ALLIEDBANKERS INSURANCE CORPORATION
A member of The Lucio Tan Group of Companies
We cover, you recover.

A NEW DAWN

STRENGTH AND RESILIENCE IN OUR BLUE OCEAN

ANNUAL REPORT 2021

WHAT'S INSIDE

ABOUT THE COVER

A NEW DAWN – STRENGTH AND RESILIENCE IN OUR BLUE OCEAN

In 2021, Alliedbankers Insurance Corporation (ABIC) continued to navigate through the COVID-19 pandemic seizing opportunities and pursuing its long-term strategy. We became stronger and more resilient than ever, as we faced the economic headwinds brought about by the new COVID-19 variants and inflationary pressures contributing to the uncertainty of the industry.

As part of the Company's expansion strategy, ABIC acquired in September 2021 full ownership of PNB General Insurers Co., Inc. (PNBGen) together with its 15 branches in various strategic locations gaining a nationwide distribution network. A new pool of talents in underwriting, sales and marketing, claims, and other business units joined ABIC to create a stronger manpower complement. As the acquisition strengthens our presence in the insurance market, steady growth is definitely on hand.

To ensure business efficiencies and continued growth opportunities, ABIC full sped on its reliance on data and digital technology. Following the acquisition of PNBGen, ABIC accelerated its digitalization and automation by transitioning to GENiiSYS, a comprehensive and integrated system for insurance business. This newly acquired system upgrades our IT infrastructure, simplifies various processes, and enhances our analytic capabilities. As, ABIC continues to discover the capabilities of the new system, the company is looking forward to establishing a mobile-based portal for product distribution and channel management and other business areas, upscaling our commercial operations to a whole new level.

The strong momentum we gained in 2021 and our collective efforts are paving the path for a new dawn, a new beginning - a blue ocean of opportunities. As we keep on sailing in this unforgiving ocean, we will keep on expanding and innovating our business to continuously render excellent service delivery to our clients and enable a stronger and more resilient future.

MISSION

ABIC will maintain its position of being the preferred non-life insurance arm of the Lucio Tan Group of Companies and their customers, its allied business undertakings, business partners, associates, employees and other stakeholders.

ABIC will keep on striving to be a dynamic Company by providing a range of comprehensive, competitively priced, and innovative insurance and other supplemental products suitable to the risks and needs of its client base.

We will continue to develop and create new business partnerships, foster and synergize the relationships within the Lucio Tan Group of Companies and our other customers.

VISION

ABIC will be the Best Managed and Best in Service Delivery Non-Life Insurance Company in the Philippines.

We will continue setting standards of excellence by being innovative, providing the right support and service to our customers especially during unprecedented time, placing the well-being of our employees and clients at the forefront of every decision that we will make.

We will remain steadfast in living up to the trust and confidence given to us by our stakeholders and carrying out our tasks with professionalism and integrity with all the parties we deal with, guaranteeing the long-term viability and profitability of our Company.

CODE OF CONDUCT AND BUSINESS ETHICS

The Code of Conduct and Business Ethics (Code) provides a reasonable and lawful process for resolution of issues and problems arising from employees' performance and/or behavior, ensures the fair, just, and consistent implementation of ways to correct and address actions not in accordance with the Company's policies.

The Company believes that values are particularly important, because the business of insurance and reinsurance is based on the principle of utmost fidelity and good faith. The insurer or reinsurer relies on the honesty and integrity of client information obtained as a prerequisite to risk acceptance. In the same manner, the insuring and reinsuring public relies on the ability of the Company to make good its "promise"/ commitment to indemnify our clients.

All Company employees must therefore have unquestionable integrity. They are entrusted with the responsibility of helping the Company establish and achieve its goals and objectives.

Likewise, our employees must exercise good judgment and common sense in line with this Code as we safeguard and protect the hard-earned properties of our customers, as we likewise do for ourselves.

The institutionalization of our Code of Conduct and Business Ethics allows us to maintain a peaceful and harmonious work environment, increased work productivity and employee job satisfaction.

PURPOSE

ABIC endeavors to do the right thing within the bounds of the values we live with and adhere to for our customers, accredited intermediaries, employees, shareholders, and other communities including the government regulators and the public at large.

The Company adheres to "zero-tolerance" on all offenses that does not fall under honesty and integrity. Substantiated offenses shall be reviewed for possible Civil or Criminal action by the Company against the employee.

COMPLIANCE WITH LAWS AND POLICIES

ABIC strongly adheres to the compliance of the laws set by government regulatory bodies, and the internal policies approved by our Board of Directors and various working management committees covering the insurance products and services we offer to our clients.

The Company formulates policies and procedures that serve as the backbone of its operations. It gives structure, standards and framework to its manpower. Guidelines and processes are reviewed and kept updated to ensure that the way we do things are at par with the changing time. It is deeply engrained in us that we must respect all laws and abide by all regulations that affect our conduct of business, and that we will carry out the following:

1. Ensure that we operate within the law, regulations, and internal policies at all times;

2. Ensure a proactive and constructive relationship with its regulators. Employees are expected to be responsive, fair, and transparent with the examiners at all times especially during examination and provide appropriate support;

3. Ensure compliance with all policies within ABIC at any given time; and

4. Constantly keep in mind that non-compliance may harm ABIC's reputation and lead to fines or other criminal or civil sanctions.

SCOPE

ABIC's Code of Ethics applies to our Board of Directors and all employees of ABIC. It is embodied in all the actions we do, which are meant to carry out the following objectives:

1. To be fair and attentive to the interests and requirements of all ABIC clients;

2. To adhere to professionalism, honesty and integrity when dealing with the Company's clients, stakeholders, and business partners; and

3. To always act with due care and diligence and within the limits of authority.

VALUES

The Company adheres to the principle that the best form of discipline is self-discipline. The Company prefers employees who can discipline themselves without the compulsion of law or fear of punishment. It is not enough that the employee should avoid doing "wrong" – he should, consciously and as a personal commitment, "do the right things the right way" for the right purpose at the right time.

We do the right things, because we want to rather than avoid the wrong, because we fear the consequence.

The decisions we make and how we carry out our businesses reflect ABIC's values, principles, and beliefs. It is always directed towards the satisfaction of our clients, business partners, stakeholders and our colleagues at work.

The values that guide our beliefs, attitudes, and behavior in our work life are the following:

1. We act in a financially honest and prudent manner ensuring the protection of the money and properties we hold on behalf of our clients and stakeholders;

2. Our actions always are fair and respectful providing all clients with due respects, consideration, and opportunity;

3. Our actions are found to be trustworthy by our clients and that we communicate with them in a clear, concise, prompt, and professional manner; and

4. Our actions provide suitable, fair, and objective recommendations to our clients.

PUBLIC ACCOUNTABILITY ON CONFLICT OF INTEREST

The Company gives a high priority to the interests of our customers. ABIC believes that conflicts of interest can cast doubt on the integrity and professionalism of the Company. Potential conflicts of interest must be identified at the earliest reasonable time. If the same cannot be avoided, any situation of such nature must be handled fairly.

It is the policy of ABIC, that fair and impartial business transactions are concluded for the benefit of the Company and all its stakeholders. As an insurance Company, the Corporation will ensure that its dealing with the public is always conducted at arm's length transactions, fair, honest, and equitable manner.

Accordingly, all employees will perform the duties and activities of their position with the highest level of integrity and independence in a professional and ethical manner. They will also avoid or eliminate any situation that could reasonably be perceived as a conflict of interest. Officers of the corporation will not engage in deceptive acts or conduct that constitutes unfair trade practices to the detriment of policyholders.

Internally, we have the Senior Management Committee composed of Executive Officers that closely monitor situations that can result in a conflict of interest. The Related Party Committee of our Board of Directors, on the other hand, reviews and approves contracts with our affiliated partners before we commit and bind ourselves with them.

The President's Report

YEAR 2021
THE YEAR TO PRESERVE AND STRENGTHEN

The year 2021 began with too much hope of an early "recovery" from the COVID-19 pandemic. This optimism was anchored on the Government's projections that the vaccines will start arriving by December 2020 and herd immunity from an aggressive vaccination program would have been achieved by March 2021. Unfortunately, this was too optimistic and exactly the opposite happened. Instead, fear continued to grip the nation and the surge from the Delta and Omicron variants followed. Relief came only towards the end of 2021, early in December.

Consequently, business continued to stagnate. While the Gross Production plateaued and the income dipped, the story behind that evolved was different.

Sources of Business

In 2020, when the Covid-19 pandemic broke out, ABIC's retail business suffered significantly as the country went into its most strict lockdown measures. Not only were retail clients prevented from leaving their homes, ABIC's frontliners, from the branch heads to the individual agents, were likewise prevented from meeting existing and potential clients. Thus, the steep decline in retail business. Corporate clients, on the other hand, thrived despite the closure of retail business. Our Corporate Sales Force continued to meet with corporate accounts and brokers via online platforms like Zoom. Thus, enabling Alliedbankers to make up for the retail sales drop.

In 2021, the retail business slightly recovered but, unfortunately, with more than a year of lockdowns, corporate business started to suffer, as well. So, while the retail business held, corporate business went down.

Despite the setback, Alliedbankers, after the acquisition of PNBGen, was able to manage a respectable consolidated income of P180 million from the previous year's combined income amounting to P192 million.

TARGET CONSOLIDATED PRODUCTION
P2.645 B
P2.621 B

TARGET CONSOLIDATED NET INCOME
P180M
P180M

For the year ended December 31, 2021, Alliedbankers recorded a consolidated gross production and consolidated net profit of PhP 2.621 billion and PhP 180 million, respectively, achieving the target consolidated net profit and garnering 99.10% consolidated gross production completion. While Gross Production plateaued, consolidated net profit was lower in 2021 despite reducing the loss ratio by 1/3 due to the decline in retention ratio by 1%. In addition, the significant increase in general and administrative expenses, especially on the salaries and professional fees, as a result of the acquisition of PNBGen negatively impacted the bottom line, as well.

CONTRIBUTING DRIVERS

SALES GROWTH
GPW
(4%)
DECREASE vs 2020

2021	2020
P2.621 B	P2.734 B

PORTFOLIO RISK
Loss Ratio
20%
vs 31% in 2020

2021	2020
P182 M	P295 M

ACCT SELECTION
Retention Ratio
30%
vs 31% in 2020

2021	2020
P779 M	P843 M

EFFICIENCY
Combined Ratio
91%
vs 94% in 2020

FINANCIAL STABILITY

PROFITABILITY
19%
Net Income After Tax Ratio
vs 20% in 2020

2021	2020
P180 M	P192 M

LIQUIDITY
143%
Liquidity Ratio
vs 163% in 2020

SOLVENCY
314%
Risk-Based Capital Adequacy Ratio
vs 367% in 2020

NET WORTH*
Net Worth
P2.881B
vs P1.792 B in 2020
Est. Statutory Net Worth
P1.127B
vs P0.967 B in 2020
*ABIC STAND-ALONE NET WORTH

ABIC remained financially strong in 2021 despite the lower net earnings, with profitability at 19%, liquidity at 143% and Solvency at 314%. ABIC's net worth in 2021 has increased by 60% and is now at PhP 2.871 billion. In addition, ABIC's 2021 estimated statutory net worth of PhP 1.127 billion, which excludes non-admitted assets and liabilities, also exceeded the 2021 Insurance Commission's minimum statutory net worth of PhP 900 million. Based on ABIC's 2022 forecast, it is on track to meet the 2022 minimum statutory net worth of PhP 1.30 billion by the end of 2022.

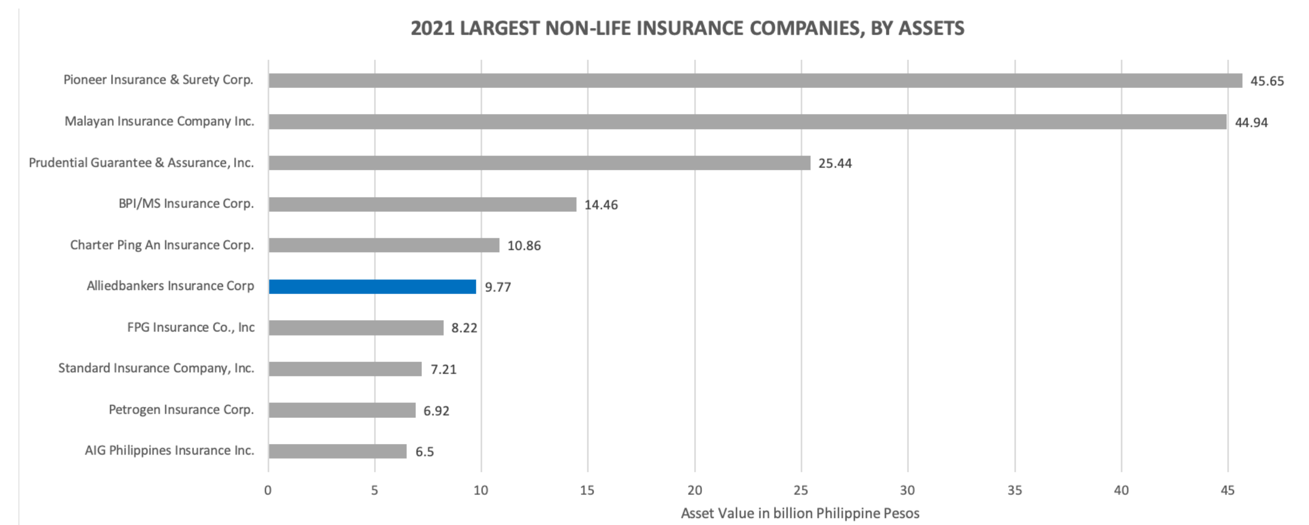
To Preserve and Strengthen

With normalcy a far possibility due to the present economic headwinds, the management team quickly changed course and instead of the growth targets, switched to preserving the existing business and strengthen Alliedbankers' ability to compete and grow the business when the country is back to normal. While the pandemic has taken its toll on all of us, Alliedbankers laid the foundations for a solid and sustainable recovery.

Key to preserving the existing base are the initiatives that were started and completed in the years 2020 and 2021.

First is the completion of the Business Requirement Document ("BRD") in April 2021 which will serve as the blueprint for ABIC's operational control and efficiency. Second is the acquisition of PNBGen by Alliedbankers resulting in the acquisition of its nationwide branch network and additional manpower who have had a long history of technical expertise in the industry. Third is the acquisition of the industry's leading IT system, GENiiSYS, which will now pave the road to full automation and further enhance ABIC's budding digital business.

With these in place, Alliedbankers stands ready to unleash its potential that now goes beyond its core business which is the LT Group of Companies.



Source: https://www.statista.com/statistics/858855/philippines-leading-non-life-insurers-by-assets/
Note: ABIC's consolidated total assets is not yet officially published in the 2021 data of Statisa.

In 2021, Alliedbankers was among the top 10 largest non-life insurance companies in the Philippines in terms of assets with a total consolidated asset value of PhP 9.77 billion.

While Alliedbankers has always ranked high in terms of Net Income and Statutory Net Worth, it was never among the top ten players in the industry except when its 2020 Net Income ranked 9th in the industry. With the key initiatives in 2020 and 2021, Alliedbankers will now be among the top ten non-life insurance companies in terms of Assets, Gross Production, Statutory Net Worth, and Net Income, among others.

BUSINESS REQUIREMENT DOCUMENT

Through the collaboration of the Project Pearl Team, ABIC Subject Matter Experts, Process Owners, and SGV's Risk Advisory Service Team, ABIC's comprehensive Business Requirement Document (BRD) was completed in April 2021. Business and technical solutions were provided in the BRD for all business areas to simplify and automate critical processes, establish roles and responsibilities, and strengthen internal controls to be able to ensure business efficiencies, maximize growth opportunities, improve data analytics capabilities, and continuously deliver **Excellent Delivery Service.**

Further, as part of the continuous process improvement initiatives, ABIC has also implemented the following:

Digitalization. Technology has played critical role in our ability to adapt in these unprecedented times. The pandemic, which acted as a major catalyst for digital transformation in the past 2 years, led us to redefine the future of work at ABIC and forge ahead with our digital strategy.

ABIC continued to embrace work from home arrangement in 2021 to ensure everyone's safety. Laptops, Desktops, and Pocket WIFI were provided since the beginning of the pandemic, enabling the company to continue work productivity despite of the community quarantine. By operating the business online and streamlining the process, ABIC was able to achieve paperless business operations in the past 2 years.

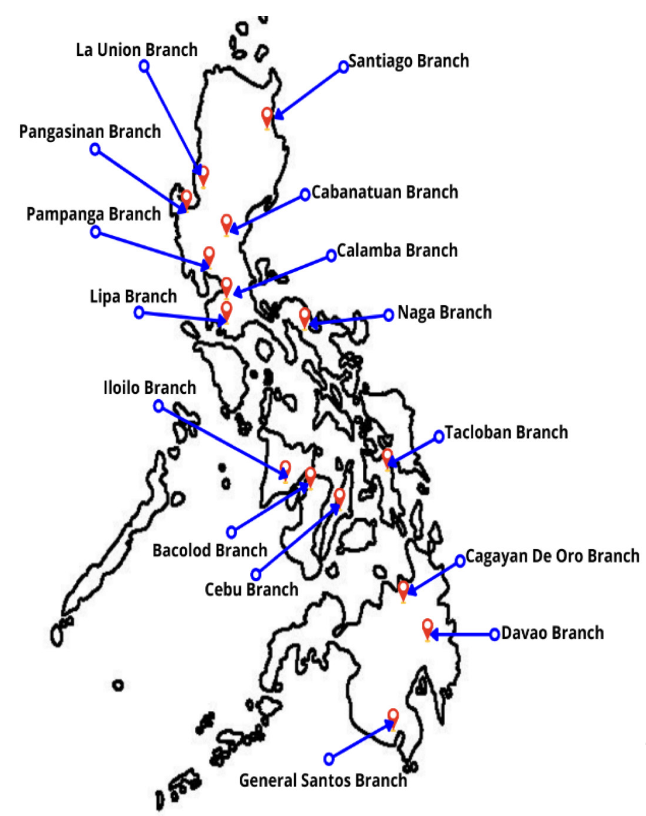
As business transactions becoming increasingly digital, ABIC utilized online banking facilities for collection and disbursement transactions. ABIC also adapted digital marketing, penetrating various social media platforms to increase brand awareness and market its products to retail and corporate markets.

New Organizational Structure. ABIC established a new organizational structure and acquired seasoned officers from PNBGen as Department Heads to effectively manage critical business segments. Departments filled with new head includes (1) Fire and non-fire department under the Underwriting Division and (2) Bancassurance, LTG, BGA, and microinsurance under the Sales and Marketing Division.

Focus Groups for Regulatory Compliance. ABIC formed various focus groups which spearhead the planning, process implementation, monitoring, and compliance of the Company with various industry regulations and standards such as Data Privacy, Sustainability Reporting, IFRS 17, among others. ABIC also sponsored certifications and workshops for these focus groups to maintain the teams' competence and commitment to these projects.

ACQUISITION OF PNB GENERAL INSURERS, INC.

ABIC realized its expansion plan by acquiring full ownership of PNBGen in 2021. The consolidation brought together the geographic reach of PNBGen and the product offerings and expertise of ABIC.



acquisition of PNBGen in 2021, ABIC now owns 15 branches in various strategic locations throughout the Philippines, which is a key component in realizing ABIC's goal of establishing a Nationwide Distribution Network to expand its retail footprint and allow the Company to enter untapped markets where competition is weak, loss ratios are low, and profit margins are higher.

Talents. On top of the 15-branch network, ABIC was equipped with a new pool of talents and experts in Technical Sales, Underwriting, Claims Processing and Evaluation, Information Technology, Accounting, and Treasury. The company's workforce went from 128 employees in August 2021, to 250 employees upon integration of PNBGen's business in September 2021. The acquisition of technical talents from PNBGen during the latter part of 2021 will allow ABIC in the coming years to increase its market share in the Brokers, General Agents, Agents (BGAAs) business, capture opportunities in the retail and corporate open market and optimize coverage of the Captive Market with Philippine National Bank and the Lucio Tan Group of Companies.

IT System. Following the acquisition of PNBGen, ABIC accelerated its digitalization and automation by transitioning to GENiiSYS, a comprehensive and integrated system for insurance business. This newly acquired IT system upgrades ABIC's IT infrastructure, simplifies various processes, and enhances its data analytics capabilities.

As the acquisition strengthens our position in the insurance market, sustainable growth is foreseeable for the future.

DIGITAL TECHNOLOGY ENHANCEMENT THROUGH INTEGRATION OF GENIISYS

In October 2021, ABIC began its integration of GENiiSYS, a comprehensive, fully integrated, and flexible system for General Insurance that extensively covers all the necessary functions from sales and marketing, underwriting, reinsurance, claims, and accounting, all the way up to General Ledger and financial reporting. The ERP integration, which was led by the Core Conversion team, provides ABIC the following advantages:

- It serves as a centralized computer information system to effectively manage and integrate the operations of ABIC's branches nationwide.
- It enhances ABIC's data analytics capabilities as it provides a data warehouse and allows inquiry of data in various degrees of detail from transactional to summarized.
- It strengthens ABIC's information and cyber security defenses through firewall upgrades and implementation of Virtual Private Network (VPN).
- It complies with the requirement of regulatory bodies such as the Insurance Commission, Bureau of Internal Revenue and Security Exchange Commission. Further, changes in standards such as IFRS 17, Insurance Contract, have also been incorporated into the system.

With the completion of the Business Requirement Document in 2021, GENiiSYS is set to undergo extensive system enhancement to enable full automation and strengthen ABIC's digital business. As ABIC continues to enhance the capabilities of the new system, the company is also looking forward to launching a mobile-based portal for product distribution and channel management and other areas of business, upscaling its commercial operations to a whole new level.

