Philippines First Insurance Company, Inc.

Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Philippines First Insurance Company, Inc.

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Philippines First Insurance Company, Inc. (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of Philippines First Insurance Company, Inc. as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the Philippines as described in Note 2 to the financial statements.

Basis for Qualified Opinion

The Company does not accrue commissions and does not perform the 24th method of computation in determining the amount of commission that should be deferred at the end of the reporting period. Instead, the Company records commission using the cash basis of accounting, i.e., it is only when commission payments are made to agents that the Company records the commission expense. As such, the Company's deferred acquisition costs and commission payable are understated. The Company's records indicate that had management accrued unpaid commissions and deferred the unexpired portion of commissions, commissions payable would have increased by ₱19,536,620 and ₱12,774,097 as at December 31, 2020 and 2019, respectively, and deferred acquisition costs would have also increased by ₱36,993,934 and ₱44,995,893 as at December 31, 2020 and 2019, respectively; and retained earnings would have increased by ₱22,954,932 and ₱32,650,259 as at December 31, 2020 and 2019, respectively. Accordingly, commission expense would have increased by ₱18,331,434 and ₱1,428,210 in 2020 and 2019, respectively, and net income would have decreased by ₱12,832,004 and ₱999,747 in 2020 and 2019, respectively.

The Company does not record rental income on a straight-line basis over the lease term as required by Philippine Financial Reporting Standards (PFRS) 16, *Leases*. Instead, the Company uses the cash basis of accounting, i.e., it is only when rental payments are received from lessees that the Company records the rental income. The Company's records indicate that management should have recorded accrued rent receivable amounting to ₱5,882,960 and ₱4,771,634 as of December 31, 2020 and 2019, respectively, and unearned rent income would have also increased by ₱276,305 and ₱135,753 in 2020 and 2019, respectively; and retained earnings would have increased by ₱3,924,658 and ₱3,245,117 as at December 31, 2020 and 2019, respectively. Accordingly, rental income would have increased by ₱5,606,655 and ₱4,635,881 in 2020 and 2019, respectively, and net income would have increased by ₱3,924,658 and ₱3,245,117 in 2020 and 2019, respectively.

The Company reclassified certain debt and equity instruments in 2019 from financial asset at fair value through profit or loss (FVTPL) to financial asset at fair value through other comprehensive income (FVOCI) which is not in accordance with the Company's business model upon adoption of PFRS 9, *Financial Instruments*. The related fair value loss was also reclassified from investment income to net changes in the revaluation reserves on financial assets at FVOCI. Accordingly, financial assets at FVTPL would have increased by ₱195,821,834 and ₱224,633,918 as of December 31, 2020 and 2019, respectively, and financial assets at FVOCI would have decreased by the same amount as of December 31, 2020 and 2019, respectively; and retained earnings would have decreased by ₱19,656,937 and ₱6,029,365 as at December 31, 2020 and 2019, respectively. Investment income and net income would have decreased by ₱13,627,572 and ₱6,029,365 in 2020 and 2019, respectively, and net changes in the revaluation reserves on financial assets at FVOCI would have increased by the same amount in 2020 and 2019, respectively.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Philippines as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 35 is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippines First Insurance Company, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta
Partner
CPA Certificate No. 115260
Tax Identification No. 210-320-399
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115260-SEC (Group A)
Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0012-FR-5 (Group A)
November 6, 2018, valid until November 5, 2021
BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8534323, January 4, 2021, Makati City

October 8, 2021

PHILIPPINES FIRST INSURANCE COMPANY, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Cash and cash equivalents (Note 4)	**₱110,955,595**	₱108,591,442
Short-term investments (Note 4)	**15,220,219**	86,599,444
Insurance receivables - net (Note 5)	**263,304,051**	198,729,718
Financial assets (Note 6)		
Financial assets at fair value through profit or loss	**391,134,302**	325,082,494
Financial assets at fair value through other comprehensive income	**1,441,726,733**	1,441,190,904
Held-to-collect investments	**178,451,625**	185,567,733
Loans and receivables	**220,944,613**	222,420,806
Accrued income (Note 7)	**11,938,400**	12,914,213
Investment in an associate (Note 8)	**977,729,833**	891,733,039
Reinsurance assets (Notes 10 and 16)	**126,201,492**	113,881,710
Investment properties (Note 11)	**234,914,336**	229,224,516
Property and equipment - net (Note 12)	**30,167,300**	35,093,587
Right-of-use assets (Note 13)	**2,013,982**	2,411,083
Other assets (Note 14)	**5,806,451**	14,528,644
	₱4,010,508,932	₱3,867,969,333
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Note 16)	**₱371,779,567**	₱478,523,337
Insurance payables (Note 17)	**120,807,168**	54,724,859
Accounts payable and accrued expenses (Note 18)	**211,761,344**	173,365,610
Deferred reinsurance commissions (Note 9)	**14,122,032**	9,465,929
Pension liability (Note 19)	**28,279,568**	31,263,389
Lease liability (Note 29)	**1,945,757**	2,558,474
Deferred tax liability (Note 27)	**184,128,687**	196,806,030
Other liabilities (Note 20)	**112,094,843**	109,742,551
	1,044,918,966	1,056,450,179
Equity		
Capital stock - ₱100 par value		
Authorized - 10,000,000 shares		
Issued (Note 21)	**1,000,000,000**	1,000,000,000
Revaluation reserves on financial assets at FVOCI (Note 6)	**393,394,373**	470,109,813
Remeasurement losses on defined benefit plan (Note 19)	**(9,996,966)**	(7,066,484)
Share in associate's other comprehensive income (Note 8)	**83,297,773**	64,529,246
Share in associate's equity reserve (Note 8)	**661,469**	661,469
Retained earnings (Note 21)	**1,506,927,459**	1,291,979,252
Treasury stocks (Note 21)	**(8,694,142)**	(8,694,142)
	2,965,589,966	2,811,519,154
	₱4,010,508,932	₱3,867,969,333

See accompanying Notes to Financial Statements.

PHILIPPINES FIRST INSURANCE COMPANY, INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2020	**2019**
Gross premiums earned	**₱449,747,702**	₱445,187,591
Reinsurers' share of gross premiums earned	**181,090,986**	163,435,406
Net premiums earned (Notes 16 and 22)	**268,656,716**	281,752,185
Investment income (Note 23)	**89,388,863**	367,848,263
Share in associate's net income (loss) (Note 8)	**67,228,267**	(164,913,598)
Commission income (Note 9)	**24,436,409**	19,000,295
Fair value gain on investment properties (Note 11)	**4,297,477**	6,470,224
Other income (Note 24)	**8,237,434**	9,223,309
Other income	**193,588,450**	237,628,493
Total income	**462,245,166**	519,380,678
Gross insurance contract benefits and claims paid	**124,309,197**	139,054,972
Reinsurers' share of insurance contract benefits and claims paid	**(28,845,692)**	(13,223,185)
Gross change in insurance contract benefits and claims liabilities	**(81,574,043)**	105,713,826
Reinsurers' share of change in insurance contract benefits and claims liabilities	**27,348,750**	(34,457,190)
Net insurance contract benefits and claims (Notes 16 and 25)	**41,238,212**	197,088,423
General expenses (Note 26)	**110,835,096**	98,257,936
Commission expense	**63,408,712**	84,085,308
Taxes and licenses	**6,952,859**	5,637,229
Interest on lease liabilities (Note 29)	**251,002**	369,152
Other expenses	**181,447,669**	188,349,625
Total insurance contract benefits, claims and other expenses	**222,685,881**	385,438,048
INCOME BEFORE INCOME TAX	**239,559,285**	133,942,630
PROVISION FOR INCOME TAX (Note 27)	**24,611,078**	105,312,117
NET INCOME	**₱214,948,207**	₱28,630,513

See accompanying Notes to Financial Statements.

PHILIPPINES FIRST INSURANCE COMPANY, INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31	
	2020	2019
NET INCOME	**₱214,948,207**	₱28,630,513
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods:		
Share in associate's net changes in the revaluation reserves on financial assets at FVOCI (Note 8)	**44,707,048**	300,880,468
Net changes in the revaluation reserves on financial assets at FVOCI (Note 6)	**(76,715,440)**	9,476,066
Share in associate's remeasurement on life insurance reserve (Note 8)	**(16,788,376)**	(10,000,861)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement loss on defined benefit plan, net of tax effect (Note 19)	**(2,930,482)**	(711,941)
Share in associate's remeasurement gain (loss) on defined benefit plan (Note 8)	**(9,150,145)**	2,748,324
Total other comprehensive income	**(60,877,395)**	302,392,056
TOTAL COMPREHENSIVE INCOME	**₱154,070,812**	₱331,022,569

See accompanying Notes to Financial Statements.

PHILIPPINES FIRST INSURANCE COMPANY, INC.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 21)	Revaluation Reserves on Financial Assets at FVOCI (Note 6)	Remeasurement losses on Defined Benefit Plan (Note 19)	Share in Associate's Net Earnings and Other Comprehensive Income (Note 8)	Share in Associate's Equity Reserve (Note 8)	Retained Earnings (Note 21)	Treasury Stocks (Note 21)	Total
As of January 1, 2020	**₱1,000,000,000**	**₱470,109,813**	**(₱7,066,484)**	**₱64,529,246**	**₱661,469**	**₱1,291,979,252**	**(₱8,694,142)**	**₱2,811,519,154**
Net income for the year	–	–	–	–	–	**214,948,207**	–	**214,948,207**
Other comprehensive income (loss) for the year	–	**(76,715,440)**	**(2,930,482)**	**18,768,527**	–	–	–	**(60,877,395)**
Total comprehensive income (loss) for the year	–	**(76,715,440)**	**(2,930,482)**	**18,768,527**	–	**214,948,207**	–	**154,070,812**
As of December 31, 2020	**₱1,000,000,000**	**₱393,394,373**	**(₱9,996,966)**	**₱83,297,773**	**₱661,469**	**₱1,506,927,459**	**(₱8,694,142)**	**₱2,965,589,966**
As of January 1, 2019	₱650,000,000	₱460,633,747	(₱6,354,543)	(₱229,098,685)	₱737,024	₱1,313,348,739	(₱8,694,142)	₱2,180,572,140
Issuance of shares	350,000,000	–	–	–	–	–	–	350,000,000
Declaration of dividends (Note 21)	–	–	–	–	–	(50,000,000)	–	(50,000,000)
Total	1,000,000,000	460,633,747	(6,354,543)	(229,098,685)	737,024	1,263,348,739	(8,694,142)	2,480,572,140
Net income for the year	–	–	–	–	–	28,630,513	–	28,630,513
Other comprehensive income (loss) for the year	–	9,476,066	(711,941)	293,627,931	–	–	–	302,392,056
Total comprehensive income (loss) for the year	–	9,476,066	(711,941)	293,627,931	–	28,630,513	–	331,022,569
Equity reserve	–	–	–	–	(75,555)	–	–	(75,555)
As of December 31, 2019	₱1,000,000,000	₱470,109,813	(₱7,066,484)	₱64,529,246	₱661,469	₱1,291,979,252	(₱8,694,142)	₱2,811,519,154

See accompanying Notes to Financial Statements.

PHILIPPINES FIRST INSURANCE COMPANY, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱239,559,285**	₱133,942,630
Adjustments for:		
Interest income (Note 23)	**(68,994,277)**	(56,886,792)
Share in associate’s net income (loss) (Note 8)	**(67,228,267)**	164,902,598
Provision for credit losses, net of recovery (Notes 6, 15 and 26)	**16,494,071**	1,064,197
Dividend income (Note 23)	**(11,505,173)**	(22,427,381)
Depreciation and amortization (Notes 12, 13 and 26)	**11,054,738**	10,842,438
Fair value gains on financial assets at FVTPL (Notes 6)	**(8,889,413)**	(288,742,544)
Fair value gain on investment property (Note 11)	**(4,297,477)**	(6,470,224)
Pension benefit expense (Notes 19 and 26)	**2,562,428**	3,428,640
Amortization of premium on financial assets (Note 6)	**1,129,151**	1,125,718
Interest expense on lease liabilities (Note 29)	**251,002**	369,152
Gain on sale of financial assets at FVOCI (Notes 23)	**–**	(9,455)
Operating income (loss) before working capital changes	**110,136,068**	(58,861,023)
Decrease (increase) in:		
Cash and cash equivalents	**(10,082,838)**	(250,797)
Insurance receivables	**(84,780,064)**	(42,024,045)
Loans and receivables	**3,310,231**	(197,951,112)
Accrued income	**–**	170,446
Reinsurance assets	**(12,319,782)**	(37,304,514)
Other assets	**5,652,619**	(7,081,512)
Increase (decrease) in:		
Insurance contract liabilities	**(106,743,770)**	127,918,868
Insurance payables	**66,082,309**	6,543,512
Accounts payable and accrued expenses	**26,599,532**	83,142,137
Deferred reinsurance commissions	**4,656,103**	712,637
Other liabilities	**2,352,292**	93,266,885
Net cash generated from (used in) operations	**4,862,700**	(31,718,518)
Pension benefits paid (Note 19)	**(8,476,731)**	(5,536,201)
Income tax paid	**(16,873,595)**	(7,783,384)
Net cash used in operating activities	**(20,487,626)**	(45,038,103)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**69,970,090**	51,459,569
Dividends received	**11,505,173**	22,427,381
Acquisitions of:		
Financial assets at FVOCI (Note 6)	**(122,056,909)**	(325,331,578)
Short-term investments	**(72,488,707)**	(87,394,989)
Property and equipment (Note 12)	**(4,904,610)**	(9,158,193)
Investment properties (Note 11)	**(1,392,343)**	(9,411,620)
Financial assets at fair value through profit or loss (Note 6)	**–**	(37,025,012)

(Forward)

	Years Ended December 31	
	2020	2019
Proceeds from disposals and maturities of:		
Short-term investments	**₱95,366,641**	₱5,111,692
Financial assets at FVOCI (Note 6)	**42,172,512**	87,078,982
HTC investments (Note 6)	**6,000,000**	−
Property and equipment (Note 12)	−	12,000
Financial assets at fair value through profit or loss (Note 6)	−	40,848,009
Net cash generated from (used in) investing activities	**24,171,847**	(261,383,759)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares (Note 21)	−	350,000,000
Payment of principal and interest on lease liabilities (Note 29)	**(1,180,174)**	(1,681,752)
Net cash provided by (used in) financing activities	**(1,180,174)**	348,318,248
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,504,047**	41,896,386
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	**108,842,239**	66,945,853
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱111,346,286**	₱108,842,239

See accompanying Notes to Financial Statements.

1. Corporate Information

Philippines First Insurance Company, Inc. (the Company) was incorporated in the Philippines to engage in the business and operation of all kinds of insurance, reinsurance, insurance on buildings, automobiles, cars and/or other motor vehicles, goods and merchandise goods in transit, goods in storage, fire insurance, earthquakes, insurance against accidents and all other forms of undertaking to indemnify any person against loss, damage or liability arising from unknown or contingent events, except life insurance.

The Company was registered with the Securities and Exchange Commission (SEC) on February 24, 1954. On January 9, 2004, it was approved by at least a majority of the Board of Directors (BOD) and the stockholders owning and representing at least two-thirds (2/3) of the outstanding capital stock that the Articles of Incorporation will be amended to extend the existence of the Company to another fifty (50) years from its original expiry date. The Philippine SEC approved the amended Articles of Incorporation on May 21, 2004.

On February 20, 2019, Republic Act No. 11232, otherwise known as the "Revised Corporation Code of the Philippines" or "RCC", was signed into law. The RCC took effect on February 23, 2019. The corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation. As of February 23, 2019, the Company is deemed to have selected a perpetual term.

The registered office address of the Company is 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City.

The accompanying financial statements were approved and authorized for issue by the BOD of the Company on October 8, 2021

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements of the Company have been prepared in compliance with accounting principles generally accepted in the Philippines (PGAAP), except for the commission expense, which has been accounted for using the cash basis of accounting, rent income, which has not been accounted for using the straight-line method, and reclassification of certain debt and equity investment during December 31, 2020, which is not in accordance with the Company's business model. PGAAP includes all applicable Philippine Financial Reporting Standards (PFRSs), including Philippine Accounting Standards (PASs) and Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council (FRSC), the accounting standards set forth in the Pre-Need Rule 31, As Amended: *Accounting Standards for Pre-Need Plans and Pre-Need Uniform Chart of Accounts (PNUCA),* and applicable Insurance Commission (IC) Circular Letter and accounting requirements for Philplans First, Inc. (PhilPlans), one of the subsidiaries of Maestro Holdings, Inc.

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

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

Changes in Accounting Policies and Disclosures

The Company has adopted the following new accounting pronouncements starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3*, Business Combinations, Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations.

- Amendments to PFRS 7*, Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, Presentation of Financial Statements, and PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  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, 2021; 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 June 1, 2020. Early adoption is permitted.

  The Company adopted the amendments beginning January 1, 2020 and have assessed that this had no impact on the financial statements of the Company.

Use of Estimates, Assumptions and Judgments
The preparation of the financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities and contingent liabilities at the end of the reporting period as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as at the end of the reporting period, the actual outcome may differ from these estimates, possibly significantly. For further information on critical accounting estimates and judgments, refer to Note 3.

Foreign Currency Transactions and Translations
Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are recognized in profit or loss, except where it relates to equity securities classified as financial assets at FVOCI where gains or losses are recognized in other comprehensive income.

Product Classification
Insurance contracts are those contracts where the Company (the insurer) has accepted 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 policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

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

Fair Value Measurement
The Company measures financial instruments, such as financial assets at FVTPL and financial assets at FVOCI, 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 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 or by selling it to another market participant that would use the asset in its highest and best use.

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

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 of 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 of input that is significant to the fair value measurement is directly or indirectly observable
- *Level 3* - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

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

Short-term Investments

Short term investments are short-term placements with maturities of more than three months but less than one year from the date of acquisition. These earn interest at the respective short-term investment rates.

Insurance Receivables

Due from brokers and agents and due from ceding companies are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage.

Reinsurance recoverable on paid losses is recognized upon settlement of the cost of claims incurred with coverage with reinsurance companies and measured in a manner consistent with the reinsurance contract.

Subsequent to initial recognition, insurance receivables are measured at amortized cost less allowance for impairment. The carrying value of insurance receivables is reviewed for impairment using the estimated credit loss (ECL) model, with the impairment loss recorded in the statements of income.

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. 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 of financial instruments

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). Except for financial instruments at FVTPL, the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVTPL, financial assets at FVOCI, loans and receivables and held to collect (HTC) investments. The Company classifies its financial liabilities into financial liabilities at FVTPL and other 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 end of the reporting period.

'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 computed based on a valuation technique whose variables include only data from observable markets, the Company recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statements of income, unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which are not observable from the market, the difference between the transaction price and the model value is only recognized in the statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the amount of ‘Day 1’ difference.

