

BETHEL GENERAL INSURANCE AND SURETY CORPORATION

AUDITED FINANCIAL STATEMENTS
December 31, 2021 and 2020
With Report of Independent Auditor



BETHEL

GENERAL INSURANCE
AND SURETY CORPORATION

Unit 200, 2nd Floor, Valero Plaza, 124 Valero Street, Salcedo Village, Makati City 1227

 (+632) 8817-2002 to 05
 info@bethelgen.com
 www.bethelgen.com

Marketing – 0929 313 0246
Underwriting – 0956 175 3729
Claims – 0907 087 4509 (Motor) 0946 590 6924 (Non Motor)

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **BETHEL GENERAL INSURANCE AND SURETY CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein; for the years ended December 31, 2021 and 2020 in accordance with the prescribed financial reporting framework indicated therein, 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.

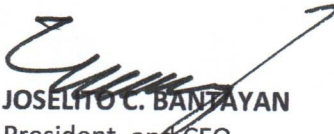
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the shareholders.

I.T. SABADO & ASSOCIATES, CPAs, the independent auditor appointed by the shareholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the shareholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


SIEGFRED B. MISON
Chairman of the Board


JOSEFITO C. BANTAYAN
President and CEO


LANIE D. SANTOS
Chief Financial Officer (Treasurer)

Signed this 29th day of July 2022.

I.T. SABADO & ASSOCIATES

Certified Public Accountants

9-A-2-A Saint John St.
New Era, Quezon City
Tel: (632) 8290 8192

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
BETHEL GENERAL INSURANCE AND SURETY CORPORATION
Unit 200 Valero Plaza, 124 Valero St.
Salcedo Village, Makati City

Report on the Audit of the Financial Statements



Opinion

We have audited the financial statements of Bethel General Insurance and Surety Corporation, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

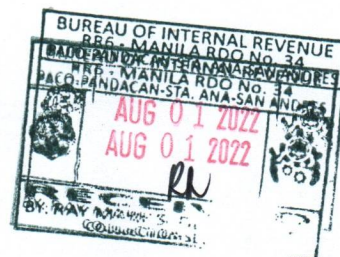
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedure 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 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 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 the Supplementary Information Required Under Revenue Regulations No. 15-2010

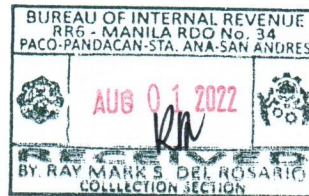
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Notes to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue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

I.T. SABADO & ASSOCIATES, CPAs
PRC/BOA Registration No. 1324
Until April 13, 2024
BIR Accreditation No. 07-000400-003-2020
Until May 26, 2023
IC Accreditation No. 1324-IC (Group A)
Until 2025 audit period

By:


MARIA NITA ESMERALDA A. BALDONIDO
Partner
CPA Reg. No. 0113018
Until June 11, 2023
IC Accreditation No. 113018-IC (Group A)
Until 2021 audit period
TIN 235-702-931
PTR No. 2543277
January 29, 2022
Quezon City

June 15, 2022



I.T. SABADO & ASSOCIATES

Certified Public Accountants

9-A-2-A Saint John St.
New Era, Quezon City
Tel: (632) 8290 8192

SUPPLEMENTAL WRITTEN STATEMENT


The Board of Directors and Shareholders
BETHEL GENERAL INSURANCE AND SURETY CORPORATION
Unit 200 Valero Plaza, 124 Valero St.
Salcedo Village, Makati City

We have examined the Financial Statements of Bethel General Insurance and Surety Corporation for the years ended December 31, 2021 and 2020, on which we have rendered the attached report dated June 15, 2022.

In compliance with SRC Rule 68, We are stating that the said company has a total number of **thirteen (13)** shareholders owning one hundred (100) or more shares each.

I.T. SABADO & ASSOCIATES, CPAs
PRC/BOA Registration No. 1324
Until April 13, 2024
BIR Accreditation No. 07-000400-003-2020
Until May 26, 2023
IC Accreditation No. 1324-IC (Group A)
Until 2025 audit period

By:


MARIA NITA ESMERALDA A. BALDONIDO
Partner
CPA Reg. No. 0113018
Until June 11, 2023
IC Accreditation No. 113018-IC (Group A)
Until 2021 audit period
TIN 235-702-931
PTR No. 2543277
January 29, 2022
Quezon City

June 15, 2022

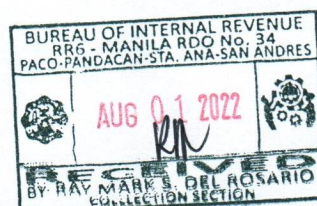
BETHEL GENERAL INSURANCE AND SURETY CORPORATION
STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With comparative figures for 2020)

ASSETS					
	Notes		2021		2020
Cash and cash equivalents	4	P	170,139,033	P	134,687,764
Insurance balances receivable	5		234,220,840		199,844,108
Financial assets at fair value through other comprehensive income	6		5,875,118		5,876,699
Financial assets at amortized costs	7		337,450,701		237,307,794
Loans and receivables	8		171,302,080		365,533,355
Reinsurance assets	9		1,376,056		1,426,502
Deferred acquisition cost	10		50,662,116		40,525,337
Deferred reinsurance premium	11		13,866,617		3,849,580
Investment properties	12		856,748,363		232,353,563
Property and equipment, net	13		261,739,806		261,921,807
Other assets	14		2,691,199		25,902,969
TOTAL ASSETS		P	2,106,071,929	P	1,509,229,478
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Insurance contract liabilities	15	P	185,837,098	P	149,195,022
Reinsurance payable	16		22,792,396		18,497,235
Deferred commission income	17		3,486,293		1,156,044
Accounts and other payables	18		65,190,520		35,275,641
Total Liabilities			277,306,307		204,123,942
SHAREHOLDERS' EQUITY					
Share capital	19		511,925,000		410,188,200
Subscribed share capital	20		88,075,000		104,811,800
Contributed surplus	21		520,840,776		520,840,776
Fluctuation reserves	22		119,147,749		120,093,623
Accumulated profits	23		588,777,097		149,171,136
Total Shareholders' Equity			1,828,765,622		1,305,105,536
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		P	2,106,071,929	P	1,509,229,478

See accompanying Notes to Financial Statements.



