
At January 1, 2023	P 89,711,196	P 59,959,504	P 6,851,271	P 7,213,483	P 65,675,012	P 2,702,062	P 232,112,528
Additions	-	-	5,314,444	1,063,401	4,375,893	1,283,034	12,036,772
Revaluation	-	40,907,000	-	-	-	-	40,907,000
Reclassification	33,600,000	-	-	-	-	-	33,600,000
At December 31, 2023	123,311,196	100,866,504	12,165,715	8,276,884	70,050,905	3,985,096	318,656,300
Accumulated Depreciation and Impairment Losses							
At January 1, 2023	-	-	6,110,967	6,013,196	50,896,821	2,398,020	65,419,004
Provisions	-	-	588,399	324,754	4,381,740	288,811	5,583,704
At December 31, 2023	-	-	6,699,366	6,337,950	55,278,561	2,686,831	71,002,708
Net Carrying Value							
At December 31, 2023	P 123,311,196	P 100,866,504	P 5,466,349	P 1,938,934	P 14,772,344	P 1,298,265	P 247,653,592

2022	Real Estate Cost	Real Estate Revaluation Increment	Office Improvements	Furniture, Fixtures & Office Equipment	EDP Equipment	Transportation Equipment	Total
Costs							
At January 1, 2022	P 89,711,196	P 54,096,104	P 6,589,220	P 6,729,716	P 58,436,687	P 2,702,062	P 218,264,985
Additions	-	-	262,051	483,767	7,238,325	-	7,984,143
Revaluation	-	5,863,400	-	-	-	-	5,863,400
At December 31, 2022	89,711,196	59,959,504	6,851,271	7,213,483	65,675,012	2,702,062	P 232,112,528
Accumulated Depreciation and Impairment Losses							
At January 1, 2022	-	-	5,963,323	5,551,665	46,165,404	2,029,474	59,709,866
Provisions	-	-	147,644	461,531	4,731,417	368,546	5,709,138
At December 31, 2022	-	-	6,110,967	6,013,196	50,896,821	2,398,020	65,419,004
Net Carrying Value							
At December 31, 2022	P 89,711,196	P 59,959,504	P 740,304	P 1,200,287	P 14,778,191	P 304,042	P 166,693,524

In 2023, the Company reclassified two (2) condominium units and twenty-eight (28) parking lots with total area of 676 square meters and total carrying value of P33.6M, from Investment property to Property and equipment due to change in use.

Depreciation of Property and Equipment charged to operations amounted to P5,583,704 in 2023 and P5,709,138 in 2022.

15. Deferred Acquisition Costs (DAC) and Deferred Commission Income (DCI)

Movements of this account during the year are as follows:

2023	Deferred Commision Expense	Deferred Commision Income	Net DAC
Balances, beginning	P 90,670,111	P 11,783,700	P 78,886,411
Net changes in acquisition cost *(see Note 27)*	(5,736,084)	(6,764,892)	1,028,808
	P 84,934,027	P 5,018,808	P 79,915,219

2022		Deferred Commision Expense		Deferred Commision Income		Net DAC
Balances, beginning	P	79,686,202	P	10,401,326	P	69,284,876
Net changes in acquisition cost (see Note 27)		10,983,909		1,382,374		9,601,535
	P	90,670,111	P	11,783,700	P	78,886,411

As at December 31 2023 and 2022, management believes that DAC are fully recoverable and that no impairment loss is necessary.

16. Accrued Investment Income

The sources of this account are as follows:

		2023		2022
Accrued Interest on:				
Government Securities	**P**	**4,956,269**	P	2,973,144
Corporate Bonds		**2,671,984**		1,603,691
	P	**7,628,253**	P	4,576,835

17. Other Assets

This account consists of:

		2023		2022
Deposits	**P**	**8,065,900**	P	7,452,477
Prepayments		**3,962,194**		1,106,373
Advances to Employees		**3,759,068**		3,381,605
Car Loan Receivable		**3,295,381**		1,835,610
Accounts Receivable		**1,929,650**		2,733,861
Other Receivables		**133,878**		232,460
Creditable Withholding Tax		**84,924**		202,031
Security Fund		**48,439**		48,439
Due from Related Parties *(see Note 31)*		**28,000**		28,000
	P	**21,307,434**	P	17,020,856

Deposits pertain to amounts deposited by the Company with servicing utility companies and with lessor companies for such properties the Company leases to house its branch operations and other similar facilities which are refundable at its full values beyond one year or upon cessation of its contracts with the respective service or lessor companies. Interest earned by the Company on select deposit arrangements are recognized as other income in its Statement of Income in the year these are earned.

Security Fund represent the contributions of the Company to the Security Fund, Non-Life Account administered by the Office of the Insurance Commission. The contributing insurance companies share earnings of the fund proportionately.

Other assets also include receivables, tax assets and prepayments made by the Company on account of transactions which directly or indirectly form part of the conduct of its regular operations. These are either receivables which the Company reasonably expects to collect or utilize as tax credits within a year from its statement of financial position date, if not are advance payments for regular operating expenses.

18. Reserve for Unearned Premiums

The analysis of this account is as follows:

	2023			2022		
	Gross Premium	**Ceded Business**	**Net Retained**	Gross Premium	Ceded Business	Net Retained
Balances, January 1	**P 485,093,940**	**P 75,337,555**	**P 409,756,385**	P 433,806,055	P 77,357,720	P 356,448,335
Policies Written During the Year	**976,393,650**	**118,501,035**	**857,892,615**	905,470,668	139,385,951	766,084,717
Premiums Earned During the Year	**(959,949,306)**	**(133,637,606)**	**(826,311,700)**	(854,182,783)	(141,406,116)	(712,776,667)
	P 501,538,284	**P 60,200,984**	**P 441,337,300**	P 485,093,940	P 75,337,555	P 409,756,385

In accordance with IC circular 2016-67, Premium liabilities for each class of business shall be determined as the higher of Unearned Premium Reserve (UPR) and Unexpired Risk Reserve (URR). UPR is calculated using the 24th method for all classes of business, on a gross of reinsurance basis. URR is calculated as the best estimate of future obligation, expenses for policy management and claims settlement cost. URR may be estimated as the unearned premium for each class of business multiplied by the ultimate loss ratio and adjusted for future expenses.