SURVIVING THE PANDEMIC AND MOVING ON

BUSINESS PLAN 2021-2023

The 2020-2022 Business Plan crafted in 2019 remains essentially the same, but changes were made to account for the reforms that were instituted to prepare Alliedbankers in realizing its full potential as called for in the Business Plan. The pandemic, which is in its third year, gave Alliedbankers the opportunity to put all the necessary reforms in place while the whole world was in suspended animation due to the lockdowns.

With the country slowly coming out of the pandemic restrictions, the 2022-2024 Business Plan continues to be anchored on the premise that much opportunity remains within Alliedbankers' Captive Market and the previously untapped Provincial Open Market, thus, creating its own Blue Ocean. While Growth is the overriding objective, the Year 2022 will focus on preserving the Existing Market Base while consolidating the reforms and acquisitions of the last three years. Growth will come in 2023 when the integration of Alliedbankers and PNBGen is already a well-oiled singular engine and the market is finally freed of the concerns related to COVID-19.

ASPIRATIONS

Alliedbankers will continue with the conviction that the business is not about selling policies. Not even mere Insurance Coverage! Our product is **SERVICE**. First, the ***Promise of Service*** at the time of need and, second, the ***Delivery of Service*** when the need arises.

As a result of the housecleaning started in 2019, the achievements in operational efficiency and digitalization in 2020, and the acquisition of PNBGen at the end of 2020, the years from 2021 to 2023 were meant to increase Alliedbankers' efforts in creating its own Blue Ocean of Opportunities where our **Excellent Service Delivery** will result in being one of the **Best Managed Non-Life Insurance Companies** in the country. While 2021 continued to be challenged by the pandemic that has yet to be eradicated, great strides were achieved within the confines of a limited lockdown.

This aspiration for Excellent Service Delivery shall be defined by:

1. Turn Around Time

Simply put, clients and partners should not feel they are waiting for a Claim to be Paid and the Commission to be Released. In 2020, the Motor Claims TAT was set at 17 days from filing to settlement. For Non-motor Claims, it was set at 33 days. This will be reduced further over the next three years. For Year 2021, Motor Claims TAT was reduced to 7 days while Non-Motor Claims was at 15 days, net of delays from third party dependencies.

In addition, for Motor Line, we were able to release the Letter of Authority ("LOA") within 48 hours upon submission of the necessary documentary requirements.

For the commissions of provincial agents, we are closing in on our target of releasing these within 48 hours from confirmation of payment.

2. Holistic approach to Risk Management

Embark on a conscious effort to shift from a business of merely selling policies where endless haggling on premiums can and will be detrimental to both ABIC and the Assured. ABIC shall move forward to focus efforts on the Assured's Complete Protection at the time of need. This holistic approach requires a customized Risk Management Partnership with our clients and partners, both corporate and individual.

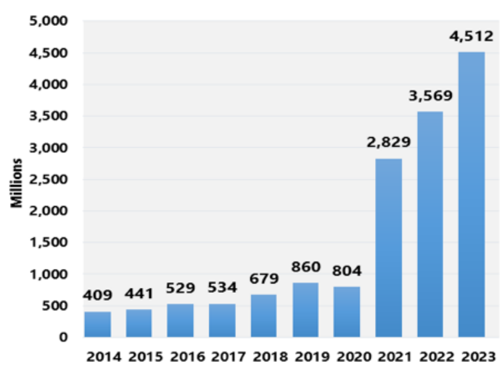
3. Quantifiable Metrics

A. Financial Stability

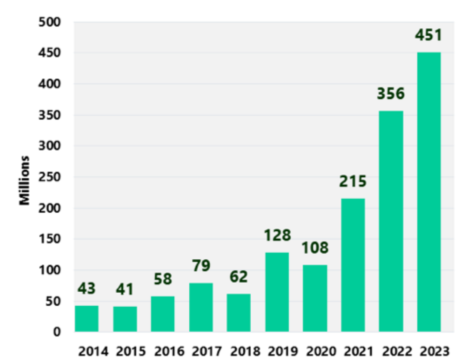
i.	Risk-Based Capital Adequacy Ratio:	200% - 250%
ii.	Liquidity Ratio:	100% - 150%

B. Profitability

i. Production Growth



Accelerate Production Growth to 102% from 2020 to 2023 compared to 13% from 2014 to 2020



Drive the Net Income to a 57% growth rate from 2018 to 2023. From 2014 to 2018, this grew by only 13%.

ii.	Net Income Ratio:	Around 25-30%
iii.	Combined Ratio:	Below 80%
iv.	Retention Ratio:	60%
v.	GAE	Around 20-25%

C. Portfolio Mix

i. We drive to the Mix that we want, not live with the mix that we get
ii. Dynamic Pricing to influence the mix
iii. Five Lines almost equally accounting for 70% of Portfolio
iv. Go for High-Margin but Low-Loss Ratio lines

4. Culture

Professionalism. Create a culture of professionalism, ownership leading to commitment, a sense of responsibility without fear, and fairness by harping on the observance of the olden Rule: "Do unto others as you would want others do unto you".

Compliance. Empowerment of the Internal Audit Department and the Compliance Department to esure that regulatory compliance, together with appropriate Risk Management, are the base mindset of every officer and staff.

5. A Force for Reforms

Encourage active participation by the key officers in industry organizations with pushing industry reforms as an underlying motive.

KEY SUCCESS FACTORS

1. Talent

Qualified People:

A. Overcome Training Obstacles

i. Provide dedicated funding and review the present contract to remove provisions that discourage employee participation in trainings.
ii. Classify the Basics (e.g., Basic Non-Life Seminar, Accounting for Non-Accountants, etc.) as contract-free.
iii. Revise the Training Contract Provisions to limit tenure requirement to one year while a longer contract kicks in when training cost exceeds 20% of annual compensation of the employee.

B. Review Pay Scale

With a lower pay scale compared to industry, review and adjust the existing pay scales without busting the cap on GAE as a percentage of the Net Premiums Earned.

Over the last two years, ABIC's compensation structure was standardized according to rank and function. This was followed by a limited salary adjustment scheme to further the standardization. In addition, non-cash benefits were upgraded.

To strengthen this further, the conduct of the performance appraisal was professionalized by employing tools to remove subjectivity and adhere strictly to a performance-based rating system.

2. **Technology for Data Analytics and Digitalization**

All the improvements in services and management's decision-making are anchored on a dynamic data processing system and data analytics. To this end, ABIC will close 2021 with a robust and customized GENiiSYS. This will further enhance the capabilities of the Data Analytics Unit that was created in 2019 becoming an important tool for ABIC's Top and Middle Management.

For Year 2022, ABIC's new system will enable the Sales Team to use digital mobile devices in Product Distribution and Channel Management. This will be an expansion of the mobile-based portal for the banca business into the hands of ABIC's agents, branch heads, and sales heads.

3. **Best Practices: Business Process**

Give importance to the use of proven Best Practices by initially, having all the policies and procedures formalized. While this has come full circle in the first quarter of 2021 with the final BRD, this will continue until all business policies are ultimately consolidated in a handbook. Even after that is achieved, this will continue to be a work-in-progress to ensure that ABIC does not slide back in its Service Delivery promise.

4. **Distribution Network: Digital and Physical**

With the system overhaul, the enhancements will include adaptability to mobile business including connectivity to various payment systems. This is part of the final recommendations of the system review under Project Pearl. Mobile connectivity will allow ABIC to go beyond the existing brick-and-mortar distribution channels. The seeds were planted with the online eCTPL channel, the ABIC All-In 888 Banca Portal, the online Travel Smart Personal Accident channel, and, soon, a Partners Portal for all agents nationwide.

5. **Financial Strength**

The continuing program of the Insurance Commission to increase the Minimum Net worth to PhP1.3 billion and, consequently, reduce the number of industry players to well below 40 only means that the future landscape will be left to the big industry players. The acquisition of PNBGen is an initial step as it puts ABIC in the Big League. The combined financials of the two companies will put ABIC in the Top Ten of most of the industry's metrics.

To sustain its newfound ranking and survive with strength within the next three years, ABIC will either have to get hefty equity infusions from the current stockholders or allow the entry of a Strategic Foreign Partner who can provide expertise, technology, product development, and capital to grow the current portfolio.

FACTORS FOR CONSIDERATION

1. **Threats**

The Blue Ocean of Opportunities is attractive but it will not be easy to swim on for, below the surface, sharks could be lurking. Risks, however, are not there to be merely avoided but, rather, are there to be managed.

A. **Regulatory Risk.** The Regulatory Bodies' Strict RPT compliance requirements could dwindle ABIC's Captive Market. While this may sound like a threat to ABIC's business, it can be managed and become an opportunity. Nothing short of strict adherence to Related Party Guidelines is the best way to manage this. Appropriate Corporate Governance policies were finalized, approved by the Board, and have been strictly adhered over the last two years. Furthermore, the internal audit and compliance units were strengthened with the hiring of additional professionals who will ensure compliance.

B. **Increasing Market Competition.** The Insurance Commission's continuing program to strengthen and professionalize the industry through increasing Minimum Net Worth can only lead to bigger competitors that could threaten ABIC's sustainability. ABIC is approaching this in three ways: Find growth in the provinces where the competition is less, competitive pricing, and excellent service delivery.

C. **Digitalization.** The predominantly manual operations of ABIC three years ago was a serious threat that needed to be addressed. While ABIC has successfully launched a product that is distributed through a mobile app, the current system is not yet fully ready. However, this was a good first step forward. Project Pearl which aims to overhaul the Business Process and IT Infrastructures of ABIC coupled with the acquisition of GENiiSYS through PNBGen will see this threat turn into a competitive advantage when completed by year end.

D. **ASEAN integration.** The ASEAN Integration which is bound to happen on or before 2025 will definitely put ABIC at a disadvantage but the possibility of getting a strategic foreign partner before that happens is a reasonable risk-mitigating move because this will giveABIC the capital resources, access to technology, products, technical expertise, and a regional reach which are all necessary to compete in a new environment.

2. **Opportunities**

A. **Untapped Market Potential.** The Non-Life Insurance Industry's 2.5% penetration of the country serves as a large opportunity for ABIC. This, however, requires a strategic emphasis on, and identification of, areas where competition remains weak. This is precisely the essence of ABIC's Blue Ocean Strategy. There is a compelling reason to go retail, without sacrificing the big-volume BGAA partnerships in urban centers, to create niches. The acquisition of PNB's 15 branches and their conversion into Nationwide Distribution Network augurs well in the plan to tap this potential.

Likewise, the acquisition of technical talents from PNBGen will allow ABIC to increase its market share in the BGAA business.

B. ASEAN Integration. While this is a potential threat, it is also an opportunity. It offers possible partnerships with regional players thus, a wider market for ABIC.

3. Strengths

A. ABIC's Captive Market provides a baseline income that gives it cushion for uncertainties and the flexibility to define its terms.

B. Solid Financials allow ABIC to take on additional risks, higher retention, and acquire competencies.

C. ABIC's Biggest Strength is the Unity of the Board and Senior Management in the recognition of its weaknesses that is matched by their willingness to change.

4. Weaknesses

A. Reliance on a Captive Market

While there is reliance on the Captive Market, this is not exactly a complete dependence since these account for only 66% of ABIC's Gross Production. On the other hand, the Captive Market provides a stable base of income that allows ABIC to take on the Open Market. Secondly, it is a market, especially the LT Group of Companies, that presents a definite renewal business both in good and adverse times.

B. Weak Systems

Having grown internally with focus on a Captive Market, ABIC's Business Processes and Information System leave much to be desired. Fortunately, there is recognition of this inadequacy across the organization from the lowest rank to the Board of Directors. Changes under Project Pearl are already on the way and are expected to be completed by end 2021.

C. Shallow Bench

Aside from, or as a result of, having a lean organization, ABIC lacked the most critical skills and talents to meaningfully fully serve its Captive Market, at the very least, and dream of profitably navigating the Open Market. In 2019 and 2020, skills were acquired through recruitment and trainings of existing personnel in the areas of Underwriting, Claims Processing, and Sales Support. The acquisition of PNBGen has remedied this with their talents in Sales, Finance & Accounting, Underwriting, and Claims, among others.

D. Narrow Network

ABIC has only 5 branches up to March 2021 which, to a large extent, are really small operations that, originally, mainly serve the branches of Philippine National Bank ("PNB"). These are being strengthened to target not only PNB's banca business but also the open market retail business, as well. By April 2021, this will grow to a 15-branch network that will be transformed into a Branch Distribution Network.

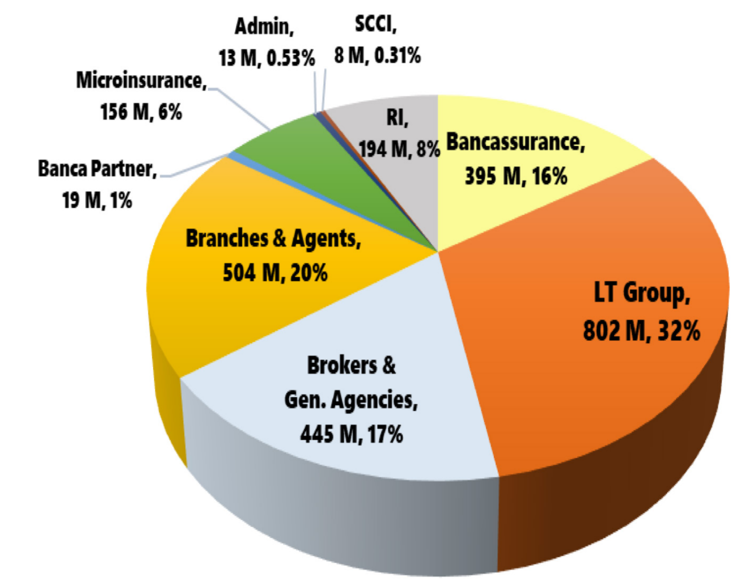
THE YEAR 2021

1. SALES

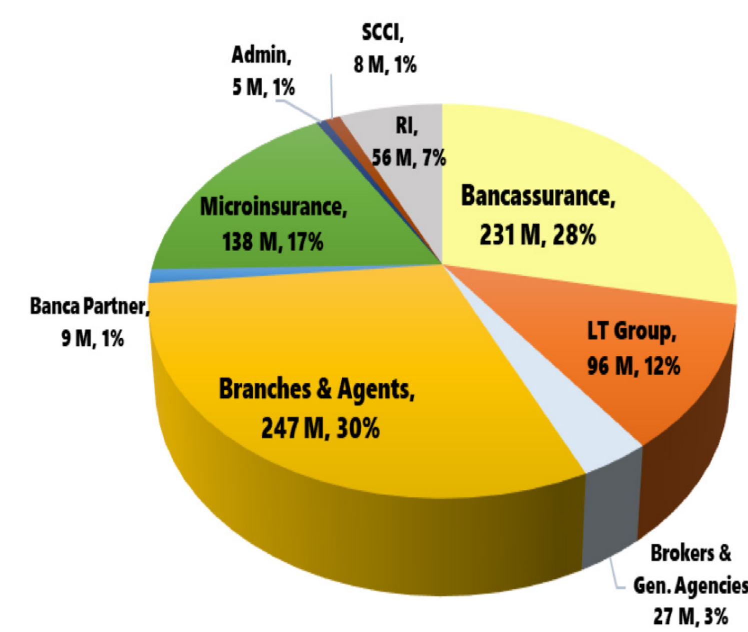
A. Targets

For Year 2021, ABIC Gross Production is expected to more than double from 2020 while expanding the Net Premiums Written by 90% with a concentration on High Retention Low Loss lines.

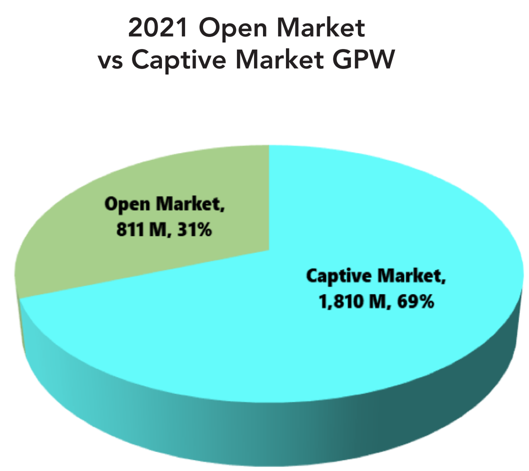
2022 GPW

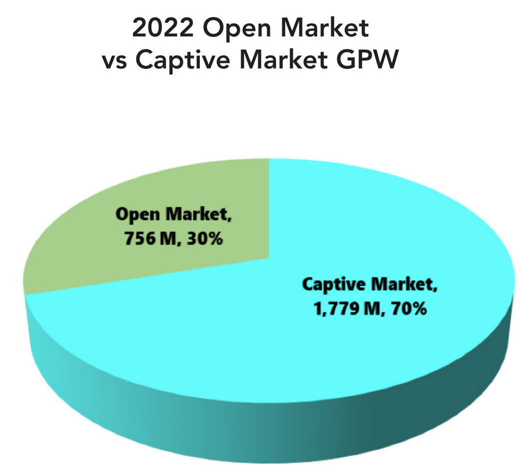


2022 NPW



B. Markets





Continue rebalancing the portfolio by increasing ABIC's Open Market footprint while keeping a firm hold of its Captive Market

i. Captive Market

LT GROUP OF COMPANIES. ABIC will continue to strengthen its management of the LT Group of Companies through a holistic Enterprise Risk Management approach by working with the individual companies' risk officers in analyzing and managing their enterprise risk exposures. As such, while the overall business relationship is under Sales & Marketing, Underwriting will manage the companies' Risk profile.

While ABIC recognizes the value of the LT Group as captive market, the Management is also cognizant of the risks from "self insurance". With this in mind, ABIC will rationalize its retention policy with the aim of reducing its retention to an optimal level while, at the same time, leveraging the ceded amount to raise better pricing for the LT Group.

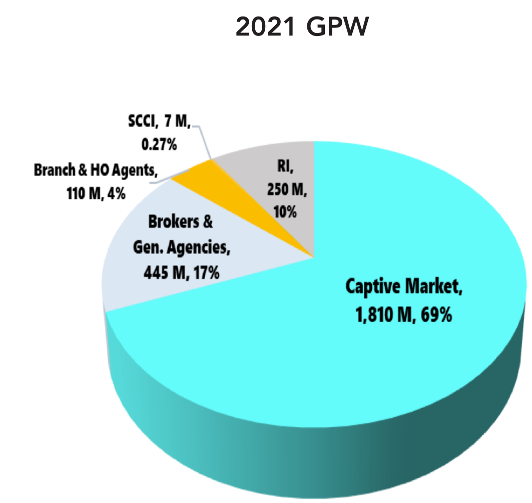
In addition to the present crop of LTG Companies that ABIC is managing, ABIC will tie up with LTG Serves, an aggrupation of various LTG companies' employees to be a provider of coverage to the thousands of LTG employees.

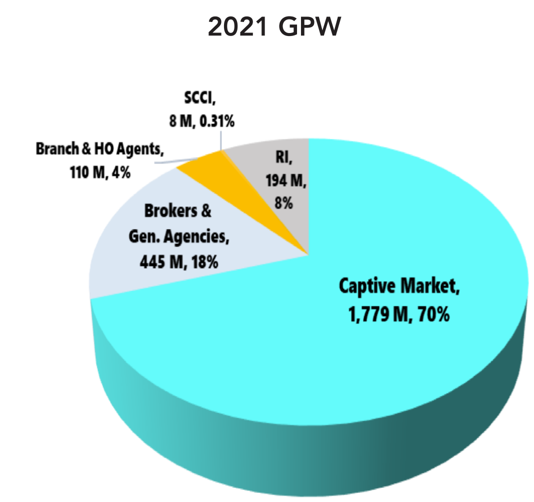
PNB BANCASSURANCE. Armed with a 15-year exclusive bancassurance agreement with Philippine National Bank ("PNB") starting April 2021, ABIC will be able to maximize the potential from the bank's clientele.

Beyond the regular banca products, ABIC will continue to introduce bundled products that are affordable and easily distributed through mobile apps. With the success of ABIC All-In 888, a commuter protection bundle that is inexpensive and mobile app-enabled, similar products anchored on Fire and other Lines have already been launched and more will follow.

This combination of affordability and mobile technology have allowed the Bank's Corps of Referrers to expand their reach beyond PNB's Depositor Base. It has created a database of potential clients for the Bank and ABIC from ABIC All-In 888 clients who are classified as "New to the Bank".

ii. Open Market





With the necessary Underwriting Policies and Claims Processing TAT in place, ABIC will continue to expand its foray into the Open Market. At the forefront of this thrust will be the industry's Brokers and Agencies, sizable organizations like cooperatives, and ABIC's own Branch Network.

Brokers, General Agencies, and Agents ("BGAAs"). Instead of doing a shotgun approach, ABIC will continue to carefully select BGAAs that will be a part of the ABIC Distribution Ecosystem.

While the engagement of General Agencies did not perform well in 2020 due to the spill over of the results from relationships that started in 2017, this remains a potentially attractive channel and a more rational approach will be employed to re-engage this sector starting in 2021.

Brokers, on the other hand, were given special attention in 2019-2020 and, rightly so, ABIC's production from this channel increased by 73%. Moving forward, the coverage of Brokers will be widened but still employing the same focused channel management approach and sup ported by data analytics to ensure that risk management policies are not compromised while optimizing ABIC's surplus capacities.

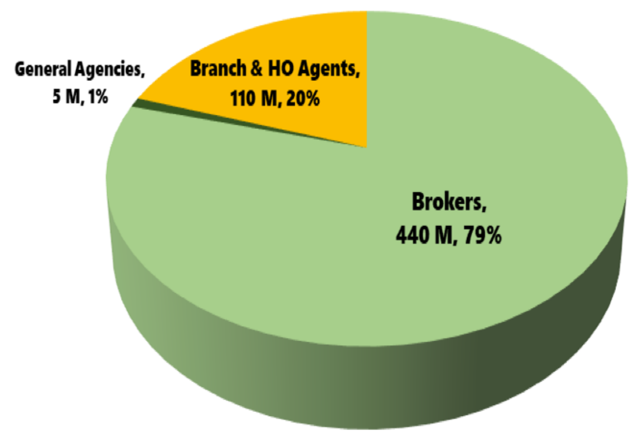
Branch Distribution Network. The expanded branch network will continue to be the catalyst in spreading the reach of ABIC in locations where competition is less, the loss ratio is lower, and the margins are higher. This spells retail PA, Motor, and Fire.

