FASTER & STRONGER

ANNUAL REPORT 2023

FPG insurance

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Mission

Our commitment is to bring insurance protection and peace of mind to our clients.

Vision

Be the trusted insurer of choice focused on bringing a positive and digitally-enabled client experience.

Core Values

- Integrity
- Respect
- Accountability
- Courage
- Results-Driven

MESSAGE FROM THE CHAIRMAN

Our 2023 performance was remarkable, ranking 5th in terms of Gross Premiums Written. This exemplifies the hard work and dedication of our sales channels as well as the enabling teams who ensure our operations, claims, and customer service are in top form.

Our performance confirms our ability to be a Faster and Stronger organization with an unwavering commitment in enhancing customer experience.

The year 2023 proudly marks our 65th year in the non-life insurance industry, a testament to our steadfast commitment to growth, stability, and innovation. Filled with deep pride and gratitude, we thank our clients and partners for their continued confidence with FPG Insurance.

We would also like to commend the work of our management and staff.

The dedication, passion and determination of our management and staff have played a pivotal role in placing FPG Insurance at the forefront of the industry.

DAVID ZUELLIG
CHAIRMAN OF THE BOARD

Without the collective efforts across all teams, we would not have attained the recognition and reputation we enjoy today.

As we go into 2024, we remain steadfast in further strengthening our position in the industry by continuing to differentiate ourselves through innovation and delivering an exceptional customer experience.

Here's to a more prosperous and abundant 2024!

MESSAGE FROM THE PRESIDENT

On our 65th year, we continue to focus on building a profitable, sustainable, and customer-centric business. In 2023, our strategy revolved around being the most innovative non-life insurance company providing best-in-class customer service. For this year, I am proud to say that we have made positive strides to meet these objectives, cementing our 2023 mission of making FPG Insurance Faster and Stronger as evidenced by the following:

GIGI PIO DE RODA
PRESIDENT AND CEO

Financial Strength

We continue to strengthen our financial standing and profitability. In 2023, we witnessed a notable increase in Gross Premium Written (GPW), exceeding the previous year by 26% driven by continued growth across all our sales channels. We have also improved and continue to exceed the regulatory requirements for both Net Worth and Risk-Based Capital Ratio, exemplifying the strength of our financial position.

Efficient Processes

In our pursuit of excellence, we maintained our commitment for continuous process improvement, with a specific focus on optimizing our claims process. We prioritized delivering a seamless experience for our customers and business partners, resulting in a notable improvement in our claims process. Achieving over 90% of the committed turnaround time for the year, a substantial improvement from the previous performance, highlights our dedication to efficiency and customer satisfaction.

Improved Client Touchpoints

Our focus on elevating customer and agent engagement has led to significant improvements in our branch operations. Notably, we have strategically relocated our Binondo and Cebu branches, underscoring our commitment to enhancing physical accessibility for our valued clients. Digitally, we have also enriched and expanded our presence, ensuring our clients are more engaged, educated, and informed about insurance through our social media and website channels.

Overall, we take great pride in our sustained financial growth, operational efficiency, keen focus on innovation, and fostering strong and growing partnerships with our stakeholders. At FPG, we remain dedicated to delivering accessible, relevant, and reliable services that consistently exceed expectations, nurturing customer loyalty. This commitment to excellence defines our brand and identity.

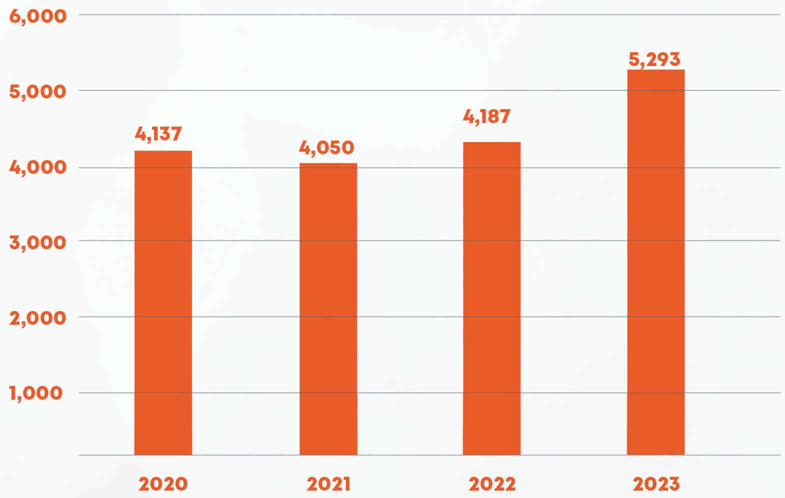
Looking ahead to 2024 and beyond, our focus remains on further improving financial performance and achieving our ambitious sales targets. With the dedication of our sales force and the steadfast support of our stakeholders, we are poised to propel FPG Insurance forward into a brighter future.

FINANCIAL HIGHLIGHTS

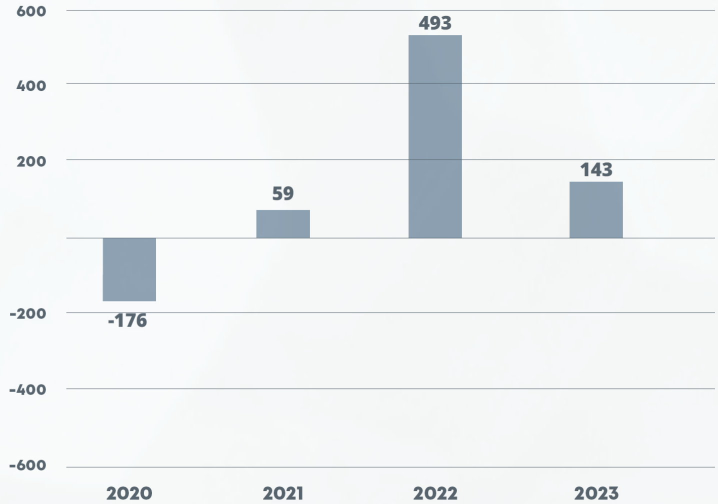
	2021 (Php)	2022 (Php)	2023 (Php)
Gross Premiums	4B	4B	5B
Net Premiums after XOL	1B	1B	2B
Net Earned Premiums	2B	1B	2B
Net Income/(Loss) after tax	59M	493M	143M

	2021 (Php)	2022 (Php)	2023 (Php)
Total Assets	9B	10B	10B
Net Worth	2B	2B	2B

GPW GROWTH HISTORY
In Php Million



NET INCOME HISTORY
In Php Million



INDUSTRY RANKING

5TH
GROSS PREMIUMS WRITTEN

10TH
NET PREMIUMS WRITTEN

12TH
EARNED PREMIUMS

14TH
TOTAL NET WORTH

23RD
NET INCOME

FPG Insurance continues to uphold its stature among the leading non-life insurance providers in the Philippines, a status highlighted by its robust performance across pivotal industry benchmarks including Gross Premiums Written, Net Premiums Written, Earned Premiums, Net Income, and Total Net Worth.

Based on the Insurance Commission's statistics as of December 31, 2023, and the performance of non-life insurance companies based on submitted unaudited quarterly reports on selected financial statistics (QRSFS), and FPG Insurance's audited figures as of December 31, 2023.

FPG INSURANCE COMMITMENT

Our commitment for 2023 is to uphold the highest standards of excellence, innovation, and customer-centricity in all aspects of our operations. As we celebrate our 65th anniversary, we are more dedicated than ever to delivering exceptional value to our stakeholders and solidifying our position as a leading non-life insurance company in the Philippines.

Our primary focus for 2023 revolves around four key pillars:

Exceptional Customer Service

We are committed to providing our valued clients and partners with unparalleled service, ensuring that every interaction with FPG Insurance is characterized by efficiency, transparency, and professionalism. Our goal is to exceed expectations and foster lasting relationships built on trust and reliability.

Relentless Innovation

Innovation is at the core of everything we do at FPG Insurance. In 2023, we continued to push the boundaries of possibility, introducing new products, services, and solutions that anticipate and address the evolving needs of the market. By staying ahead of the curve, we strive to set new standards for excellence and relevance in the insurance industry.

Operational Excellence

We are committed to excellence in every aspect of our operations, from backend systems and processes to branch optimization and claims management. By investing in technology, talent, and infrastructure, we aim to enhance efficiency, streamline processes, and deliver seamless experiences for our customers.

Results-Driven

Through a focus on measurable outcomes, we strive to demonstrate the tangible impact of our efforts on both our stakeholders and the broader community. By consistently delivering on our promises and surpassing expectations, we aim to solidify our position as a leading non-life insurance company in the Philippines while shaping the future of the industry.

As we embark on the journey ahead, guided by our core values of integrity, accountability, and customer-centricity, we remain resolute in our commitment to shaping the future of insurance in the Philippines. Together with our stakeholders, we look forward to achieving new milestones, overcoming challenges, and building a brighter, more secure tomorrow.

CORPORATE HISTORY

1912 ZUELLIG GROUP

1958 Federal Insurance Company, Inc.

1978 FEDERAL PHOENIX BE ASSURED!

1987 FEDERAL PHOENIX BE ASSURED! ROYAL & SUNALLIANCE

2015 FPG insurance

In 1912, The Zuellig Group was established and became synonymous with reliability and astute management practices.

By 1958, The Zuellig Group established Federal Insurance, where the company's mandate is to provide a guarantee to the public through underwriting non-life insurance.

Twenty years later, Phoenix Insurance acquired minority shares, therefore changing the name to the more commonly known former business name of Federal Phoenix Assurance Co., Inc. (FPAC) in 1978.

And in 1987, the ownership composition of the company changed to 60% ownership by the Zuellig Group and its remaining 40% owned by Royal Insurance and Sun Alliance of the United Kingdom. As the business performed well, the Zuellig Group gained sole ownership of FPAC by entirely buying out Royal Insurance and Sun Alliance of the United Kingdom.

Federal Phoenix Assurance Co., Inc. became an industry name for trusted general insurance needs as the company became more established. By 2015, the company was renamed FPG Insurance Co., Inc., a modern brand we know today as one of the leading non-life insurance companies in the Philippines.

BOARD PROFILE

FPG Insurance Co., Inc. is composed of the following individuals who possess the knowledge, experience, and expertise that are relevant to the company's industry/sector:

David Zuellig – is the Chairman of FPG Insurance Co., Inc. He began his career in insurance in 1989 at Accette Insurance Broking as Chairman until 2011. Currently, he holds various positions on the board of several industry-leading businesses in the Asia-Pacific Region in the following sectors: insurance, healthcare distribution solutions, and pharmacy services.

Gigi Pio de Roda – is the President, CEO, and Executive Director of FPG Insurance Co., Inc. She has over 30 years of proven financial services expertise, having previously also served HSBC Philippines in various executive positions. She is also the former Chief Operations Officer of AIA Philippines. She has a degree in Management of Financial Institutions from De La Salle University and is a Fellow of the Institute of Corporate Directors (ICD PH).

Atty. Avelino M. Sebastian Jr. – is an Independent Director of FPG Insurance Co., Inc. He has been a professor of Civil Law for over 4 decades in several law schools, an author of several law books, a pre-bar reviewer, and a Partner of Sebastian Liganor & Acejo Law Office, a full-service law firm with key practice area in corporate law, banking, litigation, government procurement projects, and infrastructure. Atty. Sebastian is also currently the Chairman of the Civil Law Department of De La Salle University, Tañada-Diokno School of Law.

Atty. Ricardo J. Romulo – is currently the Non-Executive Director of FPG Insurance Co., Inc. He is a Senior Partner at Romulo Mabanta Buenaventura Sayoc, & de Los Angeles Law Office with Corporate Law as a practice area. He was a former Chairman of FPG Insurance Co., Inc. from 1993 to 2019. Atty. Romulo graduated Cum Laude from Georgetown University with a Bachelor of Science in 1955, and he received his Doctor of Laws Degree at Harvard Law School in 1958. He was admitted to the Philippine Bar in 1960.

Kasigod V. Jamias – is a Non-Executive Director of FPG Insurance Co., Inc. He has vast experience in corporate governance as he holds various positions as a Director in health care & insurance industries. He has a degree in Business Administration from the University of the Philippines and a Master of Business Management degree from the Asian Institute of Management.

Name	Nationality	Age	Date/Month of First Appointment	Directorship in Listed Companies	Academic Qualification/ Career/Background
David Zuellig	Filipino	66	May 1995	None	Business Administration
Gigi Pio de Roda	Filipino	58	January 2020	None	Management of Financial Institutions
Avelino M. Sebastian Jr.	Filipino	70	March 2019	None	Economics, International Banking Law
Ricardo J. Romulo	Filipino	91	March 1981	None	Doctor of Laws Degree
Kasigod V. Jamias	Filipino	76	June 2004	None	Business Administration

MANAGEMENT COMMITTEE

Gigi Pio de Roda
President & Chief Executive Officer

Raul de Luna
Chief Finance Officer

Sharon Marjorie Navarro
Chief Underwriting Officer

Agnes Christina Sauler
Head of Agency Sales & Development Group and Communications

Wilhelm Rommel An Pareja
Head of Corporate Business Group

Vinelle Trinidad Haber
Head of Alternative Channels Sales Group

Atty. Noel Salvador
Head of Claims Group

Nikkos Josef Ignes
Head of Technology

Renee Valdez *
Head of Human Resources

Atty. Kristine Espinosa-Berris *
Head of Risk and Compliance

Michelle Anne Villanueva
Head of Marketing and Strategic Innovation

Marlon Ladesma
Head of Internal Audit

* - Resigned

OPERATIONAL HIGHLIGHTS

In the ever-evolving landscape of the insurance industry, FPG Insurance proudly presents its operational highlights for the year 2023. In our 65th year, we further strengthened our commitment to improve operational efficiency, drive strategic innovation, and enhance our customer service delivery.

Consistent Focus on Process Efficiency to Drive Customer Satisfaction

Integral to our commitment to process improvement is the continuous optimization of our claims process, ensuring a better experience from notification to resolution. Our average claims processing rate continues to improve, having achieved over 90% of the committed turnaround time for 2023. We remain committed to ensuring that we consistently meet our service level agreements (SLAs) and sustain efficiency and customer satisfaction.

Strategic Branch Locations for Enhanced Accessibility & Reach

In a bid to expand our reach and improve accessibility for our customers, we strategically relocated branches in key areas. The establishment of new offices in Binondo and Cebu reflects our dedication to serving diverse communities and fostering stronger relationships with our clients.

Recognizing the evolving needs of our clientele, we adopted an approach with the reopening of our Alabang Office. Positioned as a dynamic co-working space, the Alabang Office serves as a hub for customers, agents, and stakeholders, fostering collaboration and innovation in a modern and vibrant setting.

Award Recognition and CSR Initiative for 2023

In 2023, FPG Insurance received the esteemed Insurance Asia Award for New Insurance Product of the Year - Philippines, specifically for MyCyberProtect Mate. This recognition stands as a testament to our dedication to product innovation within the non-life insurance industry.

Furthermore, in our CSR efforts last year, we partnered with AyalaLand Estates for the Green Run event, coinciding with our 65th anniversary. It provided an excellent platform to advocate for health, wellness, and environmental conservation. Additionally, FPG Insurance ensured the safety and well-being of all runners by extending Personal Accident insurance coverage throughout the event.

In summary, the remarkable strides and position attained by FPG Insurance in 2023 are exemplified by our unwavering dedication to excellence and our pursuit of progress. With determined resolve, we stand ready to embark on the next phase of our journey, poised to ascend to new heights and shape a future brimming with boundless possibilities and unparalleled success.

RISK MANAGEMENT

The board considers all principal risks facing the company, thus identification and proper management of risk within the company are important priorities of the board and its management. In 2023, the company adopted its Own Risk and Solvency Assessment (ORSA) Policy.

The board has the ultimate responsibility for ensuring that the company's risk management systems are adequate, effectively designed, and operating effectively. The company has a Risk Management Team composed of individuals from different fields and departments to ensure that risk management and internal controls are robust and consistently applied across different risk areas (e.g., insurance risk, financial risk) to which the company is exposed.

The company also has an Internal Audit function, with oversight from the Audit Committee, which ensures that effective and efficient controls are robust and operating effectively. External Auditors are also hired by the company who help ensure that financial and regulatory risks are properly addressed.

The board believes that through its Risk Management Team, Audit Committee, Internal and External Auditors, there is adequate oversight of the company's risk management and internal controls.

COMPANY POLICIES

WHISTLE BLOWING POLICY

The company has a Whistleblowing Policy that ensures all employees act with integrity in all situations by reporting illegal or non-compliant conduct.

- Employees shall report any practices or actions believed to be inappropriate under the Code of Conduct or illegal to their line managers, Head of HR, or Head of Compliance
- If appropriate, in view of the nature of the reported matter, reports of violations may be made directly to higher levels including the Chief Executive Officer
- Complaints may be made on a confidential basis or through Employee Hotlines, which shall be properly investigated

FPG Insurance prohibits retaliation against any employee for reports made in good faith, while it also protects the rights of the incriminated person.

POLICY ON GIFT AND GRATUITY

Guided by a firm, unequivocal commitment to integrity as one of its core values, the company prohibits its employees from accepting and/or offering inappropriate gifts and gratuities that may impair or appear to impair the recipient's objectivity and may affect their ability to properly perform their job and responsibilities. If an employee faces a situation that may involve receiving and/or offering inappropriate gifts and gratuities, the employee is required to disclose such information and seek appropriate guidance.

SUPPLIER SELECTION POLICY

As the company is committed to strict adherence to laws and regulations, unyielding ethical standards, and providing excellent services to its customers, the company expects the same from our suppliers. The company believes that having mutually observed values and maintaining professional contacts with its suppliers result in quality products/ services and success for both sides.

It is important that the supplier selection process must be objective and transparent. Hence, the selection is subject to the following criteria:

- Quality of the product/service
- Professional and technical competence
- Competitive pricing
- Established delivery timeframe
- Customer service

In 2023, the company continues to refine its supplier selection process by implementing a more comprehensive Vendor Accreditation & Management Policy, particularly focusing on its claims vendors. This policy highlights the company's commitment not only to safeguarding against unscrupulous vendors but also to ensuring fair treatment for its suppliers.

The policy is guided by the following principles:

- Conduct all business transactions with integrity, and treat suppliers and service providers with fairness and professionalism;
- Follow rules concerning the fair and transparent process of selecting suppliers and service providers;
- Give qualified suppliers and service providers adequate, fair, and equal opportunity to bid on goods and services for the company's projects or requirements; and
- Accredit suppliers and service providers based on established criteria that reflect the company's reputation for fair, equal opportunity, and honest treatment of all suppliers and service providers.

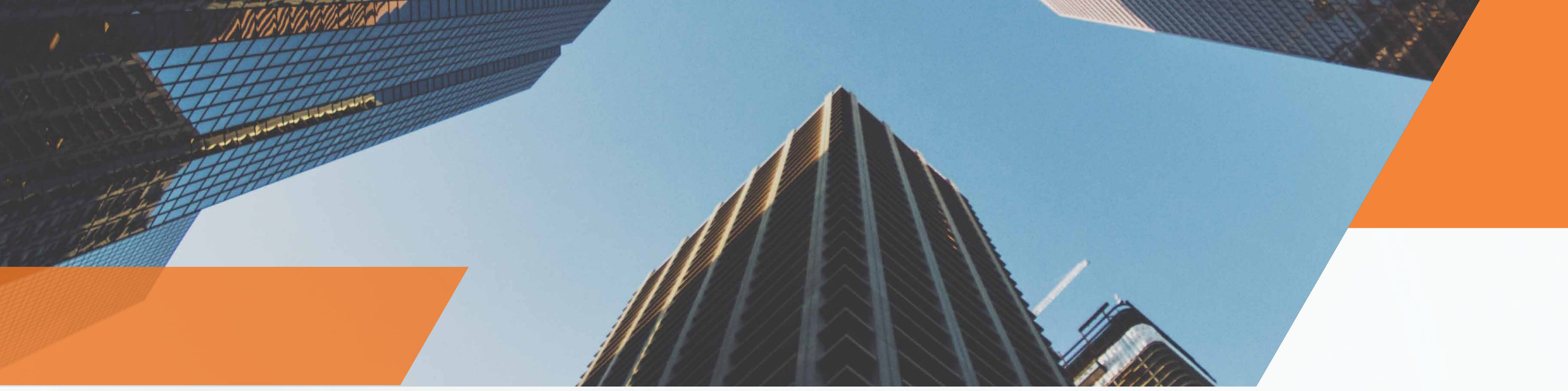
AWARDS AND RECOGNITION

NEW INSURANCE PRODUCT OF THE YEAR PHILIPPINES – (MYCYBERPROTECT MATE)

In 2023, FPG Insurance proudly stood out yet again as a beacon of innovation and excellence. Our product, MyCyberProtect Mate, made history by being awarded the coveted title of “New Insurance Product of the Year - Philippines” at the prestigious Insurance Asia Awards.