Classification and Measurement of Financial Assets
The Company classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at FVOCI investments, HTC investments, and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVTPL and other financial liabilities at cost or amortized cost. The classification and measurement of financial assets is driven by the contractual cash flow characteristics of the financial assets and the Company’s business model for managing the financial assets.

Contractual cash flows characteristics
As part of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the ‘solely payments of principal and interest’ (SPPI) test. ‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount).

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company’s business model is not assessed on an instrument-by-instrument basis, but a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of sales are also important aspects of the Company’s assessment

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company’s original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Company’s measurement categories are described below:

a. Financial Assets at FVTPL
   Debt instruments that neither meet the amortized cost nor the FVOCI criteria, or that meet the criteria but the Company has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL.

   Equity investments are classified as financial assets at FVTPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company’s financial assets at FVTPL include investment in mutual funds and unquoted equity securities which are held for trading purposes.

b. Financial Assets at Amortized Cost
The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

This accounting policy applies primarily to the Company's 'Cash and cash equivalents', 'Short-term investments', 'Insurance receivables', 'Held-to-collect investments' and 'Loans and Receivables'.

c. Financial Assets at FVOCI - Debt Investments
The Company applies the new category under PFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:
- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted and unquoted debt instruments.

d. Financial Assets at FVOCI - Equity Investments
At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in 'Revaluation reserves on financial assets at FVOCI' in the statements of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation reserves on financial assets at FVOCI account is not reclassified to profit or loss, but is reclassified directly to 'Retained earnings' account or other appropriate equity account. Any dividends earned on holding these equity instruments are recognized in profit or loss under 'Other income' accounts.

The Company elected to classify irrevocably all its listed and non-listed equity investments under this category.

e. Other Financial Liabilities
   Issued financial instruments or their components, which are not designated at FVTPL, are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

   Financial liabilities are initially recognized at the fair value of consideration received, less any directly attributable transaction costs. After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR.

   This accounting policy applies primarily to the Company's 'Insurance payables', 'Accounts payable and accrued expenses'.

Reclassifications of financial instruments
The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. With the exception of certain debt and equity investment reclassified to FVOCI which was previously classified as FVTPL. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company is required to reclassify the following financial assets:
- From amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- From FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual model changes so that the fair value criteria are no longer met but the amortized cost criteria is still met and the instrument's contractual cash flows meet the amortized cost criteria.

<u>Offsetting Financial Instruments</u>
Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

<u>Impairment of Financial Assets</u>
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

For cash in banks and short-term investments, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. The Company's debt instrument at fair value through OCI comprise of quoted and unquoted bonds. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from Moody's to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Definition of "default"
The Company classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Write-off policy
The Company writes-off its financial assets when it has been established that all efforts to collect and recover the loss has been exhausted. This may include other party being insolvent, deceased or the obligation being unenforceable.

<u>Derecognition of Financial Assets and Liabilities</u>

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

- the right to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the 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.

Where the 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 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 consideration that the Company could be required to repay.

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

Reinsurance
The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances recoverable from unpaid losses incurred by the Company with coverage from reinsurance companies and the reinsurance premiums that pertain to the unexpired periods at reporting date. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and the deferred reinsurance premiums are in accordance with the reinsurance contract.

An impairment review is performed at each end of the reporting period. The account is collectively assessed for impairment estimated on the basis of historical loss experience, adjusted on the basis of current observable data to reflect the effects of current conditions. The impairment loss is recorded in the statements of income.

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

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

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

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

When the Company enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Company initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability which is presented as 'Insurance payables' in the liabilities section of the statement of financial position will be withheld and recognized as funds held for reinsurers and included as part of the 'Insurance payables' in the liabilities section of the statement of financial position. The amount withheld is generally released after a year.

Investment in an Associate
Investment in an associate in which the Company exercises significant influence and which is neither a subsidiary nor a joint venture of the Company is accounted for under the equity method. Under the equity method, the cost of investment in associate is carried in the statement of financial position at cost and is increased or decreased by the Company's share in net earnings or losses of the associates since the date of acquisition and reduced by dividends received. After application of the equity method, the Company determines whether it is necessary to recognize any impairment loss with respect to the Company's net investment in the associate. The statements of income reflects the share in results of operations of the associate. Where there has been a change recognized directly in the

equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Investment in associate is accounted for using the equity method from the date it becomes an associate. On acquisition of the investment, any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with PFRS 3. Therefore:

a. goodwill relating to an associate is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Company's share of the associate's profit or loss; and
b. any excess of the Company's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Company's share of the associate's profit or loss in the period in which the investment is acquired.

The Company discontinues applying the equity method when its investments in associates, including any other unsecured receivables, are reduced to zero. Additional losses are provided only to the extent that the Company has incurred obligations or made payments on behalf of the associate to satisfy obligations of the investee that the Company has guaranteed or otherwise committed. If the investee subsequently reports profit, the Company resumes applying the equity method only after its share of the profits equals the share of net losses not recognized during the period the equity method was suspended.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. 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.

Investment in an associate pertains to the Company's 20% ownership interest in Maestro Holdings, Inc. as of December 31, 2020 and 2019. The reporting date of the associate is at December 31.

Investment Properties

Property held for long-term rental yields or for capital appreciation or for both, is classified as investment property. These properties are initially measured at cost, which includes transaction costs, but excludes day to day servicing costs. Replacement costs are capitalized if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects the prevailing market conditions at the statement of financial position date. Gains or losses resulting from changes in the fair values of investment properties are recognized in the statements of income under 'Fair value gains on investment properties'.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment property is derecognized when it has been disposed of or when permanently withdrawn from use and no future benefit is expected from its disposal.

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

Depreciation is calculated using the straight-line method over the estimated useful life of the corresponding asset. The estimated useful lives of items of property and equipment are as follows:

	Years
Building	16-30
Transportation equipment	5
Office improvements	3-5
Office furniture, fixtures and equipment	3-5

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against the statements of income.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that investment in an associate, property and equipment and right-of-use assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

Creditable Withholding Taxes (CWTs)
Creditable withholding taxes pertain to the taxes paid by the Company withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under "Other assets" account.

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Company. If these CWTs are claimed as a refund, these will be recorded as a receivable under "Loans and receivables" account.

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

Value-added Tax (VAT)
The input value added tax pertains to the 12% indirect tax paid by the Company in the course of the Company's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the sale of insurance policies and other goods or services by the Company.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts payable and accrued expenses" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other assets" account.

Insurance Contract Liabilities
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 short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The change in the provision for unearned premiums is taken to the statements of income 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.

The Company includes an Margin for Adverse Deviation (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 to bring the actuarial estimate of the policy liabilities at the 75% level of sufficiency.

Premium liabilities
Premium liabilities are 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.

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

Provision for unexpired risk
Provision for unexpired risk 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.

Leases
Company as a lessee
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the control the use of an identified asset for a period of time in exchange for consideration.

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

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

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

Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the Buildings. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment (See Note 2, *Impairment of Nonfinancial Assets*).

Short-term leases and leases of low-value asset
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). 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.

Company as a lessor
Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. The Company recognized its rental income in the statement of income upon collection.

Pension Benefit Liability and Plan Assets
The defined benefit liability is the aggregate of the present value of the of expected future payments required to settle the obligation resulting from employee service in the current and prior period. Plan assets are assets that are held by the Company and a fund to solely pay or fund employee benefits.

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 costs which include current service costs, past service costs and gains or losses on non-routine settlements are 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 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.

Service costs and net interest on the benefit liability are recognized as “Net pension benefit expense” under “General expenses.”

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. Remeasurements recognized in OCI after the initial adoption of PAS 19 (Revised) are not closed to any other equity account.

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

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

Equity

Capital stock

Capital stock represents the value of shares that have been issued at par.

Retained earnings

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

Treasury stocks

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statements of income on the purchase, sale, issue or cancellation of the Company’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

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 Company expects to be entitled in exchange for those services.

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

The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Other income

Other income is recognized when earned. This includes administrative fees and other collections made by the Company.

<u>*Revenues outside the scope of PFRS 15*</u>
Premiums revenue
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written and assumed that relate to the unexpired periods of the policies as of reporting date are accounted for as provision for unearned premiums and presented in the liabilities section of the statement of financial position under "Insurance contract liabilities" account. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums and presented in the assets section of the statement of financial position under "Reinsurance assets" account. The net changes in these accounts between reporting dates are charged against or credited to income for the year.

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

Commission income
Commissions earned from short-duration insurance contracts are recognized as revenue over the period of contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as "Deferred reinsurance commissions" and presented in the liabilities section of the statement of financial position.

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at fair value through other comprehensive income, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The change in carrying amount is recorded as interest income.

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

Rental income
Rental income is recognized in the statements of income upon payment.

Fair value gain on investment properties
This pertains to changes in fair values of investment properties

<u>Expense Recognition</u>
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 decrease in equity, other than those relating to distribution to equity participants.

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

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

Interest expense
Interest expense is charged against operations and is calculated using the effective interest method.

Commission expense
The Company recognized its commission expense in the statements of income upon payment.

Income Tax
Current tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the end of the reporting period. Effective January 1, 2019, the Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

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. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of MCIT and unused NOLCO can be utilized.

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 income will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income 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 income will allow all or part of deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period. Current tax and deferred income tax relating to items recognized directly in other comprehensive income is also recognized in other comprehensive income and not in the statements of income.

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

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. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date

Post year-end events that provide additional information about the Company's financial position at the end of the reporting date (adjusting events) are reflected in the Company's financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the Company's financial statements.

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

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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 1*, Classification of Liabilities as Current or Non-current*

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, 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, 2023 with comparative figures required. Early application is permitted.

  The Company is currently assessing the impact of adopting PFRS 17.

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*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  The Company is currently assessing the impact of this standard.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRSs requires the 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 Company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which has the most significant effect on the amounts recognized in the financial statements.

Product classification

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

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

Business model test

The Company manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high quality liquid assets while maintaining a strategic portfolio of financial assets for trading activities.

Estimation of contingencies

The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the legal counsels and based upon analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position. It is possible, however, that the results of operations could be materially affected by changes in the estimates.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date 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.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates).

The Company's lease liabilities amounted to ₱1.95 million and ₱2.56 million as of December 31, 2020 and 2019, respectively (see Note 29).

Uncertainties over income tax payments
The Company applies significant judgement in identifying uncertainties over income treatments. Since the Company operates in a highly regulated environment, it assessed whether the Interpretation had an impact on its financial statements.

The Company applies significant judgment whether it is probable that a particular uncertain income tax treatment will be acceptable to the taxation authority. The Company considers the following:
- Past experience related to similar tax treatments
- Legal advice or case law related to other entities
- Practice guidelines published by the taxation authority that are applicable to the case

The Company reassesses the judgement if the facts and circumstances on which the judgement was based change or as a result of new information that affects the judgement.

Determination of fair values of financial assets
Fair value determinations for financial assets are based generally on listed market prices or broker or dealer price quotations within the bid-offer price range. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. The use of assumptions could produce materially different estimates of fair value.

Valuation of insurance contract liabilities
For nonlife insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision. The IBNR provision of the Company has been calculated using standard actuarial projection techniques using past development patterns to determine the expected future development and project the claim amounts for each accident year to its ultimate value. A number of different valuation methodologies have been adopted, each with their own strengths and blended them together which include: (a) Chain Ladder method; (b) expected loss ratio method; and (c) Bornhuetter-Ferguson (BF method). At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

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

The carrying values of claims reported and IBNR amounted to ₱180.78 million and ₱262.36 million as of December 31, 2020 and 2019, respectively (see Note 16).

Impairment of financial assets
The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:
- Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Insurance receivables, net of allowance for doubtful accounts amounted to ₱263.30 million and ₱198.73 million as of December 31, 2020 and 2019, respectively (see Note 5). Loans and receivables, net of allowance for doubtful accounts amounted to ₱220.94 million and ₱222.42 million as of December 31, 2020 and 2019, respectively (see Note 6).

Recognition of deferred tax assets
The Company reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces it to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

As of December 31, 2020 and 2019, the Company has unrecognized deferred tax assets amounted to ₱17.18 million and ₱53.84 million, respectively (see Note 27).

Estimation of pension obligation
The determination of pension obligation and cost of pension is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates.

Due to the long-term nature of this plan, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. In accordance with PAS 19, actual results that differ from the Company's assumptions are recognized immediately in other comprehensive income in the period in which they arise. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations (see Note 19).

The Company's pension obligation amounted to ₱28.28 million and ₱31.26 million as of December 31, 2020 and 2019, respectively (see Note 19).

4. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱79,619,081**	₱84,202,001
Cash equivalents	**31,727,205**	24,640,238
	111,346,286	108,842,239
Less allowance for impairment losses (Note 15)	**390,691**	250,797
	₱110,955,595	₱108,591,442

Cash on hand includes petty cash fund, commission fund and undeposited collections as of end of the reporting period.

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 Company and earn interest at the rates ranging from 0.19% to 4.50% and 0.75% to 4.50% in 2020 and in 2019, respectively.

Interest income from cash and cash equivalents amounted to ₱0.35 million and ₱1.85 million in 2020 and 2019 respectively (see Note 23).

In 2020 and 2019, cash and cash equivalents were carried at stage 1 and there were no transfers into and out of Stage 1.

Short-term Investments

	2020	2019
Short-term investments	**₱15,539,186**	₱87,394,989
Less: allowance for impairment losses (Note 15)	**318,967**	795,545
	₱15,220,219	₱86,599,444

Short-term investments pertain to term deposits which have original maturity of more than three months but less than one year and earns annual interest rates of 0.19% to 4.50% in 2020 and 1.75% to 4.59% in 2019.

Interest income earned from short-term investments amounted to ₱0.17 million and ₱0.08 million in 2020 and 2019, respectively (see Note 23). Interest receivable as of December 31, 2020 and 2019 amounted to ₱0.01 million and ₱0.27 million, respectively (see Note 7).

In 2020 and 2019, short-term investments were carried at stage 1 and there were no transfers into and out of Stage 1.

5. Insurance Receivables - net

This account consists of:

	2020	2019
Due from brokers and agents	**₱230,252,758**	₱160,818,163
Reinsurance recoverable on paid losses	**55,376,052**	49,213,198
Due from ceding companies	**26,806,864**	27,345,378
Gross insurance receivables	**312,435,674**	237,376,739
Allowance for impairment losses (Note 15)	**(49,131,623)**	(38,647,021)
	₱263,304,051	₱198,729,718

The aging analysis of gross insurance receivables follows:

	December 31, 2020					
	1 to 60 days	**61 to 120 days**	**121 to 180 days**	**181 to 360 days**	**Over 360 days**	**Total**
Due from brokers and agents	**₱43,216,045**	**₱40,257,186**	**₱53,425,484**	**₱53,488,022**	**₱39,866,021**	**₱230,252,758**
Reinsurance recoverable on paid losses	**3,816,948**	**6,431,413**	**25,497**	**12,956,590**	**32,145,604**	**55,376,052**
Due from ceding companies	**611,113**	**1,390,222**	**1,949,831**	**4,560,101**	**18,295,597**	**26,806,864**
	₱47,644,106	**₱48,078,821**	**₱55,400,812**	**₱71,004,713**	**₱90,307,222**	**₱312,435,674**

	December 31, 2019					
	1 to 60 days	61 to 120 days	121 to 180 days	181 to 360 days	Over 360 days	Total
Due from brokers and agents	₱116,185,284	₱–	₱12,756,265	₱15,231,259	₱16,645,355	₱160,818,163
Reinsurance recoverable on paid losses	668,681	75,677	8,022,356	63,066	40,383,418	49,213,198
Due from ceding companies	7,442,188	600,222	836,884	864,227	17,601,857	27,345,378
	₱124,296,153	₱675,899	₱21,615,505	₱16,158,552	₱74,630,630	₱237,376,739

6. Financial Assets

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

	2020	2019
Financial assets at FVTPL	**₱391,134,302**	₱325,082,494
Financial assets at FVOCI	**1,441,726,733**	1,441,190,904
HTC investments	**178,451,625**	185,567,733
Loans and receivables	**220,944,613**	222,420,806
	₱2,232,257,273	₱2,174,261,937

a) Financial Assets at FVTPL

This account consists of:

	December 31, 2020	
	At Fair Value	**At Cost**
Mutual funds	**₱69,505,889**	**₱68,109,529**
Other investments	**321,628,413**	**28,000,000**
	₱391,134,302	**₱96,109,529**

	December 31, 2019	
	At Fair Value	At Cost
Mutual funds	₱11,009,939	₱10,947,134
Other investment	314,072,555	28,000,000
	₱325,082,494	₱38,947,134

Other investment pertains to transferred rights over the redeemable preferred shares of Advent Capital and Finance Corporation. On April 26, 2019, the Company acquired rights to the proceeds from 101.02 million redeemable preferred shares of Advent Capital and Finance Corporation with ₱0.50 par value for a consideration of ₱28.00 million.

The rollforward analysis of financial assets at FVTPL follows:

	2020	2019
Balance at beginning of year	**₱325,082,494**	₱109,828,610
Acquisition	–	37,025,012
Disposals	–	(40,848,009)
Reclassification	**57,162,395**	(69,665,663)
Fair value gains (Note 23)	**8,889,413**	288,742,544
Balance at end of year	**₱391,134,302**	₱325,082,494

On January 1, 2020, the Company reclassified certain short-term investments to FVTPL amounting to ₱57.16 million.

b) *Financial assets at FVOCI*

The financial assets at fair value through other comprehensive income of the Company consists of:

	2020	2019
Quoted securities		
Listed equity securities:		
Common shares	**₱451,121,182**	₱464,277,431
Preferred shares	**21,651,000**	26,195,000
Club shares	**8,780,000**	9,080,000
Government securities:		
Local currency	**196,224,770**	196,112,882
Foreign currency	**14,911,502**	18,617,611
Private debt securities	**588,997,802**	548,370,665
Other securities	**160,040,477**	178,537,315
	₱1,441,726,733	₱1,441,190,904

As of December 31, 2020 and 2019, the quoted equity securities consist of shares of stocks in a private corporation. Dividend income as of December 31, 2020 and 2019 amounted to ₱11.51 million and ₱22.43 million, respectively (see Note 23).

Other securities pertain to investment in shares of stock of Philippine Power Holdings Corporation. Fair value of this security is derived based on the adjusted net asset value method.

