

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS



SEC Registration Number

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**Company Name**

W	E	S	T	E	R	N		G	U	A	R	A	N	T	Y		C	O	R	P	O	R	A	T	I	O	N				

**Principal Office ( No./Street/Barangay/City/Town)Province)**

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Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, if Applicable

N	/	A
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### COMPANY INFORMATION

Company's Email Address

customer@westernguaranty.ph
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Company's Telephone Numbers

86383430/32
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Mobile Number

N/A
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No. of Stockholders

9
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Annual Meeting  
Month/Day

LAST BUSINESS DAY OF NOVEMBER
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Fiscal Year  
Month/Day

December/31
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### CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Carmelita M. Pestanio
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Email Address

cmpestanio@westernguaranty.ph
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Telephone Numbers

82417401
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Mobile Number

9177136814
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Contact Person's Address

484 Quintin Paredes St., Binondo, Manila
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**Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**Note 2:** All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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Page 2 of 8 pages MAY 23 2024

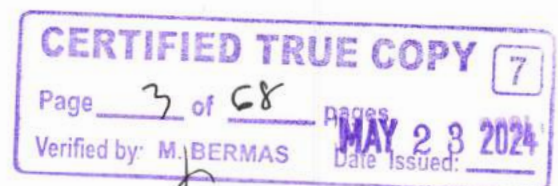
Verified by: M. BERMAS Date Issued: \_\_\_\_\_

# 2023 AUDITED FINANCIAL STATEMENTS

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**WESTERN GUARANTY CORPORATION**  
December 31, 2023 and 2022

R. R. TAN AND ASSOCIATES  
Certified Public Accountants





西 聯 保 險 有 限 公 司

WESTERN GUARANTY CORPORATION

11<sup>th</sup> Floor, ETY Building, 484 Quintin Paredes Street, Binondo, Manila  
Tel. No. 8241-7401; Website: westernguaranty.ph



Securities and  
Exchange  
Commission  
PHILIPPINES

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

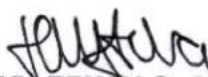
The management of **WESTERN GUARANTY CORPORATION** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management 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 but 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 stockholders.

**R.R. TAN AND ASSOCIATES, CPAS**, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in her report to the stockholders, has expressed her opinion on the fairness of presentation upon completion of such audit.

  
**LEVY EDWIN C. ANG**  
Chairman of the Board

  
**CHOA SIU TIN**  
President

  
**MARIA JOSELITA D. ANG**  
Treasurer

Signed this 15<sup>th</sup> day of April 2024.

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Page 7 of 68 pages **MAY 23 2024**  
Verified by: M. BERMAS Date Issued: \_\_\_\_\_





**Report of Independent Public Accountants**

The Board of Directors and Stockholders  
**WESTERN GUARANTY CORPORATION**  
11<sup>th</sup> floor ETY Building  
484 Quintin Paredes St.  
Binondo, Manila

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of **WESTERN GUARANTY CORPORATION** (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standard. (PFRSs).

**Basis for Opinion**

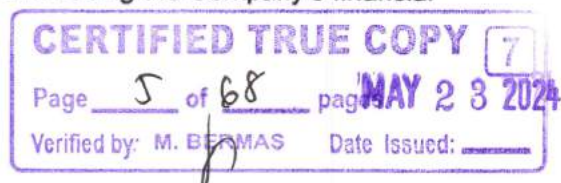
We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with 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 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 operations, or has no realistic alternative but to do so.

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





**Auditor's Responsibilities for the Audit of the Financial Statements**

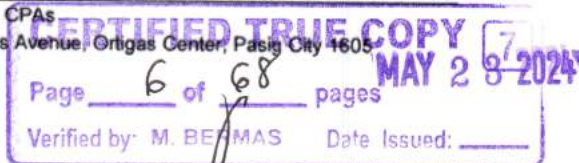
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

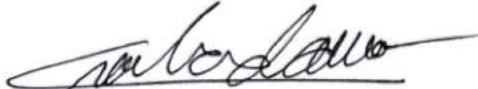
R. R. Tan & Associates, CPAs  
Unit 1705, Antel Global Corporate Center, Doña Julia Vargas Avenue, Ortigas Center, Pasig City 1605



**Report on the Supplementary Information Required Under Revenue Regulation  
(RR) 15-2010 of the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**R. R. TAN AND ASSOCIATES, CPAs**



By: **CHESTER NIMITZ F. SALVADOR**

Partner

CPA Certificate No. 129556

Tax Identification No. 307-838-154

PTR No. 173935, January 5, 2024, Pasig City

BIR Accreditation No. 07-100488-001-2022, valid until May 30, 2025

April 15, 2024  
Pasig City

R. R. Tan & Associates, CPAs

Unit 1705, Antel Global Corporate Center, Doña Julia Vargas Avenue, Ortigas Center, Pasig City 1605

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Verified by: M. BERMAS Date Issued: \_\_\_\_\_



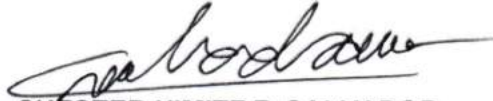
**Report of Independent Public Accountants to Accompany Financial Statements for Filing  
with Securities and Exchange Commission**

The Board of Directors and Stockholders  
**WESTERN GUARANTY CORPORATION**  
11<sup>th</sup> floor ETY Building  
484 Quintin Paredes St.,  
Binondo, Manila

We have audited the financial statements of **WESTERN GUARANTY CORPORATION** (the Company) as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 15, 2024.

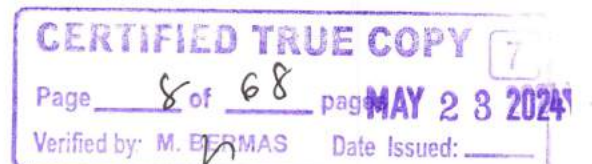
In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has seven (7) stockholders owning one hundred (100) or more shares each.

**R. R. TAN AND ASSOCIATES, CPAs**



By: **CHESTER NIMITZ F. SALVADOR**  
Partner  
CPA Certificate No. 129556  
Tax Identification No. 307-838-154  
PTR No. 173935, January 5, 2024, Pasig City  
BIR Accreditation No. 07-100488-001-2022, valid until May 30, 2025

April 15, 2024  
Pasig City



WESTERN GUARANTY CORPORATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022



ASSETS	Notes	2023	2022
Cash and Cash Equivalents	8 P	189,327,513 P	139,211,740
Short-term Investments	9	37,857,874	40,766,848
Financial Assets			
Fair value through profit or loss	5,10	75,478,936	-
Available-for-Sale (AFS)	5,10	21,344,550	24,364,525
Held-to-Maturity (HTM)	5,10	377,872,186	334,347,579
Insurance Balance Receivables	11	867,356,687	797,052,072
Reinsurance Assets	12	271,242,509	354,072,042
Deferred Acquisition Costs	15	155,758,660	119,378,302
Investment Properties	13	218,868,389	218,868,389
Property and Equipment - Net	14	221,452,925	153,369,587
Accrued Investment Income	16	2,537,283	1,218,656
Other Assets	17	49,092,620	41,459,523
<b>TOTAL ASSETS</b>		<b>P 2,488,190,132 P</b>	<b>P 2,224,109,263</b>

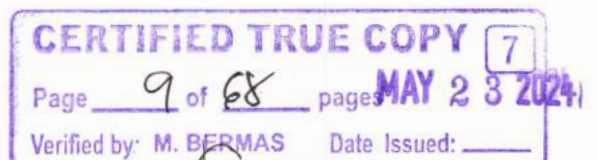
**LIABILITIES AND EQUITY**

Reserve for Unearned Premiums	18 P	477,120,682 P	417,835,963
Insurance Claims Payable	19	259,715,131	268,943,882
Accounts Payable and Accrued Expenses	20	174,874,838	153,398,484
Reinsurance Liabilities	21	32,583,886	50,770,741
Deferred Commission Income	15	3,026,284	11,711,390
Deferred Tax Liabilities - Net	30	12,015,954	12,741,291
Lease Liability	31	4,906,944	2,253,073
Total Liabilities		964,243,719	917,654,824

**EQUITY**

Share Capital	22	607,000,000	450,000,000
Contributed Surplus		350,000	350,000
Revaluation Reserve on:			
Property and Equipment - net		41,336,673	41,336,673
AFS Financial Assets	10	(16,797,617)	(13,777,642)
Retained Earnings - December 31		892,057,357	828,545,408
Total Equity		1,523,946,413	1,306,454,439
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 2,488,190,132 P</b>	<b>P 2,224,109,263</b>

See Accompanying Notes to Financial Statements





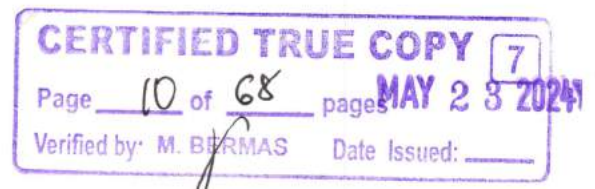
**WESTERN GUARANTY CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**



**Securities and  
Exchange  
Commission**  
PHILIPPINES

	<i>Notes</i>	2023	2022
<b>REVENUES</b>			
Gross Premiums Earned	24	P 1,163,650,177	P 956,215,699
Reinsurance Premium Ceded	24	163,381,193	142,266,608
Net Insurance Revenue		1,000,268,984	813,949,091
Commission Income	27	15,643,915	24,516,565
Interest and Other Investment Income - Net	25	16,436,922	10,916,716
		<b>1,032,349,821</b>	<b>849,382,372</b>
<b>CLAIMS, LOSSES AND ADJUSTMENT EXPENSES</b>			
Insurance Claims, Losses and Adjustment Expenses Paid - Net of Salvages and Recoveries	26	534,753,576	454,261,763
Paid Insurance Claims, Losses and Adjustment Expenses Recovered from Reinsurers	26	(139,857,734)	(160,973,795)
Changes in Insurance Claims Payable		(9,228,751)	(55,847,429)
Changes in Reinsurers' Share of Claims, Losses and Adjustment Expenses		20,029,371	90,358,531
Other Underwriting Expenses		11,616,076	927,102
		<b>417,312,538</b>	<b>328,726,172</b>
<b>COSTS AND EXPENSES</b>			
Commission Expense	27	247,325,205	196,308,947
General and Administrative Expenses	28	288,651,530	214,383,441
Finance cost	31	373,597	180,727
		<b>536,350,332</b>	<b>410,873,115</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>		<b>78,686,951</b>	<b>109,783,085</b>
<b>INCOME TAX EXPENSE</b>	30	<b>15,175,002</b>	<b>25,079,117</b>
<b>PROFIT FOR THE YEAR</b>		<b>63,511,949</b>	<b>84,703,968</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Item to be reclassified to profit or loss in subsequent periods:			
Fair value changes in AFS investments	10	(3,019,975)	(3,616,535)
Amount not to be reclassified to profit or loss in subsequent periods:			
Revaluation of Property and Equipment - net of tax		-	16,247,369
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P 60,491,974</b>	<b>P 97,334,802</b>

*See accompanying notes to financial statements*



**WESTERN GUARANTY CORPORATION  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**



**Securities and  
Exchange  
Commission**  
PHILIPPINES

	<i>Notes</i>	2023	2022
<b>SHARE CAPITAL</b>			
	22		
Balance, January 1		P 450,000,000	P 410,000,000
Issuance during the year		157,000,000	40,000,000
<hr/>			
Balance, December 31		607,000,000	450,000,000
<hr/>			
<b>CONTRIBUTED SURPLUS</b>		350,000	350,000
<hr/>			
<b>REVALUATION RESERVE</b>			
<i>Property and equipment - Net of Tax</i>			
Balance, January 1		41,336,673	25,089,304
Increase in revaluation during the year	14	-	16,247,369
<hr/>			
Balance, December 31		41,336,673	41,336,673
<hr/>			
<b>Available-for-Sale Financial Assets</b>			
Balance, January 1	10	(13,777,642)	(10,161,107)
Changes in Fair Values		(3,019,975)	(3,616,535)
<hr/>			
Balance, December 31		(16,797,617)	(13,777,642)
<hr/>			
<b>RETAINED EARNINGS</b>			
Balance, January 1		828,545,408	743,841,440
Profit for the Year		63,511,949	84,703,968
<hr/>			
Balance, December 31		892,057,357	828,545,408
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		P 1,523,946,413	P 1,306,454,439
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*See accompanying notes to financial statements*

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 Verified by: M. BERMAS Date Issued: \_\_\_\_\_



**WESTERN GUARANTY CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**



	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income Before Income Tax Expense		P 78,686,951	P 109,783,085
Adjustments for:			
Amortizations of:			
Premium (Discount) on Held-To-Maturity Investments	10	(1,816,316)	408,632
Deferred Acquisition Cost - Net	15	(45,065,463)	(7,148,575)
Reserve for Unearned Premiums - net	24	100,989,543	14,530,487
IBNR and other reserves net		24,356,848	98,747,335
Depreciation and amortization	28	14,250,408	12,288,299
Unrealized Loss (Gain) on Foreign Exchange	25	186,747	(48,268)
Loss on Sale of Available-for-Sale Investments	25	-	1,096,222
Interest Income	25	(15,837,263)	(11,485,165)
Dividend Income	25	(314,240)	(255,430)
Interest Expense	31	373,597	180,727
Operating Income Before Working Capital Changes		155,810,812	218,097,349
Decrease (Increase) in Operating Assets:			
Insurance Balance Receivables		(70,304,615)	1,788,453
Reinsurance Assets		21,095,339	(109,114,160)
Other Assets		(10,353,154)	(848,330)
Increase (Decrease) in Operating Liabilities:			
Accounts Payable and Accrued Expenses		21,476,354	20,853,311
Reinsurance Liabilities		(18,186,855)	(45,887,186)
Insurance Claims Payable		(13,556,228)	(64,236,231)
Cash Provided by Operations		85,981,653	20,653,206
Income Taxes Paid		(16,211,083)	(20,411,494)
<b>Net Cash Provided by Operating Activities</b>		<b>69,770,570</b>	<b>241,712</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale/Maturities of:			
Financial Assets:			
Short-term Investments		40,766,848	36,425,191
Available-for-Sale		-	3,903,778
Held-to-Maturity		165,500,000	174,850,000
Acquisitions of:			
Property and Equipment	14	(73,095,897)	(40,928,945)
Financial Assets:			
Short-term Investments		(37,857,874)	(40,766,848)
Fair value through profit or loss		(75,478,936)	-
Available-for-Sale	10	-	(2,000,000)
Held-to-Maturity	10	(207,208,291)	(172,725,951)
Interest and Dividend Received		14,832,874	12,484,984
<b>Net Cash Used in Investing Activities</b>		<b>(172,541,276)</b>	<b>(28,757,791)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of Lease Liability, including interest expense	31	(3,926,774)	(1,911,807)
Proceeds from Issuance of Share Capital	22	157,000,000	40,000,000
<b>Net Cash Provided by Financing Activities</b>		<b>153,073,226</b>	<b>38,088,193</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>50,302,520</b>	<b>9,572,114</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>(186,747)</b>	<b>48,268</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>		<b>139,211,740</b>	<b>129,591,358</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>		<b>P 189,327,513</b>	<b>P 139,211,740</b>

See accompanying notes to financial statements

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 Verified by: M. BERMAS Date Issued: \_\_\_\_\_



WESTERN GUARANTY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022



**1. Corporate Information**

**WESTERN GUARANTY CORPORATION** (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on August 31, 1964 with SEC Reg. No. 25659. The Company insure houses, tenements, merchandise and all other property and effects, real or personal against loss or damage by fire, storm, earthquake shock, fire resulting from earthquake, accident or otherwise, and to carry on the ordinary business of fire insurance in all of the aforesaid branches.

The Company's registered office address which is also its principal office is at the 11<sup>th</sup> Floor, ETY Building, 484 Quintin Paredes St., Binondo, Manila.

The financial statements of the Company were authorized for issue by the Board of Directors on April 15, 2024.

**2. Statement of Compliance and Basis of Preparation and Presentation**

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC, including SEC pronouncements.

Basis of Financial Statement Preparation and Presentation

The accompanying financial statements have been prepared on a historical cost basis except for the following:

- Financial assets of Fair value through profit or loss, which are carried at fair value
- Available-for-Sale Financial Assets, which are carried at fair value
- Investment Properties, which are carried at fair value
- Land and Buildings included under Property and Equipment, which are carried at revalued amounts

The financial statements are presented in Philippine Peso and all values represent absolute amounts except as otherwise indicated.

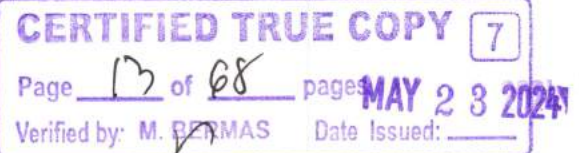
The preparation of the financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The Company's significant accounting judgments and estimates are discussed in Note 5.