Our recent win reflects our commitment to innovation in insurance. MyCyberProtect Mate is one of the first cyber insurance products in the market, providing protection against digital threats. It covers identity theft, online retail fraud, electronic fund transfer fraud, and cyberbullying, distinguishing it in the industry.

At FPG Insurance, innovation is not merely a goal; it is ingrained in our DNA. MyCyberProtect Mate represents our commitment to empowering individuals and businesses to navigate the complexities of the digital age with confidence.



INDUSTRY MEMBERSHIP AND ASSOCIATIONS

FPG Insurance is a member of the Philippine Insurers and Reinsurers Association Inc. (PIRA), with the President and CEO, Gigi Pio de Roda, serving on the board of trustees.

FPG Insurance is also a member of the Management Association of the Philippines (MAP), the Makati Business Club (MBC), and the Insurance Institute for Asia and the Pacific, Inc. (IIAP).

FPG Insurance is regulated by the Insurance Commission.

COMPLIANCE COMMITMENT

The company is committed to the highest standards of corporate governance as articulated in the Insurance Commission's Revised Code on Corporate Governance, its Articles of Incorporation, By-Laws, Code of Conduct, and the Manual on Corporate Governance. Most importantly, the company endeavors beyond compliance and promotes an ethical corporate culture guided by FPG Insurance core values – Integrity, Respect, Accountability, Courage, and Results-Driven.

The Board of Directors, officers, and employees shall undertake every effort to create awareness of the corporate governance principles and practices within the organization to ensure proper internalization by every stakeholder of the company.

ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is the supreme governing body elected by the stockholders to exercise the corporate powers of the corporation and to conduct its business. The board is likewise responsible for overseeing the development and approval of the company's business objectives and strategy, and monitoring their implementation, in order to sustain the company's competitiveness and strength.

Under the Manual of Corporate Governance, the Board of Directors has the primary responsibility of fostering the success of the long-term objectives and success of the company and ensuring its competitiveness. Furthermore, the Board of Directors is responsible for approving and overseeing the effective implementation of the corporate objectives, compliance policies and procedures, risk management, and including the performance of the senior management. The Board of Directors also formulates measures for success and lays the foundation of the company's activities including long-term and short-term corporate plans.

In line with its role, the board reviews the corporate strategic plans, the long-term business plans, and strategic initiatives on an annual basis taking into account, among other things, the opportunities and risks of business.

BOARD SUCCESSION AND NOMINATION

To be nominated as a board member, it is necessary that the individual should have the required experience, skill, time, and commitment that can be devoted to the company.

The following characteristics are necessary for new candidates being considered for nomination as well as existing directors:

a. a reputation for integrity and ethical behavior;
b. a demonstrated ability to exercise judgment and communicate effectively;
c. has strong financial knowledge/literacy;
d. prominence in the individual's area of expertise; and
e. sufficient time to dedicate to board and committee work

The company's stockholders elect the Board of Directors from the recommendation of the corporate governance committee. The corporate governance committee takes into account the qualifications set forth in the revised code of corporate governance. Each director represents all shareholders and shall be in the position to participate independently and objectively. The Board of Directors holds office for one (1) year until their successors are elected and qualified in accordance with the By-Laws of FPG Insurance.

At the annual stockholder's meeting held on April 17, 2023, the Board of Directors, was elected to serve for the year 2023 to 2024. Upon nominations duly made and seconded, the following directors were unanimously elected to serve as such until the successors shall have been duly elected and qualified:

Candidate	Directorship	Votes Received
David Zuellig	Chairman	100%
Gigi Pio de Roda	Executive	100%
Avelino M. Sebastian Jr.	Independent	100%
Ricardo J. Romulo	Non-executive	100%
Kasigod V. Jamias	Non-executive	100%

BOARD OPERATIONS AND PROCESSES

Board meetings may be held at such time and place, and upon notice of the Board of Directors as may be decided in a meeting duly called for said purpose. Generally, the board meetings are held on a quarterly basis. The schedule of the meetings for 2024 was presented to and approved by the board in the October 26, 2023 board meeting.

Special meetings of the board may be called by the President or upon written request of at least two (2) directors, upon at least one day's notice of the time and place of the holding of the meeting.

The Board of Directors receives the notice of the meeting at least two (2) weeks before the meeting and the materials at least five (5) business days prior to the meeting. The materials pack includes company operation information, minutes of the previous board meetings, and all other documents needed for board discussion.

Minutes of meetings of the board and all committees are kept by the Corporate Secretary. The said minutes are open for inspection by the board and stockholders upon request.

In 2023, the Corporate Governance Compliance Officer, through the Corporate Secretary, distributed a board assessment questionnaire. It contained survey questions on the board and committee effectiveness, individual director self-evaluation, board responsibilities, board operations, and management performance. The board accomplished the questionnaire in December 2023 and the results were released in the March 8, 2024 meeting.

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee shall assist the Board of Directors by providing recommendations and oversight, policy setting, information gathering, and communication regarding the relevant risks, risk management system, and infrastructure of the company. It also has an oversight role with respect to financial information and audit functions by providing an independent review of the effectiveness of the financial reporting process and internal control system. The committee will also perform the oversight of the related party transactions.

2023 Audit and Risk Committee Members	
Avelino M. Sebastian Jr.	Chairman
David Zuellig	Member
Kasigod V. Jamias	Member

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee shall assist the board in ensuring compliance with and proper observance of corporate governance principles and practices. The committee will also serve as the remuneration and nomination committee of the company.

Corporate Governance Committee Members	
Avelino M. Sebastian Jr.	Chairman
David Zuellig	Member
Gigi Pio de Roda	Member
Kasigod V. Jamias	Member

BOARD MEETING ATTENDANCE

The board met thirteen (13) times in 2023. The attendance details from January to December 2023 are as follows:

Director	Jan 30	Feb 28	Apr 17	May 15	May 24	Jun 26	Jul 12	Jul 22	Aug 29	Sep 12	Sep 28	Oct 26	Nov 6	% Attended
David Zuellig	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Gigi Pio de Roda	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Avelino M. Sebastian Jr.	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	-	✓	✓	85%
Ricardo J. Romulo	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	92%
Kasigod V. Jamias	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%

DIRECTORS' TRAINING

The members of the board are required to attend, at least once a year, a program on corporate governance conducted by accredited training providers.

The following are the trainings attended by the members of the board in 2023 with the Institute of Corporate Directors:

Director	Training Attended	Date
David Zuellig	ICD Masterclass – The Third Series – Session 2 "The Governance of Family Firms: Emerging Perspectives from Established Model"	August 25, 2023
	ICD Masterclass: The Third Series – Session 5 "Disruptive Health Innovations"	November 24, 2023
Gigi Pio de Roda	ICD Masterclass: The Third Series – Session 1 "Redefining the Future of Finance: Fintech's Role in Shaping our Economy	July 28, 2023
	ICD Masterclass:: The Third Series – Session 4 "Transforming Companies with Digital-Disruption-Ready board of directors	October 27, 2023
Avelino M. Sebastian Jr.	ICD Masterclass: The Third Series – Session 5 "Disruptive Health Innovations"	November 24, 2023
	ICD Masterclass: The Third Series – Session 6 " The Brand Architecture: A Valuable Framework for Setting Strategy"	December 15, 2023
Ricardo J. Romulo	ICD Masterclass:: The Third Series – Session 4 "Transforming Companies with Digital-Disruption-Ready board of directors	October 27, 2023
	ICD Masterclass: The Third Series – Session 5 "Disruptive Health Innovations"	November 24, 2023
Kasigod V. Jamias	ICD Masterclass: The Third Series – Session 5 "Disruptive Health Innovations"	November 24, 2023
	ICD Masterclass: The Third Series – Session 6 " The Brand Architecture: A Valuable Framework for Setting Strategy"	December 15, 2023

RIGHTS OF THE STOCKHOLDERS

The board shall respect the following rights of the stockholders in accordance with the Company Code:

- Right to vote on all matters that require their consent and approval
- Right to inspect corporate books and records
- Right to information
- Right to dividends
- Appraisal right

LIST OF STOCKHOLDERS

AS OF DECEMBER 31, 2023

		SHARES SUBSCRIBED				UNPAID SUBSCRIBED SHARES		
STOCKHOLDERS	CITIZENSHIP	CLASS A SHARES	CLASS B SHARES	TOTAL SHARES	AMOUNT SUBSCRIBED SHARES (PhP)	NUMBER OF UNPAID SUBSCRIBED SHARES	AMOUNT OF UNPAID SUBSCRIBED SHARES (PhP)	% OF SHARES HELD
Golden Eight Group Limited	British Virgin Islands	34,800,000	8,699,992	43,499,992	434,999,920.00	6,200,000	62,000,000.00	100%
David Zuellig	Filipino	-	2	2	20.00	0	0	NIL
Kasigod V. Jamias	Filipino	-	2	2	20.00	0	0	NIL
Ricardo J. Romulo	Filipino	-	2	2	20.00	0	0	NIL
Gigi Pio de Roda	Filipino	-	1	1	10.00	0	0	NIL
Avelino M. Sebastian, Jr.	Filipino	-	1	1	10.00	0	0	NIL
TOTAL		**34,800,000**	**8,700,000**	**43,500,000**	**435,000,000.00**	**6,200,000**	**62,000,000.00**	**100%**

DIVIDEND POLICY

FPG Insurance adheres to the provision of the Insurance Code of the Philippines, particularly Section 201 thereof, as amended, that the company will declare and distribute any dividend on its stocks when the minimum paid-up and net worth requirement under the code has been met. The company ensures that, as a matter of policy, dividends are to be paid to its stockholders out of unrestricted retained earnings.

In 2023, FPG Insurance did not have any dividend declaration.

AUDIT FEES

The Board of Directors has confirmed the appointment of SyCip Gorres Velayo & Co. ("SGV") as its external auditor for the fiscal year 2023.

The aggregate fees paid to SGV for 2023 is Php 2,069,760.00. There were no non-audit engagements paid to SGV for 2023.

PRODUCTS AND SERVICES

ENGINEERING
Contractor's All Risk
Electronic Equipment
Erection All Risk
Machinery Breakdown

FIRE
Commercial All Risk
Fire and Lightning including Allied Perils
Industrial All Risk
MyBusiness Mate
MyCondo Mate
MyHome Mate

MOTOR
Commercial Vehicle
MyAuto Mate
MyCTPL Mate
Motorcycle
Private Vehicle
24/7 Road Side Assistance

BONDS
Bidder's Bond
Bond for Lost Stock
Bond for Lost Checks
Down Payment Bond
General Surety Bond
Guaranty Bond
Heirs Bond
Payment Bond
Performance Bond
Performance Bond (with Salaries & Wages)
Performance (Non-construction)
Performance Bond (Combined with DP)
Real Estate Broker's Bond
Reconstituted Title Bond

CASUALTY
Comprehensive General Liability
Comprehensive Personal Liability
Cyber Insurance
Directors & Officers Liability Insurance
Employer's Liability
Errors & Omissions (for Insurance Brokers)
Event Liability
Excess Auto Liability
Fidelity Guarantee
Money, Securities & Payroll
MyCyber Protect Mate
Products Liability
Professional Liability
Policy Against All Risk
Scheduled Property Floater

PERSONAL ACCIDENT
All Occasions Card
ATM Safe
Orange Circle
MyAutoPA Mate
MyCyclingClub Mate
MyMotoClub Mate
MyPAP Mate
MyProtection Mate
MySchool Mate
MyTravel Mate Domestic
MyTravel Mate International
24/7 International Travel Assistance

MARINE
Annual Policy
Inland Policy
Open Marine Policy
Single Shipment
Stock Throughput Policy

FPG INSURANCE BRANCHES

MAKATI HEAD OFFICE
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(02) 7944-1300
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E-mail: alabang@fpgins.com

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Tel.: (045) 458-3866 | (02) 8859-1228
Email: angeles@fpgins.com

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Tel.: (02) 8242-4161 | (02) 8523-1698
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(02) 8859-1200
Mobile: (+63) 917-551-8801
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QUEZON CITY
Unit 602 & 604, The Richwell Center, 102 Timog Avenue, Quezon City, Metro Manila
Tel.: (02) 7944-1358
Email: quezoncity@fpgins.com

CORPORATE SOCIAL RESPONSIBILITY

In June 2023 FPG Insurance participated in the AyalaLand Estates: Green Run Event as a major sponsor. This fun run, held amidst the lush greenery of AyalaLand Estates' scenic properties, aimed to promote health, wellness, and environmental awareness.

Runners of all ages and fitness levels eagerly laced up their sneakers to participate in this eco-friendly event. From families with strollers to seasoned athletes, everyone came together to support a common cause: preserving our planet.

In addition to the celebration, FPG Insurance generously provided Personal Accident insurance to all runners and event participants, ensuring their safety and well-being throughout the run. Through the Green Run, FPG Insurance and AyalaLand Estates demonstrated their shared commitment to sustainability, community engagement, and supporting the health and safety of all participants.

FPG INSURANCE SUSTAINABILITY

FPG INSURANCE'S SUSTAINABILITY

With a population exceeding 117 million, the Philippines is a dynamic tapestry of communities, each facing unique challenges and vulnerabilities. At FPG Insurance, we recognize the importance of diversification in our product offerings and solutions to address the diverse perils confronting individuals and businesses. From unforeseen natural calamities to accidents involving people and the assets they cherish, we understand the vital role insurance plays in safeguarding lives and livelihoods amidst uncertainty.

Our sustainability initiatives begin inwardly with our employees and extend outward to the communities through partnerships. The culture of sustainability within our organization is fostered by our employees and partnerships, which actively engage with local communities. Our aim is to create a lasting positive impact that extends well beyond insurance coverage.

* Our sustainability initiatives focus towards:

1. **Good Health and Well-Being**: Ensure healthy lives and promote well-being for all at all ages.
2. **Gender Equality**: Achieve gender equality and empower all women and girls.
3. **Climate Action**: Take urgent action to combat climate change and its impacts.

* Based on the United Nations Department of Economic and Social Affairs Sustainable Development.

GOOD HEALTH AND WELLBEING

FPG Insurance prioritizes the holistic well-being of its employees by offering comprehensive HMO coverage that includes physical, emotional, and mental health support. This commitment is further reinforced through educational workshops and awareness talks organized by the company, along with regular health announcements and bulletins to ensure everyone remains informed about health matters.

Simultaneously, FPG Insurance demonstrates its commitment to corporate social responsibility by taking proactive steps to promote health and wellness within the community through collaborative efforts with organizations. In 2023, we partnered with AyalaLand Estates for their Green Run, a fun run event promoting both health and environmental conservation initiatives. Our employees engage enthusiastically as participants, while the organization ensures the safety and vitality of all involved by extending complimentary personal insurance coverage to reinforce our commitment to community wellbeing.

GENDER EQUALITY

In the walls of FPG Insurance, diversity thrives and every voice is valued. Gender equality isn't just a principle, it's our commitment. We strive to demonstrate the transformative power of equality deeply into the fabric of our organization.

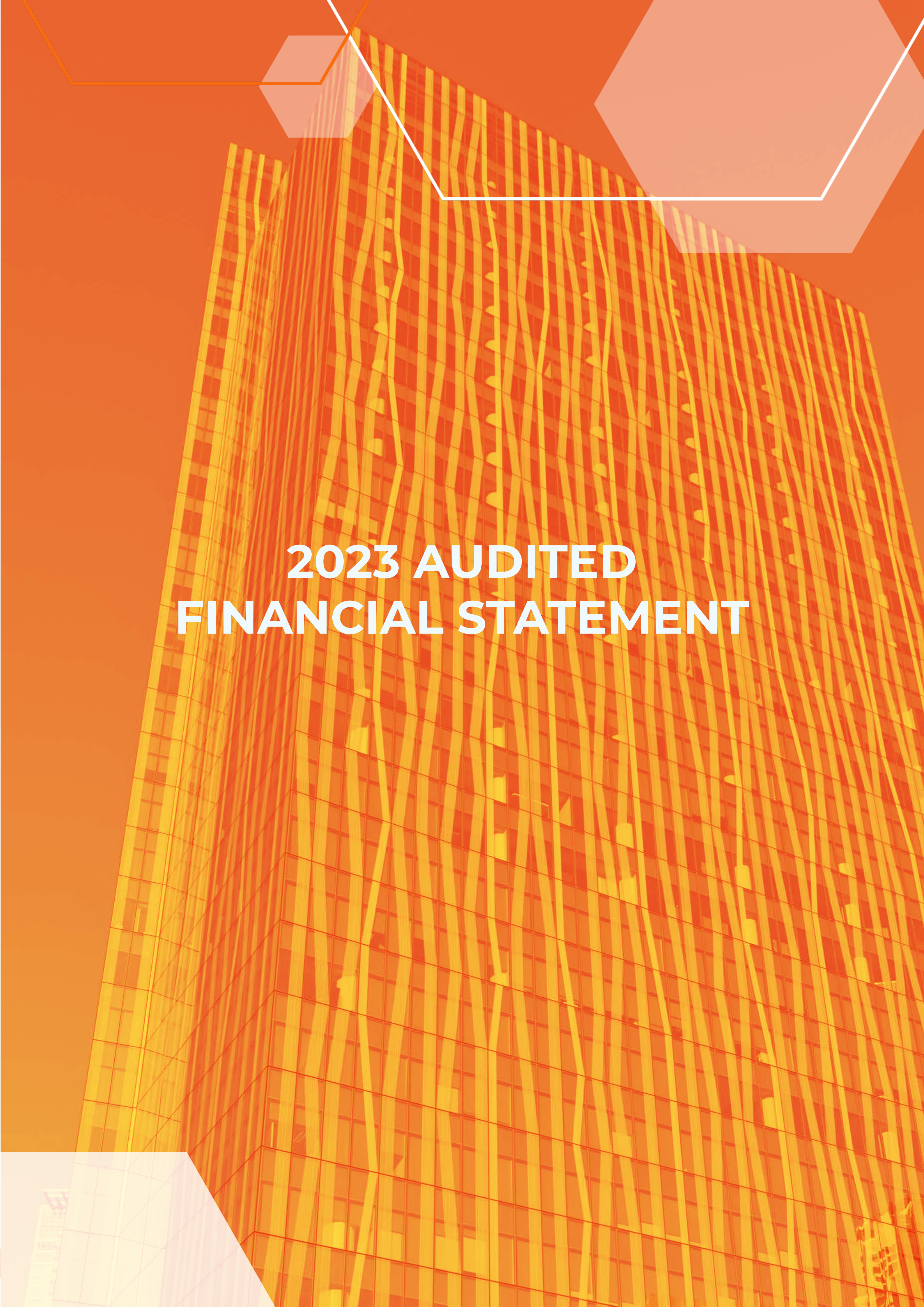
FPG Insurance's workforce is comprised of 65% female and 35% male employees. What we are even more proud of is the 50/50 split between male and female leaders in our executive ranks. This balance highlights our unwavering dedication to talent, irrespective of gender, and the power of meritocracy.