The rollforward analysis of financial assets at FVOCI follows:

	2020	2019
Balance at beginning of year	**₱1,441,190,904**	₱1,075,973,203
Acquisitions	**122,056,909**	325,331,578
Disposal/maturities	**(42,172,512)**	(87,078,982)
Reclassifications	–	69,665,663
Amortization of premium	**(13,043)**	(60,813)
Fair value gains recognized in other comprehensive income	**(79,335,525)**	57,360,255
Balance at end of year	**₱1,441,726,733**	₱1,441,190,904

In 2019, previously recognized FVTPL debt and equity investments were reclassified to FVOCI without changing the Company's business model. In 2020, the related fair value loss was recorded to net changes in the revaluation reserves on financial assets at FVOCI amounting to ₱13.63 million. The fair values of these investments are ₱195.82 million and ₱224.63 million in 2020 and 2019 respectively.

The movements of revaluation reserves on financial assets at FVOCI follow:

	2020	2019
Balance at beginning of year	**₱470,109,813**	₱460,633,747
Fair value gains (losses) recognized in other comprehensive income	**(79,335,525)**	57,360,255
Tax effect	**1,506,183**	(49,862,114)
Transfer to profit or loss:		
Realized gain (Note 23)	–	(9,455)
Impairment	**1,113,902**	1,987,380
Balance at end of year	**₱393,394,373**	₱470,109,813

Financial assets at FVOCI investment bear interest ranging from 3.25% to 7.38% and 3.25% to 8.12% for 2020 and 2019, respectively. Interest income from financial assets at FVOCI investments amounted to ₱48.27 million and ₱37.92 million in 2020 and 2019 respectively (see Note 23). Interest receivable as of December 31, 2020 and 2019 amounted to ₱7.85 million and ₱9.43 million, respectively (see Note 7). Realized net gain on sale as of December 31, 2020 and 2019 amounted to nil and ₱0.01 million, respectively.

c) HTC Investments

Held-to-collect consists of investment in government securities which are deposited with the Insurance Commission (IC) in accordance with the provisions of the Insurance Code (Section 209) for the benefit and security of policy holders and creditor of the Company.

The rollforward analysis of HTC investments follows:

	2020	2019
Balance at beginning of year	**₱185,567,733**	₱186,632,638
Maturities	**(6,000,000)**	–
Amortization of premium	**(1,116,108)**	(1,064,905)
Balance at end of year	**₱178,451,625**	₱185,567,733

The following presents the breakdown of HTC investments by contractual maturity dates:

	2020	2019
Within one year	**₱25,000,000**	₱6,018,899
Due within two (2) to five (5) years	**–**	25,000,000
More than five (5) years	**153,451,625**	154,548,834
	₱178,451,625	₱185,567,733

HTC investments bear interest ranging from 3.63% to 10.25% in 2020 and 2019. Interest income from HTC financial assets amounted to ₱10.49 million and ₱10.73 million in 2020 and 2019, respectively (see Note 23). Interest receivable as of December 31, 2020 and 2019 amounted to ₱1.97 million and ₱2.08 million, respectively (see Note 7).

d) *Loans and Receivables*

This account consists of:

	2020	2019
Real estate mortgage loan	**₱188,761,301**	₱187,632,741
Intercompany receivables (Note 19)	**18,914,305**	22,394,289
Accounts receivables	**11,569,125**	11,078,897
Loans receivables (Notes 19)	**1,821,092**	3,270,127
Advances	**691,200**	691,200
Deposit on fractional share	**900**	900
	221,757,923	225,068,154
Allowance for impairment losses (Note 15)	**(813,310)**	(2,647,348)
	₱220,944,613	₱222,420,806

In 2018, the Company entered into ₱50.00 million real estate mortgage loan with Fibertex Corporation payable until June 2026 subject to 4% interest per annum. In 2019, the Company extended additional real estate mortgage loan to Fibertex Corporation amounting to ₱100.00 million and ₱50.00 million payable until May 2028 and March 2028, respectively, both subject to 5% interest per annum and a collateral. In 2020, the Company extended additional real estate mortgage loan to Fibertex Corporation amounting to ₱12.50 million and ₱8.00 million payable until September 2022 and October 2022, respectively, both subject to 5% interest per annum and a collateral (see Note 32). The fair value of the collateral amounts to ₱1,663.81 million and ₱1,449.78 million as of December 31, 2020 and 2019, respectively.

Intercompany receivables pertain to funds placed with an entity under common control. The fund is restricted to the group comprehensive benefits plan for the payment of the Company's retirement benefit obligations to its covered employees. The investment earns 5% interest per annum with no fixed term and is withdrawable anytime (see Note 19). Interest income from the intercompany receivables amounted to ₱0.74 million and ₱1.26 million in 2020 and 2019, respectively (see Note 23).

Accounts receivables consist of advance payment for utilities and condominium dues of its tenants as part of their lease agreement, advances made to employees which are paid through salary deduction, agent's advance commissions and other receivables from agents arising from renewal of their licenses.

Loans receivables pertain to loans made to employees included in the retirement plan which earns interest ranging from 10.00% to 13.00% and have terms ranging from one to eight years.

Advances consist of amounts due from related parties and officers and employees. These are noninterest bearing and are payable on demand.

Interest income from loans and receivables amounted to ₱8.97 million and ₱5.04 million in 2020 and 2019, respectively (see Note 23). Interest receivable as of December 31, 2020 and 2019 amounted to ₱2.11 million and ₱1.13 million, respectively (see Note 7).

7. Accrued Income

	2020	2019
Accrued interest income on:		
FVOCI investments (Note 6)	**₱7,845,824**	₱9,430,660
HTC investments (Note 6)	**1,972,550**	2,079,738
Loans and receivables (Note 6)	**2,108,771**	1,131,752
Cash equivalents and short-term investments (Note 4)	**11,255**	272,063
	₱11,938,400	₱12,914,213

8. Investment in an Associate

The details and movements in this account follow:

	2020	2019
Acquisition cost	**₱174,117,100**	₱174,117,100c
Accumulated equity in net earnings:		
Balance at beginning of year	**652,425,224**	817,338,822
Equity in net earnings (losses)	**67,228,267**	(164,913,598)
Balance at end of year	**719,653,491**	652,425,224
Share in associate's other comprehensive income:		
Balance at beginning of year	**64,529,246**	(229,098,685)
Unrealized fair value gain on financial assets at FVOCI	**44,707,048**	300,880,468
Remeasurement on life insurance reserve	**(16,788,376)**	(10,000,861)
Remeasurement gain (loss) on defined benefit plans	**(9,150,145)**	2,748,324
Balance at end of year	**83,297,773**	64,529,246
Share in associate's equity reserve	**661,469**	661,469
	₱977,729,833	₱891,733,039

Information about and major transactions of the associate are discussed below:

Maestro Holdings, Inc.
Maestro Holdings, Inc. is a holding company that holds investments in PhilPlans, PhilHealth Care, Inc. (PhilCare), Banclife Insurance Co., Inc. (Banclife), Philippine Life Financial Assurance Corporation (PhilLife). PhilPlans is a leading pre-need company, providing innovative pension, education and life plans. PhilPlans has 65% equity interest in Rosehills Memorial Management Philippines, Inc. (RMMI) which was sold to Maestro Holdings, Inc. on February 17, 2021 for a consideration of ₱400.00 million, wherein the first ₱200.00 million shall be paid upon the execution of the Deed of Sale and the balance shall be paid on the sixth month from the date of signing of the Deed of Sale. RMMI is presently engaged in the operation and management of a memorial park, memorial and interment services, and sale of memorial products. PhilCare provides a multi-service healthcare program that makes available to its clients a comprehensive healthcare benefits package that provides quality healthcare services at a cost-efficient price. Banclife is engaged in life insurance business in the Philippines but has ceased commercial operations and retired its business presence at its current location. PhilLife provides financial services, such as individual, family, and group life insurance; investment plans; and loan privilege programs. PhilLife is also licensed to sell variable or unit-linked insurance, a life insurance product which is linked to investment funds. PhilLife has two wholly owned subsidiaries: All Asia Asset Management, Inc. (AAMI) and JAE Finance Philippines Corp. (JAE). AAMI provides consultancy, technical, research, advisory, management, administrative and rehabilitation services to mutual funds and other kinds of institutions and enterprises.

On January 15, 2016, Maestro Holdings, Inc. entered into a Contract to Sell with Eujo Philippines, Inc. ("Eujo") for the latter's sale of its equity interest in PhilLife. On December 28, 2016, the parties amended the contract to sell with respect to the inclusion of certain conditions precedent to the completion of the sale and the agreement of the parties prior to the fulfillment of such conditions which includes the execution and delivery of an irrevocable voting proxy over the PhilLife shares in favor of Maestro Holdings, Inc. and the delivery of duly endorsed original stock certificates covering the PhilLife shares to Maestro Holdings, Inc.

The amended contract to sell also provides that if PhilLife fails to achieve either of the conditions precedent within the prescribed period, the Maestro Holdings, Inc. shall have the option to cancel the contract to sell and the amended contract to sell and return the shares as well as the proxies covering the shares to Eujo or refrain from delivering the balance to Eujo and cause the execution by Eujo of a deed of absolute sale covering the shares. If the Maestro Holdings, Inc. opts to cancel the contract to sell and the amended contract to sell, Eujo shall return the initial payment to the Maestro Holdings, Inc. within 30 days from receipt of a notice to this effect.

As of December 31, 2018, the Maestro Holdings, Inc. paid a total of ₱178.9 million initial payments which are recognized under "Deposit for stock purchase" account. The payment of the balance of the purchase price amounting to ₱19.9 million shall be made within 30 days from the date of fulfillment of either of the agreed conditions precedent to the completion of the sale. Upon consummation of the sale, the Maestro Holdings, Inc. will increase its economic interest in PhilLife from 70.60% to 90.77%.

On May 2, 2019, the Maestro Holdings, Inc. and Eujo executed a second amendment to the Contract to Sell wherein, the Maestro Holdings, Inc. agreed to pay the balance of the purchase price in the amount of ₱19.9 million within 30 days from the date of the second amendment to the Contract to Sell and to immediately execute a Deed of Sale over the shares. The parties likewise agreed to a reduction of the price should PhilLife not achieve an agreed milestone as at December 31, 2022. Such price reduction is based on a formula agreed upon by both the Maestro Holdings, Inc. and Eujo.

On the other hand, the Maestro Holdings, Inc. loses its right to a price reduction should certain events occur.

On November 25, 2019, the Maestro Holdings, Inc. and Eujo executed Deed of Sale over the shares of PhilLife for a total consideration of ₱198.8 million.

On May 29, 2020 and June 5, 2020, the Maestro Holdings Inc. subscribed to additional shares of PhilLife aggregating to 810,430,006 shares from the unissued portion of its authorized capital stock . The Parent Company's economic interest in PhilLife is 91.04% and 90.77% as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the Company's share in the associate's equity reserve amounted to ₱0.66 million.

Condensed consolidated financial information for Maestro Holdings, Inc. is as follows:

	2020	2019
Current assets	**₱6,841,584,727**	₱2,068,840,397
Noncurrent assets	**33,243,571,970**	39,670,427,876
Current liabilities	**(11,812,263,839)**	(4,933,147,612
Noncurrent liabilities	**(23,091,247,176)**	(32,075,236,860)
Total equity	**5,181,645,682**	4,730,883,801
Less equity attributable to equity holders of non-controlling interest	**293,046,513**	272,218,608
Equity attributable to equity holders of the associate	**4,888,599,169**	4,458,665,193
Proportion of the Company's ownership	**20%**	20%
Carrying amount of the investment	**₱977,719,834**	₱891,733,039

	2020	2019
Revenues	**₱5,992,953,392**	₱7,409,723,868
Net income (loss)	**368,289,150**	(784,269,812)
Other comprehensive income	**84,909,017**	1,478,975,569
Total comprehensive income	**453,198,167**	694,705,757
Less total comprehensive income attributable to equity holders of non-controlling interests	**20,774,307**	51,134,092
Total comprehensive income attributable to equity holders of the associate	**432,423,860**	643,571,665
Proportion of the Company's ownership	**20%**	20%
Share in total comprehensive income	**₱86,484,772**	₱128,714,333

9. Deferred Reinsurance Commissions

The rollforward analysis of this account follows:

	2020	2019
At beginning of the year	**₱9,465,929**	₱8,753,292
Income deferred during the year	**29,092,512**	19,712,932
Amortization during the year	**(24,436,409)**	(19,000,295)
At end of the year	**₱14,122,032**	₱9,465,929

10. **Reinsurance Assets**

This account consists of:

	2020	2019
Reinsurance recoverable on unpaid losses (Note 16)	**₱36,505,042**	₱63,853,792
Deferred reinsurance premiums (Note 16)	**89,696,450**	50,027,918
	₱126,201,492	₱113,881,710

11. **Investment Properties - net**

The investment properties consist of parcels of land and buildings which are held for capital appreciation and/or being leased out under operating lease to earn income.

The rollforward analysis of this account follows:

	December 31, 2020		
	Land	**Building and building improvements**	**Total**
Fair value			
At January 1	**₱125,909,000**	**₱103,315,516**	**₱229,224,516**
Additions	**–**	**1,392,343**	**1,392,343**
Fair value gain (loss)	**4,931,000**	**(633,523)**	**4,297,477**
At December 31	**₱130,840,000**	**₱104,074,336**	**₱234,914,336**

	December 31, 2019		
	Land	Building and building improvements	Total
Fair value			
At January 1	₱139,193,000	₱74,149,672	₱213,342,672
Additions	–	9,411,620	9,411,620
Fair value gain (loss)	(13,284,000)	19,754,224	6,470,224
At December 31	₱125,909,000	₱103,315,516	₱229,224,516

The comparison of the acquisition cost and the fair value of each investment property is as follows:

	December 31, 2020		
	Land	**Building and building improvements**	**Total**
Acquisition cost	**₱22,157,000**	**₱46,008,905**	**₱68,165,905**
Fair value gains	**108,683,000**	**58,065,431**	**166,748,431**
At December 31	**₱130,840,000**	**₱104,074,336**	**₱234,914,336**

	December 31, 2019		
	Land	Building and building improvements	Total
Acquisition cost	₱22,157,000	₱44,616,562	₱66,773,562
Fair value gains	103,752,000	58,698,954	162,450,954
At December 31	₱125,909,000	₱103,315,516	₱ 229,224,516

Fair values of the investment properties were determined using the Market Data Approach and Income Approach.

The Market Data Approach means that the valuation performed by the independent appraiser are based on sales, listings and other market data of comparable properties registered within the vicinity of subject property. The technique requires reducing reasonably comparative sales and listings to a common denominator in order to conform to the subject property. The comparison among the subject property and the comparable units was premised on the factors of location, size and shape of the lot, highest and best use and the time element.

The Income Approach means that the valuation is performed by converting future cash flows to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. The appraisers employed the discounted cash flow (DCF) method to future expected income streams.

As of February 12, 2021, the date of valuation, the real estate properties' fair values are based on the valuations performed by Asian Appraisal Company, Inc., an accredited independent appraiser.

Description of valuation techniques used and key inputs to valuation on investment properties are as follows:

Location	Level	Significant unobservable inputs	2020	2019
			Range (weighted average)	
Cebu Business Park, Barangay Hipodromo, Cebu City	3	Estimated computed value per sq. m.	**₱106,600**	₱103,300
		Net price (₱/sq.m)	**₱106,600**	₱103,300
		Internal factor		
		Location		–
		Size		–
		Neighborhood		–
		Bargaining allowance		–
Philippines First Condominium, Ayala Avenue, Legaspi Village, Barangay San Lorenzo, Makati City	3	Estimated computed value per sq. m.	**₱112,400**	₱85,500 to ₱150,005
		Net price (₱/sq.m)	**₱113,600**	₱98,325 – ₱135,005
		Internal factor		
		Unit location		10%
		Unit area/size		-5%
		Building location		15%
		View		-5%
		Building age		10%
		Building feature/amenities		-5%
		Bargaining allowance		-5%

(Forward)

Location	Level	Significant unobservable inputs	2020	2019
			Range (weighted average)	
Carmen Court Condominium, Barangay Poblacion Makati City	3	Estimated computed value per sq. m.	**₱43,714 to ₱48,799**	₱43,321 to ₱51,212
		Net price (₱/sq.m)	**₱62,449 to ₱75,075**	₱78,766 to ₱84,444
		Internal factor		
		Unit location	**-5% to -10%**	–
		Unit area/size	**-10%**	-5% to -20%
		View	–	–
		Unit improvements	–	–
		Building Age	–	–
		Building location	**-5% to -10%**	–
		Building /amenities	–	–
		Building Design	**-5% to -10%**	-20%
		Bargaining allowance	**-10%**	-20%
Horizon Condominium, Meralco Avenue, Barangay Oranbo, Pasig City	3	Estimated computed value per sq. m.	**₱86,700**	₱86,700
		Net price (₱/sq.m)	**₱85,900**	₱86,700
		Internal factor	–	–
		Condition of Sale	–	–
		Unit location	–	–
		Unit area/size	–	–
		Unit improvements	–	–
		Building location	–	–
		Building feature/amenities	–	–
		Bargaining allowance	–	–
			₱85,900	₱86,700
Roseville Subdivision, Barangay Pulung Bulo, San Fernando City, Pampanga	3	Estimated computed value per sq. m.		
			₱2,475 to ₱2,667	₱1,760 to ₱2,400
		Net price (₱/sq.m)	**₱4,000 to ₱4,950**	₱4,400 to ₱4,80
		Internal factor		
		Size	**-5%**	-10%
		Location	**-10% to -20%**	-15% to -20%
		Utility	–	–
		Neighborhood	**-10% to 15%**	**-15%**
		Development	**-10%**	**-10% to 15%**
		Bargaining allowance	**-10% to 20%**	**-10% to 20%**
Barangay 39 (Poblacion), Cagayan de Oro City	3	Estimated computed value per sq. m.	**₱34,200to ₱48,000**	₱23,750 to ₱36,000
		Net price (₱/sq.m)	**₱36,000 to ₱48,000**	₱23,750 to ₱36,000
		Internal factor		-5% to 10%
		Location	**-10%**	
		Improvement	–	5% to 10%
		Size	**5% to 10%**	-5% to 10%
		Neighborhood	**-5% to -10%**	5% to 10%
		Utility	–	-5% to -1-%
		Bargaining allowance	**-10% to -20%**	-10% to -20%
Macasandig, Cagayan de Oro City	3	Estimated computed value per sq. m.	**₱4,500 to ₱5940**	₱4,875 to ₱6,300
		Net price (₱/sq.m)	**4,500 to ₱5,950**	₱4,875 to ₱6,300
		Internal Factor		
		Location	–	-5%
		Size	**10%**	-10%
		Bargaining allowance	**-10% to -15%**	-5%

The Company has determined that the highest and best use of all the investment properties is consistent with its current use.

For the market approach, significant increases (decreases) in price per square meter and size of investment property would result in a significantly higher (lower) fair value of the property. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the property. Significant increases (decreases) in degree of lack of marketability would result in lower (higher) fair value of the property.