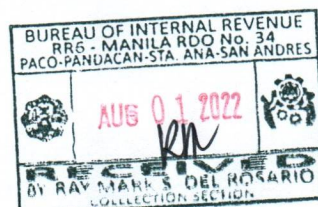
BETHEL GENERAL INSURANCE AND SURETY CORPORATION
INCOME STATEMENT

For the year ended December 31, 2021

(With comparative figures for 2020)

	Notes	2021	2020
REVENUE			
Gross premiums earned on insurance contracts	24	P 292,751,093	P 229,388,231
Reinsurers' share on gross premiums earned	25	21,554,768	21,939,214
Net Premiums Earned		271,196,326	207,449,017
Commission income	26	3,749,781	3,074,555
TOTAL REVENUE		274,946,107	210,523,572
DIRECT COSTS			
Net insurance benefits and claims	27	61,620,901	16,106,188
Commission expense	28	83,725,138	70,732,651
Other underwriting expenses	29	8,014,061	11,469,391
Total Direct Costs		153,360,100	98,308,230
GROSS INCOME		121,586,007	112,215,342
OTHER INCOME			
Investment and other income	30	439,795,391	10,493,092
TOTAL INCOME		561,381,397	122,708,434
GENERAL AND ADMINISTRATIVE EXPENSES	31	96,336,492	78,149,313
INCOME BEFORE INCOME TAX		465,044,905	44,559,121
INCOME TAX EXPENSE	32	28,032,437	11,305,588
NET INCOME		P 437,012,468	P 33,253,533

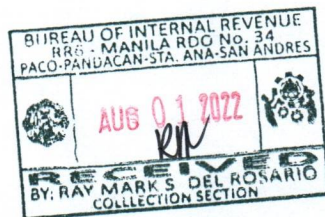
See accompanying Notes to Financial Statements.



BETHEL GENERAL INSURANCE AND SURETY CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2021
(With comparative figures for 2020)

	Note	2021		2020
Net Income	P	437,012,468	P	33,253,533
Other Comprehensive Income:				
Unrealized gain (loss) on financial assets at fair value				
through other comprehensive income	6, 23	(1,581)		(6,098)
TOTAL COMPREHENSIVE INCOME	P	437,010,887	P	33,247,435

See accompanying Notes to Financial Statements.



BETHEL GENERAL INSURANCE AND SURETY CORPORATION

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

(With comparative figures for 2020)

	Notes	2021		2020
SHARE CAPITAL	19			
Balance at beginning of year		P 410,188,200	P	353,750,000
Paid during the year		101,736,800		56,438,200
Balance at end of year		511,925,000		410,188,200
SUBSCRIBED SHARE CAPITAL	20			
Balance at beginning of year		104,811,800		161,250,000
Increase (Decrease) during the year		(16,736,800)		(56,438,200)
Balance at end of year		88,075,000		104,811,800
CONTRIBUTED SURPLUS	21	520,840,776		520,840,776
FLUCTUATION RESERVES	22			
Balance at beginning of year		120,093,623		121,044,015
Increase (Decrease) during the year		(945,874)		(950,392)
Balance at end of year		119,147,749		120,093,623
ACCUMULATED PROFITS	23			
Balance at beginning of year		149,171,136		114,973,310
Prior year adjustments		1,649,200		-
Balance at beginning of year as adjusted		150,820,336		114,973,310
Amortization of revaluation surplus		944,293		944,293
Net income for the year		437,012,468		33,253,533
Balance at end of year		588,777,097		149,171,136
TOTAL SHAREHOLDERS' EQUITY		P 1,828,765,623	P	1,305,105,536

See accompanying Notes to Financial Statements.

BETHEL GENERAL INSURANCE AND SURETY CORPORATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

(With comparative figures for 2020)

	Notes	2021		2020
CASH FLOWS FROM OPERATING ACTIVITIES :				
Net income before income tax	P	465,044,905	P	44,559,121
Adjustment for :				
Investment and interest income	30	(8,678,220)		(10,411,221)
Depreciation	13, 31	8,349,256		7,930,083
Provision for uncollectible accounts	5, 31	-		435,099
Amortized discount	7	(2,622,028)		(3,072,336)
Increase in fair value of investment property	30	(352,918,800)		-
Gain on foreclosure of investment properties	30	(78,198,371)		-
OPERATING INCOME (LOSS) BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		30,976,742		39,440,745
Changes in Operating Assets and Liabilities				
Decrease (Increase) in:				
Insurance balances receivable	5	(34,376,731)		(42,984,088)
Loans and other receivables	8	177,494,474		10,327,390
Reinsurance assets	9	50,447		691,886
Deferred acquisition cost	10	(10,136,779)		(524,263)
Deferred reinsurance premium	11	(10,017,037)		5,889,995
Other assets	14	23,211,770		(13,776,266)
Increase (Decrease) in:				
Insurance contract liabilities	15	36,642,076		10,604,026
Reinsurance payables	16	4,295,161		5,660,191
Deferred commission income	17	2,330,249		(1,061,037)
Accounts and other payable	18	29,914,880		15,549,040
Net cash provided by operations		250,385,250		29,817,618
Income tax paid		(26,936,488)		(9,766,778)
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES		223,448,762		20,050,840
CASH FLOWS FROM INVESTING ACTIVITIES :				
Acquisition of financial assets at amortized costs	7	(721,010,879)		(222,411,705)
Disposal of financial assets at amortized costs	7	623,490,000		216,126,000
Repossession of investment properties	12	(624,394,800)		-
Acquisition of property & equipment	13	(6,518,054)		(7,695,273)
Disposal of property & equipment	13	-		1,900,000
Investment and interest income	30	7,582,271		8,872,411
Increase in fair value of investment property	30	352,918,800		-
Gain on acquisition of investment properties	30	78,198,371		-
NET CASH USED IN INVESTING ACTIVITIES		(289,734,292)		(3,208,567)
CASH FLOWS FROM FINANCING ACTIVITIES :				
Increase in share capital	19	101,736,800		56,438,200
NET INCREASE IN CASH AND CASH EQUIVALENTS		35,451,270		73,280,474
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		134,687,763		61,407,290
CASH AND CASH EQUIVALENTS AT END OF YEAR	P	170,139,033	P	134,687,763

See accompanying Notes to Financial Statements.

