SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2022

TEODORO SANTAMARIA AND CO.
CERTIFIED PUBLIC ACCOUNTANTS

Suite 2108 Cityland 10 Tower 1
156 H.V. Dela Costa St.
Salcedo Village 1226
Makati City, Philippines

Tel. (632) 8869-4309
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Trust Service Commitment

Report of Independent Auditor
To Accompany Income Tax Return

The Board of Directors and Stockholders
SGI Philippines General Insurance Company, Inc.
15th Floor, Citibank Tower
8741 Paseo de Roxas
Makati City, Philippines

We have audited the financial statements of **SGI Philippines General Insurance Company, Inc.** (the Company) for the year ended December 31, 2022, on which we have rendered the attached report dated April 5, 2023.

In compliance with Revenue Regulations V-1, we are stating that no partner of our Firm is related by consanguinity or affinity to the President or any principal stockholders and officers of the Company.

TEODORO SANTAMARIA AND CO.

By: Rachel Lydia T. Santamaria
Partner
CPA License No. 083524
Valid until December 9, 2023
BOA Accreditation No. 5593
Valid until September 26, 2024
SEC Accreditation No. 83524-SEC (Individual)
Valid until 2025 Financial Statements of SEC covered institutions
SEC Accreditation No. 5593-SEC (Firm)
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Valid until March 30, 2025
BIR A.N. 08-008055-000-2022 (Firm)
Valid until March 30, 2025
T.I.N. 102-921-088
PTR No. 9574972 / Makati City
January 11, 2023

April 5, 2023
Makati City, Philippines

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Trust Service Commitment

Supplemental Written Statement Accompanying Report of Independent Auditors

The Board of Directors and Stockholders
SGI Philippines General Insurance Company, Inc.
15th Floor, Citibank Tower
8741 Paseo de Roxas
Makati City, Philippines

We have audited the financial statements of **SGI Philippines General Insurance Company, Inc.** for the year ended December 31, 2022, on which we have rendered the attached report dated April 5, 2023.

In compliance with Revised SRC Rule 68, we are stating that the above Company has forty-nine (49) stockholders, fourteen (14) of whom owning one hundred (100) or more shares each.

TEODORO SANTAMARIA AND CO.

By: **Rachel Lydia T. Santamaria**
Partner
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Report of Independent Auditors

The Board of Directors and Stockholders
SGI Philippines General Insurance Company, Inc.
15th Floor, Citibank Tower
8741 Paseo de Roxas
Makati City, Philippines

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of **SGI Philippines General Insurance Company, Inc.** ("the Company"), which comprise the statement of financial position as at **December 31, 2022 and 2021**, and the related statements of profit, statements of comprehensive income, statements of changes in equity, and statements of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

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

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

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

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

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

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

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

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

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 29 of the Notes to financial statements is presented for the purpose of filing with the Bureau of Internal Revenue under Revenue Regulation No. 15-2010 and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TEODORO SANTAMARIA AND CO.

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April 5, 2023
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SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.

(A Non-life Insurance Company)

STATEMENTS OF FINANCIAL POSITION

	Notes	December 31 2022	2021
		(In Philippine Peso)	
Assets			
Cash and cash equivalents	7	**59,116,794**	82,024,532
Insurance receivables	8	**313,147,622**	212,454,944
Financial asset at FVPL	9	**1,024,328,521**	972,506,230
Financial asset at FVOCI	9	**992,786**	1,026,266
Financial asset at amortized cost	9	**228,525,891**	228,818,607
Property and equipment - net	10	**30,893,087**	33,221,221
Deferred acquisition cost	11	**15,145,812**	13,467,661
Deferred reinsurance premium	12	**54,016,149**	32,160,342
Deferred tax assets	24	**24,356,675**	25,522,941
Other assets	13	**19,887,342**	17,233,288
Total Assets		**1,770,410,680**	1,618,436,032
LIABILITIES AND EQUITY			
Liabilities			
Insurance liabilities	14	**340,915,637**	217,346,195
Accounts and other payables	15	**26,840,268**	17,621,006
Retirement benefit liability	22	**4,557,625**	3,121,449
Deferred tax liability	24	**3,786,453**	3,366,915
Total liabilities		**376,099,983**	241,455,565
Equity			
Common stock	16	**1,330,457,200**	1,330,457,200
Share premium	16	**14,912,155**	14,912,155
Revaluation reserve on financial asset at FVOCI	9	**(602,640)**	(569,160)
Actuarial gains on retirement benefit liability, net	17	**2,081,150**	2,081,150
Revaluation increment in property	10	**12,496,208**	13,329,289
Retained earnings	16	**35,423,823**	17,227,033
Treasury shares	16	**(457,200)**	(457,200)
Total equity		**1,394,310,697**	1,376,980,467
Total Liabilities and Equity		**1,770,410,680**	1,618,436,032

See accompanying notes to financial statements.

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.
(A Non-life Insurance Company)

STATEMENTS OF PROFIT

	Notes	For the years ended December 31 2022	2021
		(In Philippine Peso)	
Revenues			
Gross premiums written	18	**204,906,374**	150,763,407
Reinsurance premium ceded	18	**(99,444,005)**	(57,246,050)
Net premiums retained		**105,462,368**	93,517,357
Increase in reserve for unearned premiums	18	**(6,770,644)**	(13,570,516)
Premiums earned		**98,691,724**	79,946,841
Commissions earned	18	**13,767,160**	4,752,135
Gross underwriting income	18	**112,458,883**	84,698,976
Underwriting deductions	19	**(96,760,537)**	(68,740,924)
Net underwriting income		**15,698,346**	15,958,052
Other income	20	**51,554,581**	46,246,775
Gross profit		**67,252,927**	62,204,827
Operating expenses			
General and administrative expenses	21	**(36,958,940)**	(41,089,321)
Interest expense	21	**(103,621)**	(47,880)
Total expenses		**(37,062,561)**	(41,137,201)
Net income before income tax		**30,190,367**	21,067,626
Income tax expense	24		
Final		**(10,199,853)**	(8,851,317)
Deferred		**5,314,865**	8,736,224
		(4,884,989)	(115,093)
Net profit		**25,305,378**	20,952,533
Earnings	25	**7.61**	6.30

See accompanying notes to financial statements.

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.
(A Non-life Insurance Company)

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the years ended December 31	
		2022	2021
		(In Philippine Peso)	
Net profit		**25,305,378**	20,952,533
Other comprehensive income that recycle to profit or loss in subsequent periods:			
Reversal/Impairment loss on financial asset at FVOCI	9	**(33,480)**	(117,180)
Net unrealized loss on available for sale financial assets, net of tax			
Other comprehensive income that do not recycle to profit or loss in subsequent periods:			
Actuarial loss on retirement benefit plan	17	**-**	1,895,297
Total comprehensive income		**25,271,898**	22,730,650

See accompanying notes to financial statements.

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.

(A Non-life Insurance Company)

STATEMENTS OF CHANGES IN EQUITY

	Common stock (Note 16)	**Share premium** (Note 16)	**Treasury shares** (Note 16)	**Deposit for future subscription** (Note 16)	**Revaluation reserve on financial asset at FVOCI** (Note 9)	**Revaluation increment on property and equipments** (Note 10)	**Actuarial gain/(loss) on retirement benefit obligation** (Note 17)	**Retained Earnings** (Note 16)	**Total**
		(In Philippine Peso)							
Balance, January 1, 2021	1,330,457,200	14,912,155	(457,200)	3,831,396	(451,980)	14,162,369	185,853	190,718	1,362,830,511
Deposits for future subscription	-	-	-	(3,831,396)	-		-	-	(3,831,396)
Total comprehensive income	-	-	-	-	(117,180)	-	1,895,297	20,952,533	22,730,650
Expired NOLCO, MCIT (Note 24)	-	-	-	-	-	-	-	(3,916,218)	(3,916,218)
Depreciation of property and equipment	-	-	-	-	-	(833,081)	-	-	(833,081)
Balances, December 31, 2021	1,330,457,200	14,912,155	(457,200)	-	(569,160)	13,329,289	2,081,150	17,227,033	1,376,980,467
Total comprehensive income	-	-	-	-	(33,480)	-	-	25,305,378	25,271,898
Expired NOLCO, MCIT (Note 24)	-	-	-	-	-	-	-	(7,108,588)	(7,108,588)
Depreciation of property and equipment	-	-	-	-	-	(833,081)	-	-	(833,081)
Balances, December 31, 2022	**1,330,457,200**	**14,912,155**	**(457,200)**	**-**	**(602,640)**	**12,496,208**	**2,081,150**	**35,423,823**	**1,394,310,697**

See accompanying notes to financial statements.

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.

(A Non-life Insurance Company)

STATEMENTS OF CASH FLOWS

	Notes	For the years ended December 31 2022	2021
		(In Philippine Peso)	
Cash flows from operating activities			
Income before income tax		**30,190,367**	21,067,626
Adjustments for:			
Depreciation	21	**1,739,159**	1,715,623
Increase in deferred acquisition costs	11	**(1,678,151)**	(2,347,294)
Increase in reserve for unearned premiums	18	**6,770,644**	13,570,516
Fair value adjustment on financial assets at FVOCI	9	**(433,247)**	(2,265,433)
Sale of fixed asset	20	**(105,000)**	-
Interest income	20	**(50,389,833)**	(43,938,788)
Retirement benefit expense	21, 22	**1,436,176**	1,436,404
Operating loss before working capital changes		**(12,469,885)**	(10,761,346)
Increase in insurance receivables	8	**(100,692,678)**	(16,541,701)
Increase in other assets	13	**(2,836,787)**	(1,007,811)
Increase in insurance contract liabilities	14	**94,942,991**	9,206,034
Increase/(decrease) in accounts and other payables	15	**9,219,262**	(2,350,622)
Net cash absorbed by operations		**(11,837,097)**	(21,455,445)
Income taxes paid	24	**(10,199,853)**	(9,123,556)
Net cash used in operating activities		**(22,036,950)**	(30,579,002)
Cash flows from investing activities			
(Acquisition)/settlement of government bonds	9	**(51,096,329)**	2,795,076
Acquisition of property and equipment	10	**(286,214)**	(560,660)
Disposal of property and equipment	10	**42,109**	-
Proceeds in sale of fixed assets	20	**105,000**	-
Interest income earned	13, 20	**50,364,645**	44,911,858
Net cash (used in)/provided by investing activities		**(870,788)**	47,146,273
Cash flows from financing activity			
Return of deposit for future subscription	16	**-**	(3,831,396)
Net cash used in financing activity		**-**	(3,831,396)
Net (decrease)/increase in cash and cash equivalents		**(22,907,738)**	12,735,875
Cash and cash equivalents, January 1	7	**82,024,532**	69,288,657
Cash and cash equivalents, December 31	7	**59,116,794**	82,024,532

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Amounts in Philippine Peso Unless Otherwise Stated)

1. Corporate Information

SGI Philippines General Insurance Company, Inc. (the Company) is a domestic corporation which was incorporated in the Philippines on April 2, 1964.