CLIMATE ACTION

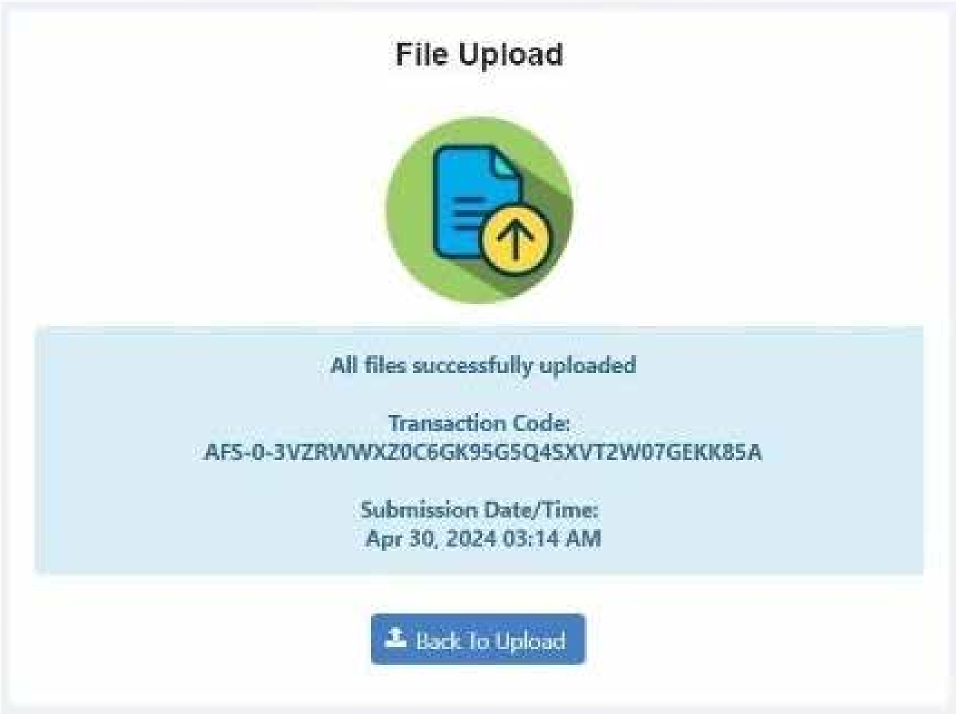
At FPG Insurance, we're on a mission to be sustainable and lead the way in environmental conservation through our innovative efforts to reduce energy consumption and paper waste.

Our "Lights Out" program exemplifies our commitment to energy reduction, actively curbing energy usage by dimming and closing office lights for one hour during working days. This initiative not only lowers our energy footprint but also fosters awareness among employees about the crucial importance of energy conservation.

Furthermore, we're revolutionizing our business practices by adopting a paperless policy issuance system. Through this transition, we issue digital policies, or e-policies, to clients instead of printed paper, significantly reducing our paper usage. This initiative not only preserves natural resources but also diminishes our environmental impact, and the company's carbon footprint.



2023 AUDITED FINANCIAL STATEMENT



Successfully submitted to BIR.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	4	0	2	5						

C O M P A N Y   N A M E

F P G I N S U R A N C E C O . , I N C .

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

6th Floor, Zuellig Building
Makati Avenue corner
Paseo de Roxas, Makati City

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

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
rdeluna@fpgins.com	+632 8859 1200	+63 977 846 7331

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	03/08	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Raul M. De Luna	rdeluna@fpgins.com	+632 8859 1200	+63 977 846 7331

CONTACT PERSON's ADDRESS

6th Floor, Zuellig Building, Makati Avenue corner Paseo de Roxas, Makati City

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
FPG Insurance Co., Inc.
6th Floor, Zuellig Building
Makati Avenue corner Paseo de Roxas
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FPG Insurance Co., Inc. (the Company), which comprise the statements of financial position as at December 31, 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 material accounting policy information.

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 Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

SGV
Building a better working world

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 31 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of FPG Insurance Co., Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
Tax Identification No. 178-486-666
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-081-2024, January 26, 2024, valid until January 25, 2027
PTR No. 10079998, January 6, 2024, Makati City

April 8, 2024

FPG INSURANCE CO., INC.
STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2023	2022 (As Restated- Note 16)	2022 (As Restated- Note 16)
ASSETS			
Cash and Cash Equivalents (Note 4)	**₱1,813,105,393**	₱1,605,310,992	₱1,661,899,395
Short-term Investments (Note 4)	**1,394,814**	1,378,222	1,346,497
Insurance Receivables (Note 5)	**2,277,224,115**	1,978,751,615	1,869,966,784
Financial Assets			
Fair Value Through Profit or Loss (Note 6)	**340,846,178**	352,369,010	419,386,815
Fair Value Through Other Comprehensive Income (Note 6)	**971,993,163**	862,425,862	876,717,754
Amortized Cost (Note 6)	**516,993,095**	547,772,261	702,815,271
Loans and Receivables (Note 7)	**165,581,778**	129,047,146	113,506,847
Reinsurance Assets (Notes 8 and 14)	**2,460,606,256**	3,152,493,565	2,615,422,994
Accrued Interest Income (Note 9)	**26,084,735**	23,203,859	12,813,988
Deferred Acquisition Costs (Note 10)	**404,404,104**	291,382,030	273,552,019
Investment Properties (Note 11)	**2,745**	2,745	2,745
Property and Equipment - net (Note 12)	**40,958,191**	44,238,287	41,631,678
Right-of-use Assets - net (Note 28)	**100,712,081**	133,134,100	31,265,910
Deferred Tax Assets – net (Note 24)	**66,064,088**	38,655,794	44,508,432
Other Assets – net (Note 13)	**525,657,538**	455,257,270	336,013,287
	₱9,711,628,274	₱9,615,422,758	₱9,000,850,416
LIABILITIES AND EQUITY			
LIABILITIES			
Insurance Contract Liabilities (Note 14)	**₱4,296,301,581**	₱4,528,456,821	₱4,466,696,315
Insurance Payables (Note 15)	**1,497,217,543**	1,669,510,521	1,463,034,329
Accounts Payable and Accrued Expenses (Note 16)	**1,204,058,260**	1,209,436,955	1,404,724,192
Deferred Reinsurance Commissions (Note 10)	**135,591,528**	92,333,319	70,452,546
Lease Liabilities (Note 28)	**108,498,635**	138,752,050	28,690,523
Net Pension Liability (Note 23)	**20,114,448**	5,320,184	26,059,512
Income Tax Payable	**3,607,870**	10,190,418	3,608,170
	7,265,389,865	7,654,000,268	7,463,265,587
EQUITY			
Capital Stock (Note 17)	**373,000,000**	373,000,000	373,000,000
Contingency Surplus (Note 17)	**1,356,539,104**	1,049,000,000	1,049,000,000
Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 6)	**11,939,817**	(29,213,941)	56,440,534
Remeasurement Losses on Defined Benefit Obligation (Note 23)	**(16,857,725)**	(9,521,168)	(26,283,547)
Retained Earnings			
Unappropriated	**709,112,098**	565,652,484	72,922,727
Appropriated (Note 17)	**12,505,115**	12,505,115	12,505,115
	2,446,238,409	1,961,422,490	1,537,584,829
	₱9,711,628,274	₱9,615,422,758	₱9,000,850,416

See accompanying Notes to Financial Statements.

FPG INSURANCE CO., INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2023	2022
Gross earned premiums on insurance contracts (Notes 14 and 18)	**₱4,596,496,629**	₱4,014,109,381
Reinsurers' share of gross earned premiums on insurance contracts (Notes 14 and 18)	**2,904,748,364**	2,785,059,821
NET EARNED PREMIUMS	**1,691,748,265**	1,229,049,560
Commission income (Note 10)	**411,796,548**	361,591,306
Investment income - net (Note 19)	**187,104,287**	83,767,454
Foreign exchange gain (loss) – net	**(5,333,633)**	74,899,817
Gain on sale of property and equipment (Note 12)	**245,794**	–
OTHER INCOME	**593,812,996**	520,258,577
TOTAL INCOME	**2,285,561,261**	1,749,308,137
Gross insurance contract benefits and claims paid (Notes 14 and 20)	**1,353,331,668**	1,287,244,365
Reinsurers' share of gross insurance contract benefits and claims paid (Notes 14 and 20)	**(681,292,144)**	(702,490,875)
Gross change in insurance contract liabilities (Notes 14 and 20)	**(928,992,913)**	(111,204,847)
Reinsurers' share of gross change in insurance contract liabilities (Notes 14 and 20)	**1,035,679,382**	(344,616,271)
NET INSURANCE BENEFITS AND CLAIMS	**778,725,993**	128,932,372
EXPENSES		
Operating expenses (Note 21)	**710,557,661**	550,654,098
Commission expense (Note 10)	**640,079,034**	550,527,865
Interest expense (Notes 15 and 28)	**9,050,955**	785,006
TOTAL EXPENSES	**1,359,687,650**	1,101,966,969
TOTAL BENEFITS, CLAIMS AND OTHER EXPENSES	**2,138,413,643**	1,230,899,341
INCOME BEFORE INCOME TAX	**147,147,618**	518,408,796
PROVISION FOR INCOME TAX (Note 24)	**3,688,004**	25,679,039
NET INCOME	**₱143,459,614**	₱492,729,757

See accompanying Notes to Financial Statements.

FPG INSURANCE CO., INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
NET INCOME	**₱143,459,614**	₱492,729,757
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods:		
Unrealized fair value gain (loss) on financial assets at FVOCI (Note 6)	**37,039,598**	(97,316,044)
Transfers to profit and loss (Note 6)	**4,114,160**	11,661,569
	41,153,758	(85,654,475)
Items that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gain (loss) on defined benefit obligation (Note 23)	**(9,555,036)**	22,349,840
Tax effect	**2,218,479**	(5,587,460)
	(7,336,557)	16,762,379
	33,817,201	(68,892,096)
TOTAL COMPREHENSIVE INCOME	**₱177,276,815**	₱423,837,661

See accompanying Notes to Financial Statements.

FPG INSURANCE CO., INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Capital stock (Note 17)	Contingency surplus (Note 17)	Net unrealized gain on financial assets at FVOCI (Note 6)	Remeasurement losses on defined benefit obligation (Note 23)	Retained earnings		Total
					Unappropriated	Appropriated (Note 17)	
As of January 1, 2023, as previously reported	**₱373,000,000**	**₱1,049,000,000**	**(₱29,213,941)**	**(₱9,521,168)**	**₱425,441,525**	**₱12,505,115**	**₱1,821,211,531**
Effect of prior year adjustment (Note 16)	–	–	–	–	**140,210,959**	–	**140,210,959**
Balance at January 1, 2023, as restated	**₱373,000,000**	**₱1,049,000,000**	**(₱29,213,941)**	**(₱9,521,168)**	**₱565,652,484**	**₱12,505,115**	**₱1,961,422,490**
Net income for the year	–	–	–	–	**143,459,614**	–	**143,459,614**
Other comprehensive income (loss)	–	–	**41,153,758**	**(7,336,557)**	–	–	**33,817,201**
Total comprehensive income (loss) for the year	–	–	**41,153,758**	**(7,336,557)**	**143,459,614**	–	**177,276,815**
Additional contribution	–	**307,539,104**	–	–	–	–	**307,539,104**
As of December 31, 2023	**₱373,000,00**	**₱ 1,356,539,104**	**₱11,939,817**	**(₱16,857,725)**	**₱709,112,098**	**₱12,505,115**	**₱2,446,238,409**
As of January 1, 2022, as previously reported	₱373,000,000	₱1,049,000,000	₱56,440,534	(₱26,283,547)	(₱67,288,232)	₱12,505,115	₱1,397,373,870
Effect of prior year adjustment (Note 16)	–	–	–	–	140,210,959	–	140,210,959
Balance at January 1, 2022, as restated	₱373,000,000	₱1,049,000,000	₱56,440,534	(₱26,283,547)	₱72,922,727	₱12,505,115	₱1,537,584,829
Net income for the year	–	–	–	–	492,729,757	–	492,729,757
Other comprehensive income (loss)	–	–	(85,654,475)	16,762,379	–	–	(68,892,096)
Total comprehensive income (loss) for the year	–	–	(85,654,475)	16,762,379	492,729,757	–	423,837,661
As of December 31, 2022	₱373,000,000	₱1,049,000,000	(₱29,213,941)	(₱9,521,168)	₱565,652,484	₱12,505,115	₱1,961,422,490

See accompanying Notes to Financial Statements.

FPG INSURANCE CO., INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱147,147,618**	₱518,408,796
Adjustments for:		
Provision for (reversal of) impairment (Note 21)		
Financial assets	**298,452**	(1,382,975)
Loans and receivables	**-**	5,321,284
Insurance receivables	**-**	3,507,327
Other assets	**-**	(19,961,466)
Depreciation and amortization (Notes 12, 21 and 28)	**64,575,387**	45,245,915
Retirement expense (Note 23)	**10,239,228**	15,110,511
Interest expense (Notes 15 and 28)	**9,050,955**	785,006
Interest income (Note 19)	**(158,989,450)**	(91,261,054)
Unrealized foreign exchange loss (gain) – net	**5,333,633**	(74,899,816)
Dividend income (Note 19)	**(5,998,708)**	(7,232,118)
Fair value loss (gain) on financial assets at FVTPL (Note 6)	**(26,230,289)**	2,237,540
Loss on sale of investments at FVOCI (Note 6)	**4,114,160**	12,488,178
Gain on sale of property and equipment (Note 12)	**(245,794)**	-
Operating gain before working capital changes	**49,295,191**	408,367,128
Changes in operating assets and liabilities		
Decrease (increase) in:		
Short-term investments	**(16,592)**	(31,725)
Loans and receivables	**(36,534,632)**	(20,861,583)
Deferred acquisition costs	**(113,022,074)**	(17,830,011)
Insurance receivables	**(278,981,663)**	(24,275,550)
Other assets	**(73,571,307)**	(99,282,515)
Reinsurance assets	**691,887,309**	(537,070,571)
Increase (decrease) in:		
Insurance payables	**(172,292,978)**	206,476,192
Insurance contract liabilities	**(232,155,239)**	61,760,506
Deferred reinsurance commissions	**43,258,209**	21,880,773
Accounts payable and accrued expenses	**(5,378,697)**	(195,287,237)
Net cash used in operations	**(127,512,473)**	(196,154,593)
Interest paid on funds held for reinsurers (Note 15)	**-**	(457,512)
Contributions to retirement fund (Note 23)	**(5,000,000)**	(13,500,000)
Income tax paid	**(35,460,368)**	(18,831,613)
Net cash used in operating activities	**(167,972,841)**	(228,943,718)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale / maturities of:		
Investments in financial assets at FVTPL (Note 6)	**517,159,205**	477,404,104
Investments in financial assets at FVOCI (Note 6)	**229,864,329**	222,000,000
Financial assets at amortized cost (Note 6)	**129,700,000**	178,936,637
Property and equipment (Note 12)	**245,794**	3,626,061

(Forward)

	Years Ended December 31	
	2023	2022
Interest received	**₱156,108,574**	₱81,833,922
Dividends received	**5,998,708**	7,232,118
Acquisitions of:		
Investments in financial assets at FVTPL (Note 6)	**(479,406,084)**	(412,623,839)
Investments in financial assets at FVOCI (Note 6)	**(302,392,032)**	(305,024,152)
Investments in financial assets at amortized cost (Note 6)	**(102,679,874)**	(24,300,000)
Property and equipment (Note 12)	**(17,184,162)**	(25,122,787)
Net cash provided by investing activities	**137,414,458**	203,962,064
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of additional contributions from stockholders (Note 17)	**307,539,104**	-
Payment of principal and interest on lease liabilities (Note 28)	**(44,361,850)**	(18,489,955)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**232,618,871**	(43,471,611)
EFFECT OF FOREIGN EXCHANGE LOSS	**(24,824,470)**	(13,116,792)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,605,310,992**	1,661,899,395
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,813,105,393**	₱1,605,310,992

See accompanying Notes to Financial Statements.

1. Corporate Information

FPG Insurance Co., Inc. (the Company) is a nonlife insurance company incorporated in the Philippines in 1958. The Company offers insurance coverages for fire and allied perils, motor, casualty, marine, medical, personal accident and engineering. The Company has seven (8) branches located in Angeles, Dagupan, Binondo, Davao, Cagayan de Oro, Quezon City, Cebu, Ortigas, and four (4) satellite offices located in Laguna, General Santos, Iloilo City and Alabang. It has a certificate of authority issued by the Insurance Commission (IC) to transact in non-life business until December 31, 2024.

In a special Board of Directors' (BOD) meeting on November 12, 2007, it was approved that the Articles of Incorporation will be amended to extend the existence of the Company to another fifty years from its original expiry date. The Philippine Securities and Exchange Commission (SEC) approved the Amended Articles of Incorporation on January 29, 2008.

In a special BOD meeting on November 19, 2014, it was approved that the Articles of Incorporation and By-laws will be amended to change the Company's name from Federal Phoenix Assurance Co., Inc. to FPG Insurance Co., Inc. On January 5, 2015 and February 3, 2015, the amended Articles of Incorporation and By-laws was approved by the Insurance Commission (IC) and SEC, respectively.

The Company's equity is being held by Golden Eight Group Limited (Parent Company), a holding company incorporated in the British Virgin Islands.

The registered office address of the Company is 6th Floor, Zuellig Building, Makati Avenue corner Paseo de Roxas, Makati City.

2. Summary of Material Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) that have been measured at fair value.

The financial statements are presented in Philippine peso (PHP or ₱) which is also the Company's functional currency. All amounts are rounded off to the nearest peso, unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards that became effective in 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 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 to the Practice Statement provide non-mandatory guidance.

- 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.

- 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).

- 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.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

  Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt these pronouncements when they become effective. Adoption of these pronouncements is not expected to have any significant impact on the financial statements of the Company unless otherwise indicated.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, which is based on the following building blocks for each group of insurance contracts: (a) fulfilment cash flows and (b) a contractual service margin or CSM (i.e., unearned profit). This is supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with full retrospective application from the transition date is required. The transition date is the beginning of the annual reporting period immediately preceding the date of initial application. If it is impracticable to apply PFRS 17 retrospectively for a group of insurance contracts, the Company must apply either the modified retrospective approach or the fair value approach. Early application is permitted.

The Company does not intend to early adopt PFRS 17. The Company continues its assessment of the implications of this standard and expects that it will have a significant impact on the Company's financial statements as the requirements of the new standard are complex and requires application of significant judgments and estimates. Specifically, the establishment of CSM (or the unearned profits) on in-force insurance contracts will result in adjustments in insurance contract liabilities and corresponding movements in equity upon transition. Subsequently, the Company expects changes in the timing and recognition of the profits via amortization of the CSM into income as services are provided. The Company is continuously assessing the potential impact of all other changes including accounting policy choices available under PFRS 17 on how insurance contract liabilities are measured and the impact on presentation and disclosure of the financial results in the financial statements.

The adoption of PFRS 17 requires significant changes to the Company's accounting and reporting processes. To ensure readiness, the Company has invested on financial technology platforms that will enhance data capture, improve assumptions, among others and subsequently, produce management information for financial planning and enhance business and strategic analyses.

The Company has established a transition program for PFRS 17 and has dedicated significant resources to execute and oversee the plan to manage operational, regulatory, and business and strategic risks associated with the implementation of this standard.

For the year ended December 31, 2023, the Company has yet to perform parallel reporting as it is currently working on building and testing the system to be used in PFRS 17 implementation. Further, the Company is closely coordinating with PIRA, Inc. and External consultants to ensure alignment with the industry implementation.

A reliable estimate of the impact to the Company's financial statements arising from the initial application of PFRS 17 is not yet available as implementation is still in progress which includes enhancements to the Company's accounting systems and updating of the accounting manual and operating controls.

- Amendments to PAS 21*, Lack of exchangeability*

Deferred effectivity

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

Summary of Material Accounting Policy Information

Foreign Currency Transactions and Translations

Transactions in foreign currencies are initially recorded at the foreign currency rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are taken to the statement of income, except where it relates to equity securities at FVOCI where gains or losses are recognized directly in other comprehensive income.

Product Classification

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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

Fair Value Measurement

For measurement and disclosure purposes, the Company determines fair value of an asset or a liability at initial measurement date or at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statement on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) and at the end of each reporting period.

Cash and Cash Equivalents
Cash comprises cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to insignificant risk of changes in value.

Short-term Investments
Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but less than one (1) year from dates of placement. These earn interests at the respective short-term investment rates.

Insurance Receivables
Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method.

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

Financial Instruments
Date of recognition
Financial instruments within the scope of PFRS 9, *Financial Instruments,* are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using the settlement date accounting.

Initial measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Insurance receivables are recognized on policy inception dates measured on initial recognition at the fair value of the consideration receivable for the period of coverage.

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments),
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments),
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As of December 31, 2023 and 2022, the Company's financial assets at amortized cost includes 'cash and cash equivalents', 'short-term investments', 'loans and receivables', 'financial assets at amortized cost', 'insurance receivables', 'accrued interest income', 'reinsurance recoverable on unpaid losses', and 'security deposits.'

