Alliedbankers Insurance Corporation

Parent Company Financial Statements
December 31, 2022 and 2021

and

Independent Auditor's Report

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Alliedbankers Insurance Corporation

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Alliedbankers Insurance Corporation (the "Parent Company"), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent 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 parent company 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 Parent Company Financial Statements

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

In preparing the parent company financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 the parent company 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 parent company 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 Parent 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 Parent 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 Parent Company to cease to continue as a going concern.

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

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

Report on the Supplementary Information Required under Revenue Regulation No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 15-2010 in Note 32 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 parent company financial statements. Such information is the responsibility of the management of Alliedbankers Insurance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated in all material respects, in relation to the basic parent company financial statements taken as a whole.

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PTR No. 9564685, January 3, 2023, Makati City

May 13, 2023

ALLIEDBANKERS INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Cash and cash equivalents (Notes 4, 25 and 26)	**₱1,745,688,000**	₱1,457,830,855
Insurance receivables – net (Notes 6, 25 and 26)	**1,910,575,392**	1,959,906,747
Investment in subsidiary (Note 5)	**1,556,070,029**	1,556,070,029
Financial assets (Note 7 and 25)		
Financial assets at fair value through profit or loss	**79,248,716**	88,171,372
Available-for-sale financial assets	**280,831,484**	302,139,614
Held-to-Maturity	**387,923,270**	232,674,599
Loans and receivables	**146,858,670**	127,879,829
Accrued income (Note 8)	**8,745,472**	4,420,874
Reinsurance assets (Notes 9 and 15)	**3,782,083,060**	2,770,274,679
Deferred acquisition costs (Note 10)	**151,971,289**	113,557,537
Property and equipment – net (Note 11)	**56,863,103**	51,697,423
Right-of-use assets - net (Note 27)	**–**	11,563,024
Intangible asset – net (Note 12)	**46,632,982**	51,277,778
Deferred tax assets (Note 24)	**27,339,885**	35,216,985
Net pension asset (Note 23)	**17,987,629**	–
Other assets (Note 13)	**238,175,650**	133,254,494
	₱10,436,994,631	₱8,895,935,839
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 15, 17 and 25)	**₱4,487,464,740**	₱3,593,362,497
Insurance payables (Notes 16, 25 and 26)	**1,222,042,577**	1,289,999,943
Accounts payable and accrued expenses (Notes 14, 25, and 26)	**1,082,578,349**	1,006,965,328
Deferred reinsurance commissions (Note 10)	**69,097,860**	63,041,034
Income tax payable	**–**	13,100,267
Lease liabilities (Note 27)	**15,822,485**	15,599,735
Dividends payable (Note 18)	**19,237,343**	19,237,343
Net pension liability (Note 23)	**–**	13,029,568
	6,896,243,354	6,014,335,715
Equity		
Capital stock (Notes 18 and 28)	**470,000,000**	470,000,000
Subscribed capital stock (Note 18)	**165,537,500**	165,537,500
Contingency surplus (Note 18)	**1,600,000,000**	1,000,000,000
Contributed surplus (Note 18)	**441,615,510**	441,615,510
Revaluation reserve on AFS financial assets (Note 7)	**54,459,997**	41,612,335
Remeasurement losses on defined benefit plan (Note 23)	**15,941,711**	(6,498,233)
Retained earnings	**793,196,560**	769,333,012
	3,540,751,277	2,881,600,124
	₱10,436,994,631	₱8,895,935,839

See accompanying Notes to Parent Company Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
REVENUES		
Gross earned premiums	**₱2,788,579,038**	₱1,525,797,035
Reinsurers' share of gross earned premiums	**(2,024,702,112)**	(935,907,568)
Net earned premiums (Note 19 and 26)	**763,876,926**	589,889,467
Commission income (Note 10)	**274,587,690**	128,716,681
Investment income - net (Note 20)	**50,043,094**	35,261,836
Other underwriting income	**42,306,753**	22,540,423
Foreign exchange gain – net	**48,777,321**	3,515,710
Miscellaneous income (Note 14)	**45,158,239**	20,709,189
Other income	**460,873,097**	210,743,839
Total Income	**1,224,750,023**	800,633,306
BENEFITS, CLAIMS AND EXPENSES		
Gross insurance benefits and claims paid	**1,038,012,872**	502,723,592
Reinsurers' share of gross insurance benefits and claims paid	**(728,883,093)**	(356,652,109)
Gross change in insurance contract liabilities	**837,654,815**	(332,634,615)
Reinsurers' share of gross change in insurance contract liabilities	**(792,081,484)**	308,402,614
Net insurance benefits and claims (Notes 9, 15 and 21)	**354,703,110**	121,839,482
General and administrative expenses (Notes 22 and 27)	**385,801,993**	257,374,499
Underwriting expenses	**177,014,609**	166,781,216
Commission expense (Notes 10 and 26)	**266,079,370**	124,760,468
Interest expense (Notes 16, 23 and 27)	**1,107,132**	1,171,300
Other expenses	**830,003,104**	550,087,483
Total benefits, claims and other expenses	**1,184,706,214**	671,926,965
INCOME BEFORE INCOME TAX	**40,043,809**	128,706,341
PROVISION FOR INCOME TAX (Note 24)	**16,180,261**	36,215,283
NET INCOME	**₱23,863,548**	₱92,491,058

See accompanying Notes to Parent Company Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
NET INCOME	**₱23,863,548**	₱92,491,058
OTHER COMPREHENSIVE INCOME (LOSS)		
To be reclassified to profit or loss in subsequent periods:		
Net change in the fair value of AFS financial assets (Note 7)	**15,776,562**	(29,291,389)
Valuation gain (loss) realized through profit or loss:		
Impairment loss (Notes 7 and 20)	**–**	–
Realized gain on amortization of revaluation reserve related to reclassified investments to HTM (Note 7)	**(4,041,329)**	–
Loss on sale of AFS financial assets (Notes 7 and 20)	**1,112,429**	15,008,199
	12,847,662	(14,283,190)
Not to be not reclassified to profit and loss in subsequent periods:		
Remeasurement gains (losses) on defined benefit obligation (Note 23)	**29,919,925**	14,759,474
Income tax effect (Note 23)	**(7,479,981)**	(3,689,869)
	22,439,944	11,069,605
	35,287,606	(3,213,585)
TOTAL COMPREHENSIVE INCOME	**₱59,151,154**	₱89,277,473

See accompanying Notes to Parent Company Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital stock (Note 18)	Subscribed capital stock (Note 18)	Contingency surplus (Note 18)	Contributed surplus (Note 18)	Revaluation reserve on AFS financial assets (Note 7)	Remeasurement gain (loss) on defined benefit plan (Note 23)	Retained earnings	Total
Balance at January 1, 2022	**₱470,000,000**	**₱165,537,500**	**₱1,000,000,000**	**₱441,615,510**	**₱41,612,335**	**(₱6,498,233)**	**₱769,333,012**	**₱2,881,600,124**
Net income for the year	–	–	–	–	–	–	**23,863,548**	**23,863,548**
Other comprehensive income	–	–	–	–	**12,847,662**	**22,439,944**	–	**35,287,606**
Total comprehensive income	–	–	–	–	**12,847,662**	**22,439,944**	**23,863,548**	**59,151,154**
Contingency surplus contribution (Note 18)	–	–	**600,000,000**	–	–	–	–	**600,000,000**
Balance at December 31, 2022	**₱470,000,000**	**₱165,537,500**	**₱1,600,000,000**	**₱441,615,510**	**₱54,459,997**	**₱15,941,711**	**₱793,196,560**	**₱3,540,751,278**
Balance at January 1, 2021	₱470,000,000	₱165,537,500	₱–	₱441,615,510	₱55,895,525	(₱17,567,838)	₱676,841,954	₱1,792,322,651
Net income for the year	–	–	–	–	–	–	92,491,058	92,491,058
Other comprehensive income (loss)	–	–	–	–	(14,283,190)	11,069,605	–	(3,213,585)
Total comprehensive income	–	–	–	–	(14,283,190)	11,069,605	92,491,058	89,277,473
Contingency surplus contribution (Note 18)	–	–	1,000,000,000	–	–	–	–	1,000,000,000
Balance at December 31, 2021	₱470,000,000	₱165,537,500	₱1,000,000,000	₱441,615,510	₱41,612,335	(₱6,498,233)	₱769,333,012	₱2,881,600,124

See accompanying Notes to Parent Company Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱40,043,809**	₱128,706,341
Adjustments for:		
Provision for claims IBNR and MfAD (Note 15)	**9,588,247**	16,766,645
Reversal of provision for doubtful accounts (Notes 6 and 22)	**(4,620,080)**	–
Pension expense (Notes 22 and 23)	**33,253,732**	28,781,369
Depreciation and amortization (Notes 11, 12, 22 and 27)	**29,114,207**	14,138,788
Interest expense (Notes 16, 23 and 27)	**1,107,131**	1,171,300
Unrealized foreign exchange loss	**3,382,897**	3,460,750
Fair value loss on financial assets at FVPL (Notes 7 and 20)	**8,344,149**	1,655,601
Loss on sale of AFS financial assets (Notes 7 and 20)	**1,112,429**	15,008,199
Dividend income (Notes 7 and 20)	**(4,253,157)**	(3,543,430)
Interest income (Notes 7, 20 and 22)	**(51,205,186)**	(48,382,208)
Operating income before changes in working capital	**65,868,178**	157,763,355
Decrease (increase) in:		
Insurance receivables	**55,092,056**	(402,196,900)
Loans and receivables	**(18,978,841)**	131,005,867
Reinsurance assets	**(1,299,146,521)**	4,234,666
Deferred acquisition costs	**(38,413,754)**	(16,914,104)
Other assets	**(104,921,154)**	16,432,692
Increase (decrease) in:		
Insurance contract liabilities	**1,171,852,136**	(176,073,126)
Accounts payable and accrued expenses	**75,613,021**	322,072,347
Insurance payables	**(73,107,845)**	418,575,786
Deferred reinsurance commissions	**6,056,826**	(3,558,247)
Changes in operating assets and liabilities due to business enterprise transfer (Note 5)	–	600,000,000
Net cash generated from (used in) operations	**(160,085,898)**	1,051,342,336
Contributions to plan assets (Note 23)	**(35,196,088)**	(27,585,648)
Income taxes paid	**(28,883,409)**	(21,692,080)
Interest paid	**(39,296)**	(20,317)
Net cash provided by (used in) operating activities	**(224,204,691)**	1,002,044,291
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	**4,253,157**	3,960,854
Interest received	**47,237,158**	50,511,789
Proceeds from disposal/maturities of:		
Financial assets at FVPL (Note 7)	**12,071,466**	122,951,994
AFS financial assets (Note 7)	**115,182,704**	386,246,240
HTM investments (Note 7)	**20,000,000**	–
Property and equipment (Note 11)	**387,074**	–
Acquisitions of:		
Investment in subsidiary (Note 5)	–	(1,032,357,754)
Financial assets at FVPL (Note 7)	**(11,492,959)**	(90,203,652)
AFS financial assets (Note 7)	**(148,454,582)**	(189,096,017)
Held to Maturity (Note 7)	**(109,290,000)**	–
Intangible asset	**(688,537)**	(50,000,000)
Property and equipment (Note 11)	**(17,770,604)**	(23,146,863)
Net cash used in investing activities	**(88,565,123)**	(821,133,409)

(Forward)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Contingency surplus contribution (Note 18)	**₱600,000,000**	₱1,000,000,000
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**626,961**	(2,448,976)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**287,857,145**	1,178,461,906
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,457,830,855**	279,368,949
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,745,688,000**	₱1,457,830,855

See accompanying Notes to Parent Company Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. **Corporate Information**

Alliedbankers Insurance Corporation (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 2010 primarily to engage in the business of non-life insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events and to act as agent to other insurance or surety companies, or any of its branches, including life insurance. It includes lines such as health, accident, fire and allied lines, motor vehicle, casualty, surety, marine cargo, marine hull, comprehensive liability insurance and allied risks.

The registered office address of the Parent Company is 17th Floor Federal Tower Condominium, Dasmariñas St. corner Muelle de Binondo, Binondo, Manila.

Acquisition of Summit General Insurance Corporation ("Summit Gen") *(formerly PNB General Insurers Company Incorporated)*
On December 29, 2020, with the approval of the Insurance Commission, the Parent Company entered into a "Share Purchase Agreement" (SPA) with PNB and PNB Holdings wherein the Parent Company agreed to acquire 100% shareholdings of Summit Gen in exchange for a total purchase price of ₱1.5 billion, the completion of which is subject to regulatory and other approvals. As of December 31, 2020, the Parent Company closed and completed the purchase of 34.25% shareholdings of Summit Gen from PNB Holdings.

The remaining 65.75% ownership which was owned by PNB was paid in 2021 in three tranches. On March 21, 2021, having already paid 70.41% of the stake in Summit Gen, the Parent Company determined that it has already acquired control over Summit Gen. Full payment was made on April 30, 2021 (see Note 5).

As of December 31, 2021, the Parent Company already owns 100% shareholdings in Summit Gen.

Business Enterprise Transfer with Summit Gen
On July 15, 2021, following the Parent Company's acquisition of all of the stocks of Summit Gen, the Parent Company entered to Business Enterprise Transfer (BET) Agreement with Summit Gen wherein Summit Gen disposed of its assets related to its non-life insurance business, assigned its related business contracts, and transferred majority of its contractual obligations to the Parent Company effective September 1, 2021 (see Note 6).

Merger with Summit Gen
Also following the acquisition of Summit Gen, the Company is currently processing its application for the plan of merger with the former in 2022 as approved by Board of Directors on December 11, 2021. The merger is expected to maximize synergy and improve operational efficiency thru reduction of IT, labor and business handling expenses. The merger is expected to be completed on or before December 31, 2022. On September 29, 2022, the Company and Summit Gen received from the Insurance Commission its approval for the merger and the endorsement for the same to the SEC. On January 31, 2023, the Company and Summit Gen submitted the required documents to the Security and Exchange Commission (SEC). As of May 13, 2023, the application process for the merger is still ongoing with the SEC (see Note 30).

The accompanying financial statements were authorized for issuance by the Board of Directors (BOD) on May 13, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation
The Parent Company's separate financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets and fair value through profit or loss (FVPL) which have been measured at fair value and pension liability which is measured at the present value of the defined benefit obligation.

The Parent Company's presentation and functional currency is the Philippine peso (₱). All amounts are rounded off to the nearest peso unit, unless otherwise indicated.

The Parent Company presents its statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve (12) months after the reporting date and more than twelve (12) months after the reporting date is presented in Note 30.

The financial statements provide comparative information in respect of the previous period.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2022. The Parent 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 Parent Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2022 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Standards Issued but Not Yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

- Amendments to PAS 8, *Definition of Accounting Estimates*

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

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

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company

Effective beginning on or after January 1, 2024
Amendments to PAS 1, *Classification of Liabilities as Current or Non-current Effective beginning on or after January 1, 2025*

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

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

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

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

The Company has an ongoing project to implement PFRS 17 and has been performing an impact assessment of the new standard. The Company expects that the new standard will result in a significant change to its accounting policies for insurance contract liabilities and is likely to have a significant impact on profit and total equity together with the presentation and disclosure.