The comparative actuarial valuation result for premium liabilities for the year ended December 31, 2023 and 2022 is as follows:

	Gross	
	2023	2022
UPR (a)	**P 501,538,284**	P 485,093,940
URR (b)		
Best Estimate of Future Obligation	**273,421,000**	278,838,000
Maintenance Expenses	**34,563,000**	37,606,000
Claims Handling Expenses	**3,817,000**	3,861,000
Margin for Adverse Deviation	**30,898,361**	32,790,250
	342,699,361	353,095,250
Premium Liability (whichever is higher between a and b)	**P 501,538,284**	P 485,093,940

19. Insurance Claims Payable

Outstanding claims become payable and materialize into claims paid when the amounts of insured losses suffered by policyholders are ascertained and agreed, without any contractual maturity date. The timing of future cash outflow arising from the provision is not ascertainable but is likely to fall within 3 years.

The provision is sensitive to many factors such as interpretation of circumstances, judicial decisions, economic conditions, climatic changes and is subject to uncertainties such as:

- Uncertainty as to whether an event that occurred could give rise to a policyholder suffering an insured loss:
- Uncertainty as to the extent of the policy coverage and limits applicable; and
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

The analysis of this account is shown below:

	2023			2022		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Balances, January 1	**P 402,367,193**	**P 148,936,349**	**P 253,430,844**	P 440,021,399	P 208,269,366	P 231,752,033
Claims and Losses Incurred - Net of Recoveries	**358,721,230**	**2,223,422**	**356,497,808**	302,605,790	(7,636,962)	310,242,752
Change in Provision for Incurred but not Reported Claims	**(4,790,445)**	**(2,248,688)**	**(2,541,757)**	11,977,118	12,584,145	(607,027)
Claims and Losses Paid - Net of Recoveries	**(363,704,140)**	**(39,011,305)**	**(324,692,835)**	(352,237,114)	(64,280,200)	(287,956,914)
	P 392,593,838	**P 109,899,778**	**P 282,694,060**	P 402,367,193	P 148,936,349	P 253,430,844

In accordance with IC circular 2016-67, claims liabilities for both direct business, assumed treaty and reinsurance business shall be calculated as the sum of outstanding claims reserve, claims handling expenses and IBNR.

Claims handling expenses is computed on a net insurance basis using the Kittle's Refinement to the Classical Paid-to-Paid Ratio Method that explicitly recognized that claims handling expenses is incurred as claims are reported, even if no loss payments are made.

MfAD is included to allow the inherent uncertainty of the best estimate of the policy reserves and to consider the variability of claims experience with a class of business, the diversification between classes of business and conservatism in the best estimate.

The actuarial valuation result for Claims Liabilities for the year ended December 31, 2023 and 2022 is as follows:

	Gross	
	2023	2022
Outstanding Claims Reserve	**P 293,911,103**	P 309,515,126
Claims Handling Expense	**29,478,411**	38,803,658
IBNR	**46,828,677**	23,848,241
Mfad	**22,375,647**	30,200,168
	P 392,593,838	P 402,367,193

	Net of Reinsurance	
	2023	2022
Outstanding Claims Reserve	**P 214,124,378**	P 189,182,320
Claims Handling Expense	**28,428,310**	36,816,700
IBNR	**26,016,248**	15,826,607
Mfad	**14,125,124**	11,605,217
	P 282,694,060	P 253,430,844

20. Accounts Payable and Accrued Expenses

This account consists of:

	2023	2022
Accrued Expenses and Other Liabilities	**P 131,611,328**	P 71,789,752
Taxes Payable	**30,744,277**	39,953,524
Due to Related Parties *(see Note 31)*	**7,290,465**	7,290,465
Income Tax Payable	**2,275,489**	-
	P 171,921,559	P 119,033,741

The terms and conditions of these accounts are as follows:

Accrued Expenses represent current liabilities due to various suppliers outstanding as of the Statement of Financial Position date, representing expenses, shared or otherwise direct expenses incurred in its normal course of operation.

Taxes Payable represent documentary stamps, net output vat, premium taxes and other local government taxes, other than income tax payable, outstanding as of the Statement of Financial Position date which are due within the first quarter of the following year.

21. Reinsurance Liabilities

The movements of this account are as follows:

	As of December 31, 2023		
	Due to Reinsurers	**Funds Held for Reinsurers**	**Total**
Balance at the beginning of year	**P 65,293,134**	**P 11,218,903**	**P 76,512,037**
Additions	**113,581,437**	**-**	**113,581,437**
Reductions	**(117,958,435)**	**-**	**(117,958,435)**
Balance at the end of year	**P 60,916,136**	**P 11,218,903**	**P 72,135,039**

	As of December 31, 2022		
	Due to Reinsurers	Funds Held for Reinsurers	Total
Balance at the beginning of year	P 40,808,409	P 2,533,340	P 43,341,749
Additions	122,775,855	8,685,563	131,461,418
Reductions	(98,291,130)	-	(98,291,130)
Balance at the end of year	P 65,293,134	P 11,218,903	P 76,512,037

22. Equity

The Company's authorized share capital as of December 31, 2023 and 2022 is broken down as follows:

	2023		2022	
	Shares	**Amount**	Shares	Amount
Common - P100 par value per share	**6,977,500**	**697,750,000**	7,000,000	700,000,000
Preferred - P10 par value per share	**225,000**	**2,250,000**	-	-
Balance at the end of year	**7,202,500**	**P 700,000,000**	7,000,000	P 700,000,000

On September 6, 2022, the stockholders unanimously approved the amendment of the Company's Articles of Incorporation for the conversion of 22,500 common shares with par value of P100 to 225,000 preferred shares with par value of P10, thus retaining its P700 million authorized capital. The amendment was approved by the SEC on December 2, 2022.