The company is engaged in the business of nonlife insurance indemnifying any person against loss, damage, or liability arising from unknown or contingent events. Its current lines include all kinds of insurance (except life), reinsurance, insurance on buildings, automobiles, cars, and other motor vehicles goods and merchandise, goods in transit, goods in storage, fire insurance, earthquake, insurance against accident, and all other forms of undertakings.

As at December 31, 2022, the Company's total paid-up capital is 95% owned by Shriram General Insurance Co. Ltd., a corporation organized under the laws of India. The ownership of the rest of the stockholders ranges from less than 1% to 2%.

The registered office and principal address of the Company is at 15th Floor, Citibank Tower, 8741 Paseo De Roxas, Makati City, Philippines.

2. Summary of Significant Accounting Policies

Statement of Compliance
The accompanying financial statements were prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Interpretation of the Philippine Interpretations Committee (PIC), Standing Interpretation Committee (SIC), and International Financial Reporting Standards Interpretations Committee (IFRS IC) which have been adopted by the Financial Reporting Standards Council (FRSC) and approved by the Board of Accountancy (BOA) and the Securities and Exchange Commission (SEC).

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost convention method, as modified for financial assets at FVPL, financial assets at FVOCI and financial assets at amortized cost. The preparation of the financial statements in accordance with PFRS requires the use of critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 3.

Functional and Presentation Currency
These financial statements are presented in Philippine Peso, the Company's functional currency and all values are rounded to the nearest Peso, except when otherwise indicated.

Current Versus Non-current Classification
The Company presents assets and liabilities in the statement of financial position on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed within a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled within a normal operating cycle;
- It is held primarily for trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

<u>Adoption of New or Revised Standards, Amendments to Standards and Interpretations</u>
The accounting policies adopted by the Company are consistent with those of the previous financial year, except for the adoption of the following new standards and amendment to standards effective in 2022.

Except as otherwise indicated, the adoption of these new standards and amendment to standards did not significantly affect the financial statements of the Company.

- *Amendments to PFRS 3 Reference to the Conceptual Framework*
  The amendments to PFRS 3 Business Combination – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

  The Board also added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37 or IFRIC Levies, if incurred separately.

  At the same time, the Board decided to clarify existing guidance on PFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

- *Amendments to PAS 16 Property, Plant and Equipment: Proceeds before Intended Use*
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- *Amendment to PAS 37 Onerous Contracts – Cost of Fulfilling a Contract*
  The amendments specify which cost an entity needs to include when assessing whether a contract is onerous or loss-making.

  The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless there are explicitly chargeable to the counterparty under the contract.

Annual Improvements to IFRS Standards 2018-2020 Cycle:

- *Amendments to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards-Subsidiary as a first-time adopter*
  Annual improvements to PFRS standards process, the amendment to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards. The amendments permit a subsidiary that elects to apply paragraph D16 (a) of PRFS 1 to measure cumulative translation difference using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of PFRS 1.

- *Amendment to PFRS 9 Financial Instruments – Fee in the '10 per cent' test for derecognition of financial liabilities*
  As part of its 2018-2020 annual improvements to PFRS, the amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning on the annual reporting period in which the entity first applies the amendment.

- *Illustrative Example Accompanying PFRS 16 Lease – Lease Incentives*
  The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

- *Amendments to PAS 41, Agriculture, Taxation in Fair Value Measurements*
  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Future Adoption of New or Revised and Amendments to Standards
The Company will adopt the following new standards and amendments to standards when these become effective and applicable. Except as otherwise indicated, the Company does not expect the adoption of these new standards and amendments to standards to have a significant effect on the financial statements.

Effective for annual periods beginning on or after January 1, 2023. The following amendments are not expected to have a material effect on the Company, unless otherwise stated:

- *Amendments to PFRS 17 Insurance Contracts*
  The amendments to PFRS 17 Insurance Contracts, 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 (PFRS 4) that was issued in 2005. PFRS 17 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 1 January 2023 (amended to January 1, 2025), with comparative figures required. Early application is permitted provided the entity also applies PFRS 9 and PFRS 15 on or before the date it first applies PFRS 17.

  These amendments are not applicable and have no significant impact on the Company's financial performance and financial position.

- *Amendments to PAS 1 Classification of Liabilities as Current or Non-current*
  The amendments to paragraph 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

- *Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies*
  The amendments to PAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to PFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments to PAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

- *Amendments to PAS 8 Definition of Accounting Estimates*
  The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future

events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to PAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

- *Amendments to PAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

  The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

IC Circular Letter (ICL) No. 2016-67

On December 28, 2016 the IC issued IC Circular Letter (ICL) No. 2016-67, *Valuation Standards for Non-life Insurance Policy Reserves,* which supersedes Circular Letter No. 2015-32. The following are the more significant provisions of this Circular:

A non-life insurance company shall maintain reserves for its written policies, which shall be charged as a liability in any determination of its financial condition, as required by the IC, in accordance to Sections 219 and 220 of the New Insurance Code (RA 10607), as well as this Valuation Standards for Life Insurance Policy Reserves.

Claims Liabilities

a. Claims liabilities for both direct business and assumed treaty and facultative reinsurance business shall be calculated as the sum of outstanding claims reserve, claims handling expense and IBNR, with MfAD.
b. Outstanding claims reserve shall be based on actual claims reported but have not been settled as of valuation date. The company shall ensure integrity of the data inputs as well as minimize uncertainties in the claims processing.
c. The IBNR shall be calculated based on standard actuarial projection techniques or combinations of such techniques, such as but not limited to the chain ladder approach, the expected loss ratio approach, and the Bornhuetter-Ferguson (BF) method. The Actuary shall determine the appropriateness of the methodology considering the characteristics of the data, such as maturity of the business.
d. The Claims liabilities shall include a provision for Claims handling expenses, which covers the estimated expenses of settling all claims, both reported and unreported, outstanding as of valuation date.
e. The Actuary shall ensure the reliability of the expected loss ratio by obtaining estimates from various sources, such as underwriters, the business plan, pricing actuaries, market statistics, or from a historic view of profitability and loss ratios.
f. In valuing Claims liabilities, the Actuary should consider other factors such as but not limited to: varying expense structure in run-off situations, large losses arising from significant past events, operational changes in claims management, underwriting changes such as business mix and premium rate changes, changes in reinsurance program and changes in claims handling process, and external conditions.
g. To ensure sufficiency of reserves, the Actuary shall conduct a back-testing exercise of the IBNR by comparing the previous year’s IBNR of expected current year claim developments, with actual current year claim developments. In cases where the IBNR has proven insufficient to cover actual claims development, the Actuary shall revisit the assumptions for IBNR valuation and document the rationale for this deterioration.

IC Circular Letter (ICL) No. 2016-69
On December 28, 2016 the IC issued IC Circular Letter (ICL) No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves, and Amended Risk-Based Capital (RBC2) Framework.*

The following are the more significant provisions of this Circular:

1. Financial Reporting Framework (FRF): CL No. 2016-65.
2. Valuation Standards for Life Insurance Policy Reserves: CL No. 2016-66
3. Valuation Standards for Non-Life Insurance Policy Reserves: CL No. 2016-67.

For the initial year of implementation, the requirements will be the relaxed as follows:

Premiums Liabilities

For 2017, companies shall be allowed to set up as Premium Liabilities the Unearned Premium Reserves (UPR) instead of the higher of the UPR and Unexpired Risk Reserve (URR), determined in accordance with Section7.2 of the Circular Letter No. 2016-67.

Starting 2018, the Premium Liabilities shall be determined in accordance with the valuation standards prescribed under the Circular Letter No. 2016-67.

Claims Liabilities

Claims Liabilities shall be determined in accordance with the valuation standards prescribed under Section 8 of CL No. 2016-67.

For 2017, the companies shall be allowed to set the Margin for Adverse Deviation (MfAD) to zero (0).

IC Circular Letter (ICL) No. 2018-19
On March 9, 2018 the IC issued IC Circular Letter (ICL) No. 2018-19, *Amendment to Circular Letter No. 2016-69 "Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves, and Amended Risk-Based Capital (RBC2) Framework."*

The following are the more significant provisions of this Circular:

Margin for Adverse Deviation

MfAD shall be company-specific. The companies shall submit to the IC the documents and certification signed by an IC-accredited actuary to support the computation of their MfAD.

Companies shall be allowed to set the MfAD as follows:

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

This amendatory circular shall take effect immediately. Except as amended hereby, all other provisions of CL No. 2016-69 shall remain effective.

The above ICLs become effective on January 1, 2017. The Company assesses the effect of this circular and has made disclosures in the notes to the financial statement based on its parallel run as of December 31, 2022 and 2021.

Significant Accounting Policies

Cash and Cash Equivalents
Cash includes cash on hand and with 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 acquisition and that are subject to an insignificant risk of changes in value.

Foreign Currency Translation
Transactions in foreign currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the functional currency rate of exchange ruling at the reporting date. 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 taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income, the gain or loss is then recognized net of the exchange component in other comprehensive income.

Financial Instruments
Date of Recognition
Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way of purchases or sales of financial assets are recognized on the trade date, which is the date the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The Company has no financial liabilities at FVPL or derivatives for the years ended December 31, 2022 and 2021.

Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9
The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages.

Financial Assets at Amortized Cost
Financial assets are measured at amortized cost if both of the following conditions are met:
- the asset is held within the company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("held to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Loans and Other receivables, Investment securities at amortized cost and certain accounts under Other Assets account in the statement of financial position. For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, and investment securities at amortized cost with original maturities of three months or less from placement date.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of income as part of Interest Income.

<u>Financial Assets at Fair Value Through Other Comprehensive Income</u>
The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

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 or as mandatorily required to be classified as FVPL. The Company has designated equity instruments as at FVOCI on initial application of PFRS 9.