Financial assets at fair value through OCI (debt instruments)
The Company measures financial assets at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2023 and 2022, the Company's financial assets at fair value through OCI includes investments in quoted debt instruments.

Financial assets at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

In 2023 and 2022, the Company has not classified any of its equity investments to be measured at fair value through OCI.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortized cost
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.

The Company's financial liabilities at amortized cost include 'accounts payable and accrued expenses,' 'insurance payables' and 'lease liability.'

Other financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Impairment of Financial Assets
The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For insurance receivables and loans and receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash, short-term investments, and debt instruments at amortized cost and fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the financial assets. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) with each of the parameter independently modelled.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is based on issuers' external credit rating and apply forecasting techniques using historical data to estimate the average cumulative default rates at a given point in time and workout forward-looking PD curve per rating grade projected using economic forecasts.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For the Company's financial assets, EAD represents their carrying values.

LGD is the amount that may not be recovered in the event of default and is modelled based on issuers' external credit rating. For issuers without internal nor external credit rating, LGD estimation is modeled using benchmarking approach where comparable companies having the same industry and similar financial characteristics as that of the issuer are considered.

For insurance receivables and loans and receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For related party transactions, the Company does not expect any significant credit risk and therefore, the probability of default and resulting ECL is minimal. Balances will be reviewed at least annually for recoverability and specific impairment will be made as necessary.

Economic overlays
The Company incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to the expected future macroeconomic atmosphere. A broad range of economic indicators were considered for the economic inputs. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Overlay factors are modeled using Regression Analysis (backward elimination method).

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

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

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

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

Short-term Investments
Short-term investments pertain to time deposits with terms exceeding three months but not more than one year and earns interest at the respective short-term investment rates.

Reinsurance assumed
The Company also assumes reinsurance risk in the normal course of business for non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Insurance Receivables
Premium receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in statement of income.

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

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

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

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

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

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

When the Company enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Company initially recognizes a liability at transaction price upon inception of the underlying contract. Subsequent to initial recognition, the portion of the amount initially recognized as a liability which is presented as 'insurance payables' in the liabilities section of the company statement of financial position will be withheld and recognized as 'funds held for reinsurers'. The amount of funds held by reinsurers is a percentage of the insurance payable, as required by the IC and also included as part of the insurance payables in the liabilities section of the company statement of financial position. The amount withheld is generally released after a year (assuming that the underlying agreement is due within a year) or when treaty agreement is terminated.

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

Subsequent to initial recognition, these costs are amortized using the 24^{th} method. Amortization is charged against the statement of income. The unamortized acquisition costs are shown as "Deferred Acquisition Costs" in the assets section of the statement of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount and the impairment loss is charged against the statement of income. The deferred acquisition cost is also considered in the liability adequacy test for each end of the reporting period.

Investment Property
Land held for long term rental yields and/or for capital appreciation is classified as investment property. In the same way, land held for currently undetermined future use is an investment property.

Investment property is carried at cost net of any impairment in value.

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

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of income during the financial period in which they are incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Years
Computer equipment	3-5
Transportation equipment	5
Office furniture, fixtures and equipment	3
Leasehold improvements	3 or remaining lease term, whichever is shorter

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

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

Impairment of Nonfinancial Assets

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

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

<u>Creditable Withholding Taxes (CWTs)</u>
Creditable withholding pertains to the tax paid by the Company that is withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under "other assets" account. At each end of the tax reporting deadline, these CWTs may either be offset against future income tax payable or be claimed as a refund from the taxation authorities at the option of the Company.

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

<u>Value-added Tax (VAT)</u>
Revenue, expenses and assets are recognized net of the amount of sales tax except:

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

The net amount of tax recoverable from, or payable to, the tax authority is included as part of "other assets" or "accounts payable and accrued expenses" in the statement of financial position.

<u>Insurance Contract Liabilities</u>
Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Premium liabilities
Premium liabilities is equal to the provision for unearned premiums plus the difference between the provision for unexpired risk and the provision for unearned premiums, net of deferred acquisition costs, if the provision for unexpired risk is greater than the provision for unearned premiums net of deferred acquisition costs. Otherwise, it is equal to the provision for unearned premiums.

Provision for Unearned Premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from insurance contracts are recognized as revenue over the period of the contracts using the 24^{th} method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as provision for unearned premiums as part of insurance contract liabilities and presented in the liabilities section of the statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for unexpired risk
Provision for unexpired risk (URR) is the best estimate that relates to expected future claim payments and related expenses to be incurred after the valuation date, arising from future events. This shall be calculated as the best estimate of future claims and expenses for all classes of business, with MfAD.

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

The Company shall include an MFAD to allow for inherent uncertainty of the best estimate of the policy reserves which shall be determined at least on an annual basis based on standard projection techniques or combination of such techniques such as, but not limited to, the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the policy liabilities at the 75% level of sufficiency.

Provision for claims handling expense (CHE) is also calculated to cover estimated expenses of settling all claims, both reported and unreported, outstanding as of the reporting date.

Quarterly, an actuarial valuation is performed on the gross and net claims and premium liabilities to ensure that the reserves are in compliance with the Valuation Standards for Non-Life Insurance Policy Reserves as required by the IC guided by Sections 219 and 220 of the Amended Insurance Code (Republic Act (RA) No. 10607) along with Circular Letters No. 2018-18 and No. 2018-19. Additional reserves are set up if the result of the actuarial investigation shows that the existing balances are not in accordance with the mandate of IC.

Claim cost recognition
Liabilities for unpaid claim costs and claim adjustment expenses relating to insurance contracts are accrued when the insured events occur.

An insurance contract remains in force at the inception date of policy until its maturity or expiry regardless of the number of the claims reported and, for as long as the coverage is sufficient.

Insurance Payables
Insurance payables are recognized when due and measured on initial recognition at the fair value of the consideration received less attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

Insurance payables are derecognized when the obligation under the liability is settled, cancelled or expired.

Pension Cost
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the

present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit cost comprises the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

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

Equity
Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to additional paid-in capital account.

Additional paid-in capital includes any premiums received in excess of par value on the issuance of capital stock.

Share issuance costs incurred as necessary part of completing an equity transaction are accounted for as part of that transaction and are treated as a deduction from additional paid-in capital from previous share issuance. If the additional paid-in capital account is not sufficient, the excess is deducted from retained earnings.

Contingency surplus represents contributions of the stockholders to cover any unexpected deficiency in the Margin of Solvency (MOS) as required under the Code and can be withdrawn only upon the approval of the IC.

Retained earnings include all the accumulated earnings of the Company, less any amount of dividends declared.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Other income

Income from other sources is recognized when earned.

The following revenue accounts are outside the scope of PFRS 15:

Premiums Revenue

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

Premiums from insurance contracts are recognized as revenue over the period of the contracts using the 24^{th} method. The portion of the premiums written that relate to the unexpired periods of the policies at the end of the reporting period is accounted for as provision for unearned premiums and presented as part of “insurance contract liabilities” in the liabilities section of the statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums shown as part of reinsurance assets presented in the assets section of the statement of financial position. The net changes in these accounts between reporting dates are included in the determination of net insurance revenue.

Reinsurance Commissions

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

Interest income

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

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

Dividend income
Dividend income is recognized when the shareholders' right to receive the payment is established.

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

Benefits and Claims
Benefits and claims consist of benefits and claims paid to policyholders, which includes changes in the valuation of insurance contract liabilities, including IBNR. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Commission expense
Commissions are recognized as expense over the period of the contracts using the 24th method for polices with a term of exactly one year, otherwise, 365th method is used. The portion of the commissions that relates to the unexpired periods of the policies at reporting date is accounted for as "Deferred Acquisition Cost" and presented in the asset section of the statement of financial position.

General expenses
General expenses are recognized in the statement of income as they are incurred.

Leases
Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognizes lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

The lessee has the option to elect the short-term lease and/or lease of low-value asset recognition exemptions. A lessee that makes this accounting policy election does not recognize a lease liability or right of use asset on its balance sheet. Instead, the lessee recognizes the lease payment associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The lessee applies another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

Right of use assets
The Company recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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

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

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., cost of leased assets below ₱0.3 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

<u>Income Tax</u>
Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the end of the reporting period.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period. Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the statement of other comprehensive income.

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

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

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements necessitates the use of judgments and estimates. These judgments and estimates affect the reported amounts of assets and liabilities and contingent liabilities at the reporting period date as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as at the reporting date, the actual outcome may differ from these estimates, possibly significantly.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments

a. Going concern
The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

b. Product classification
The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

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

c. Determination of lease term of contracts with renewal and termination options – Company as a lessee
The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Estimates

a. *Leases - estimating the incremental borrowing rate*
   The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

   The present value of the lease payments is determined using the discount rate representing the rate of interest applicable for currency of the lease contract and for similar tenor, adjusted by credit spread of the Company, observed in the period when the lease contract commences or is modified. Lease liabilities recognized as of December 31, 2023 and 2022 amounted to ₱108.50 million and ₱138.75 million, respectively (see Note 28).

b. *Impairment of financial assets*
   The Company uses a provision matrix to calculate ECLs for financial assets for insurance receivables and loans and receivables. The provision matrix is initially based on the Company's historical observed default rates.

   For debt investments classified and measured at amortized cost and FVOCI, the Company uses the available historical default rate based on the credit rating of the specific investments. The Company will adjust the historical default rates with forward-looking information, if any. For instance, if forecast economic conditions (i.e., inflation and gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industry, the historical default rates are adjusted. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analyzed.

   The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

   Allowance for expected credit losses for insurance receivables amounted to ₱31.04 million as of December 31, 2023 and 2022, for both years (see Note 5).

   Allowance for impairment losses for investments in financial assets at amortized cost amounted to ₱0.61 million and ₱0.31 million as of December 31, 2023 and 2022, respectively (see Note 6).

   The Company recognized a reversal of impairment of financial assets at FVOCI amounting to ₱0.83 million in 2022 (see Note 6).

   Allowance for expected credit losses for loans and receivables amounted to ₱57.34 million as of December 31, 2023 and 2022, for both years (see Note 7).

c. *Evaluation of impairment of property and equipment, right of use assets, and other assets*

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 underperformance 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, the Company has recognized allowance for impairment losses amounting to ₱95.19 million on its creditable withholding taxes (see Note 13).

d. *Claims liability arising from insurance contracts*

For nonlife insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at reporting date and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision. The IBNR provision of the Company has been calculated using standard actuarial projection techniques using past development patterns to determine the expected future development and project the claim amounts for each accident year to its ultimate value. A number of different valuation methodologies have been adopted, each with their own strengths and blended them together which include: (a) paid chain ladder method (with and without Bornhuetter-Ferguson (BF) adjustments); (b) reported chain ladder method (with and without BF adjustments); and (c) expected loss ratio method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

The main assumptions underlying the estimation of the claims provision is that a Company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. Historical claims development is mainly analyzed by accident years, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

For motor claims, amount of claim cost for total loss recognized in statement of income is net of any salvage recoveries. Salvage recoveries is estimated using historical disposal value of units recovered.

For motor claims, amount of claim cost for total loss recognized in statement of income is net of any salvage recoveries. Salvage recoveries is estimated using historical disposal value of units recovered.

The carrying value of provision for outstanding claims and IBNR amounted to ₱1.96 billion and ₱2.89 billion as of December 31, 2023 and 2022, respectively (see Note 14).

e. *Fair values of financial assets*
The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets and liabilities are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

As of December 31, 2023 and 2022, the total fair value of financial assets at FVTPL and FVOCI amounted to ₱1.31 billion and ₱1.21 billion, respectively (see Note 6).

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

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date. Refer to Note 23 for the details of assumptions used in the calculation.

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

The Company's net pension obligation amounted to ₱20.11 million and ₱5.32 million as of December 31, 2023 and 2022, respectively (see Note 23).

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

The deferred tax assets recognized as of December 31, 2023 and 2022 amounted to ₱77.33 million and ₱60.66 million, respectively (see Note 24).

h. *Estimation of useful lives of property and equipment*
The Company reviews annually the estimated useful lives of property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

4. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

	2023	2022
Cash on hand	**₱105,800**	₱89,799
Cash in banks	**195,914,725**	399,067,904
Cash equivalents	**1,617,091,935**	1,206,160,356
	1,813,112,460	1,605,318,059
Less: Allowance for expected credit losses	**(7,067)**	(7,067)
	₱1,813,105,393	₱1,605,310,992

Cash on hand pertains to administrative petty cash, commission fund, and revolving fund used for payment of operating expenses, commissions, and claims payment for the branches and satellite offices.

Cash in banks earns interest at the respective bank's deposit rates. It earned interest ranging from 0.10% to 0.50% in both 2023 and 2022.

Cash equivalents are made for varying periods of up to three months or less depending on the immediate cash requirements of the Company and earned interest ranging from 1.175% to 6.125% in both 2023 and 2022.

Short-term Investments
Short-term investments pertain to time deposits with terms of more than 90 days but less than 360 days and earn interest at 1.25% in both 2023 and 2022.

Interest income earned from cash and cash equivalents and short-term investments amounted to ₱74.50 million and ₱6.61 million in 2023 and 2022, respectively (see Note 19). Interest accrued on cash and cash equivalents and short-term investments amounted to ₱9.50 million and ₱4.73 million as of December 31, 2023 and 2022, respectively (see Note 9).

5. Insurance Receivables

This account consists of:

	2023	2022
Due from:		
Brokers and agents	**₱1,970,142,810**	₱1,716,590,992
Ceding companies and reinsurers	**102,727,667**	91,944,138
Reinsurance recoverable on paid losses	**235,389,026**	201,251,873
	2,308,259,503	2,009,787,003
Less: Allowance for expected credit losses	**(31,035,388)**	(31,035,388)
	₱2,277,224,115	₱1,978,751,615

Due from brokers and agents are premiums collected by the brokers and agents from policyholders. Due from ceding companies and reinsurers are premium-related balances due from insurance companies seeking reinsurance from the Company.

Reinsurance recoverable on paid losses pertains to recoveries of the Company from facultative and treaty reinsurers for policies where claims payments to the insured were already made.

The following table shows aging information of insurance receivables balances:

	2023					
	1 to 90 days	**91 to 120 days**	**121 to 150 days**	**151 to 180 days**	**More than 180 days**	**Total**
Due from brokers and agents	**₱1,140,740,260**	**₱210,095,927**	**₱84,772,079**	**₱71,170,118**	**₱463,364,426**	**₱1,970,142,810**
Due from ceding companies and reinsurers	**10,695,616**	**8,131,472**	**5,622,718**	**4,686,712**	**73,591,149**	**102,727,667**
Reinsurance recoverable on paid losses	**277,795**	**383,623**	**1,053,481**	**819,573**	**232,854,554**	**235,389,026**
	₱1,151,713,672	**₱218,611,022**	**₱91,448,277**	**₱76,676,403**	**₱769,810,129**	**₱2,308,259,503**

	2022					
	1 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	More than 180 days	Total
Due from brokers and agents	₱769,761,031	₱160,066,462	₱39,409,199	₱56,833,370	₱690,520,930	₱1,716,590,992
Due from ceding companies and reinsurers	3,689,232	7,488,118	1,853,394	7,776,630	71,136,764	91,944,138
Reinsurance recoverable on paid losses	14,951,528	544,384	342,191	1,108,494	184,305,276	201,251,873
	₱788,401,791	₱168,098,964	₱41,604,784	₱65,718,494	₱945,962,970	₱2,009,787,003

As of December 31, 2023 and 2022, allowance for expected credit losses on insurance receivables follows:

	2023			
	Due from brokers and agents	**Due from ceding companies and reinsurers**	**Reinsurance recoverable on paid losses**	**Total**
Balance at beginning of year	**₱29,669,079**	**₱520,640**	**₱845,669**	**₱31,035,388**
Provision for expected credit losses during the year (Note 21)	**–**	**–**	**–**	**–**
Balance at end of year	**₱29,669,079**	**₱520,640**	**₱845,669**	**₱31,035,388**

	2022			
	Due from brokers and agents	Due from ceding companies and reinsurers	Reinsurance recoverable on paid losses	Total
Balance at beginning of year	₱26,161,752	₱520,640	₱845,669	₱27,528,061
Provision for expected credit losses during the year (Note 21)	3,507,327	–	–	3,507,327
Balance at end of year	₱29,669,079	₱520,640	₱845,669	₱31,035,388

6. **Financial Assets**

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

	2023	2022
Financial assets at FVTPL	**₱340,846,178**	₱352,369,010
Financial assets at FVOCI	**971,993,163**	862,425,862
Financial assets at amortized cost	**516,993,095**	547,772,261
	₱1,829,832,436	₱1,762,567,133

As of December 31, 2023 and 2022, investments in securities included in each of the categories above are detailed as follows:

(a) Financial assets at FVTPL

	2023	2022
Listed common shares	**₱245,425,244**	₱284,769,809
Club shares	**52,300,000**	34,900,000
Unit investment trust fund	**43,100,934**	32,679,201
Unlisted shares	**20,000**	20,000
	₱340,846,178	₱352,369,010

The movements in financial assets at FVTPL follows:

	2023	2022
At January 1	**₱352,369,010**	₱419,386,815
Additions	**479,406,084**	412,623,839
Disposals	**(517,159,205)**	(477,404,104)
Fair value gain (loss) on financial assets at FVTPL (Note 19)	**26,230,289**	(2,237,540)
At December 31	**₱340,846,178**	₱352,369,010

Dividend income from financial assets at FVTPL amounted to ₱6.00 million and ₱7.23 million in 2023 and 2022, respectively (see Note 19).

(b) Financial assets at fair value through OCI

All of Company's financial assets at FVOCI are invested in government debt securities (treasury bonds/bills).

The movements in financial assets at FVOCI follows:

	2023	2022
At January 1	**₱862,425,862**	₱876,717,754
Additions	**302,392,032**	305,024,152
Disposals/maturities/redemptions	**(229,864,329)**	(222,000,000)
Fair value gain (loss) recognized in OCI	**37,039,598**	(97,316,044)
	₱971,993,163	₱862,425,862

Amortized cost of financial assets at FVOCI amounted to ₱948.25 million and ₱883.61 million in 2023 and 2022, respectively.

The rollforward of the net unrealized gain (loss) on financial assets at FVOCI is shown below:

	2023	2022
Balance at beginning of the year	**(₱29,213,941)**	₱56,440,534
Fair value gain (loss) recognized in OCI	**37,039,598**	(98,142,653)
Transferred to profit or loss:		
Loss on sale (Note 19)	**4,114,160**	12,488,178
Balance at end of year	**₱11,939,817**	(₱29,213,941)

Loss on sale of financial assets at FVOCI amounted to ₱4.11 million and ₱12.49 million in 2023 and 2022, respectively.

(c) Financial assets at amortized cost

	2023	2022
Government debt securities	**₱452,661,456**	₱448,273,663
Corporate debt securities	**64,940,000**	99,808,507
	517,601,456	548,082,170
Less: allowance for expected credit losses	**608,361**	309,909
	₱516,993,095	₱547,772,261

The movements in financial assets at amortized cost before impairment follows:

	2023	2022
At January 1	**₱548,082,170**	₱703,681,546
Additions	**102,679,873**	24,300,000
Maturities	**(129,700,000)**	(178,936,637)
Amortization of premium	**(3,460,588)**	(962,739)
	₱517,601,456	₱548,082,170

The costs of investment in securities are as follows:

	2023	2022
Debt securities		
Government treasury bonds/bills	**₱1,339,913,466**	₱1,339,913,466
Corporate bonds	**99,808,507**	99,808,507
	₱1,439,721,973	₱1,439,721,973

As of December 31, 2023 and 2022, allowance for expected credit losses on financial assets at amortized cost follows:

	2023	2022
Balance at beginning of year	**₱309,909**	₱866,275
Provision for (reversal of) expected credit losses during the year (Note 21)	**298,452**	(556,366)
Balance at end of year	**₱608,361**	₱309,909

Interest income earned from financial assets at FVOCI and amortized cost amounted to ₱84.49 million and ₱84.65 million in 2023 and 2022, respectively (see Note 19). Interest accrued from financial assets at FVOCI and amortized cost amounted to ₱16.58 million and ₱18.47 million as of December 31, 2023 and 2022, respectively (see Note 9).