Sizable Organizations and Microinsurance. The Open Market push will include a focused effort in microinsurance through a partnership with Cooperatives and other similar organizations. Agreements have already been inked with Cebuana Lhuillier while PNBGen comes with a collaboration with Palawan Pawnshop. This market segment is expected to bear fruit in 2021.

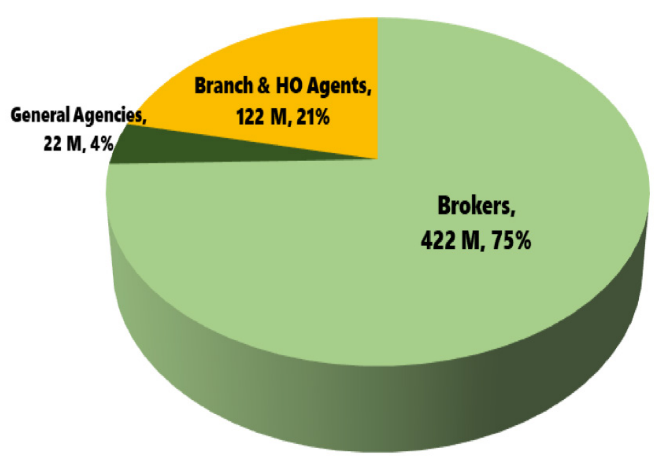
C. Distribution Channels

ABIC will continue to expand its partnerships with Brokers, Dealers, Agencies, and Cooperatives, in addition to its own regional branch network.

2021 Brokers & General Agencies GPW

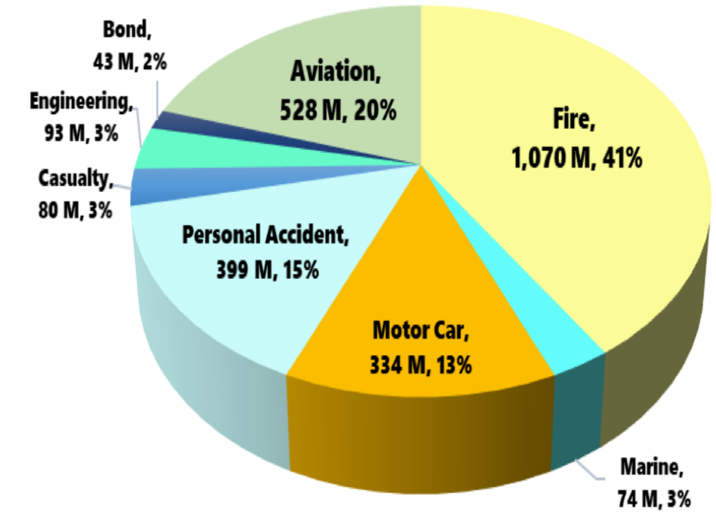


2022 Brokers & General Agencies GPW

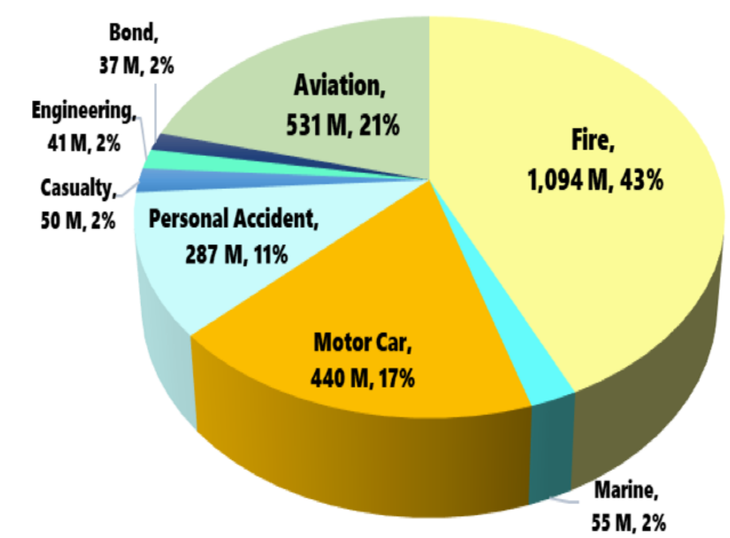


D. Portfolio Mix

2021 GPW by Line



2022 GPW by Line



ABIC will continue its focus on High-Retention-Low-Loss Ratio products while adding another line to the current Three-Line (Fire-Motor-PA) pillar that underlie ABIC's portfolio. Expertise through recruitment and trainings of existing personnel will be acquired to ensure preparedness and an increase in other lines to further spread ABIC's risk and reduce portfolio risk.

2. UNDERWRITING

A. Earnings at Risk. ABIC will continue to observe an EAR Limit which, given the Y2022 Budget, will be set at PhP55 million per policy.

B. Dynamic Pricing. To remain competitive and relevant to its clientele, ABIC's premiums will be regularly reviewed, updated, and adjusted according to each sub-line's risk profile, profitability, and accumulation. In Y2021, this will be employed to maximize margins, minimize risks, and constantly redirect sales and marketing efforts towards the year's targets. The weekly and/or monthly monitoring of production, profitability and concentration risks on a sub-line basis, and use of RI and RI Brokers' Online Statistical tools will allow ABIC to use Dynamic Pricing based on real-time year-to-date figures.

C. Line Expertise. The competence of the current Underwriting Corps of officers will be enhanced through various trainings offered by IIAP, the Reinsurers in the Treaty Panel, and the Treaty Brokers.

3. CLAIMS

A. Turn Around Time ("TAT")

With more than 70% of both motor and non-motor claims paid out within the allotted turnaround time (17 days and 33 days, respectively), this will be further improved by reducing the TAT by 30-40%.

B. Personnel Complement

With the acquisition of PNB Gen, the resulting personnel complement will already be in place. Further specialization and talent acquisition will be acquired through local and foreign trainings.

C. Third Party Services

To further improve ABIC's services and shorten turnaround time, various third-party service providers will be employed in the following areas:

i. Recovery and Salvage Disposal
ii. Claims Inspection/Adjustment

4. INFRASTRUCTURE SUPPORT

To ensure that the front line in Production and Service Delivery accomplish their mandate, the abilities of IT, Accounting, and HR will be enhanced through the recruitment of talents and enhancement of competencies through trainings.

"THE EMPLOYEES PLAY AN ACTIVE AND POSITIVE ROLE IN SETTING BIGGER SUSTAINABLE GOALS."

EMPLOYEES

ABIC owns a strong culture driven by principles that make sure our employees are invested in what we as a Company believe in. Through the years, the employees play an active and positive role in setting bigger sustainable goals.

Our employees are comprised of qualified professionals who can work in a collaborative team environment toward a shared common goal. As we continue to strengthen our diverse workforce and expand our business, new talents have been placed to integrate and enhance processes and systems to achieve greater satisfaction on service delivery. Pooling of talents driven by good attitude and worthy work values is an utmost priority and serves as a primary consideration when hiring new employees.

During the third quarter of 2021, the Company acquired full ownership of PNBGen, thereby adding 15 new branches in various locations nationwide. Accordingly, new talents in underwriting, sales and marketing, claims, and other business units were welcomed by ABIC as part of the business integration of the two entities.

As the risk of the COVID-19 pandemic continued to hover on our business, stakeholders and partners, ABIC stood by its covenant to keep our workforce intact without compromising their health and lives. In response to the restriction and risk brought by the pandemic during the year, we continued to embraced work from home arrangement for all employees without any pay cut.

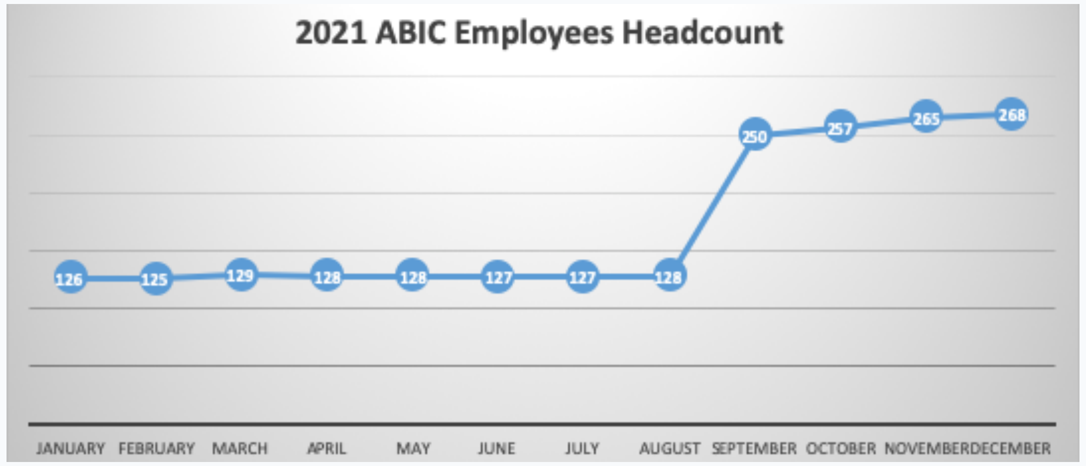
ABIC knows when to pause and have fun. Same as the previous year, for the safety of everyone, we had our Virtual Christmas Party last December 2021 with each division presenting their personally designed Hats for our "SumbreWOW" and showcasing their singing powers in "The Voice of ABIC" Tiktok dance number. Service excellence awards were also given to selected employees in recognition of their loyalty and dedication to ABIC.

To say that it had been a very challenging year for ABIC is definitely an understatement, but we continued to believe in each other, carried each one to find our renewed sense of purpose when all seems to be lost.

MANPOWER COMPLEMENT

In the past two years when most of the companies are downsizing due to the economic crisis brought by the pandemic, ABIC remained firm and strong, not a single employee was asked to go, but instead we continued to integrate new talents and expand by hiring additional people. The company has an entire workforce of 268 employees ending 2021. The significant increase in number of employees was mainly due to the mass hiring in September brought by the business acquisition of PNBGen.

THE COMPANY HAS AN ENTIRE WORKFORCE OF 269 EMPLOYEES.



Total workforce is comprised of regular, probationary, consultants and agency-hired employees.

Human Resources and Administrative Department (HRAD) continued to provide training for employees through new, creative and convenient ways. Focus was placed on delivering technical web-based learnings and workshop to ensure that the entire workforce is abreast and equipped with fresh knowledge brought by recent developments in law, regulations, business, and industry. HRAD provided too a series of wellness webinars to ensure its employees' physical and mental health.

Webinar/Workshop	Date	Facilitator
BOSH Training	February 19, 2021	Insafety, Inc.
First Aid Training	February 23-24, 2021	Armed Safety and Rescue Training Center
Nutrition and Hydration	March 30, 2021	Insular Life
Risk Management in the Age of COVID-19	May 14, 2021	Institute of Corporate Directors Inc.
Heart Health and Covid-19: Focusing on Nutrition and Lifestyle	May 27, 2021	Insular Life
Mental Health	June 17, 2021	Insular Life
IFRS 17 Workshop	June 23-25, 2021	Sycip, Gorres, Velayo & Co.
Certificate Course for Compliance Officer	June 24-25, 2021	Center for Global Best Practices Foundation, Inc.
GenWeb Training	July 6, 2021	ABIC Information Technology
Triology Best Business Practices Training Programs	July 7-8, 2021	Center for Global Best Practices Foundation, Inc.
Microsoft 365 User Training	July 21, 2021	ABIC Information Technology
Building Resilience: Taking Care of Our Back	July 22, 2021	Insular Life
IFRS 17 – Calculation Training	September 21, 2021	Sycip, Gorres, Velayo & Co.
Data Privacy Act Workshop	November 17-19, 2021	Dpex Straits

RETIREMENT BENEFIT

The Retirement package has always been one of the benefits extended by ABIC to its qualified and eligible employees for their continuous and exemplary service to the Company. It aims to provide financial security as its employees continue to generate savings for retirement.

There are three types of retirement plan followed by ABIC, the normal, early and late retirement based on the retirement age and completed years of service as shown below:

Retirement Age	Applicable Percentage	Completed Years of Services	Applicable Percentage
55	85%	20	80%
56	88%	21	82%
57	91%	22	84%
58	94%	23	86%
59	97%	24	88%
		25	90%
		26	92%
		27	94%
		28	96%
		29	98%

HEALTH AND SAFETY

While Covid-19 continued to be in our midst, HRAD strengthened its health and safety programs. Several health protocols and welfare programs were implemented to ensure the safety of all the employees.

Given the threat of being exposed to the virus when commuting to work, we continued to carry out the work-from-home arrangement during the year. Transportation and swab testing services were provided to the employees who needed to be in the office. DOH protocols were also strictly implemented at the workplace such as weekly disinfection, submission of the health status of employees through the daily health declaration checklist, deployment of alcohol dispensers in the lobby and other common areas of the office premises, and most importantly, the mandatory wearing of face mask.

Just to show how serious the company was in ensuring the welfare of all its employees, ABIC rolled out the following initiatives:

1. Free consultation with its medical provider, InLife for employees that got infected with the virus;

2. Additional 15 days emergency leave for COVID-19 on top of the regular sick and vacation leave benefits;

3. Full cycle COVID-19 vaccination program for its employees and their household members in partnership with LT Group, Inc.

CORPORATE SOCIAL RESPONSIBILITY

True to its corporate motto, "We cover, You recover" ABIC takes to its heart its social responsibility as a member of the community, "a man for others". We don't just give lip service to the saying "paying it forward", instead, we roll up our sleeves and do the work that needs to be done to make our communities a better place to live.

Despite the on-going pandemic, there was no stopping ABIC from lending a helping hand. The ABIC family wholeheartedly packed and brought their donations of canned goods, noodles, rice, milk, cereals, distilled water, and hygiene kits to this year's recipient - Alay ng Puso Foundation: The Missionaries of Charity, which helps children with tuberculosis and malnutrition.

As we continue to move forward and aspire for greater heights, the ABIC family will be always there to reach out and extend its support to its community, our own employees and to the environment as a whole.

ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY

The Board and Management of ABIC does not condone financial crime. This policy supports a zero-tolerance approach to any acts of fraud, bribery, or corruption committed to gain business advantage. It is recognized that such acts pose significant regulatory, legal, and reputational risks to the Company and should be severely dealt with.

Fraud, bribery and corruption are not only against our Company values. It is illegal and exposes both our employees and the company to fines and penalties, including imprisonment and reputational damage. It impacts our profitability and undermines our customers' confidence in our products and services.

RISK MANAGEMENT

ABIC maintains a dynamic culture of risk management. Employees are expected to be proactive in identifying and managing pitfalls in their own areas of operations that threaten ABIC's assets and business portfolio. With the creation of action plans, employees are able to eliminate or mitigate these perils simultaneous with assessing and reporting gaps and breaches of authority.

Our performance thru the years clearly establishes our sound risk management framework. It is embedded in the business. The entire workforce identifies practical strategies to reduce the chance of failure and losses if the hazard becomes real. Management strategies, plans and loss procedures are communicated to all the stakeholders.

Key controls are put in place to effectively reduce or mitigate the business hazards. The Company regularly monitors and reviews any changes to its risk profile and the effectiveness of its controls in managing the identified threats. Control assessments and measures are updated as soon as possible to address significant changes in the business environment.

The risk /peril framework ensures that compliance processes and procedures are effectively guided by the company's risk management guidelines, with the Board having governance over this area and activities.

The risk management function involves the following activities, among others:

1. Defining a risk management strategy;

2. Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;

3. Evaluating and categorizing each identified risk using the Company's predefined risk categories and parameters;

4. Establishing a risk register with clearly defined, prioritized and residual risks;

5. Developing a risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy;

6. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Audit and Risk; and

7. Monitoring and evaluating the effectiveness of the organization's risk management processes.

The following management committees remained in 2021 to continue the specific tasks of providing a holistic approach to risk management:

1. MANAGEMENT COMMITTEE
To review the weekly and monthly performance data of ABIC and provide the venue to discuss and resolve operational concerns.

2. SENIOR MANAGEMENT COMMITTEE
To provide strategic planning and decision-making for ABIC in accordance with its Mission, Vision, and Values and to addresses pressing issues that affects the Company substantially, such as an emerging crisis.

3. UNDERWRITING COMMITTEE
To provide advice on the ABIC's underwriting risk management and to guide and to support the Underwriting Department as it carries out its strategies and responsibilities.

4. INVESTMENT COMMITTEE
To be the prime authority in reviewing and directing the implementation of ABIC's corporate policies on investing, in the achievement of its investment objectives.

5. IT STEERING COMMITTEE
To direct, review and approve IT strategic plans, budget and prioritization of projects, oversees major initiatives, and allocates resources.

6. CLAIMS COMMITTEE
To provide advice, guidance, and support to the Claims Department as it carries out its strategies and responsibilities.

In 2021, ABIC hired a Corporate Legal Officer to provide legal guidance not only for claim cases but to the Company as a whole.

The enhanced underwriting policies undertaken last year allowed ABIC to achieve its desired balance on generating Sales and Loss Mitigating Underwriting Evaluation. The undertaken strategy accomplished the equal footing of Underwriting with Sales, which allowed the continuance of the same Underwriting policy for 2021.

The Risk-Reward Huddle between the President, the Head of Sales and Marketing, and the Chief Underwriter was institutionalized to equalize the need for revenues and the management of risks for various specific proposals.

For 2021, ABIC continued to embrace its formula to adopt the Earnings at Risk Limit that anchors a single specific risk to the Annual Income Budget. This was in addition to the Equity-based IC enforced limit of not more than 20% of net worth.

The Risk-Reward Huddle coupled with the Underwriting Committee advice, and the Value at Risk Limit blueprint allowed ABIC to increase retention levels while decreasing the Combined Ratio resulting in a higher profitability position.

The risk management framework of ABIC continues to evolve. It will continue to identify and revisit strategies, look for emerging or changing exposures, and stay attuned to developments that will affect the Company's very existence.

PRIVACY

Today's business world is largely dependent on data and the information that is derived from that data.

Data is critical for businesses that process information to provide services and products to their customers. From a corporate context in a Company, from the top executive level right down to the operational level, just about everyone relies heavily on information.

In a complex environment where so much depends on the data that businesses collect and process, protecting that information becomes increasingly important.

We are committed in ensuring that the collection, use, storage, transfer, and destruction of personal and sensitive information throughout the business is in accordance with the implementing rules and guidelines drawn by the National Privacy Commission.

The Company guarantees at all times the integrity and protection of all information it maintains while protecting the users' fundamental rights to privacy.

Employees are mandated to ascertain the security and accuracy of personal and sensitive information collected, recorded, used, and disposed. Access to such information is restricted within ABIC. Requests to access such information by any third party will only be permitted upon approval by ABIC.

ACTUARIAL REVIEW

To comply with the IC Circular 2018-18 and pursuant to Sections 219 and 220 of the Amended Insurance Code (Republic Act No. 10607), which requires maintaining a reserve for unearned premiums on its policies in force and the estimated amount of all its other liabilities, ABIC engaged the actuarial services of AMI Actuarial Consultants, Inc. in 2021.

AMI Actuarial Consultants, Inc. performed quarterly 2021 valuations and a Financial Year End valuation of ABIC's non-life premium and claim liabilities. They were tasked to provide a certification that they have checked and validated the reasonableness and integrity of ABIC's data, and that they have calculated the policy reserves in compliance with the Insurance Commission requirements and the standards of practice of the Actuarial Society of the Philippines.

THE COMPANY GUARANTEES AT ALL TIMES THE INTEGRITY AND PROTECTION OF ALL INFORMATION IT MAINTAINS WHILE PROTECTING THE USERS' FUNDAMENTAL RIGHTS TO PRIVACY.

INTERNAL AUDIT

The Internal Audit Department is primarily responsible for ensuring that ABIC's internal control environment is adequate, efficient, and effective. Its main tasks can be summarized in the following areas:

1. **INDEPENDENT ASSESSMENT**
   Responsible for conducting independent assessment on the effectiveness of governance, risk management and internal controls in the organization.

2. **COMPLIANCE**
   Responsible for ensuring that regulatory and governance requirements are adhered to including approved internal processes and policies.

3. **REPORTING & MONITORING**
   Responsible for ensuring that regular reporting and monitoring are conducted to ensure transparency in the compliance by the organization.

4. **POLICIES AND PROCEDURES**
   Recommends strategies, policies, procedures, and guidelines geared towards design and controls that will support the organizational objectives.

The Internal Audit is generally responsible for the third line of defense in terms of organizational design, controls, risks assessment, and compliance, including audit of compliance role. It supports the Business Process (BP) Department and other Change or Management Committees that are organized to develop initiatives for organizational transformation.

The Internal Auditor is tasked to provide assurance that the governance, risk management, and internal control of the Company are concrete. The Internal Auditor will provide the President and CEO, the Board of Directors and the Audit Committee with all major findings.

For 2021, ABIC has the following on-going non-audit engagements with Sycip, Gorres, Velayo and Co. (SGV & Co.):

Purpose	Engagement	Engagement Fee
Started in 2020:		
IFRS 17, Insurance Contract	Financial and Operational Impact Assessment	PHP 3,700,000
Program Risk Management Acquisition of PNBGen	Risk Advisory Engagement	2,400,000
	Tax Advisory Engagement	550,000
	Accounting Advisory Engagement	550,000
Started in 2021:		
Business Enterprise Transfer of PNB Gen Insurer's Co	Business Enterprise Transfer Engagement	750,000

EXTERNAL AUDITOR INDEPENDENCE

The external auditor of ABIC is selected and appointed by the stockholders upon the recommendation of the Audit Committee of the Board of Directors. During the Annual Stockholders Meeting scheduled last August 5, 2021, the Board of Directors appointed Sycip, Gorres, Velayo and Co. (SGV & Co.) as the Company's external auditor.