For the income approach, significant increases (decreases) in the lease rate would result to significantly higher (lower) fair value of the property. Significant increases (decreases) in the escalation rate would result to significantly higher (lower) fair value of the property. Significant increases (decreases) in the lease term would result to significantly higher (lower) fair value of the property. Significant increases (decreases) in the depreciation rate would result to significantly lower (higher) fair value of the property. Significant increases (decreases) in the operating expenses will result to significantly lower (higher) fair value of the property. Significant increases (decreases) in the discount rate would result to significantly lower (higher) fair value of the property.

Rental income earned on investment properties amounted to ₱8.61 million and ₱8.91 million in 2020 and 2019, respectively (see Note 24). Direct operating expenses arising from investment properties amounted to ₱0.40 million and ₱1.20 million in 2020 and 2019, respectively.

12. Property and Equipment - net

The rollforward analysis of this account as of December 31, 2020 and 2019 follows:

	December 31, 2020				
	Building	**Office Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost					
Balance at beginning of year	**₱15,029,724**	**₱2,734,532**	**₱18,384,059**	**₱83,427,256**	**₱119,575,571**
Additions	–	**286,119**	**1,580,350**	**3,038,141**	**4,904,610**
Disposal	–	–	**(2,837,766)**	–	**(2,837,766)**
Balance at end of year	**15,029,724**	**3,020,651**	**17,126,643**	**86,465,397**	**121,642,415**
Accumulated Depreciation					
Balance at beginning of year	**4,944,750**	**2,176,979**	**10,752,268**	**66,607,987**	**84,481,984**
Depreciation (Note 26)	**477,190**	**273,873**	**3,242,921**	**5,836,914**	**9,830,898**
Disposal	–	–	**(2,837,766)**		**(2,837,766)**
Balance at end of year	**5,421,940**	**2,450,852**	**11,157,422**	**72,444,901**	**91,475,115**
Net Book Value	**₱9,607,784**	**₱569,799**	**₱5,969,221**	**₱14,020,496**	**₱30,167,300**

	December 31, 2019				
	Building	Office Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost					
Balance at beginning of year	₱15,029,724	₱2,457,745	₱12,983,157	₱79,958,752	₱110,429,378
Additions	–	276,787	5,400,902	3,480,504	9,158,193
Disposal	–	–	–	(12,000)	(12,000)
Balance at end of year	15,029,724	2,734,532	18,384,059	83,427,256	119,575,571
Accumulated Depreciation					
Balance at beginning of year	4,467,560	1,627,978	8,215,410	60,788,589	75,099,537
Depreciation (Note 26)	477,190	549,001	2,536,858	5,819,398	9,382,447
Balance at end of year	4,944,750	2,176,979	10,752,268	66,607,987	84,481,984
Net Book Value	₱10,084,974	₱557,553	₱7,631,791	₱16,819,269	₱35,093,587

Cost of fully depreciated property and equipment still being used amounted to ₱62.05 million and ₱68.00 million as of December 31, 2020 and 2019, respectively.

13. **Right-of-use Assets**

The rollforward analysis of this account follows:

	2020	2019
Cost		
Balance at beginning of year	**₱3,871,074**	₱3,871,074
Addition	**1,393,219**	−
Pre-termination	**(1,324,847)**	−
Balance at the end of year	**3,939,446**	3,871,074
Accumulated depreciation		
Balance at beginning of year	**1,459,991**	−
Depreciation (Notes 26 and 29)	**1,223,840**	1,459,991
Pre-termination	**(758,367)**	−
Balance at the end of year	**1,925,464**	1,459,991
Net book value	**₱2,013,982**	₱2,411,083

There are certain lease contracts that were pre-terminated in 2020. Corresponding gain on termination of lease liability amounted to ₱0.26 million (Notes 24 and 29).

14. **Other Assets**

This account consists of:

	2020	2019
Input VAT	**₱2,826,129**	₱4,519,820
Escrow account	**1,000,000**	1,000,000
Deposits	**971,279**	644,195
Restricted cash (Note 19)	**718,137**	489,007
Creditable withholding taxes	**131,123**	4,690,546
Security fund	**96,663**	96,663
Prepaid expenses	**63,120**	63,120
Prepaid taxes	−	3,025,293
	₱5,806,451	₱14,528,644

Escrow account pertain to the payment made by the Company for its accreditation with National Labor Relation Commission.

Deposits pertain to the refundable rental and security deposits on rented properties.

The Company set aside cash amounting to ₱0.72 million and ₱0.49 million as of December 31, 2020 and 2019, respectively, to fund its defined benefit retirement plan. The Company is in the process of setting up a formal pension fund with a trustee bank (see Note 19).

Prepaid expenses pertain to advance payment of annual dues and leased line dedicated internet connection.

15. **Allowance for Impairment Losses**

Changes in the allowance for impairment losses follow:

	2020	2019
Balances at January 1		
Cash and cash equivalents	**₱250,797**	₱170,249
Short-term investments	**795,545**	43,067
Insurance receivable	**38,647,021**	51,276,413
Loans and receivable	**2,647,348**	1,665,656
	₱42,340,711	53,155,385
Provision for (recovery from) credit and impairment losses		
Cash and cash equivalents	**139,894**	80,548
Short-term investments	**(476,578)**	752,478
Insurance receivable	**20,205,731**	(2,835,455)
Loans and receivables	**(1,834,038)**	981,692
	18,035,009	(1,020,737)
Write-off		
Insurance receivable	**(9,721,129)**	(9,793,937)
Balances at December 31		
Cash and cash equivalents (Note 4)	**₱390,691**	₱250,797
Short-term investments (Note 4)	**318,967**	795,545
Insurance receivable (Note 5)	**49,131,623**	38,647,021
Loans and receivable (Note 6)	**813,310**	2,647,348
	₱50,654,591	₱42,340,711

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and receivables follow:

	2020		
	Stage 2	**Stage 3**	**Total**
Gross carrying amount as at January 1	**₱201,039,738**	**₱24,028,416**	**₱225,068,154**
New assets originated or purchased	**22,094,212**	**–**	**22,486,994**
Assets derecognized or repaid (excluding write offs)	**(25,404,442)**	**–**	**(25,404,442)**
Transfers to Stage 3	**(187,632,741)**	**187,632,741**	**–**
	₱10,096,766	**₱211,661,157**	**₱ 221,757,923**
ECL allowance as at January 1	**₱1,583,253**	**₱1,064,095**	**₱2,647,348**
Provisions for credit losses	**(726,222)**	**(1,107,816)**	**(1,834,038)**
Transfers to Stage 3	**(802,945)**	**802,945**	**–**
	₱54,086	**₱759,224**	**₱813,310**

	2019		
	Stage 2	Stage 3	Total
Gross carrying amount as at January 1	₱201,039,738	₱24,028,416	₱225,068,154
New assets originated or purchased	157,164,871	–	157,164,871
Assets derecognized or repaid (excluding write offs)	(16,654,436)	(1,097,134)	(17,751,570)
	₱201,039,738	₱24,028,416	₱225,068,154
ECL allowance as at January 1	₱1,583,253	₱1,064,095	₱2,647,348
Provisions for credit losses	981,301	391	981,692
	₱1,583,253	₱1,064,095	₱2,647,348

16. **Insurance Contract Liabilities and Reinsurance Assets**

Nonlife insurance contract liabilities net of reinsurers' share of liabilities may be analyzed as follows:

	December 31, 2020		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (Note 10)**	**Net**
Provision for claims reported and loss adjustment expenses	**₱140,880,847**	**₱24,660,412**	**₱116,220,435**
Provision for claims IBNR	**39,903,079**	**11,844,630**	**28,058,449**
Total claims reported and IBNR	**180,783,926**	**36,505,042**	**144,278,884**
Provision for unearned premiums	**190,995,641**	**89,696,450**	**101,299,191**
Total insurance contract liabilities	**₱371,779,567**	**₱126,201,492**	**₱245,578,075**

	December 31, 2019		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 10)	Net
Provision for claims reported and loss adjustment expenses	140,880,847	₱51,080,219	₱163,842,465
Provision for claims IBNR	47,435,285	12,773,573	34,661,712
Total claims reported and IBNR	262,357,969	63,853,792	198,504,177
Provision for unearned premiums	216,165,368	50,027,918	166,137,450
Total insurance contract liabilities	₱478,523,337	₱113,881,710	₱364,641,627

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

	2020			2019		
	Insurance Contract Liabilities	**Reinsurer's Share of Liabilities (Note 10)**	**Net**	Insurance Contract Liabilities	Reinsurer's Share of Liabilities (Note 10)	Net
At January 1	**₱262,357,969**	**₱63,853,792**	**₱198,504,177**	₱156,644,143	₱29,396,602	₱127,247,541
Claims incurred during the year	**50,267,360**	**2,425,885**	**47,841,475**	216,188,762	40,908,473	175,280,289
Claims paid during the year - net of salvage and subrogation (Note 25)	**(124,309,197)**	**(28,845,692)**	**(95,463,505)**	(139,054,972)	(13,223,185)	(125,831,787)
Increase (decrease) in IBNR (Note 25)	**(7,532,206)**	**(928,943)**	**(6,603,263)**	28,580,036	6,771,902	21,808,134
At December 31	**₱180,783,926**	**₱36,505,042**	**₱144,278,884**	₱262,357,969	₱63,853,792	₱198,504,177

Provision for unearned premiums may be analyzed as follows:

	2020			2019		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (Note 10)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 10)	Net
At January 1	**₱216,165,368**	**₱50,027,918**	**₱166,137,450**	₱193,960,326	₱47,180,594	₱146,779,732
New policies written during the year (Note 22)	**424,577,975**	**220,759,518**	**203,818,457**	467,392,633	166,282,730	301,109,903
Premiums earned during the year (Note 22)	**(449,747,702)**	**(181,090,986)**	**(268,656,716)**	(445,187,591)	(163,435,406)	(281,752,185)
At December 31	**₱190,995,641**	**₱89,696,450**	**₱101,299,191**	₱216,165,368	₱50,027,918	₱166,137,450

17. Insurance Payables

This account consists of 'Due to reinsurers' amounting to ₱120.81 million and ₱54.72 million as of December 31, 2020 and 2019, respectively.

The rollforward analysis of insurance payables follows:

	2020	2019
Balance at beginning of year	**₱54,724,859**	₱48,181,347
Additions (Note 22)	**220,759,518**	166,282,730
Payments	**(154,677,209)**	(159,739,218)
Balance at ending of year	**₱120,807,168**	₱54,724,859

18. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Taxes payable	**₱76,354,501**	₱47,116,281
Accounts payable	**56,960,901**	52,453,932
Dividend payable (Note 21)	**51,199,556**	51,199,556
Premium deposits	**21,193,620**	17,712,320
Commission payable	**4,017,013**	3,829,584
Accrued expenses	**2,035,753**	1,053,937
	₱211,761,344	₱173,365,610

Taxes payable consists primarily of documentary stamp tax, expanded withholding tax, VAT payable and other taxes and licenses payable.

Accounts payable consists of unpaid voucher from various suppliers.

Premium deposits pertain to advance premium and unapplied collections from policyholders.

Commission payable pertains to the intermediary's commission not yet paid as of the reporting date.

Accrued expenses comprise of professional fees, utilities, accrued rentals, employee benefits and other expenses accrued as of the reporting date which are due within one year.

19. **Pension Liability**

The Company has a noncontributory defined benefit retirement plan covering all of its employees.

The following tables summarize the components of the "Pension benefit expense" recognized in the statements of income under "General expenses" account (Note 26), "Remeasurements on defined benefit plan" recognized in the statement of comprehensive income and the unfunded status recognized in the statement of financial position for the retirement plan.

Pension benefit expense

	2020	2019
Current service cost	**₱1,099,301**	₱1,054,330
Interest cost	**1,463,127**	2,374,310
Pension benefit expense (Note 26)	**₱2,562,428**	₱3,428,640

Remeasurement effects to be recognized in OCI

	2020	2019
January 1, remeasurements on defined benefit plan	**(₱7,066,484)**	(₱6,354,543)
Actuarial loss on defined benefit obligation due to:		
Changes in demographic assumptions	–	–
Deviations of experience from assumptions	**2,222,613**	250,219
Changes in financial assumptions	**707,869**	461,722
Total loss to be recognized in OCI, net of tax	**2,930,482**	711,941
December 31, remeasurements on defined benefit obligation	**(₱9,996,966)**	(₱7,066,484)

The movements of the present value of defined benefit obligation is as follows:

	2020	2019
At January 1	**₱31,263,389**	₱32,659,009
Interest cost	**1,463,127**	2,374,310
Current service cost	**1,099,301**	1,054,330
Benefits paid	**(8,476,731)**	(5,536,201)
Actuarial loss on obligation	**2,930,482**	711,941
At December 31	**₱28,279,568**	₱31,263,389

The principal actuarial assumptions used in determining pension benefit obligation are as follow:

	2020	2019
Salary increase rate	**5.00%**	4.00%
Discount rate	**3.44%**	4.68%

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

2020

	Change in variables	**Increase (Decrease)**
Discount rate	**+1.00%**	**(₱1,001,494)**
	-1.00%	**1,392,048**
Salary increase rate	**+1.00%**	**1,287,316**
	-1.00%	**(980,390)**

2019

	Change in variables	Increase (Decrease)
Discount rate	+1.00%	(₱950,978)
	-1.00%	1,238,823
Salary increase rate	+1.00%	1,226,406
	-1.00%	(1,011,732)

Maturity profile
Shown below is the maturity analysis of the undiscounted benefits payments:

	2020	2019
Less than one (1) year	**₱17,857,048**	₱19,930,605
More than one (1) year to five (5) years	**6,037,572**	6,628,166
More than five (5) years to 10 years	**4,846,245**	9,237,456
More than 10 years to 15 years	**10,650,064**	9,707,954
More than 15 years	**16,027,587**	13,954,701
Total	**₱55,418,516**	₱59,458,882

The Company has set aside retirement fund for the payment of the retirement benefits of its employees. The Company is generally responsible for the administration of the fund, but portion of the retirement fund is administered by a local bank as trustee. As of December 31, 2020 and 2019, the investment in trustee amounts to ₱5.73 million and ₱9.67 million, respectively.

The details of the plan assets follow:

	2020	2019
Restricted cash (Note 14)	**₱718,137**	₱489,007
Time deposits	**6,290,158**	6,159,667
Debt securities	**6,890,663**	6,563,620
Investment in trustee	**5,733,484**	9,671,002
Loans receivables (Note 6)	**1,821,092**	3,270,127
Benefits payable	**(234,498)**	(722,768)
Net equity	**₱21,219,036**	₱25,430,655

The details of the investment in trustee follow:

	2020	2019
Cash	**₱593,077**	₱103,277
Debt securities	**3,507,405**	6,375,772
Investment funds	**1,620,902**	3,152,271
Loans and receivables	**25,476**	49,369
Other assets	**150**	9,642
Trust fee and other payables	**(13,526)**	(19,329)
Investment to trustee	**₱5,733,484**	₱9,671,002

Changes in fair value of plan assets follow:

	2020	2019
At January 1	**₱26,153,423**	₱26,015,797
Contribution	**3,524,419**	3,689,438
Interest income	**1,190,155**	1,891,348
Benefits paid	**(8,476,731)**	(5,536,202)
Gain (loss) on plan assets	**(449,462)**	(629,726)
At December 31	**₱21,219,036**	₱25,430,655

The actual return on plan assets amounted to ₱0.74 million and ₱1.26 million in 2020 and 2019, respectively.

20. Other Liabilities

This account consists of:

	2020	2019
Customers' deposits	**₱102,874,097**	₱98,874,096
Rent received in advance	**8,182,595**	9,711,483
Others	**1,038,151**	1,156,972
	₱112,094,843	₱109,742,551

Customers' deposits pertain to cash collaterals from policyholders holding bond insurance policies.

Rent received in advance pertains to advance rental from customers.

Other payables include clients' rental deposit, SSS, Pag-ibig and Philhealth premiums payable and others.

21. Equity

Capital Stock
This account consists of the following:

	2020		2019	
Common Stock - ₱100 par value	**Shares**	**Amount**	Shares	Amount
Authorized	**10,000,000**	**₱1,000,000,000**	10,000,000	₱1,000,000,000
Issued and outstanding				
Balances at beginning of year	**10,000,000**	**1,000,000,000**	6,500,000	₱650,000,000
Issued during the year	**–**	**–**	3,500,000	350,000,000
Balances at end of year	**10,000,000**	**₱1,000,000,000**	10,000,000	₱1,000,000,000

On October 25, 2019, the Board of Directors (BOD) authorized the subscription of 3,500,000 common shares with an aggregate value of ₱350.00 million from the authorized capital stock to its shareholders as of record date of September 30, 2019.

On July 3, 2019, the BOD approved the declaration of cash dividend amounting to ₱50.00 million as approved by the Insurance Commission, in favor of the corporation's stockholder and payable upon full compliance with all necessary regulations.

Treasury Stocks
On April 10, 2013, the Company's BOD approved the acquisition of shares from stockholders at a purchase price of ₱342.80 per share or ₱8.69 million. The shares amounted to ₱2.54 million divided into 25,362.14 shares with a par value of ₱100 per share.

22. Net Premiums Earned

Net premiums earned consist of the following:

	2020	2019
Gross premiums on insurance contracts:		
Direct	**₱388,955,917**	₱425,757,630
Assumed	**35,622,058**	41,635,003
Total gross premiums on insurance contracts (Note 16)	**424,577,975**	467,392,633
Gross change in provision for unearned premium	**25,169,727**	(22,205,042)
Total gross premiums earned on insurance contracts (Note 16)	**449,747,702**	445,187,591
Reinsurers' share of gross premiums on insurance contracts:		
Direct	**216,189,524**	166,282,730
Assumed	**4,569,994**	–
Total reinsurers' share of gross premiums on insurance contracts (Note 16)	**220,759,518**	166,282,730
Reinsurers' share of gross change in provision for unearned premiums	**(39,668,532)**	(2,847,324)
Total reinsurers' share of gross premiums earned on insurance contracts (Note 16)	**181,090,986**	163,435,406
Net premiums earned	**₱268,656,716**	₱281,752,185

23. Investment Income

This account consists of:

	2020	2019
Interest income from:		
Financial assets at FVOCI (Note 6)	**₱48,270,425**	₱37,922,256
HTC investments (Note 6)	**10,490,454**	10,730,147
Loans receivables (Note 6)	**8,971,269**	5,038,066
Intercompany receivables (Note 6)	**740,693**	1,261,622
Cash and cash equivalents and short-term investments (Note 4)	**521,436**	1,934,701
Dividend income (Note 6)	**11,505,173**	22,427,381
Fair value gains on financial assets at FVTPL (Note 6)	**8,889,413**	288,742,544
Gain on sale of financial assets at FVOCI (Note 6)	**–**	9,455
Loss on sale of financial assets at FVTPL (Note 6)	**–**	(217,909)
	₱89,388,863	₱367,848,263

Interest income from financial asset classified as FVOCI investments is the earned interest during the year based on the original effective interest rate and amortized cost at the beginning of the year which is being recognized in profit or loss.