7. Loans and Receivables

This account consists of:

	2023	2022
Accounts receivable	**₱211,639,282**	₱183,396,481
Employee receivables	**11,285,291**	2,993,460
	222,924,573	186,389,941
Less: allowance for expected credit losses	**57,342,795**	57,342,795
	₱165,581,778	₱129,047,146

Accounts receivable include a receivable from Mercator Holdings and Management Corporation amounting to ₱147.30 million as of December 31, 2023 and 2022 arising from sale of investment properties in prior years.

The following table shows aging information of loans and receivables:

	2023					
	1 to 30 days	**31 to 60 days**	**61 to 120 days**	**121 to 180 days**	**> 180 days**	**Total**
Accounts receivable	**₱45,460,723**	**₱116,050**	**₱6,547,679**	–	**₱159,514,830**	**₱211,639,282**
Employee receivables	**6,340,540**	**507,701**	**455,229**	**745,302**	**₱3,236,519**	**11,285,291**
	₱51,801,263	**₱623,751**	**₱7,002,908**	**₱745,302**	**₱162,751,350**	**₱222,924,573**

	2022					
	1 to 30 days	31 to 60 days	61 to 120 days	121 to 180 days	> 180 days	Total
Accounts receivable	₱7,692,772	₱64,214,360	₱ -	₱118,215	₱111,371,135	₱183,396,481
Employee receivables	2,699,957	278,503	15,000	–	–	2,993,460
	₱10,392,729	₱64,492,863	₱15,000	₱118,215	₱111,371,135	₱186,389,941

Allowance for expected credit losses on accounts receivable as of December 31, 2023 and 2022 amounted to ₱57.34 million.

8. Reinsurance Assets

This account consists of:

	2023	2022
Reinsurance recoverable on unpaid losses (Note 14)	**₱1,191,732,323**	₱2,227,411,704
Deferred reinsurance premiums (Note 14)	**1,268,873,933**	925,081,861
	₱2,460,606,256	₱3,152,493,565

Reinsurance recoverable on unpaid losses pertains to recoveries of the Company from reinsurers for policies where claims have been incurred but not yet paid.

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

9. Accrued Interest Income

This account consists of:

	2023	2022
Accrued interest income from:		
Financial assets at FVOCI (Note 6)	**₱12,564,284**	₱11,214,184
Financial assets at amortized cost (Note 6)	**4,020,852**	7,260,060
Cash and cash equivalents and short-term investments (Note 4)	**9,499,599**	4,729,615
	₱26,084,735	₱23,203,859

10. Deferred Acquisition Costs and Deferred Reinsurance Commissions

Deferred Acquisition Costs
The rollforward analysis of this account follows:

	2023	2022
At January 1	**₱291,382,030**	₱273,552,019
Costs deferred during the year	**753,101,108**	568,357,876
Amortization during the year	**(640,079,034)**	(550,527,865)
At December 31	**₱404,404,104**	₱291,382,030

Deferred acquisition costs pertain to the portion of the commission expense that relates to the unexpired periods of policies at reporting date.

Deferred Reinsurance Commissions
The rollforward analysis of this account follows:

	2023	2022
At January 1	**₱92,333,319**	₱70,452,546
Income deferred during the year	**455,054,757**	383,472,079
Amortization during the year	**(411,796,548)**	(361,591,306)
At December 31	**₱135,591,528**	₱92,333,319

Deferred reinsurance commissions pertain to the portion of commission income that relates to the unexpired periods of the policies at reporting date.

11. Investment Properties

This account consists of real estate properties foreclosed from former insurance agents of the Company located in Bulacan. The fair values of the properties were estimated using the Sales Comparison Approach. This is a comparative approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered.

As of December 31, 2023 and 2022, the estimated fair value of the remaining property in Bulacan amounted to ₱1.18 million. The valuation was performed by an independent appraiser on March 15, 2017. Description of the valuation technique used and key inputs to the last valuation on investment properties follows:

Location	Valuation techniques	Quoted prices in active markets	Range (weighted average)
San Miguel, Bulacan	Sales Comparison Approach	Estimated Computed Value per sqm	₱106 to ₱225 (₱191)
		Net price (₱/sq. m)	₱90 to ₱225
		Internal factor	
		Location	-20% to 0%
		Size	-18% to 20%
		Algebraic sum of internal factor	0% to 18%

As of December 31, 2023 and 2022, the carrying value of investment property amounted to ₱2,745.

12. **Property and Equipment - net**

The rollforward analyses of this account follows:

	2023				
	Computer Equipment	**Leasehold Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost					
At January 1, 2023	**₱91,076,800**	**₱3,562,799**	**₱47,482,510**	**₱1,319,195**	**₱143,441,304**
Additions	**3,036,196**	**5,820,187**	**7,311,868**	**1,015,911**	**17,184,162**
Retirement	–	–	**(13,815,053)**	–	**(13,815,053)**
At December 31, 2023	**94,112,996**	**9,382,986**	**40,979,325**	**2,335,106**	**146,810,413**
Accumulated depreciation					
At January 1, 2023	**72,049,417**	**3,185,522**	**22,823,758**	**1,144,320**	**99,203,017**
Depreciation during the year (Note 21)	**9,558,760**	**1,062,791**	**9,541,606**	**301,101**	**20,464,258**
Retirement	–	–	**(13,815,053)**		**(13,815,053)**
At December 31, 2023	**81,608,177**	**4,248,313**	**18,550,311**	**1,445,421**	**105,852,222**
Net book value as of December 31, 2022	**₱12,504,819**	**₱5,134,674**	**₱22,429,014**	**₱889,685**	**₱40,958,191**

	2022				
	Computer Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost					
At January 1, 2022	₱78,792,974	₱3,562,799	₱38,261,221	₱1,327,584	₱121,944,578
Additions	12,293,304	–	12,829,483	–	25,122,787
Retirement	(9,478)	–	(3,608,194)	(8,389)	(3,626,061)
At December 31, 2022	91,076,800	3,562,799	47,482,510	1,319,195	143,441,304
Accumulated depreciation					
At January 1, 2021	61,146,757	2,845,887	15,355,092	965,164	80,312,900
Depreciation during the year (Note 21)	10,902,660	339,635	7,468,666	179,156	18,890,117
At December 31, 2022	72,049,417	3,185,522	22,823,758	1,144,320	99,203,017
Net book value as of December 31, 2022	₱19,027,383	₱377,277	₱24,658,752	₱174,875	₱44,238,287

The cost of fully depreciated property and equipment still in use amounted to ₱65.46 million and ₱58.82 million as of December 31, 2023 and 2022, respectively.

Gain on sale of furniture and transportation equipment amounted to P0.25 million and nil in 2023 and 2022, respectively.

13. Other Assets

This account consists of:

	2023	2022
Creditable withholding tax	**₱468,292,545**	₱407,547,921
Deferred input VAT	**71,278,108**	55,375,536
Salvage recoveries	**53,079,848**	53,079,848
Security deposits	**21,996,496**	27,583,757
Prepaid expenses	**6,140,857**	6,800,524
Security fund	**55,160**	55,160
	620,843,014	550,442,746
Less: Allowance for impairment losses	**(95,185,476)**	(95,185,476)
	₱525,657,538	₱455,257,270

Creditable withholding taxes pertain to the Company's taxes withheld at source by its customers and is creditable against the income tax liability of the Company.

Deferred input VAT arises from services rendered by VAT registered suppliers which were not yet paid as of reporting date.

Salvage recoveries pertain to vehicles recovered from total loss motor claims. These vehicles are in the possession of the Company and are held for sale.

Security deposits are payments made by the Company in its leases of building and parking space which are refundable at the end of the lease contract.

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

Security fund pertains to investment/placement deposited to the IC as requirement under the Insurance Code.

Based on management's assessment, the Company's creditable withholding taxes that were previously applied for refund from the BIR amounting to ₱95.19 million as of December 31, 2023 and 2022 are considered impaired. The rollforward analysis of allowance for impairment losses follow:

	2023	2022
At January 1	**₱95,185,476**	₱115,146,942
Reversal of impairment losses (Note 21)	–	(19,961,466)
At December 31	**₱95,185,476**	₱95,185,476

14. Insurance Contract Liabilities and Reinsurance Assets

Insurance contract liabilities may be analyzed as follows:

	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 8)	**Net 2023**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2022
Provision for claims reported and loss adjustment Expenses	**₱1,436,038,752**	**₱865,219,173**	**₱570,819,580**	₱2,179,203,146	₱1,704,893,422	₱474,309,724
Provision for IBNR	**527,620,928**	**326,513,150**	**201,107,778**	713,449,447	522,518,282	190,931,165
Total claims reported and IBNR	**1,963,659,680**	**1,191,732,323**	**771,927,358**	2,892,652,593	2,227,411,704	665,240,889
Provision for unearned premiums	**2,332,641,901**	**1,268,873,933**	**1,063,767,967**	1,635,804,228	925,081,861	710,722,367
Total Insurance Contract Liabilities	**₱4,296,301,581**	**₱2,460,606,256**	**₱1,835,695,325**	₱4,528,456,821	₱3,152,493,565	₱1,375,963,256

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

	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 8)	**Net 2023**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2022
At January 1	**₱2,892,652,593**	**₱2,227,411,704**	**₱665,240,889**	₱3,003,857,440	₱1,882,795,433	₱1,121,062,007
Claims incurred during the year	**610,167,274**	**(158,382,105)**	**768,549,380**	1,444,034,922	1,040,216,942	403,817,980
Increase (decrease) in IBNR (Note 20)	**(185,828,519)**	**(196,005,132)**	**10,176,613**	(267,995,404)	6,890,204	(274,885,608)
Claims paid during the year (Note 20)	**(1,353,331,668)**	**(681,292,144)**	**(672,039,524)**	(1,287,244,365)	(702,490,875)	(584,753,490)
At December 31	**₱1,963,659,680**	**₱1,191,732,323**	**₱771,927,358**	₱2,892,652,593	₱2,227,411,704	₱665,240,889

Provisions for unearned premiums may be analyzed as follows:

	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 8)	**Net 2023**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net 2022
At January 1	**₱1,635,804,228**	**₱925,081,861**	**₱710,722,367**	₱1,462,838,875	₱732,627,561	₱730,211,314
New policies written during the year (Note 18)	**5,293,334,302**	**3,248,540,437**	**2,044,793,864**	4,187,074,733	2,977,514,121	1,209,560,612
Premiums earned during the year (Note 18)	**(4,596,496,629)**	**(2,904,748,364)**	**(1,691,748,264)**	(4,014,109,380)	(2,785,059,821)	(1,229,049,559)
At December 31	**₱2,332,641,901**	**₱1,268,873,934**	**₱1,063,767,967**	₱1,635,804,228	₱925,081,861	₱710,722,367

<u>Terms and Conditions</u>

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

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

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

The measurement process primarily includes projections of future claims through use of historical experience statistics. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analyzed by class of business. In addition, claims are usually assessed by loss adjusters.

In insurance, as a rule, there may be claims filed in the current year that would attach policies issued in the previous years. This in effect makes claims provision highly sensitive. Other unpredictable circumstances, like legislative uncertainties, make it impossible to quantify claims. Also, due to delays arising between occurrence of claims and their subsequent reporting to and settlement by the Company, the outstanding claim provisions cannot be ascertained with confidence at the end of the reporting period. Consequently, the ultimate liabilities will vary as a result of subsequent developments.

Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent years' financial statements.

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

Sensitivities
The table below shows the impact of changes in certain important assumptions in general insurance business. The interrelation of these assumptions will have an important impact in the computation of the final liabilities.

	2023			
	Change in Assumption	**Impact on insurance contract liabilities - net of reinsurance assets**	**Impact on profit before tax**	**Impact on equity**
Average claim costs	**-2.00%**	**₱752,028,571**	**(₱752,028,571)**	**(₱564,021,428)**
Average number of claims	**5.16%**	**836,023,207**	**(836,023,207)**	**(627,017,405)**

	2022			
	Change in Assumption	Impact on insurance contract liabilities - net of reinsurance assets	Impact on profit before tax	Impact on equity
Average claim costs	-0.26%	₱822,778,369	(₱822,778,369)	(₱617,083,777)
Average number of claims	5.16%	930,859,192	(930,859,192)	(698,144,394)

Loss Development Triangle
The tables that follow present the development of the estimated ultimate claims costs on a gross and net reinsurance basis. The tables show the cumulative amounts of the estimated ultimate claims costs during successive years related to each accident year. The increase from the original estimate is due to the combination of a number of factors, including claims being settled for larger amounts than originally expected. The original estimate will also increase or decrease, as more information becomes known about the individual claims and overall claim frequency and severity.

2023

Accident Year	2013 and prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claims costs:												
At the end of accident year	**₱10,396,393,539**	**₱2,291,517,062**	**₱1,064,534,155**	**₱1,072,674,346**	**₱1,830,487,601**	**₱2,312,703,114**	**₱2,286,209,308**	**₱2,106,668,062**	**₱2,045,108,025**	**₱1,844,007,638**	**₱1,513,205,660**	**₱1,513,205,660**
One year later	**10,406,542,945**	**2,305,310,938**	**1,162,326,099**	**1,397,491,163**	**1,970,932,199**	**4,076,327,995**	**2,278,100,400**	**1,571,101,654**	**1,672,421,727**	**1,107,392,216**	**-**	**1,107,392,216**
Two years later	**10,218,090,399**	**2,097,875,280**	**1,148,835,349**	**1,390,885,152**	**2,373,270,997**	**3,814,872,607**	**2,435,169,328**	**1,388,332,921**	**1,541,711,606**	**-**	**-**	**1,541,711,606**
Three years later	**9,903,785,171**	**2,086,915,609**	**1,135,162,520**	**1,429,131,852**	**2,305,061,182**	**3,632,586,048**	**2,383,586,188**	**1,401,108,699**	**-**	**-**	**-**	**1,401,108,699**
Four years later	**9,857,666,375**	**2,086,174,393**	**1,142,256,537**	**1,470,479,734**	**2,312,348,987**	**3,627,268,921**	**2,179,603,767**	**-**	**-**	**-**	**-**	**2,179,603,767**
Five years later	**9,820,837,760**	**2,123,387,258**	**1,122,289,704**	**1,487,405,364**	**2,312,835,489**	**3,620,304,282**	**-**	**-**	**-**	**-**	**-**	**3,620,304,282**
Six years later	**9,804,854,777**	**2,123,681,686**	**1,129,900,900**	**1,486,992,446**	**2,312,155,129**	**-**	**-**	**-**	**-**	**-**	**-**	**2,312,155,129**
Seven years later	**9,809,172,802**	**2,124,154,174**	**1,133,167,578**	**1,477,171,120**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,477,171,120**
Eight years later	**9,806,253,507**	**2,124,627,289**	**1,133,235,539**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,133,235,539**
Nine years later	**9,792,320,285**	**2,124,631,674**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,124,631,674**
Ten years later	**9,789,819,815**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,789,819,815**
Current estimate of cumulative claims	**9,789,819,815**	**2,124,631,674**	**1,133,235,539**	**1,477,171,120**	**2,312,155,129**	**3,620,304,282**	**2,179,603,767**	**1,401,108,699**	**1,541,711,606**	**1,107,392,216**	**1,513,205,660**	**28,200,339,507**
Cumulative payments to date	**(9,774,777,480)**	**(2,124,631,674)**	**(1,128,763,963)**	**(1,472,851,582)**	**(2,303,852,729)**	**(3,609,332,146)**	**(1,895,654,023)**	**(1,271,508,137)**	**(1,344,707,988)**	**(888,215,957)**	**(422,384,151)**	**(26,236,679,827)**
Total gross insurance liabilities included in the statement of financial position	**₱15,042,335**	**₱ -**	**₱4,471,576**	**₱4,319,538**	**₱8,302,400**	**₱10,972,136**	**₱283,949,744**	**₱129,600,562**	**₱197,003,618**	**₱219,176,259**	**₱1,090,821,510**	**₱1,963,659,680**

Accident Year	2013 and prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claims costs:												
At the end of accident year	**₱9,304,522,922**	**₱740,577,740**	**₱794,720,561**	**₱942,741,897**	**₱1,076,670,806**	**₱1,516,585,974**	**₱1,389,380,613**	**₱1,311,731,064**	**₱1,186,806,315**	**₱816,908,049**	**₱916,977,994**	**₱916,977,994**
One year later	**5,361,781,465**	**803,801,205**	**868,615,343**	**1,111,305,378**	**826,645,841**	**1,577,833,019**	**1,266,626,502**	**965,145,706**	**712,504,577**	**689,182,531**	**-**	**689,182,531**
Two years later	**5,262,604,160**	**797,001,416**	**861,919,892**	**1,122,402,975**	**833,297,968**	**1,593,076,903**	**1,223,144,926**	**908,189,193**	**751,343,804**	**-**	**-**	**751,343,804**
Three years later	**5,276,544,013**	**795,920,071**	**851,937,907**	**1,123,877,598**	**832,443,405**	**1,567,864,060**	**1,172,432,324**	**909,146,549**	**-**	**-**	**-**	**909,146,549**
Four years later	**5,270,296,372**	**795,241,303**	**851,921,907**	**1,127,693,748**	**836,115,710**	**1,567,777,279**	**1,162,980,224**	**-**	**-**	**-**	**-**	**1,162,980,224**
Five years later	**5,269,869,095**	**795,279,885**	**843,401,320**	**1,128,112,323**	**837,407,284**	**1,566,049,664**	**-**	**-**	**-**	**-**	**-**	**1,566,049,664**
Six years later	**5,277,246,203**	**795,823,203**	**845,615,859**	**1,127,753,391**	**836,207,279**	**-**	**-**	**-**	**-**	**-**	**-**	**836,207,279**
Seven years later	**5,274,566,812**	**796,295,690**	**846,184,433**	**1,127,941,243**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,127,941,243**
Eight years later	**5,275,174,582**	**796,820,118**	**846,252,393**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**846,252,393**
Nine years later	**5,264,939,211**	**796,824,503**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**796,824,503**
Ten years later	**5,262,816,981**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,262,816,981**
Current estimate of cumulative claims	**5,262,816,981**	**796,824,503**	**846,252,393**	**1,127,941,243**	**836,207,279**	**1,566,049,664**	**1,162,980,224**	**909,146,549**	**751,343,804**	**689,182,531**	**916,977,994**	**14,865,723,165**
Cumulative payments to date	**(5,257,361,314)**	**(796,824,503)**	**(845,815,742)**	**(1,125,219,678)**	**(833,486,050)**	**(1,556,486,108)**	**(1,126,481,225)**	**(892,859,690)**	**(678,366,376)**	**(589,514,072)**	**(391,381,049)**	**(14,093,795,807)**
Total net insurance liabilities included in the statement of financial position	**₱5,455,667**	**₱ -**	**₱436,651**	**₱2,721,565**	**₱2,721,229**	**₱9,563,555**	**₱36,498,999**	**₱16,286,859**	**₱72,977,428**	**₱99,668,459**	**₱525,596,946**	**₱771,927,358**

2022

Accident Year	2012 and prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims costs:												
At the end of accident year	₱8,367,876,922	₱2,028,516,617	₱2,291,517,062	₱1,064,534,155	₱1,072,674,346	₱1,830,487,601	₱2,312,703,114	₱2,286,209,308	₱2,106,668,061	₱2,045,108,024	₱1,844,007,638	₱1,844,007,638
One year later	8,273,579,862	2,132,963,083	2,305,310,938	1,162,326,099	1,397,491,163	1,970,932,199	4,076,327,995	2,278,100,400	1,571,101,654	1,672,421,727	-	1,672,421,727
Two years later	8,057,701,699	2,160,388,700	2,097,875,280	1,148,835,349	1,390,885,152	2,373,270,997	3,814,872,607	2,435,169,328	1,388,332,921	-	-	1,388,332,921
Three years later	7,863,623,159	2,040,162,012	2,086,915,609	1,135,162,520	1,429,131,852	2,305,061,182	3,632,586,048	2,383,586,188	-	-	-	2,383,586,188
Four years later	7,828,528,938	2,029,137,437	2,086,174,393	1,142,256,537	1,470,479,734	2,312,348,987	3,627,268,921	-	-	-	-	3,627,268,921
Five years later	7,792,711,306	2,028,126,454	2,123,387,258	1,122,289,704	1,487,405,364	2,312,835,489	-	-	-	-	-	2,312,835,489
Six years later	7,784,655,522	2,020,199,255	2,123,681,686	1,129,900,900	1,486,992,446	-	-	-	-	-	-	1,486,992,446
Seven years later	7,791,743,482	2,017,429,320	2,124,154,174	1,133,167,578	-	-	-	-	-	-	-	1,133,167,578
Eight years later	7,788,362,408	2,017,891,099	2,124,627,289	-	-	-	-	-	-	-	-	2,124,627,289
Nine years later	7,774,671,826	2,017,648,459	-	-	-	-	-	-	-	-	-	2,017,648,459
Ten years later	7,775,540,760	-	-	-	-	-	-	-	-	-	-	7,775,540,760
Current estimate of cumulative claims	7,775,540,760	2,017,648,459	2,124,627,289	1,133,167,578	1,486,992,446	2,312,835,489	3,627,268,921	2,383,586,188	1,388,332,921	1,672,421,727	1,844,007,638	27,766,429,416
Cumulative payments to date	(7,750,217,425)	(2,017,648,459)	(2,124,624,992)	(1,128,646,124)	(1,481,202,289)	(2,298,335,225)	(3,603,673,851)	(1,806,630,361)	(1,183,167,218)	(1,074,747,988)	(404,882,891)	(24,873,776,823)
Total gross insurance liabilities included in the statement of financial position	₱25,323,335	₱ -	₱2,297	₱4,521,454	₱5,790,157	₱14,500,264	₱23,595,070	₱576,955,827	₱205,165,703	₱597,673,739	₱1,439,124,747	₱2,892,652,593