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, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the equity account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account except for those debt securities classified as FVOCI wherein fair value changes are recycled back to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Miscellaneous under Other Operating Income account, when the Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and, the amount of dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

<u>Financial Assets at Fair Value Through Profit or Loss</u>
Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVPL. Also, equity securities are classified as financial assets at FVPL, 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 FVPL include equity securities which are held for trading purposes or designated as at FVPL. Financial assets at FVPL are measured at fair value with gains or losses

recognized in profit or loss as part of Trading Gain – net under Other Operating Income in the statements of income. Related transaction costs are recognized directly as expense in profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using valuation technique when no active market exists. Interest earned on these investments is recorded as Interest Income and dividend income is reported as part of Dividends both under Other Income account in the statements of income. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI. The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

Accordingly, the Company is required to reclassify financial assets:
(i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
(ii) from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

<u>Effective Interest Rate Method and Interest Income</u>
Interest income is recognized using the effective interest rate (EIR) method for all financial instrument measured at amortized cost and financial instrument designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI are recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of EIR. The Company recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges). If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive (negative) adjustment to the carrying amount of the asset in the balance sheet with an increase (reduction) in Interest income. The adjustment is subsequently amortized through interest and similar income in the statements of income. The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

<u>Impairment of Financial Assets</u>
The Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost, debt instruments measured at FVOCI and other contingent accounts. No impairment loss is recognized on equity investments. Recognition of credit losses or impairment is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments for which they are measured as 12-month ECL:

- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for impairment is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments). 'Stage 2' financial instruments also include those loan accounts and facilities where the credit risk has improved and have been reclassified from 'Stage 3'. A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit impaired (POCI) assets.

Measurement of ECL The key elements used in the calculation of ECL are as follows:

- Probability of Default (PD) – it is an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- Loss Given Default (LGD) – it is an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD), or over the remaining lifetime or lifetime LGD). It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those the Company would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.
- Exposure at Default (EAD) – it represents the gross carrying amount of the financial instruments subject to impairment calculation; hence, this is the amount that the Group expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). In case of a loan commitment, the Company shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur.

The measurement of the ECL reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(ii) the time value of money; and,
(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

<u>Derecognition of Financial Assets</u>
The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and

rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Other Financial Receivables
Other financial receivables include "Insurance receivables" which are recorded when due and measured at the original invoice amount then subsequently carried at amortized cost less allowance from any uncollectible amount. The carrying value of insurance receivables is reviewed from impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the Statement of comprehensive income.

Impairment of Financial Assets at Amortized Cost
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income. The asset together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

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

Impairment of Insurance Receivable
A provision for impairment is made when there is objective evidence (such as probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Fair Value Measurement
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 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 nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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 assets or liability and the level of the fair value hierarchy.

<u>Other Financial Liabilities</u>
Issued financial instruments or their components, which are not classified as financial liabilities at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder or lender, 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 the Company's own equity instruments.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. The amortization is included as part of interest expense in the statements of comprehensive income. Any effect of restatement of foreign currency-denominated liabilities is recognized in foreign exchange gains/ (losses) account in the statements of comprehensive income.

As at December 31, 2022 and 2021, the Company's other financial liabilities include insurance liabilities and accounts and other payables.

Derecognition of Financial Liabilities
Financial liabilities are derecognized in the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

Derivative Financial Instruments
Derivatives are initially recognized at fair value on the date on which derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognizes profit or loss at initial recognition. When entering into a transaction, the financial instrument is recognized initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference in fair value indicated by valuation techniques is recognized as profit or loss depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable. The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks as well as other factors.

Financial assets are no longer bifurcated; instead, the whole instrument (including the host contract) is measured at FVPL. Certain derivatives, if any, may be designated as either:
(i) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge); or,
(ii) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge).

Changes in the fair value of derivatives are recognized in profit or loss. The method of recognizing the resulting fair value gain or loss on derivatives that qualify as hedging instrument, if any, depends on the hedging relationship designated by the Company.

As of December 31, 2022 and 2021, the Company has no derivative financial instruments.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

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 if the insurance risk reduces significantly during this period, unless all rights and obligation are extinguished or have expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Insurance and investment contracts are further classified as being with or without discretionary participation features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed contracts, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realized and or unrealized investment returns on a specified pool of assets held by the issuer, or the profit or loss of the company, fund or other entity that issues the contract.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded financial derivatives separately at FVPL. Bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF or when the host insurance contract and/or investment contract with DPF itself is measured at FVPL. The options and guarantees within the insurance contracts issued by the Company are treated as derivative financial instruments are clearly and closely related to the host insurance and therefore not bifurcated subsequently. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). Likewise, the embedded derivative in unit-linked insurance contracts linking the payments on the contract to units of an interval investment fiend meets the definition of an insurance contract and is therefore not accounted separately from the host insurance contract.

Insurance Contract
Non-Life insurance contract liabilities. Non-life insurance contract are recognized when the contracts are entered into and the premiums are recognized. The reserve for Non-life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where he assumptions used depend on the circumstances prevailing in each life operation. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by the Insurance Commission.

Insurance contracts with fixed and guaranteed terms. The liability is determined as the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used. The ability is based on mortality, morbidity and investment income assumptions that are established at the time the contract is issued. The Company has different assumptions for different products. However, liabilities for contractual benefits are computed to comply with statutory requirements, which require discount rates to be not more than 6% compound interest and mortality and morbidity rates to be in accordance with the standard table of mortality and morbidity. Reserves are computed per thousand of sum insured and depend on the issue age and policy duration. The net change in legal policy reserves during the year is taken to profit or loss. This is not applicable to the Company.

Contract Classification
The company issues short-term insurance contracts categorized as:

Casualty insurance contracts protect the assured against the risk of causing them harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

Property insurance contracts mainly compensate the Company's assured for damages suffered to their properties or for the value of property lost.

Short-duration accident insurance protects the assured from the consequences of events such as death or disability.

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

Deferred Acquisition Costs
Costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts such as commissions, certain underwriting and policy issue costs and inspection fees, are deferred and charged to expense in proportion to premium revenue recognized.

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

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

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverable. Recoveries on claims are recognized in the Statement of comprehensive income and expenses in the period the recoveries are determined. Recoverable amounts are presented as part of Reinsurance assets.

Estimated recoveries on settled and unsettled claims are evaluated in terms of the estimated realizable values of the salvage recoverable and deducted from the liability for unpaid claims.

Liability Adequacy Test
At each reporting date, liability adequacy test are performed to ensure the adequacy of the insurance liabilities. The test considers current best estimates of all contractual cash flows, claims and claims handling cost. If the test shows that the liability is inadequate, the entire deficiency is recognized in the statement of comprehensive income.

Reinsurance
The Company utilizes reinsurance agreements to minimize its exposure to large losses in all aspects of its insurance business. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Company as direct insurer of the risks reinsured.

Amounts recoverable from insurers that relate to paid and unpaid claims and claim adjustment expenses are classified as assets. Reinsurance receivables and the related liabilities are reported separately.

Reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs.

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

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 balance due to reinsurance companies, which are included in insurance payable account in the Statement of financial position. Amounts payable are estimated in a manner consistent with the associated insurance contract.

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

<u>Property and Equipment</u>
Property and equipment, including owner-occupied properties, are computed at cost less accumulated depreciation, amortization and accumulated impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Office premises and improvements	40 years
Furniture and office equipment	10 years
Transportation and computer equipment	5 years

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to operations as incurred. Leasehold improvements are amortized over estimated useful life of the improvements or the term of the relate lease, whichever is shorter. When assets are sold, retired or otherwise disposed of, their cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss charged to current operations.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each reporting period.

<u>Derecognition of Property and Equipment</u>
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of comprehensive income in the year the item is derecognized. This is not applicable to items that still have useful lives but are currently classified as idle. Depreciation continues for those items until fully depreciated or disposed.

<u>Impairment of Non-financial Assets</u>
At each reporting date, the Company assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists (or when annual impairment testing for an asset is required), the Company estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is the present value of future cash flows expected to be derived

from an asset while fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal. Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset 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 assessment of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period when it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged directly to the revaluation increment of the said asset.

For non-financial assets, 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 net 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 net recoverable amount. The reversal can be made only to the extent that the resulting carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Related Party Relationships and Transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Equity

Capital stock is determined using the nominal value of shares that have been issued. Share premium represents the excess of consideration received when the Company issues shares over its par. Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

Treasury shares are portion of shares that a company keeps in their own treasury. Treasury stock may have come from a repurchase or buyback from shareholders; or it may have never been issued to the public in the first place. These shares don't pay dividends, have no voting rights, and should not be included in shares outstanding calculations.

Revaluation reserve on financial assets at FVOCI comprise of gains and losses due changes in fair value of financial assets at FVOCI.

Revaluation increment in property and equipment results from appraisal of property and equipment reduced by depreciation on the appraisal increment.

Retained earnings/ (deficit) include all current and prior period results as disclosed in the Statement of comprehensive income.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognized:

- Premiums are recognized as revenue from short duration insurance contracts over the period of the contracts using the 24^{th} method, except for marine cargo insurance contracts. The gross premiums written for marine cargo insurance policies for the first ten months of the year and the last two months of the preceding year are recognized as premium income in the current year. The portion of the premiums written that relate to the unexpired periods of the policies at Reporting periods and the last two months of marine cargo policies are accounted for as reserve for unearned premiums and presented in the liabilities section of the Statement of financial position, under "Reserve for unearned premiums". The related reinsurance premiums that pertain to the unexpired periods accounted as for as deferred reinsurance premiums shown in the Statement of financial position. The net changes in these accounts between Reporting period are charged to or credited against income for the year;

- Commissions income are recognized as revenue from short duration insurance contracts over the period of the contracts using the 24^{th} method, except for marine cargo insurance contracts where the deferred portion pertains to the commissions for the last two months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the reporting period is accounted for as "Deferred reinsurance commissions" and presented in the liabilities section of the statement of financial position.

- Dividend income is recognized when the right to receive dividends is established;

- Interest income is recognized as the interest accrues (taking into account the effective yield on the interest);

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for the services provided, excluding value added tax (VAT).

Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease equity, other than those relating to distributions to equity participants. Expenses are recognized when the related revenue is earned or when the service is incurred.

Leases
Policy applicable upon adoption of PFRS 16
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16. This policy is applied to contracts entered into on or after January 1, 2019.

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

Retirement Benefit Costs

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

The cost of providing benefits under defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined liability or asset and the remeasurements of net defined liability or assets.

Service costs which include 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 amendments or curtailments occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined 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 liability or asset. Net interest on the net defined liability or asset is recognized as expense or income in profit or loss.

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

Income Taxes

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

Deferred tax is provided, using the balance sheet liability method on all temporary differences at the balance reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused net operating loss carry over (NOLCO) and unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax, if there are any, to the extent that it is probable that taxable profit will be available against deductible temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Under the present Revenue Code, MCIT of two percent (2%) of the gross income as of the end of the taxable year is hereby imposed on a corporation beginning on the fourth year immediately following the year in which such corporation commenced its business operations, when the income tax computed based on MCIT is greater than the tax computed as normal tax under Subsection (A) of Section 27 of the Code, for the taxable year. The rate has been reduced to 1% under the CREATE Act. (See Note 24)

Under current tax laws, corporations subject to income tax are required to file quarterly returns and pay the corresponding amount of tax. Certain forms of income received by the Company such as earnings from bank deposits, interest and others have been subjected to withholding tax at various rates specified by law and remitted by payors for the account of the Company. An adjustment return is filed at the end of the taxable year at which time the balance, if any, shall be paid.