Interest income from financial asset classified as HTC is the earned interest during the year based on the effective interest rate and amortized cost at the beginning of the year which is being recognized in profit or loss.

24. Other Income

This account consists of:

	2020	2019
Rental income (Note 11)	**₱8,613,743**	₱8,914,596
Foreign exchange loss	**(639,104)**	(116,349)
Gain on termination of lease liability (Notes 13 and 29)	**262,256**	–
Miscellaneous income	**539**	425,062
	₱8,237,434	₱9,223,309

The Company has various operating lease agreements for its investment properties. These lease agreements range for a period of three months to thirty years with an annual escalation rate of 3.0% to 10.00%.

Future minimum rental payments under operating leases follow:

	2020	2019
Within one (1) year	**₱9,275,357**	₱8,920,417
More than one (1) year but less than five (5) years	**17,775,084**	27,348,095
More than five (5) years	**193,325,876**	196,898,295
	₱220,376,317	₱233,166,807

25. Net Insurance Contract Benefits and Claims

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

	2020	2019
Insurance contract benefits and claims paid (Note 16)		
Direct	**₱105,692,755**	₱122,390,031
Assumed	**18,616,442**	16,664,941
Total insurance contract benefits and claims paid	**₱124,309,197**	₱139,054,972

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

	2020	2019
Reinsurers' share of insurance contract benefits and claims paid (Note 16):		
Direct	**₱25,693,459**	₱10,656,092
Assumed	**3,152,233**	2,567,093
Total reinsurers' share of insurance contract benefits and claims paid	**₱28,845,692**	₱13,223,185

Gross change in insurance contract benefits and claims liabilities:

	2020	2019
Change in provision for claims reported and loss adjustment expenses (Note 16)	**(₱74,041,837)**	₱77,133,790
Change in provision for claims IBNR (Note 16)	**(7,532,206)**	28,580,036
Total gross change in insurance contract benefits and claims liabilities	**(₱81,574,043)**	₱105,713,826

Reinsurers' share of change in insurance contract benefits and claims liabilities:

	2020	2019
Reinsurers' share of change in provision for claims reported and loss adjustment expenses (Note 16)	**(₱26,419,807)**	₱27,685,288
Reinsurers' share of change in provision for claims IBNR (Note 16)	**(928,943)**	6,771,902
Total reinsurers' share of change in insurance contract benefits and claims liabilities	**(₱27,348,750)**	₱34,457,190

26. **General Expenses**

This account consists of:

	2020	2019
Salaries, allowances and employee benefits	**₱45,518,624**	₱52,227,421
Impairment losses (Notes 6 and 15)	**19,148,911**	966,643
Depreciation (Notes 12 and 13)	**11,054,738**	10,842,438
Professional fees	**8,713,820**	7,209,766
Communications and postage	**6,691,217**	4,107,688
Agency expenses	**4,383,350**	4,041,928
Entertainment, amusement and recreation	**2,993,230**	2,031,224
Pension benefit expense (Note 19)	**2,562,428**	3,428,640
Stationery and supplies	**1,550,643**	2,591,440
Association and pool expenses	**1,364,113**	1,692,677
Repairs and maintenance	**1,348,978**	1,353,987
Condominium dues	**935,979**	1,357,596
Legal fees and expenses	**799,080**	1,192,632
Light and water	**697,124**	996,737
Investment expenses	**635,521**	213,607
Rent (Note 29)	**595,152**	1,302,764
Transportation	**561,267**	1,299,551
Director's fee	**444,445**	316,665
Appraiser's fee	**142,857**	83,929
Bank charges	**68,302**	129,778
Others	**625,317**	870,825
	₱110,835,096	₱98,257,936

Others pertains to professional and technical development, insurance, donation and subscription expense.

27. **Income Tax**

The Company's provision for income tax consists of:

	2020	2019
Current tax expense		
RCIT	**₱23,284,155**	₱–
MCIT	**–**	1,314,378
Final	**8,455,214**	7,783,384
Deferred tax expense (benefit)	**(7,128,291)**	96,214,355
	₱24,611,078	₱105,312,117

The components of the net deferred tax liability are as follows:

	2020	2019
Deferred tax asset		
Provision for IBNR claims	**₱8,417,535**	₱–
Deferred tax liability		
Fair value gains on financial assets at FVOCI	**142,521,692**	148,070,744
Fair value gains on investment properties	**50,024,530**	48,735,286
	₱184,128,687	₱196,806,030

Movements in net deferred tax liability comprise of:

	2020	2019
At beginning of the year	**(₱196,806,030)**	(₱69,316,384)
Amounts charged against statements of income	**7,128,291**	(96,214,355)
Amounts charged against statements of comprehensive income	**5,549,052**	(31,275,291)
At end of the year	**(₱184,128,687)**	(₱196,806,030)

The Company did not recognize the deferred tax assets on the following deductible temporary differences, NOLCO and MCIT since management believes that the benefits will not be realized:

	2020	2019
Allowance for impairment losses	**₱15,196,378**	₱12,702,213
Pension obligation	**14,488,969**	9,797,703
Unamortized past service cost	**3,962,739**	4,027,883
Provision for IBNR claims	**–**	14,200,586
NOLCO	**–**	9,539,643
MCIT	**–**	1,314,378
Total	**₱33,648,086**	₱51,582,406

Details of the Company's NOLCO follow:

Year Incurred	Amount	Expired/Applied	Balance	Expiry year
2019	₱31,798,809	₱–	₱31,798,809	2022
2020	–	31,798,809	–	2025
	₱31,798,809	₱31,798,809	₱–	

Details of the Company's MCIT follow:

Year Incurred	Amount	Expired/Applied	Balance	Expiry year
2019	₱1,314,378	₱–	₱1,314,378	2022
2020	–	1,314,378	–	2023
	₱1,314,378	₱1,314,378	₱–	

The reconciliation of provision for income tax computed at the statutory corporate income tax rate to provision for income tax shown in the statements of income follows:

	2020	2019
At statutory income tax	**₱46,889,417**	₱145,844,108
Tax effects of:		
Non-taxable income	**(3,641,135)**	(85,475,864)
Nondeductible expenses	**3,390,276**	50,861,517
Change in unrecognized deferred tax asset	**(17,934,320)**	6,037,197
Interest income subjected to final taxes	**(4,093,159)**	(11,608,938)
	₱24,611,079	₱105,658,020

28. **Contingencies**

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

29. **Lease commitments**

The Company is a party under various leases covering certain offices which have lease terms between 1 to 5 years for its branches. These leases have an average life of between 1 to 5 years with renewal terms included in the contracts. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the Company's business needs.

The Company has certain leases with lease terms of 12 months or less and leases with low-value and applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The Company also recognized lease liability with movements stated below:

	2020	2019
Balance at beginning of year	**₱2,258,474**	₱3,871,074
Additions	**1,393,219**	−
Interest expense	**251,002**	369,152
Payments	**(1,180,174)**	(1,681,752)
Reversal	**(1,076,764)**	−
	₱1,945,757	₱2,558,474

The reversal is a result of pre-termination of certain lease contracts due to direct consequence of COVID-19 pandemic (see Note 13).

The following are the amounts recognized in statements of income:

	2020	2019
Depreciation expense of right-of-use assets (Note 13)	**₱1,223,840**	₱1,459,991
Interest expense on lease liabilities	**251,002**	369,152
Expenses relating to short-term leases (Note 26)	**407,366**	117,000
Expenses relating to leases of low-value assets (Note 26)	**187,786**	1,185,764
Total amount recognized in statements of income	**₱2,069,994**	₱3,131,907

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

	2020	2019
Within one (1) year	**₱702,057**	₱1,192,825
More than one (1) year but less than five (5) years	**1,629,860**	1,694,733
	₱2,331,917	₱2,887,558

The estimated minimum future annual rentals payable under non-cancellable operating leases follows:

	2020	2019
Within one (1) year	**₱316,161**	₱103,846
More than one (1) year but less than five (5) years	**63,678**	146,780
	₱379,839	₱250,626

30. Management of Capital, Insurance and Financial Risks

Regulatory Framework

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

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

Capital Management Framework

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

The Company reviews the capital requirements by monitoring the minimum statutory net worth 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 Net worth
On August 15, 2013, the President of the Philippines approved Republic Act No. 10607, otherwise known as the "New Insurance Code", which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

On January 13, 2015, the IC issued Circular Letter No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. All domestic life and non-life insurance companies duly licensed by the IC must have a net worth of at least ₱250.00 million by December 31, 2013. The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Networth	**Compliance Date**
₱550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

The minimum net worth requirement must remain unimpaired for the continuance of the license.

As of December 31, 2020, the Company's estimated statutory net worth amounted to ₱2.84 million and the Company's net worth as of December 31, 2019 after verification of the Insurance Commission amounted to ₱1.81 million. As of December 31, 2020 and 2019, the Company has complied with the minimum net worth requirements.

Solvency Requirement
Under the revised Insurance Code (RA 10607), an insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital, and net worth requirements as prescribed by the Commissioner. Such solvency requirements shall be based on internationally accepted solvency frameworks and accepted only after due consultation with the insurance industry association.

The amounts of estimated non-admitted assets, as defined in the Code, are as follows:

	2020 (Estimated)	2019 (Actual)
Premiums receivables	**₱122,302,284**	₱85,329,759
Property and equipment and investment properties	**12,846,768**	14,828,514
Other assets	**17,971,019**	11,362,406
	₱153,120,071	₱111,520,679

If an insurance company failed to meet the minimum required capital, the Insurance Commission is authorized to suspend or revoke all certificates of authority granted to such companies, its officers and agents, and no new business shall be done by and for such company until its authority is restored by the Insurance Commission.

The final amount of the networth as of December 31, 2020 can be determined only after the accounts of the Company have been examined by the Insurance Commission, specifically as to admitted and non-admitted assets as defined under the Code.

Risk-based Capital Requirements
In 2016, the IC issued Circular Letter No. 2016-68, Amended Risk-Based Capital (RBC2) Framework, pursuant to Section 437 of the Amended Insurance Code. The RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC is the aggregate of Tier 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 (e.g. Capital Stock, Statutory Deposit, Capital Stock Subscribed, Contributed Surplus, etc.). Tier 2 Capital does not have the same high quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer [e.g. Reserve for Appraisal Increment – Property and Equipment, Remeasurement Gains (Losses) on Retirement Pension Asset (Obligation), etc. Tier 2 Capital shall not exceed 50% of Tier 1 Capital.

The minimum RBC ratio is set at 100%. All insurance companies are required to maintain the minimum RBC ratio and not fail the Trend Test.

The following table shows how the RBC ratio as of December 31, 2020 and 2019 was determined by the Company:

	2020 (Estimated)	2019 (Actual)
Total Available Capital	**2,840,409,783**	2,803,551,116
RBC requirement	**882,513,528**	966,600,957
RBC Ratio	**322%**	290%

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

Circular Letter No. 2016-65, Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607), prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies. This circular was further amended by CL No. 2018-54 to clarify the provisions of Section 6.1 (“Miscellaneous Provisions”).

Circular Letter 2018-18, Valuation Standards for Non-Life Insurance Policy Reserves, prescribes the new valuation methodology for the non-life insurance companies. This CL supersedes CL No. 2016-67 and amends CL No. 2015-06 “New Reserves Computation for the Compulsory Insurance Coverage for Migrant Workers.” CL No. 2018-18 was further supplemented by CL No. 2018-76, Discount Rates for Non-Life Insurance Policy Reserves as of 31 December 2018, prescribing the use of Peso spot and forward rates derived from the PHP BVAL Reference rates from Bloomberg and the Dollar spot and forward rates derived from the International Yield Curve from Bloomberg for Peso-denominated and US Dollar-denominated policies, respectively.

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

Implementation requirements and transition accounting
Circular Letter No. 2016-69, Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-based Capital Framework. The new regulatory requirements under circular letters 2016-65, 2016-68 and 2018-18 shall take effect beginning January 1, 2017.

This circular was further amended by CL No. 2018-19 allowing companies to set the Margin for Adverse Deviation (MfAD) as follows:

Period Covered	**Percentage (%) of company specific MfAD**
2017	0%
2018	50%
2019 onwards	100%

Circular Letter No. 2017-15, Regulatory Requirements and Actions for the New Regulatory Framework. The cumulative prior year impact of the changes arising from the adoption of the New Financial Reporting Framework, including the revaluation of the reserves for Claims and Premiums Liabilities computed based on the new valuation standards for non-life insurance policy reserves as provided under CL No. 2016-67, shall be recognized in "Retained Earnings – Transition Adjustments" account except for items listed in Section 2.1. All changes in valuation shall be measured net of any tax effect.

Circular Letter No. 2020-58, Regulatory Relief on the admittance of Premiums Receivable due to COVID-19 pandemic. The basis for admitting Premium Receivable account (direct agents, general agents and insurance brokers) for all non-life insurance and professional reinsurance companies shall be adjusted from ninety (90) days to one hundred eighty (180) days from the date of issuance of the policies. This rule shall be applied to annual and quarterly financial reports for the year 2020 unless extended or changed as deemed necessary by this Commission.

Insurance Risk
The risk under an insurance contract is the possibility of occurrence of the insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments will exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims and actual benefits paid are greater than originally estimated.

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

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

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

The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

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

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

The table below sets out the concentration of the claims provisions as of December 31, 2020 and 2019 by type of contract (see Note 16):

	December 31, 2020			December 31, 2019		
	Gross Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**	Gross Contract Liabilities	Reinsurers' Share of Liabilities	Net
Property	**₱97,895,397**	**₱29,712,314**	**₱68,183,083**	₱186,639,075	₱58,510,069	₱128,129,006
Motor Car	**50,464,696**	**265,171**	**50,199,525**	44,917,192	86,011	44,831,181
Casualty	**25,779,126**	**6,453,407**	**19,325,719**	25,200,025	5,127,094	20,072,931
Marine	**6,644,707**	**74,150**	**6,570,557**	5,601,677	130,618	5,471,059
	₱180,783,926	**₱36,505,042**	**₱144,278,884**	₱262,357,969	₱63,853,792	₱198,504,177

The most significant risk arises from climate changes and natural disasters. These risks vary significantly in relation to the location of the risk insured by the Company, type of risks insured and in respect of commercial and business interruption insurance, by industry.

The Company also enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company also has limited its exposure level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Company's risk appetite as decided by management.

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

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

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

As a result, the final liabilities will change as a result of succeeding developments. Differences from recomputation of the final liabilities are taken up in subsequent year's financial statements.

The table below shows the impact of changes in certain important assumptions in general insurance business while other assumptions remain unchanged. The interrelation of these assumptions will have an important impact in the computation of the final liabilities. But these assumption changes should be done on an individual basis to show the effect on the claims liabilities. It is worthwhile mentioning that these assumptions are nonlinear and larger or smaller impacts cannot be seen from these results. Sensitivity analysis as of December 31, 2020 and 2019 follows:

	December 31, 2020			
	Change in Assumption	**Increase (decrease) on Gross Insurance Liabilities**	**Increase (decrease) on Net Insurance Liabilities**	**Increase (decrease) on Profit Before Income Tax**
Average claim costs	**-5.64%**	**(₱7,940,245)**	**(₱6,550,349)**	**₱6,550,349**
Average number of claims	**-20.61%**	**(29,032,997)**	**(23,950,932)**	**23,950,932**

	December 31, 2019			
	Change in Assumption	Increase (decrease) on Gross Insurance Liabilities	Increase (decrease) on Net Insurance Liabilities	Increase (decrease) on Profit Before Income Tax
Average claim costs	15.30%	₱32,878,100	₱25,064,032	(₱25,064,032)
Average number of claims	19.96%	42,893,825	32,699,340	(32,699,340)

Loss Development Triangle

The table below is an exhibit that shows the development of claims over a period of time. It shows the cumulative incurred claims for each successive accident year at each reporting date, together with cumulative claims as at the current reporting period.