Accident Year	2012 and prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims costs:												
At the end of accident year	₱7,854,295,629	₱593,124,559	₱857,102,734	₱740,577,740	₱794,720,561	₱942,741,897	₱1,076,670,806	₱1,516,585,974	₱1,389,380,613	₱1,311,731,063	₱816,908,049	₱816,908,049
One year later	3,807,428,291	648,594,005	905,759,169	803,801,205	868,615,343	1,111,305,378	826,645,841	1,577,833,019	1,266,626,502	712,504,577	-	712,504,577
Two years later	3,767,762,410	632,788,511	862,053,239	797,001,416	861,919,892	1,122,402,975	833,297,968	1,593,076,903	908,189,193	-	-	908,189,193
Three years later	3,760,938,859	635,303,605	880,301,549	795,920,071	851,937,907	1,123,877,598	832,443,405	1,172,432,324	-	-	-	1,172,432,324
Four years later	3,759,223,718	637,014,103	874,058,551	795,241,303	851,921,907	1,127,693,748	1,567,777,279	-	-	-	-	1,567,777,279
Five years later	3,760,999,901	634,789,366	874,079,828	795,279,885	843,401,320	837,407,284	-	-	-	-	-	837,407,284
Six years later	3,767,973,511	634,892,164	874,380,528	795,823,203	1,127,753,391	-	-	-	-	-	-	1,127,753,391
Seven years later	3,765,765,503	634,892,164	873,909,145	846,184,433	-	-	-	-	-	-	-	846,184,433
Eight years later	3,766,026,471	634,953,595	796,820,118	-	-	-	-	-	-	-	-	796,820,118
Nine years later	3,756,054,042	873,931,574	-	-	-	-	-	-	-	-	-	873,931,574
Ten years later	4,393,248,710	-	-	-	-	-	-	-	-	-	-	4,393,248,710
Current estimate of cumulative claims	4,393,248,710	873,931,574	796,820,118	846,184,433	1,127,753,391	837,407,284	1,567,777,279	1,172,432,324	908,189,193	712,504,577	816,908,049	14,053,156,932
Cumulative payments to date	(4,387,112,043)	(873,931,574)	(796,817,822)	(845,697,903)	(1,125,424,969)	(828,772,487)	(1,551,440,386)	(1,113,812,304)	(879,503,366)	(644,049,889)	(341,353,300)	(13,387,916,043)
Total net insurance liabilities included in the statement of financial position	₱6,136,667	₱ -	₱2,296	₱486,530	₱2,328,422	₱8,634,797	₱16,336,893	₱58,620,020	₱28,685,827	₱68,454,688	₱475,554,749	₱665,240,889

15. **Insurance Payables**

This account consists of:

	2023	2022
Due to reinsurers and ceding companies	**₱1,148,566,821**	₱1,268,983,021
Funds held for reinsurers	**348,650,722**	400,527,500
	₱1,497,217,543	₱1,669,510,521

The rollforward analysis of insurance payables follows:

	2023		
	Due to Reinsurers and Ceding Companies	**Funds Held for Reinsurers**	**Total**
January 1, 2023	**₱1,268,983,021**	**₱400,527,500**	**₱1,669,510,521**
Arising during the year (Note 18)	**2,642,278,940**	**606,261,497**	**3,248,540,437**
Paid/utilized	**(2,762,695,140)**	**(658,138,275)**	**(3,420,833,415)**
December 31, 2023	**₱1,148,566,821**	**₱348,650,722**	**₱1,497,217,543**

	2022		
	Due to Reinsurers and Ceding Companies	Funds Held for Reinsurers	Total
January 1, 2022	₱1,140,124,652	₱322,909,677	₱1,463,034,329
Arising during the year (Note 18)	2,462,436,149	515,077,972	2,977,514,121
Paid/utilized	(2,333,577,780)	(437,460,149)	(2,771,037,929)
December 31, 2022	₱1,268,983,021	₱400,527,500	₱1,669,510,521

Interest expense on funds held for reinsurers amounted to ₱0.79 million and ₱0.46 million in 2023 and 2022, respectively.

16. **Accounts Payable and Accrued Expenses**

This account consists of:

	2023	December 31, 2022 (As Restated)	January 1, 2022 (As Restated)
Commissions payable	**₱600,384,764**	₱524,832,851	₱580,204,490
Accounts payable	**209,724,124**	186,617,959	221,678,668
Premium deposits	**162,155,697**	294,637,703	419,323,172
Taxes payable	**153,183,560**	152,147,021	170,641,897
Accrued expenses	**71,932,756**	47,147,040	9,391,958
Others	**6,677,359**	4,054,381	3,484,007
	₱1,204,058,260	₱1,209,436,955	₱1,404,724,192

Commissions payable pertain to amounts payable to brokers and agents.

Accounts payable include purchases and other obligations not yet paid by the Company. It also includes cost already incurred but not yet paid.

Premium deposits are payments collected in advance by the Company. In some instances, the Company credits premium deposits when there are overpayments and/or unidentified payments.

Taxes payable pertains to VAT, Deferred VAT and other taxes payable. VAT payable pertains to excess output VAT over the input VAT recorded by the Company. Deferred output VAT are VAT incurred by the Company in a sale of insurance policies but not yet collected. Other taxes payable pertain to withholding, premiums, fire service, and documentary stamp taxes not yet paid by the Company.

Accrued expenses pertain to services already incurred but not yet paid. These also include services already incurred but awaiting billings from service providers and other intermediaries.

Others are employee related payments to government institutions such as SSS, Philhealth, and HDMF.

Restatement of Prior Year Statement of Financial Position

In 2023, the Company conducted a thorough review and reconciliation of long-outstanding Accounts Payable Stale Checks. Upon examination, it was established that a significant portion of the total amount originated from opening balances in 2021 and prior years carried over from the previous system. Furthermore, the Company identified bulk entries in the account, the specifics of which are no longer traceable. Consequently, the Company opted to examine its historical disbursements to accurately determine the amount of outstanding check payments that remain uncleared in bank disbursements, thus qualifying as stale as of December 31, 2023.

Based on the foregoing, the Company has restated the comparative information in the financial statements to account for the impact of the proper accounting for these long outstanding AP Stale Checks in prior years. Summarized below is the effect of the restatement of the comparative information on the Company's statement of financial position as at December 31, 2022 and January 1, 2022.

	December 31, 2022	**January 1, 2022**
Statement of Financial Position		
Increase (decrease) in:		
Accounts Payable - Stale Checks	**(140,210,959)**	(140,210,959)
Retained Earnings (Unappropriated)	**140,210,959**	140,210,959

17. Equity

Capital Stock

The details of this account as of December 31, 2023 and 2022 follow:

Authorized capital stock	**₱700,000,000**
Number of authorized shares	
Class A (nonvoting), ₱10 par value	**56,000,000**
Class B (voting), ₱10 par value	**14,000,000**
	70,000,000
Issued and outstanding shares	
Class A (nonvoting), ₱10 par value	**₱298,400,000**
Class B (voting), ₱10 par value	**74,600,000**
	₱373,000,000

The capital stock of the Company is divided into 56.00 million Class "A" stock and 14.00 million Class "B" stock, with par value of 10.00 each. The shares of Class "A" stock and Class "B" stock shall be entitled, in all respects, to equal rights and privileges provided, however, that Class "A" shall have no voting rights except in those cases expressly provided by laws.

Contingency Surplus
On August 14, 2020, the Company received additional funding from the Parent Company amounting to $21.40 million (with peso equivalent of ₱1.05 billion) using the prevailing exchange rate at the date of receipt. The amount received is reflected as contingency surplus in the statement of financial position. Further, on March 6, 2023, the Company received additional funding from the Parent Company amounting to $5.61 million (with peso equivalent of ₱0.31 billion) using the prevailing exchange rate at the date of receipt. The amount received is reflected as additional contingency surplus in the statement of financial position.

Retained Earnings
The Company had appropriated ₱12.51 million of its retained earnings for future catastrophic losses.

18. Net Earned Premiums

Gross earned premiums and reinsurers' share in gross earned premiums on insurance contracts follow:

	2023	2022
Gross premiums on insurance contracts:		
Direct insurance	**₱5,078,775,913**	₱4,016,387,146
Assumed reinsurance	**214,558,389**	170,687,587
Total gross premiums on insurance contracts (Note 14)	**5,293,334,302**	4,187,074,733
Gross change in provision for unearned premiums	**(696,837,673)**	(172,965,352)
Total gross earned premiums on insurance contracts (Note 14)	**4,596,496,629**	4,014,109,381

(Forward)

	2023	2022
Reinsurers' share of insurance contracts premiums:		
Direct insurance	**₱3,105,916,382**	₱2,854,170,041
Assumed reinsurance	**142,624,055**	123,344,080
Total reinsurers' share of insurance contracts premiums (Note 14)	**3,248,540,437**	2,977,514,121
Reinsurers' share of gross change in provision for unearned premiums	**(343,792,073)**	(192,454,300)
Total reinsurers' share of gross earned premiums on insurance contracts (Note 14)	**2,904,748,364**	2,785,059,821
Net insurance earned premiums	**₱1,691,748,265**	₱1,229,049,560

19. Investment Income

This account consists of:

	2023	2022
Interest income on:		
Financial assets at FVOCI and amortized cost (Note 6)	**₱84,493,492**	₱84,654,397
Cash and cash equivalents and short-term investments (Note 4)	**74,495,958**	6,606,657
Dividend income (Note 6)	**5,998,708**	7,232,118
Fair value gain (loss) on financial assets at FVTPL	**26,230,289**	(2,237,540)
Loss on sale of financial assets at FVOCI	**(4,114,160)**	(12,488,178)
	₱187,104,287	₱83,767,454

20. Net Insurance Benefits and Claims

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

	2023	2022
Insurance contracts benefits and claims paid:		
Direct insurance	**₱1,253,166,146**	₱1,253,482,152
Assumed reinsurance	**100,165,522**	33,762,213
Total insurance contract benefits and claims paid (Note 14)	**₱1,353,331,668**	₱1,287,244,365

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

	2023	2022
Reinsurers' share of insurance contract benefits and claims paid:		
Direct insurance	**516,937,620**	₱677,677,967
Assumed reinsurance	**164,354,524**	24,812,908
Total reinsurers' share of insurance contract benefits and claims paid (Note 14)	**₱681,292,144**	₱702,490,875

Gross change in insurance contract liabilities:

	2023	2022
Change in insurance contract liabilities:		
Direct insurance	**(₱758,208,404)**	₱175,147,908
Assumed reinsurance	**15,044,010**	(18,357,351)
Change in provision for IBNR (Note 14)	**(185,828,519)**	(267,995,404)
Total gross change in insurance contract liabilities (Note 14)	**(₱928,992,913)**	(₱111,204,847)

Reinsurers' share of change in insurance contract liabilities:

	2023	2022
Reinsurers' share of change in insurance contract liabilities:		
Direct insurance	**(₱827,514,526)**	₱349,651,673
Assumed reinsurance	**(12,159,724)**	(11,925,606)
Change in provision for IBNR (Note 14)	**(196,005,132)**	6,890,204
Total reinsurers' share of change in insurance contract liabilities (Note 14)	**(₱1,035,679,382)**	₱344,616,271

21. Operating Expenses

This account consists of:

	2023	2022
Personnel expenses (Note 22)	**₱317,890,303**	₱311,206,383
Taxes and licenses	**112,585,366**	8,095,813
Advertising and promotions	**101,788,430**	75,426,776
Depreciation and amortization (Notes 12 and 28)	**64,575,387**	45,245,915
Professional fees	**45,335,223**	45,850,795
Information technology, communication and supplies	**27,156,195**	16,885,415
Rental and other building dues (Note 28)	**26,018,826**	35,940,467
Transportation and travel	**12,476,258**	8,958,973
Insurance and other expenses	**2,433,221**	15,559,393
Provision for (reversal of) impairment losses on:		
Financial assets (Note 6)	**298,452**	(1,382,975)
Loans and receivables (Note 7)	**–**	5,321,284
Insurance receivables (Note 5)	**–**	3,507,327
Other assets (Note 13)	**–**	(19,961,467)
	₱710,557,661	₱550,654,098

Taxes and licenses include amount paid to BIR amounting to ₱71.48 million basic assessments for taxable years 2017 and 2018 plus interest and surcharges.

Depreciation and amortization consist of:

	2023	2022
Property and equipment	**₱20,464,258**	₱18,890,117
Right-of-use assets	**44,111,129**	26,355,799
	₱64,575,387	₱45,245,916

22. Personnel Expenses

This account consists of:

	2023	2022
Salaries and wages	**₱269,929,734**	**₱267,566,970**
SSS, Pag-ibig fund and other contributions	**14,412,814**	**11,661,967**
Net benefit expense (Note 23)	**10,239,228**	**15,110,511**
Service fee	**4,091,450**	**6,897,860**
Employee welfare costs	**2,348,976**	**464,381**
Others	**16,868,101**	**9,504,694**
	₱317,890,303	**₱311,206,383**

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

Others pertain to other employee benefits such as medical benefits including HMO.

23. Pension Benefits

Pension plan
The Company has a defined benefit pension plan, covering substantially all of its employees, which requires contribution to be made to administered funds. The plan is administered by a local bank as trustee.

The following tables summarize the components of net benefit expense recognized in the statements of income and the funded status and amounts recognized in the statements of financial position for the plan:

	2023		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
Balance at beginning of year	**₱71,690,858**	**(₱66,370,674)**	**₱5,320,184**
Net benefit cost in statement of income			
Current service cost	**9,866,815**	**–**	**9,866,815**
Net interest cost	**5,018,360**	**(4,645,947)**	**372,413**
Sub-total	**14,885,175**	**(4,645,947)**	**10,239,228**
Remeasurement in OCI			
Return on plan asset (excluding amount included in net interest)	**–**	**(29,885)**	**(29,885)**

(Forward)

	2023		
Actuarial changes arising from:			
Experience adjustments	**₱1,472,673**	**₱–**	**₱1,472,673**
Financial assumptions	**8,112,248**	**–**	**8,112,248**
Sub-total	**9,584,921**	**(29,885)**	**9,555,036**
Benefits paid	**(10,138,871)**	**10,138,871**	**-**
Actual contribution	**–**	**(5,000,000)**	**(5,000,000)**
Balance at end of year	**₱86,022,083**	**(₱65,907,635)**	**₱20,114,448**

	2022		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
Balance at beginning of year	₱110,643,774	(₱84,584,262)	₱26,059,512
Net benefit cost in statement of income			
Current service cost	13,851,837	–	13,851,837
Net interest cost	5,344,094	(4,085,420)	1,258,674
Sub-total	19,195,931	(4,085,420)	15,110,511
Remeasurement in OCI			
Return on plan asset (excluding amount included in net interest)	–	5,667,891	5,667,891
Actuarial changes arising from			
Experience adjustments	(18,221,011)	–	(18,221,011)
Financial assumptions	(9,796,719)	–	(9,796,719)
Sub-total	(28,017,730)	5,667,891	(22,349,839)
Benefit paid	(30,131,117)	30,131,117	–
Actual contribution	–	(13,500,000)	(13,500,000)
Balance at end of year	₱71,690,858	(₱66,370,674)	₱5,320,184

Details of accumulated remeasurement loss on defined benefit plan as of December 31 follow:

	2023	2022
Balance at beginning of year	**(9,521,168)**	(₱26,283,547)
Remeasurement gain (loss) recognized in other comprehensive income during the year	**(9,555,036)**	22,349,840
	(19,076,204)	(3,933,708)
Income tax effect	**2,218,479**	(5,587,460)
Balance at end of year	**(₱16,857,725)**	(₱9,521,168)

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

	2023	2022
Discount rate	**6.10%**	7.00%
Rate of salary increase	**7.00%**	6.00%

The Company’s retirement fund is included in a multi-employer retirement fund registered in the name of Zuellig Group of Companies (the Group) and administered by a local bank as trustee. As of December 31, 2023 and 2022, the fair value of the Company’s equity in the fund amounted to ₱65.91 million and ₱66.37 million, respectively; representing 100.00% for both years, of the market value of the entire plan assets under trust.

The following is the distribution of the Company's plan assets stated at fair value:

	2023	2022
Cash in bank	**₱16,124**	₱139,973
Investments		
Bonds and government securities	**46,291,263**	40,074,012
Marketable equity securities	**19,107,325**	20,090,759
Common trust fund	**-**	3,722,005
Other securities and debt instruments	**-**	-
Other receivables	**576,667**	2,434,041
Liabilities	**(83,475)**	(90,116)
Total plan assets	**₱65,907,635**	₱66,370,674

Based on the latest actuarial valuation report, estimated contribution to the retirement fund in 2024 is ₱20.11 million. This amount is subject to subsequent validation and may change based on available facts and circumstances.

Sensitivities
The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2023		2022	
	Change in variables	**Impact on present value of defined benefit obligation Increase (Decrease)**	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)
Discount rate	**+1.00%**	**₱15,320,523**	+1.00%	₱1,500,956
	–1.00%	**25,458,010**	–1.00%	9,553,025
Salary increase rate	**+1.00%**	**24,631,870**	+1.00%	8,922,143
	–1.00%	**15,975,679**	–1.00%	2,007,494

The average duration of the defined benefit obligation as of December 31, 2023 and 2022 is 4.78 years and 4.98 years, respectively.

Maturity profile of the undiscounted benefit payments are as follows:

	Expected benefit payments
One to five years	₱69,485,875
More than five years to 10 years	70,329,936
More than 10 years to 15 years	64,164,358
More than 15 years to 20 years	84,994,946

24. **Income Tax**

The provision for income tax consists of:

	2023	2022
Final	**₱28,877,820**	₱18,831,613
Current	**6,028,486**	6,582,248
Deferred	**(31,218,302)**	265,178
	₱3,688,004	₱25,679,039

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to RA No. 11534 or the CREATE Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Consequently, the Company computed MCIT using the effective rate of 1.5% in 2023 in accordance with RMC 69-2023. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

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

	2023	2022
Deferred tax assets through profit or loss:		
Provision for IBNR losses – net	**₱44,175,773**	₱41,631,620
Allowance for expected credit losses	**7,758,847**	7,758,847
Unamortized past service cost	**4,184,175**	5,361,223
Recognition of remaining Excess MCIT	**13,871,238**	
(Unutilized)		1,330,046
ROU Asset – net	**1,946,638**	1,404,487
Deferred tax assets through OCI:		
Remeasurement losses on defined benefit obligation	**5,392,202**	3,173,723
Deferred tax assets	**77,328,873**	60,659,946
Deferred tax liability through profit or loss:		
Unrealized foreign exchange gain	**4,872,709**	22,004,152
Pension obligation	**363,590**	-
Deferred tax liability	**5,236,299**	22,004,152
Net deferred tax assets	**₱72,092,574**	₱38,655,794

The table below shows the temporary differences for which no deferred tax assets have been recognized as the Company is not certain whether sufficient future taxable profit will be available against which the benefit from these can be utilized.