The Company presents its statements of financial position broadly following the order of its liquidity. An analysis regarding recovery or settlement of assets and liabilities within twelve months after the end of the reporting period (current) is presented in Note 31.

**3. Changes in Accounting Policies and Disclosures**

New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2023

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.







Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

**Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction***  
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments did not have a material impact on the Company.

**Amendments to PAS 8, *Definition of Accounting Estimates***  
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

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

**Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies***  
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

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

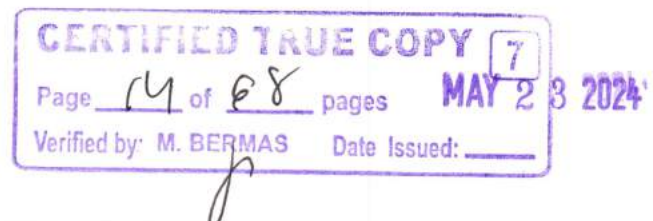
The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the financial statements. The application of these amendments is reflected in the Company's financial statements under Note 4.

**Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules***  
The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively. Management assessed that the application of such amendments had no significant impact on the Company's financial statements.

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New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2023

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2023 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

*Effective beginning on or after January 1, 2024*

*Amendments to PAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice.

*Amendments to PFRS 16, Leases - Lease Liability in a Sale and Leaseback*

The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements of PFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of lease. Any gain or loss to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Early application is permitted. The amendments are not expected to have a material impact on the Company.

*Amendments to PAS 7 and PFRS 7, Supplier Finance Arrangements*

The amendments added disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

The amendments are effective for annual periods beginning on or after January 1, 2024 with earlier adoption permitted. The amendments are not expected to have an impact on the Company's financial statements.

*Effective beginning on or after January 1, 2025*

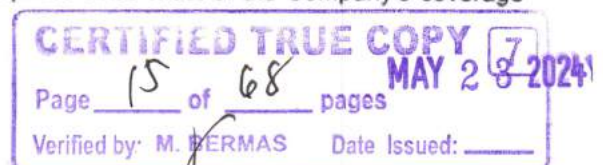
*PFRS17 Insurance Contracts*

PFRS 17 replaces PFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2025. The Company will apply PFRS 17 starting January 1, 2025 with full comparative figures for 2024. A transition team has been created for this purpose to ascertain the impact of transition.

Premium Allocation Approach

The measurement model to calculate the Liability For Remaining claims (LRC) will be the Premium Allocation Approach (PAA). This approach is most appropriate since most of the Company's coverage

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period is one year or less. For insurance contracts with coverage exceeding one year, PAA will be applied only if it can be demonstrated that using the PAA would produce a measurement that is a reasonable approximation of the general model. Acquisition cash flows will be expensed as incurred. Discounting and Risk adjustment will not be applied unless the group of contract is onerous.

#### Liability for Incurred Claims

Liability for Incurred Claims (LIC) will comprise the present value of future cash flows and the risk adjustments that incorporates all of the available information about the fulfillment cash flows in a way that is consistent with observable market information.

#### Level of aggregation

PFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined first by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together and are established at initial recognition. No group may contain contracts issued more than one year apart. No group may contain contracts issued more than one year apart. The Company has defined groups of insurance and reinsurance contracts issued based on its product lines and underwriting year. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business.

#### Onerous group of contracts

The Company issues some contracts before the coverage period starts and the premium becomes due. The Company will determine whether any contracts issued from a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations

#### Changes to presentation and disclosure

For presentation purposes, the Company will aggregate insurance contracts issued and reinsurance contracts held based on portfolios and these will be presented separately in the statement of financial position. The presentation of the insurance revenue account and statement of other comprehensive income will require separate presentation of insurance revenue and service expenses, insurance finance income or expenses and income or expenses from reinsurance contracts held change. There will no longer be items such as gross, net or earned premiums or net claims incurred shown on the insurance revenue account. The Company will also provide disaggregated qualitative information about significant judgements, and changes in those judgements, when applying the standard.

As at December 31, 2023, the full impact of adopting PFRS 17 is not currently estimable.

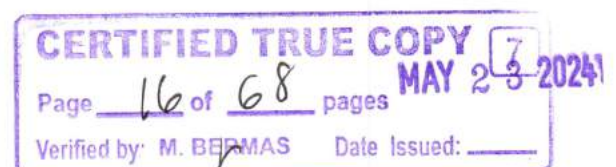
#### Deferred effectivity

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the financial statements.

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#### 4. Summary of Material Accounting Policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less that are subject to insignificant risk of changes in value.

##### Short-term Investments

Short-term investments are short-term, highly liquid debt instruments that are readily convertible to known amounts of cash with original maturities of more than three months up to one year from dates of placement. These earn interests at the respective short-term investment rates.

##### Financial Instruments

###### Date of Recognition

Financial assets and financial liabilities are recognized in the statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

###### Initial Recognition

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL "Fair Value through Profit or Loss", the initial measurement of these financial instruments includes transaction costs.

###### Determination of Fair Value

The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instruments or from the results based on a valuation technique, the Company recognizes the difference between the transaction price and the fair value in the statement of comprehensive income, unless it qualifies for recognition as some other type of asset.

###### Offsetting of Financial Instruments

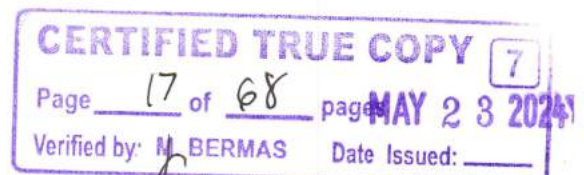
Financial assets and financial liabilities are offset and are reported at its net values in the statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

###### Classification of Financial Instruments

The Company classifies financial assets into the following categories, (i) At FVPL, (ii) Available-for-Sale, (iii) Held-to-Maturity and (iv) Loans and Receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or the liabilities were incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition, and where allowed and appropriate, re-evaluates such designation at every reporting date.

- Financial Assets and Financial Liabilities at FVPL  
Financial Assets and Financial Liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition at FVPL. After initial recognition, Financial Assets and Financial Liabilities at FVPL are carried at fair value.

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A financial asset and financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is part of an identified portfolio of financial instruments that the Company manages together and has recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or
- The financial asset forms part of a group of financial assets that is managed and its performance is evaluated on a fair value basis; or
- It forms part of a contract containing one or more embedded derivatives.

As at December 31, 2023, and 2022, financial asset under this category amounted to P75,478,936 and nil, respectively.

- Available-for-Sale (AFS)

AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the statement of financial position. Changes in the fair value are recognized directly in the equity account as "Revaluation Reserve on AFS Financial Assets". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the equity is included in the profit or loss for the period.

As at December 31, 2023 and 2022, financial assets under this category amounted to P21,344,550 and P24,364,525, respectively.

- Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, Loans and Receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

Included under this category are the Company's Cash and Cash Equivalents, Short-term Investments, Insurance Balances Receivable, Reinsurance Assets, Accrued Investment Income, Deposits, and Other Loans and Receivables and Security Funds lodged under Other Assets.

- Held-to-Maturity (HTM)

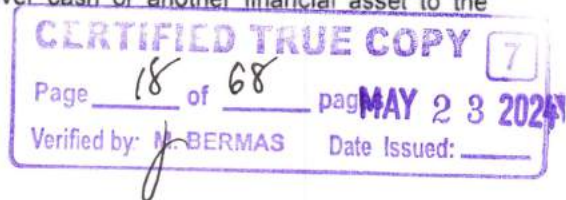
HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM assets are carried at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Any changes to the carrying amount of the investment are recognized in statements of comprehensive income.

As at December 31, 2023 and 2022, financial assets under this category amounted to P377,872,186 and P334,347,579, respectively, comprising of government securities and corporate bonds.

- Other Financial Liabilities

Issued financial instruments or their components, which are not designated as 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

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holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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 integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.

Included under this category are Accounts Payable and Accrued Expenses, Insurance Claims Payable, Reinsurance Liabilities and Lease Liability.

#### *Reclassification of Financial Assets*

A financial asset is reclassified out of the FVPL category when the following conditions are met:

- (i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near future; and
- (ii) there is a rare situation

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statements of comprehensive income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

#### *Impairment of Financial Assets*

The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

##### *(i) Assets Carried at Amortized Cost*

If there is objective evidence that an impairment loss on Loans and Receivables or Held-to-Maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

##### *(ii) Available-for-Sale Financial Assets*

Available-for-Sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.





### *Derecognition of Financial Instruments*

#### *Financial Assets*

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

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

Where the Company has transferred its rights 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 Liabilities*

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

#### Insurance Contract

Insurance contracts are defined as those contracts under which the Company (the "insurer") accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder. As a general guideline, the Company defines insurance risk as significant if the insured event could cause an insurer to pay significant additional benefits even if the insured event is extremely unlikely to happen.

Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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

#### Insurance Balances Receivable

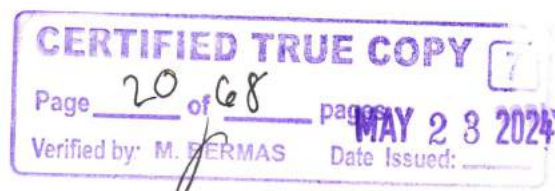
These include amounts due from insurance agents, brokers and ceding companies.

Insurance Balances Receivable are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration received for the period or coverage. Subsequent to initial recognition, Insurance Balance 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 the statements of comprehensive income.

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

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#### Reinsurance

The Company cedes (Treaty and Facultative) insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence 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 reinsurance can be measured reliably. The impairment loss is charged to profit or loss.

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

The Company also assumes (Facultative) reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

#### Deferred Acquisition Costs

Commissions and other acquisition costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts are deferred and charged to expense in proportion to the premium revenue recognized. Subsequent to initial recognition, these costs are amortized using the 24th method over the life of the contract. Amortization is charged against the statements of comprehensive income. The unamortized acquisition costs are shown in the assets section of the statement of financial position as "Deferred Acquisition Costs". All Other costs are recognized as incurred.

#### Investment Properties

Investment Properties consist of properties held for long term rental yields and/or for capital appreciation. Investment Properties are initially measured at cost, including transaction costs.

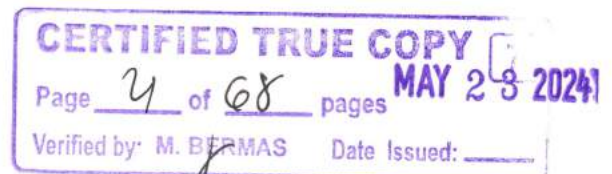
After initial recognition, Investment Properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The Company reviews these valuations annually.

Investment property is derecognized when either it has been disposed or when the investment property is permanently withdrawn or sold and no future economic 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.

#### Property and Equipment

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

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Land and Buildings are subsequently carried at a revalued amount, net of accumulated depreciation and impairment loss, if any.

When assets are sold, or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the Statement of Comprehensive Income of such period.

Depreciation and amortization are computed on the straight-line method based on the estimated useful lives of the assets as follows:

Items of Property and Equipment	Estimated Useful Life
Buildings	25 years
Leasehold Improvements	5 years
Office Furniture & Fixtures	10 years
Transportation Equipment	10 years
Electronic Data Processing (EDP) Equipment	5 years
Right-of-Use Assets	lease term

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of Property and Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

Software

Software which is not specifically identifiable and integral part to a specific hardware is an intangible asset. These are carried at cost, less accumulated amortization and any impairment in value. Amortization is computed on straight-line method over its estimated useful life of 10 years.

Creditable Withholding Taxes

Creditable withholding taxes represent amounts withheld by Company's counterparties in relation to premiums earned. Subsequently, these amounts are applied against the Company's income tax liabilities.

Insurance Claims Payable

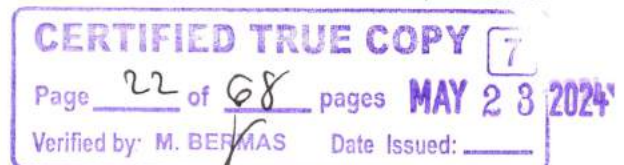
Liabilities for claims is calculated as the sum of Outstanding claims reserve, Claims handling expense, and Incurred but not reported claims (IBNR), with Margin for Adverse Deviation (MfAD). At end of each reporting period, liability adequacy tests are performed, to ensure the adequacy of liabilities for claims. In performing the test for premium liabilities, the Unearned Risk Reserve (URR) is compared to the Unearned Premium Reserve (UPR). If the URR is greater than the UPR, the excess is set up as an additional premium liability on top of the UPR.

In calculating IBNR, the following primary reserving methodologies were applied in the valuation process

- Chain ladder or Loss Development Triangles Method
- Bornhuetter-Ferguson Method
- Expected Loss Ratio Method

The Actuary determines the appropriateness of the methodology considering the characteristics of the data available. The Actuary also assesses the reliability of the expected loss ratios by obtaining estimates from various sources, such as underwriters, the business plan, market statistics, or from a

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historic view of profitability and loss ratios. In valuing the claims liabilities, the Actuary also considers other factors such as, but not limited to, varying expense structure in run-off situations, large losses arising from significant past events, operational changes in claims management, underwriting changes such as business mix and premium rate changes, changes in reinsurance program, changes in claims handling process, and external conditions.

To ensure sufficiency of reserves, the Actuary conducts a back-testing exercise by comparing actual and expected experience based on previous valuations. Claim liabilities also include MfAD to allow for inherent uncertainty of the best estimate.

Premium Reserves

Premium reserves refer to all future claim payments arising from future events after the valuation date that are insured under unexpired policies, as well as expenses for policy management and claims settlement, and is computed as the higher of the UPR and URR at a designated level of confidence, on both gross and net of reinsurance basis.

UPR is the reserve for that portion of the premium received which is attributable to a period of risk falling beyond the valuation date, and is recognized as revenue over the period of the policy using the 24th method. URR is an estimate of the total liability (including expenses), at a designated level of confidence, in respect of the risk after the valuation date of policies written prior to that date including expenses for policy management and claims settlement costs. In estimating URR, the Company adopted the loss ratio approach by multiplying the UPR with loss ratios adjusted by taking into account all potential future payments including but not limited to future claims payments, retrocession costs, unallocated loss adjustment expense and on-going policy administration costs arising from the unearned portion of premium collected. A computation is performed to determine whether the URR required is greater or less than the UPR. If the URR is greater, then the difference should be booked as an additional reserve on top of the UPR.

Accounts Payable and Accrued Expenses

Accounts payable are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Accounts payable are non-interest bearing and are stated at their nominal value.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16.

As a Lessee

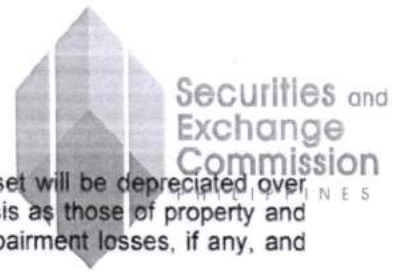
At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the







Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payment that depends on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### *Short-term Leases and Leases of Low-value Assets*

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

#### Equity

##### *Share Capital*

Share Capital is determined using the par value of shares that have been subscribed (or issued and paid-up).

##### *Contributed Surplus*

Contributed surplus represent additional contribution of stockholders to the Company in compliance with the requirement of the Insurance Commission.

##### *Retained Earnings*

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income, net of dividends declared.

##### *Revaluation Reserve – Property and Equipment*

This represents the revaluation increment on land and building, which are presented at appraised values in the financial statements net of deferred income tax.

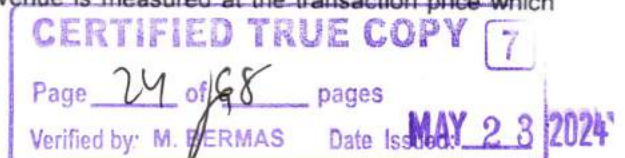
##### *Revaluation Reserve on AFS Financial Assets*

This represents gains or losses arising from fair value changes of Available-for-Sale financial assets.

##### Revenue Recognition

Revenue is recognized only when the Company satisfies a performance obligation by transferring control of the promised services to the customer. Revenue is measured at the transaction price which

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the entity expects to be entitled in exchange for a good or service. The following specific revenue recognition criteria must also be met before revenue is recognized

*Premiums*

Premiums from short duration insurance contracts are recognized as revenue over the period of the contracts using the 24<sup>th</sup> method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting periods are accounted for as "Reserve for Unearned Premiums" and presented in the liability section of the statement of financial position. The reinsurance premiums ceded that pertains to the unexpired period as at reporting dates are accounted for as "Reserve for Reinsurance Premiums" and lodge under "Reinsurance Assets" account in the statements of financial position. The net changes in these accounts between reporting dates are credited or charged against income for the year.