Initial assessment using the 2018 audited financial statements determined that there will be an insignificant impact on profit and total equity together with the presentation and disclosure.

With the integration of Summit Gen, the company expects that the new standard will result in significant changes to accounting policies for insurance contract liabilities and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

The SEC adopts in its rules the Amendments to PFRS 17, *Insurance Contracts* and other financial reporting and auditing standards that are based on international standards and best practices effective for annual periods beginning on or after January 1, 2023.

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*

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Parent Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Parent Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Parent Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Parent Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

As allowed under PFRS 3, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Parent Company (acquirer) shall report in its financial statements provisional amounts for the items for which the accounting is incomplete, such as the resulting goodwill or gain on a bargain purchase (See Note 6).

Product Classification
Insurance contracts are defined as those contracts under which the Parent 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 Parent 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. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

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

Foreign Currency Transactions and Translations
Transactions in foreign currencies are initially recorded in Philippine peso at exchange rate at the date of the transaction. Outstanding foreign currency denominated monetary assets and liabilities are retranslated at the closing exchange rate at the reporting date. Outstanding foreign currency denominated nonmonetary items that are measured in terms of historical cost are translated using the exchange rate at the date of initial transaction and are not subsequently restated. Outstanding foreign currency denominated nonmonetary items measured at fair value are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income.

Fair Value Measurement
The Parent Company measures financial instruments, including AFS financial assets and financial assets at FVPL, at fair value at each reporting date.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Company.

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

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

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

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 statements on a recurring basis, the Parent 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) at the end of each reporting period.

Cash and Cash Equivalents
Cash and cash equivalents are carried in the statement of financial position at face amount or nominal amount. Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value and are free of any encumbrances.

Short-term Investments
Short-term investments are made for periods ranging more than three (3) months and up to twelve (12) months and earn interest at the respective short-term investment rates which is not restricted as to use.

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. 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 provision for impairment loss recorded in the profit or loss.

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

Financial Instruments – Recognition and Measurement

Date of recognition

Financial instruments are recognized in the statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition

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

The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, AFS financial assets, held-to-maturity (HTM) investments, and loans and receivables. The Parent Company classifies its financial liabilities as other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting period.

As of December 31, 2022 and 2021 the Parent Company's financial instruments include AFS financial assets, financial assets at FVPL, loans and receivables and other financial liabilities.

'Day' 1 difference

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

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM financial assets or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss. Interest earned on holding AFS debt securities are reported as interest income using the effective interest method. Dividends earned on holding AFS equity securities are recognized in profit or loss as dividend income when the right to receive the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported in the statement of comprehensive income. Losses arising from impairment of such investments are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment loss.

The Parent Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Parent Company is unable to trade these financial assets due to inactive markets, the Parent Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, nor designated as AFS financial assets or at financial assets at FVPL. This accounting policy relates to the statement of financial position 'Cash and cash equivalents', 'Short-term investments', 'Insurance receivables', 'Loans and receivables' and 'Accrued income'.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Amortization is included in the interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized in the profit or loss.

Other financial liabilities
Issued financial instruments or their components, which are not held for trading or designated as FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. This includes investment contracts which mainly transfer financial risk and has no significant insurance risk.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

As of December 31, 2022 and 2021, the Parent Company's other financial liabilities include 'Accounts payable and accrued expenses' that meet the above definition (other than liabilities covered by other accounting standards, such as provisions, pension liability and income tax payable), and dividends payable.

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

A financial instrument is classified as debt if it has a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Parent Company; or
- if the Parent Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent company assesses that is 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 Parent Company and all of the counter parties.

Impairment of Financial Assets
The Parent Company assesses at every end of the reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower, or a group of borrowers, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

AFS financial assets carried at fair value
In case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Investment income" in profit or loss. If, in a subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit of loss, the impairment loss is reversed through profit or loss.

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

Loans and receivables
For loans and receivables carried at amortized cost, the Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Parent Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as a difference between the assets' carrying amount and the present value of the estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the date of reversal.

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

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

When the Parent Company has transferred its right to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the

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

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

Reinsurance Assets
The Parent Company cedes insurance risk in the normal course of business. Reinsurance assets represent balance 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 exist that the Parent Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Parent Company will receive from the reinsurer can be measured reliably. Any impairment loss is charged against profit or loss.

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

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

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

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

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

Subsequent to initial recognition, these costs are amortized using the 24th method for policies with a term of exactly one year, otherwise, 365th method is used. Amortization is charged to profit or loss. The unamortized acquisition costs are shown as "Deferred acquisition costs" in the statement of financial position. Reinsurance commissions are deferred and shown in the statement of financial position as "Deferred reinsurance commissions", subject to the same amortization method as the related acquisition costs.

Prepayments
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time depending on the terms of the related agreements, if covered by a contract.

Property and Equipment
Property and equipment are stated at cost, net of accumulated depreciation 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 Parent Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged against the profit or loss during the reporting period in which they are incurred.

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

	Years
Condominium units	50
Furniture, fixtures and equipment	10
Electronic data processing (EDP) equipment	5-10
Leasehold improvements	10 or the term of the lease, whichever is shorter
Transportation equipment	5

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

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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.

Fully depreciated assets are retained in accounts until they no longer in use and no further depreciation is credited or charged against current operations.

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 profit or loss in the year the item is derecognized.

Intangible Asset
Intangible asset acquired separately is measured on initial recognition at cost. Following initial recognition, intangible asset is carried at cost less any accumulated amortization and any accumulated impairment loss. The estimated useful life of intangible asset with finite life is assessed at the individual asset level. Intangible asset with finite life is amortized over its estimated useful life of. as follows:

	Years
Software development	5
Marketing upfront fee	15

Periods and method of amortization for intangible asset with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in statement of income when the asset is derecognized.

Right-of-use assets
The Parent 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 and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Parent 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 as follows.

	Term
Office spaces	16 months

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

Investment in Subsidiary
A subsidiary is an entity in which the Parent Company, directly or indirectly, holds more than half (1/2) of the issued share capital, or controls more than half (1/2) of the voting power, or exercises control over the operation and management of the subsidiary. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

The reporting date of the subsidiary is identical with the Parent Company and the accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.

The Parent Company's investment in subsidiary is accounted for in the separate financial statements using the cost method of accounting. The Parent Company recognizes dividend income from its subsidiary once the subsidiary declares dividends.

Impairment of Non-Financial Assets

At each reporting period, the Parent Company assesses whether there is any indication that nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Parent Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed for the cash generating unit to which the asset belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) 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 (or cash generating unit). An impairment loss is charged against operations in the year in which it arises.

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 such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. 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 periods. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization expense is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Creditable Withholding Taxes

Creditable withholding pertains to the taxes paid by the Parent Company that is withheld by its counterparty for the payment of its expenses and other purchases. Creditable withholding taxes are recorded at cost as "Other Assets" in the statement of financial position.

At each end of the tax reporting deadline, creditable withholding taxes may either be offset against future income tax payable or be claimed as a refund from taxation authorities at the option of the Parent Company. If creditable withholding taxes are claimed as a refund, these will be recorded as a receivable under “Loans and receivable” in the statement of financial position.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of creditable withholding taxes. If any indication of impairment exists, the Parent Company makes an estimate of the asset’s recoverable amount. The Parent Company provides the unrecoverable creditable withholding taxes through valuation account. Factors which primarily affect the recoverability of these assets include the completeness of the supporting documentation (certificates of creditable tax withheld at source subject to rules on Philippine income taxation). A review to determine the adequacy of allowance is made by the Parent Company on a continuing basis year on year.

Value-Added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Insurance Contract Liabilities

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

Provisions for claims reported, provision for claims Incurred But Not Reported (IBNR) losses, claims handling expense (CHE) and Margin for Adverse Deviation (MfAD)

Provisions for claims reported are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, 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 end of each reporting date. The liability is not discounted for the time value of money.

Provision for claims IBNR pertains to amount provided for claim events that have occurred but have not been reported to the Parent Company as of the reporting date. The provision for claims IBNR at each reporting date is calculated by an independent actuary accredited by the IC using standard actuarial projection techniques (or combination of such techniques), including but not limited to the chain ladder method, the expected loss ratio approach, and the Bornhuetter-Fergusion method. The actuary determines the appropriateness of the method used by considering the characteristics of the Parent Company’s claims data and other factors such as maturity of the business, large losses arising from significant past events, operational changes in claims and underwriting processes and external conditions.

The Parent Company shall include an MfAD to allow for inherent uncertainty of the best estimate of the policy reserves which shall be determined by an independent actuary 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 by the actuary 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.

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 policy contracts with a term of exactly one year are recognized as revenue over the period of the contracts using the 24th method, otherwise, 365^{th} method is used. The portion of the premiums written that relate to the unexpired periods of the policies at the reporting date are accounted for as provision for unearned premiums and presented as part of “Insurance contract liabilities” in statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk.

Further, provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

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.

Lease liabilities
At the commencement date of the lease, the Parent 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 Parent Company and payments of penalties for terminating a lease, if the leaseterm reflects the Parent 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 Parent Company uses the incremental borrowing rate at the lease commencement date for office spaces. 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 Parent Company applies the short-term lease recognition exemption to its short-term leases of office and parking spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱216,000).

Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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 costs comprise 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, is recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit 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 Parent Company, nor can they be paid directly to the Parent 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 Parent 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

Capital stock represents the value of shares that have been issued at par. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as part of the transaction and are deducted first from additional paid-in-capital

Contingency surplus

Contingency surplus represents the contribution of Qualisure Holdings, Inc., (one of the Company's major shareholders) to cover the deficiency on the required Statutory Net Worth to comply with the New Insurance Code. This shall be maintained during the period of merger process of the Parent Company with Summit General Insurance Corporation. This can be withdrawn or released upon approval by the Insurance Commission after completing the Merger as the aggregate net worth of the Parent Company after the merger would be more than the required minimum legal net worth requirement.

Contributed surplus

Contributed surplus represents the original contribution of the stockholders of the Parent Company, in addition to the paid-up capital stock.

Retained earnings

Retained earnings represent the cumulative balance of net income or loss of the Parent Company, effects of any change in accounting policy and other adjustment affecting the account such as dividend distribution.

Revenue Recognition

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

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

Other income

Income from other sources is recognized when earned.

Other underwriting income

Other underwriting income pertains to income other than premiums but related to the issuance of insurance policies. These are recognized as income when earned.

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

Premiums
Gross insurance written premiums comprise the total premiums receivable for the whole cover period provided by contracts entered into during the reporting period. Premiums include any adjustments arising in the reporting period for premium receivable in respect of business written in prior periods. Premiums from policies with a term of exactly one year are recognized as revenue over the period of the contracts using the 24th method, otherwise 365th method is used. The portion of the premiums written that relate to the unexpired periods of the policies at the end of the reporting period are accounted for as provision for unearned premiums and is presented under “Insurance contract liabilities” in 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 under “Reinsurance assets” in the statement of financial position. The net changes in these accounts between reporting dates are credited or charged against profit or loss for the year.

Commission income
Reinsurance commissions are recognized as revenue 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 the end of the reporting period is accounted for as “Deferred reinsurance commissions” in the statement of financial position.

Interest income
Interest income is recognized in the profit or loss as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium using the effective interest method.

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

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

The following specific recognition criteria must also be met before revenue is recognized:

Benefits and claims
Benefits and claims consist of benefits and claims paid to policyholders and which include changes in valuation of insurance contract liabilities, except for changes in the provision for unearned premiums which are included in net earned premiums. It further includes internal and external claims handling cost that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered and are offset against related claims. 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.

Underwriting expense and general and administrative expense
These expenses are recognized in profit or loss as they are incurred.

Interest expense
Interest expense is recognized as incurred, taking into account the effective yield of the liabilities.

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

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including assets revaluations, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) 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, carryforward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income 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 same time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and liabilities are measured at the tax rate that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted as of end of the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in the rates are charged against or credited to profit or loss for the period.

Deferred income tax relating to items recognized in other comprehensive income is also recognized in other comprehensive income and not in profit or loss.

Deferred income 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 taxes relate to the same taxable entity and the same taxation authority.

Provisions
Provisions are recognized when the Parent 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 Parent Company expects some or all of a provision to be reimbursed, for example under an insurance contrct, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and the expense relating to any provision is presented in profit or loss 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 assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 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 benefits is probable. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in profit or loss.

Events after the Reporting Date
Any post year-end event up to the date of approval of the BOD of the financial statements that provides additional information about the Parent Company's financial position at the end of the reporting date (adjusting event) is reflected in the financial statement. 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 in accordance with PFRS requires the Parent Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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

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

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

Classification of financial instruments
The Parent Company classifies a financial instrument depending on the purpose for which the financial instrument was acquired or originated. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

In addition, the Parent Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

In 2021, the Parent Company performed reassessment whether the ability and intention to sell its AFS financial assets in the near term is still appropriate and elected to reclassify these financial statements to HTM as the management has the ability and intention to hold these assets for the foreseeable future or until maturity.

The classification of the Parent Company's financial instrument by categories is shown in Note 7.

Assessment of control
The Parent Company classifies its investee company as a subsidiary if the Parent Company has control in the investee company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In making an assessment, the Parent Company applies significant judgment and considers the following: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure or rights to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

As of December 31, 2022 and 2021, the Parent Company holds 100% interest in Summit Gen and holds all of the 7 seats in Summit Gen's board. With the foregoing, the Parent Company has absolute control over Summit Gen and therefore classifies this as a subsidiary.

<u>Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of insurance contract liabilities
Estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting date and for the expected ultimate cost of claims IBNR at the end of the reporting date. It can take a significant period of time before the ultimate claim cost can be established with certainty. Non-life liabilities are not discounted for the time value of money.

The main assumption underlying estimation of the claims provision is that a company's past claim 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 claims types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

In addition to the use of loss development triangles per class of business as basis for projection of future claims, the independent actuary also considers the information gathered from the Parent Company's Underwriting and Claims Departments in the actuarial computation of the policy reserves including claims IBNR and ultimate cost of CHE. This information includes, among others, large loss experience, concerns and uncertainties, operation changes in claims and underwriting processes, and external conditions such as market outlook, inflation and current catastrophes.

The carrying value of claims reported and IBNR included in the insurance contract liabilities account amounted to ₱3,088.52 million and ₱2,250.87 million as of December 31, 2022 and 2021, respectively (see Note 15).

Impairment of AFS financial assets
The Parent Company assesses its AFS financial assets for impairment when there has been a significant or prolonged decline in the fair value below cost. This determination of what is significant or prolonged requires judgment. The Parent Company treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged' as being more than twelve (12) months. In making this judgment, the Parent Company evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The carrying value of the Parent Company's AFS equity financial assets amounted to ₱125.49 million and ₱62.22 million as of December 31, 2022 and 2021, respectively. The Parent Company did not recognize impairment loss on its investment in equity securities in 2022 and 2021, respectively (see Note 7).