	2023	2022
Allowance for expected credit losses	**₱153,143,699**	₱183,880,634
Accrued expenses	**71,932,756**	47,147,040
Provision for IBNR losses – net	**32,283,437**	24,404,685
NOLCO	**-**	50,035,921
MCIT	**-**	13,871,238

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

Year Incurred	Amount	Applied	Year Applied	Balance	Expiry Date
2018	₱107,426,309	₱107,426,309	2021	₱–	December 31, 2021
2020	165,920,915	23,765,292	2021	142,155,623	December 31, 2025**
2022	–	92,119,702	2022	50,035,921	December 31, 2025**
2023	–	50,035,921	2023	₱–	

*** Pursuant to RR No. 25-2020*

The Philippine Government and Bureau of Internal Revenue has extended to five years the carry-over period for net operating losses incurred for taxable years 2020 and 2021. This is pursuant to the provision to the Section 4 of the Republic Act 11494 or the Bayanihan To Recover As One or Bayanihan Act and implementation of Revenue Regulation 25-2020.

As of December 31, 2023, the unexpired excess of MCIT over normal tax, which can be claimed as a deduction against income tax due, are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Date
2018	₱5,485,995	₱–	₱5,485,995	₱–	December 31, 2021
2019	8,648,624	–	8,648,624	–	December 31, 2022
2020	3,680,820	3,680,820	–	–	December 31, 2023
2021	3,608,170	2,347,666	–	1,260,504	December 31, 2024
2022	6,582,248	–	–	6,582,248	December 31, 2025
	₱ 28,005,857	**₱6,028,486**	**₱14,134,619**	**₱7,842,752**	

In 2023, the Company applied the unrecognized MCIT from prior years amounting to ₱6.01 million.

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

	2023	2022
Statutory income tax rate	**25.00%**	25.00%
Tax effects of:		
Gain on sale of financial assets	**3.76**	(0.71)
Interest income already subjected to final tax	**(27.01)**	(4.40)
Changes in unrecognized deferred tax assets	**(10.54)**	(14.61)
Dividend income	**(1.02)**	(0.35)
Nondeductible expenses	**12.32**	0.02
Effective income tax rate	**2.51%**	4.95%

25. Management of Capital, Insurance and Financial Risks

Governance Framework

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

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

Capital Management Framework

The primary objectives of the Company's capital management framework are to provide shareholders with a satisfactory return on their investments, financial security to policyholders, prompt payment of obligations and compliance with the regulatory requirements of the IC.

The IC capital requirements are Fixed Capitalization Requirements and Risk-Based Capital (RBC).

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

The premiums received by the Company from policyholders are properly invested not only to provide for policy obligations but also to serve as capital or surplus to provide margin of safety which will attract insurance buyers.

The funds invested shall produce an investment income that will be needed to pay stockholders a fair return. While part of this income is due to favorable loss experience and sound cost management, a major portion of additional profits must be earned by managing the investment portfolio to produce a higher return on investment. While there may be a wide range of investment opportunities, the investment portfolio must always reflect the safety of the funds.

Since these funds are held in fiduciary capacity, the Code contains investment provisions that the Company should observe to protect the interest of the policyholders and of the stockholders.

The three (3) general classifications of investment requirements are:

1. Capital Investments - The Company must invest at least 25% of its minimum paid-up capital in bonds or other evidence of debt of the Government of the Philippines or its political subdivisions or in government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas.

   Furthermore, investments shall at all times be maintained free from any lien or encumbrance and shall be deposited and held by the Commissioner of the IC for the benefit and security of the policyholders.

2. Reserve Investment - The Company must invest 100% of the Reserve for unearned premiums and Reserve funds withheld for authorized reinsurer in common or preferred stocks and government or private bonds, real estate and real estate loans, collateral loans, adequately secured obligations and other securities as may be approved by the Commissioner.

3. Surplus Investment - After complying with the capital and reserve investment requirements, the Company may invest any portion of its funds, representing earned surplus in stocks, bonds, real estate, equities of other financial institutions, engaged in the buying and selling of short term debt instruments, securities issued by registered enterprises under R.A. 5186, otherwise known as the Investment Incentives Act.

To meet its capital management objectives, the Company formed an Investment Management Committee primarily tasked to establish investment strategies consistent with the management objectives and the IC requirements. The Committee had likewise set up limits and control procedures and adequate contingency plans for the Company to withstand both temporary and long-term disruption in its ability to fund activities in a timely manner at a reasonable cost.

No changes were made to its capital base, objectives, policies and processes in the current year.

Minimum Statutory Networth

On August 15, 2013, the President of the Philippines approved the Republic Act No. 10607 to be known as the "New Insurance Code" (Amended Code) which provides the new capitalization requirements of all existing insurance companies based on net worth on a staggered basis starting June 30, 2015 up to December 31, 2022.

On January 13, 2015, the IC issued CL No. 02-2015 which provide clarifications on the minimum capitalization requirements under Sections 194, 197, 200 and 289 of the Amended Code. It also supersedes Department of Finance Order (DO) No. 15-2012, DO No. 27-2006, CL No. 22-2008 and CL No. 26-2008. According to the CL, the minimum net worth requirement would be 250.00 million by December 31, 2013. The minimum net worth shall be unimpaired at all times and shall increase to the amounts as follows:

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

On February 11, 2020, the IC issued Advisory No. 2-A-2020 to require all life and nonlife insurance companies to comply with the minimum net worth and minimum capital investment requirements until February 28, 2020. Otherwise, a show cause order shall be served to direct any company failing to meet these requirements, to make good any such deficient by cash within 15 days from the receipt of the letter, and to order such company not to take any new risk of any kind or character unless and until it makes good any such deficiency pursuant to Section 200 of the Amended Insurance Code.

On March 24, 2020, the IC issued Circular Letter No, 2020-21 stating that all show cause order related to Advisory No. 2-A-2020 shall be put on hold until further notice. This is in line with Presidential Proclamation No. 922, declaring a State of Public Health Emergency in throughout the Philippines due to Corona Virus Disease 2020 (COVID-19) which impede both the operations of IC and insurance companies by the implementation of travel restrictions and the temporary suspension of business activities.

As of December 31, 2023 and 2022, the Company's estimated statutory net worth amounted to ₱1,559.01 million and ₱1,340.86 million, respectively. The final amount of net worth for 2023 can be determined only after the accounts of the Company have been examined by the IC.

On March 6, 2023, to comply with minimum net worth requirement, the Company received additional capital from Parent Company amounting to $5.61 million (with Peso equivalent of ₱307.54 million) using prevailing exchange rate at the date of receipt. The amount received will be reflected as contingency surplus in the 2023 statement of financial position.

Risk-based Capital Requirements

IMC No. 7-2006 provides for the RBC framework for the nonlife insurance industry to establish the required amounts of capital to be maintained by companies in relation to their investment and insurance risks. Every nonlife insurance company is required annually to maintain a minimum RBC ratio of 100% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as networth divided by the RBC requirement. Networth shall include the Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of networth only to the extent authorized by IC.

In 2016, the IC issued Circular Letter No. 2016-68, Amended Risk-Based Capital (RBC2) Framework, pursuant to Section 437 of the Amended Insurance Code. The RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC is the aggregate of Tier I and Tier 2 Capital minus deductions, subject to applicable limits and determinations. Tier I Capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis (e.g., Capital Stock, Statutory Deposit, Capital Stock Subscribed, Contributed Surplus, etc.). Tier 2 Capital does not have the same high-quality characteristics of Tier I Capital but can provide an additional buffer to the insurer (e.g., Reserve for Appraisal Increment-Property and Equipment, Remeasurement Gains (Losses) on Retirement Pension Asset (Obligation), etc.). Tier 2 Capital shall not exceed 50% of Tier I Capital.

The following table shows how the RBC ratio as of December 31, based on RBC2 components, was determined:

	2023 (Estimate)	2022 (Actual)
TAC	**₱2,139,600,391**	₱1,359,616,801
RBC requirement	**659,608,619**	1,000,729,335
RBC Ratio	**324%**	136%

The final amount of the RBC ratio for 2023 can be determined only after the accounts of the Company have been examined by the Insurance Commission specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code. The RBC ratio for 2022 is based on the published synopsis after the examination and verification of the Insurance Commission.

New Regulatory framework
Pursuant to the powers vested in the Insurance Commissioner by Sections 189, 200, 437 and 438 of Republic Act (RA) No. 10607, otherwise known as the Insurance Code, as amended, the following regulatory requirements and actions for the new regulatory framework are hereby adopted and promulgated:

Circular Letter No. 2016-65, *Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607)*, prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies.

Circular Letter 2016-67, *Valuation Standards for Non-life Insurance Policy Reserves*, prescribes the new valuation methodology for the non-life insurance companies. This circular letter superseded Circular Letter No. 2015-32. Non-life insurance companies will be changing the basis of valuation of their non-life insurance reserves. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The incurred but not reported (IBNR) reserves will now be computed using actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and Bornheutter-Ferguson method. A margin for adverse deviation is estimated based on standard projection techniques or combination of such techniques, such as but not limited to the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the Policy Liabilities at the 75^{th} percentile level of sufficiency. Discount rates to be used shall be current risk-free rates. The rates shall exactly match the duration of the policy and the currency of the cash flows and shall be prescribed by the Insurance Commission.

Circular Letter No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the Trend Test as stated under Section 3 of this Circular. The RBC ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement.

Circular Letter 2018-18, *New Standards for Non-Life Insurance Policy Reserves*, superseded Circular Letters 2016-06 and 2016-67. Under this methodology of determining the ultimate premium liability, the concept of deferred acquisition cost is introduced. The premium liability to be recognized is the higher of the unearned premium reserve net of deferred acquisition cost or the unearned risks reserve.

Circular Letter 2018-19, Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk Based Capital (RBC2) framework prescribes that the Margin of Adversed Deviation (MFAD) should be company specific as computed by IC-accredited actuary.

Insurance Risk

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

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

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

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

These risks currently do not vary significantly in relation to the location of the risk insured by the Company whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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

- The use and maintenance of management information systems that provide up-to-date, accurate and reliable data on risk exposure at any point in time;
- Guidelines are issued for concluding insurance contracts and assuming insurance risks;

- Pro-active claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims;
- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security; and
- Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Reinsurance

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on a quota-share basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

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

The Company is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any reinsurance contract.

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

	2023			2022		
	Gross Liabilities	**Reinsurers' Share of Liabilities**	**Net Liabilities**	Gross Liabilities	Reinsurers' Share of Liabilities	Net Liabilities
Motor car	**₱337,829,700**	**₱4,654,474**	**₱333,175,226**	₱351,772,707	₱7,320,256	₱344,452,451
Fire	**953,661,156**	**648,714,964**	**304,946,193**	1,666,118,021	1,448,677,973	217,440,048
Engineering	**376,083,180**	**299,775,226**	**76,307,955**	674,587,537	629,420,907	45,166,630
Casualty	**114,660,542**	**89,760,337**	**24,900,205**	104,769,851	75,481,016	29,288,835
Bonds	**11,417,246**	**1,489,451**	**9,927,796**	13,022,847	2,746,586	10,276,261
Accident	**19,204,560**	**6,522,211**	**12,682,349**	18,978,743	2,213,245	16,765,498
Marine	**143,705,359**	**140,815,660**	**2,889,699**	62,785,341	61,551,721	1,233,620
Medical	**7,097,937**	**0.00**	**7,097,937**	617,546	-	617,546
	₱1,963,659,680	**₱1,191,732,322**	**₱771,927,358**	₱2,892,652,593	₱2,227,411,704	₱665,240,889

Financial Instruments

Due to the short-term nature of cash and cash equivalents, short-term investments, insurance receivables, loans and receivables, accrued income, insurance payables, and accounts payable and accrued expenses, their carrying values reasonably approximate fair values at year-end.

The fair value of financial assets at FVTPL that are actively traded in organized financial markets is determined by reference to quoted market within the bid-offer price range, at the close of business on the reporting date or last trading day as applicable.

The fair value of unquoted equity shares where the fair value is not reasonably determinable due to the unpredictable nature of cash flows and the lack of suitable method at arriving at are liable fair value are carried at cost.

Fair Value Measurement

The Company classifies the fair value measurement of financial assets in the fair value hierarchy as follows:

	2023			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets measured at fair value:				
Financial assets at FVTPL				
Listed equity securities	**₱245,425,244**	**₱–**	**₱–**	**₱245,425,244**
Golf club shares	–	**52,300,000**	–	**52,300,000**
Unit investment fund	–	**43,100,934**	–	**43,100,934**
Unlisted equity securities	–	–	**20,000**	**20,000**
	245,425,244	**95,400,934**	**20,000**	**340,846,178**
Financial assets at FVOCI				
Government debt securities				
Local currency	**971,993,163**	–	–	**971,993,163**
	1,217,418,407	**95,400,934**	**20,000**	**1,312,839,341**
Assets for which fair values are disclosed:				
Financial asset at amortized cost				
Government debt securities				
Local currency	**452,053,096**	–	–	**452,053,096**
Corporate bonds	**64,940,000**	–	–	**64,940,000**
Loans and receivables				
Accounts receivables	–	–	**154,296,487**	**154,296,487**
Employee receivables	–	–	**11,285,291**	**11,285,291**
Investment properties	–	–	**2,745**	**2,745**
	516,993,096	–	**165,584,523**	**682,577,618**
	₱1,734,411,503	**₱95,400,934**	**₱165,604,523**	**₱1,995,416,959**

	2022			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at FVTPL				
Listed equity securities	₱284,769,809	₱–	₱–	₱284,769,809
Golf club shares	–	34,900,000	–	34,900,000
Unit investment fund	–	32,679,201	–	32,679,201
Unlisted equity securities	–	–	20,000	20,000
	284,769,809	67,579,201	20,000	352,369,010
Financial assets at FVOCI				
Government debt securities				
Local currency	862,425,862	–	–	862,425,862
	1,147,195,671	67,579,201	20,000	1,214,794,872
Assets for which fair values are disclosed:	Assets for which fair values are disclosed:			
Financial asset at amortized cost				
Government debt securities				
Local currency	447,963,754	–	–	447,963,754
Corporate bonds	99,808,507	–	–	99,808,507
Loans and receivables				
Accounts receivables	–	–	126,053,686	126,053,686
Employee receivables	–	–	2,993,460	2,993,460
Investment properties	–	–	2,745	2,745
	547,772,261	–	129,049,891	676,822,152
	₱1,694,967,932	₱67,579,201	₱129,069,891	₱1,891,617,024

Fair values of investment in securities classified as financial assets at FVTPL and FVOCI were determined using Level 1. The fair values of financial instruments classified as financial assets at FVTPL and at FVOCI that are actively traded in an organized exchange or active markets are determined by reference to quoted market or broker bid prices at the close of business as of reporting dates.

The fair values of accounts receivables and employee receivables are determined by computing the present value of the expected future cash flows of the loans using the predetermined market rate for similar instrument as of reporting date as discount rate.

Fair value of investment properties are derived using the sales comparison approach.

In 2023 and 2022, there were no transfers between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 fair value measurement.

Accounts with fair value measured under Level 3 have no effect of measurements in profit or loss or in other comprehensive income for both 2023 and 2022.

Financial Risk

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

The Company's objectives in managing exposure to financial risks include providing financial security to policyholders, ensure prompt payment of its obligations and to provide owners with a satisfactory return on their investments.

To ensure that these objectives are met, the Company's policies and procedures require monitoring of financial risks by the Chief Financial Officer and regularly reviewed by the BOD.

Credit risk

Credit risk arises from the possibility of asset impairment occurring because counterparties cannot meet their obligations in transactions involving financial instruments.

Management has established a Credit Control Policy, which provides for terms of business and credit reference criteria. The policy requires that financial references are obtained for each agent and broker when credit is given. Credit terms are set for the counterparty, but these are withdrawn or restricted when these are breached. Any deviation from the policy requires justification subject to approval by the Management. The Policy is regularly reviewed by the Management and amended as necessary.

The Company's procedures provide for the monitoring of the counterparty's ability to meet its obligations through regular review of each account. Statements of accounts with covering letter are regularly sent to agents and brokers reminding them of their outstanding balances and to follow up payment. Reconciliation of accounts is also done on a regular basis.

For cash and cash equivalents and investments, the Company considers the safety of the investment, yield or income, liquidity, diversification, capital growth and appreciation.

The following are the acceptable instruments set up by the Investment Committee in order of priority:

1. Government Securities
2. Special Savings Accounts/ Bank Promissory Notes
3. Commercial papers with credit rating of 2 for short term and B for long term
4. Preferred and Common stocks (Blue Chip stocks only)

The table below shows the maximum exposure to credit risk for the components of its statement of financial position.

	2023	2022
Cash and cash equivalents* (Note 4)	**₱1,813,006,660**	₱1,605,228,260
Insurance receivables (Note 5)	**2,277,224,115**	1,978,751,615
Short-term investments (Note 4)	**1,394,814**	1,378,222
Financial assets:		
Financial assets at FVTPL (Note 6)	**340,846,178**	352,369,010
Financial assets at FVOCI (Note 6)	**971,993,163**	862,425,862
Financial assets at amortized cost (Note 6)	**516,993,095**	547,772,261
Loans and receivables (Note 7)	**165,581,778**	129,047,146
Accrued income (Note 9)	**26,084,735**	23,203,859
	₱6,113,124,538	**5,500,176,235**

**Excluding cash on hand amounting to ₱105,800 and ₱89,799 as of December 31, 2023 and 2022, respectively.*

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	2023			
	Investment Grade	Satisfactory	Past Due or Credit-Impaired	Total
Cash and cash equivalents*	₱1,813,006,660	₱–	₱–	₱1,813,006,660
Short-term investments	1,394,814	–	–	1,394,814
Insurance receivables:				
Due from brokers and agents	–	1,140,740,260	829,402,550	1,970,142,810
Due from ceding companies and reinsurers	–	10,695,616	92,032,051	102,727,667
Reinsurance recoverable on paid losses	–	277,795	235,111,231	235,389,026
Financial assets:				
Financial assets at FVTPL				
Listed equity securities	245,425,244	–	–	245,425,244
Club shares	52,300,000	–	–	52,300,000
Unit investment fund	43,100,934	–	–	43,100,934
Unlisted equity securities	20,000	–	–	20,000
Financial assets at FVOCI				
Government debt securities	971,993,163	–	–	971,993,163
Financial assets at amortized cost				
Government debt securities	452,053,095	–	–	452,053,095
Corporate bonds	64,940,000	–	–	64,940,000
Loans and receivables:				
Accounts receivable	–	19,368,325	192,270,957	211,639,282
Employee receivables	–	11,285,291	–	11,285,291
Accrued income	26,084,735			26,084,735
Total	₱3,670,318,645	₱1,182,367,288	₱1,348,816,789	₱6,201,502,721

**Excluding cash on hand amounting to ₱105,800 as of December 31, 2023.*

	2022			
	Investment Grade	Satisfactory	Past Due or Credit-Impaired	Total
Cash and cash equivalents*	₱1,605,228,260	₱–	₱–	₱1,605,228,260
Short-term investments	1,378,222	–	–	1,378,222
Insurance receivables:				
Due from brokers and agents	–	769,761,031	946,829,961	1,716,590,992
Due from ceding companies and reinsurers	–	3,689,232	88,254,906	91,944,138
Reinsurance recoverable on paid losses	–	14,951,528	186,300,345	201,251,873
Financial assets:				
Financial assets at FVTPL				
Listed equity securities	284,769,809	–	–	284,769,809
Club shares	34,900,000	–	–	34,900,000
Unit investment fund	32,679,201	–	–	32,679,201
Unlisted equity securities	20,000	–	–	20,000
Financial assets at FVOCI				
Government debt securities	862,425,862	–	–	862,425,862
Financial assets at amortized cost				
Government debt securities	447,963,754	–	–	447,963,754
Corporate bonds	99,808,507	–	–	99,808,507
Loans and receivables:				
Accounts receivable	–	19,798,273	163,598,208	183,396,481
Employee receivables	–	2,993,460	–	2,993,460
Accrued income	23,203,859	–	–	23,203,859
Total	₱3,392,377,474	₱811,193,524	₱1,384,983,420	₱5,588,554,418

**Excluding cash on hand amounting to ₱89,799 as of December 31, 2022.*

The Company uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness, as follows:

Investment grade - This rating class is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations. These financial assets have the smallest degree of financial risk.