*Reinsurance Commission*

Reinsurance Commissions are recognized as revenue over the period of the contracts. The portion of commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as "Deferred Commission Income" in the liabilities section of the statement of financial position.

*Interest Income*

For all financial instruments measured at amortized cost and interest-bearing financial instruments, 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 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.

*Dividend Income*

Dividend Income is recognized when the right to receive dividends is established.

*Realized Gains and Losses*

Realized Gains and Losses on the sale of AFS financial assets are calculated as the difference between net sales proceeds and the original cost net of accumulated impairment losses. Realized gains and losses are recognized in profit or loss when the sale transaction occurred.

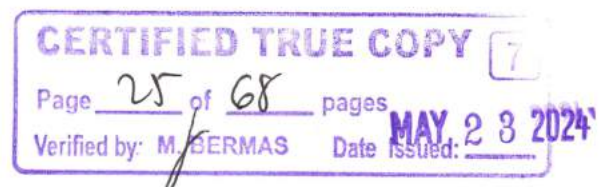
Cost and Expense Recognition

*Claims*

This account consists of claims paid to policyholders, which includes changes in the valuation of insurance claims payable, 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.

Share in recoveries of claim are evaluated in terms of the estimated realizable values of the salvage or recoveries. Recoveries on settled claims are recognized in profit or loss in the period the recoveries are determined. Recoveries on the unsettled claims are recorded as reinsurance recoverable on losses shown as part of reinsurance assets.

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs.





*Acquisition Cost*

Cost that vary with and primarily related to the acquisition of new and renewal insurance contracts such as commissions, certain underwriting, and policy issue cost and inspection fees are deferred and charged to expense in proportion to the premium revenue recognized. Unamortized acquisition costs are shown in the statement of financial position as deferred acquisition cost.

*Other Expenses*

Other Expenses are decreases in economic benefits in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Other expenses are recognized in the statements of comprehensive income as they are incurred.

*Retirement Benefit Cost*

The net Defined Benefit Liability or asset is the aggregate of the present value of the Defined Benefit Liability at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit cost comprises the following:

- (a) Service cost
- (b) Net interest on the net Defined Benefit Liability or asset; and
- (c) Re-measurements of net Defined Benefit Liability or asset

Service cost which includes current service cost, past service cost and gains or losses on non-routine settlements is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs.

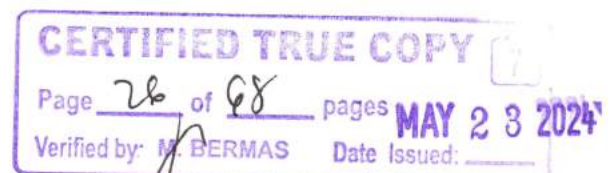
Net interest on the net Defined Benefit Liability or asset is the change during the period in the net Defined Benefit Liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net Defined Benefit Liability or asset. Net interest on the net Defined Benefit Liability or asset is recognized as expense or income in profit or loss.

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

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

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Income Taxes

The Company accounts for income tax using the deferred income taxes method. Under the deferred income taxes method, the Company recognizes the current and future tax consequences of transactions and other events that have been recognized in the financial statements. These recognized amounts comprise current tax and deferred tax.

Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as at the reporting date.

Deferred tax is recognized using the balance sheet method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax liabilities are recognized for all taxable differences between the financial and tax reporting bases of liabilities. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the periods when the asset is realized or the liability is settled.

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

Most changes in deferred tax assets and liabilities are recognized as a component of tax expense in the statements of comprehensive income. Only changes in deferred tax assets and liabilities that relate to items recognized directly to equity are recognized in equity and 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 the deferred tax relate to the same taxable entity and the same taxation authority.

Foreign Currency Transactions and Translations

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (*the functional currency*). The financial statements are presented in Philippine Peso, the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Related Party Transactions

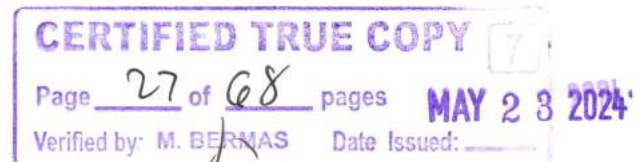
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

The related party transactions are recognized based on transfer of resources and obligations between related parties whether price is changed.

Provisions

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably.







The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the date of the Statement of Financial Position, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent Assets and Liabilities

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

Events After End of the Reporting Period

Any event after the financial reporting date that provides additional information about the Company's position at the financial reporting date (adjusting event) are reflected in the financial statements. Any event after the financial reporting date that is not an adjusting event is disclosed in the notes to the financial statements when material.

**5. Summary of Significant Accounting Judgments and Estimates**

The preparation of the Company's financial statements in conformity with Philippine Financial Reporting Standard requires Management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may actually differ from such estimates.

Judgments

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

Classification of Investments

In classifying its investments, the Company evaluates its intention, marketability of the instrument and its ability to hold the investments until maturity.

The classifications of investments as at December 31, 2023 and 2022 are as follows:

	2023		2022	
Fair value through profit or loss	P	75,478,936	P	-
Available-for-sale		21,344,550		24,364,525
Held-to-maturity		377,872,186		334,347,579

Classification and Valuation of Owner-Occupied Properties and Investment Properties

The Company determines whether a property qualifies as an investment property. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the delivery of 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.

Owner-occupied properties, net of accumulated depreciation and impairment losses amounted to P221,452,925 and P153,369,587 in 2023 and 2022, respectively.

Investment properties amounted to P218,868,389 in 2023 and 2022.





#### Estimates

In the application of the Company's accounting policies, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Determination of Fair Value of Financial Assets*

Management applies valuation techniques to determine the fair value of financial assets where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

#### *Estimating Allowance for Impairment of Financial Assets*

The Company assesses whether objective evidence of impairment exist for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

#### *Estimating Useful Lives of Property and Equipment*

The Company estimated the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of the property and equipment based on expected asset utilization.

Property and Equipment, net of accumulated depreciation and impairment losses, amounted to P221,452,926 and P153,369,587 as at December 31, 2023 and 2022, respectively. (See Note 14)

#### *Recoverability of Deferred Tax Asset*

The Company reviews the carrying amounts of deferred tax asset at each reporting date and reduces the deferred tax asset 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.

#### *Impairment of Non-Financial Asset*

The Company assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

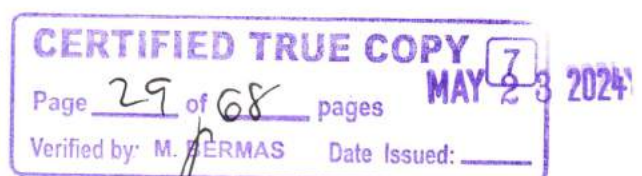
- significant under performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

As of December 31, 2023 and 2022, there was no impairment losses recognized in the statements of comprehensive income.

#### *Valuation of Insurance Claims Payable*

Estimates have to be made at the reporting date for both the expected ultimate cost of both claims reported and claims IBNR. It can take a significant period of time before the ultimate claim cost can be established with certainty and for some types of policies, IBNR claims form the majority of the claims provision. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss.

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The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques such as Chain Ladder method and Bornhuetter-Ferguson method based on paid and reported claims information.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In 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 historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Insurance claims payable as at December 31, 2023 and 2022 amounted to P259.7 million and P268.9 million, respectively. (See Note 19)

## 6. Fair Value Measurement

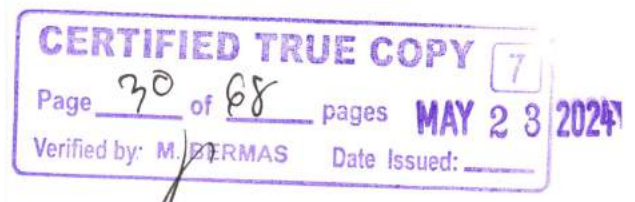
### Financial instruments

The fair value of financial instruments and their carrying amounts is as follows:

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets measured at fair value</b>				
Fair value through profit or loss	P 75,478,936	P 75,478,936	P -	P -
Available-for-sale investments	21,344,550	21,344,550	24,364,525	24,364,525
<b>Financial assets for which fair value is disclosed</b>				
Held-to-maturity investments	377,872,186	381,512,505	334,347,579	335,029,086
Loans and receivables				
Cash and cash equivalents*	185,727,513	185,727,513	136,001,740	136,001,740
Short-term investments	37,857,874	37,857,874	40,766,848	40,766,848
Insurance balances receivable	867,356,687	867,356,687	797,052,072	797,052,072
Reinsurance assets	212,138,423	212,138,423	253,263,133	253,263,133
Accrued investment income	2,537,283	2,537,283	1,218,656	1,218,656
Other assets	21,484,458	21,484,458	16,822,386	16,822,386
	<b>P 1,801,797,910</b>	<b>P 1,805,438,229</b>	<b>P 1,603,836,939</b>	<b>P 1,604,518,446</b>
<b>Financial Liabilities</b>				
Insurance claims payable	P 259,715,131	P 259,715,131	P 268,943,882	P 268,943,882
Reinsurance liabilities	32,583,886	32,583,886	50,770,741	50,770,741
Lease liability	4,906,944	4,906,944	2,253,073	2,253,073
Other liabilities	6,130,657	6,130,657	11,264,345	11,264,345
	<b>P 303,336,618</b>	<b>P 303,336,618</b>	<b>P 333,232,041</b>	<b>P 333,232,041</b>

\*Excludes cash on hand

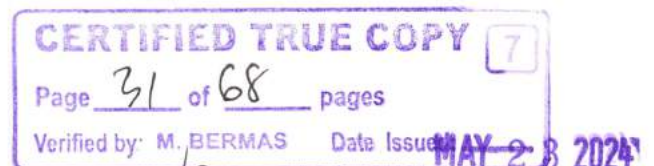
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The fair value hierarchy of the Company's financial instruments is summarized in the tables below:

	2023			
	Fair value	Level 1	Level 2	Level 3
<b>Financial instruments measured at fair value</b>				
<b>AFS</b>				
Quoted equity securities	P 18,185,166	P 18,185,166	P -	-
Unquoted equity securities	1,080,412	-	1,080,412	-
Equity fund	2,078,972	-	2,078,972	-
Fair value through profit or loss	75,478,936	75,478,936	-	-
<b>Financial instruments for which fair value is disclosed</b>				
<b>HTM</b>				
Government securities	369,262,505	369,262,505	-	-
Corporate securities	12,250,000	12,250,000	-	-
<b>Loans Receivable</b>				
Cash and cash equivalents	185,727,513	-	185,727,513	-
Short-term bank placements	37,857,874	-	37,857,874	-
Insurance balances receivable	867,356,687	-	867,356,687	-
Reinsurance assets	212,138,423	-	212,138,423	-
Accrued investment income	2,537,283	-	2,537,283	-
Other assets	21,484,458	-	21,484,458	-
<b>Other financial liabilities</b>				
Insurance claims payable	259,715,131	-	259,715,131	-
Reinsurance liabilities	32,583,886	-	32,583,886	-
Lease liability	4,906,944	-	4,906,944	-
Other liabilities	6,130,657	-	6,130,657	-

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	2022			
	Fair value	Level 1	Level 2	Level 3
Financial instruments measured at fair value				
<b>AFS</b>				
Quoted equity securities	P 21,270,607	P 21,270,607	P -	P -
Unquoted equity securities	1,080,412	-	1,080,412	-
Equity fund	2,013,506	-	2,013,506	-
Financial instruments for which fair value is disclosed				
<b>HTM</b>				
Government securities	317,743,926	317,743,926	-	-
Corporate securities	17,285,161	17,285,161	-	-
<b>Loans Receivable</b>				
Cash and cash equivalents	136,001,740	-	136,001,740	-
Short-term bank placements	40,766,848	-	40,766,848	-
Insurance balances receivable	797,052,072	-	797,052,072	-
Reinsurance assets	253,263,133	-	253,263,133	-
Accrued investment income	1,218,656	-	1,218,656	-
Other assets	16,822,386	-	16,822,386	-
<b>Other financial liabilities</b>				
Insurance claims payable	268,943,882	-	268,943,882	-
Reinsurance liabilities	50,770,741	-	50,770,741	-
Lease liability	2,253,073	-	2,253,073	-
Other liabilities	11,264,345	-	11,264,345	-

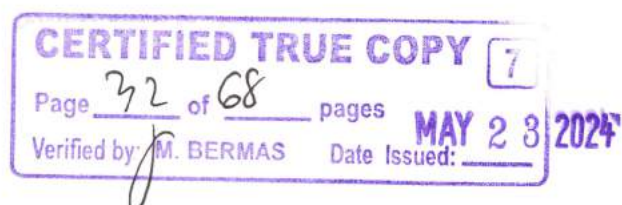
The Company measures fair value of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1**  
 Inputs are quoted in active market for identical assets or liabilities that the entity can access at the measurement date.  
  
 Included in Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market.  
  
 A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2**  
 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3**  
 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Fair values were determined as follows:

- Cash and Cash Equivalents, Short-term Investments – the fair values are approximately the carrying amounts due to short-term nature.

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- Quoted Debt Securities (Government and Corporate) – the fair values were determined from the published references from Philippine Dealing System or third-party information.
- Quoted Equity Securities - the fair values were determined from the published prices from Philippine Stock Exchange.
- Unquoted Equity Securities – valuation technique using observable inputs. Where valuation technique is not representative of fair values, the acquisition cost is used as fair value.
- Equity Fund – The fair value was determined via Net Asset Value per share/units. These are calculated by dividing the fair value of net assets over the total number of shares/units issued.
- Loans receivables and other financial liabilities – Due to their short duration, the carrying amounts of receivables, and other financial liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

Investment properties and Land and Buildings included under Property and equipment

The valuation for Investment properties and property and equipment were derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject properties adjusted based on certain elements of comparison (e.g., market conditions, location, physical condition, and amenities).

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of investment properties and property and equipment. The valuation of the improvements was derived using cost approach based on the amount required to replace the service capacity of an asset. Significant increases (decreases) in estimated replacement cost (i.e., materials and labor cost) would result in a significantly higher (lower) fair value of the properties. The asset valuation was based on a hypothetical sale of the land and building in its highest and best use and not by using the asset in its current use.

The fair value estimate is the price that would be received in a current transaction to sell the combined assets assuming that those assets would be available to market participants.

On December 31, 2022, a valuation of the company's investment property and property and equipment were performed by an accredited and independent appraiser. The description of valuation technique and key inputs used is as follows:

*Investment property:*

Description	Location	Valuation Technique	Significant input used	Range	
				Minimum	Maximum
Land and Building	Cebu City	Sales Comparison Approach	Value per sqm	P 140,000	P 224,000
			Adjustment factors		
			Location	0%	-20%
			Size	0%	0%
			Shape	0%	0%
Land	Antipolo, Rizal	Sales Comparison Approach	Value per sqm	10,000	10,000
Land	San Mateo, Rizal	Sales Comparison Approach	Value per sqm	10,000	10,000

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Verified by: M. BERMAS Date Issued: MAY 23 2024



*Property and equipment:*

Description	Location	Valuation Technique	Significant input used	Range	
				Minimum	Maximum
Condominium unit	Makati City	Sales Comparison Approach	Value per sqm	P 240,000	P 240,000
Land and Building	Santiago City, Isabela	Sales Comparison Approach	Value per sqm	47,600	53,200
			Adjustment factors		
			Location	0%	0%
			Size	40%	40%
Land and Building	Cagayan de Oro City	Sales Comparison Approach	Value per sqm	72,000	90,000
			Adjustment factors		
			Location	-15%	-15%
			Size	5%	5%
Land	Binondo, Manila	Offer to Buy	Value per sqm	280,000	280,000

**7. Management of Insurance Risk, Financial Risk and Capital**

Insurance Risk

The risk under insurance contracts is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claims. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur due to any of the following:

- Occurrence risk – the possibility that the number of insured events will differ from those expected.
- Severity risk – the possibility that the cost of the events will differ from those expected.
- Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

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

The business of the Company comprises short-term non-life insurance contracts. For general insurance contracts, claims are often affected by natural disasters, calamities, etc.

The Company manages insurance risk through the following mechanisms:

- The use and maintenance of management information systems that provide up to date and reliable data on risk exposure at any point in time.
- Guidelines are issued for concluding insurance contracts and assuming insurance risks.
- Pro-active claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.