In case of AFS debt securities, impairment is assessed based on the same criteria as financial assets at amortized cost. An amount comprising the difference between its cost, net of any principal payment and amortization, and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Future interest income is based on the reduced carrying amount and is accrued based on the rate on interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of interest income in profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

The carrying value of AFS debt securities amounted to ₱155.35 million and ₱239.92 million as of December 31, 2022 and 2021, respectively. The Parent Company did not recognize impairment loss on its debt securities in 2022 and 2021 (see Note 7).

Estimation of allowance for credit losses on loans and receivables
The Parent Company reviews its insurance receivables and loans and receivables at each reporting date to assess whether an allowance for credit losses should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Parent Company's relationship with the debtor, the debtor's payment behavior and known market forces. The Parent Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

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

The carrying value of insurance receivables amounted to ₱1,910.58 million and ₱1,959.91 million as of December 31, 2022 and 2021, respectively (see Note 6). The allowance for credit losses amounted to ₱55.96 million and ₱60.58 million as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the carrying value of loans and receivables amounted to ₱146.86 million and ₱127.88 million, respectively. The Parent Company did not recognize allowance for credit losses on loans and receivables in 2022 and 2021 (see Note 7).

Impairment of property and equipment and intangible assets
The Parent Company assesses impairment on property and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

The factors that the Parent Company considers important which could trigger an impairment review include the following:

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

As of December 31, 2022 and 2021, the carrying value of property and equipment amounted to ₱56.86 million and ₱51.70 million, respectively. The Parent Company did not recognize impairment loss on its property and equipment in 2022 and 2021 (see Note 11).

Recognition of deferred tax assets
Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that the taxable profit will be available against which these 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.

As of December 31, 2022 and 2021, the Parent Company recognized deferred tax assets amounting to ₱27.34 million and ₱35.22 million, respectively (see Note 24).

Pension benefits
The determination of obligation and cost of pension benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate. In accordance with PFRS, actual results that differ from the Company's assumptions are recognized outright in the statement of comprehensive income.

While the Parent 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.

As of December 31, 2022 and 2021, net pension asset amounted to ₱17.99 million and net pension liability amounted to ₱13.03 million, respectively (Note 23).

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**₱55,000**	₱35,900
Cash in banks (Notes 25)	**74,704,585**	200,482,063
Cash equivalents (Note 25)	**1,670,928,415**	1,257,312,892
	₱1,745,688,000	₱1,457,830,855

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earned interest at annual rates that ranged from 3.25 % to 5.75 % and from 0.25 % to 1.50 % in 2022 and 2021, respectively.

Interest income earned from cash in banks and cash equivalents amounted to ₱38.86 million and ₱38.82 million in 2022 and 2021, respectively (see Note 20).

5. Investment in Subsidiary

This account pertains to the Parent Company's investment in Summit Gen recognized at cost, including directly attributable transaction costs, as of December 31, 2022 and 2021.

As disclosed in Note 1, on December 29, 2020, with the approval of the Insurance Commission, the Parent Company entered into a "Share Purchase Agreement" (SPA) with PNB and PNB Holdings wherein the Parent Company agreed to acquire 100% shareholdings of Summit Gen in exchange for a total purchase price of ₱1.5 billion, the completion of which is subject to regulatory and other approvals. As of December 31, 2020, the Parent Company closed and completed the purchase of 34.25% shareholdings of Summit Gen from PNB Holdings amounting to ₱523.71 million, which includes transaction costs. Accordingly, significant influence was obtained by the Parent Company and the investment was classified as an associate as of December 31, 2020.

The remaining 65.75% ownership in Summit Gen held by PNB was paid in 2021 in three tranches. On March 21, 2021, after completing all conditions precedents and having already paid 70.41% or ₱1,093.43 million of the stake in Summit Gen, the Parent Company determined that it has already acquired control over Summit Gen. Accordingly, Summit Gen became a subsidiary of the Parent Company effective March 21, 2021, and the Parent Company is now required to prepare consolidated financial statements in accordance with PFRS 10, *Consolidated Financial Statements*. In its separate financial statements, the investment in associate was reclassified and presented as investment in subsidiary as of December 31, 2021.

Parent Company recognized a goodwill of ₱18.92 million in its 2021 consolidated financial statements as shown below. The goodwill represents the expected synergies from the combined operations of the Parent Company and Summit Gen.

	March 21, 2021
Previously held interest in Summit Gen:	
Consideration paid to acquire 34.25% ownership	₱523,712,275
Share in Summit Gen's net income (from January to March 21, 2021)	14,515,402
Acquisition-date fair value of previously held interest	538,227,677
Additional consideration paid to acquire 65.75% ownership	1,032,357,754
Total consideration transferred	1,570,585,431
Acquisition-date fair values of net assets acquired	1,551,662,633
Goodwill arising on acquisition	₱18,922,798

As disclosed in Note 1, on July 15, 2021, following the Parent Company's acquisition of all of the stocks of Summit Gen, its subsidiary, the Parent Company entered to Business Enterprise Transfer (BET) Agreement with its subsidiary wherein the subsidiary disposed of its assets related to its non-life insurance business, assigned its related business contracts, and transferred majority of its contractual obligations to the Parent Company effective September 1, 2021 to expeditiously achieve enhanced operational synergy and improved efficiency in the non-life insurance business.

The transfer of assets and liabilities of the subsidiary to the Parent Company qualifies as a business transfer, rather than a mere portfolio transfer, under PFRS 3, *Business Combination*, because the Parent Company acquired both inputs (such as premiums receivable from the underlying insurance contracts to which it will have the rights, title, interests, as well as any and all obligations and liabilities in all of the contracts thereto) and substantive processes (such as systems, electronic data processing equipment, and other non-current assets necessary to process the inputs).

The identifiable assets and liabilities transferred from the subsidiary to the Parent Company arising from the BET are as follows:

Cash and cash equivalents (Note 4)	₱600,000,000
Insurance receivables – net (Note 6)	801,045,997
Loans and receivables – net (Note 7)	344,620
Deferred acquisition costs (Note 10)	63,732,844
Property and equipment – net (Note 11)	1,390,545
Intangible asset – net (Note 12)	₱4,166,667
Other assets (Note 13)	20,944,641
Total Assets	1,491,625,314
Insurance contract liabilities (net of reinsurance asset) (Note 15)	673,626,003
Insurance payables (Note 16)	556,161,118
Accounts payable and accrued expenses (Note 14)	267,570,137
Deferred reinsurance commission (Note 10)	35,743,087
Total Liabilities	1,533,100,345
Receivable from Summit Gen (Notes 7 and 26)	₱41,475,031

Because the transaction was originally an acquisition, the fair values as of March 21, 2021 shall become the 'cost' for the Parent Company. The assets and liabilities will reflect the fair value adjustments made at the time of the business combination and will be recognized as either goodwill or gain on a bargain purchase in the separate financial statements of the Parent Company. No goodwill or gain on a bargain purchase was recognized since the carrying values approximate the fair values at the time of transfer.

Summit Gen was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 29, 1965 to engage in fire, aviation, motor car, marine cargo, marine hull, engineering, accident, surety and casualty insurance. On August 29, 2014, the SEC approved Summit Gen's Amended Articles of Incorporation extending its corporate term for another fifty (50) years after December 29, 2015. Summit Gen's principal place of business is 2nd Floor, PNB Financial Center, Pres. Diosdado Macapagal Boulevard, Pasay City.

The summarized financial information of Summit Gen as of December 31, 2022 and 2021 follows:

	2022	2021
Total assets	**₱2,392,267,504**	₱2,421,595,037
Total liabilities	**836,909,355**	861,614,996
Revenue	**64,594,340**	511,645,661
Net income	**37,042,412**	87,554,800
Total comprehensive income	**(4,621,892)**	31,368,199

6. Insurance Receivables

This account consists of:

	2022	2021
Premiums receivable (Note 26)	**₱1,350,649,431**	₱1,415,366,427
Due from ceding companies (Note 26)	**337,758,186**	333,079,494
Reinsurance recoverable on paid losses (Note 26)	**266,401,388**	201,729,340
Fund held by ceding companies	**9,169,557**	6,344,499
Commissions receivable	**2,554,327**	63,964,564
	1,966,532,889	2,020,484,324
Less: allowance for credit losses	**55,957,497**	60,577,577
	₱1,910,575,392	₱1,959,906,747

The aging analysis of insurance receivables as of December 31 follows:

	2022					
	Less than 30 days	**31 to 60 days**	**61 to 120 days**	**121 to 180 Days**	**More than 180 days**	**Total**
Premiums receivable	**₱843,435,788**	**₱160,531,701**	**₱68,794,803**	**₱35,283,372**	**₱242,603,767**	**₱1,350,649,431**
Reinsurance recoverable on paid losses	**36,043,839**	**30,276,810**	**43,739,919**	**8,500,204**	**147,840,616**	**266,401,388**
Due from ceding companies	**173,695,429**	**2,090,437**	**1,451,670**	**4,598,431**	**155,922,219**	**337,758,186**
Commissions receivable	**-**	**-**	**-**	**-**	**2,554,327**	**2,554,327**
Funds held by ceding companies	**672,102**	**-**	**2,957,334**	**413,773**	**5,126,348**	**9,169,557**
	₱1,053,847,158	**₱192,898,948**	**₱116,943,726**	**₱48,795,780**	**₱554,047,277**	**₱1,966,532,889**

	2021					
	Less than 30 days	31 to 60 days	61 to 120 days	121 to 180 Days	More than 180 days	Total
Premiums receivable	₱650,587,526	₱64,207,080	₱172,511,492	₱105,723,277	₱422,337,052	₱1,415,366,427
Reinsurance recoverable on paid losses	53,755	10,487,288	80,479,227	5,682,385	105,026,685	201,729,340
Due from ceding companies	6,194,317	15,952,807	130,455,709	55,678,373	124,798,288	333,079,494
Commissions receivable	112,018	9,632,543	3,841,310	6,134,789	44,243,904	63,964,564
Funds held by ceding companies	336,819	120,672	21,338	-	5,865,670	6,344,499
	₱657,284,435	₱100,400,390	₱387,309,076	₱173,218,824	₱702,271,599	₱2,020,484,324

As of December 31, 2022 and 2021, allowance for doubtful accounts for insurance receivables follows:

	2022			
	Premiums receivable	**Due from ceding companies**	**Reinsurance recoverable on paid losses**	**Total**
Balance at beginning of year	**₱23,562,303**	**₱16,383,210**	**₱20,632,064**	**₱60,577,577**
Reversal of provision for bad debts (Note 22)	**(4,620,080)**			**(4,620,080)**
Balance at end of year	**₱18,942,223**	**₱16,383,210**	**₱20,632,064**	**₱55,957,497**

	2021			
	Premiums receivable	Due from ceding companies	Reinsurance recoverable on paid losses	Total
Balance at beginning of year	₱15,051,573	₱12,129,237	₱12,980,996	₱40,161,806
Business enterprise transfer (Note 5)	8,510,730	4,253,973	7,651,068	20,415,771
Balance at end of year	₱23,562,303	₱16,383,210	₱20,632,064	₱60,577,577

7. Financial Assets

As of December 31, 2022 and 2021, the Parent Company’s financial assets are summarized by measurement categories as follows:

	2022	2021
Financial assets at FVPL	**₱79,248,716**	₱88,171,372
AFS financial assets	**280,831,484**	302,139,614
Held-to-maturity	**387,923,270**	232,674,599
Loans and receivables	**146,858,670**	127,879,829
	₱894,862,140	₱750,865,414

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

Financial assets at FVPL
This account consists of quoted preferred shares and peso-denominated term notes. These financial assets were designated as at FVPL at initial recognition. The fair value loss on financial assets at FVPL amounted to ₱8.34 million and ₱1.66 million in 2022 and 2021, respectively, reported under ‘Investment income – net’ in the statements of income (Note 20).

The rollforward of financial assets at FVPL have been determined as follows:

	2022	2021
Balance at beginning of year	**₱88,171,372**	₱122,575,315
Additions	**11,492,959**	90,203,652
Disposals/maturities	**(12,071,466)**	(122,951,994)
Fair value loss on financial assets at FVPL	**(8,344,149)**	(1,655,601)
Balance at end of year	**₱79,248,716**	₱88,171,372

AFS financial assets
This account consists of the following:

	2022	2021
Government debt securities	**₱31,547,422**	₱48,948,821
Private debt securities	**123,798,241**	190,971,793
Equity securities:		
Listed common shares	**124,465,821**	61,199,000
Private common shares	**1,020,000**	1,020,000
	₱280,831,484	₱302,139,614

The rollforward of allowance for impairment losses follow:

	2022	2021
Balance at beginning of year	**₱–**	₱19,998,654
Disposal/maturities	**–**	(19,998,654)
Balance at end of year	**₱–**	₱–

The cost of AFS financial assets are as follows:

	2022	2021
Government debt securities	**₱32,573,330**	₱41,537,132
Private debt securities	**135,212,427**	166,668,465
Equity securities:		
Listed common shares	**61,199,000**	61,199,000
Private common shares	**1,020,000**	1,020,000
	₱230,004,757	₱270,424,597

The carrying values of AFS financial assets have been determined as follows:

	2022	2021
Balance at beginning of year	**₱302,139,614**	₱763,303,043
Additions	**148,454,582**	189,096,017
Disposals/maturities	**(115,182,704)**	(386,246,240)
Reclassification to Held-to-Maturity	**(70,000,000)**	(232,674,599)
Amortization of discount	**(356,570)**	(2,047,218)
Changes in fair value of AFS financial assets	**15,776,562**	(29,291,389)
Balance at end of year	**₱280,831,484**	₱302,139,614

The rollforward analysis of the revaluation reserve on AFS financial assets follows:

	2022	2021
Balance at beginning of year	**₱41,612,335**	₱55,895,525
Change in fair value of AFS financial assets	**15,776,562**	(29,291,389)
Realized gain on amortization of revaluation reserve related to reclassified investments to HTM	**(4,041,329)**	–
Loss on sale of AFS financial assets (Note 20)	**1,112,429**	15,008,199
Balance at end of year	**₱54,459,997**	₱41,612,335

The difference of ₱3.63 million between the revaluation reserve and the carrying amount vs. the amortized cost pertains to the ₱7.67 revaluation reserve related to the reclassification of AFS investments to HTM investments which was done in 2021. Said reserve will be amortized over the remaining life of the investment. As of the reporting date, the company has already amortized ₱4.04 million (see Note 20).

Interest income earned from AFS financial assets in 2022 and 2021 amounted to ₱7.34 million and ₱4.50 million, respectively (see Note 20).

In 2022 and 2021, dividend income earned from investments in equity securities amounted to ₱4.25 million and ₱3.54 million, respectively (Note 20).

Held-to-maturity
This account consists of government securities amounting to amounting to ₱387 million. Addition of ₱70 million which have been reclassified from AFS financial assets to Held-to-Maturity investments.