Accident Year	2010 and prior years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claim costs:												
At the end of accident year	**₱64,097,607**	**₱269,440,830**	**₱161,075,172**	**₱177,480,529**	**₱128,218,973**	**₱175,903,219**	**₱125,872,957**	**₱82,076,045**	**₱124,224,059**	**₱207,956,636**	**₱55,550,977**	**₱55,550,977**
One year later	**129,278,071**	**286,106,894**	**154,420,603**	**158,040,902**	**116,634,987**	**162,473,810**	**124,374,646**	**79,970,903**	**122,057,037**	**206,240,354**	**–**	**206,240,354**
Two years later	**126,717,445**	**192,802,103**	**145,330,469**	**142,208,958**	**108,364,329**	**151,061,643**	**102,380,721**	**81,393,741**	**118,950,576**	**–**	**–**	**118,950,576**
Three years later	**115,388,846**	**189,585,150**	**147,773,116**	**134,104,813**	**114,619,676**	**151,697,998**	**110,512,855**	**80,782,243**	**–**	**–**	**–**	**80,782,243**
Four years later	**112,462,660**	**188,583,943**	**137,689,982**	**133,623,078**	**113,605,460**	**151,529,928**	**110,488,355**	**–**	**–**	**–**	**–**	**110,488,355**
Five years later	**113,001,810**	**187,915,234**	**137,156,806**	**133,860,114**	**115,093,507**	**151,507,006**	**–**	**–**	**–**	**–**	**–**	**151,507,006**
Six years later	**112,141,092**	**187,357,776**	**137,157,856**	**133,908,365**	**115,185,249**	**–**	**–**	**–**	**–**	**–**	**–**	**115,185,249**
Seven years later	**112,094,557**	**187,360,515**	**137,216,405**	**133,908,365**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**133,908,365**
Eight years later	**112,094,557**	**187,381,688**	**137,220,015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**137,220,015**
Nine years later	**112,094,557**	**187,381,688**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**187,381,688**
Ten years later	**112,094,557**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**112,094,557**
Current Estimate of cumulative claims	**112,094,557**	**187,381,688**	**137,220,015**	**133,908,365**	**115,185,249**	**151,507,006**	**110,488,355**	**80,782,243**	**118,950,576**	**206,240,354**	**55,550,977**	**1,409,309,385**
Cumulative payment to date	**(112,002,446)**	**(187,380,929)**	**(136,972,269)**	**(133,506,476)**	**(113,952,065)**	**(148,535,992)**	**(95,644,336)**	**(72,171,125)**	**(98,114,908)**	**(152,575,975)**	**(17,572,017)**	**(1,268,428,538)**
Total gross insurance liability (Note 16)	**₱92,111**	**₱759**	**₱247,746**	**₱401,889**	**₱1,233,184**	**₱2,971,014**	**₱14,844,019**	**₱8,611,118**	**₱20,835,668**	**₱53,664,379**	**₱37,978,960**	**₱140,880,847**

Accident Year	2009 and prior years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of ultimate claim costs:												
At the end of accident year	₱549,557,205	₱64,097,607	₱269,440,830	₱161,075,172	₱177,480,529	₱128,218,973	₱175,903,219	₱125,872,957	₱82,076,045	₱124,224,059	₱207,956,635	₱207,956,635
One year later	255,038,049	129,278,071	286,106,894	154,420,603	158,040,902	116,634,987	162,473,810	124,374,646	79,970,903	122,057,037	–	122,057,037
Two years later	95,234,646	126,717,445	192,802,103	145,330,469	142,208,958	108,364,329	151,061,643	102,380,721	81,393,741	–	–	81,393,741
Three years later	94,861,590	115,388,846	189,585,150	147,773,116	134,104,813	114,619,676	151,697,998	110,512,855	–	–	–	110,512,855
Four years later	95,573,033	112,462,660	188,583,943	137,689,982	133,623,078	113,605,460	151,529,928	–	–	–	–	151,529,928
Five years later	93,909,422	113,001,810	187,915,234	137,156,806	133,860,114	115,093,507	–	–	–	–	–	115,093,507
Six years later	94,385,291	112,141,092	187,357,776	137,157,856	133,908,365	–	–	–	–	–	–	133,908,365
Seven years later	94,143,798	112,094,557	187,360,515	137,216,405	–	–	–	–	–	–	–	137,216,405
Eight years later	93,143,951	112,094,557	187,381,688	–	–	–	–	–	–	–	–	187,381,688
Nine years later	93,143,951	112,094,557	–	–	–	–	–	–	–	–	–	112,094,557
Ten years later	93,144,099	–	–	–	–	–	–	–	–	–	–	93,144,099
Current Estimate of cumulative claims	93,144,099	112,094,557	187,381,688	137,216,405	133,908,365	115,093,507	151,529,928	110,512,855	81,393,741	122,057,037	207,956,635	1,452,288,817
Cumulative payment to date	(93,144,099)	(112,091,896)	(187,380,929)	(136,968,659)	(133,506,476)	(113,846,323)	(148,534,507)	(94,854,134)	(71,489,972)	(92,003,642)	(53,545,496)	(1,237,366,133)
Total gross insurance liability (Note 16)	₱–	₱2,661	₱759	₱247,746	₱401,889	₱1,247,184	₱2,995,421	₱15,658,721	₱9,903,769	₱30,053,395	₱154,411,139	₱214,922,684

Accident Year	2010 and prior years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claim costs:												
At the end of accident year	₱38,503,711	₱68,316,325	₱54,703,459	₱63,919,294	₱46,785,407	₱53,936,598	₱93,426,784	₱73,009,081	₱102,098,879	₱162,107,585	₱49,470,621	₱49,470,621
One year later	45,128,208	70,935,627	55,499,193	59,517,310	44,483,589	57,217,473	94,874,410	74,643,474	107,809,072	160,807,424	–	160,807,424
Two years later	45,105,354	65,961,373	52,889,097	56,077,363	42,335,983	61,190,152	83,636,593	75,796,671	106,312,691	–	–	106,312,691
Three years later	39,672,344	64,362,508	52,973,787	51,154,343	48,040,056	61,314,997	90,267,561	75,242,074	–	–	–	75,242,074
Four years later	38,554,777	63,794,712	45,775,022	51,183,456	47,025,839	61,146,927	90,248,830	–	–	–	–	90,248,830
Five years later	39,168,320	63,978,229	45,775,816	51,401,404	47,348,056	61,124,004	–	–	–	–	–	61,124,004
Six years later	38,379,455	63,924,423	45,776,866	51,449,656	47,439,799	–	–	–	–	–	–	47,439,799
Seven years later	38,345,233	63,927,161	45,835,415	51,449,656	–	–	–	–	–	–	–	51,449,656
Eight years later	38,345,233	63,948,334	45,839,025	–	–	–	–	–	–	–	–	45,839,025
Nine years later	38,345,233	63,948,334	–	–	–	–	–	–	–	–	–	63,948,334
Ten years later	38,345,233	–	–	–	–	–	–	–	–	–	–	38,345,233
Current Estimate of cumulative claims	38,345,233	63,948,334	45,839,025	51,449,656	47,439,799	61,124,004	90,248,830	75,242,074	106,312,691	160,807,424	49,470,621	790,227,691
Cumulative payment to date	(38,253,123)	(63,947,575)	(45,591,279)	(51,066,584)	(46,206,615)	(58,157,379)	(75,521,621)	(67,067,568)	(89,610,018)	(121,188,082)	(17,397,412)	(674,007,256)
Total net insurance liability (Note 16)	₱92,110	₱759	₱247,746	₱383,072	₱1,233,184	₱2,966,625	₱14,727,209	₱8,174,506	₱16,702,673	₱39,619,342	₱32,073,209	₱116,220,435

Accident Year	2009 and prior years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of ultimate claim costs:												
At the end of accident year	₱420,736,564	₱38,503,711	₱68,316,325	₱54,703,459	₱63,919,294	₱46,785,407	₱53,936,598	₱93,426,784	₱73,009,081	₱102,098,879	₱162,107,585	₱162,107,585
One year later	40,967,664	45,128,208	70,935,627	55,499,193	59,517,310	44,483,589	57,217,473	94,874,410	74,643,474	107,809,072	–	107,809,072
Two years later	37,804,815	45,105,354	65,961,373	52,889,097	56,077,363	42,335,983	61,190,152	83,636,593	75,796,671	–	–	75,796,671
Three years later	37,539,293	39,672,344	64,362,508	52,973,787	51,154,343	48,040,056	61,314,997	90,267,561	–	–	–	90,267,561
Four years later	37,337,399	38,554,777	63,794,712	45,775,022	51,183,456	47,025,839	61,146,927	–	–	–	–	61,146,927
Five years later	35,826,694	39,168,320	63,978,229	45,775,816	51,401,404	47,348,056	–	–	–	–	–	47,348,056
Six years later	35,925,853	38,379,455	63,924,423	45,776,866	51,449,656	–	–	–	–	–	–	51,449,656
Seven years later	35,788,490	38,345,233	63,927,161	45,835,415	–	–	–	–	–	–	–	45,835,415
Eight years later	35,735,448	38,345,233	63,948,334	–	–	–	–	–	–	–	–	63,948,334
Nine years later	35,695,448	38,345,233	–	–	–	–	–	–	–	–	–	38,345,233
Ten years later	35,695,596	–	–	–	–	–	–	–	–	–	–	35,695,596
Current Estimate of cumulative claims	35,695,596	38,345,233	63,948,334	45,835,415	51,449,656	47,348,056	61,146,927	90,267,561	75,796,671	107,809,072	162,107,585	779,750,106
Cumulative payment to date	(35,695,596)	(38,342,572)	(63,947,575)	(45,587,669)	(51,066,584)	(46,100,872)	(58,155,895)	(74,736,391)	(66,415,231)	(83,735,591)	(52,123,665)	(615,907,641)
Total net insurance liability (Note 16)	₱–	₱2,661	₱759	₱247,746	₱383,072	₱1,247,184	₱2,991,032	₱15,531,170	₱9,381,440	₱24,073,481	₱109,983,920	₱163,842,465

Financial Instruments
Fair values of financial assets are estimated as follows:

	Methods and Assumptions
Cash and cash equivalents, insurance receivables, short-term investments, accounts receivables, advances, accrued income and other financial liabilities	Due to the short-term nature of the instruments, the fair value approximates the carrying amount as of reporting date.
Financial assets at FVTPL, Equity and debt securities (shown under financial assets at FVOCI), HTC investments	Fair values are based on quoted prices within the bid-offer price range. Unlisted equity securities are valued using adjusted net asset values.
Mortgage loans (shown under loans and receivables)	The fair value approximates the carrying amount as of reporting date.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below provides the fair value hierarchy of the Company's financial assets:

	December 31, 2020			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets measured at fair value:				
Financial assets at FVTPL (Note 6)	**₱–**	**₱391,134,302**	**₱–**	**₱391,134,302**
Financial assets at FVOCI (Note 6)				
Listed equity securities:				
Common shares	**451,121,182**	–	–	**451,121,182**
Preferred shares	**21,651,000**	–	–	**21,651,000**
Club shares	–	**8,780,000**	–	**8,780,000**
Government securities:				
Local currency	**196,224,770**		–	**196,224,770**
Foreign currency	**14,911,502**	–	–	**14,911,502**
Private debt securities	**588,997,802**	–	–	**588,997,802**
Unlisted equity securities	–	–	**160,047,477**	**160,047,477**
Loans and receivables (Note 6)				
Real estate mortgage loan	–	–	**188,761,301**	**188,761,301**
Investment properties (Note 11)	–	–	**218,881,373**	**218,881,373**
	1,272,906,256	**399,914,302**	**567,690,151**	**2,240,510,709**
Asset for which fair values are disclosed:				
HTC investments	**197,039,778**	–	–	**197,039,778**
	1,469,946,034	**399,914,302**	**567,690,151**	**2,437,550,487**

	December 31, 2019			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at FVTPL (Note 6)	₱–	₱325,082,494	₱–	₱325,082,494
Financial assets at FVOCI (Note 6)				
Listed equity securities:				
Common shares	464,277,431	–	–	464,277,431
Preferred shares	26,195,000	–	–	26,195,000
Club shares	–	9,080,000	–	9,080,000
Government securities:				
Local currency	196,112,882		–	196,112,882
Foreign currency	18,617,611	–	–	18,617,611
Private debt securities	548,370,665	–	–	548,370,665
Unlisted equity securities	–	–	178,537,315	178,537,315
Loans and receivables (Note 6)				
Real estate mortgage loan	–	–	187,632,741	187,632,741
Investment properties (Note 11)	–	–	229,224,516	229,224,516
	1,253,573,589	334,162,494	595,394,572	2,183,130,655
Asset for which fair values are disclosed:				
HTC investments	190,109,257	–	–	190,109,257
	₱1,443,682,846	₱334,162,494	₱595,394,572	₱2,373,239,912

There were no transfers between level 1 and level 2, and no transfers into and out of level 3 fair value measurement during 2020 and 2019.

Financial Risk

The Company is exposed to financial risk through its financial assets and financial 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. The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risks.

Credit risk

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

Prior to extending credit, the Company manages its credit risk by assessing the credit quality of its counterparty. Another method by which the Company manages its credit risk exposure is through credit analysis. This is a process of assessing the credit quality of a counterparty which is a process that entails judgment.

The credit policy group reviews all information about the counterparty which may include the counterparty's statement of financial position, statements of income and other market information. The nature of the obligation is likewise considered. Based upon this analysis, the credit analyst assigns the counterparty a credit rating to determine whether or not credit may be provided.

Credit risk limit is also used to manage credit exposure which specifies exposure limits for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience.

The table below provides information regarding the credit risk exposure of the Company:

	December 31, 2020			
	Carrying Amount	**Fair Value of Collateral**	**Financial Effect of collateral**	**Maximum Exposure to Credit Risk**
Cash and cash equivalents (excluding cash on hand)	**₱96,643,367**	**₱–**	**₱–**	**₱96,643,367**
Short-term investments (Note 4)	**15,539,186**	–	–	**15,539,186**
Insurance receivables (Note 5)				
Due from brokers and agents	**230,252,758**	–	–	**230,252,758**
Reinsurance recoverable on paid losses	**55,376,052**	–	–	**55,376,052**
Due from ceding companies	**26,806,864**	–	–	**26,806,864**
Financial assets at FVTPL (Note 6)	**391,134,302**	–	–	**391,134,302**
Financial assets at FVOCI (Note 6)				
Government securities:				
Local currency (Note 6)	**196,224,770**	–	–	**196,224,770**
Foreign currency (Note 6)	**14,911,502**	–	–	**14,911,502**
Private debt securities (Note 6)	**588,997,802**	–	–	**588,997,802**
Held-to-collect investments	**178,451,625**	–	–	**178,451,625**
Loans and receivables (Note 6)				
Real estate mortgage loan	**188,761,301**	**1,663,808,000**	**188,761,301**	–
Intercompany receivables (Note 6)	**18,914,305**	–	–	**18,914,305**
Accounts receivables	**11,569,125**	–	–	**11,569,125**
Loans receivables (Note 6)	**1,821,092**	–	–	**1,821,092**
Advances	**691,200**	–	–	**691,200**
Accrued income (Note 7)	**11,938,400**	–	–	**11,938,400**
Restricted cash (Notes 14 and 19)	**718,137**	–	–	**718,137**
Total	**₱2,028,751,788**	**₱1,663,808,000**	**₱188,761,301**	**₱1,839,990,487**

	December 31, 2019			
	Carrying Amount	Fair Value of Collateral	Financial Effect of collateral	Maximum Exposure to Credit Risk
Cash and cash equivalents (excluding cash on hand)	₱100,289,913	₱–	₱–	₱100,289,913
Short-term investments (Note 4)	87,394,989	–	–	87,394,989
Insurance receivables (Note 5)				
Due from brokers and agents	160,818,163	–	–	160,818,163
Reinsurance recoverable on paid losses	49,213,198	–	–	49,213,198
Due from ceding companies	27,345,378	–	–	27,345,378
Financial assets at FVTPL (Note 6)	325,082,494	–	–	325,082,494
Financial assets at FVOCI (Note 6)				
Government securities:				
Local currency (Note 6)	196,112,882	–	–	196,112,882
Foreign currency (Note 6)	18,617,611	–	–	18,617,611
Private debt securities (Note 6)	548,370,665	–	–	548,370,665
Held-to-collect investments	185,567,733	–	–	185,567,733
Loans and receivables (Note 6)				
Real estate mortgage loan	187,632,741	1,449,783,000	187,632,741	–
Intercompany receivables (Note 6)	22,394,289	–	–	22,394,289
Accounts receivables	11,078,897	–	–	11,078,897
Loans receivables (Note 6)	3,270,127	–	–	3,270,127
Advances	691,200	–	–	691,200
Accrued income (Note 7)	12,914,213	–	–	12,914,213
Restricted cash (Notes 14 and 19)	489,007	–	–	489,007
Total	₱1,937,283,500	₱1,449,783,000	₱187,632,741	₱1,749,650,759

The Company does not hold a collateral held as security and other credit enhancements on its financial assets as of December 31, 2020 and 2019, except for the real estate mortgage loan. The Company has agreed to constitute and establish in favor of Fibertex Corporation a parcel of land as collateral of the loan.

In ensuring a quality investment portfolio, the Company monitors credit risk from investments using credit ratings based on Moody's for its cash in banks, short-term investments and loans and receivables.

The Company assigns the following credit quality groupings based on ratings prior to PFRS 9 adoption as follows:

Credit Quality	**Moody's**	**Stage**
High Grade	Aaa to A3	1
Standard Grade	Baa1 to Ba3	1
Substandard Grade	B1 to Ca	2
Good Standing	Unrated	1 or 2
Past due and impaired	C	3

For insurance receivables, the basis of credit quality rating is the status of the account. Credit quality rating is as follow:

Neither past due nor individually impaired
The Company classifies those accounts under current status having the following classification:

- High grade
  This pertains to accounts to receivables from counterparties with strong capacity to meet its obligation and has no default in payment history.
- Medium grade
  This pertains to accounts that are usually collected beyond 60 days.
- Good Standing
  This pertains to accounts to receivables from counterparties with average capacity to meet its obligation.

Past due but not individually impaired
These are accounts which are classified as delinquent, but the Company assesses that there is no objective evidence that these accounts are impaired as of statement of financial position date.

Individually impaired
Accounts which show evidence of impairment as of statement of financial position date.

Below is the staging parameters adopted by the Company effective January 1, 2018 in relation to its PFRS 9 adoption.

Staging Parameter	**Stage**	**Description**
Staging by Days Past Due		*Applicable to all premiums receivables and due to ceding companies*
	1	Accounts with 0 – 30 days past due
	2	Accounts with 31 – 90 days past due
	3	Accounts with days past due of 91 days and above

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

	December 31, 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents (excluding cash on hand)				
Neither Past Due nor Individually Impaired				
High grade	**₱–**	**₱–**	**₱–**	**₱–**
Medium grade	–	–	–	–
Good Standing	**96,252,676**	–	–	**96,252,676**
Past due or impaired	–	–	**390,691**	**390,691**
	96,252,676	–	**390,691**	**96,643,367**
Short-term investments				
Neither Past Due nor Individually Impaired				
High grade	–	–	–	–
Medium grade	–	–	–	–
Good Standing	**15,220,219**	–	–	**15,220,219**
Past due or impaired	–	–	**318,967**	**318,967**
	15,220,219	–	**318,967**	**15,539,186**
Financial assets at FVTPL investment				
Neither Past Due nor Individually Impaired				
High grade	–	–	–	–
Medium grade	–	–	–	–
Good Standing	**321,628,413**	–	–	**321,628,413**
Past due or impaired	–	–	–	–
	321,628,413	–	–	**321,628,413**
Financial assets at FVOCI investment				
Neither Past Due nor Individually Impaired				
High grade		–	–	–
Medium grade	–	–	–	–
Good Standing	**797,032,792**	–	–	**797,032,792**
Past due or impaired	–	–	**3,101,282**	**3,101,282**
	797,032,792	–	**3,101,282**	**800,134,074**
HTC investments				
Neither Past Due nor Individually Impaired				
High grade	–	–	–	–
Medium grade	–	–	–	–
Good Standing	**178,451,625**	–	–	**178,451,625**
Past due or impaired	–	–	–	–
	178,451,625	–	–	**178,451,625**
Loans and receivables				
Neither Past Due nor Individually Impaired				
High grade	–	–	–	–
Medium grade	–	–	–	–
Good Standing	**220,131,303**	–	–	**220,131,303**
Past due or impaired	–	–	**813,310**	**813,310**
	220,131,303	–	**813,310**	**220,944,613**
	₱1,628,717,028	**₱–**	**₱4,624,250**	**₱1,633,341,278**

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents (excluding cash on hand)				
Neither Past Due nor Individually Impaired				
High grade	₱–	₱–	₱–	₱–
Medium grade	–	–	–	–
Good Standing	75,398,878	–	–	75,398,878
Past due or impaired	–	–	250,797	250,797
	75,398,878	–	250,797	75,649,675
Short-term investments				
Neither Past Due nor Individually Impaired				
High grade	–	–	–	–
Medium grade	–	–	–	–
Good Standing	86,599,444	–	–	86,599,444
Past due or impaired	–	–	795,545	795,545
	86,599,444	–	795,545	87,394,989
Financial assets at FVTPL investment				
Neither Past Due nor Individually Impaired				
High grade	–	–	–	–
Medium grade	–	–	–	–
Good Standing	314,072,555	–	–	314,072,555
Past due or impaired	–	–	–	–
	314,072,555	–	–	314,072,555
Financial assets at FVOCI investment				
Neither Past Due nor Individually Impaired				
High grade		–	–	–
Medium grade	–	–	–	–
Good Standing	761,113,776	–	–	761,113,776
Past due or impaired	–	–	1,987,382	1,987,382
	761,113,776	–	1,987,382	763,101,158
HTC investments				
Neither Past Due nor Individually Impaired				
High grade	–	–	–	–
Medium grade	–	–	–	–
Good Standing	185,567,733	–	–	185,567,733
Past due or impaired	–	–	–	–
	185,567,733	–	–	185,567,733
Loans and receivables				
Neither Past Due nor Individually Impaired				
High grade	–	–	–	–
Medium grade	–	–	–	–
Good Standing	219,773,458	–	–	219,773,458
Past due or impaired	–	–	2,647,348	2,647,348
	219,773,458	–	2,647,348	222,420,806
	₱1,642,525,844	₱–	₱5,681,072	₱1,648,206,916

The table below provides information regarding the credit risk exposure of the Company's insurance receivables.