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

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

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The concentration of insurance claims as at December 31, 2023 and 2022 is as follows:

	2023			2022		
	Gross*	Share of Reinsurer	Net Liability	Gross*	Share of Reinsurer	Net Liability
Fire	P 136,806,221	P 65,540,339	P 71,265,882	P 129,377,579	P 88,858,925	P 40,518,654
Motor car	109,900,783	5,169,967	104,730,816	126,352,827	1,234,144	125,118,684
Personal accident	8,487,309	528,350	7,958,959	9,205,740	1,246,853	7,958,887
Engineering	1,273,264	224,614	1,048,650	1,232,485	334,851	897,633
Other lines	3,247,554	954,113	2,293,441	2,775,251	771,980	2,003,271
	P 259,715,131	P 72,417,383	P 187,297,748	P 268,943,882	P 92,446,753	P 176,497,129

#### Financial Risk

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of these financial risks are credit risk, liquidity risk and market risk.

#### i. Credit Risk

The Company's credit risk is primarily attributable to its insurance receivable and financial instruments. The Company has adopted stringent procedure in extending credit terms to customers and in monitoring its 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 it accepts through comprehensive credit risk policy setting out assessment and determination of what constitutes credit risk for the Company; setting up exposure limits by each counter party or group of counter parties, geographical and industry segments; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

#### Exposure

The table below shows the gross maximum exposure to credit risk of the Company as at December 31, 2023 and 2022.

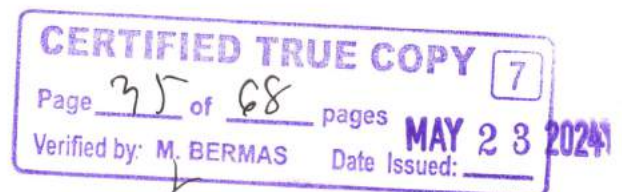
	2023	2022
Cash and cash equivalents*	P 185,727,513	P 136,001,740
Short term investments	37,857,874	40,766,848
Financial Assets:		
FVPL	75,478,936	-
AFS	21,344,550	24,364,525
HTM	377,872,186	334,347,579
Insurance balances receivable	869,622,055	799,317,440
Reinsurance assets	213,894,852	255,019,561
Accrued investment income	2,537,283	1,218,656
Other assets	21,484,458	16,822,386
	P 1,805,819,707	P 1,607,858,735

\*Excludes cash on hand of P3,600,000 in 2023 and P3,210,000 in 2022

The Company uses the following risk mitigation policies to reduce credit risks:

- Cash in banks and short-term investments are deposited and placed with reputable commercial and universal banks in the Philippines. Moreover, all bank deposits are automatically covered up to a certain amount from Philippine Deposit Insurance Corporation.

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	2023			2022		
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Other lines	3,247,554	954,113	2,293,441	2,775,251	771,980	2,003,271
	<b>P 259,715,131</b>	<b>P 72,417,383</b>	<b>P 187,297,748</b>	<b>P 268,943,882</b>	<b>P 92,446,753</b>	<b>P 176,497,129</b>

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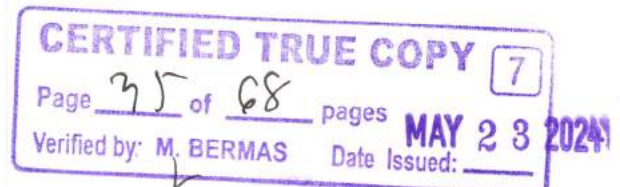
	2023	2022
Cash and cash equivalents*	P 185,727,513	P 136,001,740
Short term investments	37,857,874	40,766,848
Financial Assets:		
FVPL	75,478,936	-
AFS	21,344,550	24,364,525
HTM	377,872,186	334,347,579
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Other assets	21,484,458	16,822,386
	<b>P 1,805,819,707</b>	<b>P 1,607,858,735</b>

\*Excludes cash on hand of P3,600,000 in 2023 and P3,210,000 in 2022

The Company uses the following risk mitigation policies to reduce credit risks:

- Cash in banks and short-term investments are deposited and placed with reputable commercial and universal banks in the Philippines. Moreover, all bank deposits are automatically covered up to a certain amount from Philippine Deposit Insurance Corporation.

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- Financial assets that are HTM are mostly debt securities issued and guaranteed by the Philippine government which is considered risk free. HTM investments are lodge under Philippine Depository & Trust Corporation. Furthermore, prior approval from IC is sought before the Company can invest on these securities.
- The Company's equity investments classified as AFS are mostly stocks belonging to Philippine Stock Exchange Index (PSEi) with regular trading transaction in the Philippine Stock Exchange. Other AFS investment includes Investment Management Accounts.
- Insurance balances of brokers and agents have a maximum age of 90 days. Commissions are released only upon full remittance of premiums. Reinsurance arrangements are placed only with reputable reinsurers at industry acceptable terms.
- Accrued investment income is collectible in subsequent period. Interest proceeds are either rolled over to principal balance or credited to savings account.

Credit Quality

The credit quality of group of financial assets are as follows:

(i) Cash-in-bank, cash equivalents and short-term investments

Substantial portion of the Company's Cash-in-banks, Cash equivalents and Short-term investments are maintained in universal and commercial banks thereby limiting the credit risk. Limits are placed on thrift and lower-tiered banks. This is consistent with Company's internal policy on deposit maintenance. Cash-in-bank, cash equivalents and short-term investments classified by type of banks are as follows:

	2023	2022
Universal banks	P 163,261,467	P 118,503,996
Commercial banks	3,801,010	2,437,811
Thrift and rural banks	18,665,036	15,059,933
	<b>P 185,727,513</b>	<b>P 136,001,740</b>

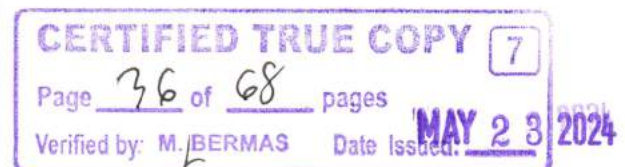
(ii) Fair value through profit or loss, Available-for-sale and Held-to-maturity Investments

The credit risk on investments represents the risk of actual default of the issuer. This risk is managed through limits which takes into account the type of credit exposure, credit quality and, where needed, maturity, and through regular monitoring and early warning systems. Investment exposures and limits are monitored on a regular basis.

The limits are defined by the following categories:

- Limits on government securities is guided by the existing circulars issued by the Insurance Commission;
- Limits on corporate bonds are based on certain criteria such as total corporate bonds exposure as a percentage of the portfolio, limits by sector based on the credit ratings; currency and monitoring of concentrated exposure;

The credit rating applied by the Company is based on the best available rating from Moody's, Fitch and Standard & Poor's. For specific exposure types, other rating agencies can be used such as AM Best for reinsurance counterparties.







The table below provides information on the credit quality of investments:

December 31, 2023

	Rated						Unrated	Total	
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-					
<b>Debt securities</b>									
Treasury bills	P	-	P	-	P	-	P 14,318,086	P 61,160,849	P 75,478,936
Fixed-rated treasury bonds	-	-	-	-	-	-	121,451,064	244,171,122	365,622,186
Corporate bonds	-	-	-	-	-	-	-	12,250,000	12,250,000
Equity securities	-	-	-	-	-	-	3,424,916	17,919,634	21,344,550
	P	-	P	-	P	-	P139,194,066	P335,501,605	P474,695,672

December 31, 2022

	Rated						Unrated	Total	
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-					
<b>Debt securities</b>									
Fixed-rated treasury bonds	P	-	P	-	P	-	P120,205,746	P196,891,833	P317,097,579
Corporate bonds	-	-	-	-	-	-	-	17,250,000	17,250,000
Equity securities	-	-	-	-	-	-	1,735,005	22,629,520	24,364,525
	P	-	P	-	P	-	P121,940,751	P236,771,353	P358,712,104

The aging analysis of Insurance Balance Receivables and Reinsurance Recoverable on Paid and Unpaid Losses follows:

Direct and Assumed Accounts

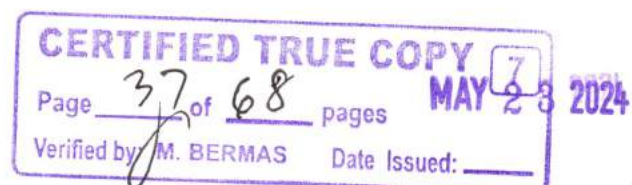
2023	Direct and Assumed Accounts				Total	Reinsurance Loss Recoverable		
	Due from Agents & Brokers	Due from Ceding Companies	Funds held by Ceding Companies			Paid	Unpaid	Total
30 days	P 81,871,174	P 729,104	P -	P 82,600,278	P 17,034,471	P 12,088,306	P 29,122,777	
60 days	87,908,475	1,710,852	685,888	90,305,215	120,143,209	157,314	120,300,523	
over 60 days	644,473,617	37,937,917	14,305,028	696,716,562	30,035,802	60,171,762	90,207,564	
	P 814,253,266	P 40,377,873	P 14,990,916	P 869,622,055	P 167,213,482	P 72,417,382	P 239,630,864	

Direct and Assumed Accounts

2022	Direct and Assumed Accounts				Total	Reinsurance Loss Recoverable		
	Due from Agents & Brokers	Due from Ceding Companies	Funds held by Ceding Companies			Paid	Unpaid	Total
30 days	P 76,075,771	P 546,298	P -	P 76,622,069	P 16,561,713	P 15,431,719	P 31,993,432	
60 days	81,685,711	1,281,895	569,566	83,537,172	116,808,876	200,824	117,009,700	
over 60 days	598,853,359	28,425,857	11,878,983	639,158,199	29,202,219	76,814,210	106,016,429	
	P 756,614,841	P 30,254,050	P 12,448,549	P 799,317,440	P 162,572,808	P 92,446,753	P 255,019,561	

ii. Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counter party failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.



The Company manages liquidity through a liquidity risk policy which determines what constitutes liquidity risk for the Company; specifies minimum proportion of funds to meet emergency calls; setting up contingency funding plans; specify the sources of funding and the vents that would trigger the plan; concentration of funding sources; reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment

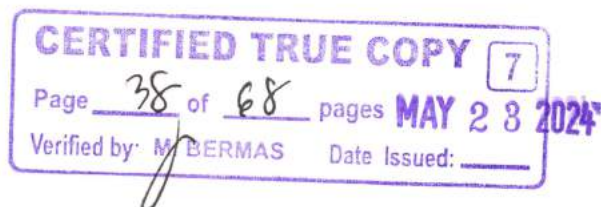
The Company maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

Contractual maturities of financial assets and liabilities as at December 31, 2023 and 2022 are presented below:

2023 (in thousand)	Contractual maturities			
	< 1 year	> 1 year < 5 years	>5 years	Total
<b>Financial assets that are :</b>				
Cash and cash equivalents	P 185,728	P -	P -	P 185,728
Short-term investments	37,858	-	-	37,858
FVPL	75,479	-	-	75,479
HTM	27,246	240,927	113,340	381,513
Insurance balances receivable	869,622	-	-	869,622
Reinsurance assets	213,895	-	-	213,895
Accrued investment income	2,537	-	-	2,537
Other assets	21,484	-	-	21,484
<b>Financial liabilities:</b>				
Insurance claims payable	259,715	-	-	259,715
Accounts payable and accrued expenses	6,131	-	-	6,131
Reinsurance liabilities	32,584	-	-	32,584
Lease liability	2,349	2,558	-	4,907

2022 (in thousand)	Contractual maturities			
	< 1 year	> 1 year < 5 years	>5 years	Total
<b>Financial assets that are :</b>				
Cash and cash equivalents	P 136,002	P -	P -	P 136,002
Short-term investments	40,767	-	-	40,767
HTM	164,046	142,364	28,619	335,029
Insurance balances receivable	799,317	-	-	799,317
Reinsurance assets	255,020	-	-	255,020
Accrued investment income	1,219	-	-	1,219
Other assets	16,822	-	-	16,822
<b>Financial liabilities:</b>				
Insurance claims payable	268,944	-	-	268,944
Accounts payable and accrued expenses	11,264	-	-	11,264
Reinsurance liabilities	50,771	-	-	50,771
Lease liability	1,003	1,250	-	2,253

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





iii. Market Risk

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

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Company would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

The Company manages market risk by evenly distributing capital among investment instruments, sectors and geographical areas.

The Company structures the levels of market risk it accepts through a sound market risk policy based on specific guidelines. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation reporting and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures to the IC, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

Sensitivity analysis of market risk exposures follows:

a. Currency Risk

Foreign currency risk pertains to US\$ denominated cash and special savings accounts and AFS investments. No foreign currency forward contracts are outstanding as at December 31, 2023 and 2022 to hedge the foreign currency accounts.

The carrying values of financial assets exposed to currency risk at the end of reporting period are as follows:

	2023		2022	
	Phil. Peso	US \$	Phil. Peso	US \$
Cash and cash equivalents	P 2,889,039	\$ 51,992	P 2,156,312	\$ 38,423

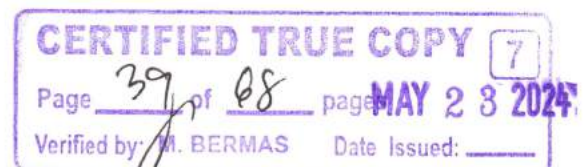
*\*The exchange rate used was P55.57 in 2023 and P56.12 in 2022 to US\$ 1.00*

The following table demonstrates the sensitivity to a reasonable change in the US\$ exchange rate, with all other variables held constant, of the Company's income before tax and equity:

Effect on	2023		2022	
	Net income	Equity	Net income	Equity
5% appreciation	P 144,452	P 108,339	P 107,816	P 80,862
5% depreciation	(144,452)	(108,339)	(107,816)	(80,862)

b. Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.





The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile of the security. Exposures to interest rate risk comprise the following:

		As of December 31, 2023		
		Due in		
Interest rate		< 1 year	> 1 year but <5 years	> 5 years
<b>Financial assets that are:</b>				
Cash and cash equivalents	0.25% - 2.75%	P 185,727,513	P -	P -
Short-term investments	0.375% - 1.04%	37,857,874	-	-
FVPL	2.375% - 7.25%	75,478,936	-	-
HTM	2.375% - 7.25%	27,250,000	242,000,000	107,180,000

		As of December 31, 2022		
		Due in		
Interest rate		< 1 year	> 1 year but <5 years	> 5 years
<b>Financial assets that are:</b>				
Cash and cash equivalents	0.25% - 2.75%	P 136,001,740	P -	P -
Short-term investments	0.375% - 1.04%	40,766,848	-	-
HTM	2.375% - 7.25%	164,046,652	142,364,566	28,617,868

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate investments). There is no other impact on the Company's equity other than those already affecting the profit and loss.

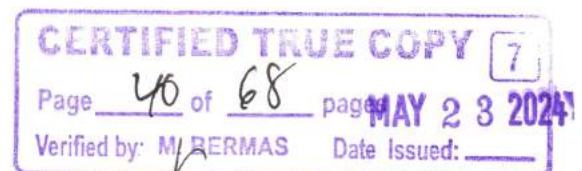
	Changes in basis points	Effect on income before income tax
2023	+100 P	2,001,770
	- 100	(2,001,770)
2022	+100 P	1,696,351
	- 100	(1,696,351)

c. Price Risk

The Company's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, AFS financial assets. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's investments are regulated under the pertinent provisions of Presidential Decree No. 612, otherwise known as "The Insurance Code of the Philippines (the Code)". The Code generally requires all insurance companies to obtain prior approval of the Insurance Commission (IC) for any and all of their investments. It further requires companies to submit to the IC a monthly report on all investments made during the previous month. The IC reviews the investments and may suggest or require the immediate sale or disposal of investments deemed too risky.

For equity investments, Section 200 of the Code further provides, among other things that insurance companies may only invest in stocks of Philippine corporations which have prior three-year dividend payment record. Moreover, the same section limits exposure to any one institution to 10% of an insurer's total admitted assets.





Beyond the provisions of the Code, the Company has established additional guidelines to control the risks inherent in equity investments. The Company's investment policy requires that they invest only in shares of companies that are listed in the Philippine Stock Exchange. Further, these listed companies must have profitable business operations and market capitalization which are on a scale that would qualify them as blue chips.

Percentage change in market prices	Impact on Equity	
	2023	2022
10% - increase	P 2,127,908	P 2,436,453
10% - decrease	(2,127,908)	(2,436,453)

d. Operational Risk

Operational risk is the risk of loss from system failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risk but initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage risk. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes. Business risk such as changes in environment, technology and industry are monitored through the Company's strategic planning and budgeting processes.

Capital Management and Net Worth Requirement

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

The Company regards the following as the capital it manages as at December 31, 2023 and 2022.