This account consists of:

	2022	
	Cost	**Amortized Cost**
Quoted securities – at fair value		
Government debt securities:		
Local currency	**₱384,290,000**	**₱387,923,270**

	2021	
	Cost	Amortized Cost
Quoted securities – at fair value		
Government debt securities:		
Local currency	₱232,674,599	₱232,674,599

The carrying values of the held-to-maturity investments have been determined as follows:

	2022	2021
At January 1	**₱232,674,599**	₱–
Additions	**109,290,000**	–
Disposals	**(20,000,000)**	–
Reclassification from AFS financial assets	**70,000,000**	232,674,599
Amortization of premium	**(4,041,329)**	–
At December 31	**₱387,923,270**	₱232,674,599

On August 31, 2022, the Company reclassified AFS investments to HTM amounting to ₱70 million. Since the reclassification date is August 31, 2022, there is no change in carrying value if the financial asset had not been reclassified.

Interest income earned from HTM investments in 2022 and 2021 amounted to ₱2.42 million and ₱2.28 million, respectively (see Note 20).

On December 31, 2021, the Company reclassified AFS investments to HTM investments amounting to ₱232.67 million, representing the fair value at the date of reclassification which became the new amortized cost of the financial asset. Since the reclassification date is December 31, 2021, there is no change in the carrying value if the financial asset had not been reclassified.

As of reclassification date, the amount of revaluation reserve related to these investments amounted to ₱7.67 million which will be amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Loans and receivables
This account consists of the following:

	2022	2021
Accounts receivable	**₱87,261,441**	₱76,659,635
Money market placements	**56,385,244**	50,420,000
Advances to employees	**3,211,985**	800,194
	₱146,858,670	₱127,879,829

Money market placements are composed of time deposits which have been acquired with original maturities of more than one year. These time deposits earn annual interest that ranged from 5.00% to 0.22% in 2022 and 2021 and with maturity dates from 2021 to 2023. Interest income from money market placements amounted to ₱2.59 million and ₱2.78 million in 2022 and 2021, respectively (Note 20).

8. Accrued Income

This account consists of accrued interest on the following accounts:

	2022	2021
Cash and cash equivalents	**₱4,787,260**	₱1,719,905
HTM investments	**2,126,659**	1,694,271
AFS financial assets	**1,678,336**	834,685
Loans and receivables	**153,217**	172,013
	₱8,745,472	₱4,420,874

9. Reinsurance Assets

This account consists of:

	2022	2021
Reinsurance recoverable on unpaid losses (Note 15)	**₱2,544,019,740**	₱1,751,938,256
Deferred reinsurance premiums (Note 15)	**1,238,063,320**	1,018,336,423
	₱3,782,083,060	₱2,770,274,679

10. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The rollforward analysis of deferred acquisition costs follows:

		2022	
	Commission Expense	**Other Acquisition Costs**	**Total**
Balance at beginning of year	**₱91,184,312**	**₱22,373,225**	**₱113,557,537**
Cost deferred during the year	**274,744,611**	**59,497,024**	**334,241,635**
Cost incurred during the year	**(266,079,370)**	**(29,748,513)**	**(295,827,883)**
Balance at end of year	**₱99,849,553**	**₱52,121,736**	**₱151,971,289**

		2021	
	Commission Expense	Other Acquisition Costs	Total
Balance at beginning of year	₱32,910,587	–	₱32,910,587
Cost deferred during the year	154,045,513	152,204,536	306,250,049
Cost incurred during the year	(124,760,468)	(164,575,475)	(289,335,943)
Business enterprise transfer (Note 5)	28,988,680	34,744,164	63,732,844
Balance at end of year	₱91,184,312	₱22,373,225	₱113,557,537

The rollforward analysis of deferred reinsurance commissions follows:

	2022	2021
Balance at beginning of year	**₱63,041,034**	₱30,856,193
Income deferred during the year	**280,644,516**	125,158,435
Income earned during the year	**(274,587,690)**	(128,716,681)
Business enterprise transfer (Note 5)	–	35,743,087
Balance at end of year	**₱69,097,860**	₱63,041,034

11. Property and Equipment - net

The composition of and movements of this account follows:

	2022					
	Condominium units	**Furniture, fixtures and equipment**	**EDP equipment**	**Leasehold improvements**	**Transportation equipment**	**Total**
Cost						
Balance at beginning of year	**₱24,721,098**	**₱6,855,330**	**₱25,267,662**	**₱12,683,100**	**₱22,280,619**	**₱91,807,809**
Additions	–	**828,272**	**6,516,728**	**2,736,571**	**7,689,033**	**17,770,604**
Disposal/Retirement	–	**(378,571)**	**(25,351)**	**–**	**(474,285)**	**(878,207)**
Balance at end of year	**24,721,098**	**7,305,031**	**31,759,039**	**15,419,671**	**29,495,367**	**108,700,206**
Accumulated depreciation						
Balance at beginning of year	**₱14,214,631**	**₱1,957,014**	**₱13,233,631**	**₱3,009,215**	**₱7,695,895**	**₱40,110,386**
Depreciation (Note 22)	**494,422**	**794,789**	**4,370,324**	**1,370,036**	**5,188,279**	**12,217,850**
Disposal/Retirement	**–**	**(10,366)**	**(25,351)**	**–**	**(455,416)**	**(491,133)**
Balance at end of year	**14,709,053**	**2,741,437**	**17,578,604**	**4,379,251**	**12,428,758**	**51,837,103**
Net book value	**₱10,012,045**	**₱4,563,594**	**₱14,180,435**	**₱11,040,420**	**₱17,066,609**	**₱56,863,103**

	2021					
	Condominium units	Furniture, fixtures and equipment	EDP equipment	Leasehold improvements	Transportation equipment	Total
Cost						
Balance at beginning of year	₱24,721,098	₱3,842,582	₱17,995,032	₱9,934,266	₱12,908,059	₱69,401,037
Additions	–	2,861,166	8,164,303	2,748,834	9,372,560	23,146,863
Disposal/Retirement	–	(147,160)	(1,983,476)	–	–	(2,130,636)
Business Enterprise Transfer (Note 5)	–	298,742	1,091,803	–	–	1,390,545
Balance at end of year	24,721,098	6,855,330	25,267,662	12,683,100	22,280,619	91,807,809
Accumulated depreciation						
Balance at beginning of year	₱13,720,209	₱1,538,220	₱12,781,598	₱1,925,073	₱4,880,364	₱34,845,464
Depreciation (Note 22)	494,422	565,955	2,435,508	1,084,142	2,815,531	7,395,558
Disposal/Retirement	–	(147,161)	(1,983,475)	–	–	(2,130,636)
Balance at end of year	14,214,631	1,957,014	13,233,631	3,009,215	7,695,895	40,110,386
Net book value	₱10,506,467	₱4,898,316	₱12,034,031	₱9,673,885	₱14,584,724	₱51,697,423

The cost of fully depreciated property and equipment still in use amounted to ₱10.69 million and ₱6.18 million as of December 31, 2022 and 2021, respectively.

12. Intangible Asset

The rollforward analysis of intangible asset follows:

	2022		
	Software Development	**Upfront Fee**	**Total**
Cost			
At December 31, 2021	**₱4,166,667**	**₱50,000,000**	**₱54,166,667**
Additions	**688,537**	**–**	**688,537**
At December 31, 2022	**4,855,204**	**50,000,000**	**54,855,204**
Accumulated Amortization			
At December 31, 2021	**₱666,667**	**₱2,222,222**	**₱2,888,889**
Amortization (Note 22)	**2,000,000**	**3,333,333**	**5,333,333**
At December 31, 2022	**2,666,667**	**5,555,555**	**8,222,222**
Net Book Value	**₱2,188,537**	**₱44,444,445**	**₱46,632,982**

	2021		
	Software Development	Upfront Fee	Total
Cost			
At December 31, 2020	₱–	₱50,000,000	₱50,000,000
Additions			
Business Enterprise Transfer (Note 6)	4,166,667		4,166,667
At December 31, 2021	4,166,667	50,000,000	54, 166,667
Accumulated Amortization			
At December 31, 2020	₱–	₱–	₱–
Amortization (Note 22)	666,667	2,222,222	2,888,889
At December 31, 2021	666,667	2,222,222	2,888,889
Net Book Value	₱3,500,000	₱47,777,778	₱51,277,778

The software development of the Company pertains to Parent Company's accounting system acquired from Summit Gen through BET. The system was acquired in 2010 and upgraded in 2017.

The upfront fee amounting to ₱50 million pertains to the fee paid by the Parent Company to PNB on April 30, 2021 for an Exclusive Marketing Agreement that will run for 15 years. The same will also be amortized for 15 years.

13. Other Assets

This account consists of:

	2022	2021
Documentary stamps fund	**₱91,888,352**	₱401,724
Escrow fund	**46,199,900**	45,530,216
Claimed Creditable Withholding Taxes	**39,103,810**	–
Deferred input VAT	**22,464,872**	19,460,791
Prepaid expenses	**12,847,650**	31,444,229
Salvage value recoverable	**10,173,059**	9,589,447
Deposits	**9,494,140**	9,111,390
Claims fund	**5,759,386**	5,712,239
Others	**244,481**	12,004,458
	₱238,175,650	₱133,254,494

The following accounts were absorbed through the business enterprise transfer (see Note 5) with the carrying amounts as of September 1, 2021.

	2021
Salvage value recoverable	₱9,589,447
Claims fund	5,712,239
Deferred input VAT	4,165,787
Deposits	460,818
Others	1,016,350
	₱20,944,641

The escrow fund was established pursuant to the requirement of the Land Transportation Franchising and Regulatory Board (LTFRB) wherein the Parent Company, being accredited for the Personal Passenger Accident Insurance Program (PPAI), is required to establish an escrow to guaranty the payment of the claims of insured Public Utility Vehicles. The escrow agreement was entered by the Parent Company, LTFRB, and PNB Trust Banking Group (escrow agent) on November 15, 2013 to set up a fund amounting to ₱40.00 million with accumulated interest amounting to ₱6.20 million and ₱5.53 million as of 2022 and 2021, respectively.

Prepaid expenses pertain to prepayments for various expenses and stationery and supplies.

Documentary stamps fund pertains to fund set aside for payment of documentary stamps tax to Bureau of Internal Revenue (BIR).

Deferred input VAT arises from purchases of goods and services from VAT-registered suppliers which were not yet paid as of reporting date.

Salvage value recoverable is related to both motor car and surety claims. Salvage recoverable on motor car pertains to the estimated salvage amount to be recovered on claims incurred to date while salvage recoverable on surety claims pertain to the value of collateral collected by the Company. This was included in the transferred asset under business enterprise transfer as disclosed in Note 6. There were no movements in the salvage value recoverable from September 1, 2021 to December 31, 2021.

Miscellaneous deposits represent security rent deposits of branches, professional fees to Towers Watson and fund set aside as per requirement of the Supreme Court for the issuance of bonds for the Parent Company's assured.

Claims fund pertains to a portion of reinsurance premiums withheld by the ceding company under facultative reinsurance as reserve for losses specifically for PAMI . This was included in the transferred asset under business enterprise transfer as disclosed in Note 6. There were no movements in the claims fund from September 1, 2021 to December 31, 2021.

Others pertain to security fund, CIS fund, marketing and planning fund – SCCI, authentication fee fund (SQL).

14. Accounts Payable and Accrued Expenses

This account consists of:

	2022	2021
Commissions payable (Note 26)	**₱325,893,567**	₱269,946,122
Premium deposits	**218,172,985**	230,984,222
Deferred output VAT	**191,358,392**	182,706,554
Accounts payable	**102,332,481**	80,368,608
Taxes payable	**101,923,837**	41,929,798
Accrued expenses	**59,347,521**	106,909,483
Output VAT	**27,868,436**	27,296,910
Others	**55,681,130**	66,823,631
	₱1,082,578,349	₱1,006,965,328

The following accounts were absorbed through the business enterprise transfer (see Note 6) with the carrying amounts as of September 1, 2021.

	Amount
Commissions payable	₱92,127,498
Deferred output VAT	79,301,023
Accounts payable	63,689,454
Accrued expenses	30,453,994
Taxes payable	1,998,168
	₱267,570,137

Commissions payable pertain to commissions to agents, brokers and ceding companies. These are settled within 90 days from policy issuance date.

Accounts payable and accrued expenses pertain to operating expenses of the Parent Company which are non-interest bearing and due and demandable. Accrued expenses also include accruals for bonus.

In 2021, the Parent Company reversed long-outstanding accounts payable amounting to ₱6.70 million. These reversals were recorded as part of “Miscellaneous income” in the parent company statements of income.

Premium deposits pertain to collections from policyholders which were received but were not yet properly applied due to incomplete reference.

Deferred output VAT consists of VAT incurred from policy issuances where the corresponding premiums remain unpaid as of reporting date.

Taxes payable pertain to documentary stamps payable, withholding taxes payable, fire service tax payable and other taxes and licenses that are due for settlement within one month after the reporting date.

Other liabilities mainly consist of contribution and loan payable to SSS, Pag-ibig and Philhealth.

15. Insurance Contract Liabilities

Insurance contract liabilities may be analyzed as follows:

	2022			2021		
	Insurance contract liabilities	**Reinsurers' share of liabilities** (Note 9)	**Net**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 9)	Net
Provision for claims reported	**₱2,320,077,023**	**₱1,875,974,435**	**₱444,102,588**	₱1,775,334,517	₱1,371,231,091	₱404,103,426
Provision for claims IBNR and MfAD	**768,446,742**	**668,045,305**	**100,401,437**	475,534,433	380,707,165	94,827,268
Total provision for claims reported, claims IBNR and MfAD	**3,088,523,765**	**2,544,019,740**	**544,504,025**	2,250,868,950	1,751,938,256	498,930,694
Provision for unearned premiums	**1,398,940,975**	**1,238,063,320**	**160,877,655**	1,342,493,547	1,018,336,423	324,157,124
	₱4,487,464,740	**₱3,782,083,060**	**₱705,381,680**	₱3,593,362,497	₱2,770,274,679	₱823,087,818

The provision for claims reported, claims IBNR and MfAD may be analyzed as follows:

	2022			2021		
	Insurance contract liabilities	**Reinsurers' share of liabilities** (Note 9)	**Net**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 9)	Net
Balance at beginning of year	**₱2,250,868,950**	**₱1,751,938,256**	**₱498,930,694**	₱482,194,091	₱352,075,165	₱130,118,926
Claims incurred during the year	**1,597,917,794**	**1,233,626,437**	**364,291,357**	222,597,674	83,991,547	138,606,127
Claims paid during the year (Note 21)	**(1,038,012,872)**	**(728,883,093)**	**(309,129,779)**	(502,723,592)	(356,652,109)	(146,071,483)
Business Enterprise Transfer (Note 5):						
Amounts transferred	**-**	**-**	**-**	2,161,268,897	1,767,458,660	393,810,237
Subsequent payments / receipts	**-**	**-**	**-**	(59,959,423)	(59,192,955)	(766,468)
Increase (decrease) in IBNR and MfAD (Note 21)	**277,749,893**	**287,338,140**	**(9,588,247)**	(52,508,697)	(35,742,052)	(16,766,645)
Balance at end of year	**₱3,088,523,765**	**₱2,544,019,740**	**₱544,504,025**	₱2,250,868,950	₱1,751,938,256	₱498,930,694

The provision for unearned premiums may be analyzed as follows:

	2022			2021		
	Insurance contract liabilities	**Reinsurers' share of liabilities** (Note 9)	**Net**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 9)	Net
Balance at beginning of year	**₱1,342,493,547**	**₱1,018,336,423**	**₱324,157,124**	₱366,702,078	₱192,287,371	₱174,414,707
Policies written during the year (Note 19)	**2,845,026,466**	**2,244,429,009**	**600,597,457**	1,794,826,642	1,335,010,524	459,816,118
Business Enterprise Transfer (Note 5)	**-**	**-**	**-**	706,761,862	426,946,096	279,815,766
Premiums earned during the year (Note 19)	**(2,788,579,038)**	**(2,024,702,112)**	**(763,876,926)**	(1,525,797,035)	(935,907,568)	(589,889,467)
Balance at end of year	**₱1,398,940,975**	**₱1,238,063,320**	**₱160,877,655**	₱1,342,493,547	₱1,018,336,423	₱324,157,124

16. Insurance Payables

This account consists of:

	2022	2021
Premiums due to reinsurers (Note 26)	**₱1,009,578,442**	₱1,127,764,645
Funds held for reinsurers	**212,464,135**	162,235,298
	₱1,222,042,577	₱1,289,999,943

Premiums due to reinsurers represent the reinsurance premiums due and payable by the Parent Company to all its reinsurers whether by treaty or facultative.