Satisfactory - This rating class is given to borrowers and counterparties who possess above average capacity to meet its obligations.

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

Liquidity risk is a risk due to uncertain liquidity. An institution may suffer liquidity problem when its credit rating falls. The Company is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity.

It is the Company's objective to develop a plan that will provide a well-balanced cash flow to ensure that enough cash is available to meet its obligations and to fund its operational requirements. A well-managed cash flow statement will yield positive cash balance in compliance to the requirement of the IC.

To meet these objectives, the Company prepares a Cash Flow Plan which entails forecasting and tabulating all significant cash inflows relating to premiums paid by policyholders, interest received from investments and others, and analyzing in detail the timing of expected payments relating to supplies, wages, other expenses, capital expenditure, dividends, tax, and others. Excess funds resulting from positive cash flows are invested in short term placements and high yielding government securities.

The table below summarizes the maturity profile of the financial assets and liabilities of the Company using undiscounted contractual amounts based on remaining contractual maturity, or for the insurance contract liabilities, based on the estimated timing of net cash outflows.

	2023					
	Up to a year	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**No term**	**Total**
Cash and cash equivalents*	**₱1,813,006,660**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,813,006,660**
Short-term investments*	**1,394,814**	–	–	–	–	**1,394,814**
Insurance receivables	**2,308,259,503**	–	–	–	–	**2,308,259,503**
Financial assets						
Financial assets at FVTPL	**43,100,934**	–	–	–	**297,745,244**	**340,846,178**
Financial assets at FVOCI*	–	**5,033,792**	**44,065,083**	**922,894,288**	–	**971,993,163**
Financial assets at amortized cost*	–	**114,849,067**	**34,300,000**	**367,844,027**	–	**516,993,094**
Loans and receivables	**165,581,778**	–	–	–	–	**165,581,778**
Accrued income	**26,084,735**	–	–	–	–	**26,084,735**
Total financial assets	**₱4,357,428,424**	**₱119,882,859**	**₱78,365,083**	**₱1,290,738,315**	**₱297,745,244**	**₱6,144,159,925**
Insurance contract liabilities	**₱1,963,659,680**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,963,659,680**
Insurance payables	**1,497,217,543**	–	–	–	–	**1,497,217,543**
Accounts payable and accrued expenses	**1,050,874,700**	–	–	–	–	**1,050,874,700**
Lease liability*	**108,705,602**	–	–	–	–	**108,705,602**
Total financial liabilities	**₱4,620,457,525**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,620,457,525**

**amount includes future interest*
**accounts payable and accrued expenses excludes taxes*

	2022					
	Up to a year	1 to 3 years	3 to 5 years	Over 5 years	No term	Total
Cash and cash equivalents*	₱1,605,228,260	₱–	₱–	₱–	₱–	₱1,605,228,260
Short-term investments*	1,378,222	–	–	–	–	1,378,222
Insurance receivables	2,009,787,003	–	–	–	–	2,009,787,003
Financial assets						
Financial assets at FVTPL	32,679,201	–	–	–	319,689,809	352,369,010
Financial assets at FVOCI*	–	104,425,190	242,932,333	515,068,338	–	862,425,862
Financial assets at amortized cost*	112,592,049	58,586,253	73,274,727	303,319,233	–	547,772,261
Loans and receivables	182,126,994	–	–	–	–	182,126,994
Accrued income	23,203,859	–	–	–	–	23,203,859
Total financial assets	₱3,966,995,588	₱163,011,443	₱316,207,060	₱818,387,572	₱319,689,809	₱5,584,291,471
Insurance contract liabilities	₱2,892,652,593	₱–	₱–	₱–	₱–	₱2,892,652,593
Insurance payables	1,669,510,521	–	–	–	–	1,669,510,521
Accounts payable and accrued expenses	1,197,500,893	–	–	–	–	1,197,500,893
Lease liability*	138,752,050	–	–	–	–	138,752,050
Total financial liabilities	₱5,898,416,057	₱-	₱–	₱–	₱–	₱5,898,416,057

**amount includes future interest*
**accounts payable and accrued expenses excludes taxes*

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.

The Company structures the levels of market risk it accepts through a sound market risk policy based on specific guidelines set by the Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation and portfolio limit structure.

Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

Foreign currency risk
The Company's principal transactions are carried out in Philippine peso and its exposure to foreign exchange risk arises primarily with respect to the US Dollar, as it deals with foreign reinsurers in its settlement of its obligations and receipt of any claim reimbursements.

The Company's financial assets are denominated in the same currencies as its insurance liabilities which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled.

The following table summarizes the Company's exposure to foreign currency exchange risk as of December 31, 2022 and 2021:

	2023		2022	
	US$	**PHP**	US$	PHP
Assets				
Cash and cash equivalents	**$28,121,091**	**1,557,064,786**	$22,355,576	1,246,435,115
Insurance receivables	**7,273,519**	**402,734,750**	7,185,255	400,613,893
	$35,394,610	**₱1,959,799,536**	$29,540,831	₱1,647,049,007
Liabilities				
Other insurance payables	**$10,073,548**	**₱557,772,362**	$8,678,511	₱483,870,381

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of currency sensitive monetary assets and liabilities).

	2023		2022	
Currency	**Change in Rate**	**Impact on income before tax**	Change in Rate	Impact on income before tax
USD	**+4.42%**	**₱62,011,280**	+3.06%	₱35,605,025
USD	**-4.42%**	**(62,011,280)**	-3.06%	(35,605,025)

There is no impact on the Company's equity other than those already affecting the net income.

Interest rate risk
Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk. The Company's fixed rate investments in particular are exposed to fair value interest rate risk.

The Company's market risk policy requires it to manage interest rate risk by investing in fixed rate instruments.

The following table shows the information relating to the Company's financial instruments that are exposed to fair value interest rate risk presented by maturity profile.

		Maturity				
	Interest Rates	**Within 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Financial assets at FVOCI						
2023	**4.00%-8.75%**	**₱–**	**₱5,033,792**	**₱44,065,083**	**₱922,894,288**	**₱971,993,163**
2022	2.38%-8.00%	₱–	₱104,425,190	₱242,932,333	₱515,068,338	₱862,425,862

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (that reflects adjustments on revaluing fixed rate financial assets at FVOCI).

		2023	2022
	Change in variables	**Impact on equity**	**Increase (Decrease)**
Peso	+100 basis points	**(₱9,719,932)**	(₱8,624,259)
	–100 basis points	**9,719,932**	8,624,259

Equity price risk

The Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investments in equity securities.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investment, diversification plan and limits on investments.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (that reflects changes in fair value of financial assets at FVTPL).

	2023		2022	
	Change in Variable	**Impact on equity Increase (Decrease)**	Change in Variable	Impact on equity Increase (Decrease)
Market Index 1	**+8.66%**	**₱21,253,826**	+9.20%	₱26,198,822
	-8.66%	**-21,253,826**	-9.20%	(26,198,822)

26. Maturity Profile of Assets and Liabilities

The table below presents the assets and liabilities of the Company as of December 31, 2023 and 2022 analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2023			2022		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	₱1,813,112,460	₱–	₱1,813,112,460	₱1,605,318,059	₱–	₱1,605,318,059
Short-term investments	1,394,814	–	1,394,814	1,378,222	–	1,378,222
Insurance receivables	2,308,259,503	–	2,308,259,503	2,009,787,003	–	2,009,787,003
Financial assets at FVTPL						
Listed common shares	–	245,425,244	245,425,244	–	284,769,809	284,769,809
Club shares	–	52,300,000	52,300,000	–	34,900,000	34,900,000
Unit Investment Fund	43,100,934	–	43,100,934	32,679,201	–	32,679,201
Unlisted shares	–	20,000	20,000	–	20,000	20,000
Financial assets at FVOCI						
Government treasury bonds/bills	–	971,993,163	971,993,163	–	862,425,862	862,425,862
Financial assets at amortized cost						
Government treasury bonds/bills	0	452,661,456	452,661,456	112,592,049	335,681,614	448,273,663
Corporate bonds	–	64,940,000	64,940,000	–	99,808,507	99,808,507
Loans and receivables	165,581,778	57,342,794	222,924,573	129,047,146	57,342,795	186,389,941
Accrued interest income	26,084,735		26,084,735	23,203,859	–	23,203,859
	4,357,534,224	1,844,682,658	6,202,216,882	3,914,005,539	1,674,948,587	5,588,954,126
Nonfinancial Assets						
Reinsurance assets	–	2,460,606,255	2,460,606,256	–	3,152,493,565	3,152,493,565
Deferred Acquisition Costs	–	404,404,104	404,404,104	–	291,382,030	291,382,030
Investment Properties – net	–	2,745	2,745	–	2,745	2,745
Property and Equipment	–	146,810,413	146,810,413	–	143,441,304	143,441,304
Right of Use Assets	–	137,606,565	137,606,565	–	246,425,792	246,425,792
Deferred Tax Assets – net	–	66,064,088	66,064,088	–	38,655,794	38,655,794
Other Assets	77,418,965	543,424,049	620,843,014	62,176,059	488,266,686	550,442,746
	77,418,965	3,758,918,220	3,836,337,185	62,176,060	4,360,667,915	4,422,843,975
	₱4,434,953,189	₱5,603,600,878	₱10,038,554,067	₱3,863,589,550	₱6,148,208,552	₱10,011,798,102
Less: Allowance for credit losses			₱184,179,087			₱183,880,635
Accumulated depreciation			142,746,706			212,494,709
			₱9,711,628,274			₱9,615,422,757
Financial Liabilities						
Insurance payables	₱1,497,217,543	₱–	₱1,497,217,543	₱1,669,510,521	₱–	₱1,669,510,521
Accounts payable and accrued expenses	1,050,874,700	–	1,050,874,700	1,349,647,914	–	1,349,647,914
Lease liability	108,705,602	–	108,705,602	138,752,050	–	138,752,050
	2,656,590,878	–	2,656,590,878	2,865,552,506	–	2,865,552,506
Nonfinancial Liabilities						
Deferred reinsurance commissions	–	135,591,528	135,591,528	–	92,333,319	92,333,319
Insurance contract liabilities	4,296,301,581		4,296,301,581	4,528,456,820		4,528,456,821
Taxes payable	156,791,430		156,791,430	162,337,439		162,337,439
Net pension liability	–	20,114,448	20,114,448	–	5,320,184	5,320,184
	4,453,093,011	155,705,976	4,608,798,987	4,690,794,259	97,653,503	4,788,447,762
	₱7,109,683,889	₱155,705,976	₱7,265,389,865	₱7,544,729,215	₱109,271,053	₱7,654,000,268

27. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Related parties include affiliates, which are entities that have common shareholders with the Parent Company.

The Company, in its regular conduct of business, has entered into transactions with related parties principally consisting of the following:

a. Compensation of key management personnel

Key management personnel of the Company include all management staff.

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

	2023	2022
Salaries and wages	**₱134,684,407**	₱126,143,407
Other employee benefits	**3,408,306**	2,251,784

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

Category	**2023 Volume/ Amount**	**2023 Outstanding Balance**	**Nature, Terms and Conditions**
Companies under common control			
Service fee			
FPG Management Services Pte., Ltd.	**₱19,798,239**	**₱8,336,906**	The fee is billed monthly, payable on the following month.
Bridgebury Realty Corporation	**₱44,202,490**	**₱294,504**	The fee is billed quarterly, payable on the following month

Category	2022 Volume/ Amount	2022 Outstanding Balance	Nature, Terms and Conditions
Companies under common control			
Service fee			
FPG Management Services Pte., Ltd.	**₱20,986,115**	**₱1,908,282**	The fee is billed monthly, payable on the following month.
Bridgebury Realty Corporation	**₱19,880,090**	**-**	The fee is billed quarterly, payable on the following month

Transactions with related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

28. **Leases Commitments**

Company as a Lessee
The Company entered into the following lease agreements:

a. Five-year lease for its main office premises effective October 15, 2022 until October 14, 2027 with stipulated monthly rent of ₱2,340,000.00 and parking lease with stipulated monthly rent of ₱139,500, both shall have an escalation rate of 5% on the second year and 5% in succeeding years.

b. Two-year lease of an office space for its Angeles branch effective February 1, 2022 to January 31, 2024. The stipulated monthly rent of ₱63,000.00 shall have an escalation rate of 6.0% annually.

c. Five-year lease of an office space for its Dagupan branch effective January 1, 2018 to December 31, 2022 with a stipulated monthly rent of ₱64,723.28 and an escalation rate of 5.0% annually. This was renewed last January 9, 2023 for monthly rate ₱64,723.28, with 5% escalation every year until December 31, 2025.

d. Annual lease of an office and parking space for its Binondo satellite office effective November 21,2021 to October 21, 2022 with stipulated monthly rent of ₱40,678.58 and a parking lease of ₱3,038.76 monthly, with an escalation rate of 5% annually. This was extended for additional term of 6 months until April 30, 2023 with 5% escalation in the unit lease rate to ₱42,713.06 and parking lease of ₱3,190.70 exclusive of VAT.

   Three-year lease of an office space for its Binondo branch effective May 16, 2023 to April 30, 2026. The stipulated monthly rent of ₱48,000.00 shall have an escalation rate of 5.0% annually.

e. Three-year lease of an office space for its Davao branch effective July 1, 2020 to June 30, 2023. The lease contract was renewed effective July 1, 2023 to June 30, 2026. The stipulated monthly rent is ₱39,418.26 and shall have an escalation rate of 5.0% annually.

f. Annual lease of an office space for its Cagayan de Oro branch effective April 1, 2022 to March 31, 2023. The stipulated monthly rent is ₱43,095. This was renewed last April 1, 2023 for monthly rate ₱43,095 until March 31, 2024.

g. Lease of an office space for its Quezon City branch as follows:

Unit	Period	Monthly Rent	Escalation rate
Unit 602	Annual rent renewable upon mutual agreement	₱98,210	5% annually
Unit 604	Annual rent renewable upon mutual agreement	23,191	5% annually
Unit 601-A	January 1, 2021 to December 31, 2023	74,144	5% annually
Unit 601-B	Annual rent renewable upon mutual agreement	38,031	5% annually
Unit 605	Annual rent renewable upon mutual agreement	17,885	5% annually
Unit 12-01	Annual rent renewable upon mutual agreement	68,740	5% annually

h. Annual lease for an office space for its Cebu branch effective May 16, 2022 until May 15, 2023. The stipulated monthly rent is ₱90,000.00. This was renewed last May 1, 2023 for monthly rate ₱74,000, with 5% escalation every year until April 30, 2026.

i. Annual lease of an office space for its Ortigas branch effective April 16, 2022 to April 15, 2023 with stipulated monthly rent of ₱107,700.62. This was renewed last April 16, 2023 for monthly rate ₱118,471 until April 15, 2024.

j. Five-year lease of an office space for its Laguna branch office effective February 21, 2021 to January 31, 2026 with stipulated monthly rent of ₱73,500.00 and shall have an escalation rate of 5% annually.

k. Annual lease of an office space for its General Santos satellite office effective May 1, 2022 to April 30, 2023 with stipulated monthly rent of ₱22,840. This was renewed last May 1, 2023 for monthly rate ₱22,840 until April 30, 2024.

l. Annual lease of an office space for its Tarlac satellite office effective April 1, 2022 to March 31, 2023 with stipulated monthly rent of ₱15,500. The contract was not renewed due to branch closure on March 24, 2023.

m. Annual lease of an office space for its Iloilo satellite office with stipulated monthly rent of ₱12,000 effective March 1, 2022 to February 28, 2023. This was renewed last March 1, 2023 for monthly rate ₱13,000 until February 28, 2024.

n. A coworking space service agreement commenced on August 1, 2023 to August 1, 2024 located at Alabang, Muntinlupa City with monthly lease rental of ₱5,000.

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

The rollforward analysis of right of use assets follows:

	2023	2022
Cost		
As at January 1	**₱246,425,792**	₱118,201,803
New leases during the year	**11,689,110**	128,223,989
Termination	**(120,508,337)**	-
As at December 31	**137,606,565**	246,425,792
Accumulated Depreciation		
As at January 1	**113,291,692**	86,935,893
Depreciation expense	**44,111,129**	26,355,799
Termination	**(120,508,337)**	-
As at December 31	**36,894,484**	113,291,692
	₱100,712,081	₱133,134,100

The rollforward analysis of lease liabilities follows:

	2023	2022
As at January 1	**₱138,752,051**	₱28,690,523
New leases during the year	**5,057,479**	128,223,988
Accretion of interest	**9,050,955**	327,494
Payments	**(44,361,850)**	(18,489,955)
	₱108,498,635	₱138,752,050

Non-current portion of the lease liabilities is disclosed in the maturity analysis in Note 26.

The following are the amounts recognized in the statements of income:

	2023	2022
Depreciation expense of right of use assets (Note 21)	**₱44,111,129**	₱26,355,799
Expense relating to short-term leases (Note 21)	**(1,215,785)**	10,737,477
Interest expense on lease liability	**9,050,955**	327,494
Total	**₱51,946,299**	₱37,420,769

29. Contingent Liabilities

Various legal actions and claims are pending or may be assessed in the future against the Company from litigations and claims incident to the ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, management believes that no material liabilities are likely to result.

30. Approval of the Release of the Financial Statements

The accompanying financial statements of the Company were approved and authorized for issue by the BOD on April 8, 2024.

31. Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by RR15-2010 hereunder are the information on taxes and license fees paid or accrued during the taxable year:

Output VAT
The Company is a VAT-registered entity with VAT output tax declarations for premiums, commissions and other miscellaneous collections as follows:

	Amount	Output VAT
VATable sales	₱3,703,812,296	₱444,457,476
Zero-rated sales	1,041,444,731	–
Exempt Sales	138,290,978	–
	₱4,883,548,005	₱444,457,476

Zero-rated sales consist mainly of those earned from persons or entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

Exempt sales pertains to Personal Accident and Medical policies subjected to percentage tax and other transactions with VAT exempt entities.

Input VAT

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

At January 1, 2023	₱7,780,471
Current year's domestic purchases/payments for:	
Purchase of goods	2,122,455
Payment for services	148,446,416
	158,349,342
Application of input VAT against output VAT	108,347,322
At December 31, 2023	₱50,002,020

The amount of VAT payable as of December 31, 2023 consists of the following:

Output VAT	₱444,457,476
Input VAT	(108,347,322)
Tax credits/payments	(288,223,018)
VAT payable	₱47,887,136

Documentary Stamp Tax (DST)

The DST paid on the following transactions are:

Transaction	DST
Policies of insurance upon property	₱613,021,299
Accident and health	818,128
Compulsory third-party liability (CTPL)	9,420

Other Taxes and Licenses

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

Local	
License and permit fees	₱3,014,064
National	
Fringe benefit taxes	550,796
Licenses of agents	715,310
Fees paid to the Insurance Commission	861,660
Tax on sale and purchase of stocks	146,981
BIR annual registration	7,000
Others	107,289,556
Total	₱112,585,366

Others include amount paid to BIR amounting to ₱115.29 million basic assessments for taxable years 2017 and 2018 plus interest and surcharges.

Other national taxes and licenses refer to tax clearance renewal, certification fee for closed branches for the year.

Other taxes paid are:

Fire service tax	₱17,889,751
Local government tax	10,793,620
Premium tax	3,942,240
	₱32,625,612

Withholding Taxes
The amount of withholding taxes paid/accrued in 2023 amounted to:

Expanded withholding taxes	₱105,752,177
Withholding taxes on compensation and benefits	36,477,390
Final withholding taxes	2,228,247
	₱144,457,815

Tax Contingencies
The Company is currently under preliminary tax audit with the BIR for taxable years 2020 and 2021. The Company has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

SyCip Gorres Velayo & Co.
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1226 Makati City
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
FPG Insurance Co., Inc.
6th Floor, Zuellig Building
Makati Avenue corner Paseo de Roxas
Makati City

We have audited the accompanying financial statements of FPG Insurance Co., Inc. (the Company) for the year ended December 31, 2023 on which we have rendered the attached report dated April 8, 2024.

In compliance with Revised Securities Regulation Code Rule No. 68, we are stating that the Company has one (1) stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
Tax Identification No. 178-486-666
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-081-2024, January 26, 2024, valid until January 25, 2027
PTR No. 10079998, January 6, 2024, Makati City

April 8, 2024

FPG insurance