BETHEL GENERAL INSURANCE AND SURETY CORPORATION**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021**

(With comparative figures as at and for the year ended December 31, 2020)

(All amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - Organization and operation

Bethel General Insurance and Surety Corporation was incorporated in the Philippines on March 28, 1961. It was organized primarily to engage in the business of insurance and guaranty in any line, except in life insurance, for a consideration, to indemnify any person, firm or corporation against loss, damage or liability arising from an unknown or contingent event and to guarantee liabilities and obligation of any person, firm or corporation.

The 50-year term of existence of the Company had already lapsed on April 3, 2011, however, the Company re-incorporated on November 22, 2011 under SEC Registration No. CS201120475.

The company amended its registered name to Bethel General Insurance and Surety Corporation which was approved by Securities and Exchange Commission on February 19, 2018.

Its registered office which is also its principal place of business is located at Unit 200, 2nd floor, Valero Plaza, 124 Valero St., Salcedo Village Makati City 1227.

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

Note 2 - Significant accounting policiesBasis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit and loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) investments that have been measured at fair value. The financial statements are measured in Philippine Peso (P), which is also the Company's functional and presentation currency. All values are rounded off to the nearest peso values, unless otherwise indicated.

The financial statements have been prepared in accordance with the financial framework set by the Company as fully discussed in the Significant Accounting Policies.

Changes in Accounting Policies and Disclosures

The following are the new standards, amendments and interpretation effective as of January 1, 2020 adopted by the Company. The adoption of the following accounting pronouncements did not have any impact on the financial statements unless otherwise indicated. The Company did not early adopt any other standard, amendment or interpretation that has been issued but is not yet effective.

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

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and

add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

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

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

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

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

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

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

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

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

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The adoption of these amendments does not have a significant impact on the Company's financial statements.

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations: Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*
- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*
- Annual Improvements to PFRS Standards 2018-2020 Cycle
 - Amendments to PFRS 1, *Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PFRS 16, *Lease incentives*
 - Amendments to PAS 41, *Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Assessment is currently being made by the Company. The Company has established a project team, with assistance from Actuarial, Finance, Risk, IT departments and various business sectors to study the implication and to evaluate the potential impact of adopting this standard on the required effective date.

Deferred effectivity

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

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 obligations are extinguished or has expired.

Use of Estimates, Assumptions and Judgments

The preparation of the financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities at the end of the reporting period as well as affecting the reported income and expenses for the period.

Although the estimates are based on management's best knowledge and judgment of current facts as at the end of the reporting period, the actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgments, refer to Note 3.

Cash and Cash Equivalents

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

Short-term Investments

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

Reinsurance assumed

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

Insurance Receivables

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

Financial Instruments

Date of recognition

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

Initial recognition and subsequent measurement of financial instruments

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVTPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: FVTPL, fair value through other comprehensive income (FVOCI), investment securities at amortized cost and loans and receivables.

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Company may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (solely payments of principal and interest (SPPI) test).

Determination of Fair Value

The Company measures financial instrument at fair value at each reporting period.

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

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

Fair value hierarchy

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the 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.

'Day 1' difference

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

Financial Assets at FVOCI

Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Fair value reserves on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency- denominated debt securities at FVOCI, is reported in the statements of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest income' using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statements of comprehensive income is recognized as 'Investment and other income' in the statements of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for impairment losses' in the statements of income.

Equity securities designated at FVOCI are those that the Company made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statements of income as 'Investment and other income' when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and

losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Retained Earnings' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statements of financial position captions 'Cash and cash equivalents' (excluding cash on hand), 'Short-term investments', 'Insurance receivables', 'Investment securities at amortized cost' and 'Loans and receivables'. After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Investment and other income' in the statements of income. Gains and losses are recognized in statements of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statements of income under 'General and administrative expenses'. The effects of revaluation on foreign currency denominated investments are recognized in the statements of income.

Other financial liabilities

Issued financial instruments or their components, which are not designated as 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 to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument a whole amount separately determined as the fair value of the liability component on the date of issue.

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. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of income.

This accounting policy applies primarily to insurance payables, accounts payable and accrued expenses and other liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as retirement benefit liability and income tax payable).

Offsetting Financial Instruments

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

Impairment of Financial Assets

Expected credit loss methodology (ECL)

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument. In comparison, the previous incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment.

PFRS 9 also allows the use of the loss rate approach in estimating ECL in cases where no complex portfolio is present for an entity. As a result, the Company applies the simplified approach wherein ECL allowances will be measured at an amount equal to lifetime ECL. The assessment of SICR that is solely based on the change in the risk of default is not applied under the loss rate approach and the loss rate based on historical trend is adjusted for current conditions and expectations over the future using the overlay.

The Company applies the simplified approach in its 'Insurance receivables' and applies general approach for the related debt investment securities which include 'Financial assets at FVOCI', 'Investment securities at amortized cost' and 'Loans and receivables'.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

Significant increase in credit risk (SICR)

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if the security's credit rating, by any international or local rating agencies has deteriorated. In such event, lifetime ECL of the security involved will be measured.

ECL parameters and methodologies

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

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

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

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

Economic overlays

The Company incorporates economic overlays into the measurement of ECL to add a forward- looking risk measure parallel to the expected future macroeconomic atmosphere. A broad range of economic indicators were considered for the economic inputs. The economic indicators considered were categorized into two sub-groups: global and local. For the global economic indicators, the following were considered: inflation rate, real gross domestic product (GDP), unemployment rate, US dollar index, and 10- and 2-year treasury yield. For the local economic indicators, the following were considered: Philippine composite index, Philippine inflation rate, Philippine real GDP, Asian to US dollar index, 10- and 2-year R2 benchmark rate, and USD/PHP exchange rate. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Overlay factors are modeled using Regression Analysis (backward elimination method).