The salient features of the preferred shares are as follows:

- Cumulative, non-voting, non-participating, redeemable and non-convertible to common shares;
- Dividend rate is initially pegged at the 3-day average of the 3-year BVAL rate plus 300 basis points subject to a step up rate on the third anniversary;
- Dividend is payable quarterly starting on the 90th day from its issuance, subject to certain stipulated conditions
- Optional redemption in whole or in part on the first anniversary from issue date subject to the approval of the Board of Directors

The Company's share capital is broken down as follows:

	Common	Preferred	Total Share Capital	Share Premium	Total Paid-Up Capital
January 1, 2022	P 619,041,500	P -	P 619,041,500	P 5,774,774	P 624,816,274
Issuance during the year					
Common shares	33,600,000	-	33,600,000	-	33,600,000
Subscription during the year					
Preferred shares	-	1,750,000	1,750,000	173,250,000	175,000,000
December 31, 2022 and 2023	P 652,641,500	P 1,750,000	P 654,391,500	P 179,024,774	P 833,416,274

Share capital transactions are as follows:

- On December 23, 2022, 175,000 preferred shares were subscribed at P1,000 per share for a total of P175 million. The excess of subscription price over the par value was credited to Share premium amounting to P173.25 million. Full payment of the subscription price was made on January 17, 2023.

- On December 30, 2022, 336,000 common shares were subscribed and paid at P100 per share for a total of P33.6 million.

As at December 31, 2023 and 2022, the company's total paid up capital, stood at P833.42 million. In the same respective years, 31 and 29 stockholders own more than 100 shares.

During 2023, the Company paid dividends on preferred shares amounting to P11,493,956 equivalent to a dividend rate of 8.7573 per annum.

Contingency Surplus
This represents the contributions of the shareholders in order to comply with the capital requirements of the Insurance Code. This can be withdrawn only upon approval of the IC. As of December 31, 2023 and 2022, the Company's contingency surplus amounted to P11,142,587. The Company intends to convert this surplus to paid-up capital in the future.

23. Insurance Contracts – Terms, Assumption and Sensitivities

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

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

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

The measurement process primarily includes projections of future claims through the use of historical experience statistics. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar businesses are used in developing claims estimates. Claims provisions are separately analyzed by geographical area and class of business. In addition, relatively claims are usually assessed by third party Loss Adjusters engaged by the Company.

Assumptions
The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions with respect to average claim costs, claim handling costs, claims inflation factors, and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions, climatic changes and government legislation affect the estimates. Other key assumptions include variation in interest and delays in settlement.

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions. There are select sensitivities to certain variables such as legislative changes and inherent uncertainties in the estimation process which are impossible 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 reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate liabilities are recognized in subsequent financial statements.

Since certain proportional reinsurance facilities are in place, the Company's net exposure to these sensitivities is minimal. The Company considers that the liability recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome. Sensitivity tests are set out below, showing the impact on profit and loss and equity.

% Change in	Impact on Income		Impact on Equity	
Loss Ratio	**2023**	2022	**2023**	2022
+5%	**P 17,815,740**	P 15,507,543	**P 13,361,805**	P 11,630,658
-5%	**(17,815,740)**	(15,507,543)	**(13,361,805)**	(11,630,658)

Loss Development Table

Loss development table for the year 2023, gross and net of the reinsurer’s share is as follows:

Gross Insurance Contract Liabilities in 2023

Accident Year	2013 and prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim cost												
At the end of accident year	1,014,813,358	206,130,987	251,207,318	206,696,220	219,882,977	265,505,406	340,160,703	253,821,755	310,860,150	341,183,344	428,603,835	3,838,866,054
One year later	946,421,093	185,309,403	248,745,125	214,178,350	225,122,724	271,533,135	401,288,377	259,609,728	345,465,613	412,237,915	-	3,509,911,463
Two years later	847,921,789	176,947,642	239,927,875	200,556,212	219,022,581	265,412,715	380,104,631	251,614,031	321,488,231	-	-	2,902,995,706
Three years later	831,360,928	174,647,828	235,662,187	200,841,460	220,225,631	264,852,455	342,676,700	243,922,521	-	-	-	2,514,189,710
Four years later	829,247,710	173,128,869	233,698,328	201,390,475	220,775,674	265,392,279	319,240,733	-	-	-	-	2,242,874,068
Five years later	824,578,966	172,519,141	233,531,731	201,341,139	219,116,282	265,062,709	-	-	-	-	-	1,916,149,967
Six years later	821,525,607	172,413,690	233,646,031	201,543,509	218,654,924	-	-	-	-	-	-	1,647,783,761
Seven years later	819,062,879	172,802,807	233,981,956	201,400,484	-	-	-	-	-	-	-	1,427,248,125
Eight years later	819,131,272	172,807,366	233,936,079	-	-	-	-	-	-	-	-	1,225,874,717
Nine years later	820,810,615	172,809,397	-	-	-	-	-	-	-	-	-	993,620,012
Ten years later	818,869,865	-	-	-	-	-	-	-	-	-	-	818,869,865
Total	818,869,865	172,809,397	233,936,079	201,400,484	218,654,924	265,062,709	319,240,733	243,922,521	321,488,231	412,237,915	428,603,835	3,636,226,693
Cumulative payments to date	786,179,611	172,434,555	233,926,583	201,400,261	217,976,780	263,261,109	314,244,613	231,491,957	303,168,591	301,462,632	218,086,160	3,243,632,854
Liability recognized at the												-
statements of financial position	32,690,253	374,842	9,496	223	678,144	1,801,599	4,996,119	12,430,564	18,319,640	110,775,283	210,517,675	392,593,838