	2023	2022
Share Capital	P 607,000,000	P 450,000,000
Contributed Surplus	350,000	350,000
Retained Earnings	892,057,357	828,545,408
	P 1,499,407,357	P 1,278,895,408

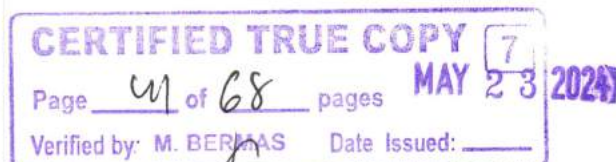
Externally imposed capital requirements are set and regulated by the Insurance Commission (IC). The requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business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

Pursuant to IC Circular No. 2015-02-A, dated January 13, 2015 issued on the basis of Republic Act 10607 known as the Revised Insurance code, domestic insurance companies under the supervision of IC must have a net worth of at least P250 million by December 31, 2013. The minimum net worth of a particular company shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum network	Compliance date
P 550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

For the year ended December 31, 2023, the Company believes that it is compliant with the required net worth even after the non-admitted assets.

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**Risk-Based Capital Requirement**

The IC has adopted a three (3) pillar risk-based approach to solvency which comprise the following:

- Quantitative requirements in relation to the calculation of capital requirements and recognition of eligible capital;
- Governance and risk management requirement that consists of supervisory review process which may include a supervisory adjustment to capital; and
- Disclosure requirement designed to encourage market discipline.

The minimum RBC ratio is set at 100% which are required to be maintained at all times. Failure to meet the minimum RBC ratio shall subject the Company to the corresponding regulatory intervention which has been defined at various levels as follows:

- Company Action Event – the RBC is less than 100% but not below 75%, the Company is required to identify the conditions that contributed to the event and will provide corrective actions that company intend to take including future projections of financial position and analysis of operations.
- Regulatory Action Event – the RBC is less than 75% but not below 50%, the Company is required to submit an RBC plan and IC will perform an examination of the Company including its RBC plan.
- Authorized and Mandatory Control Event – the RBC is less than 50%, the Company is placed under the regulatory control of IC.

The RBC ratio is calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC shall include the (i) paid-up capital, (ii) other capital surplus and (iii) Special surplus funds to the extent authorized by IC.

Internal calculations of Net Worth and RBC ratio as at December 31, 2023 in comparison to actual figures as confirmed in the IC Synopsis for 2022 revealed the following:

	2023	2022
Networth	P 1,453,892,446	P 1,252,084,408
RBC requirement	148,667,467	122,488,807
RBC ratio	978%	1022%

The computation of RBC is based on the regulatory accounting policy in accordance with the Philippine Insurance Code. The RBC can be determined only after the accounts of the Company have been examined by the IC.

**8. Cash and Cash Equivalents**

This account consists of:

	2023	2022
Cash on Hand	P 3,600,000	P 3,210,000
Cash in Banks	169,296,720	136,001,740
Cash Equivalents	16,430,793	-
	P 189,327,513	P 139,211,740

*Cash on Hand* represents petty cash fund, commission fund and various branch operating funds.

*Cash in Banks* represent cash deposited in various reputable local banks that earn interests at the respective banks' deposit rates.

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Cash Equivalents are short-term placements made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term placements rates.

Cash in Banks and Cash Equivalents earn interest at prevailing bank interest rates. Interest income earned on these deposits amounted to P355,175 in 2023 and P320,883 in 2022. (See Note 25)

**9. Short-term Investments**

This account consists of time deposit with maturity of more than three months but less than one year from the date acquired. As of December 31, 2023 and 2022, the balance of short-term investments amounted to P37,857,874 and to P40,766,848, respectively.

Short-term investments earn interest at annual interest rates ranging from 0.375% to 1.04%, in 2023 and 2022, respectively. Interest income earned on these investments amounted to P596,407 in 2023 and P212,034 in 2022. (See Note 25)

**10. Financial Assets**

This account consists of the following:

	2023	2022
Fair value through profit or loss (FVPL) investments	P 75,478,936	P -
Available-for-sale (AFS) investments	21,344,550	24,364,525
Held-to-maturity (HTM) investments	377,872,186	334,347,579

The reconciliation of the carrying amounts of financial assets at the beginning and end of the year is provided below:

	December 31, 2023			
	FVPL	AFS	HTM	Total
Balance, January 1	P -	P 24,364,525	P 334,347,579	P 358,712,104
Acquisitions	75,478,936	-	207,208,291	282,687,227
Sale/Maturity	-	-	(165,500,000)	(165,500,000)
Changes in Fair Value	-	(3,019,975)	-	(3,019,975)
Amortization of Premium/Discount - Net	-	-	1,816,316	1,816,316
Balance, December 31	P 75,478,936	P 21,344,550	P 377,872,186	P 474,695,672

	December 31, 2022		
	AFS	HTM	Total
Balance, January 1	P 30,981,060	P 336,880,260	P 367,861,320
Acquisitions	2,000,000	172,725,951	174,725,951
Sale/Maturity	(5,000,000)	(174,850,000)	(179,850,000)
Changes in Fair Value	(3,616,535)	-	(3,616,535)
Amortization of Premium/Discount - Net	-	(408,632)	(408,632)
Balance, December 31	P 24,364,525	P 334,347,579	P 358,712,104

**Fair value through Profit or Loss (FVPL) Investments**

Investments that are designated at FVPL represent Treasury Bills (TBills) issued by the Philippine Government with interest rates ranging from 2.375% to 7.25% per annum for the year 2023. TBills comprise a portfolio of financial instruments that are managed for which there is an evidence of recent actual pattern of short-term profit-taking. As of December 31, 2023, the total face value of TBills which





are due 12 months amounted to P75.48 million. Due to its relatively short-term nature, the carrying value approximates the fair value at year-end.

Available-for-Sale Financial Assets

The breakdown of this account is as follows:

	2023	2022
<b>Acquisition Cost:</b>		
Quoted equity securities	P 34,945,206	P 34,945,206
Unquoted equity securities	1,196,961	1,196,961
Equity fund	2,000,000	2,000,000
	<b>38,142,167</b>	<b>38,142,167</b>
<b>Changes in Fair Value:</b>		
Quoted equity securities	(16,760,040)	(13,674,599)
Unquoted equity securities	(116,549)	(116,549)
Equity fund	78,972	13,506
	<b>(16,797,617)</b>	<b>(13,777,642)</b>
	<b>P 21,344,550</b>	<b>P 24,364,525</b>

Quoted equity securities represent shares of stock that are traded in the Philippine Stock exchange.

Unquoted equity securities represent shares of stock which are not traded on stock exchanges or other organized financial markets.

Equity fund are money market placements managed by various fund managers. Fair values are determined in a manner discussed in Note 6.

Realized gain (loss) on AFS investments reported in the statements of comprehensive income are as follows:

	2023	2022
Dividend Income	P 314,240	P 255,430
Loss on Sale of Available-for-Sale Investments	-	(1,096,222)

The reconciliation of unrealized fair value losses are as follows:

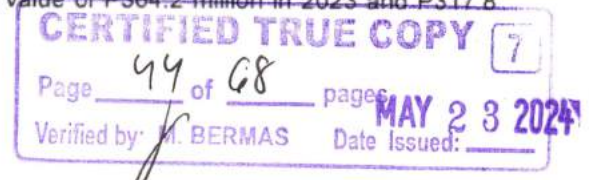
	2023	2022
Balance at the beginning of the year	P (13,777,642)	P (10,161,107)
Fair value adjustments taken to:		
Other Comprehensive Income (Loss)	(3,019,975)	(2,520,313)
Profit and Loss		
Loss on sale of AFS financial asset	-	(1,096,222)
	<b>P (16,797,617)</b>	<b>P (13,777,642)</b>

Held-to-Maturity Financial Assets

The breakdown of this account is as follows:

	2023	2022
Government Securities	P 364,180,000	P 317,779,086
Corporate Bonds	12,250,000	17,250,000
	<b>376,430,000</b>	<b>335,029,086</b>
Unamortized Premium (Discounts)	1,442,186	(681,507)
	<b>P 377,872,186</b>	<b>P 334,347,579</b>

Government securities have a maximum term of 25 years with coupons rates ranging from 2.375% to 7.25% in 2023 and 2022. Government securities with face value of P364.2 million in 2023 and P317.8 million in 2022.







million in 2022, are deposited with the Insurance Commission in accordance with the provision of the Insurance Code as security for the benefit of the policyholders and creditors of the Company.

Corporate bonds are issued by various private corporations for a period ranging from 2 years to 5 years and bears interest at the rate of 2.5% to 6.75% payable quarterly or semi-annually.

The net changes in unamortized discount (premium) charged to interest income amounted to P760,679 in 2023 and (P408,632) in 2022.

The contractual maturities of Held-to-Maturity investments are as follows:

	2023	2022
Due within 12 months	P 27,250,000	P 164,046,652
Due after 1 year but not more than 5 years	242,000,000	142,364,566
Due beyond 5 years.	107,180,000	28,617,868
	<b>P 376,430,000</b>	<b>P 335,029,086</b>

**11. Insurance Balance Receivables**

The breakdown of this account is as follows:

	2023	2022
Premiums Receivable	P 814,253,266	P 756,614,841
Due from Ceding Companies	40,377,873	30,254,050
Funds Held by Ceding Companies	14,990,916	12,448,549
	<b>869,622,055</b>	<b>799,317,440</b>
Allowance for Impairment Losses	(2,265,368)	(2,265,368)
	<b>P 867,356,687</b>	<b>P 797,052,072</b>

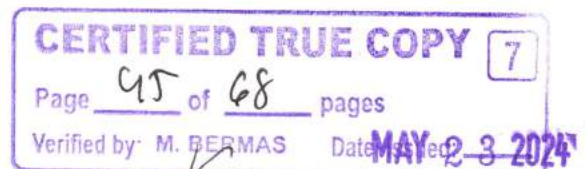
Premiums receivable have an average term 90 days to 120 days. Premiums receivable represent premiums on written policies.

Due from ceding companies pertains to premiums from treaty and facultative acceptances from ceding companies.

Funds held by ceding companies pertain to the portion of the premium withheld by ceding companies in accordance with the reinsurance contracts.

Allowance for impairment losses is individually determined taking into account the age, collection experience, historical loss experience and collateral held.

No provision was made for 2023 and 2022.



## 12. Reinsurance Assets

This account consists of:

	2023	2022
Reserve for Reinsurance Premium (see Note 18)	P 59,104,085	P 100,808,909
Reinsurance Recoverable on:		
Paid Losses	141,477,469	162,572,808
Unpaid Losses (see Note 19)	72,417,383	92,446,753
	<b>272,998,937</b>	<b>355,828,470</b>
Allowance for Impairment Losses	(1,756,428)	(1,756,428)
	<b>P 271,242,509</b>	<b>P 354,072,042</b>

Reinsurance recoverable on paid losses pertains to the Company's receivables from the reinsurers for their share on the losses paid by the Company.

The movement of Reinsurance Recoverable on Paid Losses is as follows:

	2023	2022
Balance, January 1	P 162,572,808	P 53,458,648
Reinsurers' share of losses	139,526,564	161,011,856
Settlement	(160,621,903)	(51,897,696)
Balance, December 31	<b>P 141,477,469</b>	<b>P 162,572,808</b>

## 13. Investment Properties

As of December 31, the movement of this account is as follows:

	2023	2022
Cost		
At January 1	P 89,852,826	P 90,802,826
Reclassification	-	(950,000)
At December 31	<b>89,852,826</b>	<b>89,852,826</b>
Accumulated increase in fair value		
At January 1	129,015,563	129,865,563
Reclassification	-	(850,000)
At December 31	<b>129,015,563</b>	<b>129,015,563</b>
	<b>P 218,868,389</b>	<b>P 218,868,389</b>

Certain investment properties were acquired in extinguishment of debt by way of bond collateral.

In 2022, parking unit previously classified as investment property with a fair value of P1.8 million was used as a parking area of the Company's vehicles (see Note 14). As allowed under PAS 40, the carrying value of the investment property at the time of reclassification can be used as the cost of the property under its new classification.



As of December 31, 2023 and 2022, investment properties consist of:

	2023	2022
Land and building		
Cebu City	P 124,197,578	P 124,197,578
Antipolo, Rizal	50,000,000	50,000,000
San Mateo, Rizal	14,755,000	14,755,000
Bataan	5,860,364	5,860,364
Quezon City	2,984,952	2,984,952
Equity on damaged condominium property	21,070,495	21,070,495
	<b>P 218,868,389</b>	<b>P 218,868,389</b>

Rent income generated from investment properties amounted to P472,166 and P224,075 for the years ended December 31, 2023 and 2022. Direct cost relating to these properties amounted to P105,000 in 2023 and P205,844 in 2022.

The equity on damaged condominium property represents the residual interest of the Company over the condominium property that was completely gutted by fire in 2018. Prior to the fire incident, the Company owns a total of 1,023 square meters of condominium units which the Company previously occupies as its head office. Collectively, the Company's interest is equivalent to 13% of the entire property. In 2021, the insurance claim of the condominium association amounting to P150 million have been settled. The latest valuation of the lot where the condominium was previously located was estimated to be P359.2 million. Hence, management believes that the carrying amount of damaged condominium property is fully recoverable.

As of December 31, 2023 and 2022, no investment properties has been pledged as collateral or security for any of the Company's liabilities and the Company has no restrictions on the realizability of investment properties and no contractual obligation to purchase, construct or developed or for repairs, maintenance for enhancements.

Fair value information of investment properties is presented in Note 6.

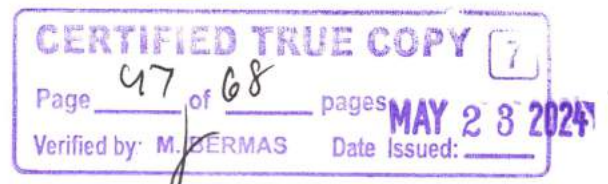
#### 14. Property and Equipment - Net

The breakdown of this account is as follows:

2023	Land and Buildings*	Condominium*	Office Leasehold Improvements	Furniture & Fixtures	EDP Equipment	Transportation Equipment	Right-of-Use Assets (Note 31)	Total
<b>Costs</b>								
At January 1, 2023	P 56,090,830	P 66,840,000	P 11,192,842	P 12,759,312	P 26,754,788	P 38,929,027	P 5,408,670	P 217,975,469
Additions	56,178,671	1,900,000	9,446,308	1,646,586	3,239,332	685,000	6,207,048	79,302,945
At December 31, 2023	112,269,501	68,740,000	20,639,150	14,405,898	29,994,120	39,614,027	11,615,718	297,278,414
<b>Accumulated depreciation</b>								
At January 1, 2023	-	4,686,400	8,131,563	4,383,759	17,682,747	25,581,927	4,139,486	64,605,882
Provisions	-	1,165,600	2,238,568	1,274,581	1,176,799	2,588,384	2,775,675	11,219,607
At December 31, 2023	-	5,852,000	10,370,131	5,658,340	18,859,546	28,170,311	6,915,161	75,825,489
<b>Net Carrying Value</b>								
At December 31, 2023	P 112,269,501	P 62,888,000	P 10,269,019	P 8,747,558	P 11,134,574	P 11,443,716	P 4,700,557	P 221,452,925

\*at revalued amounts

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2022	Land and Buildings*	Condominium*	Office Leasehold Improvements	Furniture & Fixtures	EDP Equipment	Transportation Equipment	Right-of-Use Assets (Note 31)	Total
<b>Costs</b>								
At January 1, 2022	P 8,000,000	P 59,480,000	P 10,652,950	P 11,005,446	P 37,188,922	P 36,340,477	P 5,408,670	P 168,076,465
Additions	31,987,671	-	539,892	1,753,866	4,058,966	2,588,550	-	40,928,945
Revaluation increment	16,103,159	5,560,000	-	-	-	-	-	21,663,159
Reclassification	-	1,800,000	-	-	(14,493,100)	-	-	(12,693,100)
At December 31, 2022	56,090,830	66,840,000	11,192,842	12,759,312	26,754,788	38,929,027	5,408,670	217,975,469
<b>Accumulated depreciation</b>								
At January 1, 2022	-	3,520,800	6,027,170	3,283,214	14,050,004	22,904,156	2,532,239	52,317,583
Provisions	-	1,165,600	2,104,393	1,100,545	3,632,743	2,677,771	1,607,247	12,288,299
At December 31, 2022	-	4,686,400	8,131,563	4,383,759	17,682,747	25,581,927	4,139,486	64,605,882
<b>Net Carrying Value</b>								
At December 31, 2022	P 56,090,830	P 62,153,600	P 3,061,279	P 8,375,553	P 9,072,041	P 13,347,100	P 1,269,184	P 153,369,587

\*at revalued amounts

On various dates in September and November 2022, the Company's owner-occupied properties were re-appraised to established fair value. The appraisal was conducted by Tan-Gatue Appraisal Associates, Inc., an accredited professional appraisal company.

In accordance with the report of the appraiser, the Company's land, building and condominium units has an aggregate fair value of P111,374,300 as of November 16, 2022. Such re-appraisal increased property and equipment carried at revalued amounts by P21,663,159. The increase in revaluation was credited to "Revaluation Reserve on Property and Equipment, Net of Deferred Tax" and is reported in the Statements of Changes in Equity.