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or where applicable a part of financial asset or a part of a group of financial asset) is derecognized when:

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset

and the maximum amount of consideration that the Company could be required to repay.

Financial liability

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

Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies for its share on the unpaid losses incurred by the Company. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance recoverable on paid losses are included as part of "Insurance receivables".

Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

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

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

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

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

Deferred Acquisition Costs (DAC)

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

Subsequent to initial recognition, these costs are amortized using the 24th method over the life of the contract. Amortization is charged against the profit or loss. The unamortized acquisition costs are

shown as "Deferred acquisition costs" in the assets section of the statement of financial position.

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

Investment Properties

Properties held for rental yields or for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes or sale in the ordinary course of business is classified as investment property.

Investment properties are measured initially at cost, including transaction costs. These consist of land, buildings and construction in-progress. The land is carried at cost. The building is carried at cost, less accumulated depreciation and amortization and any accumulated impairment losses.

Depreciation is computed using the straight-line method over the estimated useful life of 40 years. The estimated useful life and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment property.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

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

Property and Equipment

Property and equipment, except for land, are stated at cost, net of accumulated depreciation and any impairment in value. Land is stated at cost less any impairment losses.

The initial cost of property and equipment comprises its purchase price, including nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the statement of income during the financial period these are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the properties as follows:

	Number of Years
Building and Improvement	20-50
Electronic and data processing (EDP) equipment	2-5
Office equipment	5
Transportation equipment	5
Furniture, fixtures and equipment	5

Leasehold improvements are amortized over the term of the lease or estimated useful life of 5 years, whichever is shorter.

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

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of income in the year the asset is derecognized.

Construction-in-progress is stated at cost less any impairment in value. The initial cost comprises its construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use. Construction-in-progress is recognized under 'Other assets.'

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of income in the year the asset is derecognized.

Creditable Withholding Taxes (CWTs)

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

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Company.

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

Impairment of Nonfinancial Assets

The Company assesses at each end of the reporting period whether there is an indication that investments in subsidiaries, investment properties and property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Value-added Tax (VAT)

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

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

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

Real Estate Properties for Sale

Real estate properties for sale are measured at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs to sell. The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property.

Insurance Contract Liabilities

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

Provision for Claims Reported and Incurred But Not Reported (IBNR) Losses

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

Provision for Unearned Premiums

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

Insurance Payables

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

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

Pension Cost

Benefits that are payable after the completion of employment by the qualified employees for their retirement. The Company has no formal retirement plan duly registered with the Bureau of Internal Revenue as of the reporting date. The Company accrues the estimated retirement benefits based on the minimum requirements under Republic Act No. 7641, Retirement Pay Law, which provides for retirement pay to qualified employees in the absence of any retirement plan. The Company provides for the minimum guarantee benefits in compliance with RA 7641.

The Company's retirement benefit obligation is measured using the accrual approach, if any. Accrual approach is applied by calculating the expected liability as at reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.

Plan assets, if any, are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Equity

Share capital is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

Capital in excess of par value includes any premiums received in excess of par value on the issuance of capital stock.

Contributed surplus represents the original contribution of the stockholders of the Company, in addition to the paid-in capital stock, in order to comply with the pre-licensing requirements as provided under the Insurance Code.

Fluctuation reserves pertains to the appraisal increment on building relating and changes in fair market value of financial assets at FVOCI. The balance of the fluctuation reserves will be transferred to accumulated profits when the building and financial assets at FVOCI are disposed or derecognized.

Accumulated profits include all the accumulated earnings of the Company, net of dividends declared.

Revenue Recognition

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

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

Premiums Revenue

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

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as "Provision for unearned premiums" as part of "Insurance contract liabilities" and presented in the liabilities section of the statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at end of the reporting period are accounted for as "Deferred reinsurance premiums" and shown as part of reinsurance assets in the statements of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

Reinsurance Commissions

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

Dividend income

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

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into

account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

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

Rental income

Rental income from investment properties are recognized on a straight-line basis over the term of the lease.

Other income

Income from other sources is recognized when earned.

Expense Recognition

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

Benefits and Claims

Benefits and claims consist of benefits and claims paid to policyholders, and changes in the valuation of Insurance contract liabilities, including IBNR. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

Commission Expense

Commissions are recognized as expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition cost" in the assets section of the statement of financial position.

Other underwriting expense

Other underwriting expense pertains to the costs incurred by the Company prior to the issuance of policies to its policyholders. These costs include expenses for technical inspections, actuarial reviews and other work that is deemed necessary to determine whether or not to accept the risks to be written. These costs are recognized as expense as they are incurred.

Expenses

General and administrative expense, investments and other expense, except for lease agreements, are recognized as expense as they are incurred.

Interest expense

Interest expense is charged against operations as they are incurred, and they are derived from Funds held for reinsurers, and Lease Liabilities.

Foreign Exchange Transactions

The functional and presentation currency of the Company is the Philippine Peso (P). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income.

Provisions and Contingencies

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Income Tax

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset

or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

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

Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the Company statement of other comprehensive income.

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

Events after End of the Reporting Period

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

Note 3 – Significant accounting judgments and estimates

The preparation of the accompanying financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

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 the circumstances.

Judgments

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

a. Contingencies

The Company is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings, if any, will have a material effect on the Company's financial position.

b. Product classification

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

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

c. Evaluation of business model in managing financial assets

The Company manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from payments of customers' claims, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument, the Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Company evaluates in which business model financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

d. Distinction between investment properties and owner-occupied properties

The Company determines whether a property qualifies as investment property. In making this judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

When properties comprise a portion that is held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services or for administrative purpose, and these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making this judgment.

Management's Use of Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at each reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

a. ECL of financial assets

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- The criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

b. Valuation of insurance contract liabilities

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

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

The carrying values of provision for claims reported and IBNR amounted are disclosed in Note 14.

c. Fair values of financial assets

The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. While significant components of fair value were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect the statement of comprehensive income.

d. Recognition of deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

e. Estimation of pension obligation and other retirement benefits

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

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

f. Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

g. COVID-19 Pandemic

The COVID-19 pandemic did not have a significant impact on the Company's business operations. The Company remain fully operational with no major disruptions recorded to date.