Net Insurance Contract Liabilities in 2023

Accident Year	2013 and prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim cost												
At the end of accident year	724,606,560	157,804,593	180,118,221	195,254,838	205,031,394	234,765,515	258,291,994	191,097,001	224,867,467	280,572,087	391,162,285	3,043,571,956
One year later	695,756,507	170,053,163	197,414,109	195,235,850	214,964,016	247,099,330	295,639,003	212,133,109	273,756,569	329,670,138	-	2,831,721,794
Two years later	677,490,392	163,653,619	190,647,522	183,202,015	209,163,414	241,928,203	282,382,288	205,932,678	267,782,668	-	-	2,422,182,799
Three years later	671,777,084	161,289,185	187,117,961	182,354,729	210,369,538	241,478,858	271,461,537	198,418,169	-	-	-	2,124,267,061
Four years later	671,572,534	159,850,677	186,234,671	182,900,608	210,868,394	241,811,586	262,265,748	-	-	-	-	1,915,504,217
Five years later	669,583,973	159,634,549	185,613,820	183,356,509	209,255,038	241,496,168	-	-	-	-	-	1,648,940,057
Six years later	668,210,439	159,565,458	185,720,161	183,734,363	208,802,220	-	-	-	-	-	-	1,406,032,641
Seven years later	665,806,182	159,579,759	186,535,508	183,591,337	-	-	-	-	-	-	-	1,195,512,787
Eight years later	665,795,234	159,584,318	186,489,632	-	-	-	-	-	-	-	-	1,011,869,184
Nine years later	666,537,655	159,586,349	-	-	-	-	-	-	-	-	-	826,124,004
Ten years later	665,492,505	-	-	-	-	-	-	-	-	-	-	665,492,505
Total	665,492,505	159,586,349	186,489,632	183,591,337	208,802,220	241,496,168	262,265,748	198,418,169	267,782,668	329,670,138	391,162,285	3,094,757,220
Cumulative payments to date	632,965,846	159,586,323	186,488,095	183,591,293	208,186,287	241,141,459	260,334,245	195,513,723	250,593,420	277,545,088	216,117,381	2,812,063,160
Liability recognized at the												
statements of financial position	32,526,659	26	1,537	45	615,932	354,710	1,931,503	2,904,446	17,189,249	52,125,050	175,044,904	282,694,060

Loss development table for the year 2022, gross and net of the reinsurer's share is as follows:

Gross Insurance Contract Liabilities in 2022

Accident Year	2012 and prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claim cost												
At the end of accident year	700,240,205	335,544,315	206,130,987	251,207,318	206,696,220	219,882,977	265,505,406	340,160,703	253,821,755	310,860,150	397,840,417	3,487,890,453
One year later	644,852,103	322,540,153	185,309,403	248,745,125	214,178,350	225,122,724	271,533,135	401,288,377	259,609,728	345,465,613	-	3,118,644,710
Two years later	605,430,969	263,461,982	176,947,642	239,927,875	200,556,212	219,022,581	265,412,715	380,104,631	251,614,031	-	-	2,602,478,637
Three years later	598,925,626	253,406,464	174,647,828	235,662,187	200,841,460	220,225,631	264,852,455	342,676,700	-	-	-	2,291,238,351
Four years later	598,675,723	251,543,149	173,128,869	233,698,328	201,390,475	220,775,674	265,392,279	-	-	-	-	1,944,604,497
Five years later	594,765,670	250,784,458	172,519,141	233,531,731	201,341,139	219,116,282	-	-	-	-	-	1,672,058,421
Six years later	591,957,411	250,539,358	172,413,690	233,646,031	201,543,509	-	-	-	-	-	-	1,450,100,000
Seven years later	589,548,133	250,485,908	172,802,807	233,981,956	-	-	-	-	-	-	-	1,246,818,803
Eight years later	589,482,667	250,619,767	172,807,366	-	-	-	-	-	-	-	-	1,012,909,800
Nine years later	591,345,858	250,435,919	-	-	-	-	-	-	-	-	-	841,781,778
Ten years later	589,442,212	-	-	-	-	-	-	-	-	-	-	589,442,212
Total	589,442,212	250,435,919	172,807,366	233,981,956	201,543,509	219,116,282	265,392,279	342,676,700	251,614,031	345,465,613	397,840,417	3,270,316,284
Cumulative payments to date	536,014,656	250,182,059	172,415,100	233,937,410	201,467,733	218,380,705	263,396,442	299,572,300	230,309,207	279,293,039	182,980,439	2,867,949,090
Liability recognized at the												-
statements of financial position	53,427,556	253,860	392,266	44,546	75,776	735,577	1,995,837	43,104,401	21,304,825	66,172,573	214,859,977	402,367,193

Net Insurance Contract Liabilities in 2022

Accident Year	2012 and prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claim cost												
At the end of accident year	542,347,582	203,230,141	157,804,593	180,118,221	195,254,838	205,031,394	234,765,515	258,291,994	191,097,001	224,867,467	310,249,176	2,703,057,923
One year later	510,463,479	206,264,190	170,053,163	197,414,109	195,235,850	214,964,016	247,099,330	295,639,003	212,133,109	273,756,569	-	2,523,022,819
Two years later	498,624,296	199,837,258	163,653,619	190,647,522	183,202,015	209,163,414	241,928,203	282,382,288	205,932,678	-	-	2,175,371,293
Three years later	496,449,660	196,298,586	161,289,185	187,117,961	182,354,729	210,369,538	241,478,858	271,461,537	-	-	-	1,946,820,054
Four years later	497,646,359	194,897,338	159,850,677	186,234,671	182,900,608	210,868,394	241,811,586	-	-	-	-	1,674,209,632
Five years later	496,131,115	194,424,021	159,634,549	185,613,820	183,356,509	209,255,038	-	-	-	-	-	1,428,415,051
Six years later	494,886,780	194,294,822	159,565,458	185,720,161	183,734,363	-	-	-	-	-	-	1,218,201,583
Seven years later	492,507,438	194,269,906	159,579,759	186,535,508	-	-	-	-	-	-	-	1,032,892,612
Eight years later	492,483,168	194,283,228	159,584,318	-	-	-	-	-	-	-	-	846,350,714
Nine years later	493,409,437	194,099,380	-	-	-	-	-	-	-	-	-	687,508,818
Ten years later	492,401,392	-	-	-	-	-	-	-	-	-	-	492,401,392
Total	492,401,392	194,099,380	159,584,318	186,535,508	183,734,363	209,255,038	241,811,586	271,461,537	205,932,678	273,756,569	310,249,176	2,728,821,545
Cumulative payments to date	439,016,893	193,966,058	159,566,868	186,498,921	183,658,765	208,581,672	241,262,639	255,811,410	194,652,353	240,831,278	171,543,844	2,475,390,701
Liability recognized at the												
statements of financial position	53,384,499	133,323	17,450	36,586	75,598	673,366	548,947	15,650,127	11,280,325	32,925,290	138,705,332	253,430,844