Earnings Per Share

Earnings per share is computed by dividing net profit by the weighted average number of shares subscribed and issued and outstanding at the end of the year.

Provisions and Contingencies

Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required if settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the financial statements, however, they are disclosed if material. In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

Events After the Reporting Period

Events after the reporting period that provide additional information about the Company's financial position at the reporting period (adjusting events) are reflected in the financial statements. Post year-end events are disclosed in the notes when material.

3. Significant Accounting Judgments and Estimates

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

Critical Judgments in Applying Accounting Policies
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Determination of Functional and Presentation Currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine pesos, which is the Company's functional and presentation currency.

Determination of Operating Lease
Company as a lessee – The Company entered into a lease agreement with a term of one (1) year and renewable upon mutual terms by the parties.

Rental expense amounted to P963,747 in 2022 and P2,100,523 in 2021 (Please see Note 21).

Categories of Financial Instruments
The company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument based on the substance of the contractual arrangement and the definitions of financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification at initial recognition and re-evaluates this designation at every financial reporting date (Please see Note 5).

Impairment of Financial Assets
The Company determines when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its costs; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Provisions and Contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2 – Provisions.

Estimates
The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the Company's financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by Management on its December 31, 2022 and 2021 financial statements:

Valuation of Financial Instruments

The Company carries certain financial instruments at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence from observable active markets and other valuation techniques including the use of mathematical models. However, the amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

Management valuation methods and assumptions in determining the fair value of the Company's financial instrument are discussed in Note 5.

Allowance for Impairment Losses of Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Allowance for impairment losses amounted P3,745,805 in both 2022 and 2021. (Note 8)

Useful Life of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

Property and equipment, net of accumulated depreciation, amounted to P30,893,087 in 2022 and P33,221,221 in 2021. (Please see Note 10).

Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial asset is discussed in detail in Note 2 – Impairment of non-financial assets. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. Based on Management's assessment, there is no impairment loss on non-financial assets needed to be recognized in 2022 and 2021.

Realizable Amount of Deferred Income Tax Assets

The Company reviews its deferred income tax assets at each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets amounted to P24,356,675 and P25,522,941 2022 and 2021, respectively (Please see Note 24).

Liability for Insurance Claims
Estimates have been made both of expected ultimate cost of claims reported at the reporting period and for the expected ultimate cost of the claims incurred but not yet reported at the reporting period. It can take significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, unreported claims significantly comprise the claims payable presented in the Statement of financial position. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to the Statement of comprehensive income at a non-discounted amount for the time value of money.

Insurance claims payable as of December 31, 2022 and 2021 amounted to P158,237,340 and P74,581,137, respectively. (Please see Note 14).

Employee Retirement Benefits
The determination of the Company's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rate, expected rate of return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expenses and recorded obligation in such future periods.

The estimated retirement benefits obligation amounted to P4,557,625 in 2022 and P3,121,449 in 2021. The accumulated actuarial gain, net of tax, amounted to P2,081,150 both in 2022 and 2021. Retirement benefit expense amounted to P1,436,176 in 2022 and P1,436,404 in 2021. (Note 22)

4. Risk Management Objectives and Policies

The Company is exposed to a variety of financial risk in relation to its financial instruments. The Company's financial assets and liabilities by category are summarized in Note 5. The main types of risks are insurance risk, market, credit and liquidity.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write option. The most significant financial risks to which the Company is exposed to are described as follows.

Insurance Risk
The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under the insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of the severity of claims and benefits are greater than estimated.

Insurance events are random and then the actual number of the amount of claims and benefits will vary from year to year from the estimated established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in the subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Apart from the Company's risk management function, regulators also apply a vital role in the insurance industry in ensuring that policyholders and creditors are assured of any claims that may arise within the term of the policy. The Insurance Commission (IC) imposes:

- Risk-based capital framework that will effectively manage the equity requirement of the Company
- Margin of solvency which requires an appropriate ratio of admitted assets over admitted liabilities
- A mandatory reserve of highly-liquid debt instruments to answer the claims of policyholders and creditors
- And minimum statutory net worth to streamline the operation of insurance industry.

Internally, the Company manages its risks through underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured events. Other reinsurance facility entered includes surplus treaties, catastrophe cover and facultative reinsurance.

The concentration of insurance claims as of December 31, 2022 and 2021 are as follows:

	2022			
	Gross	RI Recoverable	Net Liability	%
Fire	139,509,055	117,940,350	21,568,705	56%
Engineering	250,685	21,906	228,778	1%
Bonds	5,000,000	-	5,000,000	13%
Motor Car	12,760,768	1,755,167	11,005,601	29%
PA	674,782	2,709	672,072	2%
Miscellaneous	42,050	26,282	15,769	0%
	158,237,340	119,746,415	38,490,926	100%

	2021			
	Gross	RI Recoverable	Net Liability	%
Fire	52,668,314	34,378,419	18,289,895	50%
Engineering	2,491,873	2,135,674	356,199	1%
Bonds	5,000,000	-	5,000,000	14%
Motor Car	13,132,155	377,347	12,754,808	35%
Marine	851,000	690,625	160,375	0%
PA	374,719	80,440	294,279	1%
Miscellaneous	63,076	25,231	37,845	0%
	74,581,137	37,687,736	36,893,401	100%

Financial Risk

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

The 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 liabili ties is interest rate risk.

Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk which result from both operating and financing activities.

Interest Rate Risk

Interest rate risk is the risk to future earnings or equity arising from the movement of interest rates. Changes in interest rates affect (1) the Company's earnings by changing its net interest income and the level of other interest rate-sensitive income and operating expenses; and (2) the underlying economic value of the Company's assets, liabilities and off-balance sheet instruments by means of reducing the present value of future cash flows (and in some cases, the cash flows themselves). The Company exposure to changes in market interest rates is only through the "Cash in bank", "Cash equivalents" and "Government bonds", which is subject to variable interest rates.

The following table demonstrates sensitivity of the Company's profit before tax and equity to reasonable possible changes in interest rate of +10/-10 and +100/-100 basis points of the Company's cash in banks and notes payable, respectively, on December 31, 2022 and December 31, 2021. These changes are considered to be reasonably possible based on observation of current market conditions. All other variables are held constant.

	Change in basis points	Effect on Net results	Effect on Equity	Change in basis points	Effect on Net results	Effect on Equity
2022						
Financial assets						
Cash and						
cash equivalents	+10	590,968	472,774	-10	(590,968)	(472,774)
Government bonds	+100	1,252,854	1,002,283	-100	(1,252,854)	(1,002,283)
		1,843,822	1,475,058		(1,843,822)	(1,475,058)
2021						
Financial assets						
Cash and						
cash equivalents	+10	820,045	656,036	-10	(820,045)	(656,036)
Government bonds	+100	1,201,325	961,060	-100	(1,201,325)	(961,060)
		2,021,370	1,617,096		(2,021,370)	(1,617,096)

Foreign Currency Risks

The Company has no significant exposure to foreign currency risk as most transactions are denominated in Philippine Peso, its functional currency.

Credit Risks

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligation, as and when they fall due.

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

Key areas where the Company is exposed to credit risk are:

- Reinsurer's share of insurance premiums.
- Amounts due from reinsurer's in respect of claims already paid.
- Amounts due from insurance contract holders, and insurance intermediaries.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review.

Limits on the level of credit risk by category and territory are approved quarterly by the reinsurance department. Reinsurance is used to manage insurance risk. This does not however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to policyholder.

The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The table below shows the credit quality of financial assets as at December 31, 2022 and 2021:

2022	High Grade	Standard Grade	Low Grade	Gross impaired	Allowance for impairment	Total
Cash and cash equivalents	59,116,794	-	-	-	-	59,116,794
Insurance receivable	166,121,449	55,571,759	91,454,413	3,745,805	(3,745,805)	313,147,622
Financial asset at FVPL	1,024,328,521	-	-	-	-	1,024,328,521
Financial asset at FVOCI	-	970,920	21,866	-	-	992,786
Financial asset						
at amortized cost	228,525,891	-	-	-	-	228,525,891
	1,478,092,656	56,542,679	91,476,279	3,745,805	(3,745,805)	1,626,111,614

2021	High Grade	Standard Grade	Low Grade	Gross impaired	Allowance for impairment	Total
Cash and cash equivalents	82,024,532	-	-	-	-	82,024,532
Insurance receivable	63,839,211	33,882,308	114,733,425	3,745,805	(3,745,805)	212,454,944
Financial asset at FVPL	972,506,230	-	-	-	-	972,506,230
Financial asset at FVOCI	-	1,004,400	21,866	-	-	1,026,266
Financial asset						
at amortized cost	228,818,607	-	-	-	-	228,818,607
	1,347,188,581	34,886,708	114,755,291	3,745,805	(3,745,805)	1,496,830,580

High grade cash and cash equivalents are deposited in reputable banks.

High grade receivables pertain to receivables with high collectivity, standard and low grade receivables consists of receivable with delay in payments. High grade Financial Asset at FVPL and Financial Asset at amortized cost consist of government bonds. Standard grade Financial

Asset at FVOCI consists of investment in quoted equities and low grade Financial Asset at FVOCI consists of investment in unquoted equity shares.

As of December 31, 2022 and 2021, the carrying amount of insurance receivables represents the maximum credit exposures, which is aged as follows:

	Premium due and uncollected	Reinsurance recoverable on losses	Due from ceding companies and reinsurer	Total
2022				
Current	18,196,139	139,547,338	8,377,972	166,121,450
30 days past due not over 90 days	20,693,468	-	9,527,811	30,221,279
90 days past due not over 120 days	17,358,277	-	7,992,203	25,350,480
Over 120 days	56,914,793	-	34,539,620	91,454,413
Total	113,162,677	139,547,338	60,437,606	313,147,622

	Premium due and uncollected	Reinsurance recoverable on losses	Due from ceding companies and reinsurer	Total
2021				
Current	11,182,640	52,415,055	241,516	63,839,211
30 days past due not over 90 days	17,241,394	-	8,744,702	25,986,096
90 days past due not over 120 days	5,466,892	-	2,429,320	7,896,212
Over 120 days	71,863,253	-	42,870,172	114,733,425
Total	105,754,179	52,415,055	54,285,709	212,454,944

<u>Liquidity Risks</u>
Liquidity risks or funding risks are the risks that the Company will encounter in raising funds to meet its commitments and obligations. Liquidity risks may result from difficulty in collections or inability to generate cash inflows as anticipated.