To ensure ongoing impacts of COVID-19 have been appropriately reflected in the Company's financial statements, the Company has assessed the impact of COVID-19 as follows:

- Collectability of accounts with customers continues to be closely monitored. A material change in the provision for impairment of insurance receivables has not been identified.
- The market data used by the Company in other estimates (such as risk free borrowing rates and data of comparable companies) are the latest available data, which already include the economic effects of the pandemic.
- The Company has also considered the increase uncertainty in determining key assumptions within the assessment of future taxable income of the Company upon which recognition of the deferred tax assets is assessed, including forecast of revenue and expenses, among others.

The Company continues to monitor the risks and the ongoing impacts of COVID-19 on its business.

Note 4 - Cash and cash equivalents

This account consists of:

	2021	2020
Cash on hand and in bank	137,139,033	101,687,764
Time deposit	33,000,000	33,000,000
	170,139,033	134,687,764

Cash in banks earn interest at the respective bank deposit rates. Time deposit are placements made for varying periods of up to three months depending on the immediate cash requirements of the company and earn interest at respective time deposits rates.

Note 5 - Insurance balances receivable

This account consists of:

	2021	2020
Premium receivables	226,640,149	192,264,460
Funds held by ceding companies	5,695,892	6,940,464
Due from ceding companies	6,432,647	5,187,032
Reinsurance recoverable on paid losses	1,507,136	1,507,136
Total	240,275,824	205,899,092
Less: Allowance for uncollectible accounts	6,054,984	6,054,984
	234,220,840	199,844,108

Details of premium receivables for the year 2021 follows:

	Amount
Within 180 days	189,523,633
Beyond 180 days	37,116,516
	226,640,149

Premiums receivable are usually due within 30-180 days without interest. Management believes that the carrying amount of its Insurance Balances Receivables approximates its net realizable value.

Following the currently effective statutory solvency measurement, the over 180 days receivable are considered non-admitted and will therefore be deducted from the audited Net Worth to arrive at the statutory Net Worth following the IC procedures.

Note 6 - Financial assets at fair value through other comprehensive income

The carrying values of financial assets at fair value through other comprehensive income have been determined as follows:

	2021	2020
At January 1	5,876,698	5,882,796
Additions	-	-
Disposals	-	-
Fair value adjustments	(1,581)	(6,098)
At December 31	5,875,118	5,876,698

Fair value adjustment for the year is presented as unrealized gain (loss) on financial assets at fair value through other comprehensive income in the statement of comprehensive income while its accumulated balance is presented as part of equity in the statement of financial position.

Note 7 - Financial assets at amortized costs

The carrying values of financial assets at amortized costs have been determined as follows:

	2021	2020
At January 1	237,307,794	227,949,753
Additions	721,010,879	222,411,705
Disposals	(623,490,000)	(216,126,000)
Amortization adjustments	2,622,028	3,072,336
At December 31	337,450,701	237,307,794

Financial assets at amortized costs consist of Investment in government securities which are deposited with the Insurance Commission (IC) in accordance with the provisions of the Insurance Code for the benefit and security of policy holders and creditor of the Company.

Note 8 - Loans and receivables

This account consists of:

	2021	2020
Subscription receivable	88,075,000	104,811,800
Mortgage loans receivable, net	63,444,653	232,293,812
Loans receivable	10,266,269	8,209,477
Other receivables	7,409,547	7,339,247
Receivable from agents	1,455,013	12,756,728
Accrued interest	651,598	122,291
	171,302,080	365,533,355

The details of mortgage loans receivable, net follow:

	2021	2020
Mortgage loans receivable	225,477,632	245,721,416
Less: Unearned interest	(6,695,347)	(13,427,604)
Less: Mortgage loan cancelled	(155,337,632)	-
	63,444,653	232,293,812

Mortgage loans receivable have maturity of at least 5 years and are initially measured at present value. They are subsequently measured at amortized cost using the effective interest method at the inception of the loans. During the year, the Company cancelled mortgage receivable amounting to P155,337,632 due to nonpayment of the maker and correspondingly repossessed the property attached as collateral.

Note 9 - Reinsurance assets

This account consists of:

	2021	2020
Reinsurance recoverable on unpaid losses- Facultative	1,002,116	1,002,116
Reinsurers' share on IBNR losses	373,940	424,386
	1,376,056	1,426,502

Note 10 - Deferred acquisition cost

The details of deferred acquisition cost follow:

	2021	2020
Balance at beginning of year	40,525,337	40,001,073
Commissions paid and accrued during the year	93,861,917	71,256,915
Amortized during the year	(83,725,138)	(70,732,651)
Balance at end of year	50,662,116	40,525,337

Note 11 - Deferred reinsurance premium

The details of deferred reinsurance premium follow:

	2021	2020
Balance at beginning of year	3,849,580	9,739,575
Premiums ceded during the year	31,571,805	16,049,219
Amortized during the year	(21,554,768)	(21,939,214)
Balance at end of year	13,866,617	3,849,580

Note 12 - Investment properties

This account consists of land, details follow:

	2020	2020
Balance at beginning of year	232,353,563	232,353,563
Additions	271,476,000	-
Disposals	-	-
Increase in fair value	352,918,800	-
Balance at end of year	856,748,363	232,353,563

The Company had its properties located in Tanay, Rizal revalued as of December 31, 2021 by an independent appraiser. Details of the revalued properties follow:

	Amount
Fair value at end of year	624,394,800
Less: Fair value at beginning of year	(271,476,000)
Fair value gains	352,918,800

Note 13 - Property and equipment, net

Details of property and equipment as at December 31, are as follows:

	Land	Building and Improvement	Transportation Equipment	EDP Equipment	Office Furniture, Fixtures & Equipment	Total
Cost						
At January 1, 2020	122,770,515	135,813,230	3,649,500	5,738,096	13,568,083	281,539,424
Additions	-	1,369,821	2,622,907	2,600,803	1,101,742	7,695,273
Disposals	-	-	(2,237,907)	-	-	(2,237,907)
Revaluation	-	-	-	-	-	-
At December 31, 2020	122,770,515	137,183,051	4,034,500	8,338,899	14,669,825	286,996,790
Additions	-	35,646	4,583,000	1,422,354	477,054	6,518,054
Disposals	-	-	-	-	-	-
Adjustments	-	1,649,200	-	-	-	1,649,200
At December 31, 2021	122,770,515	138,867,897	8,617,500	9,761,253	15,146,879	295,164,044
Accumulated depreciation						
At January 1, 2020	-	4,882,573	1,331,449	1,924,780	9,344,005	17,482,807
Charges	-	3,308,900	1,028,458	2,349,611	1,243,113	7,930,082
Disposals	-	-	(337,907)	-	-	(337,907)
At December 31, 2020	-	8,191,473	2,022,000	4,274,391	10,587,118	25,075,982
Charges	-	3,438,434	1,120,317	2,382,053	1,408,452	8,349,256
Disposals	-	-	-	-	-	-
At December 31, 2021	-	11,629,907	3,142,317	6,656,444	11,995,570	33,425,239
Net book values						
December 31, 2020	122,770,515	128,991,577	2,012,500	4,064,508	4,082,707	261,921,807
December 31, 2021	122,770,515	127,237,990	5,475,183	3,104,809	3,151,309	261,739,806

Depreciation and amortization for the years ended December 31, 2021 and 2020 amounting to P8,349,256 and P7,930,082 are presented under general and administrative expenses.

Note 14 - Other assets

This account consists of:

	2021	2020
Deposits	2,649,469	19,717,541
Security fund	41,730	41,730
Stationery and supplies inventory	-	6,143,698
	2,691,199	25,902,969

Note 15 - Insurance contract liabilities

This account consists of:

	2021	2020
Claims payable	38,229,162	12,112,759
Reserve for unearned premium	147,576,340	137,050,667
Catastrophe loss reserve	31,596	31,596
	185,837,098	149,195,022

The details of claims payable follow:

	2021	2020
Outstanding claims payable	30,395,243	7,947,887
MFAD and handling expense	6,652,919	2,014,872
Provision for IBNR	1,181,000	2,150,000
	38,229,162	12,112,759

The details of reserve for unearned premium follow:

	2021	2020
Balance at beginning of year	137,050,667	125,547,857
Policies written during the year	296,597,382	239,733,563
Policies assumed during the year	6,679,384	1,157,478
Premiums earned during the year	(292,751,093)	(229,388,231)
Balance at end of year	147,576,340	137,050,667

Note 16 - Reinsurance payable

This account consists of:

	2021	2020
Due to reinsurer- treaty	8,344,422	8,504,513
Due to reinsurer- facultative	9,348,185	7,711,145
Funds held for ceding companies	5,099,789	2,281,577
	22,792,396	18,497,235

Note 17 - Deferred commission income

The details of this account follow:

	2021	2020
Balance at beginning of year	1,156,044	2,217,081
Commissions collected and earned during the year	6,080,030	2,013,518
Amortized during the year	(3,749,781)	(3,074,555)
Balance at end of year	3,486,293	1,156,044

Note 18 - Accounts and other payables

This account consists of:

	2021	2020
Taxes payable	51,475,635	25,383,567
Pension payable	4,476,257	3,377,998
Accounts payable	3,699,202	3,763,587
Commission payable	3,020,210	-
Loans payable	1,987,195	2,131,549
Other payables	532,021	618,940
Total	65,190,520	35,275,641

Note 19 - Share capital

Details of the Company's share capital are as follows:

	2021		2020	
	No. of Shares	Amount	No. of Shares	Amount
Authorized share capital – P10 par value				
Balance at beginning of year	60,000,000	600,000,000	60,000,000	600,000,000
Increase during the year	-	-	-	-
Balance at end of year	60,000,000	600,000,000	60,000,000	600,000,000
Paid up				
Balance at beginning of year	41,018,820	410,188,200	35,375,000	353,750,000
Paid during the year	10,173,680	101,736,800	5,643,820	56,438,200
Balance at end of year	51,192,500	511,925,000	41,018,820	410,188,200

Note 20 - Subscribed share capital

The Board of Directors approved on various dates the subscriptions of various shareholders payable until December 23, 2022. The details of the Company's subscribed share capital are as follows:

	2021		2020	
	No. of Shares	Amount	No. of Shares	Amount
Ordinary shares				
Balance at beginning of year	10,481,180	104,811,800	16,125,000	161,250,000
Subscribed during the year	8,500,000	85,000,000	-	-
Paid during the year	(10,173,680)	(101,736,800)	(5,643,820)	(56,438,200)
Balance at end of year	8,807,500	88,075,000	10,481,180	104,811,800

Note 21 - Contributed surplus

This account represents temporary investment of the shareholders to cover up capital and net impairment as determined by the Insurance Commission. This account had balances of P520,840,776 as at December 31, 2021 and 2020.

Note 22 - Fluctuation reserves

This account consists of:

	2021	2020
Revaluation surplus	119,186,501	120,130,794
Fluctuation reserve on stocks	(38,752)	(37,171)
	119,147,749	120,093,623

The following shows the movement in revaluation surplus:

	2021	2020
Balance at beginning of year	120,130,794	121,075,088
Amortization of revaluation on property and equipment	(944,294)	(944,294)
Balance at end of year	119,186,500	120,130,794

The following shows the movement in fluctuation reserve on stocks:

	2021	2020
Balance at beginning of year	(37,171)	(31,073)
Fair value adjustments	(1,581)	(6,098)
Balance at end of year	(38,752)	(37,171)

Note 23 - Accumulated profits**Prior period adjustments**

Prior period adjustment pertains to costs of Building which should have been recorded as P133,597,000 instead of P135,246,200.