24. Premiums

Analysis of premiums is as follows:

2023	Direct and Assumed	Ceded Business	Net Premiums Retained
Premiums Written	**P 976,393,650**	**P 118,501,037**	**P 857,892,613**
Changes in Unexpired Risk	**(16,444,344)**	**15,136,569**	**(31,580,913)**
Net	**P 959,949,306**	**P 133,637,606**	**P 826,311,700**

2022	Direct and Assumed	Ceded Business	Net Premiums Retained
Premiums Written	P 905,470,668	P 139,385,951	P 766,084,717
Changes in Unexpired Risk	(51,287,885)	2,020,165	(53,308,050)
Net	P 854,182,783	P 141,406,116	P 712,776,667

25. Interest and Other Investment Income

Sources of interest income are as follows:

		2023		2022
HTM Financial Assets	**P**	**48,079,433**	P	27,424,470
Cash and Cash Equivalents *(see Note 8)*		**732,638**		1,847,427
Loans Receivable *(see Note 10)*		**533,333**		-
Short-term Investments *(see Note 9)*		**6,858**		10,075
	P	**49,352,262**	P	29,281,972

Other investment income consists of:

		2023		2022
Rental Income *(see Note 13)*	**P**	**3,610,125**	P	3,610,125
Dividend Income		**2,442,616**		1,818,097
Realized foreign exchange gain		**1,693,690**		1,850,047
Other Income		**121,109**		66,052
	P	**7,867,540**	P	7,344,321

26. Claims, Losses and Adjustment Expenses

Analysis of claims, losses and adjustment expenses paid is as follows:

	For the year ended December 31, 2023		
	Direct and Assumed	**Recoveries**	**Net**
Claims and Losses	**P 339,525,360**	**P 25,014,864**	**P 314,510,496**
Loss Adjustment Expenses	**24,178,780**	**13,996,441**	**10,182,339**
	P 363,704,140	**P 39,011,305**	**P 324,692,835**

	For the year ended December 31, 2022		
	Direct and Assumed	Recoveries	Net
Claims and Losses	P 344,244,215	P 60,972,633	P 283,271,582
Loss Adjustment Expenses	7,992,899	3,307,567	4,685,332
	P 352,237,114	P 64,280,200	P 287,956,914

27. Commission Expense and Commission Income

The composition of this account is as follows:

	2023		2022	
	Commission Expense	**Commission Income**	Commision Expense	Commission Income
Direct Business	**P 153,181,536**	**P 12,222,404**	P 143,065,738	P 21,706,732
Reinsurance Business	**20,943,578**	**107,550**	32,319,747	241,117
Total	**174,125,114**	**12,329,954**	175,385,485	21,947,849
Increase/(Decrease) in DAC/DCI *(see Note 15)*	**5,736,084**	**6,764,892**	(10,983,909)	(1,382,374)
	P 179,861,198	**P 19,094,846**	P 164,401,576	P 20,565,475

Standard commission rate for direct and reinsurance business ranges from 5% to 35%.

28. General and Administrative Expenses

General and administrative expenses consist of:

	2023	2022
Salaries and Other Employee Benefits	**P 129,734,841**	P 102,274,405
Marketing Incentives and Business Development	**29,008,713**	17,461,520
Taxes and Licenses	**25,630,276**	16,377,103
Agency Expenses	**18,565,358**	18,450,421
EDP Expenses	**13,469,957**	12,231,498
Contracted Services	**10,099,189**	9,258,965
Occupancy Cost	**7,667,816**	8,143,927
Audit Expense	**5,587,159**	5,647,565
Depreciation	**5,583,704**	5,709,138
Representation and Entertainment	**5,499,212**	5,191,916
Transportation and Travel	**5,106,688**	4,803,243
Directors' Fee	**4,413,978**	2,491,200
Printing and Office Supplies	**3,759,018**	3,982,782
Light and Water	**3,345,560**	3,172,652
Telephone and Telegrams	**1,872,415**	2,151,900
Bank Charges	**1,534,426**	5,705,943
Postage and Freight	**1,480,701**	1,312,684
Dues and Assessments	**1,402,949**	1,236,520
Professional Fees	**1,340,943**	6,587,595
Advertising and Promotions	**1,306,061**	383,274
Legal Expenses	**920,928**	1,882,289
Insurance	**706,157**	711,345
Collection Related Charges	**597,151**	310,697
Repairs and Maintenance	**484,167**	470,774
Donations and Contributions	**250,000**	100,000
Interest Expense	**-**	1,970
Miscellaneous	**88,607**	141,381
	P 279,455,974	P 236,192,707

29. Retirement Benefit Cost

The Company has a non-contributory defined benefit type retirement plan which provides a retirement benefit equal to one month's pay for every year of service based on the member's salary at the time of retirement. The benefit is paid in lump sum upon retirement or separation in accordance with the terms of the plan. Contribution to the plan and earnings thereof are managed by a trustee. The Plan has no specific matching strategy between the Plan asset and the Plan liabilities. The Company is not required to pre-fund the defined benefit obligation payable under the plan before they become due. The amount and timing of contribution to the plan asset are at the Company's discretion. However, in the event a benefit claim arises and the plan asset is insufficient to pay the claim, the shortfall will then be due and payable to the plan asset.