Had the land, building, and condominium units been carried at cost less accumulated depreciation, their carrying amounts would have been as follows:

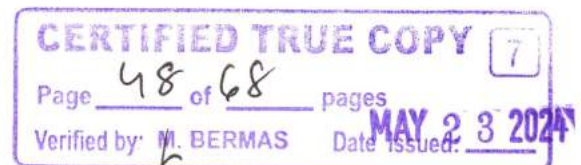
	2023	2022
<b>Cost</b>		
Balance, January 1	P 67,815,268	P 34,027,597
Additions	58,078,671	33,787,671
Balance at end of year	125,893,939	67,815,268
<b>Accumulated depreciation</b>		
Balance, January 1	4,686,400	3,520,800
Provisions	1,165,600	1,165,600
Balance at end of year	5,852,000	4,686,400
	P 120,041,939	P 63,128,868

#### 15. Deferred Acquisition Costs (DAC) and Deferred Commission Income (DCI)

Movements of this account during the year are as follows:

2023	Deferred Commission Expense	Deferred Commission Income	Net DAC
Balances, beginning	P 119,378,302	P 11,711,390	P 107,666,912
Net changes in acquisition cost (see Note 27)	36,380,358	(8,685,106)	45,065,464
	P 155,758,660	P 3,026,284	P 152,732,376

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2022	Deferred Commission Expense	Deferred Commission Income	Net DAC
Balances, beginning	P 118,268,513	P 17,750,176	P 100,518,337
Net changes in acquisition cost (see Note 27)	1,109,789	(6,038,786)	7,148,575
	P 119,378,302	P 11,711,390	P 107,666,912

#### 16. Accrued Investment Income

This account represents accrued interest income from government securities amounting to P2,537,283 as of December 31, 2023 and P1,218,656 as of December 31, 2022.

#### 17. Other Assets

This account consists of:

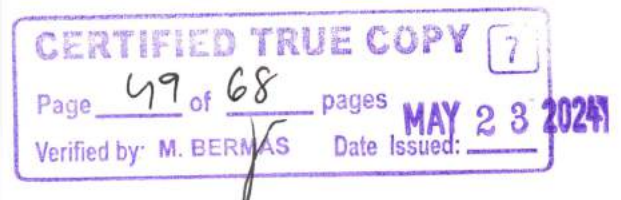
	2023	2022
Due from:		
Employees	P 13,154,512	P 12,423,745
Agents	5,794,871	1,670,394
Other loans and receivables	2,250,000	2,250,000
Software cost	26,630,700	23,922,886
Creditable withholding tax	310,743	47,532
Deposits	219,167	412,339
Prepayments	666,719	666,719
Security fund	65,908	65,908
	P 49,092,620	P 41,459,523

The descriptions of these accounts are as follows:

- Due from employees and Agents have a maturity of less than 12 months collectible through payroll deductions or commissions due.
- Other loans and receivable represents loans granted that are collateralized by real estate mortgaged. As of December 31, 2023, management believes that the balance of the loan is fully recoverable.
- Software cost represents the acquisition cost of Enterprise-wide system for Non-life Insurance which is carried at cost. The movements during the year of this account are as follows

	2023	2022
Cost		
Balance, January 1	P 23,922,886	P 21,893,100
Additions	5,738,613	2,029,786
Balance, December 31	29,661,499	23,922,886
Accumulated amortization		
Balance, January 1	-	-
Provision for amortization	3,030,799	-
Balance, December 31	3,030,799	-
Net carrying value	P 26,630,700	P 23,922,886

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- Creditable withholding tax pertains to the Company's tax withheld at source by its customers. These can be credited against the income tax liability of the Company.
- Prepayments include unused supplies and prepaid insurance.
- Deposits consist mainly of rental and utility deposits in relation to the Company's rental of office space.
- Security fund was created under Section 365 of Presidential Decree (PD) No. 612 as amended under PD No. 1640, to be used for payment of allowed claims against insolvent insurance companies. The balance of the fund amounting to P65,908 in 2023 and 2022 represents the Company's contribution to the fund. The balance of the fund earns interest at rates determined by the IC annually.

### 18. Reserve for Unearned Premiums

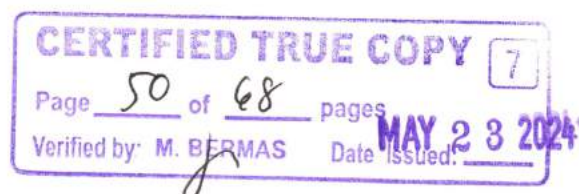
The analysis of this account is as follows:

	2023			2022		
	Gross Premium	Ceded Business	Net Retained	Gross Premium	Ceded Business	Net Retained
Balances, January 1	P 417,835,963	P 100,808,909	P 317,027,054	P 388,662,901	P 86,166,334	P 302,496,567
Policies Written						
During the Year	1,222,934,896	121,676,369	1,101,258,527	985,388,761	156,909,183	828,479,578
Premiums Earned						
During the Year	(1,163,650,177)	(163,381,193)	(1,000,268,984)	(956,215,699)	(142,266,608)	(813,949,091)
	P 477,120,682	P 59,104,085	P 418,016,597	P 417,835,963	P 100,808,909	P 317,027,054

In accordance with IC circular 2016-67, Premium liabilities for each class of business shall be determined as the higher of Unearned Premium Reserve (UPR) and Unexpired Risk Reserve (URR). UPR is calculated using the 24<sup>th</sup> method for all classes of business, on a gross of reinsurance basis. URR is calculated as the best estimate of future obligation, expenses for policy management and claims settlement cost. URR may be estimated as the unearned premium for each class of business multiplied by the ultimate loss ratio and adjusted for future expenses.

The comparative actuarial valuation result for premium liabilities for the year ended December 31, 2023 and 2022 is as follows:

	Gross	
	2023	2022
UPR (a)	P 477,120,682	P 417,835,963
URR (b)		
Best Estimate of Future Obligation	199,075,023	189,624,397
Maintenance Expenses	15,931,382	10,661,394
Claims Handling Expenses	1,476,773	1,057,507
Margin for Adverse Deviation	28,101,649	23,272,359
	244,584,827	224,615,657
Premium Liability (whichever is higher between a and b)	P477,120,682	P417,835,963





	Net of Reinsurance	
	2023	2022
UPR (a)	P 418,016,597	P 315,903,393
URR (b)		
Best Estimate of Future Obligation	162,640,169	133,106,910
Maintenance Expenses	15,931,382	10,623,626
Claims Handling Expenses	1,476,773	1,055,538
Margin for Adverse Deviation	19,080,211	15,545,052
	199,128,535	160,331,126
Premium Liability (whichever is higher between a and b)	P418,016,597	P315,903,393

## 19. Insurance Claims Payable

Outstanding claims become payable and materialize into claims paid when the amounts of insured losses suffered by policyholders are ascertained and agreed, without any contractual maturity date. The timing of future cash outflow arising from the provision is not ascertainable but is likely to fall within 3 years.

The provision is sensitive to many factors such as interpretation of circumstances, judicial decisions, economic conditions, climatic changes and is subject to uncertainties such as:

- Uncertainty as to whether an event that occurred could give rise to a policyholder suffering an insured loss;
- Uncertainty as to the extent of the policy coverage and limits applicable; and
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

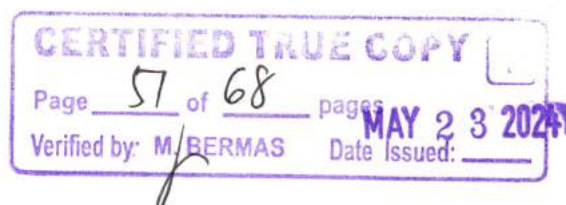
The analysis of this account is shown below:

	2023			2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Balances, January 1	P 268,943,882	P 92,446,753	P 176,497,129	P 324,791,311	P 182,805,284	P 141,986,027
Claims and Losses Incurred -						
Net of Recoveries	384,003,108	92,220,349	291,782,759	261,220,095	44,697,910	216,522,185
Provision for Incurred but not						
Reported Claims	141,521,717	27,608,014	113,913,703	137,194,240	25,917,354	111,276,886
Claims and Losses Paid -						
Net of Recoveries	(534,753,576)	(139,857,734)	(394,895,842)	(454,261,763)	(160,973,795)	(293,287,968)
	P 259,715,131	P 72,417,382	P 187,297,749	P 268,943,882	P 92,446,753	P 176,497,129

In accordance with IC circular 2016-67, claims liabilities for both direct business, assumed treaty and reinsurance business shall be calculated as the sum of outstanding claims reserve, claims handling expenses and IBNR.

Claims handling expenses is computed on a net insurance basis using the Kittle's Refinement to the Classical Paid-to-Paid Ratio Method that explicitly recognized that claims handling expenses is incurred as claims are reported, even if no loss payments are made.

Mfad is included to allow the inherent uncertainty of the best estimate of the policy reserves and to consider the variability of claims experience with a class of business, the diversification between classes of business and conservatism in the best estimate.



The actuarial valuation result for Claims Liabilities for the year ended December 31, 2023 and 2022 is as follows:

	Gross	
	2023	2022
Outstanding claims reserve	P 118,193,414	P 131,749,642
Claims handling expense	333,164	284,552
IBNR	116,720,750	126,081,981
Mfad	24,467,803	10,827,707
	<b>P 259,715,131</b>	<b>P 268,943,882</b>

	Net of Reinsurance	
	2023	2022
Outstanding claims reserve	P 73,384,046	P 65,220,243
Claims handling expense	333,164	295,741
IBNR	91,589,062	101,059,191
Mfad	21,991,476	9,921,954
	<b>P 187,297,748</b>	<b>P 176,497,129</b>

**20. Accounts Payable and Accrued Expenses**

This account consists of:

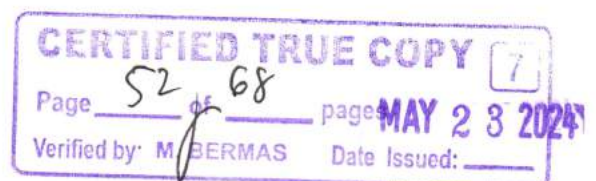
	2023	2022
Taxes and Social Security Costs Payable	P 168,744,181	P 142,134,139
Premium Deposits	3,412,356	3,039,559
Accrued Expenses	1,487,088	1,216,884
Income Tax Payable	-	7,007,902
Other liabilities	1,231,213	-
	<b>P 174,874,838</b>	<b>P 153,398,484</b>

The terms and conditions of these accounts are as follows:

*Taxes and Social Security Costs Payable* represent documentary stamps, net output vat, premium taxes and other local government taxes outstanding as of the Statement of Financial Position date.

*Premium Deposits* represent collection of advance premium payments for new and existing insurance policy renewals, subsequently offset from premium receivable upon policy issuance.

*Accrued Expenses* represent current liabilities due to various suppliers outstanding as of the Statement of Financial Position date, representing expenses, shared or otherwise direct expenses incurred in its normal course of operation.





## 21. Reinsurance Liabilities

The movements of this account are as follows:

	As of December 31, 2023		
	Due to reinsurers	Funds held for reinsurers	Total
Balance at the beginning of year	P 38,867,288	P 11,903,453	P 50,770,741
Additions	90,192,837	524,194	90,717,031
Reductions	(100,423,644)	(8,480,242)	(108,903,886)
Balance at the end of year	P 28,636,481	P 3,947,405	P 32,583,886

	As of December 31, 2022		
	Due to reinsurers	Funds held for reinsurers	Total
Balance at the beginning of year	P 52,197,442	P 44,460,485	P 96,657,927
Additions	67,829,290	10,479,800	78,309,090
Reductions	(81,159,444)	(43,036,832)	(124,196,276)
Balance at the end of year	P 38,867,288	P 11,903,453	P 50,770,741

## 22. Equity

### Share Capital

As at December 31, 2023 and 2022, the Company has an authorized share capital of P1 billion divided into 10 million shares at P100 par value per share.

The movement of the Company's share capital for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Balance at the beginning of the year	P 450,000,000	P 410,000,000
Issuance during the year	157,000,000	40,000,000
Balance at the end of the year	P 607,000,000	P 450,000,000

The issuances in 2023 and 2022 pertains to additional investments made by the stockholders of the Company.

As at December 31, 2023, the Company has 7 stockholders owning 100 or more shares each.

## 23. Insurance Contracts – Terms, Assumption and Sensitivities

### Terms and Conditions

The major classes of general insurance written by the Company include motor, property, casualty, marine and engineering. Risks under these policies usually cover a 12-month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and IBNR claims) are established to cover the ultimate cost of settling the liabilities with respect to claims that have occurred and are estimated based on known facts at the reporting date.

The provisions are reviewed quarterly as part of a regular ongoing process as claims experience develops; certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.



The measurement process primarily includes projections of future claims through the use of historical experience statistics. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar businesses are used in developing claims estimates. Claims provisions are separately analyzed by geographical area and class of business. In addition, relatively claims are usually assessed by third party Loss Adjusters engaged by the Company.

**Assumptions**

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions with respect to average claim costs, claim handling costs, claims inflation factors, and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions, climatic changes and government legislation affect the estimates. Other key assumptions include variation in interest and delays in settlement.

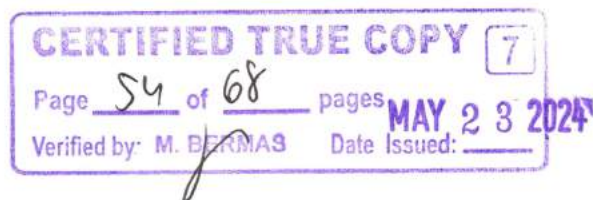
**Sensitivities**

The general insurance claims provision is sensitive to the above key assumptions. There are select sensitivities to certain variables such as legislative changes and inherent uncertainties in the estimation process which are impossible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate liabilities are recognized in subsequent financial statements.

Since certain proportional reinsurance facilities are in place, the Company's net exposure to these sensitivities is minimal. The Company considers that the liability recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome. Sensitivity tests are set out below, showing the impact on profit and loss and equity.

% change in loss ratio	Impact on income		Impact on equity	
	2023	2022	2023	2022
+5%	<b>+P50.0 million</b>	+P40.7 million	<b>+P37.5 million</b>	+P30.5 million
-5%	<b>- P50.0 million</b>	- P40.7 million	<b>- P37.5 million</b>	- P30.5 million

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WESTERN GUARANTY CORPORATION

Loss Development Table  
 Loss development table for the year 2023 and 2022, gross and net of the reinsurer's share is as follows:

Accident Year	Estimate of ultimate claim cost	Gross Insurance Contract Liabilities in 2023											
		End of Accident year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Ten years later	
2013 and prior	364,368,333	348,652,662	392,058,760	391,743,905	398,132,418	398,069,210	398,121,430	397,897,884	397,897,884	397,897,884	395,397,884	395,397,884	395,397,884
2014	176,656,392	203,987,687	204,540,776	205,056,705	205,056,705	205,056,705	205,056,705	205,056,705	205,056,705	205,056,705	205,056,705	205,056,705	205,056,705
2015	175,534,983	232,108,560	233,106,199	233,106,199	233,106,199	233,106,199	233,106,199	233,106,199	233,106,199	233,106,199	233,106,199	233,106,199	233,106,199
2016	175,500,067	240,118,718	238,993,439	246,205,198	245,913,698	244,635,698	244,635,698	243,698,198	243,698,198	243,698,198	243,698,198	243,698,198	243,698,198
2017	171,272,893	232,660,753	223,091,348	221,091,348	220,691,348	220,691,348	220,691,348	220,691,348	220,691,348	220,691,348	220,691,348	220,691,348	220,691,348
2018	260,090,113	351,949,146	363,962,239	362,447,312	362,422,856	362,422,856	362,422,856	362,422,856	362,422,856	362,422,856	362,422,856	362,422,856	362,422,856
2019	232,854,122	364,235,197	378,657,686	376,882,044	376,385,095	376,385,095	376,385,095	376,385,095	376,385,095	376,385,095	376,385,095	376,385,095	376,385,095
2020	343,227,380	394,908,324	403,270,541	416,025,247	-	-	-	-	-	-	-	-	-
2021	277,238,272	400,004,032	400,138,389	-	-	-	-	-	-	-	-	-	-
2022	287,074,999	334,577,580	-	-	-	-	-	-	-	-	-	-	-
2023	378,217,736	-	-	-	-	-	-	-	-	-	-	-	-
Total	378,217,736	334,577,580	400,138,389	416,025,247	376,385,095	362,422,856	220,691,348	243,698,198	232,657,038	205,056,705	395,397,884	395,397,884	395,397,884
Provision for IBNR and other reserves	141,521,717	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative payments to date	(285,310,793)	(321,115,459)	(401,485,301)	(411,829,647)	(375,382,044)	(362,422,856)	(220,691,348)	(243,698,198)	(232,657,038)	(205,056,705)	(393,425,073)	(393,425,073)	(393,425,073)
Liability recognized in the statements of financial position	P 234,428,660	P 13,462,121	P 4,673,088	P 4,195,400	P 893,051	P -	P -	P -	P -	P -	P 1,972,811	P 259,715,131	P 259,715,131