The external auditor confirms its independence in relation to the December 31 financial reports, which the Audit Committee confirms in a separate enquiry.

The professional fee inclusive of VAT and out of pocket expenses for 2021 year-end audit was estimated at PHP1.66 million.

DR. LUCIO C. TAN
CHAIRMAN

CARMEN K. TAN
VICE-CHAIRMAN

ROWENA T. CHUA
DIRECTOR

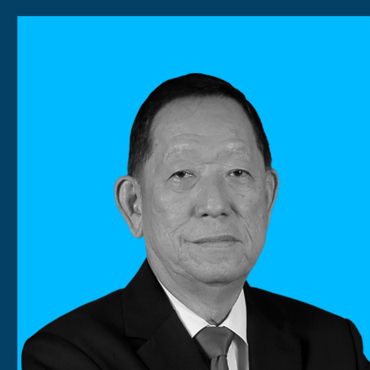
REYNALDO B. MONTALBO, JR.
DIRECTOR

RUFINA T. YU
DIRECTOR

KARLU T. SAY
DIRECTOR

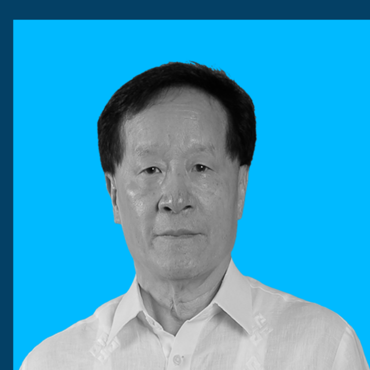
IRENE T. LUY
DIRECTOR

ALFREDO D. JIMENEZ, JR.
INDEPENDENT DIRECTOR



PETER Y. ONG
INDEPENDENT DIRECTOR

MARY G. NG
INDEPENDENT DIRECTOR



HARRY C. TAN
TREASURER

ATTY. ARLENE J. GUEVARRA
CORPORATE SECRETARY

THE BOARD SHALL BE COMPOSED OF A MAJORITY OF NON-EXECUTIVE DIRECTORS WHO POSSESS THE NECESSARY QUALIFICATIONS TO EFFECTIVELY PARTICIPATE AND HELP SECURE OBJECTIVE, INDEPENDENT JUDGMENT ON COMPANY AFFAIRS AND TO SUBSTANTIATE PROPER CHECKS AND BALANCES IN ACCORDANCE WITH THE BY-LAWS OF THE CORPORATION.

BOARD OF DIRECTORS

The Board is responsible for promoting and adhering to the principles and best practices of corporate governance, for fostering the long-term success of the Corporation and for securing its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility.

The board shall conduct itself with utmost honesty and integrity in, the discharge of its duties, functions, and responsibilities. The Board shall act in a manner characterized by transparency, accountability, and fairness.

The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Corporation’s insurance industry. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on Company affairs and to substantiate proper checks and balances in accordance with the By-Laws of the Corporation.

A director of the Corporation shall have the following qualifications:

1. 1. Ownership of at least one (1) share of the capital stock of the Corporation;

2. A college degree or its equivalent or adequate understanding of the insurance industry or sufficient experience and competence in managing a business to substitute for such formal education;

3. Relevant qualification, such as previous business experience, membership in good standing in the relevant industry, and membership in business and professional organizations;

4. Possess integrity, probity and shall be diligent and assiduous in the performance of his functions.

Board Independence

In line with best practice in corporate governance and in accordance with the Revised Corporate Governance for Insurance Companies, it is the Corporation's goal to have Non-executive Independent Directors comprise at least 20% of the Board.6

To be considered independent, a Director shall, apart from his fees and shareholdings, hold no interests or relationships with the Corporation that may hinder his independence from the Corporation, Management, or shareholders which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of the Corporation.

An independent director should not have any of the following relationship with ABIC.

1. Previous officer or employee;
2. Blood relation to an officer in Senior Management position;
3. Provide services and receive significant income for other professional services;

Term Limits for Independent Directors – Independent Directors can serve for a maximum cumulative term of nine (9) years, provided that the reckoning period shall be on January 2, 2015, per IC Circular No. 2018-36

Disassociation of Independent Directors – After serving as Independent Director for nine (9) years, the Independent Director shall be perpetually barred from being elected as such in the Corporation, without prejudice to being elected as a non-Independent Director in the Corporation or as an Independent Director in other companies of the business conglomerate, where applicable, under the same conditions provided for in the rules and regulations of the Insurance Commission.

Retention of Independent Directors – In case the Corporation wants to retain an Independent Director who has already served for nine (9) years, the Board should provide meritorious justification and seek shareholders' approval during the annual shareholders' meeting, and submit the same to the Insurance Commission

Directors are selected to achieve a broad range of skills, experience and expertise complementary to the Company's insurance activities. The curriculum vitae of ABIC's individual directors are found on the succeeding pages and on the Company's website at www.alliedbankers.com.ph.

The Board should be headed by a competent and qualified Chairperson. The Chairman of the Board of Director should be a non-executive director that oversees the performance of the Board, its committees, and each individual director.

The positions of the Chairman of the Board and Chief Executive Officer (CEO) shall be held by a separate individual to avoid conflict or a split board and to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making.

It is the responsibility of each Director to promote the best interest of the Corporation. Therefore, in making decisions, they should only pursue the interest of the Corporation, and must not consider their personal interest.

The qualifications and responsibilities of our independent, non-executive, and executive directors will be in line with our Corporate Governance policies.

The Board of Directors together with senior officers of ABIC have attended a half day training hosted by PNB for all LT Group of Companies entitled "2021 Annual Corporate Governance Seminar" last August 26, 2021. Attendees from ABIC were:

1. Reynaldo B. Montalbo, Jr.
2. Peter Y. Ong
3. Rowena T. Chua
4. Alfredo B. Jimenez, Jr.
5. Karlu T. Say
6. Irene T. Luy
7. Harry C. Tan
8. Rufina T. Yu
9. Mary G. Ng
10. Eileen D. Clemente
11. Atty. Arlene J. Guevarra
12. Eileen A. Sy
13. Heidelyn Ortiaga
14. Ruby Mercado
15. Giovanni Miranda
16. Raffy Katigbak
17. Romualdo Alcala, Jr.
18. Rodrigo Mangahas
19. Franco Jimena
20. Rey DC Erlano
21. Bobby Dayrit
22. Mabel Mendoza
23. Rodrigo Mangahas
24. Atty. Joy Senador-de Real
25. Moses Valdez
26. Dustin Nitro

DR. LUCIO C. TAN
Chairman

NATIONALITY | **Filipino**

EDUCATION
Doctor of Philosophy, Major in Commerce
University of Sto. Tomas, Manila, Philippines.

B. S. in Chemical Engineering
Far Eastern University, Manila, Philippines

DATE OF APPOINTMENT | **1980**

DIRECTORSHIP IN OTHER COMPANIES

Chairman
Absolut Distillers, Inc.
Allianz PNB Life Insurance, Inc.
Air Philippines Corporation
Asia Brewery, Inc.
Asian Alcohol Corporation
Basic Holdings Corporation
Buona Sorte Holdings, Inc.
Eton Properties Philippines, Inc.
Foremost Farms, Inc.
Fortune Tobacco Corporation
Grandspan Development Corporation
Himmel Industries, Inc.
LT Group, Inc.
Lucky Travel Corporation
Mabuhay Maritime Express Transport Inc.
MacroAsia Corporation
PAL Holdings, Inc.
Philippine Airlines, Inc.
PMFTC, Inc.
Progressive Farms, Inc.
Tanduay Brands International
Tanduay Distillers, Inc.
Tangent Holdings Corporation
The Charter House, Inc.
Trustmark Holdings Corporation
University of the East
Zuma Holdings and Management Corporation

Director
Philippine National Bank

DIRECTORSHIP IN OTHER COMPANIES

Vice Chairman
Philippine Airlines, Inc.
LT Group, Inc.

Director
Dynamic Holdings, Ltd.
Philippine National Bank
PAL Holdings, Inc.
MacroAsia Corporation

CARMEN K. TAN
Vice - Chairman

NATIONALITY | **Filipino**

DATE OF APPOINTMENT | **1980**

ROWENA T. CHUA
Director

NATIONALITY | **Filipino**

EDUCATION
B. S. in Finance
University of San Francisco,
California, United States of America

DATE OF APPOINTMENT | **2006**

DIRECTORSHIP IN OTHER COMPANIES

Director
Allianz PNB Life Insurance
PNB General Insurers Co., Inc.

President
Commlinked Inc.

PREVIOUS POSITIONS

Deputy Chief Finance Officer
Camerton Group

Senior Vice President and Head of Financial Markets
First Metro Investment Corporation

Vice President
FX Trading and Distribution
JG Summit Capital Markets Corporation

Assistant Vice President
Philippine Commercial International Bank
Treasury Distribution Division

Assistant Manager
Citytrust Banking Corporation

REYNALDO B. MONTALBO, JR.
Director

NATIONALITY | **Filipino**

EDUCATION
Master in Business Management
Asian Institute of Management,
Makati City, Philippines

Master in Strategic Business Economics
University of Asia and the Pacific,
Pasig City, Philippines

B. S. in Business Economics
University of the Philippines Diliman,
Quezon City, Philippines

DATE OF APPOINTMENT | **2018**

RUFINA T. YU
Director

NATIONALITY | **Filipino**

EDUCATION
B. S. in Commerce, Major in Accounting
Far Eastern University, Manila, Philippines
Certified Public Accountant

DATE OF APPOINTMENT | **2001**

PREVIOUS POSITIONS

Finance Manager
Foremost Farms, Inc.

Assistant Chief Accountant
Fortune Tobacco Corp

DIRECTORSHIP IN OTHER COMPANIES

Founding Director
Dong-A Pharma Phils., Inc.

Director
Eton Properties Philippines Inc.
Guaranfood Manufacturing Corporation
Seato Trading Company, Inc
.

OTHER CURRENT POSITION

Chief Operating Officer and Human Resources Group Head
Eton Properties Philippines, Inc.

OTHER PREVIOUS POSITIONS

Consultant
Midway Trading Corporation;
San Francisco, California

Account Executive
Century Park Sheraton

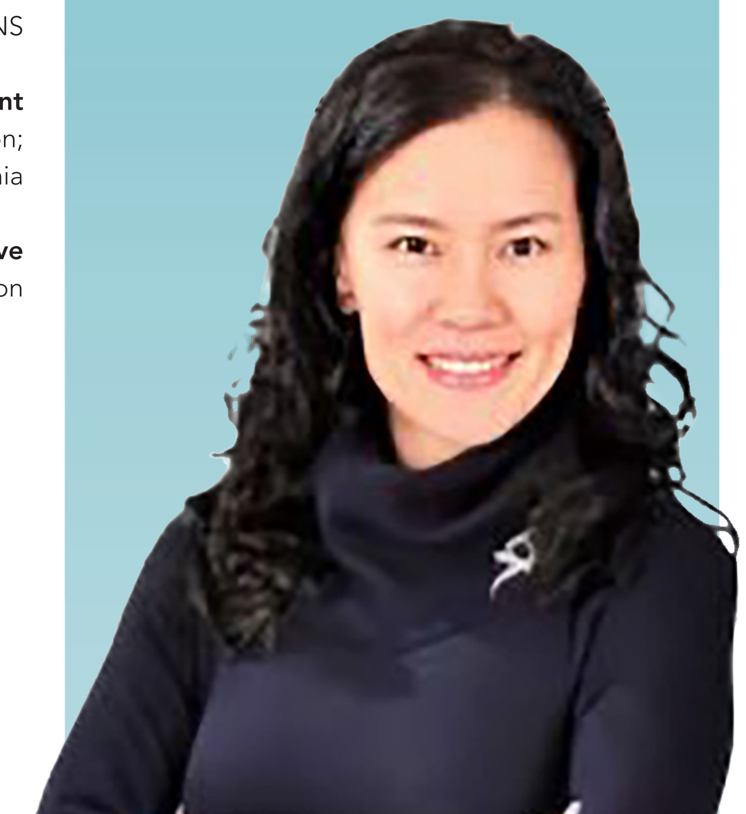
KARLU T. SAY
Director

NATIONALITY | **Filipino**

EDUCATION
B. S. in Management
Ateneo de Manila University

Associate of Arts Degree in Interior Design
Fashion Institute of Design and Merchandising

DATE OF APPOINTMENT | **2020**



IRENE T. LUY
Director

NATIONALITY | **Filipino**

EDUCATION
B. S. in Business Information System
University of San Francisco

B. S. in Business Management
Ateneo de Manila University

DATE OF APPOINTMENT | **2020**

DIRECTORSHIP IN OTHER COMPANY

Director
Century Park Sheraton Hotel

OTHER PREVIOUS POSITION

Loan Officer
Tri Counties Bank (Formerly Oceanic Bank)

DIRECTORSHIP IN OTHER COMPANIES

Director
Bagong Bayan Corporation, Inc.
Pilar Development Corporation, Inc.

PREVIOUS POSITIONS

President
Pilar Development Corporation
Italia Country Club

Director
Banco Filipino Insurance Corporation
Director for Operations
Volks Wagen – Karbayan

Director for Sales
Century Park Sheraton Hotel

ALFREDO B. JIMENEZ, JR.
Independent Director

NATIONALITY | **Filipino**

EDUCATION
B. S. in Commerce
Major in Marketing Management
San Beda College, Manila, Philippines

Hotel Management
Cornell University, New York,
United States of America

DATE OF APPOINTMENT | **2012**

PETER Y. ONG
Independent Director

NATIONALITY | **Filipino**

EDUCATION
B. S. in Chemical Engineering
Far Eastern University, Manila, Philippines

DATE OF APPOINTMENT | **2012**

DIRECTORSHIP IN OTHER COMPANIES

Director
Victoria Milling Corporation
Fortune Tobacco Corporation

Board Adviser
LT Group, Inc.

OTHER POSITIONS

Senior Vice President
Basic Holdings Corporation

Treasurer
Maranaw Hotel and Resorts Corporation

PREVIOUS POSITIONS

Senior Vice President for Production
Fortune Tobacco Corporation

President
Airphil Corporation

DIRECTORSHIP IN OTHER COMPANIES

Honorary President
Philippine Plastic Industrial Association of the Philippines
Packaging Institute of the Philippines
Volunteer Fire Chiefs and Firefighters
Association of the Phils.

Executive Vice President
Federation of Filipino-Chinese Chamber of
Commerce and Industries

Vice President
Philippine Piak O Eng Chamber of Commerce
Philippine Piak O Eng Uy's Association

Director
Philippine Dongshi Townmate Associate Inc.
Tripartite Board Member
Department of Labor and Employment

Board Member
TESDA

OTHER PREVIOUS POSITIONS

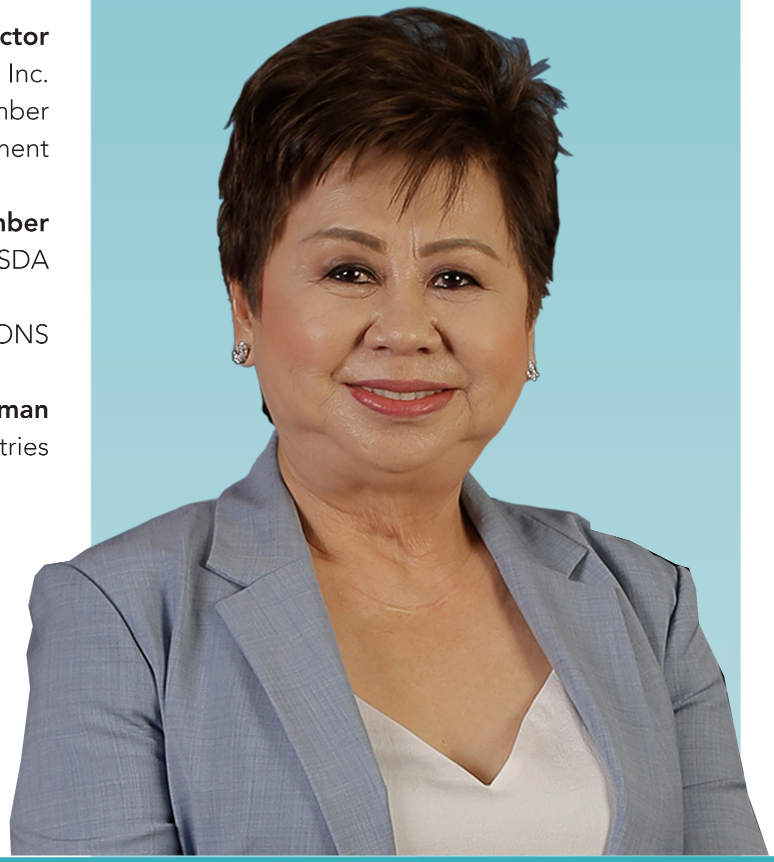
Chairman
Asean Federation of Plastic Industries

MARY G. NG
Independent Director

NATIONALITY | **Filipino**

EDUCATION
B. S. in Commerce – Banking and Finance
St. Paul College

DATE OF APPOINTMENT | **2020**

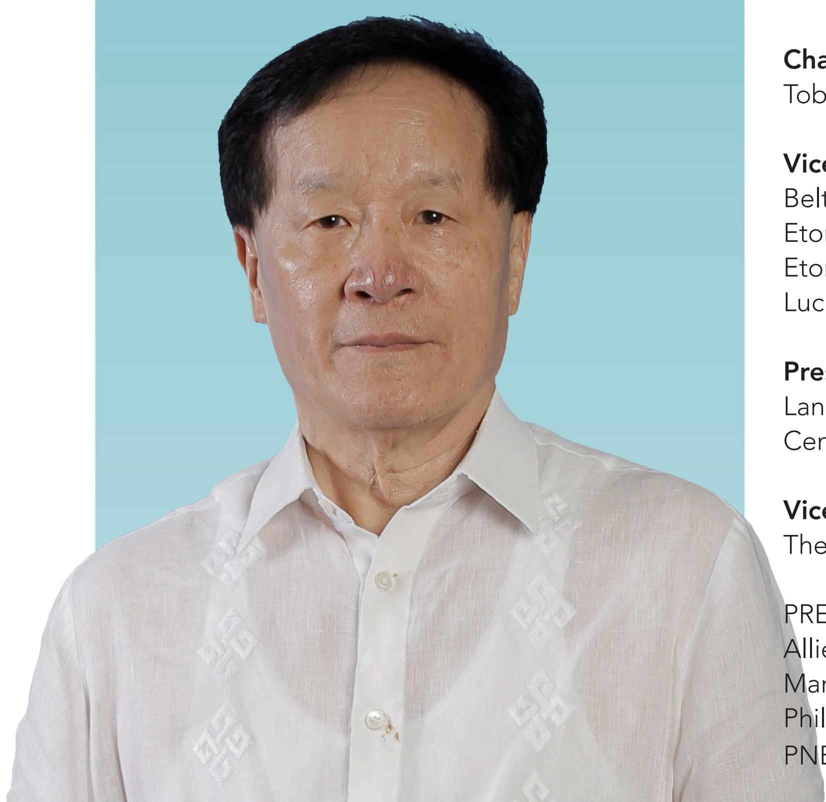


HARRY C. TAN
Treasurer

NATIONALITY | **Filipino**

EDUCATION
B.S. in Chemical Engineering
Mapua Institute of Technology, Manila, Philippines

DATE OF APPOINTMENT | **2009**



DIRECTORSHIP IN OTHER COMPANIES

Director
LT Group, Inc.
Absolut Distillers, Inc.
Allied Banking Corporation (Hongkong) Ltd.
Asia Brewery, Inc.
Basic Holdings Corporation
Dominium Realty and Construction Corporation
Eton Properties Philippines Inc.
Foremost Farm, Inc.
Grandspan Development Corp.
Himmel Industries, Inc.
Manufacturing Services and Trade Corporation
Pan Asia Securities, Inc.
Philip Morris Fortune Tobacco Corp. Inc.
PNB Management Development Corporation
PNB Global Remittance and Financial Company (HK) Ltd.
Progressive Farm, Inc.
Shareholdings Inc.
Tanduay Brands International
Tanduay Distillers, Inc.

OTHER CURRENT POSITIONS

Chairman
Tobacco Board of Fortune Tobacco International Corp.

Vice Chairman
Belton Communities, Inc.
Eton City, Inc.
Eton Properties Philippines, Inc.
Lucky Travel Corporation

President
Landcom Realty Corporation
Century Park Hotel

Vice Chairman/Managing Director
The Charter House Inc.

PREVIOUS DIRECTORSHIP
Allied Banking Corporation
MarcoAsia Corporation
Philippine Airlines, Inc.
PNB Savings Bank

DIRECTORSHIP IN OTHER COMPANIES

Vice President
Philippine National Bank - Legal Group

Corporate Secretary
PAN-Asia Securities Corp.
Allied Club, Inc.

Assistant Corporate Secretary
Unimark Investments (SPV-AMC), Inc.

PREVIOUS POSITIONS

Vice President - Legal Division Head
PNB Savings Bank

Corporate Secretary
Allied Banking Corporation
Allied Leasing & Finance Corporation

Director III
Bureau of Treasury

ATTY. ARLENE J. GUEVARRA
Corporate Secretary

NATIONALITY | **Filipino**

EDUCATION
Bachelor of Laws
University of Santo Tomas, Manila, Philippines

Bachelor of Arts - Major in Journalism
University of Santo Tomas, Manila, Philippines

World Banking and Finance Program
Economics Institute, University of Colorado
Colorado, United States of America

DATE OF APPOINTMENT | **2006**

CORPORATE GOVERNANCE, REMUNERATIONS, AND NOMINATIONS COMMITTEE

Chairman
DR. LUCIO C. TAN

Vice Chairman
ROWENA T. CHUA

Members
CARMEN K. TAN
KARLU T. SAY
ALFREDO B. JIMENEZ, JR.
REYNALDO B. MONTALBO, JR.
PETER Y. ONG

AUDIT AND COMPLIANCE AND RISK MANAGEMENT COMMITTEE

Chairman
ALFREDO B. JIMENEZ, JR.