The following information summarizes the components of the defined benefit costs, the unfunded status and the amounts recognized as defined benefit obligation.

The retirement benefits recognized in the statement of income is as follows:

		2023		2022
Current Service Cost	**P**	**3,877,312**	P	4,534,649
Net Interest Cost		**1,035,334**		914,551
Defined Benefit Cost Recognized in Profit and Loss	**P**	**4,912,646**	P	5,449,200

**Included as Part of Salaries and Other Employee Benefits*

Remeasurement loss on defined benefit obligation recognized in the statement of financial position is as follows:

		2023		2022
Remeasurement Loss, Beginning	**P**	**(17,891,067)**	P	(20,337,331)
Actuarial Gain (Loss) on Retirement Benefit Obligation		**(20,188,790)**		2,446,264
Remeasurement Loss, Ending		**(38,079,857)**		(17,891,067)
Less: Deferred Tax Effect		**9,519,964**		4,472,767
	P	**(28,559,893)**	P	(13,418,300)

The net defined benefit obligation recognized in the statement of financial position is as follows:

		2023		2022
Present Value of Obligation	**P**	**74,244,064**	P	48,706,720
Fair Value of Plan Asset		**42,071,295**		34,524,090
	P	**32,172,769**	P	14,182,630

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

		2023		2022
Balance at the Beginning of the Year	**P**	**48,706,720**	P	51,354,729
Interest Cost		**3,555,593**		2,567,738
Current Service Cost		**3,877,312**		4,534,649
Benefits Paid		**(1,253,344)**		(4,788,862)
Remeasurement Gain (Loss)		**19,357,783**		(4,961,534)
	P	**74,244,064**	P	48,706,720

The changes in the fair value of plan asset are as follows:

	2023	2022
Balance at the Beginning of the Year	**P 34,524,090**	P 33,063,738
Expected Return on Plan Asset	**2,520,259**	1,653,187
Contributions	**7,111,297**	7,111,297
Benefits Paid	**(1,253,344)**	(4,788,862)
Remeasurement Loss	**(831,007)**	(2,515,270)
	P 42,071,295	P 34,524,090

The allocation of the plan asset is as follows:

	2023	2022
Cash in Bank	**19.92%**	14.18%
Fixed Income	**70.38%**	73.52%
Equity	**9.44%**	12.05%
Others	**0.26%**	0.25%
	100.00%	100.00%

Plan assets are valued by the fund manager at fair value using the mark-to-market valuation. The Company contributes to the fund depending on the requirements of the plan.

Actuarial assumptions used to determine retirement benefits as at December 31, 2023 and 2022 are as follows:

	2023	2022
Discount Rate	**6.30%**	7.30%
Salary Rate Increase	**6.00%**	5.00%

The expected future benefits payment of the plan as at December 31, 2023 and 2022 is as follows:

	2023	2022
1 to 5 years	**P 54,858,333**	P 20,962,648
More Than 5 years	**425,290,597**	315,847,527

The sensitivity analysis based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2023 and 2022 is as follows:

	2023	2022
Discount Rate Decrease by 100 bps	**P 5,841,219**	P 3,696,121
Discount Rate Increase by 100 bps	**(5,023,168)**	(3,202,886)
Salary Rate Decrease by 100 bps	**(4,660,713)**	(3,024,352)
Salary Rate Increase by 100 bps	**5,322,876**	3,435,349

The sensitivities are expressed as the corresponding change in the Defined Benefit Obligation.

30. Income Taxes

The major components of provision for income tax for the years ended December 31, 2023 and 2022 are as follows:

		2023		2022
Current	**P**	**15,327,423**	P	10,523,253
Deferred		**1,367,835**		1,730,590
	P	**16,695,258**	P	12,253,843

The reconciliation of the provision for income tax to taxable income computed at the applicable statutory tax rates is as follows:

		2023		2022
Statutory Income Tax	**P**	**24,641,069**	P	20,903,769
Income tax effects of:				
Income Subject to Final Tax		**(13,250,548)**		(12,025,020)
Non-deductible Expenses		**5,304,737**		3,375,094
Actual provision for income tax	**P**	**16,695,258**	P	12,253,843

Significant components of the Company's deferred tax assets and liabilities recognized in the financial statements is as follows:

		2023		2022
Deferred Tax Assets				
Provision for Impairment Losses	**P**	**1,339,542**	P	1,339,542
Provision for Claims Incurred but not Reported - net		**8,054,712**		7,419,272
Remeasurement Loss on Defined Benefit Obligation		**9,519,964**		4,472,767
		18,914,218		13,231,581
Deferred Tax Liabilities				
Unrealized Gain on Foreign Exchange		**639,437**		1,184,663
Revaluation Reserve on Property and Equipment		**25,216,626**		14,989,876
Unrealized Gain in Fair Value of Investment Properties		**18,650,406**		16,101,906
		44,506,469		32,276,445
Net Deferred Tax Liabilities	**P**	**25,592,251**	P	19,044,864

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On February 1, 2021, the Bicameral Conference Committee, approved the House Bill No. 4157 and Senate Bill No.1357 (the CREATE) which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based. CREATE pursues to dynamically fight the effects of COVID-19 and help businesses to recover as quickly as possible.

Among the reforms provided under the CREATE Act are the following:

i. Reduction in current income tax rate effective July 1, 2020 as follows:

- Those with assets amounting to P100 million and below, and with taxable income equivalent to P5 million and below will be subjected to a 20% tax rate.