Accident Year	Estimate of ultimate claim cost	Net Insurance Contract Liabilities in 2023											
		End of Accident year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Ten years later	
2013 and prior	258,321,743	260,238,506	271,359,184	271,392,144	277,698,373	277,636,187	277,688,386	277,692,227	277,304,130	277,304,130	277,054,131	277,054,131	277,054,131
2014	120,924,785	143,461,312	146,227,453	144,771,481	145,227,453	144,771,481	145,122,694	144,771,481	144,771,481	144,771,481	144,771,481	144,771,481	144,771,481
2015	108,678,218	143,480,012	145,227,453	145,227,453	145,227,453	145,227,453	145,122,694	144,771,481	144,771,481	144,771,481	144,771,481	144,771,481	144,771,481
2016	110,162,605	170,672,491	175,825,289	179,453,693	179,413,713	178,650,028	178,650,028	178,420,651	178,420,651	178,420,651	178,420,651	178,420,651	178,420,651
2017	145,963,468	208,002,333	213,169,673	212,169,673	212,164,159	212,164,159	212,164,159	212,164,159	212,164,159	212,164,159	212,164,159	212,164,159	212,164,159
2018	163,100,270	243,978,625	256,090,291	255,651,659	255,845,667	255,845,667	255,845,667	255,845,667	255,845,667	255,845,667	255,845,667	255,845,667	255,845,667
2019	195,844,089	331,570,571	347,638,603	348,732,444	349,356,342	349,356,342	349,356,342	349,356,342	349,356,342	349,356,342	349,356,342	349,356,342	349,356,342
2020	173,862,563	248,307,622	257,278,563	253,673,658	-	-	-	-	-	-	-	-	-
2021	262,878,485	362,641,097	359,192,407	-	-	-	-	-	-	-	-	-	-
2022	202,760,971	267,509,751	-	-	-	-	-	-	-	-	-	-	-
2023	315,617,441	-	-	-	-	-	-	-	-	-	-	-	-
Total	315,617,441	267,509,751	359,192,407	253,673,658	349,356,342	255,845,667	212,164,159	178,420,651	145,122,694	144,771,481	277,054,131	277,054,131	277,054,131
Provision for IBNR and other reserves	113,913,703	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative payments to date	(251,723,909)	(262,688,351)	(357,365,223)	(251,675,276)	(348,421,094)	(255,845,667)	(212,164,159)	(178,420,651)	(145,122,694)	(144,771,481)	(276,916,033)	(276,916,033)	(276,916,033)
Liability recognized in the statements of financial position	P 177,777,235	P 4,821,401	P 1,827,184	P 1,798,884	P 936,248	P -	P -	P -	P -	P -	P 138,096	P 187,287,749	P 187,287,749

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WESTERN GUARANTY CORPORATION

Guarantee Contract Liabilities in 2022

Accident Year	End of Accident Year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Ten years later	Total
2012 and prior	242,246,163	212,154,363	213,047,513	213,132,553	212,817,748	212,821,218	212,758,012	212,810,231	212,586,686	212,586,686	212,586,686	212,586,686
2013	152,233,950	135,603,149	176,926,207	178,926,207	185,311,198	185,311,198	185,311,198	185,311,198	185,311,198	185,311,198	185,311,198	185,311,198
2014	176,055,362	203,987,587	204,540,776	205,036,705	205,036,705	205,036,705	205,036,705	205,036,705	205,036,705	205,036,705	205,036,705	205,036,705
2015	175,524,963	232,108,580	233,108,199	233,108,199	233,108,199	233,108,199	233,108,199	233,108,199	233,108,199	233,108,199	233,108,199	233,108,199
2016	175,500,067	240,118,718	236,993,439	246,205,198	245,913,348	244,635,698	244,635,698	244,635,698	244,635,698	244,635,698	244,635,698	244,635,698
2017	171,272,883	232,660,753	222,051,348	221,051,348	220,851,348	220,851,348	220,851,348	220,851,348	220,851,348	220,851,348	220,851,348	220,851,348
2018	260,090,113	351,943,146	363,982,239	362,447,312	362,422,856	-	-	-	-	-	-	-
2019	232,854,122	394,235,197	375,857,686	376,882,044	-	-	-	-	-	-	-	-
2020	343,227,360	394,908,324	403,270,941	-	-	-	-	-	-	-	-	-
2021	277,236,272	400,004,032	-	-	-	-	-	-	-	-	-	-
2022	267,074,959	400,004,032	403,270,941	376,882,044	362,422,856	220,851,348	244,635,698	232,657,038	205,036,705	185,311,198	212,586,686	8,110,753,545
Total	2,677,194,240	3,774,185,155	3,889,305,128	3,753,382,044	3,624,222,856	2,208,851,348	2,446,688,198	2,326,657,038	2,050,036,705	1,853,311,198	2,088,798,323	13,717,194,240
Provision for BNR and other reserves	137,194,240	-	-	-	-	-	-	-	-	-	-	-
Liability recognized in the statements of financial position	222,935,328	28,817,877	13,965,813	1,500,000	-	-	937,500	-	-	-	3,787,363	298,943,882

Net Insurance Contract Liabilities in 2022

Accident Year	End of Accident Year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Ten years later	Total
2012 and prior	151,547,965	157,521,802	158,250,592	158,483,213	158,516,174	158,519,644	158,456,438	158,508,657	158,512,488	158,124,402	158,124,402	158,124,402
2013	100,798,941	101,987,814	112,875,970	112,875,970	118,178,729	118,178,729	118,178,729	118,178,729	118,178,729	118,178,729	118,178,729	118,178,729
2014	120,824,765	143,401,312	144,246,615	144,771,481	144,771,481	144,771,481	144,771,481	144,771,481	144,771,481	144,771,481	144,771,481	144,771,481
2015	108,678,218	143,480,012	143,227,453	143,227,453	145,227,453	145,227,453	145,122,694	145,122,694	145,122,694	145,122,694	145,122,694	145,122,694
2016	110,152,605	170,672,491	175,825,289	178,453,603	178,413,913	178,695,026	178,603,083	178,603,083	178,603,083	178,603,083	178,603,083	178,603,083
2017	145,983,468	208,002,333	213,169,873	213,169,873	212,164,159	212,164,159	-	-	-	-	-	-
2018	163,100,270	243,978,625	256,080,291	255,851,659	255,845,967	-	-	-	-	-	-	-
2019	195,844,069	331,570,571	347,638,603	348,732,644	-	-	-	-	-	-	-	-
2020	173,862,563	248,307,622	257,278,563	-	-	-	-	-	-	-	-	-
2021	252,878,485	352,641,097	-	-	-	-	-	-	-	-	-	-
2022	191,725,835	352,641,097	257,278,563	348,732,644	255,845,967	212,164,159	178,603,083	145,122,694	144,771,481	118,178,729	158,124,402	2,364,180,554
Total	1,917,725,835	2,521,041,097	2,572,785,563	2,584,421,094	2,555,845,967	2,121,164,159	1,786,603,083	1,451,122,694	1,144,771,481	1,119,178,729	1,157,736,305	11,117,725,835
Provision for BNR and other reserves	111,276,886	-	-	-	-	-	-	-	-	-	-	-
Liability recognized in the statements of financial position	163,211,300	6,163,567	6,240,181	311,550,000	-	-	182,432,480	-	-	-	388,096,760	176,487,129

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## 24. Premiums

Analysis of premiums is as follows:

2023	Direct and Assumed	Ceded Business	Net Premiums Retained
Premiums Written	P 1,222,934,896	P 121,676,369	P 1,101,258,527
Changes in Unexpired Risk	(59,284,719)	41,704,824	(100,989,543)
<b>Net</b>	<b>P 1,163,650,177</b>	<b>P 163,381,193</b>	<b>P 1,000,268,984</b>

2022	Direct and Assumed	Ceded Business	Net Premiums Retained
Premiums Written	P 985,388,761	P 156,909,183	P 828,479,578
Changes in Unexpired Risk	(29,173,062)	(14,642,575)	(14,530,487)
<b>Net</b>	<b>P 956,215,699</b>	<b>P 142,266,608</b>	<b>P 813,949,091</b>

## 25. Interest and Other Investment Income, Net

Interest and other investment income consist of:

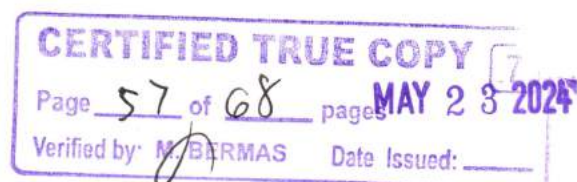
	2023	2022
Interest Income		
HTM Financial Assets	P 14,218,666	P 10,345,266
Cash and Cash Equivalents (see Note 8)	355,175	320,883
Short-term Investments (see Note 9)	596,407	212,034
Others	667,015	606,982
Dividend Income (see Note 10)	314,240	255,430
Loss on Sale of Available-for-Sale Investments (see Note 10)	-	(1,096,222)
Gain (Loss) on Foreign Exchange	(186,747)	48,268
Rental Income (see Note 13)	472,166	224,075
	<b>P 16,436,922</b>	<b>P 10,916,716</b>

## 26. Claims, Losses and Adjustment Expenses Paid

Analysis of claims, losses and adjustment expenses paid is as follows:

	December 31, 2023		
	Direct and Assumed	Recoveries	Net
Claims and Losses	P 527,850,820	P 138,227,479	P 389,623,341
Loss Adjustment Expenses	6,902,756	1,630,255	5,272,501
	<b>P 534,753,576</b>	<b>P 139,857,734</b>	<b>P 394,895,842</b>

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December 31, 2022

	Direct and Assumed	Recoveries	Net
Claims and Losses	P 448,480,591	P 160,973,795	P 287,506,796
Loss Adjustment Expenses	5,781,172	-	5,781,172
	P 454,261,763	P 160,973,795	P 293,287,968

#### 27. Commission Expense and Commission Income

The composition of this account is as follows:

	2023		2022	
	Commission Expense	Commission Income	Commission Expense	Commission Income
Direct Business	P 276,794,799	P -	P 177,356,680	P -
Reinsurance Business	6,910,764	6,958,809	17,842,478	30,555,351
Total	283,705,563	6,958,809	195,199,158	30,555,351
Increase/(Decrease) in DAC/DCI (see Note 15)	(36,380,358)	8,685,106	1,109,789	(6,038,786)
	P 247,325,205	P 15,643,915	P 196,308,947	P 24,516,565

Standard commission rate for direct and reinsurance business ranges from 5% to 37.5%.

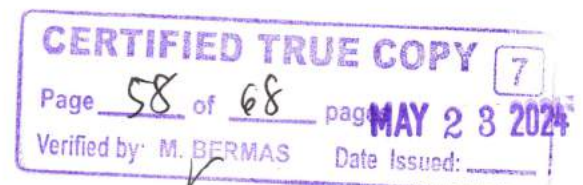
#### 28. General and Administrative Expenses

General and administrative expenses consist of:

	2023	2022
Salaries and Allowances	P 155,313,616	P 104,850,904
Advertising and Promotions	18,467,571	10,155,710
Depreciation and Amortization (see Notes 14 and 17)	14,250,408	12,288,299
Employee Welfare and Other Benefits	14,023,330	9,493,207
Rent (see Note 31)	12,865,725	12,254,233
Transportation and Travel	12,751,367	12,794,424
Representation and Entertainment	9,789,905	5,794,169
Repairs and Maintenance	9,431,990	7,274,412
Communication and Postage	7,119,169	7,322,050
Printing and Office Supplies	6,741,370	6,149,862
Taxes and Licenses	6,587,283	2,117,748
Audit and Legal Fees	4,963,131	2,764,758
Retirement (see Note 29)	3,743,556	4,367,482
Light and Water	2,254,159	3,796,049
Training and Development	1,634,050	1,011,117
Association and Pool Dues	1,342,758	2,401,667
Bank Charges	1,001,756	923,431
Insurance	453,597	1,226,744
Miscellaneous	5,916,789	7,397,175
	P 288,651,530	P 214,383,441

Miscellaneous expenses consist mainly of assessment fees paid to Insurance Commission, funeral contributions for its employees, and expenses incurred by its skeletal force workers.

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## 29. Retirement Benefit Cost

On May 1, 1999, the Company established the Western Guaranty Corporation Retirement Plan (the Plan), a non-contributory and defined benefit type retirement plan. Membership in the Plan is automatic for all officers and employees of the Company who are considered having regular employment status. Normal retirement is upon attainment of 60 years old with at least five years of credited service. Late retirement may allowed up to the age of 70 years old. Early retirement may be allowed subject to the consent of the Company, provided a member has completed at least 5 years of credited service.

Retirement benefit is equivalent to 22.5 days pay for every year of credited service. The benefit is paid in lump sum upon retirement or separation in accordance with the terms of the plan. Contribution to the plan and earnings thereof are managed by a trustee. The Plan has no specific matching strategy between the Plan asset and the Plan liabilities. The Company is not required to pre-fund the defined benefit obligation payable under the plan before they become due. The amount and timing of contribution to the plan asset are at the Company's discretion. However, in the event a benefit claim arises and the plan asset is insufficient to pay the claim, the shortfall will then be due and payable to the plan asset.

Annual normal cost amounted to P3,743,556 and P4,367,482 in 2023 and 2022, respectively. As of December 31, 2023 and 2022, the plan asset amounted to P26,633,109 and P26,431,840 which is equivalent to the retirement benefit obligation at year end. Normal cost is computed using the Projected Unit Credit Method. Under this method, annual normal cost is the present value of retirement benefits payable in the future in respect of services in the current period.

The composition of plan asset is as follows:

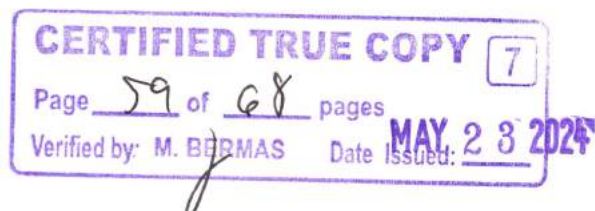
	2023		2022	
Cash and cash equivalents	P	1,395,000	P	632,074
Government and other securities		24,997,855		25,566,085
Accrued interest		274,475		268,218
Accrued expenses		(34,221)		(34,537)
	P	26,633,109	P	26,431,840

Plan assets are valued by the fund manager at fair value using the mark-to-market valuation. The Company contributes to the fund based on a funding valuation as recommended by an actuary.