The Company's objective in managing its profile is:

- to ensure that adequate funding is available at all times;
- to meet commitments as they arise without incurring unnecessary cost;
- to be able to access funding when needed at the least possible cost;
- to regularly monitor and evaluate its projected cash flow

The Company's financial liabilities have contractual maturities with one (1) year as follows:

	2022	2021
Insurance liabilities	**340,915,637**	217,346,195
Accounts and other payables	**26,840,268**	17,621,006
	367,755,905	234,967,201

5. Categories of Fair Values of Financial Assets and Liabilities

Comparison of Carrying Values and Fair Values

The carrying values and fair values of the categories of financial assets and liabilities presented in the statements of financial position are shown below:

	2022		2021	
	Carrying values	**Fair values**	Carrying values	Fair values
Financial assets				
Cash and cash equivalents	**59,116,794**	**59,116,794**	82,024,532	82,024,532
Other assets	**19,887,342**	**19,887,342**	17,233,288	17,233,288
Financial asset at FVPL	**1,024,328,521**	**1,024,328,521**	972,506,230	972,506,230
Financial asset at FVOCI	**992,786**	**992,786**	1,026,266	1,026,266
Financial asset at amortized cost	**228,525,891**	**228,525,891**	228,818,607	228,818,607
Other financial asset				
Insurance receivable	**313,147,622**	**313,147,622**	212,454,944	212,454,944
	1,645,998,956	**1,645,998,956**	1,514,063,866	1,514,063,866
Other financial liabilities				
Insurance liabilities	**340,915,637**	**340,915,637**	217,346,195	217,346,195
Accounts and other payables	**26,840,268**	**26,840,268**	17,621,006	17,621,006
	367,755,905	**367,755,905**	234,967,201	234,967,201

Because of their short period, management considers the carrying amounts recognized in the statement of financial position to be reasonable estimates of the fair values of cash and cash equivalents, insurance receivables, other assets, insurance liabilities and accounts and other payables.

The fair values of financial asset at FVPL and financial asset at amortized cost are based on government bond rates. Financial assets at FVOCI are based on the quoted market price in the PSE for quoted shares while the unquoted shares are carried at carrying amount which approximate their fair values as at December 31, 2022 and 2021.

Fair Value Hierarchy Measurement

The table below presents the hierarchy of fair value measurements used by the Company:

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Financial Asset at FVPL	-	1,024,328,521	-	1,024,328,521
Financial Asset at OCI	-	-	992,786	992,786
Financial Asset at amortized cost	-	228,525,891	-	228,525,891

	Level 1	Level 2	Level 3	Total
December 31, 2021				
Financial Asset at FVPL	-	972,506,230	-	972,506,230
Financial Asset at OCI	-	-	1,026,266	1,026,266
Financial Asset at amortized cost	-	228,818,607	-	228,818,607

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g. as prices) or indirectly (e.g. derived from prices); and

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

There were no transfers of financial instruments between level 1, 2 and 3 during 2022 and 2021.

6. Capital Management Objectives, Policies and Procedures

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Company's activities.

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

On August 15, 2013, the IC approved the amendment of Republic Act No. 10607 known as "The Insurance Code" and was issued on August 22, 2013. The amended Insurance Code provides the required minimum Net Worth for non-life insurance companies doing business in the Philippines.

The required minimum Net Worth is as follows:

Net worth	Compliance Date
250,000,000	On June 30, 2013
550,000,000	On December 31, 2016
900,000,000	On December 31, 2019
1,300,000,000	On December 31, 2022

At the meetings held on September 4, 2018 and December 26, 2019, the Corporation's Board of Directors by majority vote and the stockholders' affirmative vote of at least two thirds (2/3) of the outstanding capital stock, respectively, approved the increase in capital stock of the Corporation from Eight Hundred Million Pesos (P800,000,000.00) divided into Two Million (2,000,000) shares with a par value of Four Hundred Pesos (P400) per share to One Billion Four Hundred Fifty Million Pesos (P1,450,000,000.00) divided into Three Million Six Hundred Twenty Five Thousand (3,625,000) shares with a par value of Four Hundred Pesos (P400) per share.

As of December 31, 2022 and 2021, the Company is in compliance with the required Net worth as provided in "The Insurance Code".

Inadmissible Assets
In any determination of a financial condition of any insurance company, there shall be allowed and admitted as assets only such assets legally or beneficially owned by the insurance company as determined by the Commissioner. The following assets shall in no case be allowed as admitted assets of an insurance company:

1. Goodwill, trade names, and other like intangible assets;
2. Prepaid or deferred charges for expenses and commissions paid by such insurance company;

3. Advances from officers which are not adequately secured and which are not previously allowed by the Commissioner, as well as advances to employees, agents and other persons on mere personal security;
4. Shares of stock of such insurance company, owned by it, or an equity therein; as well as loans secured thereby;
5. Furniture, furnishing, fixtures, safes, equipment, library, stationery, literature and supplies;
6. Items of bank credits representing checks, drafts, or notes returned unpaid after the date of settlement;
7. The amount, if any, by which the aggregate value of investments as carried in the ledger assets of such insurance company exceeds the aggregate value thereof as determined in accordance with the provisions of Insurance Code and/or rules of the Commissioner; and
8. Any asset, as the Commissioner from time to time determine to be non-admitted assets

The inadmissible assets of the Company as at December 31, 2022 and 2021 include the following:

	Note	**2022**	2021
Furniture, fixtures and office equipment, net	10	**1,321,774**	1,628,543
Other assets, net of accrued investment income	13	**12,442,706**	9,814,889
Deferred tax assets	24	**24,356,675**	25,522,941
		38,121,155	36,966,372

Capital Management Objectives

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the Statement of financial position. Capital for the reporting periods under review is summarized as follows:

	2022	2021
Total liabilities	**376,099,983**	241,455,565
Total equity	**1,394,310,697**	1,376,980,467
Debt to equity ratio	**0.27**	0.18

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

7. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**20,000**	20,000
Cash in banks	**30,622,869**	14,482,670
Cash equivalents	**28,473,925**	67,521,862
Total	**59,116,794**	82,024,532

Cash in banks are interest bearing account balances maintained in various banks of the Company. These generally earn interest at rates based on daily bank deposit rates ranging from 0.1% to 0.15% for the year ended December 31, 2022 and 2021.

Cash equivalents are short-term special deposits which are placed for varying periods depending on the immediate requirements of the Company, earn interest at rate ranging from 1.50% to 3.60% in 2022 and 2021. Interest earned from cash and cash equivalents amounted to P672,817 in 2022 and P171,117 in 2021. (Note 20)

8. Insurance Receivables

This account consists of the following:

	2022	2021
Premiums due and uncollected	**113,162,677**	105,754,179
Due from ceding companies and reinsurers	**57,770,141**	54,349,847
Less: Allowance for impairment losses	**3,745,805**	3,745,805
	54,024,336	50,604,042
Reinsurance recoverable on losses	**139,547,338**	52,415,055
Funds withheld by ceding company	**6,413,270**	3,681,668
Total	**313,147,622**	212,454,944

Premiums due and uncollected is net of commission payable amounting to P27,677,525 in 2022 and P19,842,757 in 2021. The amounts due from ceding companies and reinsurers pertain to assumed premiums. No additional provision for impairment losses was recognized for 2022 and 2021.

Allowance for impairment losses includes receivable from suspended companies in 2022 and 2021.

9. Financial Assets

Financial assets with quoted prices are measured at fair value while unquoted financial assets are carried at cost. The difference between the acquisition cost and the fair value is reflected as deduction to equity. Investment in bond which management intends to hold until maturity is measured at amortized cost which approximates its fair value.

	2022	2021
Investment in stock - financial asset at FVOCI		
Quoted equity shares	**970,920**	1,004,400
Unquoted equity shares	**21,866**	21,866
Investment in government bonds		
Financial asset at FVPL	**1,024,328,521**	972,506,230
Financial asset at amortized cost	**228,525,891**	228,818,607
Balance, December 31	**1,253,847,198**	1,202,351,103

Investment in government bonds has a term ranging from one (1) to twenty-five (25) years earned an interest rates ranging from 2.38% to 9..25% in 2022 and 2.38% to 6.38% and 2021. Interest earned from government bonds amounted to P50,823,080 in 2022 and P46,033,104 in 2021. (Note 20).

Movement of financial assets is as follows:

	2022	2021
Investment in government bonds		
Financial asset at FVPL		
January 1	**972,506,230**	972,340,807
Acquired/(Matured)	**71,096,329**	(2,795,076)
Amortization on discount	**2,021,792**	3,850,440
Amortization on premium	**(1,254,533)**	(889,940)
Reclassified as HTM	**(20,041,297)**	-
December 31	**1,024,328,521**	972,506,230
Financial asset at amortized cost		
Face Value	**225,000,000**	225,000,000
Matured	**(20,000,000)**	-
Amortization on discount	**(908,752)**	5,035,014
Amortization on premium	**4,434,643**	(1,216,407)
Reclassification from AFS	**20,000,000**	-
December 31	**228,525,891**	228,818,607
Investment in stock - Financial asset at FVOCI		
January 1	**1,026,266**	1,143,446
Fair value adjustment	**(33,480)**	(117,180)
December 31	**992,786**	1,026,266
Total	**1,253,847,198**	1,202,351,103

The maturity profile of investment in government bonds is as follows:

	2022	2021
Financial asset at FVPL		
Due within one year	**410,167,649**	249,645,325
Due beyond one year	**614,160,873**	722,860,905
Financial asset at amortized cost		
Due within one year	**8,750,000**	20,028,097
Due beyond one year	**219,775,891**	208,790,509
Balance, December 31	**1,252,854,412**	1,201,324,837

The movement of revaluation reserve on financial asset at FVOCI is as follows:

	2022	2021
Balance, January 1	**(569,160)**	(451,980)
Fair value adjustment	**(33,480)**	(117,180)
Balance, December 31	**(602,640)**	(569,160)

10. Property and Equipment, Net

The details of this account follow:

	Office premises and improvements	Furnitures and office equipment	Transportation equipment	Total
Cost				
Balance, December 31, 2020	65,723,630	15,459,273	2,301,554	83,484,457
Additions	-	560,660	-	560,660
Balance, December 31, 2021	65,723,630	16,019,933	2,301,554	84,045,117
Additions/(Disposal)		286,214	(786,875)	(500,661)
Balance, December 31, 2022	65,723,630	16,306,148	1,514,679	83,544,456
Accumulated depreciation				
Balance, December 31, 2020	32,212,180	13,831,133	2,231,882	48,275,195
Depreciation expense	1,970,069	560,257	18,375	2,548,701
Balance, December 31, 2021	34,182,248	14,391,391	2,250,257	50,823,896
Depreciation expense	1,970,069	592,983	9,188	2,572,240
Disposal	-	-	(744,766)	(744,766)
Balance, December 31, 2022	36,152,317	14,984,374	1,514,679	52,651,370
Net book value				
December 31, 2022	**29,571,313**	**1,321,774**	**-**	**30,893,087**
December 31, 2021	31,541,382	1,628,542	51,297	33,221,221

In December 2012, the Company obtained the services of an appraisal company accredited by the Insurance Commission, to appraise the value of the office premises in 15th floor of Citibank building, Makati City, Philippines, consisting of an office condominium unit and three parking lots. The appraisal of the particular property has been coordinated with and approved for recording by the Insurance Commission. The appraisal increase was recorded at P20,827,014. The recorded cost of office premises and improvements is P44,216,286, as at December 31, 2012. Depreciation on the revaluation increment in property amounted to P833,081 both in 2022 and 2021. The balance of the revaluation increment in property amounted to P12,496,208 and P13,329,289 in 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the following are fully depreciated properties that are still in use.