- Those with assets above P100 million or those with taxable income amounting to more than P5 million will be subjected to a 25% tax rate.

ii. Effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one percent (1%) and will revert back to two percent (2%) effective July 1, 2023. The effective MCIT rate for 2023 is 1.5%

31. Related Party Transactions

In the normal course of business, the Company transacts with companies which are considered related parties. The summary of the significant transactions with related parties as at December 31, 2023 and 2022 are as follows:

Related Party	Nature of Transaction	Amount of Transaction				Terms and Condition
			2023		2022	
Companies Under	**Due from Affiliates**					
Common Control	Premiums Written	**P**	**15,428,966**	P	13,371,892	90 days, payable in cash
	Due to Affiliated Companies					
	Life Insurance					
	Coverage of Employees		**1,945,905**		1,274,080	90 days, payable in cash
	Rent of Branch Offices		**2,733,892**		4,319,650	30 days, payable in cash
	Condominium dues		**673,542**		667,730	30 days, payable in cash
	Contribution to Retirement Fund		**7,111,297**		7,111,297	30 days, payable in cash
	Healthcare Membership Dues		**1,718,740**		1,297,946	30 days, payable in cash
	Brokerage fees		**985,830**		5,501,791	30 days, payable in cash

Details of related party transactions are as follows:

i. Non-life insurance coverages of the Company's various related parties are provided by the Company. Premium rates are comparable with unrelated parties.

Premiums written is further broken down as follows:

		2023		2022
IC Regulated Entities	**P**	**910,393**	P	798,396
Non- IC Regulated Entities		**14,518,573**		12,573,496
	P	**15,428,966**	P	13,371,892

ii. The Company's branches in Batangas, Cabanatuan, Cebu, Iloilo, Makati, Palawan and San Pablo are leased from related parties for a period of 1 to 5 years. The terms of lease agreement are comparable with third parties.

iii. Life insurance and healthcare membership dues of the Company's officers and employees are provided by Fortune Life Insurance Co., Inc. The terms of the insurance are comparable with third parties.

iv. The Company has deposit accounts with Citystate Savings Bank, Inc., (CSBI) totaling P41,659,357 in 2023 and P63,273,305 in 2022 consisting of savings, current and special savings account. Total interest income earned from these deposit accounts amounted to P1,755,675 in 2023 and P839,732 in 2022. Interest rates on deposit accounts are comparable with unrelated parties. The Company also hold common shares of CSBI with fair value of P44.48 million in 2023 and P43.87 million in 2022, classified as Available-for-Sale investments. The retirement benefit plan covering the Company's officer and employees are managed by CSBI *(see Note 29)*.

v. Compensation paid to key management personnel amounted to P60.91 million and P48.77 million in 2023 and 2022, respectively. Key management personnel include key officers and senior management officers.

Amounts due to/from related parties as of December 31, 2023 and 2022 are as follows:

		2023		2022
Due from*				
Fortune Life Insurance Co., Inc.	**P**	**28,000**	P	28,000
	P	**28,000**	P	28,000
Due to**				
Fortune Life Insurance Co., Inc.			P	6,555,837
Citystate Savings Bank, Inc.				264,540
Other related parties				245,546
ALC Realty Development Corp., Inc.				224,542
			P	7,290,465

**included under Other Assets*

***included under Accounts Payable and Accrued Expenses*

32. Other Significant Matters

<u>*Deferral of adoption of PFRS 9*</u>
In 2023 and 2022, the Company continues to apply the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 Applying PFRS 9 with PFRS 4 issued in 2016. The temporary exemption from applying the PFRS 9 is applicable until the mandatory effectivity of PFRS 17 for entities whose activities are predominantly connected with issuing contracts within the scope of PFRS 4. The predominance test, as required by the standard, was performed using the Statement of financial position as of December 31, 2017. Accordingly, the Company's gross liabilities arising from insurance contracts within the scope of PFRS 4 is equivalent to 83% of the total carrying amount of all its liabilities. No re-assessments have been performed at subsequent date because there was no substantial change in the business of Company that would require such re-assessment.

As the Company is eligible to apply the temporary exemption from applying PFRS 9, the Company of Directors decided to align the effective date of PFRS 9 to the mandatory adoption date of PFRS 17. The following information on fair value disclosure, credit risk exposure and credit concentrations are presented as required by the amended standard.

(i) The fair value of financial assets at December 31, 2023 and 2022 classified between those that meet and those that does not meet the Solely Payment of Principal and Interest (SPPI) criteria and the changes in fair value are presented as follow:

	Fair values as of December 31, 2023		Fair values as of December 31, 2022		**Fair value changes in 2023**	
	Meets the SPPI test	**Does not meet the SPPI test**	Meets the SPPI test	Does not meet the SPPI test	**Meets the SPPI test**	**Does not meet the SPPI test**
Cash and cash equivalents	**P 282,231,906**	**P -**	P 434,918,685	P -	**P -**	**P -**
Short-term investments	**2,529,759**	**-**	2,515,902	-	**-**	-
Loans receivable	**20,000,000**	**-**	-	-	-	-
HTM	**1,115,504,650**	**-**	788,937,475	-	**-**	-
AFS	**14,000,000**	**192,554,937**	14,000,000	106,434,292	**-**	**86,120,645**
Insurance-related receivables	**465,871,884**	**-**	466,377,779	-	-	-
Other receivables	**24,888,569**	**-**	20,289,287	-	-	-
	P 1,925,026,768	**P 192,554,937**	P 1,727,039,128	P 106,434,292	**P -**	**P 86,120,645**

Financial assets that meet the SPPI criteria in PFRS 9 are those whose cash flows comprise solely payments of principal and interest on principal outstanding.

(ii) Information about the credit risk exposure of financial assets that meets the SPPI test is as follows:

	As of December 31, 2023				
	Neither Past Due nor Impaired		**Past Due but**		
	Rated	**Unrated**	**Unimpaired**	**Impaired**	**Total**
Cash and cash equivalents	**P 282,231,906**	**P -**	**P -**	**P -**	**P 282,231,906**
Short-term investments	**2,529,759**	**-**	**-**	**-**	**2,529,759**
Loans receivable	**-**	**20,000,000**	**-**	**-**	**20,000,000**
HTM	**449,194,000**	**666,310,650**	**-**	**-**	**1,115,504,650**
AFS	**-**	**14,000,000**	**-**	**-**	**14,000,000**
Insurance-related receivables	**465,871,884**	**-**	**-**	**-**	**465,871,884**
Other receivables	**-**	**24,888,569**	**-**	**-**	**24,888,569**
	P 1,199,827,549	**P 725,199,219**	**P -**	**P -**	**P 1,925,026,768**

	As of December 31, 2022				
	Neither Past Due nor Impaired		Past Due but		
	Rated	Unrated	Unimpaired	Impaired	Total
Cash and cash equivalents	P 434,918,685	P -	P -	P -	P 434,918,685
Short-term investments	2,515,902	-	-	-	2,515,902
HTM	336,718,075	452,219,400	-	-	788,937,475
AFS	-	14,000,000	-	-	14,000,000
Insurance-related receivables	466,377,779	-	-	-	466,377,779
Other receivables	-	20,289,287	-	-	20,289,287
	P 1,240,530,441	P 486,508,687	P -	P -	P 1,727,039,128

The ratings used above is consistent with the ratings used in Note 7.