Vice Chairman
PETER Y. ONG

Members
ROWENA T. CHUA
IRENE T. LUY
MARY G. NG

RELATED PARTY TRANSACTIONS COMMITTEE

Chairman
PETER Y. ONG

Vice Chairman
ALFREDO B. JIMENEZ, JR.

Members
MARY G. NG
ROWENA T. CHUA
KARLU T. SAY

INVESTMENTS COMMITTEE

Chairman
ROWENA T. CHUA

Members
IRENE T. LUY
KARLU T. SAY
REYNALDO B. MONTALBO, JR.
RUFINA T. YU

Advisers
RICKY CEBRERO
PNB Head of Treasury
MANUEL LISBONA
PNB Securities

EXECUTIVE COMMITTEE

Chairman
REYNALDO B. MONTALBO, JR.

Members
CARMEN K. TAN
ROWENA T. CHUA
IRENE T. LUY
KARLU T. SAY

NON-EXECUTIVE COMMITTEE

Chairman
DR. LUCIO C. TAN

Members
CARMEN K. TAN
IRENE T. LUY
KARLU T. SAY
MARY G. NG
ALFREDO B. JIMENEZ, JR.
PETER Y. ONG

REMUNERATIONS POLICY AND COMMITTEE

Remuneration Policy

The Remuneration Policy is to attract, motivate and retain the qualified individuals that ABIC needs in order to achieve its strategic and operational objectives. The policy is designed in the context of competitive market trends, the relevant provisions of statutory requirements, corporate governance best practice, the social context around remuneration and the interests of stockholders and other stakeholders.

The policy should be simple and transparent, promotes the interests of the Company in the medium and the long term, and encourages a "pay for performance" culture.

Remuneration Committee

The Remuneration Committee's overall responsibility is to set the remuneration structure for ABIC employees and its key senior personnel and to guarantee that the framework is aligned with ABIC's robust risk management practices and strong business principles.

The committee annually reviews the remuneration policy of ABIC for merit increases, performance rewards and bonuses to ensure that fixed remuneration is relative to the non-life insurance market, and that any compensation increase is parallel to the drawn financial targets of the Company.

This committee is updated on the performance of the management's senior personnel who have materially contributed to the operation and financial performance of ABIC.

For the year 2021, the Directors have received per diem for the attendance in the board and committee meetings:

Director	Position	Remuneration
1. Lucio C. Tan	Chairman	PhP 466,666.63
2. Carmen K. Tan	Vice-Chairman	433,333.33
3. Reynaldo B. Montalbo, Jr.	President and CEO	570,588.16
4. Rowena Tan Chua	Executive Director	477,777.74
5. Rufina T. Yu	Executive Director	541,176.40
6. Harry C. Tan	Non-Executive Director	433,333.30
7. Irene Tan Luy	Non-Executive Director	433,333.30
8. Karlu Tan Say	Non-Executive Director	433,333.30
9. Mary G. Ng	Independent Director	444,444.41
10. Peter Y. Ong	Independent Director	488,888.85
11. Alfredo B. Jimenez, Jr.	Independent Director	488,888.85
12. Zacarias E. Gallardo, Jr	Board Adviser	66,666.66

DIVERSITY MEASUREMENT

ABIC is committed in creating a culture of diversity and inclusion within the Company. This contributes to new ways of thinking and new knowledge.

The workplace diversity not only expands the talent pool within our Board of Directors and manpower complement, but it allows each member of the organization to draw from the backgrounds, viewpoints, and experiences of fellow team members.

No director or candidate for directorship shall be discriminated upon by reason of gender, age, disability, ethnicity, nationality, or political, religious or cultural backgrounds, skills, competence or knowledge.

To ensure that ABIC is moving towards healthy diversity, key measurement matrix like recruitment, training, client sourcing have been added as key performance indicators of our senior officers.

COMPOSITION OF THE BOARD OF DIRECTORS		
DIVERSITY OBJECTIVES Group Board Positions	**31 December 2021**	**31 December 2020**
Male Director	5	5
Female Director	6	6
GROUP BOARD Positions	**31 December 2021**	**3 December 2020**
Non - Executive Positions	5	5
Independent Directors	3	3
Executive Directors	3	3

AUDIT AND RISK COMMITTEE

The membership to the Audit and Risk Committee is only for non-executive directors. The committee shall be comprised of at least five (5) members of the Board, three (3) of whom are independent directors. Each member shall have an adequate understanding of the Corporation's operating environment. The elected committee Chairman must be an independent director. The committee normally meets four (4) times a year.

The primary role of the Audit and Risk Committee is fulfilling its oversight responsibilities by reviewing the:

- Company's compliance, auditing, accounting and financial reporting processes (both internal and external);
- Company's system of internal controls and procedures;
- Management of financial and systematic risks;
- Financial reports and other financial information provided by the Company to regulatory bodies or to the public, and
- Monitoring compliance with laws and regulations and its own code of business conduct.

The responsibility of the Committee to maintain a free and open communication with the Board, management, officers and staff of the Company, external auditors and regulators and influence continuous improvement in the Company's policies and procedures that is aligned with the new and existing laws, regulations and corporate standards of the Company.

DIRECTORS' ATTENDANCE

The members of the Board of Directors attend and actively participate in the Board's regular and special meetings. For the year 2021, the members met the required attendance of more than 50 % of meetings as shown below:

Meetings Held in 2021			
Type	**Regular BOD Meeting**	**Corporate Governance Committee**	**Audit and Risk Committee**
Number of Meetings Held	**12**	**2**	**2**
Attendance			
Lucio C. Tan	12	2	
Carmen K. Tan	12	2	
Reynaldo B. Montalbo, Jr.	12	2	2
Rowena T. Chua	12	2	2
Rufina T. Yu	12		
Harry C. Tan	12		
Irene Tan Luy	12		2
Karlu Tan Say	12	2	
Mary G. Ng	12		2
Peter Y. Ong	12	2	2
Alfredo B. Jimenez	12	2	2

Note: Directors who are not members of the various committees are not required to attend.

DIVIDEND POLICY

The Company's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. The Board of Directors is authorized to declare dividends payable in cash, in property, or in stock to all stockholders on the basis of the outstanding shares held by them. The declaration of dividends including computation of unrestricted retained earnings, is subject to approval of the Insurance Commission, following Sec. 201 of the Amended Insurance Code of the Philippines.

The last cash and stock dividends pay out was done in 2017. No pay-out was done from 2018 to 2021.

The Board of Directors and the various stockholders have decided that dividends to be paid out from ABIC's surplus profit be reinvested back to the Company to meet the statutory net worth requirement of the Insurance Commission.

RELATED PARTY POLICY

In the conduct of its business, ABIC may enter into transactions with related parties. This policy provides the guidelines on what constitutes a Related Party Transaction (RPT), and set forth the requirements for the review, approval and disclosure of RPTs.

The board of directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of policyholders, members, plan holders, card holders, claimants, creditors, and other stakeholders

This policy is enacted to ensure that:

- Related Party and Related Party Transactions (RPTs) are defined and the coverage/ scope of the policy is clearly outlined;
- RPTs are conducted on an arm's length basis;
- Potential or actual conflicts of interest which could possibly arise from RPTs are prevented or managed;
- RPTs are properly reviewed and approved by designated authorities; and
- Adequate disclosure is maintained for RPTs in accordance with applicable legal and regulatory requirements.

WHISTLE-BLOWING POLICY

ABIC is committed to achieving and maintaining the highest standards of openness, probity, and accountability. Employees at all levels are expected to conduct themselves with integrity, impartiality, and honesty. It is every employee's responsibility and in all interests of the Corporation to ensure that any inappropriate behavior that compromises the interest of the shareholders, investors, customers, and the wider public does not occur. It is also critical to maintain a good corporate image and raise the standard of corporate governance of the Corporation.

All employees have the duty and obligation to report and raise concern against any seen or observed wrongdoing, improper practice and suspected misconduct, while undertaking duties pertaining to their role. Employees, who come across an incident which they believe is either illegal or contrary to Company's guidelines, including the rules and regulations can report it to Management. All reports or complaints should be made in good faith and with the reasonable belief that inappropriate activity has occurred or may occur in the future.

If the complaint is found to have been made maliciously or in bad faith, the employee who made the report will face appropriate disciplinary action from the Company. This is to avoid any undue injustice to any individual. Drop boxes are deployed in key areas to allow the employees to freely submit their reports. Weekly checking of the drop boxes to get the written concerns is done by HRAD.

Reports are escalated to the Senior Management Committee for review and validation of the concerns raised or meting out of disciplinary action for unfounded complaints.

CORPORATE GOVERNANCE POLICY STATEMENT

"We, the Board of Directors and Management of ABIC do hereby commit ourselves to the principles and the best practices contained in the Corporate Governance manual and acknowledges that it will be our guide in the attainment of the Company's goals and objectives. We believe that adherence to good corporate governance principles is essential for the achievement of our strategic goals.

Through the years, we have developed mechanisms to ensure that our corporate governance conforms to regulatory requirements and best practices, and that we pursue our goals ethically and honestly.

We, the Board of Directors together with the management, employees, and shareholders believe that Corporate Governance is a necessary component of what constitutes sound strategic business management, and therefore undertake every necessary effort to create awareness and its dissemination within the organization. "

MANAGEMENT COMMITTEES

MANAGEMENT TEAM

MANAGEMENT COMMITTEES
Senior Management Committee

CHAIRMAN
President and CEO

MEMBERS
Head of Accounting & Finance
Head of Sales & Marketing
Head of Underwriting
Managing Director (Ex-Officio)

MANAGEMENT COMMITTEE

CHAIRMAN
President and CEO

MEMBERS
Head of Accounting & Finance
Head of Sales & Marketing
Head of Underwriting
Head of Internal Audit
Head of Accounting
Head of Claims
Head of Information Technology
Head of Corporate Planning
Head of Human Resources & Corporate Services
Head of Compliance
Head of Branch Operations
Head of Reinsurance
Head of Brokers, General Agencies & Agents

*The Management Committee is composed of the management team together with their "one downs" and selected employees.

CLAIMS COMMITTEE

CHAIRMAN
President and CEO

MEMBERS
Head of Accounting & Finance
Head of Sales & Marketing
Head of Underwriting
Head of Claims
Head of Reinsurance
Consultant Lawyer

UNDERWRITING COMMITTEE

CHAIRMAN
President and CEO

MEMBERS
Head of Accounting & Finance
Head of Sales & Marketing
Head of Underwriting
Head of Claims
Line Underwriters

INFORMATION TECHNOLOGY STEERING COMMITTEE

CHAIRMAN
President and CEO

MEMBERS
Head of Accounting & Finance
Head of Sales & Marketing
Head of Underwriting
Head of Claims
Head of Information Technology
Information Technology-Business Analyst

PERSONNEL COMMITTEE

CHAIRMAN
President and CEO

MEMBERS
Head of Accounting & Finance
Head of Sales & Marketing
Head of Underwriting
Head of Claims
Head of Human Resources & Corporate Services
Head of Human Resources & Administration
Head of Corporate Services

REYNALDO B. MONTALBO, JR.

President & Chief Executive Officer
Appointment | **Dec 2018**

EDUCATION

Master in Business Management
Asian Institute of Management
Makati City, Philippines

Master in Strategic Business Economics
University of Asia and the Pacific
Pasig City, Philippines

B. S. in Business Economics
University of the Philippines
Diliman, Quezon City, Philippines

POSITIONS

Deputy Chief Finance Officer
Camerton Group

Senior Vice President and Head of Financial Markets
First Metro Investment Corporation

Vice President
FX Trading and Distribution
JG Summit Capital Markets Corporation

Assistant Vice President
Treasury Distribution Division
Philippine Commercial International Bank

Assistant Manager
Citytrust Banking Corporation

ROWENA T. CHUA

Executive Vice President
Appointment | **Jan 2006**

EDUCATION

B.S. Finance
University of San Francisco, California, USA

PREVIOUS POSITIONS

Director
Allianz PNB Life Insurance

Director
PNB General Insurers Co. Inc.

President
Commlinked Inc.

REY DC ERLANO

Executive Vice President
Head, Sales & Marketing
Appointment | **Dec 2018**

EDUCATION

B.S. in Mechanical Engineering
University of the Philippines
Diliman, Quezon City, Philippines

PREVIOUS POSITIONS

First Vice President
Sales and Marketing
First Metro Asset Management, Inc.

Vice President
Strategic Services
First Metro Asset Management, Inc.

Assistant Vice President
Agency Head, Manulife Philippines

Business Development Manager
Generali Pilipinas Insurance. Philippines

EILEEN D. CLEMENTE

Executive Vice President
Head, Underwriting
Appointment | **Jan 2019**

EDUCATION

B.S. in Applied Mathematics
De La Salle University, Manila, Philippines

PREVIOUS POSITIONS

Vice President
MAPFRE Insular Insurance Corporation

Vice President
National Reinsurance Corporation of the Philippines

Assistant Vice President
CLG Direct, Generali Pilipinas Insurance, Philippines

RUFINA T. YU

Senior Vice President
Comptroller
Head, Accounting and Finance
Appointment | **2001**

EDUCATION

B.S. in Business Management Major in Accounting
Far Eastern University, Manila, Philippines
Certified Public Accountant

OTHER POSITIONS

Finance Manager
Foremost Farms, Inc.

Assistant Chief Accountant
Fortune Tobacco Corp.

MABEL D. MENDOZA

Senior Vice President
Head, Internal Audit
Appointment | **Apr 2019**

EDUCATION

B. S. Major in Accounting
St. Paul University, Manila, Philippines
Certified Public Accountant

PREVIOUS POSITIONS

Vice President
Accounting & Finance Head, Freyfil Corporation

Finance Consultant
Finance Transformation & Strategic Deals

Vice President & Chief Financial Officer
Deutsche Knowledge Services, Pte Ltd
(a subsidiary of Deutsche Bank)

Vice President & Comptroller
JG Summit Capital Markets Corporation (a subsidiary of JG Summit Holdings)

RAFFY G. KATIGBAK
Vice-President
Head, Claims
Appointment | **Aug 2019**

EDUCATION

B. S. in Business Administration Major in Marketing
Polytechnic University of the Philippines, Manila, Philippines

PREVIOUS POSITIONS

Assistant Vice President
Claims, MAPFRE Insular Insurance Corporation

Section Head
BPI/MS Insurance Corporation

ROSALIE M. QUICHO
Senior Assistant Vice-President
Head, Business Support Services
Appointment | **Dec 2018**

EDUCATION

B. S. in Statistics
University of the Philippines
Diliman, Quezon City, Philippines

PREVIOUS POSITIONS

Manager
Financial Analytics,
The Mercantile Insurance Co., Inc.

Senior Manager
Treasury Analytics,
First Metro Investment Corporation

RONA T. OPLE
Senior Assistant Vice-President
Head, Human Resources & Corporate Services
Appointment | **Sept 2021**

EDUCATION

B. S. in Psychology
Centro Escolar University
Certified International Human Resource Manager

PREVIOUS POSITIONS

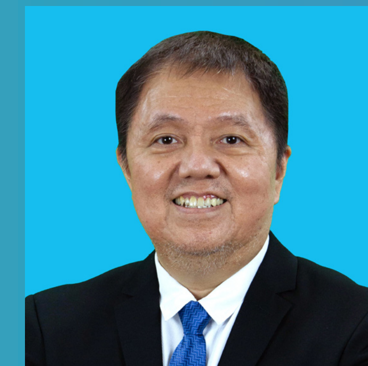
Senior Assistant Vice President / Head of Human Resource Management Division
PNB General Insurers Company, Incorporated

Personnel Head
Supply Oilfield Services, Inc. (International SOS)

Human Resource Manager
Vibelle Manufacturing Corp.

Assistant Human Resource Manager
Pascual Laboratories Inc.

Human Resource and Administration Officer
Greenwich Pizza Corp.



RODRIGO N. MANGAHAS
Senior Assistant Vice-President
Head, Information Technology
Appointment | **Jan 2017**

EDUCATION

B. S. in Mathematics
University of Santo Tomas
Manila, Philippines

PREVIOUS POSITIONS

Project Manager
Infoman

IT Consultant & Programmer
Pepsi Cola Products Philippines, Inc.

EILEEN A. SY
Senior Assistant Vice President
Head, Compliance
Appointment | **Oct 2015**

EDUCATION

B.S. in Accounting
University of the East, Manila, Philippines
Certified Public Accountant

PREVIOUS POSITIONS

Assistant Vice President
Compliance, Country Bankers Insurance Corp.

Assistant Vice President
Internal Audit, The Landmark Corp.

LEILA U. PATAG
Assistant Vice-President
Head, Project Management and Control
Appointment | **Sept 2021**

EDUCATION

B. S. in Business Administration Major in Accounting and Junior Secretarial
Holy Angel University

PREVIOUS POSITIONS

Assistant Vice President / Controller and Head of Controllership Division
PNB General Insurers Company, Incorporated

AVP – Head of Corporate Accounting Department
Standard Insurance Co., Inc.

Finance Manager
AON Insurance and Reinsurance Brokers Philippines, Inc.

ROMUALDO A. ALCALA. JR.
Senior Assistant Vice President
Head - Strategic Partnership and Business Development
Appointment | **Aug 2020**

EDUCATION

B. A. in Humanities
University of the Philippines
Diliman, Quezon City, Philippines

PREVIOUS POSITIONS

Soliciting Official / Project Director
M2 Insurance Agency, Inc.

Insurance Broker and Bancassurance Consultant
Banc Insurance Brokers, Inc.

Asst. Vice-President for Brokers
Stronghold Insurance Company, Inc.

General Manager
Interbroker Insurance Consultants, Inc.

GIOVANNI P. MIRANDA
Senior Assistant Vice-President
Head, Brokers & General Agencies
Appointment | **Jul 2016**

EDUCATION

B. S. in Civil Engineering
Mapua Institute of Technology
Manila, Philippines

PREVIOUS POSITIONS

Senior Marketing Manager
Corporate Guarantee & Insurance Co, Inc.

Assistant Marketing Manager
FLT Prime Insurance Corp.

ENRICO K. MARASIGAN
Senior Assistant Vice President
Head, LTG
Appointment | **Sept 2021**

EDUCATION

B. S. in Business Administration Major in Marketing Management
De La Salle

PREVIOUS POSITIONS

Senior Assistant Vice President / Head of PNB & Affiliates, PAL & LTG Division and Provincial Branches Division
PNB General Insurers Company, Incorporated

Branch Manager
UCPB General Insurance Company Incorporated

NELSON D. MITRA
Senior Assistant Vice President
Head, BGA 2
Appointment | **Sept 2021**

EDUCATION

B. S. in Civil Engineering
University of the East

PREVIOUS POSITIONS

Senior Assistant Vice President / Head of Brokers Division 1
PNB General Insurers Company, Incorporated

Manager, Retail Division
Ayala AON Services, Inc.

Assistant Manager, Corporate Accounts
Citytrust Insurance Brokers, Corp.

MARCELINO N. DAYRIT
Senior Assistant Vice-President
Head, Branch Operations
EDUCATION
Appointment | **Jul 2019**

EDUCATION

B. S. in Business Administration Major in Marketing Management
Philippine School of Business Administration,
Quezon City, Philippines

PREVIOUS POSITIONS

Quezon City Branch Head
Charter Ping An Insurance Corporation

Regional Operations Head
The Mercantile Insurance Co., Inc.

Sales Head
MAPFRE Insular Insurance Corporation

ROMEO O. BELLO II
Assistant Vice President
Head, Non-Fire Underwriting
Appointment | **Sept 2021**

EDUCATION

B. S. in Business Administration Major in Accounting
Philippine School of Business Administration – Manila

PREVIOUS POSITIONS

AVP, Head of Underwriting Division 2
PNB General Insurers Company, Incorporated

Underwriting Manager
Pioneer Asia Insurance Corporation

Assistant Underwriting Manager
Urbancorp Life and General Insurance

RITCHIE L. DONES
Assistant Vice President
Head, Fire Underwriting
Appointment | **Sept 2021**

EDUCATION

B. S. in Business Administration Major in Accounting
Philippine School of Business Administration – Manila

PREVIOUS POSITIONS

AVP, Head of Underwriting Division 1
PNB General Insurers Company, Incorporated

Senior Manager - Property, Engineering, Casualty and Reinsurance
Fortune General Insurance Corporation

Manager - Property, Engineering and Facultative
Citystate Insurance Corporation

Manager – All lines
The Netherlands Insurance Corporation

MARIA CECILIA H. OBTINA
Assistant Vice-President
Head, Microinsurance and Agencies
Appointment | **Sept 2021**

EDUCATION

A. B. Economics
Manuel S. Enverga University

PREVIOUS POSITIONS

Assistant Vice President / Officer-in-Charge of Agency and Brokers Division 2
PNB General Insurers Company, Incorporated

Head of Marketing and Sales Department
Calmar Land Development Corporation

Branch Head and Agency Department Head
Philippine General Insurance Corporation

Profit Center Manager
AIG Philippines Insurance, Inc.

Head of Agency Sales Department
Philippine Charter Insurance Corporation

RIZZA Q. REYES
Assistant Vice-President
Head, Bancassurance 1
Appointment | **Sept 2021**

EDUCATION

B. S. in Applied Mathematics Major in Actuarial Science
University of the Philippines
Los Baños, Laguna

PREVIOUS POSITIONS

Senior Manager / Head of Bancassurance Division
PNB General Insurers Company, Incorporated

Actuarial Assistant
Fortune Life Insurance

MARIA HEIDELYN C. ORTIAGA
Assistant Vice President
Head, Human Resources and Administration
Appointment | **Jun 2020**

EDUCATION

B. S. in Physical Therapy
St. Jude College, Manila

PREVIOUS POSITIONS

Head – Human Resources and Administration
Mondo Cucina, Inc.
Contel Communications, Inc.