2022	**Cost**	Accumulated Depreciation
Office premises and improvements	**680,330**	680,330
Furnitures and office equipment	**3,235,799**	3,235,799
Transportation/computer equipment	**11,871,140**	11,871,140
Total	**15,787,268**	15,787,268

2021	**Cost**	Accumulated Depreciation
Office premises and improvements	**680,330**	680,330
Furnitures and office equipment	**3,775,136**	3,775,136
Transportation/computer equipment	**11,256,241**	11,256,241
Total	**15,711,707**	15,711,707

11. Deferred Acquisition Cost

Movement of this account is as follows:

	2022	2021
Balance, January 1	**13,467,661**	11,120,367
Released during the year	**(13,467,661)**	(11,120,367)
Deferred commission expense	**25,178,320**	19,089,728
Unearned commission income	**(10,032,508)**	(5,622,067)
Balance, December 31	**15,145,812**	13,467,661

12. Deferred Reinsurance Premium

Movement of this account are as follows:

	2022	2021
Balance, January 1	**32,160,342**	21,522,868
Ceded during the year	**99,444,005**	57,246,050
Amortized during the year	**(77,588,199)**	(46,608,576)
Balance, December 31	**54,016,149**	32,160,342

13. Other Assets

This account consists of:

	2022	2021
Accrued investment income	**7,443,586**	7,418,399
Advances and other assets	**3,577,702**	3,292,010
Utility and other deposits	**5,048,038**	2,704,863
Cash/ Investment under garnishment	**3,818,016**	3,818,016
Total	**19,887,342**	17,233,288

Cash under garnishment refers to cash on hold by the National Labor Regulations Commission (NLRC). The cash was garnished due to order issued by NLRC on alleged counterfeited bonds issued by perpetrator.

Advances and other assets represent cash provided to employees, agents, brokers and third party suppliers of goods and services and prepaid taxes.

14. Insurance Liabilities

This account consists of:

	2022	2021
Reserve for unearned premiums	**106,660,442**	78,033,991
Claims payable	**158,237,340**	74,581,137
Due to reinsurers and ceding companies	**75,198,799**	63,912,011
Funds held for reinsurers	**819,056**	819,056
Total	**340,915,637**	217,346,195

Movement of reserve for unearned premiums is as follows:

	2022	2021
Balance, January 1	**78,033,991**	53,826,000
New policies written during the year	**204,906,374**	150,763,408
Premiums earned during the year	**(176,279,922)**	(126,555,417)
Balance, December 31	**106,660,442**	78,033,991

Claims payable consists of the estimated liability for reported claims, accrual of estimated losses incurred but not reported (IBNR).

	2022	2021
Claims reported and loss adjustment expenses	**131,482,373**	61,452,833
Provision for MFAD	**17,040,968**	6,953,150
Provision for IBNR	**8,854,000**	5,203,157
Provision for claims handling expense	**860,000**	971,997
	158,237,340	74,581,137

15. Accounts and Other Payables

	2022	2021
Accounts payable	**23,663,933**	15,373,803
Taxes payable	**1,984,672**	981,258
Documentary stamp tax payable	**1,063,778**	1,101,590
Others	**127,885**	164,355
Total	**26,840,268**	17,621,006

Accounts payable are payables to non-trade suppliers of goods and services, deferred VAT and accrued utilities.

16. Equity

The details of the Company's capital stock are shown below:

		2022	2021
Common stocks - P400 par value			
Authorized capital stock:			
3,625,000 shares	P1,450,000,000		
Paid up, January 1:			
3,326,143 shares		**1,330,457,200**	1,330,457,200
Total paid up, December 31		**1,330,457,200**	1,330,457,200
Less: Treasury shares, 1,143 shares		**457,200**	457,200
Issued and outstanding, December 31		**1,330,000,000**	1,330,000,000

As of December 31, 2022, the Company's total issued and outstanding share capital is owned by forty - nine (49) shareholders, fourteen (14) of which own 100 or more shares each.

Share premium amounted to P14,912,155 both in 2022 and 2021.

Treasury shares amounted to P457,200 both in 2022 and 2021.

Deposit for future subscription pertains to the payments received from stockholders. In 2021, the amount of P3,831,396 was returned.

Adjustments to retained earnings follow:

	Notes	2022	2021
Expired NOLCO	24	**7,108,588**	3,719,988
Expired excess MCIT	24	**-**	196,230
		7,108,588	3,916,218

17. Actuarial Gains on Retirement Benefit Liability, Net

Movement of this account is as follows:

	2022	2021
Balance, January 1	**2,081,150**	185,853
Adjustment due to changes of tax rates	**-**	13,275
Actuarial gain during the year	**-**	1,882,022
Balance, December 31	**2,081,150**	2,081,150

18. Gross Underwriting Income

The account consists of:

	2022	2021
Premiums written	**153,935,492**	112,509,202
Premiums assumed	**50,970,881**	38,254,205
Gross premium written	**204,906,374**	150,763,407
Reinsurance premium ceded	**(99,444,005)**	(57,246,050)
Net premium retained	**105,462,368**	93,517,357
Increase in unearned premium	**(6,770,644)**	(13,570,516)
Commissions earned	**13,767,160**	4,752,135
Balance, December 31	**112,458,883**	84,698,976

19. Underwriting Expenses

The account consists of:

	2022	2021
Commissions	**44,693,379**	33,191,200
Claims and losses, net	**42,869,232**	25,791,721
Other underwriting expense	**9,197,927**	9,758,003
As of December 31	**96,760,537**	68,740,924

20. Other Income

The breakdown of other income is as follows:

	Notes	**2022**	2021
Interest income, net of amortization	7,9	**51,495,896**	46,204,221
Gain on sale of fixed assets		**105,000**	-
Foreign exchang (loss)/gain		**(47,449)**	41,053
Miscellaneous		**1,134**	1,501
Total		**51,554,581**	46,246,775

21. Other Expenses

The breakdown of other expenses is as follows:

	Notes	**2022**	2021
General and administrative expenses			
Salaries, wages and employee benefits		**23,301,738**	23,866,125
Association and pool dues		**2,582,310**	4,936,743
Depreciation expense	10	**1,739,159**	1,715,623
Professional fees		**1,601,596**	893,188
Retirement expense	22	**1,436,176**	1,436,404
Travel and transportation		**1,382,618**	1,358,407
Rent	23	**963,747**	2,100,523
Utilities		**802,232**	857,481
Taxes and licenses		**690,564**	1,660,932
Communication		**671,398**	631,354
Insurance		**523,940**	28,204
Supplies		**513,468**	561,123
Representation		**463,338**	207,588
Repairs, maintenance and janitorial services		**86,160**	347,756
Christmas party/ Anniversary expenses		**63,714**	235,970
Promotion, advertising and networking		**37,010**	25,245
Books and Subscription		**23,340**	7,156
Training and seminar		**20,357**	4,300
Donation		**-**	5,000
Miscellaneous		**56,073**	210,198
Total general and administrative expenses		**36,958,940**	41,089,321
Interest expense	21	**103,621**	47,880
Total expenses		**37,062,561**	41,137,201

Details of salaries, wages and other benefits are as follows:

	2022	2021
Salaries and wages	**20,384,090**	20,542,668
Employees' benefits	**2,917,648**	3,323,457
Total	**23,301,738**	23,866,125

22. Retirement Benefits Plan

The Company has a funded, non-contributory defined benefit type of retirement plan covering substantially all of its employees. The benefits normal retirement is equal to 125% of the final compensation as of the date of retirement multiplied by years of service.

Actuarial valuations are made at least every two years applying the accrued actuarial cost method (Projected Unit Credit) taking into account the factors of interest, mortality, disability and salary projection rates. The Company’s annual contributions to the defined benefit plan consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable.

The assumptions used in determining retirement benefit liability for the Company are as follows:

	2022	2021
Present value of the obligation	**4,837,994**	3,388,289
Fair value of plan assets	**(280,369)**	(266,840)
Underfunded obligation	**4,557,625**	3,121,449
Liability to be recognized in the Statement of financial position	**4,557,625**	3,121,449

The movements of present value of the retirement benefit liability recognized in the books are as follows:

	2022	2021
Balance, January 1	**3,388,289**	4,472,236
Interest cost	**171,786**	233,003
Current service cost	**1,277,919**	1,217,876
Actuarial (gain)/loss on;		
Changes in financial assumptions	**-**	65,104
Changes in demographic assumptions	**-**	(2,714)
Experience	**-**	(2,597,216)
Balance, December 31	**4,837,994**	3,388,289

The movements of fair value of plan assets are as follows:

	2022	2021
Balance, January 1	**266,840**	277,828
Interest income	**13,529**	14,475
Remeasurement loss	**-**	(25,463)
Balance, December 31	**280,369**	266,840

The Company's actual return on plan assets is as follows:

	2022	2021
Interest income	**13,529**	14,475
Remeasurement loss	**-**	(25,463)
Balance, December 31	**13,529**	(10,988)

The amounts of retirement benefits expense recognized in the Statements of comprehensive income are as follows:

	2022	2021
Current service cost	**1,277,919**	1,217,876
Interest cost	**171,786**	233,003
Interest income on plan assets	**(13,529)**	(14,475)
Expense recognized during the year	**1,436,176**	1,436,404

Defined benefit cost recognized in other comprehensive income (OCI):

	2022	2021
Accumulated other comprehensive income, January 1	**(2,774,867)**	(265,504)
Actuarial gain - DBO		(2,534,826)
Remeasurement loss - plan assets		25,463
Remeasurement (gain)/loss - changes in the effect of the asset ceiling	**-**	-
Defined benefit cost in OCI - income	**-**	(2,509,363)
Accumulated other comprehensive income, ending	**(2,774,867)**	(2,774,867)

For the determination of the movement of the retirement benefits liability, the following actuarial assumptions were used:

	2022	2021
Discount rate	**5.07%**	5.07%
Salary increase rate	**5.00%**	5.00%

Sensitivity analysis as follows:

Decrease in DBO due to 100 bps increase in discount rate	**(426,065)**	;	-12.6%
Increase in DBO due to 100 bps decrease in discount rate	**526,130**	;	15.5%
Increase in DBO due to 100 bps increase in salary increase ra	**521,001**	;	15.4%
Decrease in DBO due to 100 bps decrease in salary decrease	**(430,006)**	;	-12.7%
Increase in DBO, no attrition rates	**486,193**	;	14.3%

Expected future benefit payments as follows:

Financial year		
	Year 1	27,516
	Year 2	37,519
	Year 3	49,832
	Year 4	569,808
	Year 5 - 10	3,703,653

Allocation of plan assets as follows:

Financial year	
Cash and cash equivalents	1.74%
Unit investment trust fund	35.38%
Debt instruments - government bonds	62.18%
Other (Market gains/losses, accrued receivables, etc.)	0.70%
Total	100.00%

Weighted average duration of the retirement benefits liability is both 14.1 as of 2022 and 2021, respectively.