The changes in plan assets are as follows:

	2023		2022	
Balance at the beginning of the year	P	26,431,840	P	22,501,841
Contributions during the year		3,743,556		4,367,482
Retirement benefits paid		(5,439,000)		-
Net income (loss)		1,896,713		(437,483)
	P	26,633,109	P	26,431,840

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Actuarial assumptions used to determine retirement benefits in 2023 and 2022 are as follows:

Rate of investment	5%
Salary projection rate	5%
Number of lives covered	57
Funding method	Project unit credit
Mortality rate	The 2001 CSO Generational (Scale AA, Society of Actuaries)
Disability rate	The Disability Study, Period 2, Benefit 5 (Society of Actuaries)

### 30. Income Taxes

The major components of provision for income tax for the years ended December 31, 2023 and 2022 are as follows:

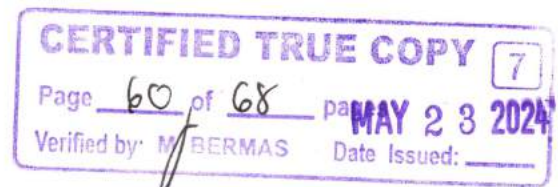
	2023		2022	
Current	P	15,900,338	P	25,168,161
Deferred		(725,336)		(89,044)
	P	15,175,002	P	25,079,117

The reconciliation of the provision for income tax to the taxable income computed at the applicable statutory tax rates is as follows:

	2023		2022	
Statutory income tax	P	19,671,738	P	27,445,771
Adjustments for:				
Non-taxable income and income subject to final tax		(5,432,626)		(2,509,348)
Nondeductible expenses		935,890		142,694
Actual provision for income tax	P	15,175,002	P	25,079,117

Significant components of the Company's deferred tax assets and liabilities recognized in the financial statements is as follows:

	2023		2022	
<b>Deferred Tax Assets</b>				
Allowance for impairment				
Reinsurance assets	P	439,107	P	439,107
Premium receivables		566,342		566,342
Provision for IBNR losses		659,204		-
Effect of PFRS 16		51,597		44,219
Unrealized loss on foreign exchange		46,687		-
		1,762,937		1,049,668
<b>Deferred Tax Liabilities</b>				
Unrealized gain on foreign exchange		-		12,067
Revaluation reserve on property and equipment		13,778,892		13,778,892
		13,778,892		13,790,959
<b>Net Deferred Tax Liabilities</b>	P	12,015,955	P	12,741,291





The movement of the Company's deferred taxes as of December 31, 2023 and 2022 are as follows:

	As of December 31, 2023				
	Beginning	Changes taken to		Equity	Ending
	P	P	P	P	P
Deferred tax assets	1,049,668	713,269	-	-	1,762,937
Deferred tax liabilities	(13,790,959)	12,067	-	-	(13,778,892)
	P (12,741,291)	P 725,336	P -	P -	P (12,015,955)

	As of December 31, 2022				
	Beginning	Changes taken to		Equity	Ending
	P	P	P	P	P
Deferred tax assets	1,080,626	(30,958)	-	-	1,049,668
Deferred tax liabilities	(8,495,171)	120,002	(5,415,790)	-	(13,790,959)
	P (7,414,545)	P 89,044	P (5,415,790)	P -	P (12,741,291)

### 31. Other Significant Matters

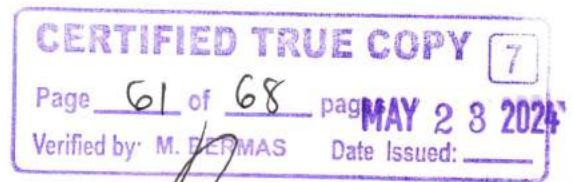
#### 1. Deferral of adoption of PFRS 9

##### *Deferral of adoption of PFRS 9*

In 2023 and 2022, the Company continues to apply the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 *Applying PFRS 9 with PFRS 4* issued in 2016. The temporary exemption from applying the PFRS 9 is applicable until the mandatory effectivity of PFRS 17 for entities whose activities are predominantly connected with issuing contracts within the scope of PFRS 4. The predominance test, as required by the standard, was performed using the Statement of financial position as of December 31, 2018. Accordingly, the Company's gross liabilities arising from insurance contracts within the scope of PFRS 4 is equivalent to 81% of the total carrying amount of all its liabilities. No re-assessments have been performed at subsequent date because there was no substantial change in the business of Company that would require such re-assessment.

As the Company is eligible to apply the temporary exemption from applying PFRS 9, the Board of Directors decided to align the effective date of PFRS 9 to the mandatory adoption date of PFRS 17. The following information on fair value disclosure, credit risk exposure and credit concentrations are presented as required by the amended standard.

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The fair value of financial assets at December 31, 2023 and 2022 classified between those that meet and those that does not meet the Solely Payment of Principal and Interest (SPPI) criteria and the changes in fair value are presented as follow:

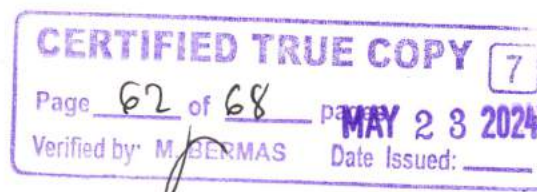
	Fair values as of December 31, 2023		Fair values as of December 31, 2022	
	Meets the SPPI test	Does not meet the SPPI test	Meets the SPPI test	Does not meet the SPPI test
Cash and cash equivalents	P 185,727,513	P -	P 136,001,740	P -
Short-term investments	37,857,874	-	40,766,848	-
FVPL	75,478,936	-	-	-
HTM	381,512,505	-	335,029,086	-
AFS	-	21,344,550	-	24,364,525
Insurance-related receivables	1,083,516,906	-	1,054,337,001	-
Accrued investment income	2,537,283	-	1,218,656	-
Other loans and receivables	21,199,383	-	16,344,139	-
Deposits	219,167	-	412,339	-
Security fund	65,908	-	65,908	-
	<b>P 1,788,115,475</b>	<b>P 21,344,550</b>	<b>P 1,584,175,717</b>	<b>P 24,364,525</b>

Financial assets that meet the SPPI criteria in PFRS 9 are those whose cash flows comprise solely payments of principal and interest on principal outstanding.

Information about the credit risk exposure of financial assets that meets the SPPI test is as follows:

	As of December 31, 2023				
	Neither Past Due nor Impaired		Past Due but		Total
	Rated	Unrated	Unimpaired	Impaired	
Cash and cash equivalents	P 185,727,513	P -	P -	P -	P 185,727,513
Short-term investments	37,857,874	-	-	-	37,857,874
FVPL	75,478,936	-	-	-	75,478,936
HTM	381,512,505	-	-	-	381,512,505
Insurance-related receivables	1,079,495,111	-	-	4,021,796	1,083,516,906
Accrued investment income	2,537,283	-	-	-	2,537,283
Other loans and receivables	21,199,383	-	-	-	21,199,383
Deposits	219,167	-	-	-	219,167
Security fund	65,908	-	-	-	65,908
	<b>P1,784,093,680</b>	<b>P -</b>	<b>P -</b>	<b>P 4,021,796</b>	<b>P1,788,115,475</b>

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As of December 31, 2022

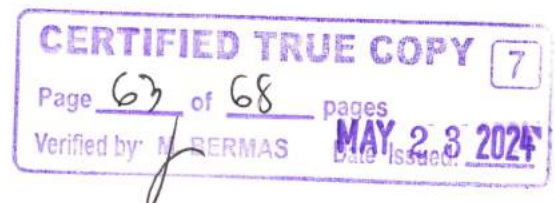
	Neither Past Due nor Impaired		Past Due but		Total
	Rated	Unrated	Unimpaired	Impaired	
Cash and cash equivalents	P 136,001,740	P -	P -	P -	P 136,001,740
Short-term investments	40,766,848	-	-	-	40,766,848
HTM	335,029,086	-	-	-	335,029,086
Insurance-related receivables	1,050,315,206	-	-	4,021,796	1,054,337,001
Accrued investment income	1,218,656	-	-	-	1,218,656
Other loans and receivables	16,344,139	-	-	-	16,344,139
Deposits	412,339	-	-	-	412,339
Security fund	65,908	-	-	-	65,908
	P 1,580,153,922	P -	P -	P 4,021,796	P 1,584,175,717

Information about the credit concentration of financial assets that meets the SPPI test is as follows:

	December 31, 2023			
	Government	Financial		Total
		Institutions	All others	
Cash and cash equivalents	P -	P 185,727,513	P -	P 185,727,513
Short-term investments	-	37,857,874	-	37,857,874
FVPL	-	75,478,936	-	75,478,936
HTM	369,262,505	-	12,250,000	381,512,505
Insurance-related receivables	-	-	1,083,516,906	1,083,516,906
Accrued investment income	2,537,283	-	-	2,537,283
Other loans and receivables	-	-	21,199,383	21,199,383
Deposits	-	-	219,167	219,167
Security fund	-	-	65,908	65,908
	P 371,799,788	P 299,064,323	P 1,117,251,364	P 1,788,115,475

	December 31, 2022			
	Government	Financial		Total
		Institutions	All others	
Cash and cash equivalents	P -	P 136,001,740	P -	P 136,001,740
Short-term investments	-	40,766,848	-	40,766,848
HTM	317,779,086	-	17,250,000	335,029,086
Insurance-related receivables	-	-	1,054,337,001	1,054,337,001
Accrued investment income	1,218,656	-	-	1,218,656
Other loans and receivables	-	-	16,344,139	16,344,139
Deposits	-	-	412,339	412,339
Security fund	-	-	65,908	65,908
	P 318,997,742	P 176,768,588	P 1,088,409,387	P 1,584,175,717

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## 2. Contingencies

In the normal course of business, the Company may become defendant in lawsuits involving settlement of insurance claims. The Company recognized adequate provisions in its books to cover possible losses that may be incurred on these claims. In the opinion of management, liabilities arising from these claims, if any, will not have material effect on the Company's financial position and will have no material impact in the financial statements, taken as a whole.

## 3. Lease Agreements

The Company is a lessee to the following lease agreements:

- (i) Contract of lease for its head office located at Quintin Paredes St., in Binondo, Manila;
- (ii) Contract of lease for its Branch Office located at Cebu City; Santiago City, Isabela; Santa Rosa City, Laguna; Dagupan City, Pangasinan; Gen. Hughes Street, Iloilo City; Cagayan de Oro; Bajada, Davao City; Cauayan, Isabela; Calbayog City, Samar; Ayala Avenue, Makati City; and Fordland 1, Bacolod City.

The lease terms are for a period of 1 to 5 years. Significant terms and conditions of the lease contracts include (i) payment of monthly rent (ii) Payment of security deposit (iii) Annual escalation clause of rental rates (iv) Fit-out period and (v) restriction of use, among others.

### *Lease liability*

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023		2022	
Balance at beginning of year	P	2,253,073	P	3,984,153
Lease inceptions		6,207,048		-
Interest expense		373,597		180,727
Cash flows:				
Principal		(3,553,177)		(1,731,080)
Interest		(373,597)		(180,727)
Balance at end of year		4,906,944		2,253,073
Less: Current Portion		2,349,161		1,002,547
Non-current portion	P	2,557,783	P	1,250,526

### *Right-of-use asset*

Set out below are the carrying amounts of right-of-use assets and the movements during the period:

	2023		2022	
Cost				
At January 1	P	5,408,670	P	5,408,670
Lease inception		6,207,048		-
At December 31		11,615,718		5,408,670
Accumulated Depreciation				
At January 1		4,139,486		2,532,239
Provisions		2,775,675		1,607,247
At December 31		6,915,161		4,139,486
	P	4,700,557	P	1,269,184



*Amounts recognized in statement of comprehensive income*  
Set out below, are the amounts recognized in the statement of comprehensive income:

	2023	2022
Rent expense relating to short-term leases	P 12,865,725	P 12,254,233
Depreciation expense of right-of-use asset	2,775,675	1,607,247
Interest expense on lease liability	373,597	180,727

4. Current Assets and Liabilities Distinction

The Company's current assets and current liabilities are presented below:

	2023	2022
<b>Current Assets</b>		
Cash and Cash Equivalents	P 189,327,513	P 139,211,740
Short-term Investments	37,857,874	40,766,848
Insurance and Reinsurance Assets	1,138,599,196	1,151,124,114
Financial Assets - HTM	27,250,000	164,046,652
Deferred Acquisition Cost	155,758,660	119,378,302
Accrued Investment Income	2,537,283	1,218,656
Other Assets	22,176,845	17,058,390
	P 1,573,507,371	P 1,632,804,702
<b>Current Liabilities</b>		
Reserve for Unearned Premiums	P 477,120,682	P 417,835,963
Insurance Claims Payable	259,715,131	268,943,882
Accounts Payable and Accrued Expenses	174,874,837	153,398,484
Reinsurance Liabilities	32,583,886	50,770,741
Deferred Commission Income	3,026,284	11,711,390
Lease Liability	2,349,161	1,002,547
	P 949,669,981	P 903,663,007

The Company classifies all other assets and liabilities as non-current.

An asset is current when it is:

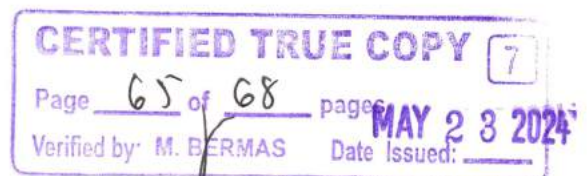
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the end of the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle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

The Company classifies all other assets as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as non-current.



**32. Supplementary Information Required under Revenue Regulations 15-2010**

The Bureau of Internal Revenue (BIR) issued Revenue Regulations 15-2010 which requires additional tax information to be disclosed in the Notes to Financial Statements. The following information covering the calendar year ended December 31, 2023 is presented in compliance thereto.

- The output tax on premiums declared in the Company's 2023 VAT returns amounted to P55,800,323 based on gross receipts of P465,002,689

The Company pays VAT output tax based on amount collected. Furthermore, premiums from reinsurance business are exempt from VAT in accordance with RR 4-2007.

- The VAT input tax claimed is broken down as follows:

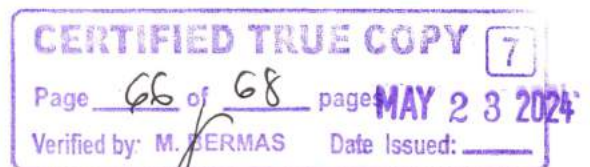
Balance at the beginning of the year	P	-
Current year domestic purchases/payments for:		
Goods and services		31,203,757
Applied against output tax		(31,203,757)
	P	-

- The premium tax on personal accident insurance paid and accrued amounted to P1,244,689.
- The documentary stamp tax paid/accrued for insurance policies amounted to P29,750,841.
- The amounts of withholding tax payments, by category are as follows:

Expanded withholding tax	P	20,816,372
Tax on compensation and benefits		8,644,362
Final tax		60,261

- As of December 31, 2023, the Company has received a Letter of Authority with the Bureau of Internal Revenue covering taxable year 2022.
- The details of taxes and licenses presented under administrative expenses in the Company's statement of comprehensive income are as follows:

Business permits and other licenses	P	5,340,059
Real property tax		1,155,020
LTO vehicle registration		92,204
	P	6,587,283






***Independent Auditors' Report on Other Regulatory Requirements***

The Board of Directors and Stockholders  
**WESTERN GUARANTY CORPORATION**  
11<sup>th</sup> floor ETY Building  
484 Quintin Paredes St.  
Binondo, Manila

We have audited the accompanying financial statements of **WESTERN GUARANTY CORPORATION** (the Company) for the year ended December 31, 2023, on which we have rendered the attached report dated April 15, 2024. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole.

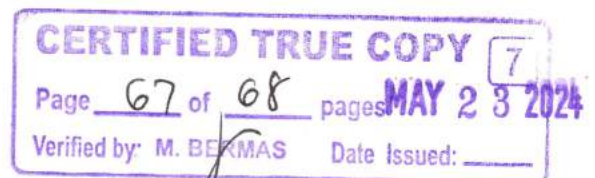
The information contained in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of additional analysis and not a required part of the basic financial statements but supplementary information required by the Revised Securities Regulation Code Rule 68. Such information has been subjected to the auditing procedures applied in our audit and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**R. R. TAN AND ASSOCIATES, CPAs**



By: **CHESTER NIMITZ F. SALVADOR**  
Partner  
CPA Certificate No. 129556  
Tax Identification No. 307-838-154  
PTR No. 173935, January 5, 2024, Pasig City  
BIR Accreditation No. 07-100488-001-2022, valid until May 30, 2025

April 15, 2024  
Pasig City



**Reconciliation of Retained Earnings Available for Dividend Declaration**  
DECEMBER 31, 2023

**WESTERN GUARANTY CORPORATION**  
11th Floor, ETY Building 484 Quintin Paredes St., Binondo, Manila



**Securities and Exchange Commission**  
PHILIPPINES

<b>Unappropriated Retained Earnings, beginning of reporting period</b>	<b>697,642,244</b>
<b>Add: Category A: Items that are directly credited to Unappropriated Retained Earnings</b>	
Reversal of Retained Earnings Appropriation/s	-
Effect of restatements or prior-period adjustments	-
Others	-
<b>Less: Category B: Items that are directly debited to Unappropriated Retained Earnings</b>	
Dividend declaration during the reporting period	-
Retained Earnings appropriated during the reporting period	-
Effect of restatements or prior-period adjustments	-
Others	-
<b>Unappropriated Retained Earnings, as adjusted</b>	<b>697,642,244</b>
<b>Add/Less: Net Income (loss) for the current year</b>	<b>63,511,949</b>
<b>Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)</b>	
Equity in net income of associate/joint venture, net of dividends declared	-
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Unrealized fair value gain of Investment Property	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Subtotal	-
<b>Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)</b>	
Realized foreign exchange gain, except those attributable to cash and cash equivalents	-
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Realized fair value gain of Investment Property	-
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Subtotal	-
<b>Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)</b>	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Reversal of previously recorded fair value gain of Investment Property	-
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	-
Subtotal	-
<b>Adjusted Net Income/Loss</b>	<b>-</b>
<b>Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)</b>	
Depreciation on revaluation increment (after tax)	-
Subtotal	-
<b>Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP</b>	
Amortization of the effect of reporting relief	-
Total amount of reporting relief granted during the year	-
Others	-
Subtotal	-
<b>Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution</b>	
Net movement of treasury shares (except for reacquisition of redeemable shares)	-
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(725,336)
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-
Others	-
Subtotal	(725,336)
<b>Total Retained Earnings, end of the reporting period available for dividend</b>	<b>P 760,428,857</b>

**CERTIFIED TRUE COPY**  
Page 68 of 68 pages  
Verified by: M. BERMAS Date Issued: MAY 23 2024