Funds held for reinsurers represent the amounts pertaining to a certain percentage of the total reinsurance premiums due to reinsurers within one (1) year from date of retention being held by the Parent Company as reserves for unpaid losses.

The rollforward analysis of insurance payables follows:

	2022		
	Premiums due to reinsurers	**Funds held for reinsurers**	**Total**
Balance at beginning of year	**₱1,127,764,645**	**₱162,235,298**	**₱1,289,999,943**
Arising during the year	**1,187,260,423**	**214,098,238**	**1,401,358,661**
Paid during the year	**(1,305,446,626)**	**(163,869,401)**	**(1,469,316,027)**
Balance at end of year	**₱1,009,578,442**	**₱212,464,135**	**₱1,222,042,577**

	2021		
	Premiums due to reinsurers	Funds held for reinsurers	Total
Balance at beginning of year	₱263,928,405	₱49,376,255	₱313,304,660
Arising during the year	1,335,010,524	196,495,785	1,531,506,309
Paid during the year	(961,905,326)	(149,066,817)	(1,110,972,143)
Business enterprise transfer (Note 5)	490,731,042	65,430,075	556,161,117
Balance at end of year	₱1,127,764,645	₱162,235,298	₱1,289,999,943

Interest expense on funds held for reinsurers amounted to ₱0.04 million and ₱0.02 million in 2022 and 2021, respectively.

17. Insurance Contract Liabilities and Reinsurance Assets – Terms, Assumptions and Sensitivities

Terms and Conditions

The major classes of general insurance written by the Parent Company include aviation, fire, surety, casualty, and engineering. Risks under these policies usually cover one-month to three-year periods.

For general insurance contracts, claims provisions (comprising provision for claims reported and claims IBNR) 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 lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims are usually assessed by loss adjusters.

Assumptions

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

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions such as legislative change and uncertainty in the estimation process is not possible to quantify. As a result, the final liabilities may change as result of succeeding developments. Differences from recomputation of the final liabilities are taken up in subsequent financial statements.

The sensitivity analysis below is performed for a reasonably possible movement in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis.

		2022		
	Change in assumption	**Impact on gross insurance contract liabilities**	**Impact on net insurance contract liabilities**	**Impact on income before income tax**
Average claim costs	**+18.27%**	**₱ 257,969,761**	**(₱76,804,696)**	**(₱76,804,696))**
Average number of claims	**+21.18%**	**237,654,400**	**(66,712,818)**	**(66,712,818)**

		2021		
	Change in assumption	Impact on gross insurance contract liabilities	Impact on net insurance contract liabilities	Impact on income before income tax
Average claim costs	+35.18%	₱155,605,849	(₱47,298,972)	(₱47,298,972)
Average number of claims	+26.31%	202,990,750	(49,117,332)	(49,117,332)

<u>Claims Development Tables</u>
The tables in the next page show the development of claims over a period of time. These reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

The Parent Company aims to maintain strong reserves in respect of its general insurance in order to protect against adverse future claims experience and development. As claims develop and ultimate costs of claims become more certain, the absence of adverse claims experience will then result in a release of reserves from earlier accident years.

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

	Gross insurance contract liabilities for 2022							
	2016 and prior	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Estimate of ultimate claim costs								
At the end of accident year	**₱1,325,951,903**	**₱322,565,159**	**₱266,102,763**	**₱420,083,823**	**₱431,533,054**	**₱972,882,211**	**₱1,420,276,331**	**₱1,420,276,331**
One year later	**78,557,461**	**23,965,136**	**30,849,539**	**61,825,428**	**1,017,341,388**	**1,427,015,815**		**1,427,015,815**
Two years later	**62,033,019**	**1,608,316**	**4,917,856**	**206,906,886**	**437,788,296**			**437,788,296**
Three years later	**6,047,465**	**206,051**	**80,647,217**	**598,910,914**				**598,910,914**
Four years later	**259,400**	**11,107,157**	**175,519,806**					**175,519,806**
Five years later	**43,580,578**	**26,684,830**						**26,684,830**
Six years later	**54,507,265**							**54,507,265**
Current estimate of cumulative claims	**54,507,265**	**26,684,830**	**175,519,806**	**598,910,914**	**437,788,296**	**1,427,015,815**	**1,420,276,331**	**4,140,703,257**
Cumulative payments to date	**11,081,390**	**12,319,776**	**3,785,073**	**77,707,315**	**204,202,421**	**588,341,777**	**154,741,740**	**1,052,179,492**
Total gross insurance contract liabilities in the statement of financial position	**₱43,425,874**	**₱14,365,054**	**₱171,734,733**	**₱521,203,599**	**₱233,585,875**	**₱838,674,038**	**₱1,265,534,591**	**₱3,088,523,765**

	Net insurance contract liabilities for 2022							
	2016 and prior	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Estimate of ultimate claim costs								
At the end of accident year	**₱336,068,390**	**₱84,163,834**	**₱111,202,984**	**₱156,569,514**	**₱155,799,495**	**₱246,015,452**	**₱446,274,288**	**₱ 446,274,288**
One year later	**25,809,250**	**7,291,195**	**8,066,870**	**3,911,021**	**101,443,214**	**175,322,068**		**175,322,068**
Two years later	**12,683,312**	**789,878**	**1,755,963**	**84,304,208**	**74,162,889**			**74,162,889**
Three years later	**3,567,471**	**23,133**	**27,775,307**	**78,757,220**				**78,757,220**
Four years later	**228,295**	**9,193,336**	**62,118,584**					**62,118,584**
Five years later	**8,565,271**	**11,417,039**						**11,417,039**
Six years later	**19,748,337**							**19,748,337**
Current estimate of cumulative claims	**19,748,337**	**11,417,039**	**62,118,584**	**78,757,220**	**74,162,889**	**175,322,068**	**446,274,288**	**867,800,425**
Cumulative payments to date	**8,488,421**	**2,513,309**	**1,462,175**	**18,448,917**	**36,560,628**	**143,121,429**	**112,701,521**	**323,296,400**
Total gross insurance contract liabilities in the statement of financial position	**₱11,259,916**	**₱8,903,730**	**₱60,656,409**	**₱60,308,303**	**₱37,602,261**	**₱32,200,639**	**₱333,572,766**	**₱544,504,025**

18. Equity

Capital stock

Details of the Parent Company's common shares as of December 31, 2022 and 2021 follow:

	2022		2021	
	Number of shares	Amount	Number of shares	Amount
Authorized capital stock – ₱1 par value per share	**1,000,000,000**	**₱1,000,000,000**	1,000,000,000	₱1,000,000,000
Issued and fully paid	**470,000,000**	**470,000,000**	470,000,000	470,000,000
Subscribed (net of subscription receivable)		**165,537,500**		165,537,500
Paid-up capital		**635,537,500**		635,537,500
Contingency surplus		**1,600,000,000**		1,000,000,000
Contributed surplus		**441,615,510**		441,615,510
		₱ 2,677,153,010		₱2,077,153,010

The details of the Parent Company's subscribed capital stock follow:

	2022	2021
Subscribed capital stock	**₱155,000,000**	₱155,000,000
Additional paid-in capital in excess of par	**314,650,000**	314,650,000
Subscription receivable	**(304,112,500)**	(304,112,500)
Subscribed and paid	**₱165,537,500**	₱165,537,500

Contingency surplus amounting to ₱1.60 billion and ₱1.00 billion as of December 31, 2022 and 2021 represents the contribution of Qualisure Holdings, Inc., (one of the Company's major shareholders) to cover the deficiency to comply with the required Statutory Net Worth under the Insurance Code (as Amended). This shall be maintained during the period of merger process between Company with Summit General Insurance Corporation. This can be withdrawn or released upon approval by the Insurance Commission after completing the Merger as the aggregate net worth of the Company after the merger would be more than the required minimum legal net worth requirement.

Contributed surplus amounting to ₱0.44 billion as of December 31, 2022 and 2021 represents the original contribution of the stockholders of the Parent Company, in addition to the paid-up capital stock.

Out of the ₱125.00 million cash dividends declared in 2016, ₱19.24 million remain outstanding as of December 31, 2022 and 2021 and is included under "Dividends payable" in the statements of financial position.

19. Net Earned Premiums

Total gross earned premiums on insurance contracts follow:

	2022	2021
Gross premiums written		
Direct	**₱2,603,661,592**	₱1,571,263,542
Assumed	**241,364,874**	223,563,100
Total gross premiums written	**2,845,026,466**	1,794,826,642
Gross change in provision for unearned premiums	**(56,447,428)**	(269,029,607)
Total gross earned premiums (Note 15)	**₱2,788,579,038**	₱1,525,797,035

Total reinsurers' share of gross earned premiums on insurance contracts follows:

	2022	2021
Reinsurers' share of gross premiums written		
Direct	**₱2,086,779,945**	₱1,315,073,480
Assumed	**157,649,064**	19,937,044
Total reinsurers' share of gross premiums written	**2,244,429,009**	1,335,010,524
Reinsurers' share of gross change in provision for unearned premiums	**(219,726,897)**	(399,102,956)
Total reinsurers' share of gross earned premiums (Note 15)	**₱2,024,702,112**	₱935,907,568

20. Investment Income–net

This account consists of:

	2022	2021
Interest income on:		
Cash and cash equivalents (Note 4)	**₱38,858,215**	₱38,821,141
AFS financial assets (Note 7)	**7,340,240**	4,499,086
Money market placements (Note 7)	**2,587,500**	2,781,250
HTM investments (Note 7)	**2,419,231**	2,280,729
Dividend income (Note 7)	**4,253,157**	3,543,430
Amortization of revaluation reserve reclassified AFS investments (Note 7)	**4,041,329**	—
Fair value loss on financial assets at FVPL (Note 7)	**(8,344,149)**	(1,655,601)
Loss on sale of AFS financial assets (Note 7)	**(1,112,429)**	(15,008,199)
	₱50,043,094	₱35,261,836

21. Net Insurance Benefits and Claims

Details of gross insurance contract benefits and claims paid are as follows:

	2022	2021
Direct	**₱965,813,399**	₱481,108,411
Assumed	**72,199,473**	21,615,181
	₱1,038,012,872	₱502,723,592

Details of reinsurers' share of gross insurance contracts benefits and claims paid are as follows:

	2022	2021
Direct	**₱670,548,020**	₱356,592,266
Assumed	**58,335,073**	59,843
	₱728,883,093	₱356,652,109

Details of gross change in insurance contract liabilities are as follows

	2022	2021
Change in provision for claims reported:		
Direct	**₱284,566,012**	₱93,206,220
Assumed	**275,338,910**	(373,332,138)
	559,904,922	(280,125,918)
Provision for claims IBNR and MfAD	**277,749,893**	(52,508,697)
	₱837,654,815	(₱332,634,615)

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

	2022	2021
Change in provision for claims reported:		
Direct	**₱255,448,161**	(₱60,594,578)
Assumed	**249,295,183**	(212,065,984)
	504,743,344	(272,660,562)
Provision for claims IBNR and MfAD	**287,338,140**	(35,742,052)
	₱792,081,484	(₱308,402,614)

22. **General and Administrative Expenses**

This account consists of:

	2022	2021
Salaries and allowances (Note 26)	**₱194,361,504**	₱137,525,308
Pension expense (Note 23)	**33,253,732**	28,781,369
Professional fees	**31,465,398**	24,866,304
Depreciation and amortization (Notes 11, 12 and 27)	**29,114,207**	14,138,788
Social security and other contributions	**9,005,916**	4,439,715
Other employee benefits	**8,914,034**	33,087
Rent (Note 27)	**7,952,736**	4,468,714
Bank, trust and other fees	**7,801,947**	2,033,176
Board meeting expenses and directors' fees	**5,328,104**	5,883,578
Communication and postage	**5,188,601**	5,379,737
Hospitalization contribution	**4,294,549**	2,843,425
Transportation and travel	**4,057,406**	1,294,015
Advertising, promotion and marketing expense	**3,783,335**	1,917,144
Light and water	**3,502,018**	1,113,325
Stationery and supplies	**3,188,087**	1,695,440
Representation and entertainment	**2,564,824**	2,035,534
Fringe benefit tax	**1,894,666**	891,887
Taxes and licenses	**1,321,953**	5,000,097
Association dues	**1,145,537**	1,302,429
Professional and technical development	**989,269**	2,405,844
Repairs and maintenance	**759,898**	1,000,124
Reversal of provision for doubtful accounts (Note 6)	**(4,620,080)**	–
Others	**30,534,352**	8,325,459
	₱385,801,993	₱257,374,499

Others include payments made to agency, software and maintenance, books and periodicals, donations and charitable contributions.

23. Pension Cost

The Parent Company has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its regular employees.