Head, Compensation and Benefits
Marie France Bodyline International, Inc.

Manager
Okada Manila

Consultant
Pelatis, Inc. (BPO)

HR Officer
Globe Telecom

FRANCO ALLAN P. JIMENA
Assistant Vice President
Chief Accountant
Appointment | **Jul 2020**

EDUCATION

B. S. in Accountancy
Divine Word College
Legaspi City
Certified Public Accountant

PREVIOUS POSITIONS

Finance and Admin Head
Poundit Inc.

Finance Head/Corporate Treasurer/Co-Founder
YGOAL Inc.

Manager for Product Control Global Markets
HongKong Shanghai Banking Corporation

Deputy Supervisor for Product Control
Deutsche Bank

Finance Analyst and Lease Administrator
Ayala Land, Inc.

Finance and Admin Associate
Ayala Healthcare Holdings, Inc.

MEMIE R. VILLAREAL
Assistant Vice President
Head, Treasury
Appointment | **Mar 2020**

EDUCATION

Master in Business Administration, Major in Financial Management
Polytechnic University of the Philippines

B. S. in Accountancy
Aklan Catholic College
Certified Public Accountant

PREVIOUS POSITIONS

Head – Funds Accounting
First Metro Asset Management, Inc.

Associate Tax Analyst
GL Advisor Solutions, Inc.

Accounting Associate
Dustech Corporation

MA. CORAZON ROSALIA L. GOCO
Assistant Vice-President
Business Process Unit
Corplan Division
Appointment | **Apr 2019**

EDUCATION

Bachelor of Arts in International Studies
Maryknoll College Foundation Inc

PREVIOUS POSITIONS

Chargeback Unit Head
Metrobank Card Corporation

Consumer Banking Unit Head
Urban Bank

Urbancorp Insurance Brokerage Inc. Unit Head
Urban Bank

DANILO J. CABERO
Assistant Vice-President
Head, Reinsurance
Appointment | **Apr 2018**

EDUCATION

B. S. in Accounting
Far Eastern University of the Philippines
Manila, Philippines

PREVIOUS POSITIONS

Deputy Chief Underwriting Officer
Republic Surety and Insurance, Inc.

Vice President
National Reinsurance Corporation of the Philippines

INDUSTRY AFFILIATION

President
Society of Underwriters for Property & Casualty Insurance, Inc.

2021 FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Alliedbankers Insurance Corporation

Parent Company Financial Statements
December 31, 2021 and 2020

and

Independent Auditor's Report

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

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

INDEPENDENT AUDITOR'S REPORT

The 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, 2021 and 2020, 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, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *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.

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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 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic 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.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
Tax Identification No. 178-486-666
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0926-AR-3 (Group A)
July 25, 2019, valid until July 24, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-081-2021, February 1, 2021, valid until January 31, 2024
PTR No. 8854354, January 3, 2022, Makati City

May 25, 2022

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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.

ALLIEDBANKERS INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Cash and cash equivalents (Notes 4, 26 and 27)	**₱1,457,830,855**	₱279,368,949
Insurance receivables – net (Notes 7, 26 and 27)	**1,959,906,747**	755,717,240
Investment in Subsidiary and Associate (Note 6)	**1,556,070,029**	523,712,275
Financial assets (Note 8 and 26)		
Financial assets at fair value through profit or loss	**88,171,372**	122,575,315
Available-for-sale financial assets	**302,139,614**	763,303,043
Held-to-Maturity	**232,674,599**	–
Loans and receivables	**127,879,829**	258,958,502
Accrued income (Note 9)	**4,420,874**	4,503,240
Reinsurance assets (Notes 10 and 16)	**2,770,274,679**	544,362,536
Deferred acquisition costs (Note 11)	**113,557,537**	32,910,587
Property and equipment – net (Note 12)	**51,697,423**	34,555,573
Right-of-use assets - net (Note 28)	**11,563,024**	–
Intangible asset – net (Note 13)	**51,277,778**	–
Deferred tax assets (Note 25)	**35,216,985**	42,564,773
Other assets (Note 14)	**133,254,494**	128,742,549
	₱8,895,935,839	₱3,491,274,582
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 16, 18 and 26)	**₱3,593,362,497**	₱848,896,169
Insurance payables (Notes 17, 26 and 27)	**1,289,999,943**	313,304,660
Accounts payable and accrued expenses (Notes 15, 26, and 27)	**1,006,965,328**	458,797,876
Deferred reinsurance commissions (Note 11)	**63,041,034**	30,856,193
Income tax payable	**13,100,267**	2,234,983
Lease liabilities (Note 28)	**15,599,735**	–
Dividends payable (Note 19)	**19,237,343**	19,237,343
Net pension liability (Note 25)	**13,029,568**	25,624,707
	6,014,335,715	1,698,951,931
Equity		
Capital stock (Notes 19 and 29)	**470,000,000**	470,000,000
Subscribed capital stock (Note 19)	**165,537,500**	165,537,500
Contingency surplus (Note 19)	**1,000,000,000**	–
Contributed surplus (Note 19)	**441,615,510**	441,615,510
Revaluation reserve on AFS financial assets (Note 8)	**41,612,335**	55,895,525
Remeasurement losses on defined benefit plan (Note 24)	**(6,498,233)**	(17,567,838)
Retained earnings	**769,333,012**	676,841,954
	2,881,600,124	1,792,322,651
	₱8,895,935,839	3,491,274,582

See accompanying Notes to Parent Company Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2021	2020
REVENUES		
Gross earned premiums	**₱1,525,797,035**	₱851,674,375
Reinsurers' share of gross earned premiums	**(935,907,568)**	(411,022,882)
Net earned premiums (Note 20 and 27)	**589,889,467**	440,651,493
Commission income (Note 11)	**128,716,681**	60,394,625
Investment income - net (Note 21)	**35,261,836**	65,596,288
Other underwriting income	**22,540,423**	12,398,143
Foreign exchange gain (loss) – net	**3,515,710**	(1,461,308)
Miscellaneous income (Note 15)	**20,709,189**	14,059,299
Other income	**210,743,839**	150,987,047
Total Income	**800,633,306**	591,638,540
BENEFITS, CLAIMS AND EXPENSES		
Gross insurance benefits and claims paid	**502,723,592**	94,591,995
Reinsurers' share of gross insurance benefits and claims paid	**(356,652,109)**	(51,279,189)
Gross change in insurance contract liabilities	**(332,634,615)**	114,742,893
Reinsurers' share of gross change in insurance contract liabilities	**308,402,614**	(85,001,797)
Net insurance benefits and claims (Notes 10, 16 and 22)	**121,839,482**	73,053,902
General and administrative expenses (Notes 23 and 28)	**257,374,499**	165,751,343
Underwriting expenses	**166,781,216**	138,432,829
Commission expense (Notes 11 and 27)	**124,760,468**	64,420,859
Interest expense (Notes 17, 24 and 28)	**1,171,300**	1,794,006
Other expenses	**550,087,483**	370,399,037
Total benefits, claims and other expenses	**671,926,965**	443,452,939
INCOME BEFORE INCOME TAX	**128,706,341**	148,185,601
PROVISION FOR INCOME TAX (Note 25)	**36,215,283**	39,765,554
NET INCOME	**₱92,491,058**	₱108,420,047

See accompanying Notes to Parent Company Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
NET INCOME	**₱92,491,058**	₱108,420,047
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 8)	**(29,291,389)**	17,409,639
Valuation gain (loss) realized through profit or loss:		
Impairment loss (Notes 8 and 21)	–	2,557,229
Gain on sale of AFS financial assets (Notes 8 and 21)	**15,008,199**	(4,776,469)
	(14,283,190)	15,190,399
Not to be not reclassified to profit and loss in subsequent periods:		
Remeasurement gains (losses) on defined benefit obligation (Note 24)	**14,759,474**	(20,332,488)
Income tax effect (Note 24)	**(3,689,869)**	6,099,746
	11,069,605	(14,232,742)
	(3,213,585)	957,657
TOTAL COMPREHENSIVE INCOME	**₱89,277,473**	₱109,377,704

See accompanying Notes to Parent Company Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital stock (Note 19)	**Subscribed capital stock** (Note 19)	**Contingency surplus** (Note 19)	**Contributed surplus** (Note 19)	**Revaluation reserve on AFS financial assets** (Note 8)	**Remeasurement gain (loss) on defined benefit plan** (Note 24)	**Retained earnings**	**Total**
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 (Note 19)	–	–	**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**
Balance at January 1, 2020	₱470,000,000	₱165,537,500	₱–	₱441,615,510	₱40,705,126	(₱3,335,096)	₱568,421,907	₱1,682,944,947
Net income for the year	–	–	–	–	–	–	108,420,047	108,420,047
Other comprehensive income (loss)	–	–	–	–	15,190,399	(14,232,742)	–	957,657
Total comprehensive income	–	–	–	–	15,190,399	(14,232,742)	108,420,047	109,377,704
Balance at December 31, 2020	₱470,000,000	₱165,537,500	₱–	₱441,615,510	₱55,895,525	(₱17,567,838)	₱676,841,954	₱1,792,322,651

See accompanying Notes to Parent Company Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱128,706,341**	₱148,185,601
Adjustments for:		
Provision for claims IBNR and MfAD (Note 16)	**16,766,645**	(5,147,192)
Provision for bad debts (Notes 7 and 23)	**–**	8,002,547
Impairment loss on AFS financial assets (Notes 8 and 21)	**–**	2,557,229
Pension expense (Notes 23 and 24)	**28,781,369**	10,906,706
Depreciation and amortization (Notes 12, 13, 23 and 28)	**14,138,788**	5,208,010
Interest expense (Notes 17, 24 and 28)	**1,171,300**	1,794,006
Unrealized foreign exchange loss (gain)	**3,460,750**	(897,790)
Changes in fair value of financial assets at FVPL (Notes 8 and 21)	**1,655,601**	(2,176,226)
Loss (gain) on sale of AFS financial assets (Notes 8 and 20)	**15,008,199**	(4,776,469)
Dividend income (Notes 8 and 20)	**(3,543,430)**	(15,800,302)
Interest income (Notes 8, 20 and 23)	**(48,382,208)**	(45,400,520)
Operating income before changes in working capital	**157,763,355**	102,455,600
Decrease (increase) in:		
Insurance receivables	**(402,196,900)**	(185,849,894)
Loans and receivables	**131,005,867**	(97,395,665)
Reinsurance assets	**4,234,666**	(78,222,001)
Deferred acquisition costs	**(16,914,104)**	(2,873,963)
Other assets	**16,432,692**	4,645,212
Increase (decrease) in:		
Insurance contract liabilities	**(176,073,126)**	49,277,826
Accounts payable and accrued expenses	**322,072,347**	78,053,349
Insurance payables	**418,575,786**	84,150,598
Deferred reinsurance commissions	**(3,558,247)**	11,270,916
Changes in operating assets and liabilities due to business enterprise transfer (Note 6)	**600,000,000**	–
Net cash generated from (used in) operations	**1,051,342,336**	(34,488,022)
Contributions to plan assets (Note 24)	**(27,585,648)**	(9,979,283)
Income taxes paid	**(21,692,080)**	(59,692,302)
Interest paid	**(20,317)**	(1,585,367)
Net cash provided by (used in) operating activities	**1,002,044,291**	(105,744,974)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	**3,960,854**	15,548,963
Interest received	**50,511,789**	47,328,591
Proceeds from disposal/maturities of:		
Short-term investments (Note 5)	**–**	126,589,724
Financial assets at FVPL (Note 8)	**122,951,994**	143,724,360
AFS financial assets (Note 8)	**386,246,240**	605,639,313
Acquisitions of:		
Investment in subsidiary and associate (Note 6)	**(1,032,357,754)**	(523,712,275)
Financial assets at FVPL (Note 8)	**(90,203,652)**	(36,972,297)
AFS financial assets (Note 8)	**(189,096,017)**	(420,756,137)
Intangible asset	**(50,000,000)**	–
Property and equipment (Note 12)	**(23,146,863)**	(12,712,399)
Net cash used in investing activities	**(821,133,409)**	(55,322,157)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contingency Surplus (Note 19)	**1,000,000,000**	–
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(2,448,976)**	897,790
NET DECREASE IN CASH AND CASH EQUIVALENTS	**1,178,461,906**	(160,169,341)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**279,368,949**	439,538,290
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,457,830,855**	₱279,368,949

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 6).

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 (see Note 31).

The accompanying financial statements were authorized for issuance by the Board of Directors (BOD) on May 25, 2022.

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 31.

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 the following amendments and improvements to PFRSs which became effective on January 1, 2021. The Parent Company did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, these new and revised accounting standards did not have an impact on the Company's financial statements.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, adoption of these pronouncements is not expected to have a significant impact on the Parent Company's financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022
- 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* 2018-2020 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*

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

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.

Another assessment is currently being undertaken to determine the operational and financial impact of the adoption of the standard.

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*

<u>Business Combinations and Goodwill</u>

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).

<u>Product Classification</u>

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.

<u>Foreign Currency Transactions and Translations</u>

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.

<u>Fair Value Measurement</u>

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.

<u>Cash and Cash Equivalents</u>
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.

<u>Short-term Investments</u>
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.

<u>Insurance Receivables</u>
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.

<u>Financial Instruments – Recognition and Measurement</u>
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, 2021 and 2020 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, 2021 and 2020, the Parent Company's other financial liabilities include 'Insurance contract liabilities', 'Insurance payables', '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.

<u>Classification of Financial Instruments between Debt and Equity</u>
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.

<u>Offsetting of Financial Instruments</u>
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.

<u>Impairment of Financial Assets</u>
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 Associate
An associate is an entity over which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Parent Company's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is carried at cost plus post-acquisition changes in the share of net assets of the associate less any impairment in value. Post-acquisition changes in the share of net assets of the associate include the share in the: (1) income or losses; and (b) unrealized gain or loss on investment securities, remeasurement of retirement plans and others. Dividends received are treated as a reduction in the carrying values of the investments.

The financial statements of the associate are prepared for the same reporting period as the Parent Company.

After application of the equity method, the Parent Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is an objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

As of December 31, 2020, the Company's investment in associate pertains to its 34.25% ownership interest in Summit Gen. As the investment was only acquired on December 29, 2020, no share in net income of the associate was recognized in the statements of comprehensive income in 2020 (Note 6).

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, 365th 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 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
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 8.

Assessment of significant influence
The Parent Company classifies its investee company as an associate if the Parent Company has significant influence in the investee company. Significant influence is presumed to exist if the Parent Company has a holding of 20% or more of the voting power of the investee.

In making an assessment, the Parent Company applies significant judgment and considers the following: (a) representation to the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investees; (d) interchange of managerial personnel; (e) provision of essential technical information; or (f) existence of potential voting rights.

As of December 31, 2020, the Company held 34.25% interest in Summit Gen and two (2) out of seven (7) seats in Summit Gen's Board of Directors and was able to exercise voting rights over the shares representing 34.25% interest in Summit Gen. Given this, the Company assessed that it has significant influence over Summit Gen as of that date.

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, 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.

Estimates
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 ₱2,250.87 million and ₱482.19 million as of December 31, 2021 and 2020, respectively (see Note 16).

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 ₱62.22 million and ₱160.98 million as of December 31, 2021 and 2020, respectively. The Parent Company recognized impairment loss on its investment in equity securities amounting to nil and ₱2.56 million in 2021 and 2020, respectively (see Note 8).

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 ₱239.92 million and ₱602.33 million as of December 31, 2021 and 2020, respectively. The Parent Company did not recognize impairment loss on its debt securities in 2021 and 2020 (see Note 8).

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 ₱1,959.91 million and ₱755.72 million as of December 31, 2021 and 2020, respectively (see Note 7). The allowance for credit losses amounted to ₱60.58 million and ₱40.16 million as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the carrying value of loans and receivables amounted to ₱127.91 million and ₱258.96 million, respectively. The Parent Company did not recognize allowance for credit losses on loans and receivables in 2021 and 2020 (see Note 8).

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, 2021 and 2020, the carrying value of property and equipment amounted to ₱105.87 million and ₱34.56 million, respectively. The Parent Company did not recognize impairment loss on its property and equipment in 2021 and 2020 (see Note 12).

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, 2021 and 2020, the Parent Company recognized deferred tax assets amounting to ₱35.22 million and ₱42.56 million, respectively (see Note 25).

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, 2021 and 2020, net pension liability amounted to ₱13.03 million and net pension asset amounted to ₱25.62 million, respectively (Note 24).

4. **Cash and Cash Equivalents**

This account consists of:

	2021	2020
Cash on hand	**₱35,900**	₱35,900
Cash in banks (Notes 6 and 26)	**200,482,063**	157,803,049
Cash equivalents (Note 26)	**1,257,312,892**	121,530,000
	₱1,457,830,855	₱279,368,949

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 0.25% to 1.50% and from 0.75% to 4.00% in 2021 and 2020, respectively.

Interest income earned from cash in banks and cash equivalents amounted to ₱3.52 million and ₱10.87 million in 2021 and 2020, respectively (see Note 21).

5. **Short-term Investments**

Short-term investments consist of time deposits with maturities of more than three months but less than one year from the date of placement and earned interest at annual rates of nil to 3.50% in 2021 and 2021.

The rollforward of this account follows:

	2021	2020
Balance at beginning of year	**₱–**	₱126,589,724
Additions	**–**	–
Disposal/maturities	**–**	(126,589,724)
Balance at end of year	**₱–**	₱–

Interest income earned from these short-term investments amounted to ₱1.33 million in 2020 (Note 21).

6. **Investment in Subsidiary and Associate**

This account pertains to the Parent Company's investment in Summit Gen recognized at cost, including directly attributable transaction costs, as of December 31, 2021 and 2020.

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.

The determination of the fair values of the identifiable assets and liabilities of Summit Gen is still incomplete as of December 31, 2021. 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. Accordingly, the Parent Company recognized a provisional goodwill of ₱30.40 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	1,540,182,063
Provisional goodwill arising on acquisition	₱30,403,368

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 7)	801,045,997
Loans and receivables – net (Note 8)	344,620
Deferred acquisition costs (Note 11)	63,732,844
Property and equipment – net (Note 12)	1,390,545

Intangible asset – net (Note 13)	₱4,166,667
Other assets (Note 14)	20,944,641
Total Assets	1,491,625,314
Insurance contract liabilities (net of reinsurance asset) (Note 16)	673,626,003
Insurance payables (Note 17)	556,161,118
Accounts payable and accrued expenses (Note 15)	267,570,137
Deferred reinsurance commission (Note 11)	35,743,087
Total Liabilities	1,533,100,345
Receivable from Summit Gen (Notes 8 and 27)	₱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. As allowed under PFRS 3, recognition of provisional amounts was also applied.

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, 2021 and 2020 follows:

	2021	2020
Total assets	**₱2,421,595,037**	₱7,462,933,922
Total liabilities	**861,614,996**	5,945,764,572
Revenue	**511,645,661**	806,364,587
Net income	**87,554,800**	84,032,976
Total comprehensive income	**31,368,199**	123,873,931

7. Insurance Receivables

This account consists of:

	2021	2020
Premiums receivable (Note 27)	**₱1,415,366,427**	₱488,033,943
Due from ceding companies (Note 27)	**333,079,494**	167,283,961
Reinsurance recoverable on paid losses (Note 27)	**201,729,340**	84,044,099
Commissions receivable	**63,964,564**	47,331,467
Fund held by ceding companies	**6,344,499**	9,185,576
	2,020,484,324	795,879,046
Less: allowance for credit losses	**60,577,577**	40,161,806
	₱1,959,906,747	₱755,717,240

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

	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**

	2020					
	Less than 30 days	31 to 60 days	61 to 120 days	121 to 180 Days	More than 180 days	Total
Premiums receivable	₱29,543,660	₱45,207,035	₱32,131,858	₱80,651,520	₱300,499,870	₱488,033,943
Reinsurance recoverable on paid losses	32,860,752	1,604,560	10,580,400	232,247	38,766,140	84,044,099
Due from ceding companies	44,885,067	16,983,881	46,644,257	12,035,066	46,735,690	167,283,961
Commissions receivable	84,349	9,066,307	11,386,006	7,443,842	19,350,963	47,331,467
Funds held by ceding companies	69,610	–	458,858	–	8,657,108	9,185,576
	₱107,443,438	₱72,861,783	₱101,201,379	₱100,362,675	₱414,009,771	₱795,879,046

As of December 31, 2021 and 2020, allowance for doubtful accounts for insurance receivables follows:

	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 6)	**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**

	2020			
	Premiums receivable	Due from ceding companies	Reinsurance recoverable on paid losses	Total
Balance at beginning of year	₱10,827,183	₱12,129,237	₱12,980,996	₱35,937,416
Provision for bad debts (Note 22)	4,224,390	3,778,157	–	8,002,547
Direct write-off	–	(3,778,157)	–	(3,778,157)
Balance at end of year	₱15,051,573	₱12,129,237	₱12,980,996	₱40,161,806

In 2020, the Board of Directors approved the write-off of receivables from HDMF Fire Insurance Pool amounting to ₱3.78 million.

8. Financial Assets

As of December 31, 2021 and 2020, the Parent Company's financial assets are summarized by measurement categories as follows:

	2021	2020
Financial assets at FVPL	**₱88,171,372**	₱122,575,315
AFS financial assets	**302,139,614**	763,303,043
Held-to-maturity	**232,674,599**	–
Loans and receivables	**127,879,829**	258,958,502
	₱750,865,414	₱1,144,836,860

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 gains (losses) on financial assets at FVPL amounted to (₱1.66) million and P2.18 million in 2021 and 2020, respectively, reported under 'Investment income – net' in the statements of income (Note 21).