	December 31, 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Due from brokers and agents				
Neither Past Due nor Individually Impaired				
High grade	**₱–**	**₱–**	**₱–**	**₱–**
Medium grade	**–**	**–**	**–**	**–**
Good Standing	**45,449,280**	**40,240,155**	**–**	**85,689,435**
Past due or impaired	**53,425,484**	**61,104,615**	**30,033,224**	**144,563,323**
	98,874,764	**101,344,770**	**30,033,224**	**230,252,758**
Reinsurance recoverable on paid losses				
Neither Past Due nor Individually Impaired				
High grade	**–**	**–**	**–**	**–**
Medium grade	**–**	**–**	**–**	**–**
Good Standing	**3,824,515**	**6,431,413**	**–**	**10,255,928**
Past due or impaired	**25,497**	**33,638,438**	**11,456,189**	**45,120,124**
	3,850,012	**40,069,851**	**11,456,189**	**55,376,052**
Due from ceding companies				
Neither Past Due nor Individually Impaired				
High grade	–	–	–	–
Medium grade	–	–	–	–
Good Standing	**3,982,273**	**1,787,105**	**–**	**5,769,378**
Past due or impaired	**1,171,939**	**11,328,682**	**8,536,865**	**21,037,486**
	5,154,212	**13,115,787**	**8,536,865**	**26,806,864**
	₱107,878,988	**₱154,530,408**	**₱59,747,408**	**₱322,156,804**

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Due from brokers and agents				
Neither Past Due nor Individually Impaired				
High grade	₱–	₱–	₱–	₱–
Medium grade	–	–	–	–
Good Standing	–	58,488,391	–	58,488,391
Past due or impaired	–	97,522,080	4,807,692	102,329,772
	–	156,010,471	4,807,692	160,818,163
Reinsurance recoverable on paid losses				
Neither Past Due nor Individually Impaired				
High grade	–	–	–	–
Medium grade	–	–	–	–
Good Standing	–	–	668,681	668,681
Past due or impaired	–	812,294	47,732,223	48,544,517
	–	812,294	48,400,904	49,213,198
Due from ceding companies				
Neither Past Due nor Individually Impaired				
High grade	–	–	–	–
Medium grade	–	–	–	–
Good Standing	–	4,530,490	7,442,188	11,972,678
Past due or impaired	–	–	15,372,700	15,372,700
	–	4,530,490	22,814,888	27,345,378
	₱–	₱161,353,255	₱76,023,484	₱237,376,739

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated. The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

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

The table below analyzes financial assets and liabilities of the Company, as well as the claims payable and related recoverable on reinsurers, into their relevant maturity groups based on the remaining period at the reporting dates to their contractual maturities or expected repayment dates.

	December 31, 2020					
	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**No term**	**Total**
Cash and cash equivalents*	**₱111,346,286**	**₱–**	**₱–**	**₱–**	**₱–**	**₱111,346,286**
Short-term investments*	**15,539,186**	**–**	**–**	**–**	**–**	**15,539,186**
Insurance receivables	**312,435,674**	**–**	**–**	**–**	**–**	**312,435,674**
Financial assets at FVPL	**–**	**–**	**–**	**–**	**391,134,302**	**391,134,302**
Financial assets at FVOCI*	**105,789,875**	**178,617,423**	**189,336,385**	**514,380,022**	**641,592,659**	**1,629,716,364**
HTC investments*	**25,322,656**	**–**	**–**	**276,782,060**	**–**	**302,104,716**
Loans and receivables*	**43,261,399**	**71,238,598**	**60,611,079**	**83,088,988**	**900**	**258,200,964**
Accrued income	**11,938,400**	**–**	**–**	**–**	**–**	**11,938,400**
Total financial assets	**₱625,633,476**	**₱249,856,021**	**₱249,947,464**	**₱874,251,070**	**₱1,032,727,861**	**₱3,032,415,892**
Insurance contract liabilities	**140,880,847**	**₱–**	**₱–**	**₱–**	**₱–**	**140,880,847**
Insurance payables	**120,807,168**	**–**	**–**	**–**	**–**	**120,807,168**
Accounts payable and accrued expenses (except taxes payable)	**135,406,843**	**–**	**–**	**–**	**–**	**135,406,843**
Other liabilities	**112,094,843**	**–**	**–**	**–**	**–**	**112,094,843**
Lease liability*	**702,057**	**1,629,860**	**–**			**2,331,917**
Total financial liabilities	**₱509,891,758**	**₱1,629,860**	**₱–**	**₱–**	**₱–**	**₱511,521**

Inclusive of interest

	December 31, 2019					
	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Cash and cash equivalents*	₱108,842,239	₱–	₱–	₱–	₱–	₱108,842,239
Short-term investments*	87,394,989	–	–	–	–	87,394,989
Insurance receivables	237,376,739	–	–	–	–	237,376,739
Financial assets at FVPL	–	–	–	–	325,082,494	325,082,494
Financial assets at FVOCI*	27,716,573	185,312,789	255,442,500	498,037,680	678,089,746	1,644,599,288
HTC investments*	6,280,232	27,166,406	–	287,460,520	–	320,907,158
Loans and receivables*	63,799,096	59,386,907	59,370,833	86,946,439	900	269,504,175
Accrued income	12,914,213	–	–	–	–	12,914,213
Total financial assets	₱544,324,081	₱271,866,102	₱314,813,333	₱872,444,639	₱1,003,173,140	₱3,006,621,295
Insurance contract liabilities	214,922,684	₱–	₱–	₱–	₱–	214,922,684
Insurance payables	54,724,859	–	–	–	–	54,724,859
Accounts payable and accrued expenses (except taxes payable)	126,249,329	–	–	–	–	126,249,329
Other liabilities	109,742,551	–	–	–	–	109,742,551
Lease liability*	1,192,825	1,541,265	153,468			2,887,558
Total financial liabilities	₱770,432,901	₱1,541,265	₱153,468	₱–	₱–	₱772,127,634

**Inclusive of interest*

Inclusive of interest
***Excludes Incurred but not reported reserves*

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

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

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

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

The following table shows the details of the Company's foreign currency-denominated monetary assets and their Philippine peso equivalents.

		2020		2019
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Cash in bank:				
US dollar denominated	**$426,572**	**₱20,481,420**	$297,411	₱15,063,250
Euro denominated	**€602**	**35,331**	€602	34,346
Financial assets at FVTPL:				
Euro denominated	**€32,439**	**1,902,656**	€32,520	1,847,431
Financial assets at FVOCI:				
US dollar denominated	**$5,125,391**	**246,093,303**	$4,816,593	243,251,528
Accrued interest:				
US dollar denominated	**$70,287**	**3,374,769**	$90,734	4,594,304
Total foreign currency denominated assets		**₱271,887,479**		₱264,790,859

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Company's income before tax.

	December 31, 2020		
Currency	**Change in exchange rate**	**Impact on income before tax Increase (decrease)**	**Impact on other comprehensive income before tax Increase (decrease)**
US Dollar	**5.34%**	**₱1,273,107**	**₱13,132,994**
	(5.34%)	**(1,273,107)**	**(13,132,994)**
Euro	**(4.15%)**	**(80,419)**	**–**
	4.15%	**80,419**	**–**

	December 31, 2019		
Currency	Change in exchange rate	Impact on income before tax Increase (decrease)	Impact on other comprehensive income before tax Increase (decrease)
US Dollar	3.76%	₱738,221	₱9,135,081
	(3.76%)	(738,221)	(9,135,081)
Euro	(6.88%)	(129,487)	–
	6.88%	129,487	–

The sensitivity analysis has been determined assuming that the change in foreign currency exchange rates has occurred at the reporting date and has been applied to the Company's exposure to currency risk for financial instruments in existence at that date, and all other variables, interest rates in particular, remain constant.

The stated changes represent management's assessment of reasonable possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent the effects on the Company's income before tax measured in US dollars and Euro using the closing foreign exchange rate at the reporting date.

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

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

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

The Company's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities.

The following tables show information relating to the Company's financial instruments which are subject to interest rates based on maturity profile:

	December 31, 2020					
	Interest rate (%)	**Within a year**	**1-3 years**	**Maturity 3-5 years**	**Over 5 years**	**Total**
Loans and receivables						
Real estate mortgage loan	**4%-5%**	**35,424,317**	**52,725,497**	**49,684,760**	**50,926,727**	**188,761,301**
Intercompany receivables	**5%**	**18,914,305**	**–**	**–**	**–**	**18,914,305**
Loans receivables	**10%-13%**	**1,821,092**	**–**	**–**	**–**	**1,821,092**

	December 31, 2019					
	Interest rate (%)	Within a year	1-3 years	Maturity 3-5 years	Over 5 years	Total
Loans and receivables						
Real estate mortgage loan	4%-5%	19,680,025	42,715,707	47,519,279	77,717,731	187,632,741
Intercompany receivables	5%	22,394,289	–	–	–	22,394,289
Loans receivables	10%-13%	3,270,127	–	–	–	3,270,127

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity of revaluing fixed rate FVOCI debt securities. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

	December 31, 2020	
	Change in variables	**Impact on equity Increase (decrease)**
FVOCI debt securities	**+50 basis points**	**₱40,537,874**
	–50 basis points	**(31,327,628)**

	December 31, 2019	
	Change in variables	Impact on equity Increase (decrease)
FVOCI debt securities	+100 basis points	₱47,356,218
	–100 basis points	(18,628,459)

The sensitivity analysis above has been determined assuming that the change in interest rates has occurred at the reporting date and has been applied to the exposure to interest rate risk for interest bearing financial instruments in existence at that date. The increase or decrease in basis points represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

c) *Price risk*

The Company's price risk exposure at year end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), principally, its FVOCI equity financial assets.

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

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

The analysis below is performed for reasonably possible movements in the key variable, with all other variables held constant, showing the impact on equity that reflects changes in fair value of FVOCI financial assets on the Company's listed equity securities.

	December 31, 2020	
Market index	**Change in equity prices**	**Impact on equity Increase (decrease)**
PSEi	**+2.74%**	**₱55,735,520**
PSEi	**-2.74%**	**(55,735,520)**

	December 31, 2019	
Market index	Change in equity prices	Impact on equity Increase (decrease)
PSEi	+3.32%	₱80,705,992
PSEi	-3.32%	(80,705,992)

31. Current and Non-current Classification

The Company’s classification of its accounts is as follows:

	2020			2019		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Assets						
Cash and cash equivalents	**₱110,955,595**	**₱–**	**₱110,955,595**	₱108,591,442	₱–	₱108,591,442
Short-term investments	**15,220,219**	**–**	**15,220,219**	86,599,444	–	86,599,444
Insurance receivables - net	**263,304,051**	**–**	**263,304,051**	198,729,718	–	198,729,718
Financial assets						
Financial assets at FVPL	**391,134,302**	**–**	**391,134,302**	325,082,494	–	325,082,494
Financial assets at FVOCI	**946,485,442**	**495,241,291**	**1,441,726,733**	957,637,703	483,553,201	1,441,190,904
HTC Investments	**24,839,203**	**153,612,422**	**178,451,625**	31,018,899	154,548,834	185,567,733
Loans and receivables	**41,714,476**	**179,230,137**	**220,944,613**	63,799,096	158,621,710	222,420,806
Accrued income	**11,938,400**	**–**	**11,938,400**	12,914,213	–	12,914,213
Investment in an associate	**–**	**977,729,833**	**977,729,833**	–	891,733,039	891,733,039
Reinsurance assets	**126,201,492**	**–**	**126,201,492**	113,881,710	–	113,881,710
Investment properties - net	**–**	**234,914,336**	**234,914,336**	–	229,224,516	229,224,516
Property and equipment - net	**–**	**30,167,300**	**30,167,300**	–	35,093,587	35,093,587
Right-of-use assets	**–**	**2,013,982**	**2,013,982**	–	2,411,083	2,411,083
Other assets	**3,738,596**	**2,067,855**	**5,806,451**	14,528,644	–	14,528,644
Total assets	**₱1,935,531,776**	**₱2,074,977,156**	**₱4,010,508,932**	₱1,912,783,363	₱1,955,185,970	₱3,867,969,333
Liabilities						
Insurance contract liabilities	**₱371,779,567**	**₱–**	**₱371,779,567**	₱478,523,337	–	₱478,523,337
Insurance payables	**120,807,168**	**–**	**120,807,168**	54,724,859	–	54,724,859
Deferred tax liability	**–**	**184,128,687**	**184,128,687**	–	196,806,030	196,806,030
Accounts payable and accrued expenses	**211,761,344**	**–**	**211,761,344**	173,365,610	–	173,365,610
Deferred reinsurance commissions	**14,122,032**	**–**	**14,122,032**	9,465,929	–	9,465,929
Net pension obligation	**–**	**28,279,568**	**28,279,568**	–	31,263,389	31,263,389
Lease liabilities	**490,619**	**1,455,138**	**1,945,757**	2,558,474	–	2,558,474
Other liabilities	**9,468,774**	**102,626,069**	**112,094,843**	10,868,455	98,874,096	109,742,551
Total liabilities	**₱728,429,504**	**₱316,489,462**	**₱1,044,918,966**	₱729,506,664	₱326,943,515	₱1,056,450,179

32. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individual or corporate entities. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Summary of significant transactions with related parties in the ordinary course of business follows:

December 31, 2020

Category	Amount/Volume	Outstanding Balance	Terms	Conditions
Advent Capital and Finance Corporation				
FVTPL	**₱286,244,293**	**₱314,244,293**	–	–
Manila Bay Spinning Mills, Inc.				
Premiums	**6,880,394**	**6,274,112**	90-day; Noninterest-bearing	Unsecured; unimpaired
Allocation of various expenses	**106,340**	**–**	–	–
Payment of claims	**22,975**	**–**		
Claims and benefits	**–**	**40,400**		
Dividends payable	**–**	**5,063,712**		
Other payable	**–**	**36,991**		
Manila Bay Hosiery Mills, Inc.				
Premiums	**282,174**	**22,664**	90-day; Noninterest-bearing	Unsecured; unimpaired
Allocation of various expenses	**21,609**	**–**		
Dividend payable	**–**	**3,797,772**		

(Forward)

Category	Amount/Volume	Outstanding Balance	Terms	Conditions
Amina, Inc.				
Premiums	**₱138,487**	**₱64,002**	90-day; Noninterest-bearing	Unsecured; unimpaired
Allocation of various expenses	**37,493**	–	–	–
Dividend payable	–	**3,472,186**		
Other payable	–	**11,975**		
Agatha Builders Corp.				
Dividend payable	–	**2,296,823**		
Aguille Corp.				
Dividend payable	–	**1,738,377**		
Rescom Developers, Inc.				
Dividend payable	–	**8,792,077**		
Bloom with Looms Logistics.				
Premiums	**616,434**	–		
Vital Ventures Corp.				
Premiums	**1,913,440**	**271,503**	90-day; Noninterest-bearing	Unsecured; unimpaired
Dividend payable	–	**2,714,438**		
First Optima Realty Corporation				
Premiums	**1,633,854**	**1,001,501**	90-day; Noninterest-bearing	Unsecured; unimpaired
Allocation of various expenses	**46,450**	–		
Dividend payable	–	**2,338,577**		
Rosam Holding Corporation				
Dividend payable	–	**285,012**		
A & E Corporation			–	–
Premiums	**13,937**	**13,937**	90-day; Noninterest-bearing	Unsecured; unimpaired
A & T Building Condominium				
Allocation of various expenses	**2,896**	–		
A.A Tanco, Inc.				
Premiums	**45,939**	**45,939**	90-day; Noninterest-bearing	Unsecured; unimpaired
A Tanco Realty				
Premiums	**68,445**	**33,474**	90-day; Noninterest-bearing	Unsecured; unimpaired
Asian Terminals, Inc.				
Premiums	**98,183**	**32,349**	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	**656,000**	–		
Claims and benefits	–	**1,811,000**		
Cement Center, Inc.				
Premiums	**626,793**	**84,957**	90-day; Noninterest-bearing	Unsecured; unimpaired
Coats Manila Bay, Inc.				
Claims and benefits	–	**165,000**		
Enervantage Suppliers Co., Inc.				
Premiums	**4,407,870**	**4,325,538**	90-day; Noninterest-bearing	Unsecured; unimpaired
Fibertex Corporation				
Premiums	**1,274,229**	**1,274,229**	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	**62,571**	–	–	–
Accounts receivable	–	**154,603**	Due and demandable; Noninterest-bearing	Unsecured; unimpaired
Real estate mortgage loan	**220,500,000**	**188,761,301**	Interest-bearing;	Secured; unimpaired
Other payable	–	**21,648**		
Allocation of various expenses	**31,550**	–		
Grow Holdings Phil., Inc.				
Premiums	**189,058**	**8,281**	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	**750,000**	–		
Claims and benefits	–	**756,784**		
Information & Communications Academy, Inc.				
Premiums	**2,394,695**	**48,052**	90-day; Noninterest-bearing	Unsecured; unimpaired
Claims and benefits	–	**60,000**		
International Hardwood & Veneer Corp.				
Premiums	**505,717**	**441,714**	90-day; Noninterest-bearing	Unsecured; unimpaired
Accounts receivable	–	**150,000**	Due and demandable; Noninterest-bearing	Unsecured; unimpaired

(Forward)