The following tables summarize the components of retirement cost recognized in the statements of income and pension obligation recognized in the statements of financial position:

	2022		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Total Net pension liability (asset)**
Balance at beginning of the year	**₱84,010,669**	**(₱70,981,101)**	**₱13,029,568**
Current service cost (Note 22)	**33,253,732**	**–**	**33,253,732**
Net interest expense (income)	**4,387,041**	**(3,541,957)**	**845,084**
Total pension expense	**37,640,773**	**(3,541,957)**	**34,098,816**
Actuarial gain on defined benefit obligation	**(32,313,852)**	**–**	**(32,313,852)**
Remeasurement loss on plan assets	**–**	**2,393,927**	**2,393,927**
Total remeasurement loss (gain) to other comprehensive income	**(32,313,852)**	**2,393,927**	**(29,919,925)**
Benefits paid	**(14,756,476)**	**14,756,476**	**–**
Contributions	**–**	**(35,196,088)**	**(35,196,088)**
Balance at the end of the year	**₱74,581,114**	**(₱92,568,743)**	**(₱17,987,629)**

	2021		
	Present value of defined benefit obligation	Fair value of plan assets	Total Net pension liability (asset)
Balance at beginning of the year	₱68,640,796	(₱43,016,089)	₱25,624,707
Current service cost (Note 22)	28,781,369	–	28,781,369
Net interest expense (income)	2,594,622	(1,626,008)	968,614
Total pension expense	31,375,991	(1,626,008)	29,749,983
Actuarial gain on defined benefit obligation	(16,006,118)	–	(16,006,118)
Remeasurement loss on plan assets	–	1,246,644	1,246,644
Total remeasurement loss (gain) to other comprehensive income	(16,006,118)	1,246,644	(14,759,474)
Benefits paid	–		
Contributions	–	(27,585,648)	(27,585,648)
Balance at the end of the year	₱84,010,669	(₱70,981,101)	₱13,029,568

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

	2022	2021
Balance at beginning of year	**(₱6,498,233)**	(₱17,567,838)
Remeasurement gain recognized in other comprehensive income during the year	**29,919,925**	14,759,474
	23,421,692	(2,808,364)
Income tax effect	**(7,479,981)**	(3,689,869)
Balance at end of year	**₱15,941,711**	(₱6,498,233)

Pension expense and the present value of the defined benefit obligation are determined using actuarial valuation. The actuarial valuation involves making various assumptions. The latest actuarial valuation report is as of December 31, 2022.

The principal assumptions used to determine pension for the defined benefit plans follows:

	2022	2021
Discount rate	**4.99%**	3.78%
Salary increase rate	**10.00%**	10.00%
Average years of service	**3.07**	2.81

The discount rate used to determine the defined benefit obligation is determined by reference to the approximated zero-coupon yields of government bonds with remaining period to maturity approximating the estimated average duration of the benefit payment.

The salary increase rate takes into consideration the prevailing inflation rate and Parent Company policy.

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 if all other assumptions were held constant:

	Change in variables	**Increase (decrease) in present value of defined benefit obligation**	
		2022	2021
Discount rate	+0.50%	**₱(5,722,080)**	₱(6,537,223)
	-0.50%	**6,416,209**	7,381,600
Salary increase rate	+1.00%	**12,692,226**	14,344,655
	-1.00%	**(10,374,475)**	(11,624,511)

There were no significant changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

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

	2022	2021
Less than 1 year	**₱485,697**	₱8,936,718
More than 1 year to 5 years	**29,192,090**	22,184,963
More than 5 years to 10 years	**74,273,463**	87,356,634
More than 10 years to 15 years	**137,105,755**	106,606,969
More than 15 years to 20 years	**361,190,872**	271,614,649
More than 20 years	**4,461,734,817**	3,872,472,321

The Parent Company expects to contribute at least ₱56.51 million to the defined benefit plan in 2023.

The average expected future working lives of the employees of the Parent Company is 23 years as of December 31, 2022 and 2021.

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

	2022		2021	
	Amount	**%**	Amount	%
Savings deposit	**₱95,885**	**0.10%**	₱28,321	0.04%
Investment in unit investment trust fund	**50,519,685**	**54.57%**	–	0.00%
Investment in government securities	**–**	**0.00%**	–	0.00%
Investment in corporate debt securities	**–**	**0.00%**	–	0.00%
FVPL - debt and equities	**41,629,730**	**44.97%**	70,856,523	99.82%
Other Assets		**0.00%**	96,290	0.14%
Accrued interest	**329,074**	**0.36%**	–	0.00%
	92,574,374	**100.00%**	70,981,134	100.00%
Less: Allowance for expected credit losses AIR	**(36)**			
Less: Allowance for expected credit losses DIB	**(5,595)**		(34)	
	₱92,568,743	**100.00%**	₱70,981,101	100.00%

The carrying values of plan assets approximate their fair values as of December 31, 2022 and 2021.

24. **Income Tax**

a. Details of the provision for income tax follows:

	2022	2021
Current		
RCIT	**₱5,527,907**	₱28,784,453
Final	**10,255,235**	3,772,911
	15,783,142	32,557,364
Deferred	**397,119**	3,657,919
	₱16,180,261	₱36,215,283

b. Components of deferred tax assets follow:

	2022	2021
Presented in profit or loss		
Allowance for credit losses	**₱10,893,521**	₱12,048,541
Provision for claims IBNR, CHE and MfAD	**7,965,459**	10,362,520
Unamortized past service cost	**3,673,322**	3,991,758
Accrued expenses	**2,628,383**	3,221,470
Depreciation - ROU asset	**3,854,341**	963,585
Net pension asset	**973,740**	699,422
Interest expense on lease liabilities	**101,280**	45,592
Unrealized foreign exchange loss	**890,614**	44,891
	30,980,660	31,377,779
Presented in other comprehensive income		
Deferred income tax asset on remeasurement loss on defined benefit obligation	**(3,640,775)**	3,839,206
	₱27,339,885	₱35,216,985

Movements in net deferred tax assets comprise of:

	2022	2021
Balance at beginning of year	**₱35,216,985**	₱42,564,773
Deferred income tax recognized in profit or loss	**(397,119)**	(3,657,919)
Deferred income tax recognized in other comprehensive income	**(7,479,981)**	(3,689,869)
Balance at end of the year	**₱27,339,885**	₱35,216,985

c. The reconciliation of the statutory corporate income tax rate to the effective income tax rate follows:

	2022	2021
Statutory corporate income tax	**₱9,889,045**	₱32,176,585
Add (deduct) the tax effects of:		
Interest income already subjected to final tax	**(3,256,620)**	(1,878,554)
Non-deductible expenses	**4,317,399**	4,455,318
Change impact of CREATE Law	**–**	(2,602,696)
Impact of MCIT over RCIT	**2,905,798**	
Non-taxable income	**2,324,639**	4,064,630
Effective income tax	**₱16,180,261**	₱36,215,283

25. Management of Insurance and Financial Risks

Governance Framework

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

Regulatory Framework

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

The operations of the Parent Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise).

Fair Value Measurement

As of December 31, 2022 and 2021, the carrying values of the Parent Company's assets and liabilities as reflected in the statements of financial position and related notes approximate their respective fair values as of the statements of financial position date.

The methods and assumptions used by the Parent Company in estimating the fair values of the financial instruments are as follows:

Cash and cash equivalents, insurance receivables, accrued income and loans and receivables
Due to the short-term nature of these accounts, the fair values approximate the carrying amounts as of the reporting date.

AFS financial assets and financial assets at FVPL
The fair values of equity securities that are actively traded in organized financial markets are determined using quoted market prices within the bid-offer price change at reporting date. Unquoted equity securities are carried at cost subject to impairment when the fair value could not be reliably determined.

Financial liabilities
The fair values of insurance contract liabilities, accounts payable and accrued expenses (excluding statutory liabilities) and insurance payables approximate their carrying values due to either the demandable feature or the relatively short-term maturities of these liabilities.

The fair value hierarchy of the Parent Company's financial assets are summarized in the table below.

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVPL	**₱79,248,716**	**₱–**	**₱–**	**₱79,248,716**
AFS financial assets:				
Government debt securities	**31,547,422**	**–**	**–**	**31,547,422**
Private debt securities	**123,798,241**	**–**	**–**	**123,798,241**
Listed equity securities	**124,465,821**	**–**	**–**	**124,465,821**
	₱359,060,200	**₱–**	**₱–**	**₱359,060,200**

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets at FVPL	₱88,171,372	₱–	₱–	₱88,171,372
AFS financial assets: Government debt securities	48,948,821	–	–	48,948,821
Private debt securities	190,971,793	–	–	190,971,793
Listed equity securities	61,199,000	–	–	61,199,000
	₱389,290,986	₱–	₱–	₱389,290,986

In 2022 and 2021, 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.

Financial Risk
The Parent Company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets 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.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Parent Company manages the level of credit risk by setting up exposure limits for each counterparty or group of counterparties and industry segments; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collaterals and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy; and review of credit risk policy for pertinence and changing environment.

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

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are set off against amounts receivable from them to reduce the risk of doubtful accounts.

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

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Parent Company's credit ratings of counterparties as of December 31:

	2022			
	Neither past due nor impaired			
	Investment grade	**Non-investment grade**	**Past due or impaired**	**Total**
Loans and receivables:				
Cash and cash equivalents*	**₱1,745,633,000**	**₱–**	**₱–**	**₱1,745,633,000**
Insurance receivables:				
Premiums receivable	–	**1,029,955,346**	**331,071,386**	**1,361,026,732**
Due from ceding companies	–	**177,691,346**	**160,066,840**	**337,758,186**
Reinsurance recoverable on paid losses	–	**96,741,983**	**169,659,405**	**266,401,388**
Commissions receivable	–	–	**2,554,327**	**2,554,327**
Funds held by ceding companies	–	**673,296**	**8,496,261**	**9,169,557**
Accounts receivable	–	**87,261,441**	–	**87,261,441**
Advances to employees	–	**3,211,985**	–	**3,211,985**
Money market placements	**56,385,244**	–	–	**56,385,244**
Accrued income	**8,745,472**	–	–	**8,745,472**
Investment securities at amortized cost	**387,923,270**	–	–	**387,923,270**
Financial assets at FVPL	**79,248,716**	–	–	**79,248,716**
AFS financial assets:				
Government debt securities	**31,547,422**	–	–	**31,547,422**
Private debt securities	**123,798,241**	–	–	**123,798,241**
Listed common shares	**124,465,821**	–	–	**124,465,821**
Private common shares	**1,020,000**	–	–	**1,020,000**
	₱2,558,767,186	**₱1,395,535,397**	**₱671,848,219**	**₱4,626,150,802**

**excludes cash on hand*

	2021			
	Neither past due nor impaired			
	Investment Grade	Non-investment Grade	Past due or impaired	Total
Loans and receivables:				
Cash and cash equivalents*	₱1,457,794,955	₱–	₱–	₱1,457,794,955
Insurance receivables:				
Premiums receivable	–	781,640,472	633,725,955	1,415,366,427
Due from ceding companies	–	199,332,429	197,711,629	397,044,058
Reinsurance recoverable on paid losses	–	71,239,966	130,489,374	201,729,340
Commissions receivable	–	9,744,561	54,220,003	63,964,564
Funds held by ceding companies	–	642,898	5,701,601	6,344,499
Accounts receivable	–	76,659,635	–	76,659,635
Advances to employees	–	800,194	–	800,194
Money market placements	50,420,000	–	–	50,420,000
Accrued income	4,420,874	–	–	4,420,874
Investment securities at amortized cost	232,674,599	–	–	232,674,599
Financial assets at FVPL	88,171,372	–	–	88,171,372
AFS financial assets:				
Government debt securities	48,948,821	–	–	48,948,821
Private debt securities	190,971,793	–	–	190,971,793
Listed common shares	61,199,000	–	–	61,199,000
Private common shares	1,020,000	–	–	1,020,000
	₱2,135,621,414	₱1,140,060,155	₱1,021,848,562	₱4,297,530,131

**excludes cash on hand*

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

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

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

c. *Debt securities*
These are classified as investment grade. The government debt securities are issued by the local government authority and are considered as risk-free debt securities. The private debt securities are issued by the stable companies and are considered to be high credit worthiness.

d. *Equity securities*
Equity securities not subjected to other than temporary decline are classified as investment grade.

The table below shows the aging analysis of financial assets that are past due but not impaired

	2022						
	Past due but not impaired						
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**Over 90 days**	**Total**	**Past due and impaired**	**Total**
Insurance receivables:							
Premiums receivable	**₱–**	**₱–**	**₱–**	**₱301,414,845**	**₱301,414,845**	**₱18,942,223**	**₱320,357,068**
Due from ceding companies	**–**	**–**	**–**	**144,293,658**	**144,293,658**	**16,383,210**	**160,676,868**
Reinsurance recoverable on paid losses	**–**	**–**	**–**	**149,027,341**	**149,027,341**	**20,632,064**	**169,659,405**
Commissions receivable	**–**	**–**	**–**	**2,554,327**	**2,554,327**	**–**	**2,554,327**
Funds held by ceding companies	**–**	**–**	**–**	**8,496,261**	**8,496,261**	**–**	**8,496,261**
	₱–	**₱–**	**₱–**	**₱605,786,432**	**₱605,786,432**	**₱55,957,497**	**₱661,743,929**

	2021						
	Past due but not impaired						
	Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total	Past due and impaired	Total
Insurance receivables:							
Premiums receivable	₱–	₱–	₱–	₱ 610,163,652	₱ 610,163,652	₱23,562,303	₱633,075,955
Due from ceding companies							
Reinsurance recoverable on	–	–	–	181,328,419	181,328,419	16,383,210	197,711,629
paid losses	–	–	–	109,857,310	109,857,310	20,632,064	130,489,374
Commissions receivable	–	–	–	54,220,003	54,220,003	–	54,220,003
Funds held by ceding companies	–	–	–	5,701,601	5,701,601	–	5,701,601
	₱–	₱–	₱–	₱ 961,270,985	₱ 961,270,985	₱60,577,577	₱1,021,848,562

The Parent Company has a significant concentration of credit risk with the Lucio Tan Group as of December 31, 2022 and 2021 (Note 26).

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; counterparty failing on repayment of a contractual obligation; insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Parent Company is the potential daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Parent Company manages liquidity risk by specifying minimum proportion of funds to meet emergency calls; specifying the sources of funding and the events that would trigger the plan; determining concentration of funding sources; reporting of liquidity risk exposures; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

The following tables analyze financial assets and liabilities of the Parent Company into their relevant maturity groups based on the remaining period at the reporting dates to their contractual maturities or expected repayment dates.