Amortization of revaluation surplus

	2021	2020
Depreciation on revalued amount	2,721,224	2,721,224
Less: Depreciation on cost	1,776,930	1,776,930
	944,294	944,294

Note 24 - Gross premiums earned on insurance contracts

The details of this account follow:

	2021	2020
Gross premiums written		
Direct	296,597,382	239,733,563
Assumed	6,679,384	1,157,478
Total gross premiums on insurance contracts	303,276,766	240,891,041
Gross change in reserve for unearned premium	(10,525,673)	(11,502,810)
Gross premiums earned on insurance contracts	292,751,093	229,388,231

Note 25 - Reinsurers' share on gross premiums earned

The details of this account follow:

	2020	2019
Ceded premium	31,571,805	18,153,290
Gross change in deferred reinsurance premium	(10,017,037)	(6,439,930)
Reinsurers' share on gross premiums earned	21,554,768	11,713,360

Note 26 - Commission income

The details of this account follow:

	2021	2020
Collected and earned during the year	6,080,030	2,013,518
Gross change in deferred commission income	(2,330,249)	1,061,037
	3,749,781	3,074,555

Note 27 - Net insurance benefits and claims

The details of this account follow:

	2021	2020
Insurance contract benefits and claims paid	35,504,498	17,004,973
Gross change in claims payable	26,116,403	(898,785)
	61,620,901	16,106,188

Note 28 - Commission expense

The details of this account follow:

	2021	2020
Paid and accrued during the year	93,861,917	71,256,914
Gross change in deferred acquisition cost	(10,136,779)	(524,263)
	83,725,138	70,732,651

Note 29 - Other underwriting expense

This account consists of expenses related to underwriting insurance contracts.

Note 30 - Investment and other income

This account consists of:

	2021	2020
Increase in fair value of investment properties	352,918,800	-
Gain on foreclosure of investment properties	78,198,371	-
Investment and interest income	5,479,746	7,694,631
Interest income on mortgage receivable	3,198,474	2,716,590
Other income	-	81,871
	439,795,391	10,493,092

Note 31 - General and administrative expenses

This account consists of:

	2021	2020
Salaries and wages	35,693,424	27,976,745
Depreciation	8,349,257	7,930,083
Rent	7,987,146	5,374,527
Printing and supplies	5,287,133	5,302,942
Communication and postage	3,259,653	2,520,223
Transportation and travel	3,142,064	2,721,448
Allowances and bonuses	3,138,352	2,253,796
SSS, PHIC and HDMF contributions	2,777,021	2,346,433
Light and water	2,208,143	1,531,881
Taxes and licenses	2,207,466	2,076,152
Audit and other professional fees	1,950,137	785,800
Representation and entertainment	1,828,618	1,343,452
Repairs and maintenance	1,603,840	1,260,711
Dues and subscription	1,344,986	1,172,305
Retirement expense	1,098,259	932,558
Directors fees and allowances	1,026,667	948,000
Marketing expense	655,573	631,724
Other employee benefits	312,320	32,260
Professional and technical development	207,703	287,768
Provision for uncollectible accounts	-	435,098
Other operating expenses	12,258,730	10,285,407
	96,336,492	78,149,313

Note 32 - Current and deferred taxes

This account consists of:

	2021	2020
Regular corporate income tax	26,936,488	9,766,778
Final tax	1,095,949	1,538,810
	28,032,437	11,305,588

The reconciliation of the tax on pretax income (loss) computed at the statutory rate to tax expense is shown below:

	2021	2020
Tax on pretax income	116,261,226	12,253,758
Add (deduct) tax effects of:		
Non-deductible expense	274,565	376,106
Nontaxable income	(88,229,700)	-
Income subject to lower income tax rate	(273,654)	(1,324,276)
	28,032,437	11,305,588

Note 33 - Supplementary information required by the Bureau of Internal Revenue

On October 10, 2007, Revenue Regulations (R.R.) No 12 was signed, amending certain provisions of R.R.No.9-98 relative to the due date within which to pay MCIT imposed on domestic corporation and resident foreign corporations. These revenue regulations require the quarterly payment of MCIT. The quarterly MCIT payments shall be creditable against the tax that will be due at the end of the taxable year whether it be RCIT or MCIT. The regulations took effect beginning on the income tax return for fiscal quarter ending September 30, 2007.

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

Output Value Added Tax (VAT)

The Company is a VAT-registered company with VAT output tax declaration of P24,665,928 for the year based on the premiums collected amounting to P205,549,396.

The Company has no zero-rated/exempt sales for the year 2021.

Input VAT

The Company has claimed VAT input amounting to P4,129,229 for the year 2021.

Percentage Tax (PT)

The Company paid PT amounting to P46,956 during 2021.

Documentary Stamp Tax (DST)

The Company paid DST amounting to P23,269,259 during 2021.

Fire Service Tax (FST)

The Company paid FST amounting to P122,022 during 2021.

Withholding Taxes

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

	Amount
At source	3,496,422
Compensation	1,977,671
	5,474,093

Taxes and Licenses

This account consists of:

	Amount
Licenses and fees	1,791,140
Others	260,155
Real property tax	155,670
Annual registration fee	500
	2,207,465

Note 34 - Management of insurance and financial risks

Governance Framework

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

Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency positions to meet liabilities arising from claims and that the risk levels are at acceptable levels. The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise).

Financial Risks

The company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Credit Risk

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

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

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

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

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

a. Cash and cash equivalent

These are classified as investment grade. These are deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability.

b. Insurance and other loans and receivables

The Company uses a credit rating concept based on the borrowers overall credit worthiness. Investment grade is given to borrowers and counterparties having good standing in terms of credit

and paying habits and their outstanding account balance does not exceed 30% of their total production. Below investment grade is given to borrowers and counterparties having low standing in terms of credit and paying habits and their outstanding balance exceeds 50% of their total production.

c. Debt securities

These are classified as investment grade. The government debt securities are issued by local government authority and are considered as risk-free debt securities.

d. Equity securities

Listed equity shares are classified as investment grade. Unlisted equity shares are classified as non-investment grade.

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as of December 31, 2021 and 2020.

Liquidity Risk

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

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

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

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

	2021		
	Up to a year*	More than a year	Total
Cash and cash equivalents	170,139,033	-	170,139,033
Insurance balances receivable	234,220,840	-	234,220,840
Financial assets at FVOCI	5,875,118	-	5,875,118
Financial assets at amortized cost	236,181,116	101,269,585	337,450,701
Loans and receivables	90,222,111	81,079,969	171,302,080
Reinsurance assets	1,376,056	-	1,376,056
Other assets	1,720,474	970,725	2,691,199
Total financial assets	739,734,748	183,320,279	923,055,027
Insurance balances payable	38,260,758	-	38,260,758
Reinsurance payable	22,792,396	-	22,792,396
Accounts and other payables	58,727,068	6,463,452	65,190,520
Total financial liabilities	119,780,222	6,463,452	126,243,674

*Up to a year are all commitments which are either due within one year or are payable on demand.