Category	Amount/Volume	Outstanding Balance	Terms	Conditions
Juska Inc.				
Dividend payable	₱–	₱1,568,239		
Leisure & Resorts World Corporation				
Premium	4,687,155	1,838,800	90-day; Noninterest-bearing	Unsecured; unimpaired
Malanday Realty & Dev't Corporation				
Premiums	104,528	104,528	90-day; Noninterest-bearing	Unsecured; unimpaired
Mar-Bay Homes, Inc.				
Premiums	43,087	32,149	90-day; Noninterest-bearing	Unsecured; unimpaired
Other Payable	–	200		
MBS Paseo Realty Development Corp.				
Premiums	1,386,901	1,378,761	90-day; Noninterest-bearing	Unsecured; unimpaired
Morningside Shell Service Center				
Premiums	40,801	12,607	90-day; Noninterest-bearing	Unsecured; unimpaired
Allocation of various expenses	24,718	–		
Other payable	–	29,952		
Philippine Belt Manufacturing Corp.				
Premiums	1,449,901	1,141,817	90-day; Noninterest-bearing	Unsecured; unimpaired
Claims and benefits	–	17,000		
Payment of claims	34,373	–		
Phil. Healthcare Educators, Inc				
Premiums	1,683	–		
Philippine Racing Club, Inc.				
Premiums	99,864	610	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	21,576	–	–	–
Other payable	–	13,576		
Ruy Corporation				
Dividend payable	–	1,457,912		
Southern Textile Mills, Inc.				
Premiums	–	28,144	90-day; Noninterest-bearing	Unsecured; unimpaired
Total Consolidated Assets, Inc.				
Premiums	8,501,971	414,798	90-day; Noninterest-bearing	Unsecured; unimpaired
Tridel Holdings				
Dividend payable	–	1,747,974		
Ventures Securities, Inc.				
Premiums	27,247	–		
Accounts receivable	–	328,874	Due and demandable; Noninterest-bearing	Unsecured; unimpaired
STI Education Systems Holdings, Inc.				
Premiums	779,001	609,813	90-day; Noninterest-bearing	Unsecured; unimpaired
Systems Technology Institute				
Premiums	17,286,309	6,547,832	90-day; Noninterest-bearing	Unsecured; unimpaired
Claims and benefits	–	10,902,271	Due and demandable; Noninterest-bearing	Unsecured; unimpaired
Other payable	–	1,395,988		
Rental income	3,324,623	–		
Claims payment	3,408,096	–		
Allocation of various expenses	1,358,112	–		
Diliman Realty & Dev't Corp.				
Premiums	1,581,907	1,602,924	90-day; Noninterest-bearing	Unsecured; unimpaired
EHT Holdings				
Premiums	485,220	23,286	90-day; Noninterest-bearing	Unsecured; unimpaired
Eujo Philippines Inc.				
Other payable	–	565	–	–
Grow Vite Staffing Services, Inc.				
Premiums	19,173	–	–	–
Allocation of various expenses	521,668	–	–	–

(Forward)

Category	Amount/Volume	Outstanding Balance	Terms	Conditions
JB Can, Inc.				
Premiums	**3,804**	–		
Ludo & Luym				
Premiums	**222,537**	**15,581**	90-day; Noninterest-bearing	Unsecured; unimpaired
Manila Bay Thread Corp.				
Premiums	**3,683,372**	**3,221,029**	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	**40,968**	–	–	–
Allocation of various expenses	**7,475**	–	–	–
Accounts receivable	–	**4,603**	Due and demandable; Noninterest-bearing	Unsecured; unimpaired
Claims and benefits	–	**92,000**	Due and demandable; Noninterest-bearing	–
Other payable	–	**7,166**		
MBS Development Corporation				
Premiums	**458,365**	**456,120**	90-day; Noninterest-bearing	Unsecured; unimpaired
Accounts receivable	–	**14,841**	Due and demandable; Noninterest-bearing	
Philippines First Condominium Corp.				
Premiums	**1,042,579**	–	–	–
Allocation of various expenses	**2,653,462**	–	–	–
Other payable	–	**780,553**		
Techzone Philippines				
Premiums	**45,719**	**1,739**	90-day; Noninterest-bearing	Unsecured; unimpaired
Comm & Sense Inc.				
Premiums	**1,683**	–	–	–
Venture Securities	**27,247**	–		
Premiums				
T & K Investments Corp				
Premiums	**1,521,723**	**1,529,478**	90-day; Noninterest-bearing	Unsecured; unimpaired
Tandem Realty & Development Corp.				
Premiums	**62,302**	**57,015**	90-day; Noninterest-bearing	Unsecured; unimpaired
Tantivy Holdings, Inc.				
Premiums	**1,122**	–	–	–
Yang Wu Trading Inc.				
Premiums	**11,411**	–		

Category	Amount/Volume	Outstanding Balance	Terms	Conditions
Associates				
Maestro Holdings, Inc.				
Premiums	**₱28,141**	**₱27,023**	90-day; Noninterest-bearing	Unsecured; unimpaired
PhilhealthCare, Inc.**				
Premiums	**678,508**	**184,405**	90-day; Noninterest-bearing	Unsecured; unimpaired
Allocation of various expenses	**985,176**			
Other payable	–	**68,684**		
Payment of claims	**66,608**	–		
Philippine Life Financial Assurance Corporation**				
Premiums	**494,862**	**135,827**	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	**12,517**	–	–	–
Claims and benefits	–	**20,000**		
PhilPlans First, Inc.**				
Premiums	**2,031,088**	**250,935**	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	**304,101**	–	–	–
Allocation of various expenses	**774,589**	–		–
Rental income	**169,391**	–	–	–
Claims and benefits	–	**106,000**		
Other payable	–	**735,436**		

December 31, 2019

Category	Amount/Volume	Outstanding Balance	Terms	Conditions
Advent Capital and Finance Corporation				
FVTPL	₱286,244,293	₱314,244,293	–	–
Manila Bay Spinning Mills, Inc.				
Premiums	6,974,076	6,165,091	90-day; Noninterest-bearing	Unsecured; unimpaired
Allocation of various expenses	72,092		–	–
Accounts receivable	–	4,603	Due and demandable; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	41,094	–		
Claims and benefits	–	55,400		
Dividends payable	–	5,063,712		
Other payable	–	1,239		
Manila Bay Hosiery Mills, Inc.				
Premiums	432,180	225,459	90-day; Noninterest-bearing	Unsecured; unimpaired
Dividend payable	–	3,797,772		
Other payable	–	45,151		
Amina, Inc.				
Allocation of various expenses	209,548	–	–	–
Dividend payable	–	3,472,186		
Agatha Builders Corp.				
Dividend payable	–	2,296,823		
Aguille Corp.				
Dividend payable	–	1,738,377		
Biolim Holdings and Management Corp.				
Payment of claims	750,000	–		
Dividend payable	–	8,792,077		
Bloom with Looms Logistics.				
Premiums	634,077	–		
Vital Ventures Corp.				
Premiums	1,903,781	37,916	90-day; Noninterest-bearing	Unsecured; unimpaired
Allocation of various expenses	98,400	–	–	–
Dividend payable	–	2,714,438		
First Optima Realty Corporation				
Premiums	538,803	406,041	90-day; Noninterest-bearing	Unsecured; unimpaired
Claims and benefits	–	70,000	Due and demandable; Noninterest-bearing	
Dividend payable	–	2,338,577		
Other payable	–	100,000		
A & E Corporation			–	–
Premiums	13,937	–		
A & T Building Condominium				
Allocation of various expenses	10,097	–		
A.A Tanco, Inc.				
Premiums	45,939	45,939	90-day; Noninterest-bearing	Unsecured; unimpaired
Asian Terminals, Inc.				
Premiums	157,939	31,415	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	1,221,026	–		
Cement Center, Inc.				
Premiums	551,913	44,134	90-day; Noninterest-bearing	Unsecured; unimpaired
Allocation of various expenses	7,146	–	–	–
Other payable	–	7,861		
Classic Development Corporation				
Premiums	1,003	–	–	–
Coats Manila Bay, Inc.				
Payment of claims	16,855	–		
Enervantage Suppliers Co., Inc.				
Premiums	4,087,669	5,837,580	90-day; Noninterest-bearing	Unsecured; unimpaired

(Forward)

Category	Amount/Volume	Outstanding Balance	Terms	Conditions
Fibertex Corporation				
Premiums	₱934,181	₱877,870	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	87,552	–	–	–
Accounts receivable	–	154,603	Due and demandable; Noninterest-bearing	Unsecured; unimpaired
Loans receivable	200,000,000	187,632,741	Interest bearing	Secured
Accrued interest on loans receivable	1,131,752	1,131,752	–	–
Claims and benefits	–	68,000		
Allocation of various expenses	1,065,138	–		
Grow Holdings Phil., Inc.				
Premiums	208,919	–	–	–
Claims and benefits	–	908,949	Due and demandable; Noninterest-bearing	–
Other payable	–	19,263		
Hi-Lon Mfg. Co., Inc.				
Premiums	5,157	–	–	–
Information & Communications Academy, Inc.				
Premiums	2,635,268	15,033	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	10,000	–	–	–
Claims and benefits	–	2,030,000		
International Hardwood & Veneer Corp.				
Premiums	495,136	441,714	90-day; Noninterest-bearing	Unsecured; unimpaired
Accounts receivable	–	150,000	Due and demandable; Noninterest-bearing	Unsecured; unimpaired
Other payable	–	62		
J&T Realty Corporation				
Premiums	169,772	159,199	90-day; Noninterest-bearing	Unsecured; unimpaired
Juska Inc.				
Dividend payable	–	1,568,239		
Leisure & Resorts World Corporation				
Premium	5,730,151	1,881,586	90-day; Noninterest-bearing	Unsecured; unimpaired
Claims and benefits	–	39,000		
Malanday Realty & Dev't Corporation				
Premiums	104,528	104,528	90-day; Noninterest-bearing	Unsecured; unimpaired
Mar-Bay Homes, Inc.				
Premiums	44,799	27,363	90-day; Noninterest-bearing	Unsecured; unimpaired
MBS Paseo Realty Development Corp.				
Premiums	1,147,869	1,193,076	90-day; Noninterest-bearing	Unsecured; unimpaired
Morningside Shell Service Center				
Premiums	618	–	90-day; Noninterest-bearing	Unsecured; unimpaired
Allocation of various expenses	7,223	–		
Payment of claims	14,307	–		
Other payable	–	33,585		
Mystic Holdings, Inc.				
Premiums	57,401	–	–	–
Optima Financing Corporation				
Premiums	1,122	–	–	–
Philippine Belt Manufacturing Corp.				
Premiums	1,488,513	212,291	90-day; Noninterest-bearing	Unsecured; unimpaired
Claims and benefits	–	60,000	–	–
Phil. Healthcare Educators, Inc.				
Premiums	1,683	–		
Philippine Racing Club, Inc.				
Premiums	1,545,795	4,801	90-day; Noninterest-bearing	Unsecured; unimpaired
Claims and benefits	–	72,000	–	–
Other payable	–	1,416		
Prime Power Holdings Corporation				
Premiums	2,245	–	–	–
Ruy Corporation				
Dividend payable	–	1,457,912		

(Forward)

Category	Amount/Volume	Outstanding Balance	Terms	Conditions
Southern Textile Mills, Inc.				
Premiums	₱–	₱28,144	90-day; Noninterest-bearing	Unsecured; unimpaired
Total Consolidated Assets, Inc.				
Premiums	8,500,584	–	90-day; Noninterest-bearing	Unsecured; unimpaired
Xiclops, Inc.				
Premiums	1,122	–		
Tridel Holdings				
Dividend payable	–	1,747,974		
Ventures Securities, Inc.				
Premiums	29,648	26,281	90-day; Noninterest-bearing	Unsecured; unimpaired
Allocation of various expenses	42,644	–		Unsecured; unimpaired
Accounts receivable	–	328,874	–	
STI Education Systems Holdings, Inc.				
Premiums	619,032	–	90-day; Noninterest-bearing	Unsecured; unimpaired
Other payable	–	942,864		
Systems Technology Institute			–	–
Premiums	19,381,323	362,068	90-day; Noninterest-bearing	Unsecured; unimpaired
Claims and benefits	–	8,894,502	Due and demandable; Noninterest-bearing	Unsecured; unimpaired
Other payable	–	101,922		
Diliman Realty & Dev't Corp.				
Premiums	1,627,654	1,625,409	90-day; Noninterest-bearing	Unsecured; unimpaired
Eujo Philippines Inc.				
Premiums	33,208	–	–	–
Grow Vite Staffing Services, Inc.				
Premiums	33,649	–	–	–
Allocation of various expenses	62.833	–	–	–
Manila Bay Thread Corp.				
Premiums	4,408,951	3,775,031	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	52,892	–	–	–
Allocation of various expenses	14,991	–	–	–
Accounts receivable	–	4,603	Due and demandable; Noninterest-bearing	Unsecured; unimpaired
Claims and benefits	–	96,500	Due and demandable; Noninterest-bearing	–
Other payable	–	5,329		
MBS Development Corporation				
Premiums	464,862	456,120	–	–
Philippines First Condominium Corp.				
Premiums	1,042,579	–	–	–
Allocation of various expenses	2,903,873	–	–	–
Other payable	–	425,167		
Reno Foods, Inc.				
Premiums	305,967	–	–	–
Search Insurance Agency				
Premiums	3,421	–	–	–
T & K Investments Corp				
Premiums	1,521,723	1,529,478	90-day; Noninterest-bearing	Unsecured; unimpaired
Tandem Realty & Development Corp.				
Premiums	62,302	57,015	90-day; Noninterest-bearing	Unsecured; unimpaired
Tantivy Holdings, Inc.				
Premiums	1,122	–	–	–
Techzone Philippines				
Premiums	37,049	–	–	–
Comm & Sense Inc.				
Premiums	1,683	–	–	–

(Forward)

Category	Amount/Volume	Outstanding Balance	Terms	Conditions
Associates				
Maestro Holdings, Inc.				
Allocation of various expenses	92,284	–		
Accounts receivable	–	291,800	Due and demandable; Noninterest-bearing	
PhilhealthCare, Inc.**				
Premiums	1,025,219	36,149	–	–
Claims and benefits	–	15,000	Due and demandable; Noninterest-bearing	
Allocation of various expenses	1,078,427	–		
Other payable	–	84,104		
Philippine Life Financial Assurance Corporation**				
Premiums	563,088	72,706	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	22,830	–	–	–
Claims and benefits	–	70,000		
PhilPlans First, Inc.**				
Premiums	3,157,692	277,391	90-day; Noninterest-bearing	Unsecured; unimpaired
Payment of claims	270,724	–	–	–
Allocation of various expenses	1,067,811	–	Due and demandable; Noninterest-bearing	–
Rental income	653,369	–	–	–
Claims and benefits	–	74,000		
Other payable	–	743,706		

**Affiliate pertains to various entities under common control of a majority Shareholder*
***Subsidiary of Maestro Holdings, Inc. (an associate)*

The balances resulting from the transactions described above are carried in the following accounts in the statement of financial position and statements of income as follows:

	2020	2019
Due from brokers and agents (Note 5)	**₱34,286,511**	₱26,269,519
Advances (Note 6)	**–**	–
Accounts receivables (Note 6)	**657,524**	933,882
Insurance contract liabilities (Note 15)	**(13,970,455)**	(12,453,351)
Gross premiums written (Note 21)	**68,467,485**	73,594,640
Gross insurance contract benefits and claims paid (Note 24)	**(5,379,485)**	(3,328,030)
Dividend income (Note 22)	**–**	–
Dividend Payable	**36,059,707**	34,988,118
Other payable	**–**	129,965
General expenses (Note 25)	**(3,762,415)**	(9,152,354)

The outstanding balances from the related parties are to be settled in cash.

<u>Summary of benefits of key management personnel</u>
Key management personnel are employees who have the authority to directly or indirectly plan and control business operations. Top business management usually includes the President, Chief Operating Officer, as well as a number of Vice-presidents of the Company. These positions are all considered key management because they have the power to influence and direct company operations.

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

	2020	2019
Short-term benefits	**₱14,848,513**	₱14,728,865
Post-employment benefits	**16,661,030**	15,841,753
	₱31,509,543	₱30,570,618

33. Note to Statement of Cash Flows

Details of non-cash investing activities follow:

Decrease in FVOCI due to mark-to-market valuation	(79,335,525)
Decrease in ROU assets due to pre-termination of lease contracts (Note 13)	(566,480)

Presented below is the supplemental information on the Company’s lease liability arising from financing activities:

	2020	2019
At January 1		
Cashflows from financing activities:	**₱2,558,474**	₱–
Additions	**1,393,219**	3,871,074
Repayment of borrowings	**(1,180,174)**	(1,681,752)
Non-cash financing activities		
Accretion of interest	**251,002**	369,152
Pre-termination of lease contracts	**(1,076,764)**	–
At December 31	**₱1,945,757**	₱2,558,474

34. Events after reporting period

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity’s office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.

- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:

    - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;

- o Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
- o The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower minimum corporate income tax rate of 1% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5%. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, amounting to ₱1.94 million. The reduced amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower net deferred tax assets as of December 31, 2020 and higher provision for deferred tax for the year then ended by ₱30.65 million. These reductions will be recognized in the 2021 financial statements.

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

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the information on taxes and license fees paid or accrued during the taxable year.

Value Added Tax (VAT)

a. The Company is a VAT-registered company with VAT output tax declaration of ₱39,865,522 for the year based on the direct premiums, rental income, commission and interest of ₱299,540,816, ₱6,315,582, ₱18,368,718, and ₱7,987,564, respectively

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

Balance at January 1	₱4,519,820
Current year's purchases/payments:	
Capital Goods	204,650
Goods other than capital goods	505,694
Services paid lodged under general expenses	9,907,991
	15,138,155
Input VAT applied against Output VAT	(12,104,932)
Input VAT allocable to exempt sale	(207,093)
Balance at December 31	₱2,826,130

c. Taxes relating to nonlife insurance policies that have been shifted or passed on to the policyholders and are not recognized in the statement of comprehensive income follow:

The total documentary stamp tax (DST) affixed on insurance policies for the year amounted to ₱56,982,022.

Other taxes during the year which represent the total accrued and paid follow:

Premium tax	₱111,083
Fire service tax	3,773,628
	₱3,884,711

d. The Company did not incur any excise tax in 2019.

e. Details of other taxes, local and national, including real estate taxes, license and permit fees lodged under the 'Taxes and Licenses' account under 'General Expenses' follow:

National:

Interests and penalties	₱3,692,615
IC fees	412,670
LTO registration fees	30,062
Accreditation to supreme court	13,028
BIR annual registration fees	30,600
Others	6,100
Total	₱4,185,075

Local:

Mayor's permit	₱2,094,323
Real property taxes	661,433
Others	12,025
Total	₱2,767,781

f. The amount of withholding taxes for the year amounted to:

Tax on compensation and benefits	₱5,175,530
Expanded withholding taxes	8,426,865
Total	₱13,602,395

g. The Company has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.