	2022				
	Up to a year	**2-5 years**	**Over 5 years**	**No term**	**Total**
Financial assets					
Loans and receivables:					
Cash and cash equivalents*	**₱1,745,633,000**	**₱–**	**₱–**	**₱–**	**₱1,745,633,000**
Insurance receivables:					
Premiums receivable	**1,361,026,732**	**–**	**–**	**–**	**1,361,026,732**
Due from ceding companies	**337,758,186**	**–**	**–**	**–**	**337,758,186**
Reinsurance recoverable on paid losses	**266,401,388**	**–**	**–**	**–**	**266,401,388**
Commissions receivable	**2,554,327**	**–**	**–**	**–**	**2,554,327**
Funds held by ceding companies	**9,169,557**	**–**	**–**	**–**	**9,169,557**
Accounts receivable	**87,261,441**	**–**	**–**	**–**	**87,261,441**
Advances to employees	**3,211,985**	**–**	**–**	**–**	**3,211,985**
Money market placements	**56,385,244**	**–**	**–**	**–**	**56,385,244**
Accrued income	**8,745,472**	**–**	**–**	**–**	**8,745,472**
Investment securities at amortized cost	**–**	**387,923,270**	**–**	**–**	**387,923,270**
Financial assets at FVPL	**79,248,716**	**–**	**–**	**–**	**79,248,716**
AFS financial assets:					
Government debt securities	**9,981,801**	**11,836,847**	**9,728,774**	**–**	**31,547,422**
Private debt securities	**1,596,449**	**97,618,058**	**24,583,734**	**–**	**123,798,241**
Listed common shares	**–**	**–**	**–**	**124,465,821**	**124,465,821**
Private common shares	**–**	**–**	**–**	**1,020,000**	**1,020,000**
	₱3,968,974,298	**₱497,378,175**	**₱34,312,508**	**₱125,485,821**	**₱4,626,150,802**
Financial liabilities					
Insurance contract liabilities	**₱4,487,464,740**	**₱–**	**₱–**	**₱–**	**₱4,487,464,740**
Accounts payable and accrued expenses**	**1,082,578,349**	**–**	**–**	**–**	**1,082,578,349**
Insurance payables	**1,222,042,577**	**–**	**–**	**–**	**1,222,042,577**
	₱6,792,085,666	**₱–**	**₱–**	**₱–**	**₱6,792,085,666**

**excludes cash on hand*
***excludes taxes payable*

	2021				
	Up to a year	2-5 years	Over 5 years	No term	Total
Financial assets					
Loans and receivables:					
Cash and cash equivalents*	₱1,457,794,955	₱–	₱–	₱–	₱1,457,794,955
Insurance receivables:					
Premiums receivable	1,415,366,427	–	–	–	1,415,366,427
Due from ceding companies	333,079,494	–	–	–	333,079,494
Reinsurance recoverable on paid losses	201,729,340	–	–	–	201,729,340
Commissions receivable	63,964,564	–	–	–	63,964,564
Funds held by ceding companies	6,344,499	–	–	–	6,344,499
Accounts receivable	127,079,635	–	–	–	127,079,635
Advances to employees	800,194	–	–	–	800,194
Money market placements	–	–	–	–	–
Accrued income	4,420,874	–	–	–	4,420,874
Investment securities at amortized cost	–	232,674,599	–	–	232,674,599
Financial assets at FVPL	88,171,372	–	–	–	88,171,372
AFS financial assets:					
Government debt securities	28,816,485	20,132,336	–	–	48,948,821
Private debt securities	40,103,876	89,072,656	61,795,261	–	190,971,793
Listed common shares	–	–	–	61,199,000	61,199,000
Private common shares	–	–	–	1,020,000	1,020,000
	₱3,767,671,715	₱341,879,591	₱61,795,261	₱62,219,000	₱4,233,565,567
Financial liabilities					
Insurance contract liabilities	₱3,593,362,497	₱–	₱–	₱–	₱3,593,362,497
Accounts payable and accrued expenses**	901,346,077	–	–	–	901,346,077
Insurance payables	1,289,999,943	–	–	–	1,289,999,943
	₱5,784,708,517	₱–	₱–	₱–	₱5,784,708,517

**excludes cash on hand*
***excludes taxes payable*

Market risk
Market risk is the risk of change in fair value of financial instruments from fluctuations in foreign exchange rates (currency rate or 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.

The Parent Company structures levels of market risk it accepts through a market risk policy that determines what constitutes market risk for the Parent Company; determines the basis used to fair value financial assets and liabilities; defines asset allocation and portfolio limit structure; provides diversification benchmarks by type of instrument; sets out the net exposure limits by each counterparty or group of counterparties, reports market risk exposures and breaches; and monitors compliance with market risk policy; and reviews market risk policy for pertinence and changing environment.

a. *Currency risk*
The Parent Company's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to the United Stated Dollar (US$).

The Parent 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 shows the details of the Parent Company's foreign currency denominated monetary assets and liabilities and their Philippine Peso equivalents.

	2022		2021	
	US$	**PHP**	US$	PHP
Cash and cash equivalents	**US$228,693**	**₱12,750,772**	US$287,835	₱14,614,531

The exchange rates used are ₱55.755 to US$1.00 in 2022 and ₱51.00 to US$1.00 in 2021 .

The Parent Company has no foreign currency-denominated financial liabilities as of December 31, 2022 and 2021.

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) and equity (that reflects adjustments to profit before tax).

	2022		2021	
Currency	**Change in Rate**	**Impact on income before tax**	Change in Rate	Impact on income before tax
US$	**+1.03%**	**₱440,108**	+1.04%	₱152,428
US$	**-1.03%**	**(440,108)**	-1.04%	(152,428)

The Parent Company used the average of changes in year-end closing rate for the past three (3) years in determining the reasonably possible change in foreign exchange rates.

b. Interest rate risk

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

The following tables show the information relating to the Parent Company's financial instruments that are exposed to interest rate risk presented by maturity profile.

			2022		
	Interest rates	**Within 1 year**	**2-5 years**	**Over 5 years**	**Total**
Financial assets					
Cash and cash equivalents*	**0.75% to 4.00%**	**₱1,745,633,000**	**₱–**	**₱–**	**₱1,745,633,000**
Short-term investments	–	–	–	–	–
AFS financial assets:					
Government debt securities	**2.65% to 5.75%**	**9,981,801**	**11,836,847**	**9,728,774**	**31,547,422**
Private debt securities	**3.04% to 6.41%**	**1,596,449**	**97,618,058**	**24,583,734**	**123,798,241**
Investment securities at amortized cost	**3.25% to 6.25%**	–	**387,923,270**	–	**387,923,270**
Money market placements	**5.00% to 0.00%**	**56,385,244**	–	–	**56,385,244**
		₱1,813,596,494	**₱497,378,175**	**₱34,312,508**	**₱2,345,287,177**
Financial liabilities					
Funds held for reinsurers	**5.00%**	**₱212,464,135**	**₱–**	**₱–**	**₱212,464,135**

**excludes cash on hand*

			2021		
	Interest rates	Within 1 year	2-5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents*	0.75% to 4.00%	₱1,457,794,955	₱–	₱–	₱1,457,794,955
Short-term investments	–	–	–	–	–
AFS financial assets:					
Government debt securities	2.65% to 4.625%	28,816,485	20,132,336	–	48,948,821
Private debt securities	3% to 6.3%	40,103,876	89,072,656	61,795,261	190,971,793
Investment securities at amortized cost	3.25%to 6.25%	–	232,674,599	–	232,674,599
Money market placements	0.22%to 0.00%	50,420,000	–	–	50,420,000
		₱1,577,135,316	₱341,879,591	₱61,795,261	₱1,980,810,168
Financial liabilities					
Funds held for reinsurers	5.00%	₱162,235,298	₱–	₱–	₱162,235,298

**excludes cash on hand*

c. Price risk

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

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on other comprehensive income (due to changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

The following table shows the equity impact of reasonably possible changes in the Philippine Stock Exchange index (PSEi):

	2022		2021	
Market indices	**Change in variables**	**Impact on equity**	Change in variables	Impact on equity
PSEi	**+9.98%**	**₱15,837,830**	+6.99%	₱2,387,909
PSEi	**-9.98%**	**(15,837,830)**	-6.99%	(2,387,909)

The impact on other comprehensive income is arrived at using the reasonably possible change in PSEi and the specific adjusted beta of each stock the Parent Company holds. Adjusted beta is the forecasted measure of the volatility of the security for a portfolio in comparison to the market as a whole.

Insurance Risk

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

The following table sets out the concentration of the claims liabilities by type of contract as of December 31.

		2022	
	Insurance contract liabilities	**Reinsurers' share of liabilities**	**Net**
Fire	**₱2,450,889,569**	**₱2,091,961,929**	**₱358,927,640**
Marine	**24,499,610**	**17,277,005**	**7,222,605**
Aviation	**32,938,779**	**31,390,492**	**1,548,287**
Motor Car	**89,091,228**	**4,743,207**	**84,348,021**
Personal Accident	**30,000,481**	**15,263,038**	**14,737,443**
Bonds	**12,489,252**	**1,896,485**	**10,592,767**
Engineering	**307,709,947**	**286,416,144**	**21,293,803**
Casualty	**139,628,417**	**95,046,867**	**44,581,550**
	₱3,087,247,283	**₱2,543,995,167**	**₱543,252,116**

		2021	
	Insurance contract liabilities	Reinsurers' share of liabilities	Net
Fire	₱1,496,634,640	₱1,195,870,912	₱300,763,728
Marine	24,121,660	6,670,796	17,450,864
Aviation	115,499,549	110,251,441	5,248,108
Motor Car	112,208,445	4,828,040	107,380,405
Personal Accident	32,402,512	18,778,844	13,623,668
Bonds	34,717,885	21,385,188	13,332,697
Engineering	219,611,182	204,820,266	14,790,916
Casualty	215,673,077	189,332,769	26,340,308
	₱2,250,868,950	₱1,751,938,256	₱498,930,694

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

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

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

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

Although the Parent Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to the reinsurance ceded, to the extent that any reinsurers is unable to meet its obligations assumed under such reinsurance agreements. The Parent Company’s placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Parent Company substantially dependent upon any single reinsurance contract.

26. **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.

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

Transactions with related parties consist mainly of the following activities:

Category	2022 Amount	2022 Outstanding Balance	2021 Amount	2021 Outstanding balance	Terms and conditions
Stockholder					
Philippine National Bank (PNB)					
Cash and cash Equivalent (a)	**₱1,717,388,999**	**₱1,717,388,999**	₱204,005,477	₱204,005,477	
Premiums (b)	**61,716,878**	**–**	14,302,502	15,408,124	(i)
Commission (b)	**–**	**–**	–	–	(i)
Service Fee	**3,019,042**	**–**	9,703,939	–	(i)
Marketing Agreement Fee (c)	**–**	**–**	50,000,000	–	
Subsidiary					
Summit General Insurance Corporation					
Investment in subsidiary (Note 6)	**₱1,556,070,029**	**₱–**	₱–	₱–	
Premiums due from reinsurers (b)	**556,467**	**556,467**	–	1,513,711	(i)
Premiums due to reinsurers (b)	**(15,331)**	**(15,331)**	–	296,025	(i)
Reinsurance recoverable on paid losses (b)	**500,016**	**500,016**	–	–	(i)
Accounts receivable	**62,654,082**	**59,571,877**	–	60,489,026	
Other related parties					
Premiums (b)					
AB Heineken Philippines Inc.	**–**	**167,134**	–	171,908	
Absolut Chemicals, Inc.	**135,116**	**45,321**	27,454	39,321	
Absolut Distillers, Inc.	**4,616,248**	**3,246,572**	6,944,547	3,952	
Absolute Sales Corporation	**712,453**	**759,691**	–	1,870,146	
Agua Vida Systems, Inc.	**32,747**	**4,478**	23,787	9,076	
Allianz Pnb Life Insurance	**781,538**	**1,151,849**	304,775	1,012,749	
Allied Banking Corporation	**–**	**21,310**	899	305,022	
Air Philippines Corp.	**170,060,185**	**194,427,264**	–	181,019,035	
Allied Leasing & Finance Corp	**185,555**	**1,197,624**	282,362	1,610,717	
Althea Construction	**–**	**69,159**	–	69,159	
Asia Brewery, Inc	**66,455,425**	**58,502,315**	48,573,269	52,009,692	
Asian Alcohol Corporation	**–**	**393,128**	–	396,264	
Asia's Emerging Dragon Corp	**–**	**6,112**	–	6,112	
Balabac Resources And Holdings, Inc.	**–**	**81,695**	–	82,258	
Banner Plasticard, Inc.	**2,089,748**	**300,105**	2,538,932	400,300	
Basic Holdings Corp	**804,891**	**3,692**	–	657	
Brewmaster International, Inc.	**–**	**61,549**	–	77,423	
Charter House, Inc	**680,391**	**834,377**	659,013	347	
Costner Trading Corporation	**–**	**43,843**	–	43,843	
Eton Properties Phils. Inc	**15,880,991**	**1,898,142**	29,704,044	324,407	
Flor Decana Shipping, Inc	**–**	**20,907**	–	20,907	
Foremost Farms, Inc	**521,063**	**344,999**	1,188,283	435,739	
Fortune Tabacco Corporation	**6,066,007**	**164,552**	11,489,714	113,334	
Golden Brew Marketing Inc.	**–**	**60,402**	–	60,402	
Golden Pavillon Realty Holdings, Inc.	**–**	**–**	–	326,829	
Grain handlers Phils Inc	**356,550**	**53,663**	–	14,616	
Grandspan development Corp	**554,186**	**90,144**	733,368	93,653	
H & E Manufacturing Corporation	**180,067**	**151,600**	688,391	916,252	
Himmel Industries, Inc	**3,098,237**	**397,076**	3,615,411	500,725	
Interbev Philippines, Inc	**367,054**	**1,021,497**	–	916,945	
Landcom Realty Corporation	**–**	**–**	750	950	
Listening In Style, Inc.	**–**	**45,946**	–	45,946	
Ltgoc/Subsidiaries/Affiliates/Stockholders/Directors/Officers/Employees	**–**	**189,795**	–	189,795	
Luftansa Technical Philippines	**2,271,162**	**332,153**	2,441,484	835,161	
Macroasia Corporation	**21,598,497**	**2,507,802**	7,029,226	–	
Magnate Food & Drinks, Inc.	**20,174**	**26,484**	–	27,771	
Manuafacturing Services & Trade Corp	**27,124**	**144,789**	220,040	34,516	
Maranaw Hotels & Resort Corp	**4,013,696**	**2,787,556**	813,201	–	
Marcuenco Realty Development Corp	**–**	**–**	–	6,202	
Masobic Trading Corporation	**–**	**–**	–	4,278	

(Forward)

Category	2022 Amount	2022 Outstanding Balance	2021 Amount	2021 Outstanding balance	Terms and conditions
Metrolux Trading Co	₱–	₱1,846	₱–	₱63,636	
Multimix International Manufacturing Corporation	–	109,901	52,484	204,711	
New Dominion Industries Inc	2,763	5,355	17,985	15,969	
Packageworld, Inc	–	8,919	–	12,967	
Pal Express	–	117,628	–	131,438	
Philippine Airlines, Inc	887,619,007	560,959,705	383,159,859	6,560,327	
Power Realty Development Corporation	–	922	–	40,284	
Progressive Farms, Inc	106,026	14,976	–	23,506	
Purple Cristal Holdings Inc	–	–	–	6,362	
Quicksilver Marketing Corp	–	9,923	–	39,226	
Robton Industries, Inc.	1,020,853	237,176	2,286,166	778,120	
Royaltrade General Merchandising Corp.	–	68,629	–	70,569	
Royal Pines Realty Corporation	–	–	11,565	–	
Skylogistics Phil/ Skykitchn Phil.	4,977	7441	189,367	5,954	
Shining Star Realty Corporation	–	36,768	–	38,335	
Smart Grocers, Inc.	–	40,629	32,090	82,713	
Tan Yan Kee Foundation Inc	–	673	–	2,037	
Tanduay Distellers Inc	75,535,584	2,868,210	33,785,571	36,523,705	
Total Bulk Corporation	–	1,254,569	–	1,466,234	
Twin Ace Holdings Corporation	–	121,058	–	198,263	
University Of The East	6,163,396	1,612,631	5,441,482	7,869,424	
Zebra Holdings Inc	96,279	8,422	84,601	8,257	
Commissions (b)					(ii)
Himmel Industries Inc	3,615,411	38,057,603	16,356,380	38,452,705	
Service Fee - Phil Airlines	123,329,195	–	42,174,834	–	
	₱4,800,892,778	₱2,655,099,737	₱878,883,252	₱618,303,514	

(i) Interest-bearing, unsecured, no impairment
(ii) Non-interest bearing, due and demandable, unsecured

(a) The Parent Company maintains savings accounts, current accounts and cash equivalents with PNB, details follow:

	2022	2021
Current account	**₱35,555,407**	₱127,433,955
Savings account	**13,148,606**	39,265,408
Time deposits	**1,668,684,986**	37,306,114
	₱1,717,388,999	₱204,005,477

(b) In the ordinary course of business, the Parent Company accepts insurance business from related parties, normally through Himmel, the Parent Company's general agent and a related party under common control and Summit General Insurance Corporation. These transactions are based on terms similar to those offered to third parties.