The rollforward of FVPL have been determined as follows:

	2021	2020
Balance at beginning of year	**₱122,575,315**	₱227,151,152
Additions	**90,203,652**	36,972,297
Disposals/maturities	**(122,951,994)**	(143,724,360)
Changes in fair value of financial assets at FVPL	**(1,655,601)**	2,176,226
Balance at end of year	**₱88,171,372**	₱122,575,315

AFS financial assets
This account consists of the following:

	2021	2020
Government debt securities	**₱48,948,821**	₱288,560,899
Private debt securities	**190,971,793**	313,765,752
Equity securities:		
Listed common shares– net of allowance for impairment losses amounting to nil and ₱20 million as of December 31, 2021 and 2020, respectively	**61,199,000**	159,956,392
Private common shares	**1,020,000**	1,020,000
	₱302,139,614	₱763,303,043

The rollforward of allowance for impairment losses follow:

	2021	2020
Balance at beginning of year	**₱19,998,654**	₱24,939,876
Additions	–	2,557,229
Disposal/maturities	**(19,998,654)**	(7,498,451)
Balance at end of year	**₱–**	₱19,998,654

The cost of AFS financial assets are as follows:

	2021	2020
Government debt securities	**₱41,537,132**	₱273,271,581
Private debt securities		
Equity securities:	**166,668,465**	314,901,171
Listed common shares– net of allowance for impairment losses amounting to nil and ₱20 million as of December 31, 2021 and 2020, respectively	**61,199,000**	118,214,766
Private common shares	**1,020,000**	1,020,000
	₱270,424,597	₱707,407,518

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

	2021	2020
Balance at beginning of year	**₱763,303,043**	₱929,238,723
Additions	**189,096,017**	420,756,137
Disposals/maturities	**(386,246,240)**	(605,639,313)
Reclassification to Held-to-Maturity	**(232,674,599)**	–
Amortization of discount	**(2,047,218)**	1,537,857
Changes in fair value of AFS financial assets	**(29,291,389)**	17,409,639
Balance at end of year	**₱302,139,614**	₱763,303,043

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

	2021	2020
Balance at beginning of year	**₱55,895,525**	₱40,705,126
Change in fair value of AFS financial assets	**(29,291,389)**	17,409,639
Transferred to profit and loss:		
Impairment loss on equity securities (Note 21)	–	2,557,229
Gain on sale of AFS financial assets (Note 21)	**15,008,199**	(4,776,469)
Balance at end of year	**₱41,612,335**	₱55,895,525

In 2020, provision for impairment loss amounting to ₱2.56 million pertains to investments in listed equity securities (Note 21).

Interest income earned from AFS financial assets in 2021 and 2020 amounted to ₱33.82 million and ₱28.52 million, respectively (see Note 21).

In 2021 and 2020, dividend income earned from investments in equity securities amounted to ₱3.54 million and ₱15.80 million, respectively (Note 21).

Held-to-maturity
This account consists of government securities amounting to ₱232.67 million which have been reclassified from AFS financial assets to Held-to-Maturity investments in compliance with the capital investment requirement pursuant to Section 209 of the Amended Insurance Code.

This account consists of:

	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:

	2021
At January 1	**₱–**
Additions	–
Reclassification	**232,674,599**
Amortization of premium (discount)	–
At December 31	**₱232,674,599**

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:

	2021	2020
Accounts receivable (Note 6)	**₱127,079,635**	₱19,668,436
Advances to employees	**800,194**	194,365
Money market placements	–	239,095,701
	₱127,879,829	₱258,958,502

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 0.75% to 4.00% in 2020 and with maturity dates from 2020 to 2021. Interest income from money market placements amounted to ₱0.26 million and ₱4.69 million in 2021 and 2020, respectively (Note 21).

9. Accrued Income

This account consists of accrued interest on the following accounts:

	2021	2020
Held-to-maturity investments	**₱1,719,905**	–
AFS financial assets	**1,694,271**	3,385,329
Cash and cash equivalents	**834,685**	133,144
Loans and receivables	**172,013**	984,767
	₱4,420,874	₱4,503,240

10. Reinsurance Assets

This account consists of:

	2021	2020
Reinsurance recoverable on unpaid losses (Note 16)	**₱1,751,938,256**	₱352,075,165
Deferred reinsurance premiums (Note 16)	**1,018,336,423**	192,287,371
	₱2,770,274,679	₱544,362,536

11. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The rollforward analysis of deferred acquisition costs follows:

	2021	2020
Balance at beginning of year	**₱32,910,587**	₱30,036,624
Cost deferred during the year	**141,674,574**	67,294,822
Cost incurred during the year	**(124,760,468)**	(64,420,859)
Business enterprise transfer (Note 6)	**63,732,844**	–
Balance at end of year	**₱113,557,537**	₱32,910,587

The rollforward analysis of deferred reinsurance commissions follows:

	2021	2020
Balance at beginning of year	**₱30,856,193**	₱19,585,277
Income deferred during the year	**125,158,435**	71,665,541
Income earned during the year	**(128,716,681)**	(60,394,625)
Business enterprise transfer (Note 6)	**35,743,087**	–
Balance at end of year	**₱63,041,034**	₱30,856,193

12. Property and Equipment - net

The composition of and movements of this account follows:

	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 6)	–	**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 23)	**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**

	2020					
	Condominium units	Furniture, fixtures and equipment	EDP equipment	Leasehold improvements	Transportation equipment	Total
Cost						
Balance at beginning of year	₱24,721,098	₱2,980,208	₱15,147,800	₱3,929,654	₱9,909,878	₱56,688,638
Additions	-	862,374	2,847,232	6,004,612	2,998,181	12,712,399
Balance at end of year	24,721,098	3,842,582	17,995,032	9,934,266	12,908,059	69,401,037
Accumulated depreciation						
Balance at beginning of year	₱13,225,787	₱1,202,444	₱11,193,183	₱1,318,548	₱2,697,492	₱29,637,454
Depreciation (Note 23)	494,422	335,776	1,588,415	606,525	2,182,872	5,208,010
Balance at end of year	13,720,209	1,538,220	12,781,598	1,925,073	4,880,364	34,845,464
Net book value	₱11,000,889	₱2,304,362	₱5,213,434	₱8,009,193	₱8,027,695	₱34,555,573

The cost of fully depreciated property and equipment still in use amounted to ₱6.18 million and ₱5.54 million as of December 31, 2021 and 2020, respectively.

13. Intangible Asset

The rollforward analysis of intangible asset follows:

	Software Development	Upfront Fee	Total
Cost			
At January 1	**₱–**	**₱–**	**₱–**
Additions	–	**50,000,000**	**50,000,000**
Business Enterprise Transfer (Note 6)	**4,166,667**	–	**4,166,667**
At December 31	**4,166,667**	**50,000,000**	**54,166,667**
Accumulated Amortization			
At January 1	–	–	–
Amortization (Note 23)	**666,667**	**2,222,222**	**2,888,889**
At December 31	**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.

14. Other Assets

This account consists of:

	2021	2020
Escrow fund	**₱45,530,216**	₱45,378,625
Prepaid expenses	**31,444,229**	41,522,933
Deferred input VAT	**19,460,791**	12,685,743
Salvage value recoverable	**9,589,447**	–
Deposits	**9,111,390**	7,752,952
Claims fund	**5,712,239**	–
Documentary stamps fund	**401,724**	11,009,143
Others	**12,004,458**	10,393,153
	₱133,254,494	₱128,742,549

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

	Amount
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 ₱5.39 million and ₱5.38 million as of 2021 and 2020, respectively.

Prepaid expenses pertain to prepayments for various expenses and stationery and supplies. The account also includes deferred commission expenses related to other underwriting expenses which is accounted for using the 24th method.

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), and VAT on receivables from reinsurers.

15. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Commissions payable (Note 27)	**₱269,946,122**	₱151,133,668
Premium deposits	**230,984,222**	64,437,902
Deferred output VAT	**182,706,554**	63,738,495
Accrued expenses	**106,909,483**	38,474,736
Accounts payable	**80,368,608**	87,949,454
Taxes payable	**41,929,798**	40,722,232
Output VAT	**27,296,910**	10,620,597
Others	**66,823,631**	1,720,792
	₱1,006,965,328	₱458,797,876

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.

16. Insurance Contract Liabilities

Insurance contract liabilities may be analyzed as follows:

	2021			2020		
	Insurance contract liabilities	**Reinsurers' share of liabilities** (Note 10)	**Net**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 10)	Net
Provision for claims reported	**₱1,775,334,517**	**₱1,371,231,091**	**₱404,103,426**	₱334,355,802	₱243,586,950	₱90,768,852
Provision for claims IBNR and MfAD	**475,534,433**	**380,707,165**	**94,827,268**	147,838,289	108,488,215	39,350,074
Total provision for claims reported, claims IBNR and MfAD	**2,250,868,950**	**1,751,938,256**	**498,930,694**	482,194,091	352,075,165	130,118,926
Provision for unearned premiums	**1,342,493,547**	**1,018,336,423**	**324,157,124**	366,702,078	192,287,371	174,414,707
	₱3,593,362,497	**₱2,770,274,679**	**₱823,087,818**	₱848,896,169	₱544,362,536	₱304,533,633

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

	2021			2020		
	Insurance contract liabilities	**Reinsurers' share of liabilities** (Note 10)	**Net**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 10)	Net
Balance at beginning of year	**₱482,194,091**	**₱352,075,165**	**₱130,118,926**	₱367,451,198	₱267,073,368	₱100,377,830
Claims incurred during the year	**222,597,674**	**83,991,547**	**138,606,127**	191,768,270	113,567,176	78,201,094
Claims paid during the year (Note 22)	**(502,723,592)**	**(356,652,109)**	**(146,071,483)**	(94,591,995)	(51,279,189)	(43,312,806)
Business Enterprise Transfer (Note 6):						
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 22)	**(52,508,697)**	**(35,742,052)**	**(16,766,645)**	17,566,618	22,713,810	(5,147,192)
Balance at end of year	**₱2,250,868,950**	**₱1,751,938,256**	**₱498,930,694**	₱482,194,091	₱352,075,165	₱130,118,926

The provision for unearned premiums may be analyzed as follows:

	2021			2020		
	Insurance contract liabilities	**Reinsurers' share of liabilities** (Note 10)	**Net**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 10)	Net
Balance at beginning of year	**₱366,702,078**	**₱192,287,371**	**₱174,414,707**	₱414,600,527	₱176,353,357	₱238,247,170
Policies written during the year (Note 20)	**1,794,826,642**	**1,335,010,524**	**459,816,118**	803,775,926	426,956,896	376,819,030
Business Enterprise Transfer (Note 6)	**706,761,862**	**426,946,096**	**279,815,766**	–	–	–
Premiums earned during the year (Note 20)	**(1,525,797,035)**	**(935,907,568)**	**(589,889,467)**	(851,674,375)	(411,022,882)	(440,651,493)
Balance at end of year	**₱1,342,493,547**	**₱1,018,336,423**	**₱324,157,124**	₱366,702,078	₱192,287,371	₱174,414,707

17. Insurance Payables

This account consists of:

	2021	2020
Premiums due to reinsurers (Note 27)	**₱1,127,764,645**	₱263,928,405
Funds held for reinsurers	**162,235,298**	49,376,255
	₱1,289,999,943	₱313,304,660

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:

	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 6)	**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**

	2020		
	Premiums due to reinsurers	Funds held for reinsurers	Total
Balance at beginning of year	₱175,761,445	₱53,392,617	₱229,154,062
Arising during the year	426,956,896	48,381,164	475,338,060
Paid during the year	(338,789,936)	(52,397,526)	(391,187,462)
Balance at end of year	₱263,928,405	₱49,376,255	₱313,304,660

Interest expense on funds held for reinsurers amounted to ₱0.02 million and ₱1.59 million in 2021 and 2020, respectively.

18. 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.

	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)**

	2020			
	Change in assumption	Impact on gross insurance contract liabilities	Impact on net insurance contract liabilities	Impact on income before income tax
Average claim costs	+7.12%	₱16,115,996	(₱4,768,336)	(₱4,768,336)
Average number of claims	+14.49%	42,350,700	(11,817,285)	(11,817,285)

Claims Development Tables

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 2021							
	2015 and prior	2016	2017	2018	2019	2020	2021	Total
Estimate of ultimate claim costs								
At the end of accident year	**₱ 97,4174,219**	**₱226,914,246**	**₱185,555,200**	**₱257,842,370**	**₱289,795,963**	**₱368,003,268**	**₱809,831,743**	**₱809,831,743**
One year later	**351,777,684**	**95,650,913**	**80,547,563**	**162,241,453**	**141,737,091**	**598,082,033**		**598,082,033**
Two years later	**78,557,461**	**23,965,136**	**30,849,539**	**61,825,428**	**1,010,635,063**			**1,010,635,063**
Three years later	**62,033,019**	**1,608,316**	**4,917,856**	**202,132,917**				**202,132,917**
Four years later	**6,047,465**	**206,051**	**80,112,709**					**80,112,709**
Five years later	**259,400**	**9,389,052**						**9,389,052**
Six years later	**43,409,025**							**43,409,025**
Current estimate of cumulative claims	43,409,025	9,389,052	80,112,709	202,132,917	1,010,635,063	598,082,033	809,831,743	2,753,592,542
Cumulative payments to date	62,748	17,183	47,838,712	26,539,887	266,920,774	114,344,572	46,999,716	502,723,592
Total gross insurance contract liabilities in the statement of financial position	**₱43,346,277**	**₱9,371,869**	**₱32,273,997**	**₱175,593,030**	**₱743,714,289**	**₱483,737,460**	**₱762,832,027**	**₱2,250,868,950**

	Net insurance contract liabilities for 2021							
	2015 and prior	2016	2017	2018	2019	2020	2021	Total
Estimate of ultimate claim costs								
At the end of accident year	**₱178,753,702**	**₱47,784,542**	**₱73,141,896**	**₱105,939,336**	**₱110,876,308**	**₱122,745,282**	**₱306,738,399**	**₱306,738,399**
One year later	**157,314,688**	**36,379,292**	**38,061,088**	**50,630,178**	**44,923,187**	**117,099,249**		**117,099,249**
Two years later	**25,809,250**	**7,291,195**	**8,066,870**	**3,911,021**	**95,599,509**			**95,599,509**
Three years later	**12,683,312**	**789,878**	**1,755,963**	**80,554,481**				**80,554,481**
Four years later	**3,567,471**	**23,133**	**27,334,777**					**27,334,777**
Five years later	**228,295**	**9,181,646**						**9,181,646**
Six years later	**8,495,781**							**8,495,781**
Current estimate of cumulative claims	**8,495,781**	**9,181,646**	**27,334,777**	**80,554,481**	**95,599,509**	**117,099,249**	**306,738,399**	**645,003,842**
Cumulative payments to date	**59,401**	**17,183**	**19,225,838**	**18,792,975**	**22,421,414**	**44,276,179**	**41,280,158**	**146,073,148**
Total gross insurance contract liabilities in the statement of financial position	**₱8,436,380**	**₱9,164,463**	**₱8,108,939**	**₱61,761,506**	**₱73,178,095**	**₱72,823,070**	**₱265,458,241**	**₱498,930,694**

19. Equity

Capital stock

Details of the Parent Company's common shares as of December 31, 2021 and 2020 follow:

	2021		2020	
	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		**1,000,000,000**		–
Contributed surplus		**441,615,510**		441,615,510
		₱2,077,153,010		₱1,077,153,010

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

	2021	2020
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 ₱1.00 billion as of December 31, 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, 2021 and 2020 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, 2021 and 2020 and is included under "Dividends payable" in the statements of financial position.

20. Net Earned Premiums

Total gross earned premiums on insurance contracts follow:

	2021	2020
Gross premiums written Direct	**₱1,571,263,542**	₱647,985,554
Assumed	**223,563,100**	155,790,372
Total gross premiums written	**1,794,826,642**	803,775,926
Gross change in provision for unearned premiums	**(269,029,607)**	47,898,449
Total gross earned premiums (Note 16)	**₱1,525,797,035**	₱851,674,375

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

	2021	2020
Reinsurers' share of gross premiums written		
Direct	**₱1,335,010,524**	₱426,956,896
Assumed	**–**	–
Total reinsurers' share of gross premiums written	**1,335,010,524**	426,956,896
Reinsurers' share of gross change in provision for unearned premiums	**(399,102,956)**	(15,934,014)
Total reinsurers' share of gross earned premiums (Note 16)	**₱935,907,568**	₱411,022,882

21. **Investment Income– net**

This account consists of:

	2021	2020
Interest income on:		
AFS financial assets (Note 8)	**₱33,818,862**	₱28,518,436
Cash and cash equivalents (Note 4)	**3,518,394**	10,870,419
Money market placements (Note 8)	**256,913**	4,685,941
Held-to-maturity (Note 8)	**10,788,039**	–
Short-term investments (Note 5)	**–**	1,325,724
Dividend income (Note 8)	**3,543,430**	15,800,302
Changes in fair value of financial assets at FVPL (Note 8)	**(1,655,601)**	2,176,226
Gain (loss) on sale of AFS financial assets (Note 8)	**(15,008,199)**	4,776,469
Impairment loss on AFS financial assets (Note 8)	**–**	(2,557,229)
	₱35,261,836	₱65,596,288

22. **Net Insurance Benefits and Claims**

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

	2021	2020
Direct	**₱481,108,411**	₱49,061,603
Assumed	**21,615,181**	45,530,392
	₱502,723,592	₱94,591,995

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

	2021	2020
Direct	**₱356,592,266**	₱20,232,904
Assumed	**59,843**	31,046,285
	₱356,652,109	₱51,279,189

Details of gross change in insurance contract liabilities are as follows

	2021	2020
Change in provision for claims reported:		
Direct	**₱93,206,220**	₱104,763,478
Assumed	**(373,332,138)**	(7,587,203)
	(280,125,918)	97,176,275
Provision for claims IBNR and MfAD	**(52,508,697)**	17,566,618
	(₱332,634,615)	₱114,742,893

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

	2021	2020
Change in provision for claims reported:		
Direct	**(₱60,594,578)**	₱68,735,471
Assumed	**(212,065,984)**	(6,447,484)
	(272,660,562)	62,287,987
Provision for claims IBNR and MfAD	**(35,742,052)**	22,713,810
	(₱308,402,614)	₱85,001,797

23. **General and Administrative Expenses**

This account consists of:

	2021	2020
Salaries and allowances (Note 27)	**₱137,525,308**	₱91,004,683
Pension expense (Note 24)	**28,781,369**	10,906,706
Professional fees	**24,866,304**	11,503,030
Depreciation and amortization (Notes 12, 13 and 28)	**14,138,788**	5,208,010
Board meeting expenses and directors' fees	**5,883,578**	4,459,804
Communication and postage	**5,379,737**	1,746,367
Taxes and licenses	**5,000,097**	5,083,174
Rent (Note 28)	**4,468,714**	1,147,406
Social security and other contributions	**4,439,715**	2,625,222
Hospitalization contribution	**2,843,425**	1,987,315
Professional and technical development	**2,405,844**	1,121,587
Representation and entertainment	**2,035,534**	1,855,578
Bank, trust and other fees	**2,033,176**	1,800,364
Advertising, promotion and marketing expense	**1,917,144**	5,970,555
Stationery and supplies	**1,695,440**	956,777
Association dues	**1,302,429**	805,976
Transportation and travel	**1,294,015**	1,323,597
Light and water	**1,113,325**	625,274
Repairs and maintenance	**1,000,124**	756,032
Fringe benefit tax	**891,887**	676,292
Other employee benefits	**33,087**	848,855
Provision for doubtful accounts (Note 7)	**–**	8,002,547
Others	**8,325,459**	5,336,192
	₱257,374,499	₱165,751,343

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

24. 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:

	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 23)	**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 loss 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**

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Total Net pension liability (asset)
Balance at beginning of the year	₱40,820,361	(₱36,664,204)	₱4,156,157
Current service cost (Note 23)	10,906,706	–	10,906,706
Net interest expense (income)	2,049,182	(1,840,543)	208,639
Total pension expense	12,955,888	(1,840,543)	11,115,345
Actuarial gain on defined benefit obligation	19,048,967	–	19,048,967
Remeasurement loss on plan assets	–	1,283,521	1,283,521
Total remeasurement loss (gain) to other comprehensive income	19,048,967	1,283,521	20,332,488
Benefits paid	(4,184,420)	4,184,420	–
Contributions	–	(9,979,283)	(9,979,283)
Balance at the end of the year	₱68,640,796	(₱43,016,089)	₱25,624,707

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

	2021	2020
Balance at beginning of year	**(₱17,567,838)**	(₱3,335,096)
Remeasurement gain (loss) recognized in other comprehensive income during the year	**14,759,474**	(20,332,488)
	(2,808,364)	(23,667,584)
Income tax effect	**(3,689,869)**	6,099,746
Balance at end of year	**(₱6,498,233)**	(₱17,567,838)

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, 2021.

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

	2021	2020
Discount rate	**3.78%**	3.78%
Salary increase rate	**10.00%**	10.00%
Average years of service	**2.81**	4.49

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** 2021	2020
Discount rate	+0.50%	**₱(6,537,223)**	(₱5,640,338)
	-0.50%	**7,381,600**	6,391,108
Salary increase rate	+1.00%	**14,344,655**	12,234,649
	-1.00%	**(11,624,511)**	(9,870,843)

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:

	2021	2020
Less than 1 year	**₱8,936,718**	₱3,934,812
More than 1 year to 5 years	**22,184,963**	8,639,484
More than 5 years to 10 years	**87,356,634**	30,597,253
More than 10 years to 15 years	**106,606,969**	74,073,170
More than 15 years to 20 years	**271,614,649**	99,191,687
More than 20 years	**3,872,472,321**	2,123,586,622

The Parent Company expects to contribute at least ₱56.51 million to the defined benefit plan in 2022.

The average expected future working lives of the employees of the Parent Company is 23 years as of December 31, 2021 and 2020.