	2020		
	Up to a year*	More than a year	Total
Cash and cash equivalents	134,687,764	-	134,687,764
Insurance balances receivable	199,844,108	-	199,844,108
Financial assets at FVOCI	5,876,699	-	5,876,699
Financial assets at amortized cost	189,656,235	47,651,559	237,307,794
Loans and receivables	117,690,819	247,842,535	365,533,354
Reinsurance assets	1,426,502	-	1,426,502
Other assets	25,902,969	-	25,902,969
Total financial assets	675,085,097	295,494,094	970,579,190
Insurance balances payable	12,144,355	-	12,144,355
Reinsurance payable	18,497,235	-	18,497,235
Accounts and other payables	29,766,094	5,509,547	35,275,641
Total financial liabilities	60,376,088	5,509,547	65,917,231

*Up to a year are all commitments which are either due within one year or are payable on demand.

The table below analyzes nonfinancial assets and liabilities of the Company into amounts expected to be recovered/settled within 12 months (current) and beyond 12 months (noncurrent).

	2021		2020	
	Current	Noncurrent	Current	Noncurrent
Deferred acquisition cost	50,662,116	-	40,525,337	-
Deferred reinsurance premium	13,866,617	-	3,849,580	-
Investment properties	-	856,748,363	-	232,353,563
Property and equipment- net	-	261,739,806	-	261,921,807
Total nonfinancial assets	64,528,733	1,118,488,169	44,374,917	494,275,371
Insurance contract liabilities	147,576,340	-	137,050,667	-
Deferred commission income	3,486,293	-	1,156,044	-
Total nonfinancial liabilities	151,062,633	-	138,206,711	-

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

Market Risk

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

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

(a.) Currency Risk

The Company's principal transactions are carried out in Philippines Peso and its exposure to foreign exchange risk arises primarily with respect to the US Dollar, as it deals with foreign reinsurers in its settlement of its obligations and receipts of any claim reimbursement.

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

(b) Interest Rate Risk

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

(c) Price Risk

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

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

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

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

Insurance Risk

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

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

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts and as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio.

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

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

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

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

The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of the total reinsurance assets at the balance sheet dates.

Note 35 - Related party transaction

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 party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

The Company's related parties include its key management and shareholders.

Note 36 - Capital management and regulatory requirements

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk Based Capital Model. The Company fully complied with the externally imposed capital requirements during the reported financial periods.

The IC capital requirements are the Margin of Solvency (MOS), Fixed Capitalization Requirements, Risk-Based Capital (RBC) and unimpaired capital requirement.

The operation of the Company is subject to the regulatory requirement of the IC. Such regulations not only prescribe approval and monitoring activities but also impose certain restrictive provisions (e.g., margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, fixed capitalization requirements, risk-based capital requirements).

Margin of Solvency (MOS)

The company is required to maintain, at all times an MOS equal to P500,000 or 10% of the total amount of its net premiums written during the preceding year, whichever is higher. The MOS shall be excess of the value of its admitted assets (as defined under the Code) exclusive of its paid-up capital over the amount of its liabilities, reserve for unearned premiums and reinsurance reserves.

The final amount of the MOS can be determined only after the accounts of the Company have been examined by the IC, specifically as to admitted and non-admitted assets as defined in the Code.

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

Fixed Capitalization Requirements

On August 5, 2013, the President of the Philippines approved Republic Act No. 10607 to be known as the "New Insurance Code" which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The following presents the amount of required net worth and the schedule of compliance per New Insurance Code:

	<u>Network</u>	<u>Compliance date</u>
P	250,000,000	June 30, 2013
	550,000,000	December 31, 2016
	900,000,000	December 31, 2019
	1,300,000,000	December 31, 2022

On January 13, 2015, the IC issued the Circular Letter (CL) No. 2015-02-A which provides for the clarification and minimum capital requirement under Sections 194, 197, 200 and 289 of the New Insurance Code. The said circular supersedes the Department Order Nos. 27-06 and 15-2015 and CL Nos. 22-2008 and 26-2008.

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

Risk-based Capital Requirement

IMC No. 6-2006 provides for the RBC framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every non-life insurance company is annually required to maintain a minimum RBC ratio of 100% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to the corresponding regulatory intervention, which has been defined at various levels.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include the Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth not only to the extent authorized by the IC. The RBC requirement is the ratio of the number of insurers which are able to meet the corresponding RBC hurdle rate requirement for a given year to the total number of insurers in the industry.

The final amount of the RBC ratio can be determined only after the accounts of the Company have been examined by the IC specifically as to admitted and non-admitted assets as defined under the Insurance Code.

Unimpaired Capital Requirement

IMC 22-2008 provided that for the purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the balance sheet should show that the net worth or stockholders' equity is at least equal to the actual paid-up capital.

Consolidated Compliance Framework

IMC No. 10-2006 integrated the compliance standards for the fixed capitalization and RBC framework. Under this IMC, subsequent to year 2006, the fixed capitalization requirement for a given year may be suspended for insurers that comply with the required RBC hurdle rate, provided that the industry complies with the required industry RBC ratio compliance rate. The IMC provides the annual schedule of progressive rates for the Industry RBC Ratio Compliance Rates and the RBC Hurdle Rates from 2007 to 2011. For the review year 2011 which shall be based on the 2010 synopsis, the Industry RBC Ratio Compliance Rate is 90% and the RBC Hurdle Rate is 250%. For the review year 2010 which shall be based on the 2009 synopsis, the Industry RBC Ratio Compliance Rate is 90% and the RBC hurdle rate is 200%. Failure to achieve one of the rates will result in the imposition of the fixed capitalization requirement for the year under review.

Note 37 - Contingencies

The Company operates in the insurance industry and has various contingent liabilities arising in the ordinary conduct of business, which are either pending decision by the courts or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have material or adverse effect on the Company's financial position and results of operations.