(iii) Information about the credit concentration of financial assets that meets the SPPI test is as follows:

	December 31, 2023			
	Government	**Financial Institutions**	**All others**	**Total**
Cash and cash equivalents	**P -**	**P 282,231,906**	**P -**	**P 282,231,906**
Short-term investments	**-**	**2,529,759**	**-**	**2,529,759**
Loans receivable	**-**	**-**	**20,000,000**	**20,000,000**
HTM	**666,310,650**	**-**	**449,194,000**	**1,115,504,650**
AFS	**-**	**14,000,000**	**-**	**14,000,000**
Insurance-related receivables	**-**	**-**	**465,871,884**	**465,871,884**
Other receivables	**-**	**-**	**24,888,569**	**24,888,569**
	P 666,310,650	**P 298,761,665**	**P 959,954,453**	**P 1,925,026,768**

	December 31, 2022			
	Government	Financial Institutions	All others	Total
Cash and cash equivalents	P -	P 434,918,685	P -	P 434,918,685
Short-term investments	-	2,515,902	-	2,515,902
HTM	452,219,400	-	336,718,075	788,937,475
AFS	-	14,000,000	-	14,000,000
Insurance-related receivables	-	-	466,377,779	466,377,779
Other receivables	-	-	20,289,287	20,289,287
	P 452,219,400	P 451,434,587	P 823,385,141	P 1,727,039,128

Contingencies
In the normal course of business, the Company may become defendant in lawsuits involving settlement of insurance claims and disputes. The Company recognized adequate provisions in its books to cover possible losses that may be incurred on these claims. In the opinion of management, liabilities arising from these claims, if any, will not have material effect on the Company's financial position and will have no material impact in the financial statements, taken as a whole.

The Company does not provide further information on these contingencies in order not to impair the outcome of claim and disputes.

Current Assets and Liabilities Distinction
The Company's current assets and current liabilities are presented below:

	2023	2022
Current Assets		
Cash and Cash Equivalents	**P 285,975,292**	P 437,855,651
Short-term Investments	**2,529,759**	2,515,902
Insurance and Reinsurance Assets	**526,072,868**	541,715,334
Financial Assets - HTM	**357,699,790**	41,068,075
Subscription Receivable	**-**	175,000,000
Net Deferred Acquisition Cost	**79,915,219**	78,886,411
Accrued Investment Income	**7,628,253**	4,576,835
Other Current Assets	**10,737,250**	8,191,916
	P 1,270,558,431	P 1,289,810,124
Current Liabilities		
Reserve for Unearned Premiums	**P 501,538,284**	P 485,093,940
Insurance Claims Payable	**392,593,838**	402,367,193
Accounts Payable and Accrued Expenses	**171,921,559**	119,033,741
Reinsurance Liabilities	**72,135,039**	76,512,037
	P 1,138,188,720	P 1,083,006,911

Non-cash investing activities
The Company's non-cash investing and financing activities in 2023 are as follows:

- Increase in real estate included in Investment properties due to increase in fair value amounting to P10.2 million *(see Note 13)*

- Increase in real estate included in Property and equipment arising from revaluation amounting to P40.9 million. *(see Note 14)*

Subsequent events
On January 17, 2024, the Board of Directors approved the partial redemption of 50,000 preferred at P1,000 per share or a total of P50,000,000.

33. Supplementary Information Required under Revenue Regulations 15-2010

The Bureau of Internal Revenue (BIR) issued Revenue Regulations 15-2010 which requires additional tax information to be disclosed in the Notes to Financial Statements. The following information covering the calendar year ended December 31, 2023 is presented in compliance thereto.

- The details of VAT output tax declared in the Company's 2023 VAT returns and their related accounts are as follows:

	Amount Subject to VAT	Output Tax
Premiums	P 633,542,148	P 76,025,058
Commission	3,805,442	456,653
Rental Income	3,670,342	440,441
Other Income	4,028,725	483,447
	P 645,046,657	P 77,405,599

- The VAT input tax claimed is broken down as follows:

Balance at the Beginnning of the Year	P -
Current Year's Domestic Purchases/Payments for:	
Capital Goods not Exceeding P1 Million	833,234
Capital Goods Exceeding P1 Million	141,964
Goods Other Than Capital Goods	936,593
Services	21,032,010
Others	11,330,956
Applied Against Output tax	(34,274,757)
	P -

- The premium tax on personal accident insurance paid and accrued amounted to P6,828,418.

- The documentary stamp tax paid/accrued for insurance policies and issuance of shares amounted to P90,772,600.

- The amounts of withholding tax payments, by category are as follows:

Tax on Compensation and Benefits	P 13,027,026
Expanded Withholding Tax	27,432,114

- As at December 31, 2023 the Company has a Letter of Authority (LOA) for the examination of its VAT for the taxable year 2021. The Company believes that said examination pose no material adjustments involving the financial year 2023.

- The details of taxes and licenses presented under administrative expenses in the Company's statements of income are as follows:

Provision	P	21,218,948
IC Dues and Assessment		655,560
Real Estate Tax		2,729,987
Local Business Taxes		422,368
SEC Dues and Assessment		38,000
Documentary Stamp Tax		515,882
Others		49,531
	P	25,630,276

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