The distribution of the plan assets as of December 31, 2021 and 2020 follows:

	2021		2020	
	Amount	**%**	Amount	%
Savings deposit	**₱28,321**	**0.04%**	₱500	0.00%
Investment in unit investment trust fund	–	**0.00%**	42,994,311	99.95%
Investment in government securities	–	**0.00%**	12,187	0.03%
Investment in corporate debt securities	–	**0.00%**	9,092	0.02%
FVPL - debt and equities	**70,856,523**	**99.82%**	–	–
Other Assets	**96,290**	**0.14%**	–	–
Accrued interest	–	**0.00%**	–	0.00%
	70,981,134	**100.00%**	43,016,090	100.00%
Less: provision for credit losses	**(34)**	**0.00%**	(1)	0.00%
	₱70,981,101	**100.00%**	₱43,016,089	100.00%

The carrying values of plan assets approximate their fair values as of December 31, 2021 and 2020.

25. Income Tax

a. Details of the provision for income tax follows:

	2021	2020
Current		
RCIT	**₱28,784,453**	₱31,232,350
Final	**3,772,911**	8,733,311
	32,557,364	39,965,661
Deferred	**3,657,919**	(200,107)
	₱36,215,283	₱39,765,554

b. Components of deferred tax assets follow:

	2021	2020
Presented in profit or loss		
Allowance for credit losses	**₱12,048,541**	₱12,048,541
Provision for claims IBNR, CHE and MfAD	**10,362,520**	14,554,181
Unamortized past service cost	**3,991,758**	5,109,820
Accrued expenses	**3,221,470**	2,895,481
Depreciation - ROU asset	**963,585**	–
Net pension asset	**699,422**	158,339
Interest expense on lease liabilities	**45,592**	–
Unrealized foreign exchange loss	**44,891**	269,337
	31,377,779	35,035,699
Presented in other comprehensive income		
Deferred income tax asset on remeasurement loss on defined benefit obligation	**3,839,206**	7,529,074
	₱35,216,985	₱42,564,773

Movements in net deferred tax assets comprise of:

	2021	2020
Balance at beginning of year	**₱42,564,773**	₱36,264,920
Deferred income tax recognized in profit or loss	**(3,657,920)**	200,107
Deferred income tax recognized in other comprehensive income	**(3,689,868)**	6,099,746
Balance at end of the year	**₱35,216,985**	₱42,564,773

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

	2021	2020
Statutory corporate income tax	**₱32,176,585**	₱44,455,680
Add (deduct) the tax effects of:		
Interest income already subjected to final tax	**(1,878,554)**	(9,165,580)
Non-deductible expenses	**4,455,318**	5,286,794
Change impact of CREATE Law	**(2,602,696)**	–
Non-taxable income	**4,064,630**	(811,340)
Effective income tax	**₱36,215,283**	₱39,765,554

26. 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, 2021 and 2020, 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.

	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**

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets at FVPL	₱122,575,315	₱–	₱–	₱122,575,315
AFS financial assets: Government debt securities	288,560,899	–	–	288,560,899
Private debt securities	313,765,752	–	–	313,765,752
Listed equity securities	159,956,392	–	–	159,956,392
	₱884,858,358	₱–	₱–	₱884,858,358

In 2021 and 2020, 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, 2021 and 2020, 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:

	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	–	**127,079,635**	–	**127,079,635**
Advances to employees	–	**800,194**	–	**800,194**
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**
	₱2,085,201,414	**₱1,190,480,155**	**₱1,021,848,562**	**₱4,297,530,131**

**excludes cash on hand*

	2020			
	Neither past due nor impaired			
	Investment Grade	Non-investment Grade	Past due or impaired	Total
Loans and receivables:				
Cash and cash equivalents*	₱279,333,049	₱–	₱–	₱279,333,049
Short term investments	–	–	–	–
Insurance receivables:				
Premiums receivable	–	106,111,116	381,922,827	488,033,943
Due from ceding companies	–	61,868,948	105,415,013	167,283,961
Reinsurance recoverable on paid losses	–	36,072,380	47,971,719	84,044,099
Commissions receivable	–	13,772,333	33,559,134	47,331,467
Funds held by ceding companies	–	69,610	9,115,966	9,185,576
Accounts receivable	–	19,668,436	–	19,668,436
Advances to employees	–	194,365	–	194,365
Money market placements	239,095,701	–	–	239,095,701
Accrued income	4,503,240	–	–	4,503,240
Financial assets at FVPL	122,575,315	–	–	122,575,315
AFS financial assets:				
Government debt securities	288,560,899	–	–	288,560,899
Private debt securities	313,765,752	–	–	313,765,752
Listed common shares	159,956,392	–	–	159,956,392
Private common shares	1,020,000	–	–	1,020,000
	₱1,408,810,348	₱237,757,188	₱577,984,659	₱2,224,552,195

**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

	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**	**₱1,021,848,560**

	2020						
	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	₱–	₱–	₱–	₱366,871,254	₱366,871,254	₱15,051,573	₱381,922,827
Due from ceding companies	–	–	–	93,285,776	93,285,776	12,129,237	105,415,013
Reinsurance recoverable on paid losses	–	–	–	34,990,723	34,990,723	12,980,996	47,971,719
Commissions receivable				33,559,134	33,559,134	–	33,559,134
Funds held by ceding	–	–	–				
companies	–	–	–	9,115,966	9,115,966	–	9,115,966
	₱–	₱–	₱–	₱537,822,853	₱537,822,853	₱40,161,806	₱577,984,659

The Parent Company has a significant concentration of credit risk with the Lucio Tan Group as of December 31, 2021 and 2020 (Note 27).

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.

	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*

	2020				
	Up to a year	2-5 years	Over 5 years	No term	Total
Financial assets					
Loans and receivables:					
Cash and cash equivalents*	₱279,333,049	₱–	₱–	₱–	₱279,333,049
Insurance receivables:					
Premiums receivable	488,033,943	–	–	–	488,033,943
Due from ceding companies	167,283,961	–	–	–	167,283,961
Reinsurance recoverable on paid losses	84,044,099	–	–	–	84,044,099
Commissions receivable	47,331,467	–	–	–	47,331,467
Funds held by ceding companies	9,185,576	–	–	–	9,185,576
Accounts receivable	19,668,436	–	–	–	19,668,436
Advances to employees	194,365	–	–	–	194,365
Money market placements	119,095,701	120,000,000	–	–	239,095,701
Accrued income	4,503,240	–	–	–	4,503,240
Financial assets at FVPL	122,575,315	–	–	–	122,575,315
AFS financial assets:		–	–	–	
Government debt securities	–	180,574,998	107,985,901	–	288,560,899
Private debt securities	121,221,657	168,490,127	24,053,968	–	313,765,752
Listed common shares	–	–	–	159,956,392	159,956,392
Private common shares	–	–	–	1,020,000	1,020,000
	₱1,462,470,809	₱469,065,125	₱132,039,869	₱160,976,392	₱2,224,552,195
Financial liabilities					
Insurance contract liabilities	₱848,896,169	₱–	₱–	₱–	₱848,896,169
Accounts payable and accrued expenses**	418,075,644	–	–	–	418,075,644
Insurance payables	313,304,660	–	–	–	313,304,660
	₱1,580,276,473	₱–	₱–	₱–	₱1,580,276,473

**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.

	2021		2020	
	US$	**PHP**	US$	PHP
Cash and cash equivalents	**US$287,835**	**₱14,614,531**	US$138,496	₱6,652,808

The exchange rates used are ₱50.77 to US$1.00 in 2020 and ₱48.036 to US$1.00 in 2020.

The Parent Company has no foreign currency-denominated financial liabilities as of December 31, 2021 and 2010.

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).

	2021		2020	
Currency	**Change in Rate**	**Impact on income before tax**	Change in Rate	Impact on income before tax
US$	**+1.04%**	**₱152,428**	+1.18%	₱78,704
US$	**-1.04%**	**(152,428)**	-1.18%	(78,704)

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.

			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**	**12,132,336**	**–**	**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	–	–	–	–	–
		₱1,526,715,316	**₱333,879,591**	**₱61,795,261**	**₱1,930,390,168**
Financial liabilities					
Funds held for reinsurers	**5.00%**	**₱162,235,298**	**₱–**	**₱–**	**₱162,235,298**

**excludes cash on hand*

			2020		
	Interest rates	Within 1 year	2-5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents*	0.75% to 4.00%	₱279,333,049	₱–	₱–	₱279,333,049
Short-term investments	–	–	–	–	–
AFS financial assets:					
Government debt securities	3.25% to 6.25%	–	180,574,998	107,985,901	288,560,899
Private debt securities	3.25% to 6.75%	121,221,657	168,490,127	24,053,968	313,765,752
Money market placements	3.25% to 4.50%	119,095,701	120,000,000	–	239,095,701
		₱519,650,407	₱469,065,125	₱132,039,869	₱1,120,755,401
Financial liabilities					
Funds held for reinsurers	5.00%	₱49,376,255	₱–	₱–	₱49,376,255

**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):

	2021		2020	
Market indices	**Change in variables**	**Impact on equity**	Change in variables	Impact on equity
PSEi	**+6.99%**	**₱2,387,909**	+5.94%	₱4,361,228
PSEi	**-6.99%**	**(2,387,909)**	-5.94%	(4,361,228)

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.

		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**

		2020	
	Insurance contract liabilities	Reinsurers' share of liabilities	Net
Fire	₱265,351,414	₱205,052,918	₱60,298,496
Motor	36,270,981	4,189,500	32,081,481
Casualty	23,273,091	3,480,327	19,792,764
Marine	11,327,368	94,576	11,232,792
Engineering	12,426,313	10,983,115	1,443,198
Aviation	114,330,523	113,444,854	885,669
Bonds	19,214,401	14,829,875	4,384,526
	₱482,194,091	₱352,075,165	₱130,118,926

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.

27. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Outstanding balances as of year-end and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2021 and 2020, 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. The related party transactions are to be settled in cash.

Transactions with related parties consist mainly of the following activities:

	2021		2020		
Category	**Amount**	**Outstanding Balance**	Amount	Outstanding balance	Terms and conditions
Subsidiary					
Summit General Insurance Corporation					
Investment in Associate (Note 6)	**₱–**	**₱–**	₱523,712,275	₱523,712,275	
Premiums Due from Reinsurers (b)	–	**1,513,711**	6,532,894	7,028,448	(i)
Premiums Due to Reinsurers (b)	–	**296,025**	756,359	1,010,012	(i)
Reinsurance Recoverable on Paid Losses (b)	–	–	6,032	492,024	(i)
Accounts Receivable	–	**60,489,026**	–	–	
Other related parties					
Philippine National Bank (PNB)					
Cash and Cash Equivalent (a)	**204,005,477**	**204,005,477**	235,070,211	235,070,211	
Premiums (b)	**14,302,502**	**15,408,124**	22,576,236	1,465,052	(i)
Service Fee	**9,703,939**	–	–	–	
Marketing Agreement Fee (c)	**50,000,000**	–	–	–	
Premiums (b)					(i)
Absolut Chemicals, Inc.	–	**39,321**	31,329	56,868	
Absolut Distillers, Inc.	**6,944,547**	**3,952**	2,645,778	3,240,113	
Absolute Sales Corporation	–	**1,870,146**	709,270	2,301,997	
Agua Vida Systems, Inc.	**23,787**	**9,076**	24,380	21,455	
Air Philippines Corp.	–	**330,150**	274,408	490,567	
All Seasons Realty Corporation	–	–	434,608	547,908	
Allied Leasing & Finance Corp	**282,362**	**1,610,717**	281,068	1,509,554	
Asia Brewery, Inc	**48,573,269**	**52,009,692**	62,598,928	66,696,823	
Asian Alcohol Corporation	–	–	1,003,981	–	
Asia's Emerging Dragon Corp	–	–	2,080	6,112	
Banner Plasticard, Inc.	**2,538,932**	**400,300**			
Basic Holdings Corp	–	**657**	3,779	–	
Cenorca Merchandising Corp	–	–	1,739	–	
Charter House, Inc	**659,013**	**347**	680,954	–	
Dominium Realty & Construction	–	–	15,108	227	
Eton Properties Phils. Inc	**29,704,044**	**324,407**	181,807	5,075,282	
Flor Decana Shipping, Inc	–	**20,907**	487	21,514	
Foremost Farms, Inc	**1,188,283**	**435,739**	887,500	395,304	
Fortune Tabacco Corporation	**11,489,714**	**113,334**	5,166,410	6,312,541	
Grain handlers Phils Inc	–	**14,616**	467,278	55,469	
Grandspan development Corp	**733,368**	**93,653**	445,049	153,100	
Himmel Industries, Inc	**3,615,411**	**500,725**	3,474,981	319,761	
Interbev Philippines, Inc	–	**916,945**	58,371	845,302	
Landcom Realty Corporation	**750**	**950**	–	950	
Local Trade & Development Corp	–	**1,229**	62,792	–	
Luftansa Technic Philippines	**2,441,484**	**835,161**	–	–	
Macroasia Catering Services	**696,079**	**775,324**	–	–	
Macroasia Corporation	**7,029,226**	–	283,165	–	
Manuafacturing Services & Trade Corp	**220,040**	**34,156**	121,621	153,581	
Maranaw Hotels & Resort Corp	**813,201**	–	3,247,737	3,245,263	
Marcuenco Realty Development Corp	–	**6,202**	172,845	217,918	
Masobic Trading Corporation	–	**4,278**	11,971	12,322	
Metrolux Trading Co	–	**1,253**	5,969	–	
Mindar Trading Corp	–	–	12,296	–	
New Dominion Industries Inc	**17,985**	–	–	5,355	
Opulent Landowners, Inc	–	–	181,969	84,401	
Oro del Sur Industrial Corp	–	–	263,116	–	
Packageworld, Inc	–	**12,967**	2,080	12,967	
Parkland Realty Corporation	–	–	52,770	1,853	
Philippine Airlines, Inc	**383,159,859**	**6,560,327**	5,555,501	10,131,118	
PNB Life	**374,701**	–	–	–	
PNB Savings Bank	**5,047,387**	**1,189,266**	2,243,116	622,767	
Power Realty Development Corporation	–	**40,284**	–	39,670	

(Forward)

Category	2021 Amount	2021 Outstanding Balance	2020 Amount	2020 Outstanding balance	Terms and conditions
Progressive Farms, Inc	**₱–**	**₱23,506**	₱133,277	₱21,119	
Proluck Enterprises, Inc	–	–	9,533	6,668	
Purple Cristal Holdings Inc	–	**6,362**	–	247	
Quicksilver Marketing Corp	–	–	–	9,923	
Robton Industries, Inc.	**2,286,166**	**778,120**	–	–	
Royal Pines Realty Corporation	**11,565**	–	–	–	
Skylogistics Phil/ Skykitchn Phil.	**189,367**	**5,954**	–	–	
Shining Star Realty Corporation	–	–	29,040	36,597	
Tan Yan Kee Foundation Inc	–	–	62,410	709	
Tanduay Distellers Inc	**33,785,571**	**36,523,705**	22,442,002	7,719,528	
Total Bulk Corporation	–	**1,466,234**	1,162,921	1,466,234	
Twin Ace Holdings Corporation	–	**95,186**	1,885	121,058	
University Of The East	**5,441,482**	**7,869,424**	7,173,414	9,244,641	
Zebra Holdings Inc	**84,601**	**8,257**	98,393	2,504	
Commission (b)					(ii)
Absolute Chemicals Inc	–	–	–	–	
Absolut Ditellers Inc (Tdi)	–	–	1,998,618	–	
Agua Vida System, Inc	–	–	6,050	–	
Allied Leasing & Finance Corp	–	–	762,580	–	
Asia Brewery, Inc	–	–	689,523	–	
Eton Properties Phils Inc	–	–	1,394,076	–	
Foremost Farms Inc	–	–	2,128,233	–	
Fortune Tobacco Corporation	–	–	42,539	–	
Grandspan Development Corp	–	–	1,683,288	–	
Himmel Industries Inc	**16,356,380**	–	614,755	–	
Macro Asia Corporation	–	–	261,942	–	
Manufacturing Services & Trade Corp	–	–	15,562	–	
Maranaw Hotel & Resort Corp	–	–	630,333	–	
New Dominion Industries Inc	–	–	5,163	–	
Philippine Airlines	–	–	141	–	
Philippine National Bank	–	–	1,845,967	–	
PNB Savings Bank	–	–	876,851	–	
Royal Pines Realty Corporation	–	–	3,981	–	
Tanduay Distillers	–	–	1,073,547	–	
University of the East	–	–	–	–	
Zebra Holdings, Inc	–	–	14,704	–	
	₱841,720,492	**₱396,645,192**	₱925,420,976	₱889,985,312	

(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:

	2021	2020
Current account	**₱127,433,955**	₱67,547,468
Savings account	**39,265,408**	37,596,243
Time deposits	**37,306,114**	129,926,500
	₱204,005,477	₱235,070,211

(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:

	2021	2020
Salaries and other short-term employee benefits	**₱92,088,233**	₱56,603,307
Post-employment benefits and others	**19,539,027**	11,796,984
	₱111,627,260	₱68,400,291

28. 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:

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

The rollforward analysis of lease liabilities follows:

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

For short-term and low-value leases, rent expense charged against operations amounted to ₱4.47 million and ₱1.15 million in 2021 and 2020, respectively (Note 23).

The following are the amounts recognized in statement of income:

	2021
Depreciation expense of right-of-use assets	**₱3,854,341**
Rent expense	**4,468,714**
Interest expense on lease liabilities	**182,370**
Total amount recognized in statement of income	**₱8,505,425**

As of December 31, 2021 and 2020, future minimum rentals payable under non-cancellable operating leases are as follow:

	2021	2020
Within one year	**₱16,283,531**	₱1,072,500
More than 1 year	–	596,750

29. 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, 2021 and 2020, the Parent Company's estimated statutory networth amounted to ₱1,127,062,229and ₱966,520,704 , respectively.

RBC requirements
For purposes of the December 31, 2021 and 2020 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, 2021 and December 31, 2020 as determined by the Parent Company based on the RBC2 framework:

	2021	2020
Total available capital	**₱1,833,007,951**	₱1,225,192,891
RBC2 requirement	**583,387,034**	334,108,644
RBC2 ratio	**314%**	367%

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.

30. 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.

	2021		
	Less than 12 months	**Over 12 months**	**Total**
Assets			
Cash and cash equivalents	**₱1,457,830,855**	**₱–**	**₱1,457,830,855**
Short-term investments	–	–	–
Insurance receivables – net	**1,959,906,747**	–	**1,959,906,747**
Investment in subsidiary	–	**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**

	2020		
	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	₱279,368,949	₱–	₱279,368,949
Short-term investments	–	–	–
Insurance receivables – net	755,717,240	–	755,717,240
Investment in Associate	523,712,275	–	523,712,275
Financial assets			
Financial assets at FVPL	122,575,315	–	122,575,315
AFS financial assets	121,221,657	642,081,386	763,303,043
Loans and receivables	19,862,801	239,095,701	258,958,502
Accrued income	4,503,240	–	4,503,240
Reinsurance assets	544,362,536	–	544,362,536
Deferred acquisition costs	32,910,587	–	32,910,587
Property and equipment – net	–	34,555,573	34,555,573
Deferred tax assets – net	–	42,564,773	42,564,773
Other assets	18,519,061	110,223,488	128,742,549
	₱2,422,753,661	₱1,068,520,921	₱3,491,274,582
Liabilities			
Insurance contract liabilities	₱848,896,169	–	₱848,896,169
Accounts payable and accrued expenses	458,797,876	–	458,797,876
Insurance payables	313,304,660	–	313,304,660
Dividends payable	19,237,343	–	19,237,343
Deferred reinsurance commissions	30,856,193	–	30,856,193
Income Tax Payable	2,234,983	–	2,234,983
Net pension liability	–	25,624,707	25,624,707
	₱1,673,327,224	₱25,624,707	₱1,698,951,931

31. 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.

Merger with Summit Gen
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 through reduction of IT, labor and business handling expenses. The merger is expected to be completed on or before December 31, 2022.

32. Notes to Parent Company Statement of Cash Flows

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.

33. 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	₱1,061,012,073	₱127,321,449

'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 ₱ 211.95M and zero-rated sales of ₱ 4.76M during the year.

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

Balance at January 1, 2021	₱12,685,743
Current year's domestic purchases/payments for:	
Services lodged under other accounts	29,362,403
	42,048,146
Input VAT applied to output VAT	(22,587,355)
Balance at December 31, 2021	₱19,460,791

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	11,438
Business permit	136,352
Community tax	10,500
Others	4,764,456
	4,922,746
National:	
Filing of annual statement	40,400
DST expense	30,451
VAT registration	6,500
	77,351
	₱5,000,097

Documentary Stamp Tax (DST)
The DST paid for the current year amounted to ₱ 159,697,356 which is based on premiums written during the year amounting to ₱ 1,510,590,061.

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	₱3,171,332
Premium tax	4,178,967
	₱7,350,299

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

Expanded withholding taxes	₱12,127,177
Withholding taxes on compensation and benefits	22,513,690
Final withholding taxes	676,367
	₱35,317,234

Tax assessments and cases
In 2020, the Company received tax assessment from the BIR covering various taxes for taxable year 2017 wherein the Company paid ₱3.50 million. As of December 31, 2021, the Company has no pending tax case under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

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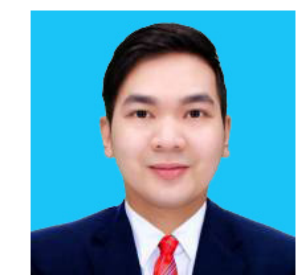
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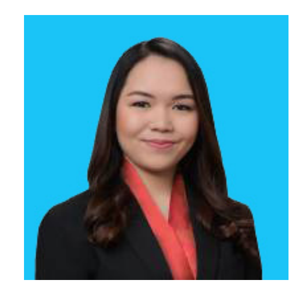
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