(c) The Parent Company paid an upfront fee to PNB on April 30, 2021 for an Exclusive Marketing Agreement which is included in the terms and conditions for the acquisition of Summit Gen (see Note 13).

(d) The Parent Company's key management personnel include its executive, managers, supervisors and officer-in-charge. The summary of compensation of key management personnel is as follows:

	2022	2021
Salaries and other short-term employee benefits	**₱187,233,969**	**₱92,088,233**
Post-employment benefits and others	**13,485,413**	**19,539,027**
	₱200,719,382	**₱111,627,260**

27. Lease Commitments

The Parent Company entered into a lease agreement for its office space with PNB commencing on September 1, 2021 and ending on December 31, 2022. The stipulated monthly rent amounted to ₱634,500 with common area charges of ₱148,050 and parking rent of ₱72,800.

The Parent Company's branches entered into non-cancellable lease agreements with third parties for their office spaces. These leases are renewed annually upon mutual agreement of both parties.

The rollforward analysis of right-of-use asset on office and parking spaces follows:

	2022	2021
Cost		
At January 1	**₱15,417,365**	₱–
Addition	–	15,417,365
At December 31	**15,417,365**	15,417,365
Accumulated depreciation		
At January 1	**₱3,854,341**	–
Depreciation	**11,563,024**	3,854,341
At December 31	**15,417,365**	3,854,341
Net Book Value	**₱–**	₱11,563,024

The rollforward analysis of lease liabilities follows:

	2022	2021
At January 1	**₱15,599,735**	₱–
Additions	–	15,417,365
Interest expense	**222,751**	182,370
Payments	–	–
At December 31	**₱15,822,486**	₱15,599,735

For short-term and low-value leases, rent expense charged against operations amounted to ₱7.95 million and ₱4.47 million in 2022 and 2021, respectively (Note 22).

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

	2022	2021
Depreciation expense of right-of-use assets	**₱11,563,024**	₱3,854,341
Rent expense	**7,952,736**	4,468,714
Interest expense on lease liabilities	**222,751**	182,370
Total amount recognized in statement of income	**₱19,738,511**	₱8,505,425

As of December 31, 2022 and 2021, future minimum rentals payable under non-cancellable operating leases are as follow:

	2022	2021
Within one year	**₱15,593,568**	₱16,283,531
More than 1 year	–	–

28. Capital Management and Regulatory Requirements

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

The operations of the Parent Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., minimum statutory net-worth and risk-based capital requirements).

Capital Management Framework
The Parent Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders.

The Parent Company reviews the capital requirements by monitoring the minimum statutory networth and the risk-based capital (RBC) which is regularly communicated to the major shareholders. With this procedure, shareholders are forewarned in anticipation of the IC requirements of additional capital infusion.

Shareholders are well updated with these externally imposed capital requirements since these are being discussed during the annual BOD meeting.

Minimum statutory networth
On August 5, 2013, the President of the Philippines approved RA No. 10607, known as the "New Insurance Code", which provides the new capitalization requirements for all existing insurance companies based on networth on a staggered basis starting June 30, 2013 up to December 31, 2022.

On January 13, 2015 the IC issued CL No. 2015-02-A, *Minimum Capitalization Requirements Under Sections 194, 197, 200 and 289 of Republic Act 10607 (The Amendment Insurance Code)*, which provides for the clarification of minimum capital requirements under Section 194, 197, 200 and 289 of the New Insurance Code. Under the said circular, non-life insurance companies duly licensed by the IC must have a networth of at least ₱250,000,000 by December 31, 2013. The minimum networth of the said companies shall increase to the following amount:

Compliance date	Minimum networth
December 31, 2016	₱550,000,000
December 31, 2019	900,000,000
December 31, 2022	1,300,000,000

The said circular supersedes Department Order Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008

As of December 31, 2022 and 2021, the Parent Company's estimated statutory net worth amounted to ₱1,611,064,364 and ₱756,355,615, respectively.

RBC requirements
For purposes of the December 31, 2022 and 2021 financial reporting, the Parent Company determined its compliance with the RBC requirements based on the provisions of CL No. 2016-68, *Amended Risk- Based Capital (RBC2) Framework*, and IMC No. 7-2006, *Compliance to IC Requirements*, respectively. These circulars provide RBC frameworks for non-life insurance companies in order to establish the required amounts of capital to be maintained in relation to investment and insurance risks. A non-life insurance company is required to maintain a minimum RBC ratio ration shall subject the fail trend test on a yearly basis. Failure to meet the minimum RBC ratio shall subject the insurance company to corresponding regulatory intervention which has been defined at various levels.

Pursuant to CL no. 2017-15, effective January 1, 2017, non-life insurance companies are required to maintain the minimum RBC2 requirement as prescribed under CL No. 2016-68. Under the RBC2 framework, the RBC2 ratio shall be calculated as total available capital divided by the RBC2 requirement. The final RBC2 ratio can be determined only after the accounts of the Parent Company have been examined by the IC.

The following table shows the estimated RBC2 ratio as of December 31, 2022 and December 31, 2021 as determined by the Parent Company based on the RBC2 framework:

	2022	2021
Total available capital	**₱3,120,880,945**	₱2,356,355,615
RBC2 requirement	**832,908,594**	806,971,101
RBC2 ratio	**375%**	292%

The total available capital shall be the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. This capital is considered to be the highest quality capital available to the insurer. Tier 2 capital does not have the same high-quality characteristics of Tier 1, but can provide an additional buffer to the insurer. Tier 2 capital shall not exceed 50% of Tier 1 capital. The RBC2 requirement shall be the capital that is required to be held in order to cover the risks an insurance company is exposed to and shall be computed using the formula as prescribed under CL No. 2016-68.

Net worth shall include paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC. The RBC requirement shall be computed using the formula prescribed under IMC No. 7-2016.

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

Financial reporting framework
CL No. 2016-65 prescribes the new financial reporting framework (FRF) that is used for the statutory quarterly and annual reporting effective January 1, 2017. This includes rules and regulations concerning Titles III and IV of Chapter III of the New Insurance Code and all other accounts not discussed in the New Insurance Code but are used in accounting of insurance and reinsurance companies.

The FRF includes the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial and insurance core principles which requires quarterly and annual reporting of networth to the IC.

29. Maturity Analysis of Assets and Liabilities

The table below show the Parent Company's asset and liabilities analyzed according to when they are expected to be recovered, settled or reversed.

	2022		
	Less than 12 months	**Over 12 months**	**Total**
Assets			
Cash and cash equivalents	**₱1,745,688,000**	**₱–**	**₱1,745,688,000**
Insurance receivables – net	**1,910,575,392**	**–**	**1,910,575,392**
Investment in subsidiary	**–**	**1,556,070,029**	**1,556,070,029**
Financial assets			
Financial assets at FVPL	**79,248,716**	**–**	**79,248,716**
AFS financial assets	**11,578,250**	**269,253,234**	**280,831,484**
Held to Maturity	**–**	**387,923,270**	**387,923,270**
Loans and receivables	**146,858,670**	**–**	**146,858,670**
Accrued income	**8,745,472**	**–**	**8,745,472**
Reinsurance assets	**3,782,083,060**	**–**	**3,782,083,060**
Deferred acquisition costs	**151,971,289**	**–**	**151,971,289**
Property and equipment – net	**–**	**56,863,103**	**56,863,103**
Right-of-use assets	**–**	**–**	**–**
Intangible asset - net	**–**	**46,632,982**	**46,632,982**
Deferred tax assets – net	**–**	**27,339,885**	**27,339,885**
Net Pension Asset	**–**	**17,987,629**	**17,987,629**
Other assets	**–**	**238,175,650**	**238,175,650**
	₱7,836,748,849	**₱2,600,245,782**	**₱10,436,994,631**
Liabilities			
Insurance contract liabilities	**₱4,487,464,740**	**₱–**	**₱4,487,464,740**
Accounts payable and accrued expenses	**1,082,578,349**	**–**	**1,082,578,349**
Insurance payables	**1,222,042,577**		**1,222,042,577**
Dividends payable	**19,237,343**	**–**	**19,237,343**
Deferred reinsurance commissions	**69,097,860**	**–**	**69,097,860**
Income tax payable	**–**	**–**	**–**
Lease liabilities	**15,822,485**	**–**	**15,822,485**
Net pension liability	**–**	**–**	**–**
	₱6,896,243,354	**₱–**	**₱6,896,243,354**

	2021		
	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	₱1,457,830,855	₱–	₱1,457,830,855
Insurance receivables – net	1,959,906,747	–	1,959,906,747
Investment in Associate	–	1,556,070,029	1,556,070,029
Financial assets			
Financial assets at FVPL	88,171,372	–	88,171,372
AFS financial assets	68,920,361	233,219,253	302,139,614
Held to Maturity	–	232,674,599	232,674,599
Loans and receivables	127,879,829	–	127,879,829
Accrued income	4,420,874	–	4,420,874
Reinsurance assets	2,770,274,679	–	2,770,274,679
Deferred acquisition costs	113,557,537	–	113,557,537
Property and equipment – net	–	51,697,424	51,697,424
Right-of-use assets	11,563,024	–	11,563,024
Intangible asset – net	–	51,277,778	51,277,778
Deferred tax assets – net	–	35,216,985	35,216,985
Other assets	31,720,180	101,534,313	133,254,493
	₱6,634,245,458	₱2,261,690,381	₱8,895,935,839

Liabilities			
Insurance contract liabilities	₱3,593,362,497	₱	₱3,593,362,497
Accounts payable and accrued expenses	1,006,965,328	–	1,006,965,328
Insurance payables	1,289,999,943		1,289,999,943
Dividends payable	19,237,343	–	19,237,343
Deferred reinsurance commissions	63,041,034	–	63,041,034
Income Tax Payable	13,100,267	–	13,100,267
Lease liabilities	15,599,734	–	15,599,734
Net pension liability	–	13,029,568	13,029,568
	₱6,001,306,146	₱13,029,568	₱6,014,335,714

30. **Events After the Reporting Period**

Any post year-end event up to the date of approval of the BOD of the financial statements that provides additional information about the Company's financial position at the end of 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.

<u>Merger with Summit Gen</u>
As discussed in Note 1, following the acquisition of Summit Gen, the Company is currently processing its application for the plan of merger with the former in 2022 as approved by Board of Directors on December 11, 2021. The merger is expected to maximize synergy and improve operational efficiency thru reduction of IT, labor and business handling expenses. The merger is expected to be completed on or before December 31, 2022. On September 29, 2022, the Company and Summit Gen received from the Insurance Commission its approval for the merger and the endorsement for the same to the SEC. On January 31, 2023, the Company and Summit Gen submitted the required documents to the Security and Exchange Commission (SEC). As of May 13, 2023, the application process for the merger is still ongoing with the SEC.

31. Notes to Parent Company Statement of Cash Flows

Non-cash activities in 2022 include:

- Reclassification of government securities amounting to ₱70.00 million from AFS to HTM in compliance with the capital investment requirement pursuant to Section 209 of the Amended Insurance Code.

Non-cash activities in 2021 include:

- Initial recognition of the lease liabilities at transition and commencement date amounting to ₱15,417,365;
- Reclassification of the investment in associate to investment in subsidiary on March 21, 2021 as the Company already obtained control over the investee; and
- Reclassification of government securities amounting to ₱232.67M from AFS to HTM in compliance with the capital investment requirement pursuant to Section 209 of the Amended Insurance Code.

32. Supplementary Information required by the Bureau of Internal Revenue (BIR)

Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations No. 15-2010 issued by the Philippine Bureau of Internal Revenue (BIR) hereunder are the information on taxes and licenses fees paid or accrued during the taxable year 2021.

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	₱2,203,546,519	₱264,425,582

‘VAT zero-rated sales” pertains to gross receipts/collections on premiums from contracts issued to PEZA entities of which are entitled to VAT zero-rating under Section 108(B)(7) of the 1997 Tax Code. On the other hand, “VATable sales”, pertains to gross receipts/collections from the issuance of policy from other sources.

The Company has no output VAT from sales of goods and leasing income. There are exempt sales amounting to ₱485.15M and zero-rated sales of ₱149.43M during the year.

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

	Input Tax	Deferred Input Tax	Total
Balance at January 1, 2022	₱19,460,791	₱21,281,605	₱40,742,396
Current year’s domestic purchases/payments for:			
Services lodged under other accounts	43,470,655	5,350,849	48,821,504
	62,931,446	26,632,454	89,563,900
Input VAT applied to output VAT	57,309,937	4,167,582	61,477,519
Balance at December 31, 2022	₱5,621,509	₱22,464,872	₱28,086,381

Other taxes and license fees
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees. Details consist of the following:

Local:	
Local government tax	₱–
Clearance and certificate fees	4,925
Business permit	283,926
Community tax	10,510
Others	718,217
	1,017,578
National:	
Filing of annual statement	40,400
DST expense	255,975
VAT registration	8,000
	304,375
	₱1,321,953

Documentary Stamp Tax (DST)
The DST paid for the current year amounted to ₱282,252,381 which is based on premiums written during the year amounting to ₱2,758,872,788.

The Company has taxes relating to non-life insurance policies that has been passed on to the policyholders and are not recognized in the statement of income. Details of these taxes in 2021 follow:

Fire service tax	₱13,530,308
Premium tax	9,700,101
	₱ 23,230,409

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

Expanded withholding taxes	₱26,016,766
Withholding taxes on compensation and benefits	28,863,690
Final withholding taxes	2,286,606
	₱57,167,062

Tax assessments and cases
The Company has no final assessment notice and/or formal letter of demand from the BIR. In addition, the Company has on-going tax examination for the year 2019.