23. Lease Commitments

The Company is a lessee under cancellable operating leases. The future minimum rentals payable under this cancellable operating lease are as follows:

	2022	2021
Within one year	**241,500**	668,750
More than one year but less than five years	**-**	-
Total	**241,500**	668,750

Total rental expense charged to operations amounted to P963,747 in 2022 and P2,100,523 in 2021. (Note 21)

24. Income Taxes

Corporate income tax rate – 25%

The income tax expense consists of the following:

	2022	2021
Current:		
Regular corporate income tax	**-**	-
Final tax on interest income	**10,199,853**	8,851,317
Deferred:		
NOLCO	**(3,682,698)**	(3,107,272)
Deferred acquisition cost	**419,539**	586,823
Reserve for unearned premium	**(1,692,661)**	(8,077,654)
Retirement benefit expense	**(359,044)**	(359,101)
Adjustments due to changes in tax rates	**-**	2,220,980
Income tax expense	**4,884,989**	115,093

A reconciliation of tax on pretax income computed at the applicable statutory rates to income tax expense as reported in the income statements is as follows:

	2022	2021
Tax on pretax income at prevailing rate	**7,547,592**	5,266,907
Adjustments for items subject to lower tax rates:		
Interest income	**(2,674,121)**	(2,699,738)
Capital gains	**(26,250)**	
Tax effect on:		
Non-deductible expenses	**37,768**	3,763,700
Non-taxable income	**-**	(586,824)
Deferred items	**-**	(7,849,932)
Adjustments due to changes in tax rates	**-**	2,220,980
Income tax expense	**4,884,989**	115,093

Deferred Income Tax Assets
Components of the Company's deferred income tax (DTA) assets account are as follows:

	2022	2021
Reserve for unearned premium	**13,161,073**	11,468,412
NOLCO	**8,124,183**	11,550,073
Retirement benefits obligation	**1,139,406**	780,362
MCIT	**995,561**	787,641
Allowance for reinsurance receivable	**936,452**	936,452
Total	**24,356,675**	25,522,940

Validity of NOLCO as follows:

Year incurred	**Validity**	**Amount**	**Expired in the current year**	**Applied in the previous year**	**Balance**	**Deferred tax assets**
2022	2025	14,730,791	-	-	14,730,791	3,682,698
2021	2026	12,429,089	-	-	12,429,089	3,107,272
2020	2025	5,336,852	-	-	5,336,852	1,334,213
2019	2022	28,434,352	28,434,352	-	-	-
		60,931,084	**28,434,352**	**-**	**32,496,732**	**8,124,183**

As provided by BIR Revenue Regulations No. 25-2020 (Section 4) dated September 30, 2020, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

CREATE Act

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery or Tax incentives for Enterprises Act" (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 20, 2023;
3. Percentage tax reduced from 3% to 1% effective July 1, 2020, to June 30, 2023; and
4. The imposition of improperly accumulated earnings is repealed.

Validity of MCIT as follows:

Year incurred	Validity	Amount	Applied	Expired	Balance
2020	2023	515,403	-	-	515,403
2021	2024	272,238	-	-	272,238
2022	2025	207,920	-	-	207,920
		995,561	**-**	**-**	**995,561**

Deferred Income Tax Liability
Components of deferred income tax liability are as follows:

	2022	2021
Deferred acquisition cost	**3,786,453**	3,366,915

25. Earnings Per Common Share

	2022	2021
Profit for the year	**25,305,378**	20,952,533
Weighted average number of common shares	**3,325,000**	3,325,000
As of December 31	**7.61**	6.30

26. Related Party Transactions

In the ordinary course of trade or business, the Company has transaction with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences.

Key Management Personnel Compensation
The key management compensation consists of salaries, allowances and employee benefits amounting P9,966,366 and P11,290,091 in 2022 and 2021, respectively.

Defined Benefits Plan

The Company has a significant influence over the funding and management of the Company's plan assets. The outstanding amount of the plan assets amounts to P280,369 in 2022 and P266,840 in 2021. The Company paid no benefits from plan assets both in 2022 and 2021. No contribution was made both in 2022 and 2021.

27. Effect of COVID 19 Pandemic to Operations

The Philippines is currently experiencing a pandemic due to the novel coronavirus (COVID-19). The rapid spread of the disease has forced the Philippine Government to declare a state of calamity throughout the country which resulted in the imposition of an Enhanced Community Quarantine (ECQ) throughout Luzon starting midnight of March 16, 2020 until May 15, 2020. As of December 31, 2022, the National Capital Region (NCR) is under Alert Level 1 with certain business and industry restrictions.

This event, as at December 31, 2022, has not significantly and not materially affected the Company because the operation still continued during the pandemic.

As of report date, the Covid19 pandemic continues to disrupt businesses and economic activities with continued rounds of quarantine restrictions in the NCR and other regions. This event may continue to affect Company operations and performance.

28. Approval of Financial Statements

The financial statements were approved and authorized for issuance by the Board of Directors through the Company's President, Mr. Leandro M. Estrera on April 5, 2023.

29. Supplementary Information Required by the Bureau of Internal Revenue

Revenue Regulations No. 15-2010 issued by the Bureau of Internal Revenue requires, in addition to the disclosures mandated under the Philippine Financial Reporting Standards, and such other standards and/or conventions as may heretofore be adopted, the Notes to Financial Statements to include information on taxes, duties and license fees paid or accrued during the taxable year, as follows:

Output VAT

Details of the Company's output VAT declared are as follows:

	VATable	**VAT - Zero-rated**	**VAT - exempt**	**2022**	2021
Vatable receipts	134,984,978	2,438,418	3,052,112	**140,475,508**	106,820,722
Output VAT rate	12%	0%	-	**12%/0%**	12%/0%
Total	16,198,197	-	-	**16,198,197**	11,847,005

Input VAT
Details of the Company's input VAT claimed are as follows:

	2022	2021
Balance, January 1	-	-
Add: Current year's domestic purchases/payments for:		
Purchase of services	**8,297,416**	6,802,502
Purchase of capital goods and domestic purchases of goods other than capital goods	-	-
Total available input VAT	**8,297,416**	6,802,502

Documentary Stamp Tax (DST)
The DST paid/accrued during the reporting period was P25,471,717 in 2022 and P13,852,401 in 2021 for insurance of policies.

Other Taxes and Licenses

	OR No.	2022	2021
Business permits	various	**246,687**	263,477
Other licenses and various	various	**443,877**	1,397,455
Total per Statement of Comprehensive Income		**690,564**	1,660,932

Withholding Taxes
The amount of withholding taxes paid/accrued for the taxable year 2022 amounted to:

	2022	2021
Tax withheld by the company on:		
Compensation	**2,541,864**	2,787,858
Expanded	**4,209,129**	4,072,628
Final	-	13,748
Total	**6,750,993**	6,874,234

Taxes on Importation of Goods
The Company has no importation of goods, hence, no taxes were paid during the reporting period.

Excise Tax
The Company has no excise tax paid during the reporting period.

Others
As of the year ended December 31, 2022, the Company received a Letter of Authority from the BIR covering 2018 taxes. The examination of the 2018 accounts of the Company is still ongoing as of reporting date.

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TEODORO SANTAMARIA AND CO.
CERTIFIED PUBLIC ACCOUNTANTS

Suite 2108 Cityland 10 Tower 1
156 H.V. Dela Costa St.
Salcedo Village 1226
Makati City, Philippines
Tel. (632) 8869-4309
(632) 8856-3649
Fax: (632) 8812-4202
Email: info@tsc.ph

Trust Service Commitment

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
SGI Philippines General Insurance Company, Inc.
15th Floor, Citibank Tower
8741 Paseo de Roxas
Makati City, Philippines

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **SGI Philippines General Insurance Company, Inc.** as at December 31, 2022 and 2021 and for each of the fiscal years then ended, and have issued our report thereon dated April 5, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statement taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2022 and 2021 and for each of the years then ended and no material exceptions were noted.

TEODORO SANTAMARIA AND CO.

By: Rachel Lydia T. Santamaria
Partner
CPA License No. 083524
Valid until December 9, 2023
BOA Accreditation No. 5593
Valid until September 26, 2024
SEC Accreditation No. 83524-SEC (Individual)
Valid until 2025 Financial Statements of SEC covered institutions
SEC Accreditation No. 5593-SEC (Firm)
Valid until 2025 Financial Statements of SEC covered institutions
IC Accreditation No. 83524 – IC (Individual)
Valid until 2025 Financial Statements of IC covered institutions
IC Accreditation No. 5593 – IC (Firm)
Valid until 2025 Financial Statements of IC covered institutions
BIR A.N. 08-008055-001-2022 (Individual)
Valid until March 30, 2025
BIR A.N. 08-008055-000-2022 (Firm)
Valid until March 30, 2025
T.I.N. 102-921-088
PTR No. 9574972 / Makati City
January 14, 2023

April 5, 2023
Makati City, Philippines

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.

(A Non-life Insurance Company)

December 31, 2022

Ratio	Formula		2022	2021
Current Ratio	Total Current Assets divided by Total Current Liabilities		**1.01**	1.25
	Total Current Assets	372,264,416		
	Divided by: Total Current Liabilities	367,755,905		
	Current Ratio	1.01		
Acid test Ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		**1.01**	1.25
	Total Current Assets	372,264,416		
	Less: Inventories	-		
	Other Current Assets	-		
	Quick Assets	372,264,416		
	Divide by: Total Current Liabilities	367,755,905		
	Acid test Ratio	1.01		
Working Capital to Total Asset	Working Capital divided by Total Asset		**0.00**	0.04
	Working Capital	4,508,511		
	Divided by: Total Asset	1,770,410,680		
		0.00		
Debt to Total Assets Ratio	Total Debt Divided by Total Asset		**0.21**	0.15
	Total Debt	376,099,983		
	Divided by: Total Asset	1,770,410,680		
		0.21		
Debt to Equity Ratio	Total Debt divided by Total Equity		**0.27**	0.18
	Total Debt	376,099,983		
	Divided by: Total Equity	1,394,310,697		
		0.27		
Asset to Equity Ratio	Total Asset divided by Total Equity		**1.27**	1.18
	Total Asset	1,770,410,680		
	Divided by: Total Equity	1,394,310,697		
		1.27		
Interest Coverage Ratio	EBIT divided by Interest Expense		**292.36**	441.01
	EBIT	30,293,987		
	Divided by: Interest Expense	103,621		
		292.36		

Gross Profit Margin	Gross Profit Divided by Commission Revenue Gross Profit 67,252,927 Divided by: Revenue 112,458,883 0.60	**0.60**	0.73
Profit Margin	Net Income/(Loss) Divided by: Revenue Net Income/(Loss) 25,305,378 Divided by: Revenue 112,458,883 0.23	**0.23**	0.25
Return on Asset (ROA)	Net Income/(Loss) Divided by: Average Asset Net Income/(Loss) 25,305,378 Divided by: Average Asset 1,694,423,356 0.01	**0.01**	0.01
Return on Equity	Net Income/(Loss) Divided by: Average Equity Net Income/(Loss) 25,305,378 Diveded by: Average Equity 1,385,645,582 0.02	**0.02**	0.03

For BIR Use Only | BCS/ Item:

Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

BIR Form No. **1702-RT** January 2018(ENCS) **Page 1**

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two copies MUST be filled with the BIR and one held by the taxpayers.

1702-RT 01/18ENCS P1

1 For ● Calendar Fiscal

2 Year Ended (MM/20YY) 12 - December **20** 22

3 Amended Return? Yes ● No

4 Short Period Return Yes ● No

5 Alphanumeric Tax Code (ATC): IC 055–Minimum Corporate Income Tax (MCIT) ● ; IC010 - CORPORATION IN GENERAL - JAN 1, 2009

Part I - Background Information

6 Tax Identification Number (TIN) 000 - 479 - 269 - 00000 **7** RDO Code 034

8 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.

9 Registered Address *(Indicate complete address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905)*

15TH FLOOR, CITIBANK TOWER, PASEO DE ROXAS, MAKATI CITY

9A ZIP Code 1630

10 Date of Incorporation/Organization *(MM/DD/YYYY)* 04/02/1964 **11** Contact Number 8480188

12 Email Address info@sgiphils.com.ph

13 Method of Deductions ● Itemized Deductions [Section 34 (A-J), NIRC] Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended]

Part II - Total Tax Payable

(Do NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

14 Tax Due	207,920
15 Less: Total Tax Credits/Payments	1,345,889
16 Net Tax Payable (Overpayment) *(Item 14 Less Item 15)*	(1,137,969)
Add: Penalties	
17 Surcharge	0
18 Interest	0
19 Compromise	0
20 Total Penalties *(Sum of Items 17 to 19)*	0
21 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Items 16 and 20)*	(1,137,969)

If Overpayment, mark one(1) box only *(Once the choice is made, the same is irrevocable)*

To be refunded To be issued a Tax Credit Certificate (TCC) ● To be carried over as a tax credit for next year/quarter

We declare under the penalties of perjury that this return, and all its attachments, have been made in good faith, verified by us, and to the best of our knowledge and belief, are true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If signed by an Authorized Representative, indicate TIN and attach authorization letter)*

Signature over Printed Name of President/Principal Officer/Authorized Representative

Signature over Printed Name of Treasurer/Assistant Treasurer

22 Number of Attachments 000

Title of Signatory TIN Title of Signatory TIN

Part III - Details of Payment

Particulars	Drawee Bank/	Number	Date*(MM/DD/YYYY)*	Amount

	Agency			
23 Cash/Bank Debit Memo				0
24 Check				0
25 Tax Debit Memo				0
26 Others*(Specify Below)*				
				0

Machine Validation/Revenue Official Receipt Details *[if not filed with an Authorized Agent Bank(AAB)]*	*Stamp of Receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)*

BIR Form No. 1702-RT January 2018(ENCS) Page 2	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	1702-RT 01/18ENCS P2

Taxpayer Identification Number(TIN)	Registered Name
000 479 269 00000	SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.

Part IV - Computation of Tax

(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

27 Sales/Revenues/Receipts/Fees	119,229,528
28 Less:Sales Returns, Allowances and Discounts	98,438,689
29 Net Sales/Revenues/Receipts/Fees *(Item 27 Less Item 28)*	20,790,839
30 Less: Cost of Sales/Services	0
31 Gross Income from Operation *(Item 29 less Item 30)*	20,790,839
32 Add: Other Taxable Income Not Subjected to Final tax	1,134
33 Total Taxable Income *(Sum of Items 31 and 32)*	20,791,973
Less: Deductions Allowable under Existing Law	
34 Ordinary Allowable Itemized Deductions	35,522,764
35 Special Allowable Itemized Deductions	0
36 NOLCO *(Only for those taxable under Sec. 27(A to C); Sec. 28(A)(1)(A)(6)(b) of Tax code, as amended)*	0
37 Total Deductions *(Sums of Items 34 to 36)*	35,522,764
OR *[in case taxable under Sec 27(A) & 28(A)(1)]*	
38 Optional Standard Deduction (OSD) *(40% of Item 33)*	0
39 Net Taxable Income/(Loss) *(If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)*	(14,730,791)
40 Applicable Income Tax Rate	25 %
41 Income Tax Due other than Minimum Corporate Income Tax(MCIT) *(Item 39 x Item 40)*	0
42 MCIT Due *(2% of Item 33)*	207,920
43 Tax Due *(Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher)*	207,920
Less: Tax Credits/Payments(attach proof)	
44 Prior Year's Excess Credits Other Than MCIT	688,087
45 Income Tax Payment under MCIT from Previous Quarter/s	0
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
47 Excess MCIT Applied this Current Taxable Year	0
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	494,872
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	162,930
50 Foreign Tax Credits, if applicable	0
51 Tax Paid in Return Previously Filed, if this is an Amended Return	0
52 Special Tax Credits	0
Other Credits/Payments *(Specify)*	
53	0
54	0
55 Total Tax Credits/Payments *(Sum of Items 44 to 54)*	1,345,889
56 Net Tax Payable (Overpayment) *(Item 43 Less Item 55)*	(1,137,969)

Part V - Tax Relief Availment

57 Special Allowable Itemized Deductions *(Item 35 of Part IV x Applicable Income Tax Rate)*	0
58 Add:Special Tax Credits	0
59 Total Tax Relief Availment *(Sum of Items 57 & 58)*	0

BIR Form No. **1702-RT** January 2018(ENCS) **Page 3**	**Annual Income Tax Return** **Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate**	1702-RT 01/18ENCS P3

Taxpayer Identification Number(TIN)				**Registered Name**
000	479	269	00000	SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.

Part VI - Schedules *(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

Schedule I - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s if necessary)*

1	Amortization	0
2	Bad Debts	0
3	Charitable and Other Contributions	0
4	Depletion	0
5	Depreciation	1,739,159
6	Entertainment, Amusement and Recreation	463,338
7	Fringe Benefits	0
8	Interest	0
9	Losses	0
10	Pension Trusts	0
11	Rental	963,747
12	Research and Development	0
13	Salaries, Wages and Allowances	22,107,317
14	SSS, GSIS, Philhealth, HDMF and Other Contributions	1,194,421
15	Taxes and Licenses	690,564
16	Transportation and Travel	1,382,618
17	Others(Deductions Subject to Withholding Tax and Other Expenses) *(Specify below; Add additional sheet(s), if necessary)*	
a	Janitorial and Messengerial Services	0
b	Professional Fees	1,601,596
c	Security Services	0
d	COMMUNICATION AND POSTAGE	671,398
e	ASSOCIATION DUES	2,582,310
f	UTILITIES	802,232
g	PRINTING STATIONERY AND OFFICE SUPPLIES	513,468
h	INSURANCE	523,940
i	OTHERS	286,656
18	**Total Ordinary Allowable Itemized Deductions** *(Sum of Items 1 to 17i)*	35,522,764

Schedule II - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

	Description	Legal Basis	Amount
1			0
2			0
3			0
4			0
5	**Total Special Allowable Itemized Deductions** *(Sum of Items 1 to 4)*		0

BIR Form No. 1702-RT January 2018(ENCS) Page 4	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	1702-RT 01/18ENCS P4

Taxpayer Identification Number(TIN) | Registered Name

Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)

1	Gross Income	20,791,973
2	Less: Ordinary Allowable Itemized Deductions	35,522,764
3	Net Operating Loss *(Item 1 Less Item 2) (To Schedule IIIA,Item 7A)*	(14,730,791)

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) *(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

	Year Incurred	Net Operating Loss A) Amount	B) NOLCO Applied Previous Year/s
4	2022	14,730,791	0
5	2021	12,429,089	0
6	2020	5,336,852	0
7	2019	28,434,352	0

Continuation of Schedule IIIA *(Item numbers continue from table above)*

	C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) [E = A Less (B + C + D)]
4	0	0	14,730,791
5	0	0	12,429,089
6	0	0	5,336,852
7	28,434,352	0	0
8	**Total NOLCO** *(Sum of Items 4D to 7D)*	0	

Schedule IV -Computation of Minimum corporate Income Tax(MCIT)

	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	2020	0	515,403	515,403
2	2021	0	272,238	272,238
3		0	0	0

Continuation of Schedule IV *(Item numbers continue from table above)*

	D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1	0	0	0	515,403
2	0	0	0	272,238
3	0	0	0	0
4	**Total Excess MCIT Applied** *(Sum of Items 1F to 3F)*		0	

Schedule V - Reconciliation of Net Income per Books Against Taxable Income *(Attach additional sheet/s, if necessary)*

1	Net Income/(Loss) per Books	30,190,367
	Add: Non-deductible Expenses/Taxable Other Income	
2	INCREASE IN PREMIUM, INTEREST EXPENSE	6,874,265
3	UNREALIZED FOREIGN EXCHANGE, RETIREMENT EXP	1,483,625
4	Total *(Sum of Items 1 to 3)*	38,548,257
	Less: A) Non-Taxable Income and Income Subjected to Final Tax	

5	INTEREST INCOME	51,495,897
6	INCREASE IN DEFERRED ACQUISITION, SUBJ TO CJT	1,783,151
	B) Special Deductions	
7		0
8		0
9	Total *(Sum of Items 5 to 8)*	53,279,048
10	**Net taxable Income (Loss)** *(Item 4 Less Item 9)*	(14,730,791)